
FamilyMart UNY Holdings Co., Ltd.



Financial Review for First Half of FY2018

October 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.

Financial Results for First Half of FY2018 and Full-Year Forecasts

Financial Results for First Half of FY2018 (IFRS)

	FY2017	FY2018		
	1H	1H		
(¥ billion)	Results	Results	YoY	Major reasons for increases (decreases)
Gross operating revenue (Corporate/Eliminations are omitted)	633.6	641.8	8.2	(1.3%)
CVS business	293.6	274.1	(19.5)	Decrease in number of stores following closure of unprofitable stores
GMS business	341.2	370.8	29.5	Incorporation of Kanemi Co., Ltd. as a consolidated subsidiary
Core operating profit (Corporate/Eliminations are omitted)	41.9	49.8	7.9	(18.9%)
CVS business	29.1	35.8	6.6	Increase in profit at converted stores; improved gross profit ratio as a result of enhanced product lineup
GMS business	12.9	14.7	1.7	Contributions from benefits of store renovations and sales promotions targeting card members
Profit attributable to owners of parent	22.3	30.3	8.0	(35.8%)
CVS business	12.4	19.7	7.3	Increase in core operating profit, etc.
GMS business	9.5	8.0	(1.4)	YoY impact of transference of 40% of UNY stock (decrease of 4.8)
Corporate/Eliminations	0.3	2.5	2.1	Impact from sale of UNY (HK) Co., Ltd. (2.7)

YoY increase in core operating profit and profit attributable to owners of the parent

CVS business: Increase in profit at converted stores; improved gross profit ratio as a result of enhanced product lineup

GMS business: Favorable performance at existing stores due to contributions from benefits of store renovations and sales promotions targeting card members

Corporate/Eliminations: Recorded gain from sale of UNY (HK) Co., Ltd.

	FY2017	FY2018	
	Full-year	Full-year	
(¥ billion)	Results	Plan	YoY
Gross operating revenue (Corporate/Eliminations are omitted)	1,275.3	1,270.2	(5.1)
CVS business	560.8	520.5	(40.3)
GMS business	718.7	754.4	35.6
Core operating profit (Corporate/Eliminations are omitted)	66.2	77.3	11.0
CVS business	42.9	51.0	8.0
GMS business	23.5	27.1	3.5
Profit attributable to owners of parent	33.6	40.0	6.3
CVS business	▲1.2	30.0	31.2
GMS business	17.7	※ 9.6	▲8.1
Corporate/Eliminations	17.2	0.4	(16.8)

* Loss attributable to non-controlling interests in the GMS business was ¥6.2 billion.

**No revision to full-year forecasts in reflection
of ahead-of-schedule introduction of certain strategic store fixtures
and IT system equipment for improving quality of existing stores**

Reinforcement of Store Foundations

● Brand Conversions

- **Complete conversion of approx. 5,000 by November 30, 2018**



**Post-Conversion
Total of 4,746 stores converted**

Daily sales:

¥509 thousand / vs. pre-conversion: +10%

Customer numbers:

825 / vs. pre-conversion: +12%

- **Smooth progress in 2nd year with 2,350 stores converted**

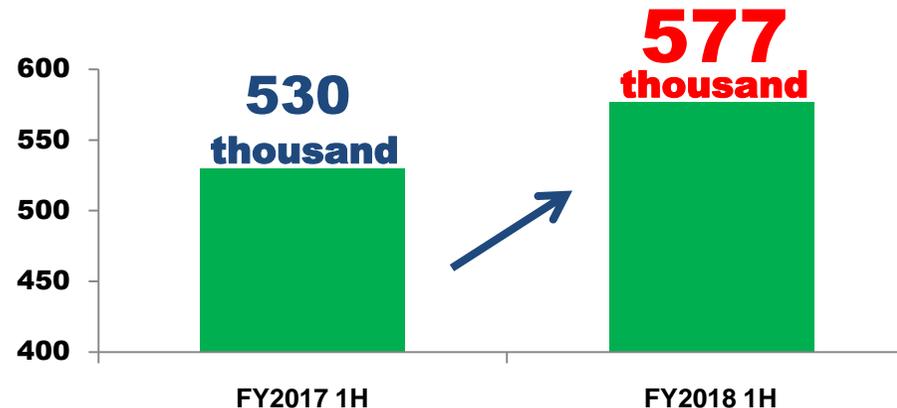
Growth rate of average daily sales / 1H: +2%

