

# Leveraging Brick-and-Mortar Stores to Tackle Key Issues

Through its business activities, the FamilyMart UNY Group responds to society's issues and needs. In these efforts, we capitalize on our brick-and-mortar stores' distinctive links with customers and local communities. Our goal is to continue rapidly adapting to changes in business conditions while achieving sound, sustained growth. With this in mind, we will focus on finding roles for which brick-and-mortar stores are uniquely qualified, energizing the organization, and diversifying personnel.

- Coexistence with Local Communities
- Helping Invigorate Communities



**Store Network Rooted in Local Communities**

**System for Providing Valued Products**

- Reducing the Environmental Burden of Products in Supply Chains
- Catering Rapidly to Diversifying Demand through Product Development



## Clarifying Priority Issues for Sustainability

We have identified priority issues on which we should focus initiatives based on consideration of the expectations of stakeholders and society, management strategies for realizing our target corporate profile, our Group principles, and other guidelines.

### Most Material Issues of FamilyMart UNY Group

No.	Most material issues (goals in the SDGs)	Material issues of FamilyMart UNY Group
1	Environmental awareness 	Construction of a recycling-oriented society Contribution to a low carbon society Toward realization of a society that coexists in harmony with nature Promotion of ESD (Education for Sustainable Development)
2	Contributing to the development of vibrant local communities as social and living infrastructure 	Development and revitalization of local communities Disaster countermeasures and support for disaster-affected areas Supporting the development of the next generation Working together with NGOs / NPOs and harmonious coexistence with local communities
3	Strengthening of supply chain management that delivers safe and reliable products 	Provision of safe and reliable products / services Dissemination and awareness-raising about ethical consumption Promotion of fair and transparent business activities
4	Responding to increasingly sophisticated and diverse consumer needs 	Provision of high added-value products Development of products / services that improve health and welfare
5	Enhancing diversity 	Promotion of the acceptance and activity for diverse human resources Enhancement of work-life balance and building a workplace which offers job satisfaction

**Store Facilities Reflecting Changing Needs**

**Relationships with Customers Based on In-House Cards**

## Participating in the United Nations Global Compact

In September 2017, FamilyMart UNY Holdings became a signatory to the United Nations Global Compact. We will not only respond to the issues and needs of international society but also accelerate initiatives in accordance with the compact's human rights, labor, environmental, and anticorruption principles and help realize a sustainable society.



