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

## **FY2018 Financial Review and FY2019 Business Plan**

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April 10, 2019

**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.

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# **FY2018 Financial Review and FY2019 Quantitative Plans**

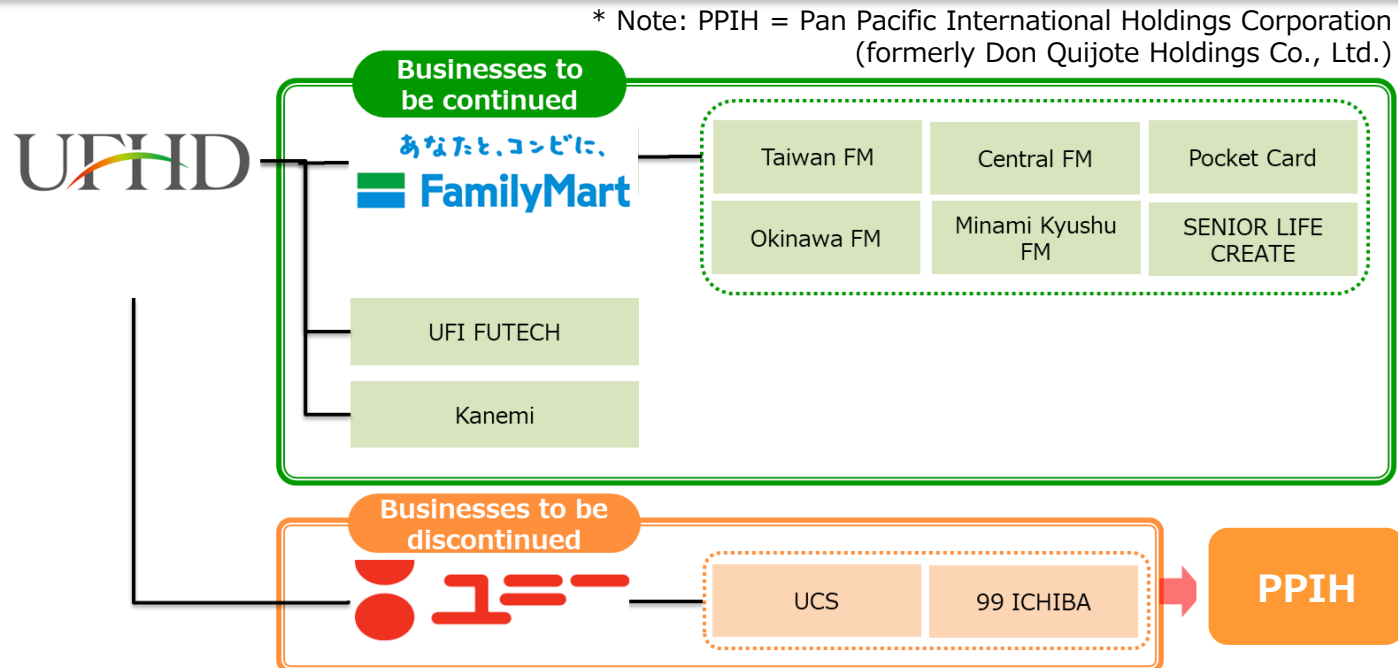
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Director, Senior Managing Executive Officer, CFO  
Kunihiro Nakade

# Transfer of Shares in UNY CO., LTD. and Merger with FamilyMart Co., Ltd.

## <January 2019>

Following the transfer of all shares in UNY CO., LTD., the businesses of UNY CO., LTD. and its subsidiaries have been classified as discontinued operations, starting from the third quarter.



## <September 2019>

### FamilyMart UNY Holdings Co., Ltd.



Change trade name to FamilyMart Co., Ltd.



Absorption-type merger

FamilyMart Co., Ltd.

\* The trade name change will be made based on the assumption of a resolution to revise the Company's articles of incorporation at the Ordinary General Meeting of Shareholders scheduled to take place on May 28.

