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# FamilyMart UNY Holdings Co., Ltd.



## Fiscal 2017 Financial Review

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April 2018

**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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# **Financial Review of FY2017 and Business Plan for FY2018**

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Koji Takayanagi,  
Representative Director and President

# Financial Results for FY2017 (IFRS)

* FY2017 figures do not include the performance of UNY GHD.  (¥ billion)		FY2016 Full year	FY2017 Full year		
		Results	Results	YoY	vs initial plan (2017/04/11)
<b>Group sales *<sup>1</sup></b>		<b>2,906.8</b>	<b>3,728.8</b>	<b>822.0</b>	<b>-54.2</b>
	FM	2,531.2	3,016.0	484.8	-54.8
	UNY	375.6	712.8	337.2	0.6
<b>Gross operating revenues</b>		<b>843.8</b>	<b>1,275.3</b>	<b>431.4</b>	<b>38.0</b>
	CVS business (including adjustments and HD)	483.0	556.5	73.4	2.3
	GMS business	360.7	718.7	358.0	35.6
<b>Core operating income</b> (equivalent to operating income under Japanese GAAP)* <sup>2</sup>		<b>55.6</b>	<b>66.2</b>	<b>10.5</b>	<b>3.7</b>
	CVS business (including adjustments and HD)	43.3	42.7	-0.6	2.7
	GMS business	12.3	23.5	11.2	1.0
<b>Profit attributable to owners of the parent</b>		<b>21.5</b>	<b>33.6</b>	<b>12.0</b>	<b>9.6</b>
	CVS business (including adjustments and HD)	11.7	15.9	4.1	3.6
	GMS business	9.8	17.7	7.8	6.0

\*1. Calculated using the non-consolidated gross operating revenues (JGAAP) of FamilyMart (including those of franchised stores) and UNY

\*2. Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses

## Achieved initial targets for core operating income and profit attributable to owners of the parent

Reasons: CVS business: Earnings contributions from brand-converted stores and income produced by tax benefits of applying consolidated tax payment system at HD allocated to impairment expenses

GMS business: Benefits of reduced store expenses, sales of idle assets, etc.

# Management Plan for FY2018 (IFRS)

(¥ billion)	FY2017 Full year	FY2018 Full year	
	Results	Plan	YoY
<b>Group sales *<sup>1</sup></b>	<b>3,728.8</b>	<b>3,682.5</b>	<b>-46.3</b>
FM	3,016.0	3,000.0	-16.0
UNY	712.8	682.5	-30.3
<b>Gross operating revenues</b>	<b>1,275.3</b>	<b>1,270.2</b>	<b>-5.1</b>
CVS business (including adjustments and HD)	556.6	515.8	-40.7
GMS business	718.7	754.4	35.6
<b>Core operating income</b> (equivalent to operating income under Japanese GAAP)* <sup>2</sup>	<b>66.2</b>	<b>77.3</b>	<b>11.0</b>
CVS business (including adjustments and HD)	42.7	50.2	7.4
GMS business	23.5	27.1	3.5
<b>Profit attributable to owners of the parent</b>	<b>33.6</b>	<b>40.0</b>	<b>6.3</b>
CVS business (including adjustments and HD)	15.9	30.4	14.4
GMS business	17.7	9.6	* <sup>3</sup> -8.1

\*1. Calculated using the non-consolidated gross operating revenues (JGAAP) of FamilyMart (including those of franchised stores) and UNY

\*2. Core operating income = Operating revenue - Cost of sales - Selling, general and administrative expenses

\*3. Includes impacts of 40% deduction of profit attributable to non-controlling interests (reduction of ¥6.2 billion) projected for FY2018

## Increases projected in core operating income and profit attributable to owners of the parent

Reasons: CVS business: Higher profit following increases in daily sales and gross profit ratio; reduced store rents, utility costs, and other costs; etc.

GMS business: Improved profits from new Don Quijote business model transformation; reduced personnel expenses, utility costs, and other costs; etc.