- Developing Personnel and Organizations for Accelerated Pursuit of New Growth

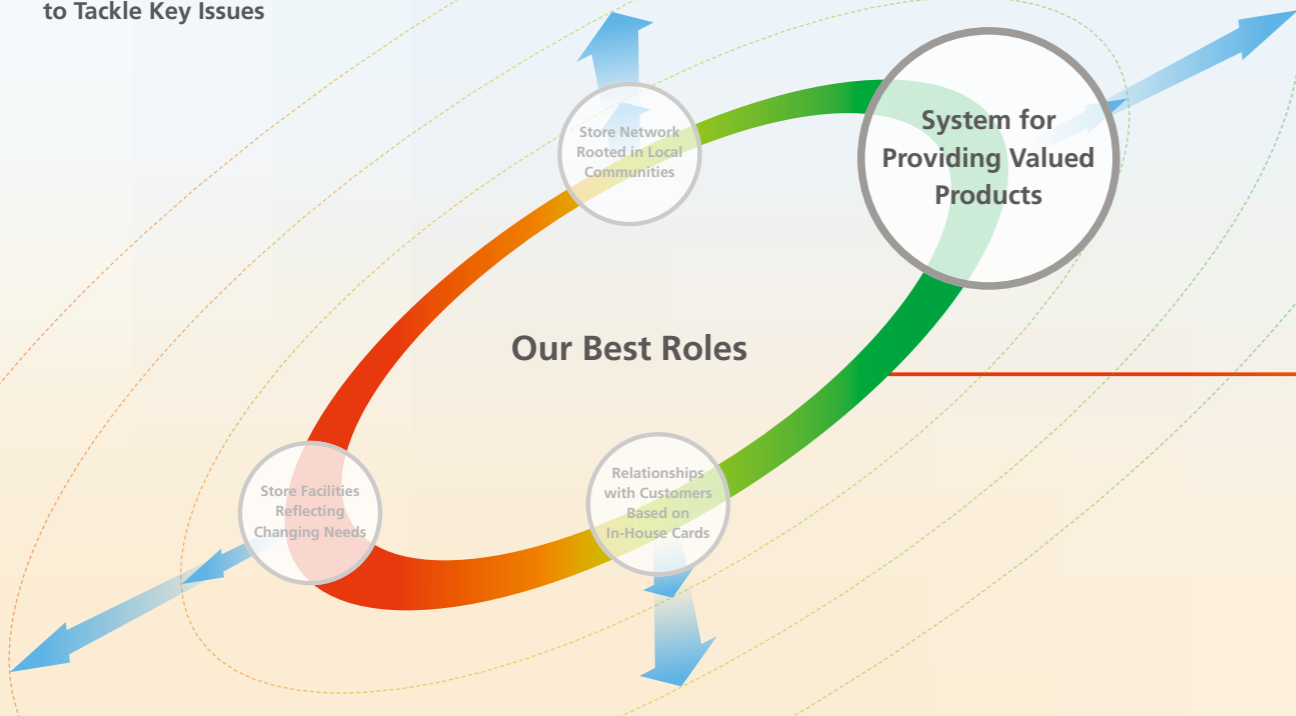


Please also refer to our *Sustainability Report 2017*, which summarizes our priority issues and sustainability activities.



[http://www.fu-hd.com/english/csr/report/pdf/UFHD\\_s-rep2017E\\_all.pdf](http://www.fu-hd.com/english/csr/report/pdf/UFHD_s-rep2017E_all.pdf)

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## Reducing the Environmental Burden of Products in Supply Chains

Providing a large number of food products essential in everyday life, the FamilyMart UNY Group takes a wide range of measures to minimize environmental burden at each stage of its operations, including product development, manufacturing, delivery, and sales. Recognizing UNY as an environmentally progressive company that is helping to build a sustainable society, the Minister of the Environment has granted UNY ECO FIRST certification.



### Creating a "Food Recycling Loop"

As a means to achieve a recycling-oriented society, UNY is operating a "food recycling loop" together with local communities. From producers to recyclers, we form partnerships with a range of businesses at every stage of the loop and work to recycle the food waste generated by our stores. The deployment of waste measurement systems at each store and exhaustive efforts to control and sort waste allowed UNY to achieve a food recycling rate of 63.6% in fiscal 2016, a 2 percentage point improvement over the previous fiscal year.

Moreover, building a food recycling loop contributes to local recycling efforts and local production for local consumption, which brings producers and consumers together in each region. Recyclers turn leftover food collected at each store into feed or compost, and we use a system for keeping track of the producers that use those products. These efforts help to establish local recycling-oriented agricultural industries that provide safe and reliable agricultural and livestock products.



### FamilyMart Efforts to Reduce Food Waste

To cut down on waste at its stores, FamilyMart is working to improve the precision of its ordering system. This involves ensuring the proper number of products are ordered and managing product selection with regard to inventory levels, sales, weather, events, and other factors at each store. Such efforts help to reduce food waste, especially for boxed lunches, rice balls, sandwiches, and other products with short shelf lives.

With our "Mother's Kitchen" brand of original delicatessen items launched in the fall of 2016, we use "gas exchange packaging" that fills

packages with carbon dioxide and nitrogen instead of oxygen, which causes food to spoil, to better suppress oxidation. Utilizing higher performance food packaging has allowed us to extend best-by date by three days without sacrificing the delicatessen item's freshness or flavor, thereby reducing food waste. With the introduction of these new technologies, along with re-examination of our packaging and methods of selling products, we will continue to reduce food waste through a variety of approaches.