● Opening of High-Quality Stores

- **Daily sales at new stores greatly exceeds level of ¥530,000 from FY2017**

**B&S openings
176**

**New openings
55**



**YoY:
+47 thousand**



Enhancement of product competitiveness

- **Higher sales and gross profit margin due to ready-to-eat product structural reforms**
 - Lineup enhancement for chargrilled chicken and “Mother’s Kitchen” brand items and related sales contributions
 - Development of products matching customer needs for taste and healthiness (products using whole wheat flour, etc.)
 - Acceleration of food safety and security initiatives (abolition of synthetic colorings and preservatives)



● **Reinvention of coffee products**

- Introduction of 5,400 new coffee machines in the 2nd half of fiscal year (total of 27,000 to be introduced via investment of ¥20.0 billion)

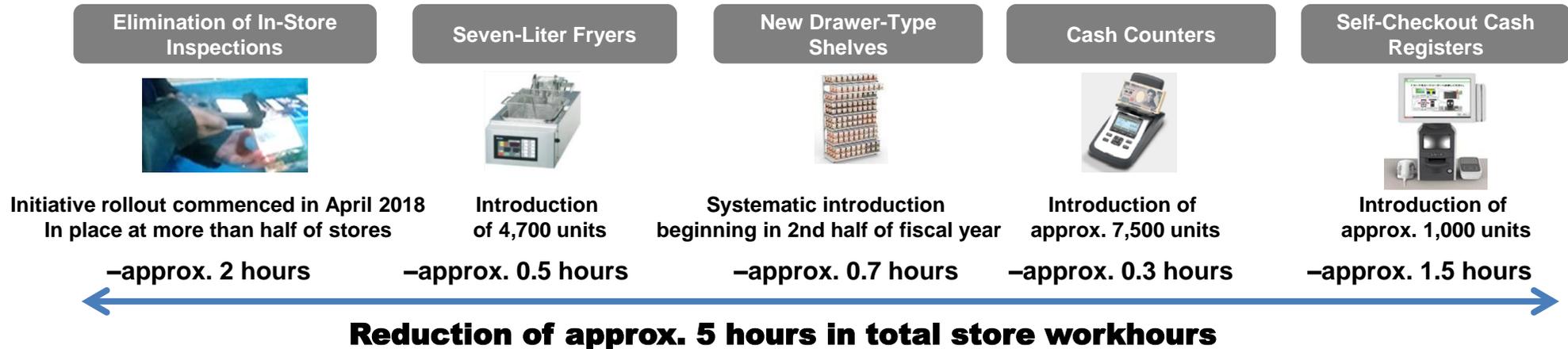
Over 10% increase in coffee sales



Improvement of store operating procedures

● Efforts to improve operational efficiency

● Investments at existing stores to reduce operating burden of franchised stores



Joint Trial with Don Quijote Holdings

● Joint trial stores

- Commencement of joint trial with Don Quijote Holdings to build foundation for creation of new FamilyMart stores (3 stores opened in June 2018)



June–August 2018 Performance (3-Store Average)

