November 14, 2019

This document is an English translation of a statement written initially in Japanese.
The Japanese original should be considered as the primary version.

FamilyMart Co., Ltd.
(Code No. 8028, 1st Section of Tokyo Stock Exchange, Nagoya Stock Exchange)
Representative Director and President: Takashi Sawada

Notice Regarding New Franchised Store Support Systems and Head Office Structural Reforms

FamilyMart Co., Ltd., has been steadily implementing the action plan for supporting FamilyMart franchised stores unveiled in April 2019 with the aim of growing and developing together with franchised stores across Japan. With this regard, the Company announces that a resolution was made at a meeting of the Board of Directors held today to institute new franchised store support systems and to perform head office structural reforms.

1. Current Status of FamilyMart

Since the management integration, that took place in September 2016, the Company has continued to implement various initiatives for supporting franchised stores, positioning the improvement of quality at existing stores as its top priority throughout this process. These initiatives have included completing the conversion of Circle K and Sunkus brand stores into FamilyMart brand stores in only a short period of time, carefully selecting sites for new store openings, closing underperforming stores, promoting build-and-scrap measures, and aggressively investing in existing stores.

During this time, however, the environment surrounding store operation has grown increasingly challenging. Factors behind this trend include the intensification of cross-industry competition and soaring personnel expenses stemming from population decline and aging, the falling birth rate, and the emergence of e-commerce. Given this environment, it was judged that there was a need to further enhance the support offered to franchised stores and to reform the structure of the head office in order to boost the competitiveness of the entire FamilyMart chain.

2. New Franchised Store Support Systems

(1) Shorter Store Opening Hours (Scheduled to Commence in March 2020)

Franchised stores are suffering from labor shortages while the number of customers during late night hours is declining. The Company has been searching for means of responding to this trend that balance customer convenience with the need for stable store operation. To this end, we began conducting trials of shorter store opening hours in certain regions in June 2019. We also performed surveys related to shorter store opening hours targeting franchised stores nationwide, and the scope of trials was expanded to include approximately 620 stores across Japan in October 2019.

Furthermore, a revision to franchise contracts has been instituted. As part of this revision, a scheme was adopted enabling prospective franchisees to choose to utilize shorter store opening hours after discussing this matter with the head office. Specifically, franchisees are given two options for shorter store opening hours—shorter opening hours every day and shorter opening hours once a week (Sunday)—to allow for flexible operation based on the needs of individual franchised stores.

In addition, the Company has revised the compensation scheme for opening stores 24 hours a day (previously referred to as an incentive scheme) to raise the amount of compensation by an amount that corresponds to the percentage increase in the minimum wage while also upping the base amount of compensation from ¥100,000 a month to ¥120,000 a month. The compensation currently paid uniformly to all stores open 24 hours a day will be paid to stores open shorter hours once a week in an amount that has been adjusted to account for the day of shorter hours.

Details will be decided swiftly sometime after December 2019 based on the results of the trials of shorter store opening hours currently underway.

(2) Expansion of Existing Franchised Store Support Systems (Scheduled to Commence in March 2020)

The environment surrounding store management is expected to grow even more difficult in the future. To address this trend, the Company will continue to pursue qualitative improvements to store operations. At the same time, three measures—increases to compensation for opening stores 24 hours a day, reinforcement of measures for preventing disposal losses, and increases to incentives for operating multiple stores and re-contracting—will be implemented to create an environment in which franchisees can focus on management with a sense of optimism and peace of mind.

For details on the increases to compensation for opening stores 24 hours a day, please refer to “(1) Shorter Store Opening Hours (Scheduled to Commence in March 2020)” above.

The reinforcement of measures for preventing disposal losses will entail increasing the portion of losses shouldered by the head office to decrease the burden placed on franchisees while bolstering support for reducing the amount of food that goes to waste in order to address the issue of such waste.

To increase incentives for operating multiple stores and re-contracting, support will be provided for stabilizing and reinforcing the operating foundations of franchisees operating multiple stores. In addition, we will increase the amount of incentives paid upon re-contracting to assist in the stabilization of management by franchisees over the long term.

The total investment in these measures is projected to amount to ¥10.0 billion a year (average of ¥700,000 per store).

(3) Head Office Structural Reforms

The environment for the retail industry continues to grow more challenging. Judging that it was necessary to boost the competitiveness of the entire FamilyMart chain through organizational streamlining and operational efficiency improvement in order to win out in this challenging environment, the Company will conduct organizational reforms targeting its head office. A major theme of these reforms will be creating organizations that are rooted in specific regions. For this reason, area headquarters will be established and authority will be delegated from the head office to these headquarters in order to augment frontline capabilities. At the same time, headquarters organizations will be streamlined further.

Meanwhile, a voluntary retirement drive will be carried out with the aim of achieving a reduction in staff of approximately 800 employees (roughly 10% of total employees) by February 2020. Primarily targeting employees (including seconded employees) aged 40 and above (specific scopes to be set by organization) the goal of this drive will be to lower staff numbers to a level that is ideal given the current number of stores. In addition to standard retirement bonuses, employees choosing voluntary retirement will receive an additional severance package along with support for finding another job.

(4) Future Outlook

The expenses associated with the measures described in “3. Head Office Structural Reforms” above are not accounted for in the consolidated performance forecasts for fiscal 2019. The impact of these reforms is currently being assessed, but we have no intention of revising forecasts at this point in time. Notification will be provided should a revision be deemed necessary.