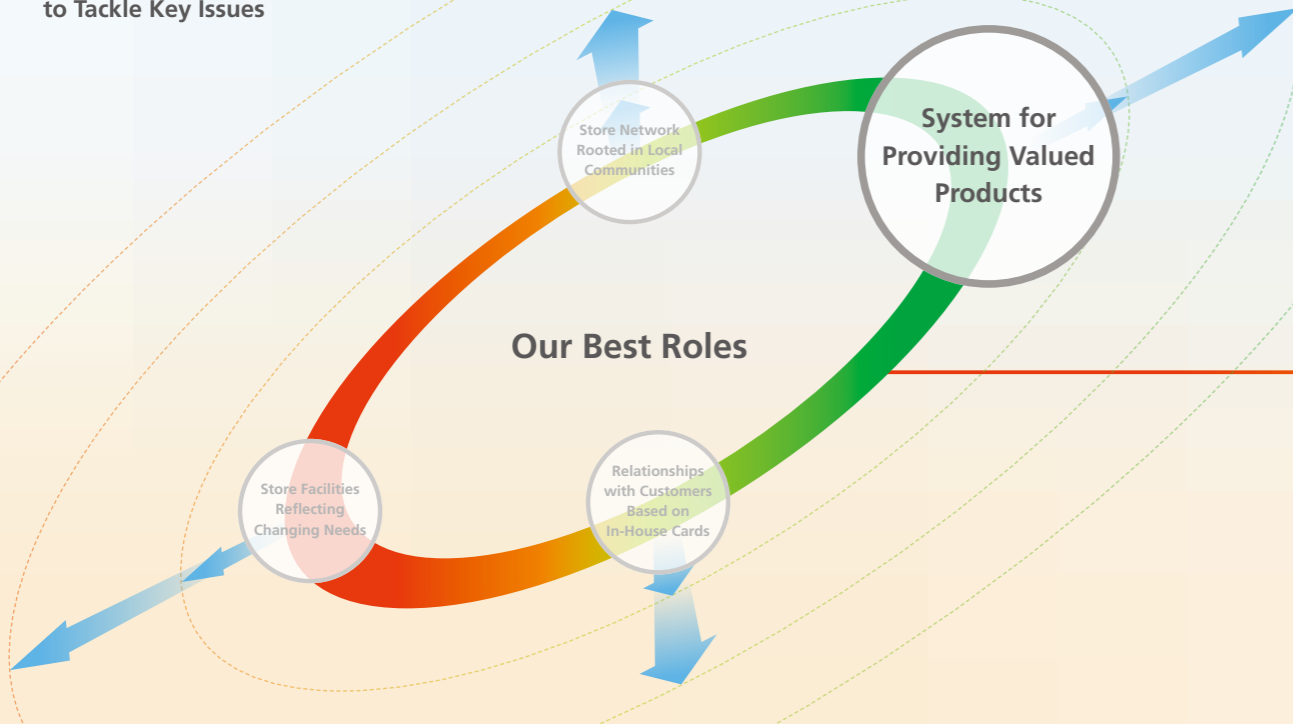


Improving the ordering system's precision not only eliminates stock-outs, optimizes inventories, and reduces order lead times but also helps curb surplus food products.



"Mother's Kitchen" was cited in a compendium of examples of high-performance packaging that helps reduce food waste, prepared by the Ministry of Agriculture, Forestry and Fisheries.

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## Catering Rapidly to Diversifying Demand through Product Development

Brick-and-mortar stores, which are the focus of our business activities, bring us into daily contact with customers. These points of contact help us to rapidly reflect customers' diversifying needs as well as local communities' issues in the development of products and services.

### UFHD Responsibility to Provide and Explain Safe and Reliable Products

Based on cooperation with business partners, FamilyMart UNY Group is working to strengthen the systems and structures that ensure safe and reliable products throughout the entire supply chain. In order to preemptively control various risks from procurement to consumption, we have created the information service "business partner helpline" for all our business partners through an external third party to facilitate early detection and correction of issues and problems concerning the supply chain. Furthermore, the Group conducts a "business partner survey" once a year

and confirms that legal violations or fraudulent activities are not occurring. In fiscal 2017, one call was made to the "business partner helpline" (FamilyMart: 1; UNY: 0). Furthermore, FamilyMart sent a "business partner survey" to about 100 companies of which 76 responded, and UNY sent the survey to about 900 companies of which 340 responded. Business partner opinions, requests, and other information were reported to the Risk Management & Compliance Committee and revisions and improvements are being made.

