

Review for First Half of FY 2016

UNY CO., LTD.



Review of Performance in FY2016 1H

UNY Group Holdings Co., Ltd. (Consolidated)

Billions of Yen

	FY2015 1H	FY2016 1H	YoY change(%)
Operating revenue	510.7	509.3	(0.3)
General merchandise stores	389.3	385.7	(0.9)
Convenience stores	77.0	82.4	7.0
Specialty stores	27.2	24.5	(9.8)
Financial services	9.7	9.8	1.8
Other	27.2	25.7	(5.2)
Adjustment	(19.9)	(19.1)	-
Operating income	10.3	7.3	(28.5)
General merchandise stores	2.4	2.4	0.4
Convenience stores	4.9	5.7	16.6
Specialty stores	0.0	0.5	-
Financial services	2.1	(1.9)	-
Other	0.8	0.6	(16.7)
Adjustment	(0.0)	(0.1)	-
Ordinary income	10.2	6.2	(39.5)
Extraordinary loss	9.1	113.8	-
UNY CO., LTD.	1.8	56.0	-
Circle K Sunkus Co., Ltd.	6.4	47.2	-
Profit (Loss) attributable to owners of parent	(0.2)	(91.2)	-

UNY CO., LTD. (Non-consolidated)

Billions of Yen

	FY2015 1H	FY2016 1H	YoY change (%)
Operating revenue	370.3	366.4	(1.1)
Gross profit	82.4	76.5	(7.2)
Selling, general and administrative expenses	99.6	95.2	(4.4)
Operating income	2.8	1.8	(36.1)
Ordinary income	2.3	1.1	(49.2)
Net income	1.2	-54.3	-

Sales by Product Type

Billions of Yen

	FY2015 1H	FY2016 1H			
		Sales by product type	YOY change for existing stores	% of gross profit	YOY difference(%)
Apparel	49.0	48.0	(1.0)	31.4%	(5.2)
Household goods	50.4	48.8	(0.2)	22.8%	(4.9)
Foods	245.1	244.0	(0.9)	20.3%	0.2
Total for directly operated stores	350.2	345.8	(1.1)	22.1%	(1.4)

Offensive Growth Strategies

■ Invigorating existing stores through increased investment

1. Enhance directly operated delicatessen sales floors

- Position fiscal 2016 as a year for commencing delicatessen operations and introduce directly operated delicatessen sales floors into renovated stores
- Already introduced meat items (3 stores), fish items (14 stores), bakeries (2 stores), and fruit desserts (6 stores)

2. Deploy lifestyle-proposal and “half-department store” models at apparel and household goods sales floors

- Already introduced lifestyle-proposal sales floors at 5 stores for apparel and 7 stores for household goods
- Steadily advancing “half-department store” model at apparel and household goods sales floors

3. Bring directly operated floor space to reasonable level

- Invigorate shopping centers by bringing directly operated floor space to reasonable level and recruiting tenants
- Remodeled 2 Apita stores (Shimada and Totsuka)
- Remodeled 3 Piago stores (Nakamura, Kakamigahara, and Nagakute-Minami)

■ Promoting in-house tenant development through new businesses

- Establish new businesses that are compatible with shift to consumption of experiences
- Began dealings with Smaden power producer on Apr. 1, 2016
- Opened 1st bakery in Piago Kubota on Apr. 21, 2016
- Opened 1st culture center in Apita Inazawa on Sep. 27, 2016

■ Establishing new concept supermarket

- Create stores operated with small staff at low cost
- Appointed executive officer in charge and began developing store format

Defensive Growth Strategies

■ Closing unprofitable stores

- Close 36 stores over 3-year period leading up to Feb. 2019

■ Disposing of unprofitable businesses

1. Withdraw from home center business (U-Home)

- Transfer 8 stores to DCM KAHMA and close 3 remaining stores

2. Curtailing bookstore business (YUMEYA)

- Convert 37 stores to tenants and transfer 20 remaining stores to household goods

3. Conduct tender offer bid for SAGAMI Co., Ltd.

4. Conduct tender offer bid for PALEMO CO., LTD.

5. Review price of apparel and household goods products in conjunction with GMS business structural reforms

Extraordinary Loss (UNY Group Holdings)

Billions of Yen

FY2016 1H	UNY (Non-consolidated)		Circle K Sunkus (Non-consolidated)	
		YoY		YoY
Extraordinary loss	56.0	+54.1	47.2	+40.7
Loss on disposal of fixed assets	0.6	+0.2	1.5	+1.4
Impairment loss	54.4	+53.0	32.3	+25.9
Other	0.8	+0.7	13.4	+13.3

— Disclaimer — This report contains forward-looking statements regarding future business performance, based on judgments made by management using materials available at the time of writing. Actual business performance may substantially differ from these forward-looking statements due to changes in economic trends and the market environment facing the Company.

Initiatives in Second Half of FY2016

Offensive Growth Strategies

■ **Invigorating existing stores through increased investment (renovations scheduled for 7 Apita and 10 Piago stores)**

1. Develop success model for renovating standard Apita and Piago stores

- Improve profitability by bringing directly operated floor space to reasonable level and recruiting tenants
- Differentiate operations by enhancing already-strong apparel and household goods product categories
- Develop sales floors that provide new draws through collaboration with other industries

2. Create new directly operated offerings (improve profits and provide new draws)

- Deploy new services that are highly compatible with shopping centers
- Secure profits by establishing directly operated bakeries and delicatessen sales floors at several stores
- Begin developing culture center operations

■ **Creating new business models**

1. Construct new earnings model through establishment of new concept supermarket division

- Open experimental store in fiscal 2017

Defensive Growth Strategies

■ **Closing unprofitable stores**

- 1 Apita Store
- 6 Piago Stores

Second-Half Initiatives

■ **Leveraging UNY's strengths to develop new general retail business**
UNY's strengths

1. Dominant physical store network in the Chubu and Kanto regions, both expected to see economic and population growth
2. Reputation for high reliability and loyal customer base in Chubu region
3. Robust business structure and coordination with new FamilyMart UNY Holdings Group companies

■ **Vision: Creating new lifestyle-provision retail business**
Second-half policies

1. Transition to next-generation business model that proposes "Fun & Fresh" lifestyles
2. Respond to customer needs by invigorating existing stores and developing new supermarkets
3. Carry out reorganization of unprofitable stores and businesses

■ **Leveraging UNY's strengths to develop new general retail business**
Actions

- Create cross-divisional sales floors that propose lifestyles to customers
- Leverage strengths of physical stores to enhance services and develop new businesses that increase store draws
- Utilize loyal customer purchase records to match individual stores to regions based on each store's characteristics

