

The Merchants Creating Synergies Indefinitely

Measures for Increasing Corporate Value of Investees Seen through Coordination with the Convenience Store Business of FamilyMart UNY Holdings

ITOCHU has positioned FamilyMart UNY Holdings Co., Ltd., as an important business supporting long-term increases in corporate value and is advancing cross-Group initiatives. In this special feature, we will explain our unique approach toward increasing the corporate value of operating companies with our expertise in the consumer-related sector.





Business Model Reform Centered on FamilyMart

On September 1, 2016, FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., merged to form FamilyMart UNY Holdings. This integration led to the creation of a massive retail group, ranking No. 3 in Japan with gross operating revenues in excess of ¥1.2 trillion. At the same time, this merger represented a large step forward in strengthening the consumer-related sector operations of ITOCHU, the largest shareholder of FamilyMart UNY Holdings.

ITOCHU acquired roughly 30% of the issued shares of FamilyMart in 1998. Our first foray in the retail field, this acquisition necessitated a reform to the Food Company's business model. Branching out from its traditional model focused on wholesale and logistics businesses, the Food Company adopted a model based on the Strategic Integrated System (SIS) strategy, which entailed constructing a value chain encompassing procurement of raw materials in upstream areas; processing, manufacturing, and intermediate distribution in midstream areas; and retail in downstream areas. With this new model, we have supported increases in the competitiveness of FamilyMart by providing the functions we possess as a general trading company. Today, we are utilizing the information gained through points of contact with consumers to create a strong, bottom-up value chain that stretches from downstream areas (retail) to upstream areas (raw material). These efforts are creating a wider range of growth opportunities for the Food Company as well as for various other ITOCHU Group businesses.

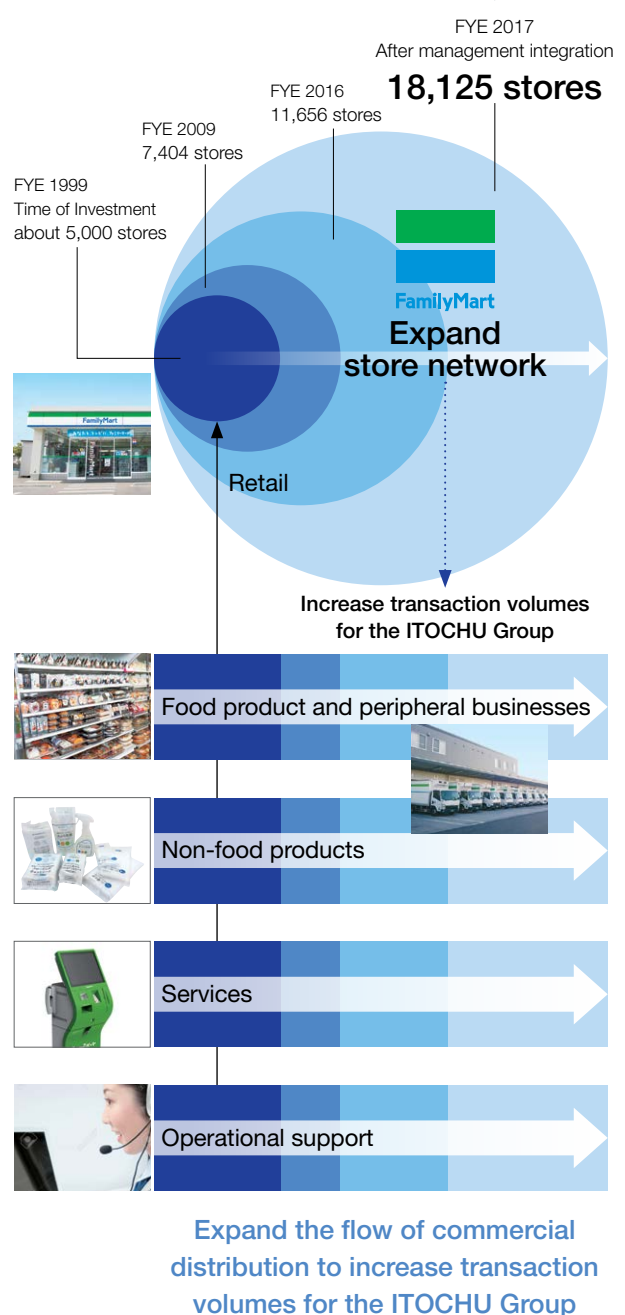
A Stronger Value Chain

Under the control of FamilyMart UNY Holdings, FamilyMart merged with Circle K Sunkus Co., Ltd., thereby forming a network of approximately 18,000 stores in Japan and growing to a scale that rivals the industry leader. Taking advantage of the resulting stronger value chain, the ITOCHU Group is exercising its collective strength to generate massive synergies with FamilyMart. On the following pages, we will explain our strategic directives based on several keywords.