### FamilyMart Development of Products / Services That Improve Health and Welfare

With the aging of the population and greater health awareness in today's society, FamilyMart is providing various products and services in response to the needs of consumers. We have launched "diet management products" under the supervision of registered dietitians at the Kobe City Medical Center General Hospital. These products can be easily purchased at convenience stores and are better for physical health and gentler on the body, as they take into consideration calories, salt content, foodstuff items, and nutritional balance.



"Mackerel Mirin Grilled box lunch" (saba no mirin-yaki bento) approved by registered dietitians

Moreover, we are selling tasty low-carb products, such as salads, desserts and instant noodles, co-developed with RIZAP GROUP, Inc., an operator of personal training gyms. In addition to supporting consumer health promotion, FamilyMart entered the fitness business in February 2018. To cater to growing interest in health, we are opening Fit & GO gyms, which are available 24 hours a day, 365 days a year and offer a range of health promotion options.



Fit &GO store image



### Sales of Products That Protect Biodiversity

Protecting nature translates into protecting living things, and selling food and products based on this concept makes customers choose us. To expand the virtuous cycle from production to consumption, we offer products that protect biodiversity and work hard to increase consumer awareness about its importance.

paper and elementary school workbooks. Customers purchasing products with the FSC certification logo indirectly help preserve forests and protect biodiversity. It is a way to contribute to society through shopping.

FSC certification is granted by the FSC (Forest Stewardship Council), which runs an international forest certification system, to forests and wood recognized as sustainable, as well as to products made from such wood. Under UNY's private label brand, we develop and sell FSC-certified products such as toilet



Apparel made from organic cotton



Forest Stewardship Council-certified workbooks

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## Coexistence with Local Communities Helping Invigorate Communities

In Japan, the FamilyMart UNY Group has a network of more than 17,000 stores. Each of these stores is rooted in its local community, complements the services of local governments, and helps create local communities where all can live with peace of mind.

### UFHD Serving as Social and Living Infrastructure during Disasters

Both FamilyMart and UNY have been appointed as “Designated Public Institutions” by the Prime Minister in accordance with Article 2, item (v) of the Basic Act on Disaster Control Measures. Designated public institutions play important roles in efforts such as drafting disaster management operation plans, preventing disasters, and carrying out response measures and recovery efforts.

When disaster strikes, FamilyMart leverages its extensive nationwide logistics network to offer its coordinated transport capabilities to those in need

and provide emergency relief supplies. A portion of UNY’s largest stores make themselves available as evacuation sites for local residents and perform functions that include providing “kamado benches” usable as soup kitchens and stools with built-in toilets in times of emergency. In addition, both FamilyMart and UNY have systems in place for the disaster recovery stage: steps have been taken to ensure normal business operations can be immediately resumed, and preparations are made throughout the Group to prepare for large disasters.



Store operations immediately after a disaster



Bench with built-in stove (UNY)



Disaster relief toilet (UNY)

### UFHD Donations of Disaster Relief Money (2017 Northern Kyushu Torrential Rain Disaster Relief Money)

Record-breaking torrential rains caused catastrophic damage in Northern Kyushu on July 5 and 6, 2017.

To help as quickly as possible with recovery and reconstruction efforts, FamilyMart UNY Holdings launched a fund and collected donations at FamilyMart, Circle K and Sunkus, UNY

stores, and other stores throughout Japan from July 8 through July 22.

The stores raised a total of ¥41,383,739 over a roughly two-week period. On August 18, ¥33,106,991 was donated to Fukuoka Prefecture and ¥8,276,748 was donated to Oita Prefecture.

### FamilyMart Coordination with Local Governments (Conclusion of Comprehensive Agreements, Disaster Relief Agreements, and Watch Over Agreements)

To promote safe and reliable urban development, FamilyMart has concluded agreements ranging from “comprehensive agreements” to “agreements to provide material support in the event of a disaster,” “agreements to provide support to people unable

to return home,” and “watch over agreements (for seniors, etc.)” with prefectures as well as municipalities and other organizations. Through these agreements, FamilyMart plays a role as social and living infrastructure in emergency situations.