# Financial Results of FY2018

## HD consolidated, P/L, IFRS

Unit: Billions of yen

Business to be continued

	FY2017 Results	FY2018		
		Results	YoY	Revision (April 3) Difference with forecast
Gross operating revenues	637.0	617.2	▲ 19.8	0.2
Core operating profit	41.7	51.6	9.9	0.1
Profit before tax	5.9	4.2	▲ 1.7	0.2
Profit	36.6	57.3	20.8	-
Profit from continuing operations	18.4	24.8	6.4	-
Profit from discontinued operations	18.2	32.5	14.4	-
Profit attributable to owners of parent	33.7	45.4	11.7	1.4

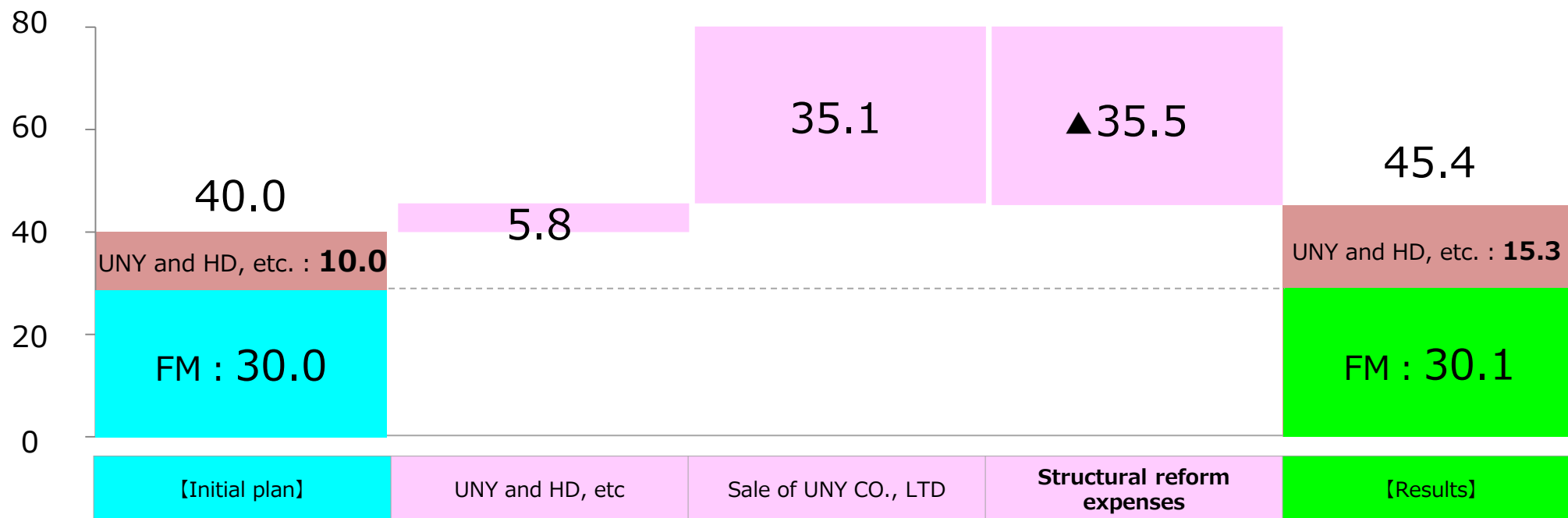
### Increases in both core operating profit and profit attributable to owners of parent

- 【Reasons】①Increase in revenue following improved daily sales and brand converted stores, decrease in costs as a result of closing unprofitable stores.  
 ②Sale of UNY CO., LTD. and structural reforms that leveraged benefits of tax effects.

