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# FamilyMart UNY Holdings Co., Ltd.



## Financial Review of First Half of FY2017

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October 2017

**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 Results for First Half of FY2017 and Full-Year Forecasts**

Koji Takayanagi,  
Representative Director and President

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# Financial Results for First Half of FY2017

## —Consolidated Performance (IFRS)

**CVS: Brand conversion; GMS: Forecast-exceeding performance due to cost reductions**

		FY2016 1H				FY2017 1H		
		Results	Results	YoY	VS. initial forecasts (04/11)	Revised forecasts (09/28)		
P / L ¥ billion	Gross operating revenues	211.5	633.6	199.5%	5.5	633.0		
	Operating income	20.1	33.4	66.3%	8.8	33.5		
	Profit attributable to owners of the parent	11.9	22.3	86.7%	8.3	23.0		

### [CVS]

#### ◆Progress in brand conversion faster than anticipated

- Stores undergoing brand conversion: 1,521 (aggregate total of 2,350)
- Daily sales at brand-converted stores: ¥541,000, higher than FM average of ¥531,000

#### ◆Management integration benefits realized

- Reduced product procurement costs

### [GMS]

- ◆Ratio of consolidated 1H GMS SG&A expenses to revenues: 33.1% (0.9 pts lower than forecast)
- ◆Reduction of store closure costs

(Reference) Daily sales of converted stores  
 Daily sales of stores after conversion: +9.8%  
 Daily sales at existing stores  
 (including converted stores): +1.3%

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

**Development of earnings foundations and resolution of issues  
to prepare for rapid growth in subsequent fiscal years**

**Profit attributable to owners of the parent: ¥ 31.0 billion (full-year forecast)**

		FY2016	FY2017	
		Results	Forecasts	VS. initial forecasts (04/11)
P / L ¥ billion	Gross operating revenues	843.8	1,242.0	4.7
	Operating income	32.9	32.9	(8.3)
	Profit attributable to owners of the parent	21.5	31.0	7.0

[CVS]

◆ Steady progress in brand conversion: 2,600 stores converted (full-year forecast; 2H: 1,079 stores; aggregate: 3,429 stores)

- Closure of additional CKS stores: 295 additional stores (initial forecast: 369 → revised forecast: 664)

Note: Approx. 1,000 total closures (including 400 FM store closures)

[GMS]

◆ Commencement of joint initiatives with Don Quijote Holdings

- Conversion of 6 UNY stores; conversion of 3 closed UNY stores to Don Quijote stores

[HD]

◆ Adoption of consolidated tax payment system and loss on partial impairment of stores and other assets in CVS business

## Initiatives Plan for FY2018 and Beyond

### ◆ Brand conversion and integration

- Brand conversion: Convert approximately 5,000 stores to FM to complete brand conversion by August 31, 2018
- Benefits of integration: Incorporate benefits of system integration in addition to product and logistics benefits (¥8.0–¥10.0 billion annually in FY2019 and beyond)

### ◆ Capital and business alliance with Don Quijote Holdings

- Collaboration in retail business
- Conversion of UNY stores: Decision of number of stores to be converted in FY2018 and beyond by examining benefits
- Establishment of Don Quijote-style low-cost operating procedures
- Introduction of FM stores in Don Quijote stores
- Full-fledged personnel exchanges and joint product development and sales initiatives

### ◆ Reinforcement of financial services operations

- Reorganization of operating companies: Establishment of UFI FUTECH (September 2017); commencement of POCKET CARD tender offer bid (October 2017)
- Future directives for finance business
  - Strengthen e-money and other financial services operations
  - Deploy initiatives involving Group companies (ITOCHU, FM, UNY)

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# Supplementary Explanation of Financial Results

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Kunihiro Nakade,  
Director, Managing Executive Officer and CFO

## Overview of Consolidated Financial Results for First Half of FY2017(IFRS)

		FY2016 1H	FY2017 1H			
		Results	Results	YoY	VS. initial forecasts (04/11)	Revised forecasts (09/28)
P / L ¥ billion	Gross operating revenues	211.5	633.6	199.5%	5.5	633.0
	Operating income	20.1	33.4	66.3%	8.8	33.5
	Profit attributable to owners of the parent	11.9	22.3	86.7%	8.3	23.0