- Accelerated pursuit of new growth -

1. Improvement of quality at existing stores

- (1) Reinforcement of store foundations
- (2) Enhancement of product competitiveness
- (3) Improvement of store operating procedures

2. Creation of new revenue-generating businesses

- (4) Development of earnings foundations in financial and peripheral e-commerce operations

Total investment

Approx. **¥140.0** billion

	amount	YoY
Total investment forecast for FY2018 (¥ billion)	140.0	15.0
Breakdown of investment by measure		
(1) Reinforcement of store foundations	105.0	-10.0
(2) Enhancement of product competitiveness	12.0	11.5
(3) Improvement of store operating procedures	20.0	10.5
(4) Development of earnings foundations in financial and peripheral e-commerce operations	3.0	+α 3.0
Breakdown of investment by segment		
CVS business, HD, new	127.0	11.0
GMS business	13.0	4.0

# Specific Measures for FY2018

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## 1. Improvement of quality at existing stores

	CVS	investment (¥ billion)	GMS	investment (¥ billion)
<b>(1) Reinforcement of store foundations ¥105.0 billion</b>	<ul style="list-style-type: none"> <li>- Complete brand conversion (1,045 stores by Nov.)</li> <li>- Advance B&amp;S initiatives (340 stores)</li> <li>- Renovate existing stores and improve facilities</li> <li>- Open high-quality stores, etc.</li> </ul>	<ul style="list-style-type: none"> <li>15.0</li> <li>18.5</li> <li>18.0</li> <li>44.0</li> </ul>	<ul style="list-style-type: none"> <li>- Develop UD Retail business (convert 6 stores in FY2018)</li> <li>- Renovate existing stores and improve facilities</li> <li>- Open high-quality stores, etc.</li> </ul>	<ul style="list-style-type: none"> <li>2.0</li> <li>6.5</li> <li>1.0</li> </ul>
<b>(2) Enhancement of product competitiveness ¥12.0 billion</b>	<ul style="list-style-type: none"> <li>- Improve quality of ready-to-eat items and conduct capital investments</li> <li>- Introduce new coffee machines (27,000 units)</li> </ul> <p>(¥20.0 billion in investments over next several years)</p>	<ul style="list-style-type: none"> <li>7.0</li> <li>4.5</li> </ul>	<ul style="list-style-type: none"> <li>- Advance side dish project</li> <li>- Develop products through team merchandising</li> <li>- Renovate sales floors (52 stores over next 3 years)</li> </ul>	<ul style="list-style-type: none"> <li>0.5</li> </ul>
<b>(3) Improvement of store operating procedures ¥20.0 billion</b>	<ul style="list-style-type: none"> <li>- Enhance operational efficiency</li> <li>- Introduce new store facilities</li> </ul>	<ul style="list-style-type: none"> <li></li> <li>17.0</li> </ul>	<ul style="list-style-type: none"> <li>- Invest in new systems (introduce new registers, etc.)</li> </ul>	<ul style="list-style-type: none"> <li></li> <li>3.0</li> </ul>

## 2. Creation of new revenue-generating businesses

<b>(4) Development of earnings foundations in financial and peripheral e-commerce operations ¥3.0 billion</b>	<ul style="list-style-type: none"> <li>Advance initiatives in the Company's financial operations</li> <li>Develop customer database</li> <li>Improve convenience and enable smartphone compatibility for point services</li> </ul>	<ul style="list-style-type: none"> <li>3.0 <b>+α</b></li> <li>Other, undecided</li> </ul>
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## Reinforcement of Store Foundations

### Complete brand conversion

- Complete brand conversion by November 30, 2018 (aggregate total of approx. 5,000 stores to be converted)

	- FY2017	FY2018	total
Former CKS stores	3,816	1,185	5,001
Brand conversion	3,549	1,045	4,594
B&S	267	140	407

Performance of stores converted in FY2017 and prior (3,549 stores)  
(Post-conversion)  
Daily sales: **¥513 thousand** / vs. pre-conversion: **111%**  
Customer numbers: **829** / vs. pre-conversion: **112%**



## Enhancement of Product Competitiveness

### **NEW** Introduce new coffee machines

- Introduce 5,400 new machines in FY2018 (total of 27,000 new machines to be introduced)
- Continue ready-to-eat product structural reforms



- Up coffee bean usage by **20%** to make for richer coffee
- Create caffe lattes with a **creamy and nuanced taste** popular among women
- Offer coffee **using high-end beans (Kilimanjaro, Mocha, etc.)** on a limited basis

## Improvement of store operating procedures

### **NEW** Enhance operational efficiency

- Eliminate need for product inspections
- Reduce workloads by introducing new store facilities
- Introduce self-checkout registers