YoY change in daily sales: **+30%** YoY change in customer numbers: **+10%**

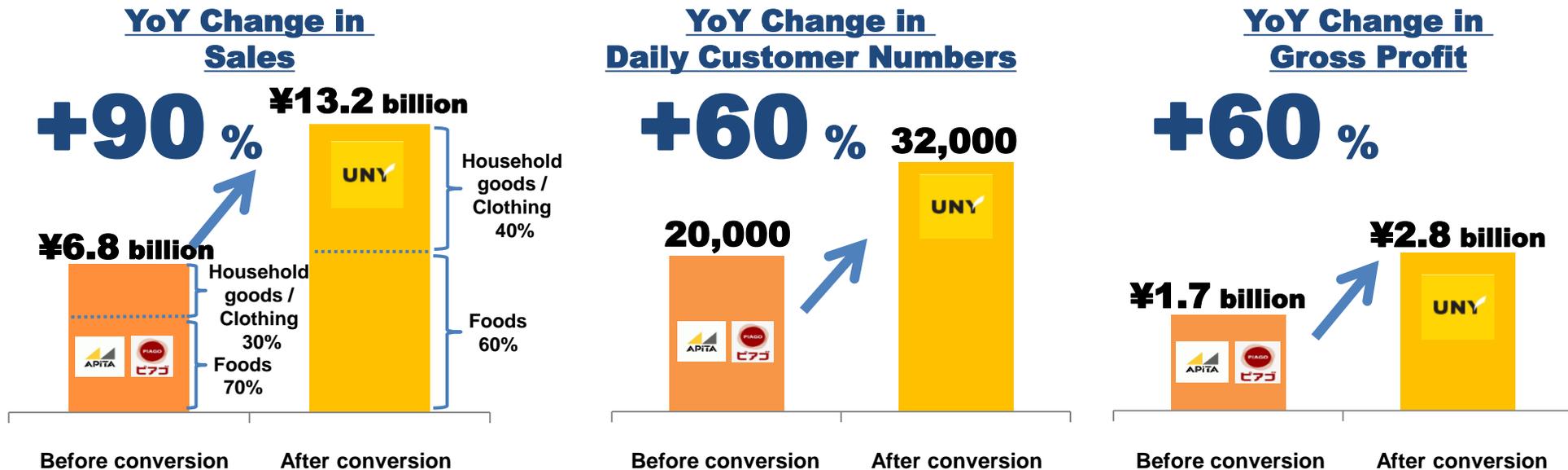
Progress of Collaborative Efforts with Don Quijote Holdings

● MEGA Don Quijote UNY stores

- Ongoing strong performance in comparison to pre-conversion levels
- Large increases in household goods and clothing sales, acquisition of new, younger customers



March–August 2018 Performance (6-Store Average)



Progress on schedule to achieve target of converting 20 stores by FY2019

APITA and PIAGO Initiatives



● Incorporation of Don Quijote's expertise into existing stores

- Application at 10 stores by delegating authority to stores based on the concept of bringing joy to customers
- Extension of successful initiatives to other stores to begin in FY2019

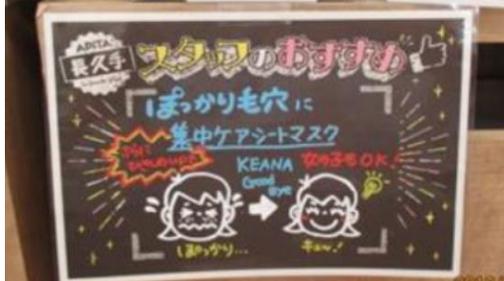
1st-Half Performance (10-Store Average)

YoY change in sales (pre-trial): -3% → YoY change in sales (post-trial): Growth achieved

<Apita Nagakute>



Promotions of priority products (island displays)



POP advertisements displaying staff comments



Community events

<Apita Ichihara>



Large, mixed-product bins



POP advertisements prepared by stores



Bins surrounding pillars

(Reference) Financial Results for FY2018 1H (IFRS) – CVS Business

(¥ billion)	FY2018 1H			
	CVS business	YoY	FM (non-consolidated)	YoY
Gross operating revenue	274.1	(19.5)	227.3	(20.3)
Core operating profit (equivalent to operating income under Japanese GAAP)	35.8	6.6	30.4	6.2
Profit	19.7	7.3	17.5	※ 4.7

* Excludes impact of dividend income from subsidiaries recorded in FY2017 (¥4.4 billion)

		FY2018 1H	
		Results	YoY
Business Performance: FM (non-consolidated)	Average daily sales at all stores (¥ thousand)	534	(4)
	Growth rate of average daily sales at existing stores, including converted stores	1.5%	—
	Gross profit ratio, excluding pre-paid cards and tickets	31.1%	0.1%
	Store openings	55	(99)
	B&S	176	60
	Brand conversion	833	(688)
	Store closures	565	216

(Reference) Financial Results for FY2018 1H (IFRS) – GMS Business

	FY2018 1H			
	GMS business	YoY	UNY (non-consolidated)	YoY
Gross operating revenue	370.8	29.5	292.3	(9.6)
Core operating profit	14.7	1.7	11.5	0.5
Profit	8.0	* (1.4)	10.4	1.8

* Excludes YoY impact of transference of 40% of UNY stock in FY2017 (decrease of ¥4.8 billion)

		FY2018 1H	
		Results	YoY
Business performance: UNY (non-consolidated)	Y-o-y change in existing store sales	1.3%	—
	Clothing	1.9%	—
	Households goods	1.5%	—
	Foods	1.1%	—
	Gross Profit ratio	23.3%	0.0%
	Number of stores	192	(9)