Utilize functions to expand the flow of commercial distribution in order to synergistically grow trading income, investment returns, and dividends

	(Number of domestic stores)
Seven-Eleven Japan	19,422
New FamilyMart	18,125
LAWSON	13,111
FamilyMart	12,995
Circle K Sunkus	5,130

(As of February 28, 2017)



Special Feature

VALUE CHAIN



KEYWORD1

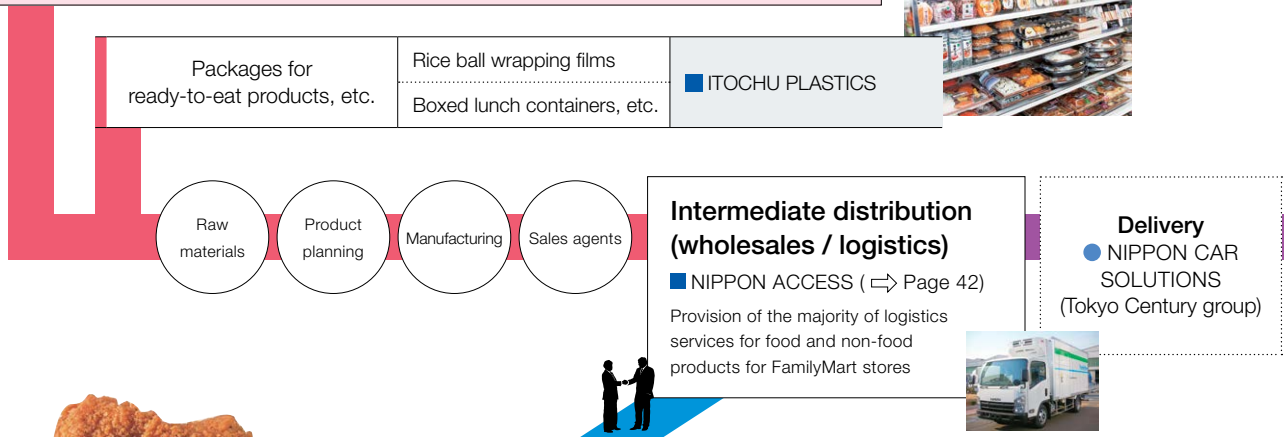
Peripheral Business Initiatives

FamilyMart has evolved as a provider of lifestyle infrastructure by expanding its functions; branching out from supplying food products and other items necessary to daily lives, the company now provides financial services as well as a wide array of other services. This robust lineup of offerings allows ITOCHU to generate synergies with regard to not only food, but also daily items, supplies, and various service fields. Future initiatives will include stepping up coordination with peripheral businesses from a long-term perspective. Specific areas we are eyeing include raw material supply, product development support, logistics efficiency improvement, IT-powered labor saving, e-commerce businesses, and financial businesses.

Food Product and Peripheral Business Initiative Examples

Coordinating food value chains to ensure the optimal form for all processes that take place before items arrive at store shelves, including formulation of raw material procurement schemes, product development, manufacturing, processing, and procurement of containers and packaging materials.

- Subsidiaries
- Associated companies
- ▲ ITOCHU



Non-Food Product Initiative Examples

Providing the daily items that support lifestyle and the supplies needed for everyday store operation.

Daily items	New Year's cards	■ ITOCHU PULP & PAPER
	FamilyMart collection daily items (detergent, plastic bags, cleaning sheets, etc.) and umbrellas	■ ITOCHU Retail Link ■ Sanipak Company Of Japan
Supplies Store items supporting operation, etc.	Chopsticks, individual-use hand towels, take-out item containers (coffee cups, etc.) Plastic bags, cleaning supplies	■ ITOCHU Retail Link
	Uniforms	▲ Textile Company





Service Initiative Examples

Supplying customers with a wide range of services closely related to their daily lives, including financial services and ticket sales through multimedia terminals.

Financial services	Famima T Cards	● POCKET CARD
	Ticket sales	● famima.com
Other services	Haco BOONmini	▲ ICT & Financial Business Company ● famima.com ■ ITOCHU INTERACTIVE
	POSA cards	■ CONEXIO



Cards issued by POCKET CARD Co., Ltd. The collected data is used to facilitate effective marketing and product development, in addition to contributing to customer loyalty.



はこBOONmini

Affordable and highly convenient inter-convenience store delivery service that utilizes FamilyMart's existing distribution network

Services

Food product and peripheral businesses, non-food products

Operational support

Operational Support Initiative Examples

Providing multifaceted support for the efficient operation of FamilyMart's nationwide network of approximately 18,000 stores, going beyond product sales, services, and store operation to assist in background areas.