### Activities in Collaboration with Local NGOs / NPOs

UNY works with NPOs and volunteers from local companies to collect clothing that our customers decide they no longer need. The clothing collected is sent to Asia, Africa, and South America through the NPO Japan Relief Clothing Center and Nippon Express.

We also collect clothing that customers no longer need at our stores and recycle it into material for automobile interiors. Customers who bring in clothing receive “eco shopping cards” that they can use as coupons, and UNY donates 1% of each coupon’s value toward disaster relief and greening efforts.

### FamilyMart Community Gatherings

Eat-in spaces in FamilyMart stores are also used as places for community members to strengthen their connections with each other. People use these spaces for things beyond just eating and drinking the products they purchased. They use them as break areas during the workday at stores in business districts, as community spaces for family and friends to have pleasant conversations with each other at stores in residential areas and

on the roadside, and people also use them for events put on by local NPOs, school clubs, and other organizations. There are approximately 7,000 stores that feature eat-in spaces.



Eat-in space used as a place for community gatherings

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## Developing Personnel and Organizations for Accelerated Pursuit of New Growth

To realize *Accelerated Pursuit of New Growth*, the FamilyMart UNY Group is leveraging the store, production, and logistics networks acquired through management integration as well as links with customers and local communities. Also, to maximize the benefits of these stepped-up efforts, we are taking systemic measures to create workplaces amenable to the needs of all types of personnel.



### Approach to Personnel and Main Initiatives

UNY wants each employee to learn, think, and act independently. Our policy is to develop personnel who not only advance their competence as professionals in the GMS business but also cultivate attributes that benefit society at large.

Based on this policy, we support employees' growth by conducting training that matches career plans and encouraging self-development. In addition, we recommend store managers and deputy managers to acquire qualifications that develop their awareness of the needs of seniors and the disabled so that they can visit stores without anxiety. Further, we provide skills training for part-time personnel and pay additional wages to those obtaining qualifications.

Also, we are empowering female employees. In April 2016, we established a three-year Action Plan Based on the Act on Promotion of Women's

Participation and Advancement in the Workplace with a view to establishing workplaces where both women and men are managers. By 2020, we aim for women to account for at least 10% of our managerial staff.



Training focused on the needs of seniors and the disabled

#### Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (UNY)

Plan period	April 1, 2016–March 31, 2019
Goal	<ul style="list-style-type: none"> <li>Women in at least 10% of managerial positions (section managers and above)</li> </ul>
Initiatives	<ul style="list-style-type: none"> <li>Reemployment of those who have cited childcare or nursing care obligations as a reason for resignation</li> <li>Extension of childcare and nursing-care leave periods</li> <li>Revision of system for non-regular employees</li> </ul>



### Approach to Personnel and Main Initiatives

FamilyMart's personnel strategy for supporting growth comprises four initiatives: personnel recruitment, personnel development, appropriate assignment and periodic rotation, and compensation. Regarding personnel development, we have created a wide variety of educational programs that enable employees to proactively advance their careers. In fiscal 2011, we established the FamilyMart Business College as a dedicated education department. As well as providing employees of all ranks with training that fosters business skills, develops global personnel, and promotes diversity, the college offers selective and open training programs.

In fiscal 2017, we established two organizations directly under the control of the president. The first of these, the Human Resource Development Office, is unifying personnel development systems throughout the company so that employees are better able to improve their skills and advance their careers. A particularly important task is the development of supervisors who link franchised

stores with the head office. Accordingly, we are organizing work processes and preparing concrete development plans so that supervisors can learn the skills they need systematically and efficiently. Also, the second of our newly established organizations, the Diversity Promotion Office, is creating workplaces that encourage diverse personnel to take maximum advantage of their abilities. This office's initiatives are focused on empowering female employees.



A workshop conducted by female employees

#### Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (FamilyMart)

Plan period	April 1, 2016–February 28, 2021
Goal	<ul style="list-style-type: none"> <li>Percentage of female employees: 20%</li> <li>Percentage of female managers: 10%</li> </ul>
Initiatives	<ul style="list-style-type: none"> <li>Establishment of in-house conditions that make it easier for women to work and continue working</li> <li>Active hiring of female employees</li> <li>Training and awareness cultivation aimed at the promotion of women to managerial positions</li> </ul>