# Financial Results of FY2018

## Reasons for increase/decrease in profit attributable to owners of parent (HD)

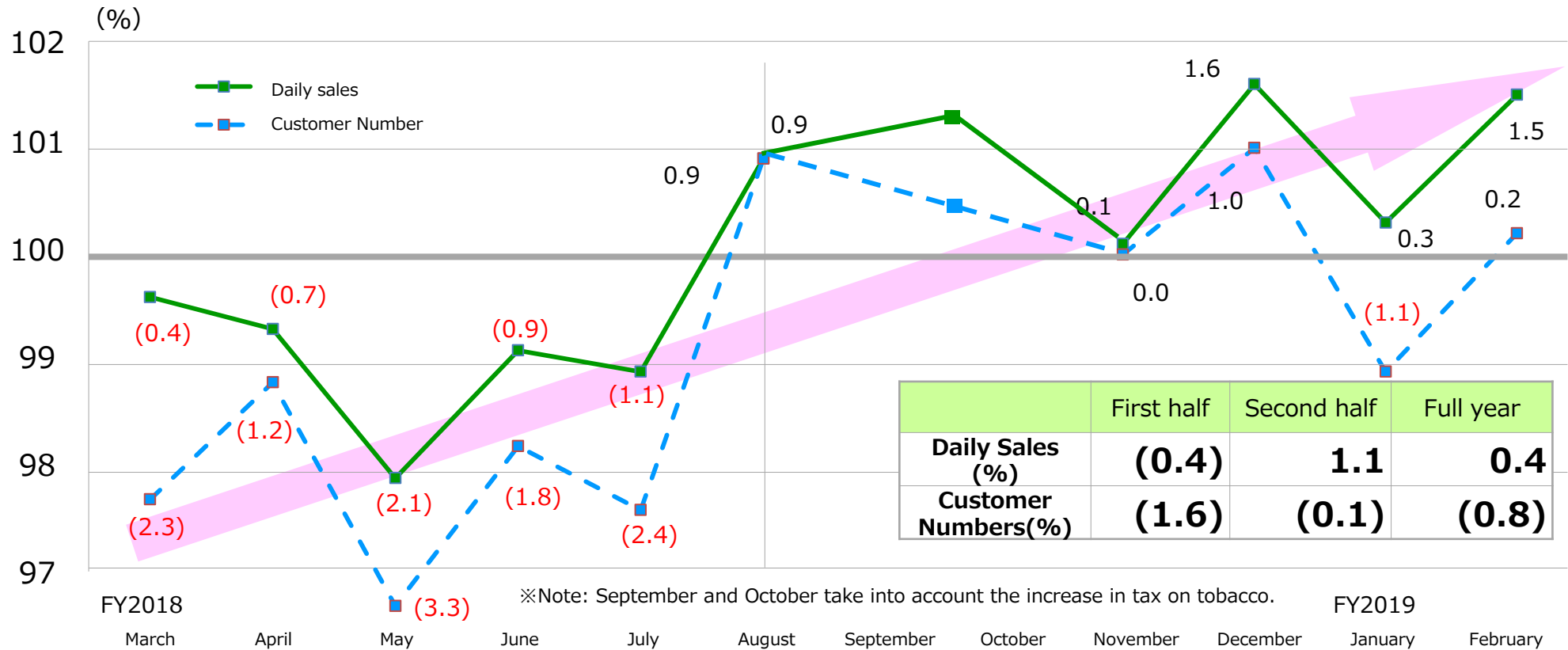
Unit: Billions of yen



### Structural reform expenses

① Impairment Losses including goodwill associated with merger	:	19.9	Billions of yen	
② Additional closing of and impairment losses associated with unprofitable stores	:	3.6	Billions of yen	
③ Additional provisions for overseas businesses	:	3.6	Billions of yen	
④ Expenses related to moving forward improvements to store facilities, etc.	:	7.3	Billions of yen	①~④ FM total : 34.4 Billions of yen
⑤ HD-related impairment losses	:	1.1	Billions of yen	①~⑤ HD total : 35.5 Billions of yen

# FY2018 Trend in Daily Sales and Customer Numbers at Existing Stores (FM)



August: Full-scale implementation of new marketing strategy (commercials featuring Shingo Katori)