System development	■ ITOCHU Techno-Solutions Support of operational efficiency through development of operational management systems
Electricity supply	■ ITOCHU Plantech High-voltage electricity supply service that reduces store electricity costs
Construction materials	■ ITOCHU Kenzai
3Rs+W services* * Reduce, reuse, recycle, and waste management	■ ITOCHU Metals Development of a nationwide network of partners to provide store fixture maintenance, reuse, recycle, and waste disposal services
Contact centers	● BELLSYSTEM24

Major Targets for Strengthening Peripheral Businesses

- Logistics efficiency improvement
- IT-powered labor saving
- E-commerce businesses
- Financial businesses, etc.

OUR VALUE

Support for Lifestyle and Social Infrastructure



KEYWORD2

Reinforcement of Food Value Chain

In addition to the increase in transaction volumes attributable to the merger of FamilyMart and Circle K Sunkus, the ITOCHU Group also seeks to generate substantial and even more wide-ranging synergies by strengthening product development capabilities, improving the efficiency of distribution activities, and consolidating production bases to reduce costs.

Overview of Value Chain Scheme

■ Subsidiaries ● Associated companies ▲ ITOCHU ● Business partners

	Ready-to-eat products (rice balls, boxed lunches)	Fried chicken (FAMICHIKI)	Fried chicken (Spicy Chicken, Chicken Steak)	Counter coffee (FAMIMA CAFÉ)	RIZAP collaboration products	Eggs
Raw materials	■ Japan Food Supply ■ ITOCHU Food Sales and Marketing ■ ITOCHU FEED MILLS, etc.	● Chicken suppliers	● CP Group	■ UNEX (GUATEMALA), S.A., etc.	■ Japan Food Supply ■ ITOCHU Food Sales and Marketing, etc.	■ I-hiyoko (ITOCHU FEED MILLS group)
Product planning / Manufacturing / Sales agents	● Ready-to-eat producers	▲ Meat Products Department	▲ Meat Products Department	▲ Sugar, Confectionary Materials, Coffee & Dairy Products Department ▲ Food Products Marketing & Distribution Department	▲ Food Products Marketing & Retail Department	■ ITS Farm (ITOCHU FEED MILLS group)
Wholesales / Logistics	■ NIPPON ACCESS					
Retail	FamilyMart					



NIPPON ACCESS Is Supporting One of the Industry-Leading Store Networks

NIPPON ACCESS, INC., is a food distribution company boasting one of the widest operation scopes in Japan. Its unique infrastructure is compatible with all temperature ranges, from dry to chilled and frozen, and has been deployed at 449 locations nationwide. NIPPON ACCESS is providing background support for FamilyMart, which is undertaking the brand conversion of Circle K Sunkus stores to FamilyMart stores.



FAMIMA CAFÉ

ITOCHU coordinates with FamilyMart with regard to coffee bean procurement schemes, product development, and equipment selection and procurement and also arranges processes including collection and refinement of coffee beans.



RIZAP Collaboration Products

Through the business alliance between RIZAP GROUP, Inc., FamilyMart, and ITOCHU, we are planning a lineup of jointly developed products as a centerpiece of our initiatives to address health-care needs.



KEYWORD3

Delegation of Retail Operation to Industry Professionals

Retail operations require precise management to maintain a full and appropriate product lineup, effectively select products based on local consumer preferences, and realize ideal store layouts. ITOCHU is a general trading company that has traditionally focused on intermediate distribution and upstream raw materials procurement. However, this perspective is not one that should be introduced into retail operations. Based on this belief, management of operating companies in FamilyMart UNY Holdings' convenience store and general merchandise store businesses has been delegated to industry professionals with extensive retail experience. ITOCHU, meanwhile, will contribute to increasing earnings capacity at FamilyMart UNY Holdings by building upon collaborative relationships to develop peripheral businesses.



Representative Director and President,
FamilyMart Co., Ltd.
Takashi Sawada



Representative Director and President,
UNY CO., LTD.
Norio Sako

Special Feature

KEYWORD4

Focus on Effective Governance and Organic Coordination

ITOCHU has been dispatching management personnel to FamilyMart UNY Holdings. These individuals help implement effective governance while setting management directives. At the same time, professionals from various fields are assigned to generate synergies by promoting organic coordination that blurs the boundaries between our business divisions.

Full Utilization of the ITOCHU Group's Strengths



Representative Director and President
FamilyMart UNY Holdings Co., Ltd.
Koji Takayanagi

Currently, top-priority measures at FamilyMart UNY Holdings include moving ahead with two important integrations: the integration of convenience store brands and the maximization of intra-group synergies through the integration of the strengths of operating companies centered around FamilyMart and UNY. With regard to the policies set in our medium-term management plan, coordination with the ITOCHU Group will be key to “strengthening store features and services.” Specifically, the ITOCHU Group’s resources will be a great asset with regard to financial, e-commerce, and other functions. ITOCHU is FamilyMart UNY Holdings’ largest shareholder. However, we will be fully utilizing the strengths of the ITOCHU Group in order to improve our own corporate value.