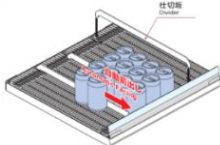
Introduction of new store facilities resulting in **3.5-hour** reduction in total store workload



Elimination of need for in-store product inspections  
approx. -2 hours



New drawer-style shelves  
approx. -0.7 hours



New chilled beverage shelves  
approx. -0.3 hours



7L fryers  
approx. -0.5 hours



Introduce 1,000 units at stores promising benefits  
Self-checkout registers  
approx. -1 hour

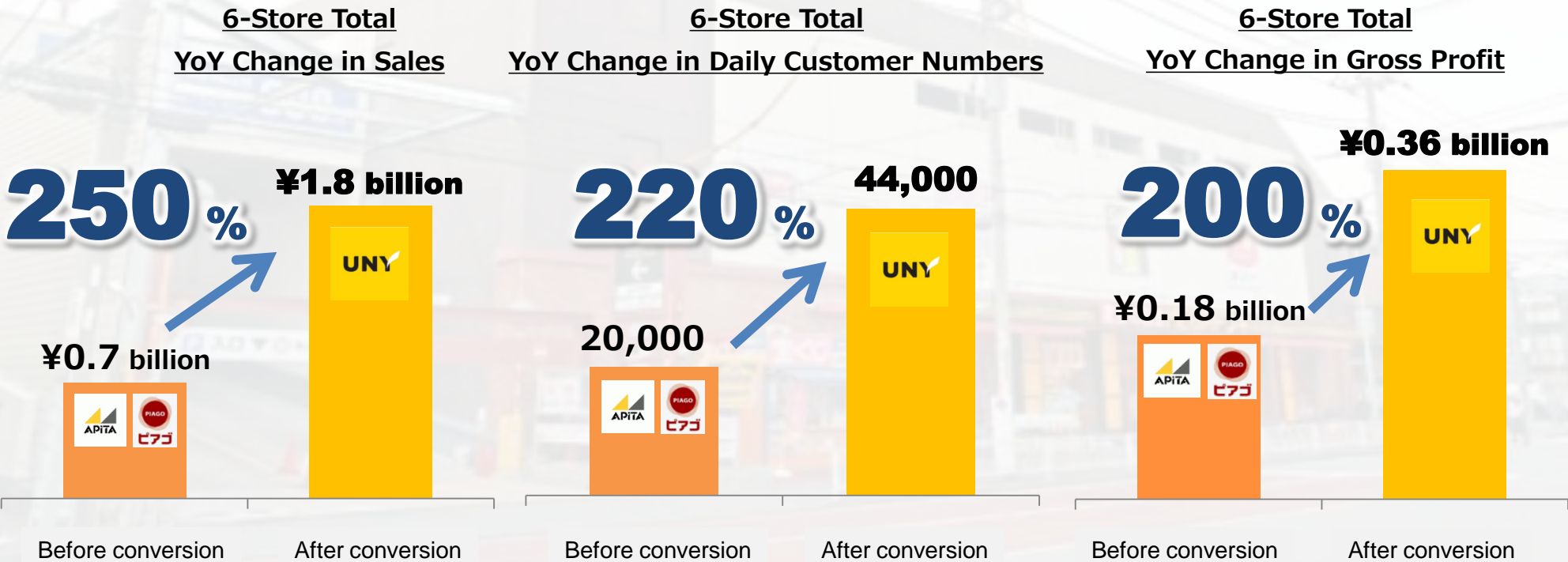


- Joint Initiatives with Don Quijote Holdings

## Introduction of New Business Model at 6 Apita and Piago Stores

- MEGA Don Quijote  
UNY Oguchi
- MEGA Don Quijote  
UNY Tokai-Dori
- MEGA Don Quijote  
UNY Zama
- MEGA Don Quijote  
UNY Hoshikawa
- MEGA Don Quijote  
UNY Toyota  
Motomachi
- MEGA Don Quijote  
UNY Kou

March 2018, Performance of 6 Stores Adopting New Business Model  
(Approximations based on early reports)