September: Renewal and enhancement of "Mothers Kitchen" brand

October: Start of introduction of new coffee machines

November: Completion of brand conversion

November: Start of strategy to incorporate a wider variety of barcode payment services

January: Further addition of barcode payment services

**Positive turnaround from August due to the success of sales promotions and product-related initiatives**

# Review of Key Initiatives in FY2018

## Reinforcement of store foundations

### ① Brand conversion: Completed in November

- Cumulative total of converted stores: 5,003
- Daily sales after conversion: ¥503,000
- Sales comparison with before conversion: +10%

### ② Newly established FM stores: Record-high daily sales

	New	Build-and-scrap (B&S)	Total
Number of opened stores	<b>130Stores</b>	<b>362Stores</b>	<b>492Stores</b>
Daily sales at new stores	<b>¥536,000 (YoY difference+¥33,000)</b>		

### ③ Closing of unprofitable stores and promotion of B&S strategy

<Trend in store closings/openings after conversion>

Unit:Stores

		2016 second half	2017 full year	2018 full year	Total
Closed stores	Total	520	1,434	1,362	<b>3,316</b>
	Simple closing	364	1,119	1,000	2,483
	B&S	156	315	362	833
Opened stores	New	278	261	130	669

- 3,300 stores closed after integration
  - Profit improvements
  - Relocations based on optimal city layouts
- Continuous opening of stores in carefully selected locations
- B&S promotion

\* Excluding brand conversion. B&S store closings only factor in the number of stores that reopened during the period

# Review of Key Initiatives in FY2018

## Enhancing product competitiveness

### ① Introduction of new coffee machines

Number of introduced machines  
**6,400**

YoY sales at stores with machines  
Introduced  
**+10%**



### ② Structural reform in ready-to-eat items

Rice balls and boxed lunches  
YoY sales  
**+1%**



「Rice balls using “super barley”」  
5,000 items sold



「Special boxed lunch」  
No. 1 best seller

## Reinforcing marketing capabilities

### Enhancement of “Mothers Kitchen” brand

Prepared dishes  
YoY sales **+20%**



Number of **female** customers in their 30s-50s  
**+20%**

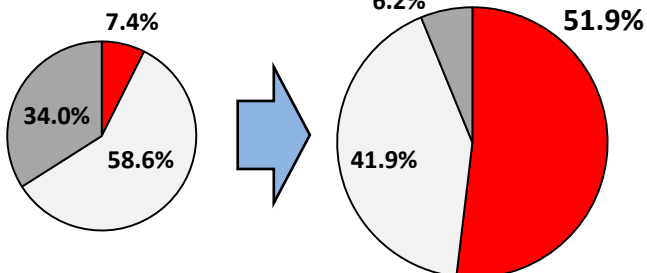
## Enhancing efficiency of store operations

### Survey of franchised stores

Franchise stores that feel their workload has decreased

End of FY2017

End of FY2018



Working hours at stores:  
**-5.5 hours**

\* Reduced hours per day

Eliminating need for product inspection



1 hour

Seven-liter fryer



1 hour

Self-checkout registers



1 hour

Money counters



0.5 hours

New pullout shelves



2 hours

Decreased No change Increased



# FY2019 Quantitative Forecasts

HD consolidated, P/L, IFRS

Unit: Billions of yen

	FY2019	
	Plan	YoY
Gross operating revenues	525.0	▲ 92.2
Core operating profit*	65.0	13.4
Profit before tax	60.0	55.8
Profit attributable to owners of parent	50.0	4.6

\* The Forecasts for FY2019 do not incorporate the impact of adopting IFRS 16.

**Core operating profit and profit attributable to owners of parent are both expected to increase.**

【Reason】 ① Reinforced support for franchised stores and increase in store facility investment.