### ◆ Major reasons for differences from initial forecasts

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

		FY2016	FY2017 1H	
		Results	Results	Inc./dec.
B / S ¥ billion	Total assets	1.667.0	1.725.6	58.5

### ◆ Goodwill associated with management integration: ¥185.7 billion

- ¥33.6 billion for intangible assets and ¥152.1 billion for goodwill (broad definition)
- 20-year amortization in CVS business

Note: Amortization of intangible assets amounted to ¥1.2 billion in FY2017 1H

## Overview of Consolidated Financial Results for First Half of FY2017(IFRS)

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

		FY2016 1H	FY2017 1H	(Reference) YoY
		Results	Results	(Reference) YoY
P / L ¥ billion	Gross operating revenues	635.0	633.6	-0.2%
	Operating income	37.9	33.4	-11.7%
	Profit attributable to owners of the parent	19.0	22.3	17.4%
(Reference)	Core operating income	48.5	41.9	-13.6%

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

- Factors behind decline in operating profit (down 11.7% YoY)

Higher expenses resulted from amortization of intangible assets in the CVS business (¥1.2 billion) and integration-related expenses (¥3.7 billion)

- Factors behind increase in profit attributable to owners of the parent (up 17.4% YoY)

Reversal of deferred tax assets due to conversion of Kanemi into subsidiary



# First-Half Financial Results (IFRS) and Overview of Operations of the CVS Business

		FY2017 1H			(Reference) FY2016 1H
		Segment total	FM (non-consolidated)	Taiwan FM	Segment total
Segment P/L ¥ billion	Gross operating revenues	293.6	247.7	29.9	—
	Operating income	20.7	15.5	4.0	28.6
	Profit attributable to owners of the parent	12.4	17.1	1.6	—

FM: FamilyMart  
CKS: Circle K Sunkus

		FY2017 1H			
		FM	FY2017 1H / FY2016 1H	CKS	FY2017 1H / FY2016 1H
Business Performance: FM (non- consolidated)	Average daily sales at all stores (¥ thousand)	531	2	395	(44)
	Average daily sales at existing stores (¥ thousand)	532	1	397	(41)
	Growth rate of average daily sales at existing stores	-0.3%	-	-5.7%	-
	Note: Growth rate of daily sales at existing stores, including converted stores	1.3% (¥533 thousand)			
	Gross profit ratio	27.61%	0.06%	26.45%	0.14%
	Store openings	270	-147	-	-
	CKS brand conversion	1,521	-	-	-

- Brand conversion completed for total of 2,350 CKS stores, including 829 converted in FY2016
- Daily sales of converted stores exceed FM average at ¥541,000 (9.8% higher than before conversion)

## First-Half Financial Results (IFRS) and Overview of Operations of the GMS Business

		FY2017 1H			(Reference) FY2016 1H
		Segment total	UNY (non-consolidated)	UCS	Segment total
Segment P/L ¥ billion	Gross operating revenues	341.2	302.0	8.7	—
	Operating income	12.8	10.8	1.8	9.2
	Profit attributable to owners of the parent	9.5	8.6	1.0	—

		FY2017 1H	
		Results	FY2017 1H / FY2016 1H
Business Performance: UNY (non- consolidated)	Y-o-y change in existing store sales	-1.3%	-
	Clothing	-1.3%	-
	Household goods	0.7%	-
	Food	-1.0%	-
	Gross profit ratio	23.3%	1.2%
	Store openings	0	(1)
	Store closures	9	(4)
	Number of stores	201	(15)

## Full-Year Forecasts for Consolidated Performance in FY2017

		FY2017 Full year		FY2017 1H	
		Forecasts	VS. initial forecasts	Forecasts	VS. initial forecasts
	Gross operating revenues	1,242.0	4.7	608.3	(0.8)
	Operating income	32.9	(8.3)	(0.5)	(17.1)
P / L	Profit attributable to owners of the parent	31.0	7.0	8.6	(1.3)
¥ billion	CVS business	(0.8)	(12.8)	(13.2)	(16.8)
	GMS business	15.5	3.8	5.9	(0.2)
	Adjustments	16.3	16.0	15.9	15.7
(Reference)	Core operating income	66.5	4.0	24.5	(0.7)