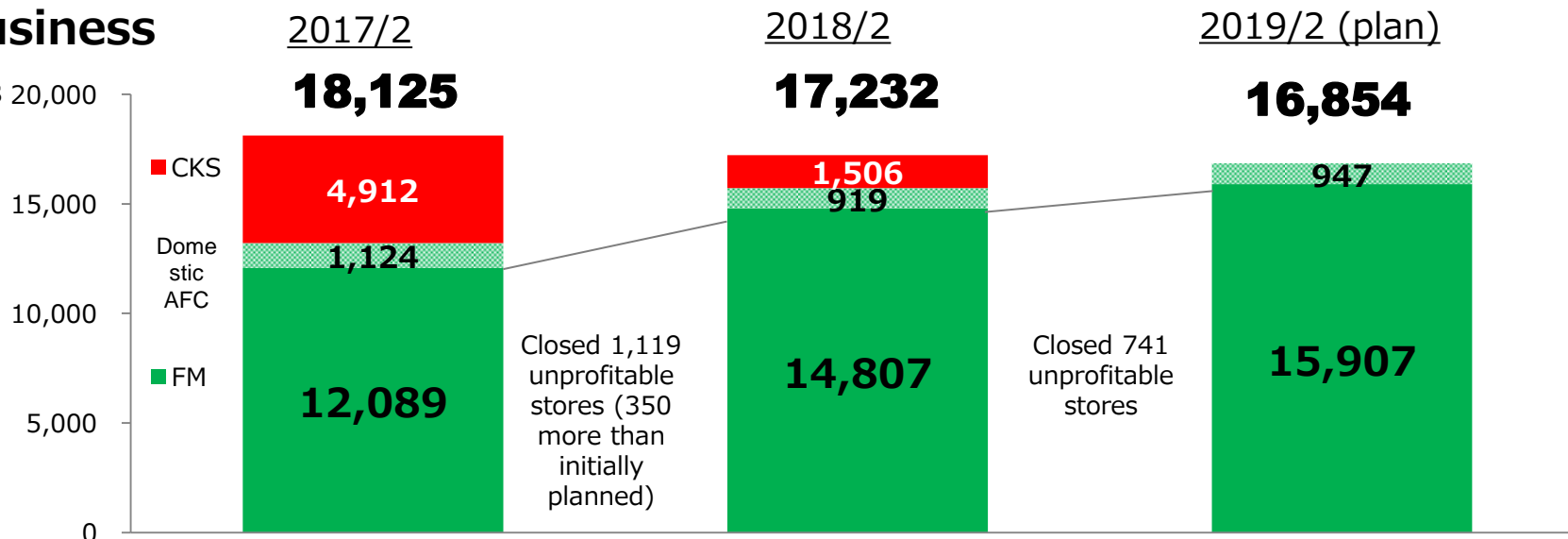


# Measures for Addressing Concerns

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## ● CVS Business

Store Numbers 20,000



Other expenses  
(Store close  
expenses, impairment  
expenses, etc.)

**¥25.3 billion**



**¥41.5 billion**



**¥11.8 billion**

Ongoing closure of unprofitable stores, decrease in impairment expenses anticipated in FY2018  
Increase in stores in FY2019

## ● GMS Business

\* Including new-business-model stores

Store Numbers



2017/2

**210**

2018/2

**192**

2019/2 (plan)

**187**

Other expenses  
(Store close  
expenses, impairment  
expenses, etc.)