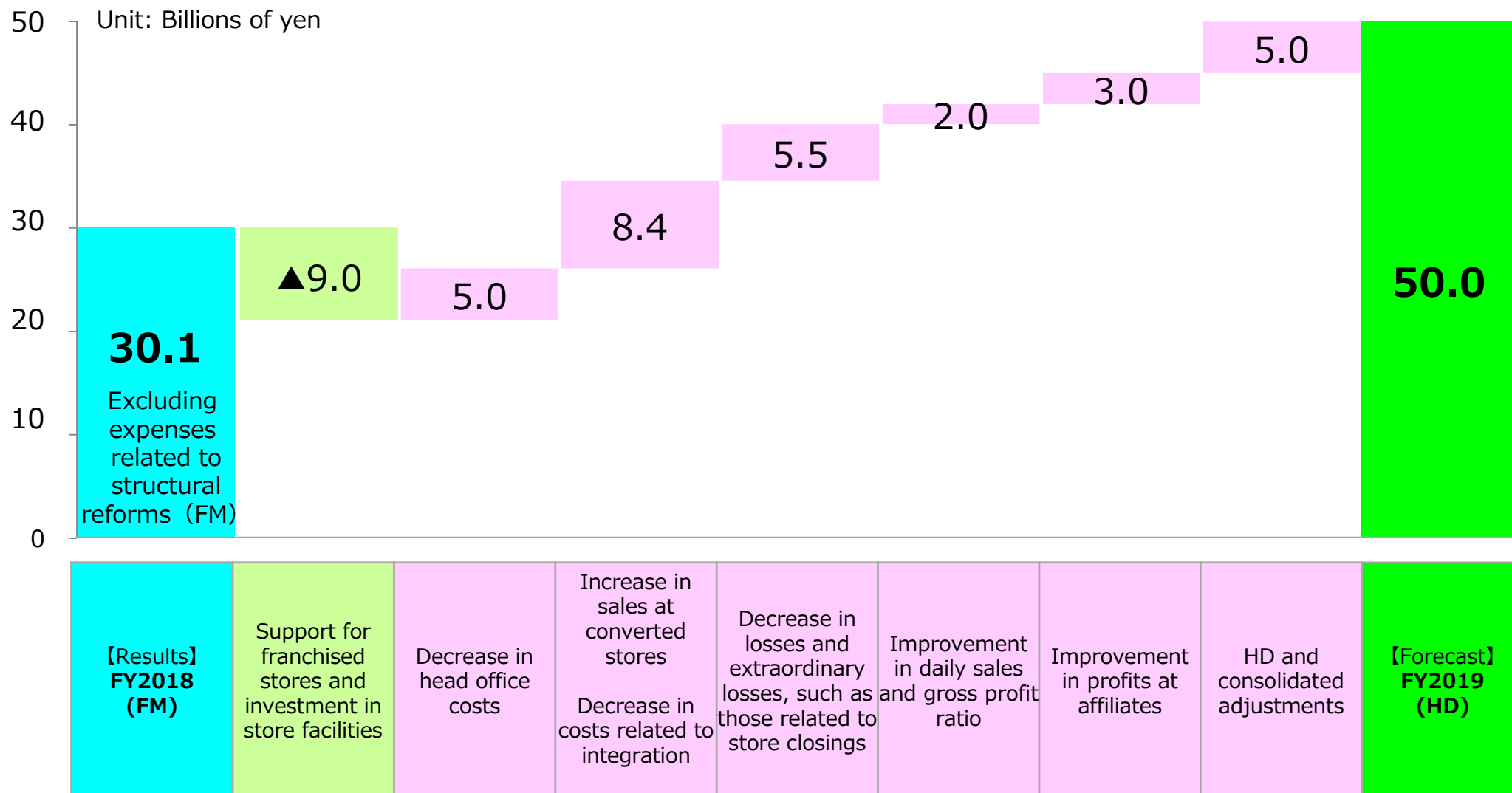
At the same time, reduced costs at the head office

② Increase in gross operating revenues following higher sales at converted stores and improved daily sales and gross profit ratio at existing stores

