

# Joint Growth between Franchised Stores and Headquarters

We aim to maintain a relationship of prosperous coexistence with franchised stores, growing and developing with them, while providing customers with day-to-day convenience and contributing to the development of local communities.

In implementing an action plan launched in April 2019 to support our franchised stores, we are taking steps to strengthen support for stores (in part by streamlining store operations) and actively trying new experiments to build an appropriate store management system suited to the times.

## Shorter Operating Hours (Since March 2020)

Shorter operating hours were tested in some areas in June 2019 toward the goal of building a store management system suited to the times, and a survey on shorter hours was distributed to all franchised stores nationwide. This trial was expanded to about 620 stores across the country in October 2019 to find an optimal balance between customer convenience and stable store management.

Acting on franchised store survey feedback and results of trials to date, we have revised our franchise agreement to enable store management flexible enough to meet both store needs and local circumstances. Specifically, franchised stores may switch to shorter hours after consulting with headquarters. Shorter hours can be introduced every day or once a week, on Sundays. This arrangement for shorter hours officially began in June 2020 with about 800 stores reducing their hours (570 every day and 230 on Sundays).

## Streamlining Store Operations

Since fiscal 2016, we reduced the workload at franchised stores by analyzing, reorganizing, and drastically reducing store workloads to streamline store operations. To date, we have reduced work time by about 5.5 hours per store per day as a result of simplifying the store operations manual, introducing or updating store equipment (such as self-checkout registers or larger fryers for *Famichiki* fried chicken and other fried side dishes), and in fiscal 2019, introducing mobile payment, new ordering tablet devices, and more self-checkout registers and new fixtures. In fiscal 2020, we aim to reduce work time by another four hours by expanding deployment of self-checkout registers and self-serve microwaves, introducing freezers and refrigerators, and improving information systems.

Reduced workload per store

FY2019

**5.5** hours



Further reduction in FY2020

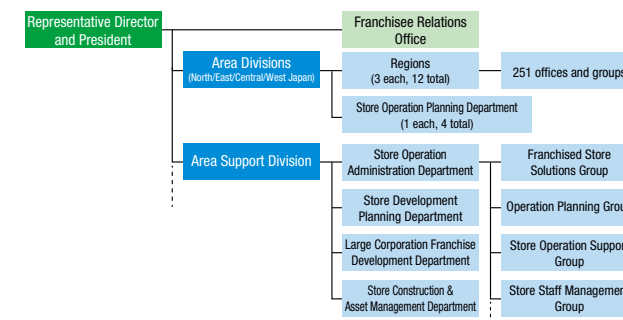
**Target: reduce by 4** hours

## Establishment of System to Strengthen Support for Franchised Stores

In line with an action plan launched in 2019 to support franchised stores, we have revised our organizational structure for store support. The new Franchised Store Solutions Group receives feedback and requests directly from franchised stores and can respond promptly. A dedicated department supporting store recruitment and labor management has also been formed.

From fiscal 2020, for further reinforcement of community ties and local solutions, we are establishing four Area Divisions and actively transferring authority to each area and consolidating headquarter organizations in the Area Support Division to accelerate decision-making while strengthening support for franchised stores.

Main Franchised Store Support Systems (as of March 2020)



### FY2019 Record of Streamlining Store Work



## Joint growth between franchised stores and headquarters

### Enhancing Support Systems for Franchised Stores

Systems and measures supporting franchised store operations are constantly expanded as we ensure that stores grow and develop with us. Measures in fiscal 2020 to improve franchised store profitability have included increasing cost-sharing (formerly described as an incentive) for 24-hour operation and strengthening countermeasures for loss from food wastage as of March, and, as of April, revising incentives for operating multiple stores and renewing contracts. Other support measures included relief money for stores whose sales were affected by a decline in customers from factors such as people staying at home due to the spread of COVID-19.

We will continue not only to provide economic support but also to help create environments where people can work with peace of mind, by facilitating health management for franchised store owners and staff and encouraging work-life balance.