**¥1.9 billion**



**¥7.3 billion**

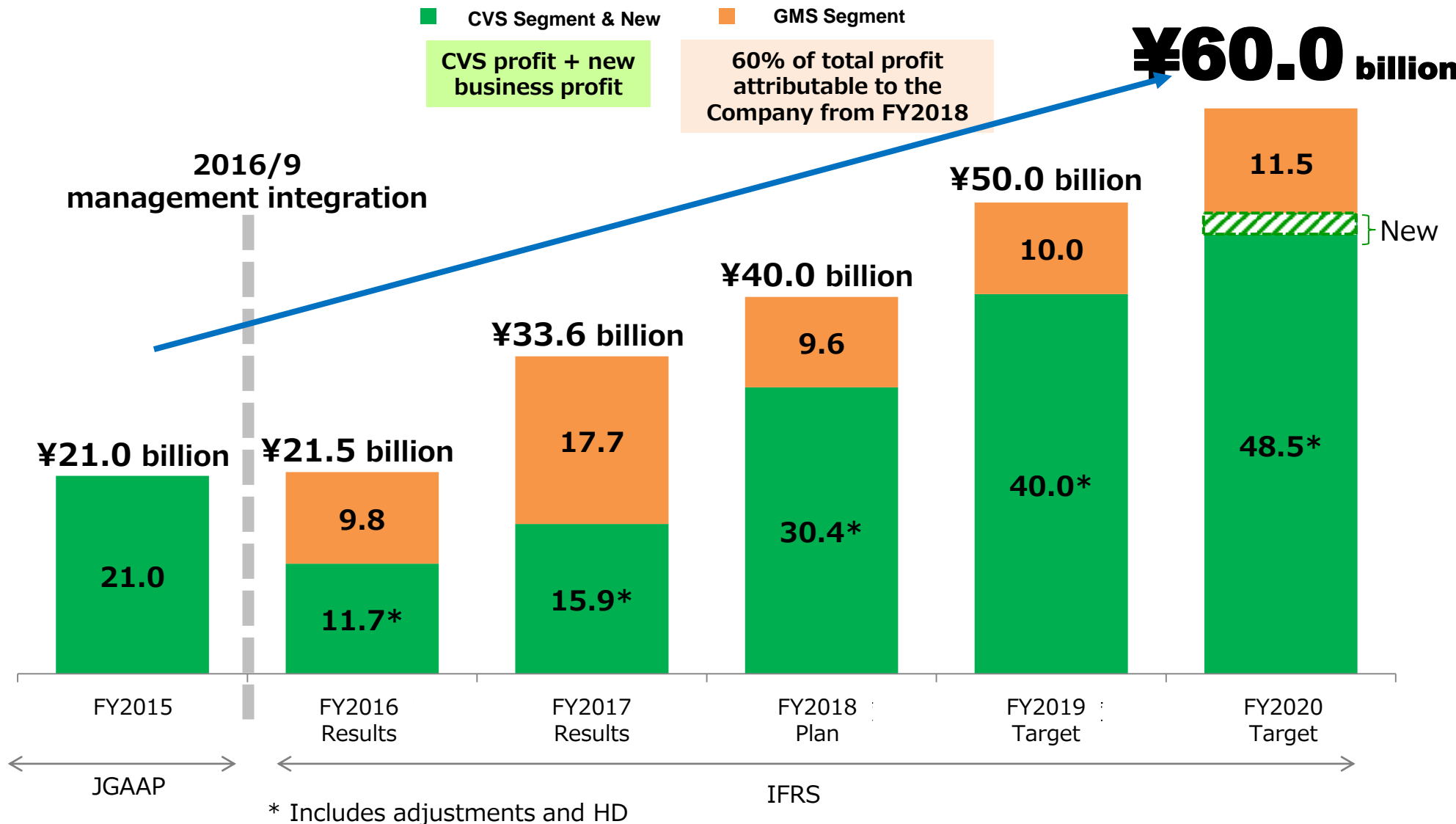


**¥2.7 billion**

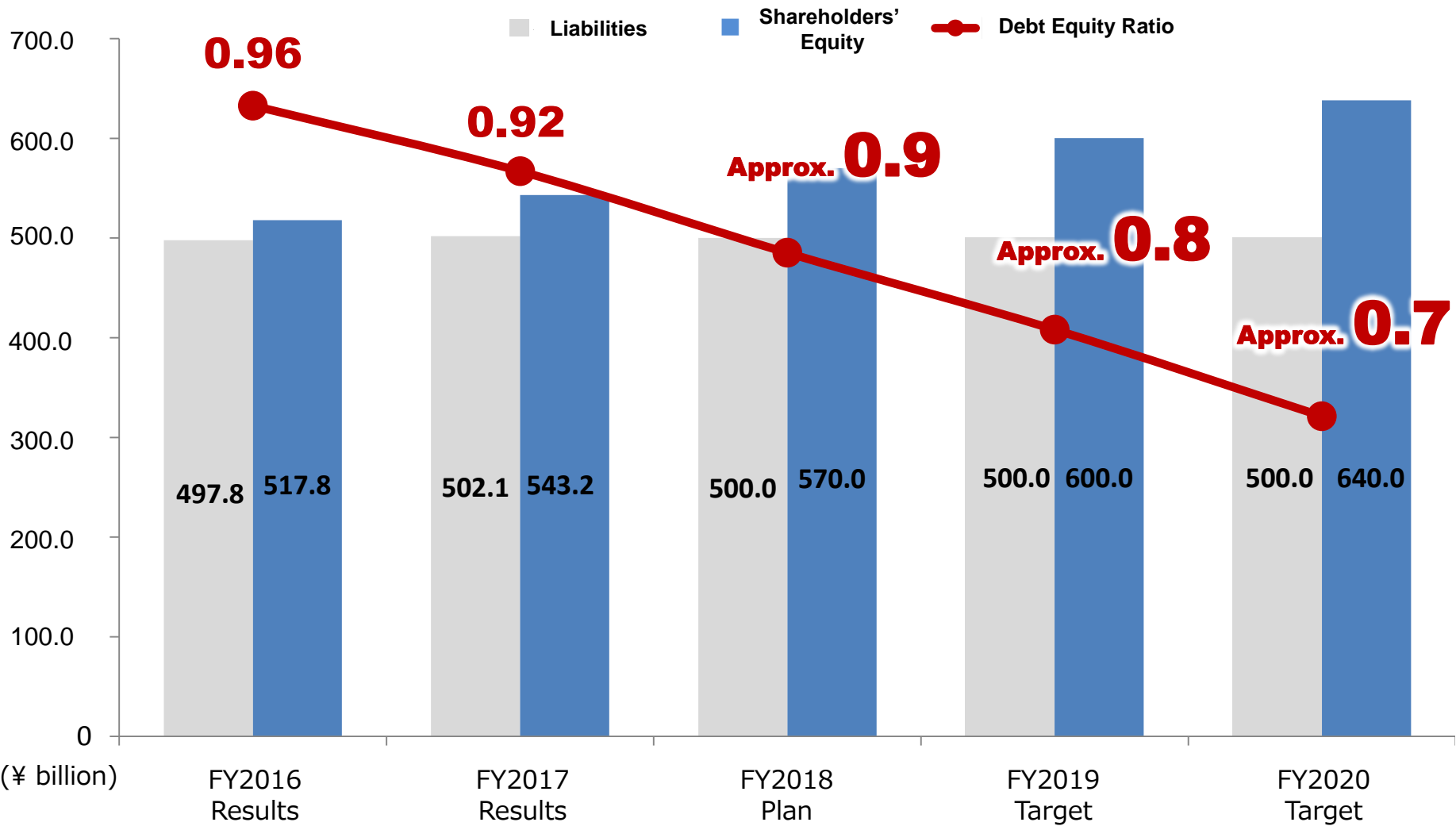
3-year plan for closure of unprofitable stores to be completed in FY2018  
No significant risks in FY2019 or beyond