③ Decreased expenses and losses related to integration

# FY2019 Quantitative Forecasts

## Reasons for increase/decrease in profit attributable to owners of parent (HD)



# FY2019 Quantitative Forecasts

## HD consolidated B/S

Unit: Billions of yen

	F Y 2017	F Y 2018	F Y 2019 Plan
Total current assets	617.2	603.9	520.0
Total non-current assets	1,114.6	768.3	830.0
<b>Total assets</b>	<b>1,731.8</b>	<b>1,372.1</b>	<b>1,350.0</b>
Total current liabilities	582.6	450.9	440.0
Total non-current liabilities	560.5	331.4	300.0
<b>Total liabilities</b>	<b>1,143.1</b>	<b>782.4</b>	<b>740.0</b>
<b>Total equity</b>	<b>588.7</b>	<b>589.7</b>	<b>610.0</b>
<b>Total liabilities and equity</b>	<b>1,731.8</b>	<b>1,372.1</b>	<b>1,350.0</b>
D/E ratio	0.92	0.57	0.46
<b>Net D/E ratio</b>	<b>0.42</b>	<b>-0.06</b>	<b>-0.11</b>

## HD consolidated C/F

Unit: Billions of yen

	FY2019 Plan
Cash flows from operating activities	150.0
Cash flows from investing activities	▲ 95.0
Cash flows from financing activities	▲ 65.0
Year-end cash and cash equivalents	343.5

## Payout ratio

### FY2018 Dividend

Payout ratio  
**40.2%**

Divided of **¥144**  
per share

### FY2019 Dividend policy

Payout ratio **40.5%**  
Dividend of **¥40** per share

Note: The Company implemented a four-for-one stock split to shares of common stock on March 1, 2019.

\* The Forecasts for FY2019 do not incorporate the impact of adopting IFRS 16.

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# **Key Initiatives in FY2019**

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Representative Director and Executive Vice President  
Takashi Sawada

# Key Initiatives in FY2019

## Four Strategies ~ Responding with speed~

Unit: Billions of yen

1. Enhancing support for franchised stores
2. Strengthening store profitability
3. Moving forward with the shift to digital
4. Promoting business collaboration with Pan Pacific International Holdings Corporation (PPIH)

	investment amount
<b>Total investment amount</b>	<b>140.0</b>
Enhancing support for franchised stores and strengthening store profitability <b>85% of investment will center on existing stores</b> (¥7 million per store)	133.0
existing stores	<b>113.0</b>
New store	20.0
Moving forward with the shift to digital	7.0

- ① **Addressing the issues of labor shortages and cost reductions, improving store operational procedures**
- ② **Experimenting with set business hours**
- ③ **Reducing food waste**
- ④ **Improvement in systems for franchised stores and enhanced communication**






# Key Initiatives in FY2019

## 1. Enhancing Support for Franchised Stores

### ① Addressing the issues of labor shortages and cost reductions, improving store operational procedures

- Investment in new fixtures and facilities 【investment amount: ¥25.0 billion】

Working hours at stores **5 hour reduction**

New tablet device for placing orders	Cashless payment services	Increased introduction of self-checkout registers	Increased introduction of new pullout shelves	System improvements
 <p>Reduced hours per day</p> <p><b>32,000 devices</b></p> <p><b>0.5 hours</b></p> <p>Replacements starting from May</p> <p><b>Implementation period</b></p>	 <p><b>1 hour</b></p> <p>Start of Company-run payment service in July</p>	 <p><b>+4,000 registers</b></p> <p><b>1 hour</b></p> <p>During FY2019</p>	 <p><b>2 hours</b></p> <p>Expansion at existing stores</p>	 <p><b>0.5 hours</b></p> <p>Starting from May</p>

- Support for staff at stores (personnel dispatch from cooperating dispatch companies)

Expand from Kanto and Kansai regions, where introduction has finished, to Tokai, Shikoku, and Kyushu regions, thereby gradually introducing dispatched personnel countrywide

**Implementation period** 3Q~

- Increase subsidies for stores operating on a 24-hour basis  
(revise each year in accordance with the rate of increase for minimum wage)

