

Notice Regarding Execution of Basic Agreement on Capital and Business Alliance between FamilyMart UNY Holdings and Don Quijote Holdings

As announced previously in the notice titled “Notice Regarding Launch of Deliberations on Potential Business Alliance between FamilyMart UNY Holdings and Don Quijote Holdings” dated June 13, 2017, FamilyMart UNY Holdings (“FamilyMart UNY HD”) and Don Quijote Holdings (“Don Quijote HD”) resolved, through a round of deliberations on potential business alliance, to execute and today executed a basic agreement on a business alliance whereby the two companies seek to further enhance their businesses by leveraging each other’s strengths and expertise (“the Business Alliance”) and on a capital alliance whereby FamilyMart UNY HD transfers part of its shareholdings in UNY Co., Ltd. (“UNY”), a wholly-owned subsidiary of FamilyMart UNY HD, to Don Quijote HD (“the Capital Alliance”) (hereinafter referred to collectively as “the Alliance”) as explained below.

The two companies plan to execute a final agreement (“the Agreement on Alliance”) through negotiations on concrete terms and conditions of the Agreement on Alliance.

1. Background and Purposes of the Alliance

FamilyMart UNY HD and Don Quijote HD had continued to negotiate and deliberate on potential business alliance with the aim to collaborate and create complementary synergies by leveraging the management resources and unique strengths and expertise of each other’s core businesses, namely FamilyMart UNY HD’s convenience store and general merchandise store businesses (CVS Business and GMS Business respectively) and Don Quijote HD’s discount store business.

As a result of such negotiations and deliberations, the two companies reached a conclusion that, in addition to promoting the Business Alliance, in order to accelerate the growth of GMS Business of FamilyMart UNY HD and to consequently improve the enterprise value of UNY over the medium- to long-term, it is important to make use of Don Quijote HD’s broad customer base including young generations, its time-spending-type retail format with a lot of amusement features, and its know-how on operating stores overnight and addressing inbound customer needs, while further enhancing UNY’s existing strengths in its food and other business segments, and thus determined to not only collaborate through business alliance but also build a close partnership including capital alliance.

As discussed in “2. Overview of the Alliance” below, FamilyMart UNY HD and Don Quijote HD have reached a basic agreement today concerning the content of both the Business Alliance and the Capital Alliance. The two companies expect to execute the Agreement on Alliance through continued

negotiations and deliberations and inform as soon as the Agreement on Alliance is executed.

2. Overview of the Alliance

1. Details of the Agreement on Alliance

1) Profile of the business to be transferred

(1)	Company name	UNY Co., Ltd.
(2)	Company address	1-chome Amaikegotanda-cho, Inazawa-shi, Aichi, Japan
(3)	Name and title of the representative	Representative Director and President Norio Sako
(4)	Description of business	Operation of a general retail chain offering clothing, food, housing and leisure goods
(5)	Capital	JPY10,000 million (non-consolidated)
(6)	Date established	February 16, 2012
(7)	Major shareholder and its ownership ratio	FamilyMart UNY HD (100.0%)

2) Number of shares to be transferred

(1)	Number of shares owned before the transfer	FamilyMart UNY HD 200,000 shares (Ownership ratio: 100.0%) Don Quijote HD 0 shares (Ownership ratio: 0.0%)
(2)	Number of shares to be transferred	80,000 shares
(3)	Number of shares owned after the transfer	FamilyMart UNY HD 120,000 shares (Ownership ratio: 60.0%) Don Quijote HD 80,000 shares (Ownership ratio: 40.0%)

2. What have been agreed upon regarding the Business Alliance

1) Overview of the Business Alliance

(1) Collaboration in retailing

i. Conversion of part of UNY stores into a combined store format

Convert part of UNY stores into a new store format that combines a store operated by Don Quijote HD (Don Quijote) and a store operated by UNY (APiTA/PIAGO)

ii. Conversion of UNY's soon-to-be-closed stores into Don Quijote HD's brand stores

Convert the stores to be closed, out of APiTA, PIAGO and PIAGO La Foods Core stores, into Don Quijote HD brand stores

iii. Opening of FamilyMart stores within Don Quijote stores

Open FamilyMart stores in part of the stores operated by a subsidiary of Don Quijote HD

iv. Joint development of digital solutions and use of big data

Deliberate on development of digital solutions for store operation, sales promotion utilizing big data and implementation of digital solutions (such as the joint development of next-generation cash registers with a digital lane integrating multiple reading technologies)

(2) Joint development, joint purchase and joint promotion of merchandise

Share each other's expertise in development of merchandise, collaborate in development and purchase of attractive merchandise, and collaborate in sales promotion to reduce costs and operational efficiency. Also, consider standardizing and unifying the smartphone applications of the two companies

(3) Streamlining of logistics functions

(4) Collaborative development of overseas markets and new formats

(5) Personnel exchange

(6) Financial and other services

Consider consolidating the points of the two companies so that they can be used at both companies' stores and also consider implementing financial services such as shared electronic money, point cards and customer IDs

2) Profile of the Parties to Execute the Business Alliance

	FamilyMart UNY HD	Don Quijote HD
(1) Company name	FamilyMart UNY Holdings Co., Ltd.	Don Quijote Holdings Co., Ltd.
(2) Company address	3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo	2-19-10 Aobadai, Meguro-ku, Tokyo
(3) Name and title of the representative	Representative Director and President Koji Takayanagi	President and CEO Koji Oohara
(4) Description of business	A holding company holding the operators of general merchandise stores, convenience stores and other businesses	A holding company engaged in corporate planning and management of group companies, entrusted management of subsidiaries, management of real estates, etc.
(5) Capital	JPY16,658 million	JPY22,425 million
(6) Date established	September 1, 1981	September 5, 1980
(7) Major shareholders and their ownership ratios	ITOCHU Corporation (34.67%) The Master Trust Bank of Japan, Ltd. (Trust Account) (12.41%) Japan Trustee Services Bank, Ltd. (Trust Account)(6.17%) Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) (2.41%) NTT DOCOMO, INC. (2.31%) Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.) (1.98%)	La Mancha (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) (11.38%) CREDIT SUISSE AG HONG KONG TRUST A/C CLIENTS FOR DQ WINDMOLEN B.V. (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) (9.80%) Japan Trustee Services Bank, Ltd. (Trust Account) (6.00%) Anryu Shoji Co., Ltd (5.23%) STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy:

	BNP Paribas Securities (Japan) Limited (1.64%) Goldman Sachs Japan Co., Ltd. (1.39%) STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) (1.26%) Trust & Custody Services Bank, Ltd. (Trust Collateral Account) (1.06%) ※ As of the end of February 2017	Settlement & Clearing Services Department, Mizuho Bank, Ltd.) (4.64%) The Master Trust Bank of Japan, Ltd. (Trust Account) (3.47%) JP MORGAN CHASE BANK 380055 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) (3.37%) Yasuda Scholarship Foundation (2.28%) STATE STREET BANK AND TRUST COMPANY 505225 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) (2.15%) THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) (1.94%) ※ As of the end of June 2017
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3. Timeline

(1)	Board resolution (FamilyMart UNY HD / Don Quijote HD)	August 24, 2017
(2)	Execution of a basic agreement	August 24, 2017
(3)	Execution of the Agreement on Alliance	End of August - early September 2017 (planned)
(4)	Share transfer	November 2017 (planned)

(Note) Execution of the share transfer is subject to completion of the procedures required under the Japanese Anti-trust Law, etc.

4. Future Prospect

The influence of the Alliance on full-year earnings of the two companies is considered minimal.

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