# Medium-Term Management Plan—Progress

## ● Profit Attributable to Owners of Parent

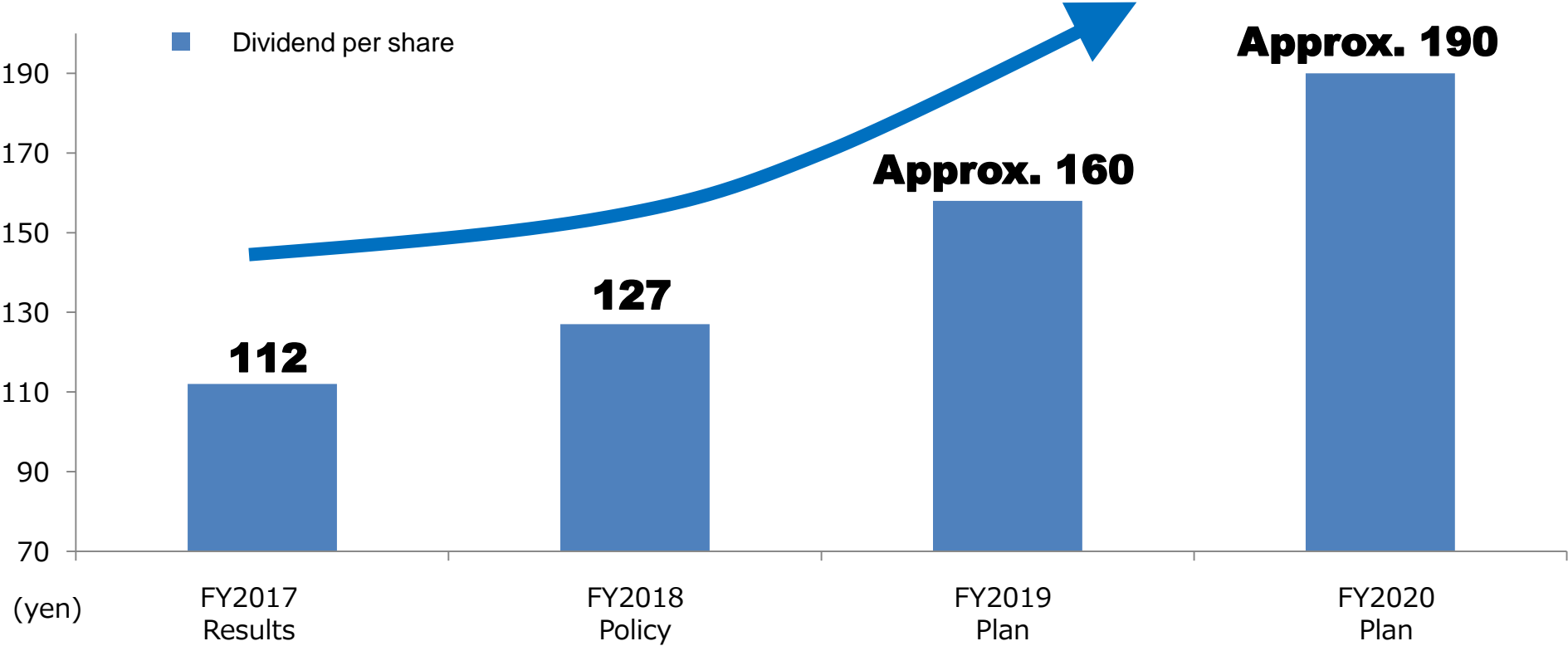
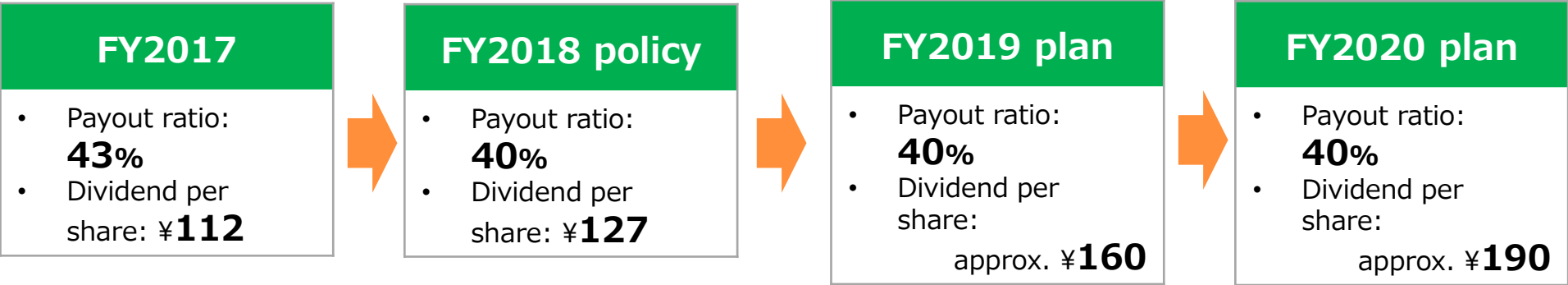


## ●Interest-Bearing Liabilities and Debt Equity Ratio



Interest-bearing liabilities to be maintained at the same level to allow for investment of ¥140.0 billion scheduled for FY2018 and ongoing proactive investment thereafter

● Dividend Policies



# (Reference) FY2017 Performance (IFRS)—CVS Business

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(¥ billion)	FY2017 Full-year results		
	Setment total	FM	Taiwan FM
Gross operating revenues	<b>560.8</b>	<b>468.1</b>	<b>60.2</b>
Core operating income (equivalent to operating income under Japanese GAAP)	<b>42.9</b>	<b>34.1</b>	<b>6.2</b>
Profit attributable to owners of the parent	<b>-1.2</b>	<b>* -2.8</b>	<b>2.7</b>