## ②Experimenting with set business hours

- Experiment with set business hours on a store-by-store basis, including franchise stores (targeting approximately 270 stores )
- Selection system in which only franchise stores that request set business hours participate in the experiment
- Experiment period: Start from June 2019, lasting for three to six months (scheduled)

### 【Experiment 1】

**Selected system: Set business hours only once a week (Sunday)**

**Region: Tokyo and Nagasaki**

**Options for set business hours:**

**(1) 5 a.m. to 12 a.m. , (2) 5 a.m. to 1 a.m.**

### 【Experiment 2】

**Selected system: Set business hours every day**

**Region: Tokyo and Akita**

**Options for set business hours:**

**(1) 7 a.m. to 11 p.m., (2) 5 a.m. to 12 a.m., or (3) 5 a.m. to 1 a.m.**

### Items to verify

- Number of franchised stores wanting to participate
- Impact on daily sales, costs, and revenues
- All operations including deliveries



# Key Initiatives in FY2019

## 1. Enhancing Support for Franchised Stores

### ③ Reducing food waste

#### Boxed lunches and seasonal items

Implementation period 1Q~

• Reservation-only system "Zero Food Waste"

Osechi (Japanese New Year's cuisine) and Christmas cakes (bulk)

• Strengthen sales by reservation

Boxed lunches, Ehomaki sushi rolls, Day of the Ox

#### Extending the shelf life of ready-to-eat items

Implementation period 1Q~

Chilled boxed lunches



Mother's Kitchen



(Top seal packaging)



(Prepared dishes in pouches)

### ④ Improvement in systems for franchised stores and enhanced communication

- Enhance support system for store owners (encourage store owners to take more holidays)
- Provide free health checkup support services (promote health management with expenses covered by the head office)
- Enhance dialogue between franchised store owners and chain stores

Implementation period


2Q~

2Q~

1Q~

① Enhancing product competitiveness
【 investment amount: ¥37.0 billion 】

Expand sales floor for frozen foods



Number of machines introduced: : **4,000**  
Forecasted sales growth : **50%**

Implementation period

Complete introduction by September

Introduce new store format


New coffee machines



Number of machines introduced: : **26,000**  
Forecasted sales growth : **10%**

Complete introduction by September

New product development



Structural reform in ready-to-eat items

Active capital investment in factories producing ready-to-eat items

Expand price ranges

- Respond to consumption tax hike
- Expand lineup of daily necessities (household paper products, etc.)

② Reinforcing store foundations

Promote B&S and remodeling

Strengthen the opening of stores in Tokyo, Nagoya, and Osaka

[investment amount: ¥51.0 billion]

[investment amount: ¥20.0 billion]

(stores)	new	B&S	total	YoY difference
forecast	<b>285</b>	<b>215</b>	<b>500</b>	<b>+8</b>

③Promote the principle of being rooted in local communities

- Promote the principle of being rooted in local communities
- Organizational changes (introduction of region-based system: Tohoku and Kyushu regions)

④Reduce head office costs

- Dramatically revise work procedures

# Key Initiatives in FY2019 **3.Move Forward with the Shift to Digital**

## ① Establish customer data base

【investment amount: ¥7.0 billion】

- Start provision of Company-run barcode payment service

# FamiPay

Implementation  
period

July

- Update FM smartphone app

Points + coupons + electronic receipts + barcode payment service

Implementation  
period

July

Number of downloads (FY2020)	Ratio of cashless payments(2022)
<b>10 million</b>	<b>50%</b>