### Maintaining Strong, Trusting Relationships with Franchised Stores

Trusting relationships with franchised stores are fundamental to our franchise business. Our top management values opportunities to interact with franchised stores, including events such as *Kansha no Tsudoj*, where fiscal-year strategies are announced, and store visits. We have also built a strong relationship of trust with franchised stores by expanding the structure and capabilities of the Franchisee Relations Office and providing support in response to the spread of COVID-19.

To ensure that franchised stores operate with aims and values fully aligned with ours, we will continue increasing opportunities for dialogue, providing compelling products and services, and devising new store features that attract customers and help expand business.

As always, we aspire to be a chain that stores are proud to be a part of.



Store visit by the President

#### Main Store Support Systems and Opportunities for Dialogue

Measure	Introduced	Overview, Aim
Promotion of health management	July 2019–	<ul style="list-style-type: none"> <li>Maintained health exam support services for franchisees and store staff</li> <li>Expanded the scope of grants (revised to provide a uniform subsidy; cap on patients removed)</li> </ul>
Enhancement of store manager support system	June 2019–	<ul style="list-style-type: none"> <li>Significantly eased requirements; complimentary during disasters or bereavement leave</li> <li>Provided one day of store manager leave per year, per franchisee, at no cost</li> </ul>
Enhancement of store staff support	June 2019–	<ul style="list-style-type: none"> <li>Fees waived for recruitment site, planning and discount negotiation implemented for other recruitment media</li> <li>Support for short-term employment expanded through expansion of temporary staffing companies, more complete matching services</li> </ul>
Cost-sharing for 24-hour operation (formerly described as incentives for being open 24 hours a day)	March 2020–	Increased the base amount from ¥100,000 to ¥120,000 per month as of March in fiscal 2020. In addition, cost-sharing for 24-hour operation, which is currently paid uniformly to all stores open 24 hours, is also paid to stores with shorter hours on Sundays, calculated on a daily basis. From fiscal 2021, the amount will increase to match the rate of increase in the minimum wage.
Strengthen countermeasures for loss from food wastage	March 2020–	Raise the percentage of costs borne by headquarters for loss from food wastage (as shared by headquarters and franchised stores). Also start a support system for franchised stores to reduce wasted food as a response to the food wastage problem.
Increase incentives for operating multiple stores, renewing contracts	April 2020–	Support efforts to stabilize and strengthen business foundations of franchised stores by allowing operation of multiple stores, and increase incentives to renew contracts, to support stable long-term management by franchisees
Elimination of membership fees and opening preparation fees	February 2020–	Elimination of membership fees and opening preparation fees for new chain members

#### Main Opportunities for Dialogue with Franchised Stores

<i>Kansha no Tsudoj</i> (“Gratitude Gathering”)	Continuously	Intended to show gratitude to owners for operating franchised stores and enable the senior management team to explain the fiscal year’s strategies
Store manager assemblies	As needed	Study groups for store managers, with themes for each area/region
Expanded functions and scale of Franchisee Relations Office	September 2019–	Dedicated headquarter organization that not only provides consultations on store management but also seeks solutions to all kinds of inquiries from franchised stores

#### Additional Franchised Store Support since the Spread of COVID-19

Providing relief money to franchised stores with lower sales	May 2020	Providing relief money to franchised stores whose total revenue dropped year-on-year, based on the percentage of decline (¥50,000/¥100,000 per store)
Early settlement of the gross revenue minimum guarantee supplement	May 2020	Minimum guaranteed supplemental amount, usually settled annually, was processed in the March–May period to help dispel future financial concerns
Support for stores affected by COVID-19 infection	As needed	Providing ¥100,000 as a disaster relief fund for stores closed due to an outbreak of infection; headquarters bears the expense of store sanitization to reopen for business
Other special measures	As needed	Special measures for franchised stores whose business conditions have changed drastically from the pandemic, including incentives for operating multiple stores, continuation of cost-sharing for 24-hour operation, and applying for special loans from Japan Finance Corporation all at once through headquarters