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

### ◆ Major revisions

#### Profit attributable to owners of the parent

- Revision to 2H profit attributable to owners of the parent forecast, but performance to be in line with initial forecast when extraordinary factors are excluded
- ¥1.4 billion reduction due to closures in CVS business and adjustment of Taiwan FamilyMart' fiscal year-end
- Benefits of consolidated tax payment system, resolution of issues for hereafter

## (Reference) Quantitative Targets for CVS Business (IFRS) (1)

		FY2017 Full year			
		Segment total	VS. initial forecasts	FM (non-consolidated)	VS. initial forecasts
Segment P/L ¥ billion	Gross operating revenues	555.6	(0.2)	474.9	9.5
	Operating income	9.9	(11.6)	1.0	(10.3)
	Profit attributable to owners of the parent	(0.8)	(12.8)	2.1	(8.9)

		FY2017 2H			
		Segment total	VS. initial forecasts	FM (non-consolidated)	VS. initial forecasts
Segment P/L ¥ billion	Gross operating revenues	261.9	(6.4)	227.2	3.9
	Operating income	(10.8)	(17.8)	(14.5)	(15.9)
	Profit attributable to owners of the parent	(13.2)	(16.8)	(14.9)	(16.0)

## (Reference) Quantitative Targets for CVS Business (2)

FM: FamilyMart CKS: Circle K Sunkus		FY2016 Full year		FY2017 Full year			
		FM	CKS	FM	VS. initial forecasts	CKS	VS. initial forecasts
Business Performance: FM (non-consolidated)	Average daily sales at all stores (¥ thousand)	522	425	524	(4)	388	(20)
	Growth rate of average daily sales at existing stores	0.8%	-2.1%	-0.1%	-1.3%	-3.8%	-3.8%
	Gross profit ratio	27.44%	26.25%	27.51%	-0.42%	26.38%	-0.20%
	Store openings	831	-	600	(196)	-	-
	CKS brand conversion	829	-	2,600	-	-	-
	Number of stores	12,089	4,912	14,739	(146)	1,650	(221)
		FY2016 2H		FY2017 2H			
		FM	CKS	FM	VS. initial forecasts	CKS	VS. initial forecasts
Business Performance: FM (non-consolidated)	Average daily sales at all stores (¥ thousand)	514	410	517	(4)	382	(16)
	Growth rate of average daily sales at existing stores	0.0%	-3.7%	0.0%	-1.2%	-2.0%	-4.2%
	Gross profit ratio	27.33%	26.16%	27.41%	-0.40%	26.33%	-0.20%
	Store openings	414	-	330	(220)	-	-
	CKS brand conversion	829	-	1,079	(147)	-	-

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

		FY2017 Full year					
		Segment total	VS. initial forecasts	UNY (non-consolidated)	VS. initial forecasts	UCS	VS. initial forecasts
Segment P/L ¥ billion	Gross operating revenues	688.6	5.5	596.3	(12.5)	18.4	(2.0)
	Operating income	23.2	3.5	18.2	4.0	4.2	1.3
	Profit attributable to owners of the parent	15.5	3.8	13.4	3.6	1.8	(0.1)

		FY2017 2H					
		Segment total	VS. initial forecasts	UNY (non-consolidated)	VS. initial forecasts	UCS	VS. initial forecasts
Segment P/L ¥ billion	Gross operating revenues	347.3	5.9	294.3	(10.4)	9.7	(0.6)
	Operating income	10.3	0.8	7.3	0.9	2.3	0.1
	Profit attributable to owners of the parent	5.9	(0.2)	4.8	0.7	0.8	(0.1)

		FY2016 Full year	FY2017 Full year		FY2017 2H	
		Results	Forecasts	VS. initial Forecasts	Forecasts	VS. initial Forecasts
Business Performance: UNY (non-consolidated)	Y-o-y change in existing store sales	-1.0%	-1.3%	-0.7%	-1.3%	-0.7%
	Gross profit ratio	23.2%	23.6%	-0.1%	23.8%	-0.2%
	Store openings	2	1	-	1	-
	Store closures	20	15	-	6	-
	Number of stores	210	196	-	196	-