## ② Incorporate a wider variety of point and payment services

- Promote strategy for incorporating point services

Implementation period

November

Attract more customers and expand customer data



- Promote barcode payment services

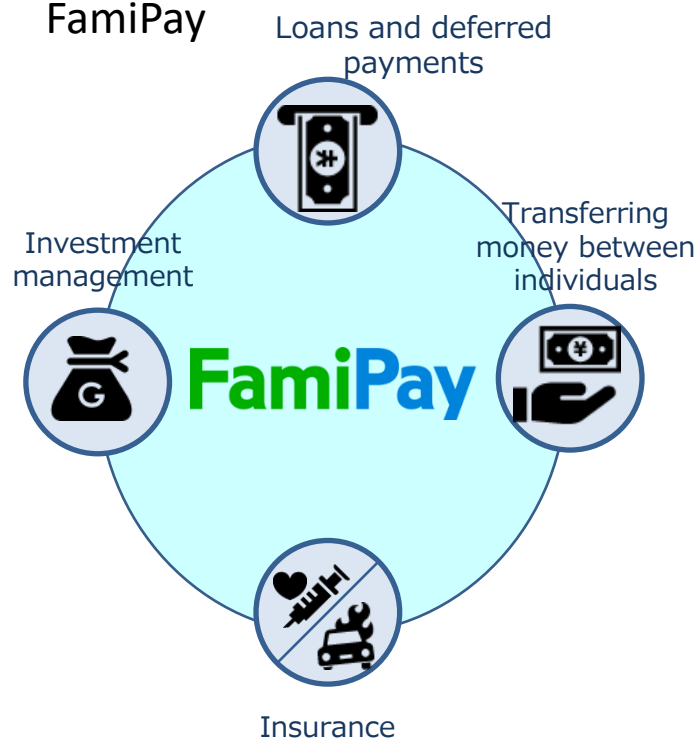

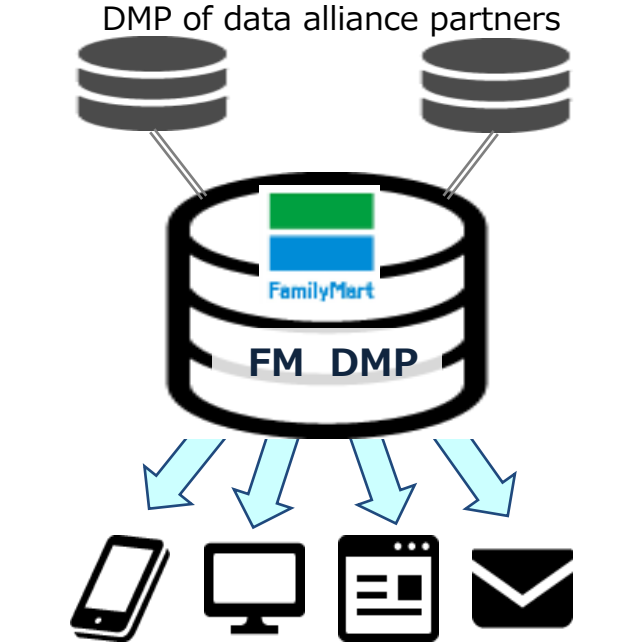
Improve convenience and reduce operational burden



PayPay



③ Expand new service functions—Create new businesses that leverage data

Financial businesses	Advertising and marketing businesses	
<p><b>Retail finance</b></p> <p>Business expansion utilizing FamiPay</p>  <p>Loans and deferred payments</p> <p>Transferring money between individuals</p> <p>Investment management</p> <p>Insurance</p>	<p><b>Purchasing data provision</b></p> <p>Provision of purchasing data with IDs to manufacturers, etc.</p> 	<p><b>Advertising data management platforms (DMP)</b></p> <p>Utilization of collected data to create advertising media for stores and apps</p> <p>DMP of data alliance partners</p> 

\* Note: PPIH = Pan Pacific International Holdings Corporation (formerly Don Quijote Holdings Co., Ltd.)

- ① Joint provision of products and services
- ② Collaboration in the field of financial services (Pocket Card)
- ③ Joint overseas business expansion (Taiwan, etc.)

### 【Reference】

Results for joint FamilyMart/Don Quijote stores in FY2018

YoY daily sales: +30%

YoY sales of daily necessities: +200%

YoY customer numbers: +10%