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

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

FM: FamilyMart CKS: Circle K Sunkus		FY2017 Full-year results			
		FM	YoY	CKS	YoY
Business Performance: FM (non- consolidated)	Average daily sales at all stores (¥ thousand)	<b>520</b>	-2	<b>385</b>	-40
	Average daily sales at existing stores (¥ thousand)	<b>523</b>	0	<b>385</b>	-39
	Growth rate of average daily sales at existing stores	<b>-0.3%</b>	—	<b>-6.5%</b>	—
	* Growth rate of daily sales at existing stores, including converted stores 2.1% (¥520 thousand)				
	Gross profit ratio	<b>27.50%</b>	0.06%	<b>26.40%</b>	0.15%
	Store openings	<b>576</b>	-255	—	—
	CKS brand conversion	<b>2,720</b>	1,891	—	—
	Store closures	<b>578</b>	126	<b>3,624</b>	2,487
	Closures	455	—	664	—
	B&S	123	—	227	—
	Brand conversion	—	—	2,733	—

# (Reference) FY2018 Forecast (IFRS)—CVS Business

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	FY2018 Full-year plan			
	Segment total	YoY	FM	YoY
Gross operating revenues	<b>520.5</b>	-40.3	<b>424.3</b>	-43.8
Core operating income (equivalent to operating income under Japanese GAAP)	<b>51.0</b>	8.0	<b>43.5</b>	9.3
Profit attributable to owners of the parent	<b>30.0</b>	31.2	<b>27.3</b>	26.8

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

		FY2018 Full-year plan	
		FM	YoY
Business Performance: FM (non-consolidated)	Average daily sales at all stores (¥ thousand)	<b>525</b>	5
	Growth rate of average daily sales at existing stores	<b>1.2%</b>	—
	1H / 2H	0.9% / 1.5%	—
	Gross profit ratio (excluding service and EC)	<b>31.1%</b>	0.2%
	Store openings	<b>600</b>	24
	CKS brand conversion	<b>1,045</b>	-1,675
	Store closures	<b>545</b>	-33
	Closures B&S	345 200	— —

Brand conversion		FY2016	FY2017	FY2018	Total
	Brand conversion	<b>829</b>	<b>2,720</b>	<b>1,045</b>	<b>4,594</b>
	B&S	<b>64</b>	<b>203</b>	<b>140</b>	<b>407</b>
	CKS closures	<b>244</b>	<b>664</b>	<b>396</b>	<b>1,304</b>

# (Reference) FY2017 Performance (IFRS)—GMS Business

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«Profit from 4th quarter of FY2017 based on amount attributable to the Company after 40% deduction for profit attributable to non-controlling interests»

(¥ billion)	FY2017 Full-year results		
	Segment total	UNY	UCS
Gross operating revenues	<b>718.7</b>	<b>605.8</b>	<b>19.9</b>
Core operating income (equivalent to operating income under Japanese GAAP)	<b>23.5</b>	<b>19.5</b>	<b>3.9</b>
Profit attributable to owners of the parent	<b>17.7</b>	<b>15.5</b>	<b>1.8</b>

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

		FY2017 Full-year results	
		Results	YoY
Business performance: UNY (non-consolidated)	Y-o-y change in existing store sales	<b>0.0%</b>	—
	Clothing	<b>1.2%</b>	—
	Household goods	<b>1.4%</b>	—
	Food	<b>-0.2%</b>	—
	Gross profit ratio	<b>23.4%</b>	0.2%
	Store openings	<b>1</b>	-1
	Store closures	<b>20</b>	0
	Number of stores	<b>191</b>	-19



# (Reference) FY2018 Forecasts (IFRS)—GMS Business

«Profit for FY2018 based on amount attributable to the Company after 40% deduction for profit attributable to non-controlling interests»

(¥ billion)	FY2018 Full-year plan					
	Segment total	YoY	UNY	YoY	UCS	YoY
Gross operating revenues	754.4	35.6	581.3	-24.4	19.9	0.0
Core operating income (equivalent to operating income under Japanese GAAP)	27.1	3.5	21.0	1.4	4.0	0.1
Profit attributable to owners of the parent	9.6	-8.1	7.3	-8.3	1.5	-0.3

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

		FY2018 Full-year plan	
		Plan	YoY
Business performance: UNY (non-consolidated)	Y-o-y change in existing store sales	-0.2%	—
	1H / 2H	0.4% / -0.7%	—
	Gross Profit ratio	23.8%	0.4%
	1H / 2H	23.7% / 23.8%	0.4% / 0.3%
	Store openings	1	0
	Store closures	11	-9
	Number of stores	181	-10