

Materiality 3

Creating Safe and Reliable Products and Services to Bring Convenience and Richness to Everyday Life



Social Background and Issues to Recognize: Significance



The retail industry is seeing the scale of its market shrink as Japan's population declines, and the rapid expansion of e-commerce has intensified competition with other kinds of businesses. These changes are greatly impacting how goods are sold and the retail world itself. At the same time, the maturation of retail markets has produced a shift from "tangible consumption" (desiring the functionality of a product or service) to "intangible consumption" (seeking satisfaction from the experience of purchasing and using a product or service). Consumers also care more about the environment and their own health. Thus, demand is growing for products and services that help to address problems faced by society and local communities. Other impacts include the concentration of the population in urban areas and changing demographics due to the declining birthrate and aging population. As a result, there are more working women, dual-income households, and single-person households. That means less time for housework and greater demand for food products packaged in small portions, among other signs that the retail business environment is in a period of transformation.

We take these social conditions and people's changing and diversifying lifestyles as opportunities for the reassessment of convenience stores as familiar parts of consumers' lives.

We are committed to bringing convenience and richness to everyday life by expanding our lineup of products that save time spent on shopping and cooking; maintaining awareness of safety, security, the environment, and health; enhancing product development in ways that involve customers and complement local cuisine, with local production for local consumption; and promoting digitalization to improve consumer satisfaction and convenience, all while remaining close to consumers and local communities.

Vision: Approach to Our Initiatives

We will aim to develop unique products mindful of safety, reliability, and changes in consumers' lifestyles and values and to enrich our product lineup to meet increasingly sophisticated and diverse consumer needs.

In product development, we will strive to set ourselves apart from the competition primarily by gauging diverse consumer needs and providing highly value-added products that save time and are convenient and useful in everyday life. We will also work proactively to create products that appeal to consumers' health consciousness and the lifestyle trends of each generation.

Measures Taken

- Improvement of customer satisfaction / Promotion of digitalization to improve convenience
- Provision of products and services to improve health and well-being

Improvement of Customer Satisfaction / Promotion of Digitalization to Improve Convenience

Issues to Recognize

Factors such as a lower birthrate, smaller families, and more working women in an increasingly graying, urbanized society mean that less time spent on housework and greater demand for food packaged in small portions. Consumption from e-commerce is surging, now that more people are online, and consumer behavior and values are becoming more diverse.

These social changes are transforming retail and how goods are sold. In more mature markets, there is also a growing trend away from tangible consumption that values the functionality of products or services to intangible consumption that seeks satisfying experiences when purchasing and using them.

Management Approach

Well-stocked brick-and-mortar stores have the advantage of giving customers an opportunity to picking up and handling products they have never encountered before, or that enhance their life in new ways. FamilyMart taps these advantages to create sales floors that enliven and update people's routines while meeting a wide range of needs. In these ways, we support the desired lifestyle of each customer. Through open digitalization, we are also making things more convenient for customers and streamlining store operations.

Key Accomplishments and Performance in FY2019

- Feedback at Customer Service Office: **more than 85,000**
- Downloads of FamiPay app: **approx. 5.02 million**
(as of the end of February, 2020)
- Cashless transactions: **About 30%**

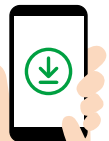
Targets and KPIs

KPIs: Our Vision

- FamiPay app downloads: **10 million**
- Annual number of app users: **20 million**
- Annual FamiPay transaction volume: **100 billion yen**
- Cashless transactions: **50%**

Future Activities

- Expand into new businesses applying data on customers, purchases, and more



Reinforcing Customer-Responsive Product Development

Developing unique products and expanding product lineups consistent with diverse customer lifestyles and values is a goal of ours, as we meet broad consumer needs. These needs are addressed in the product development process to develop and update products that are highly value-added, time-saving, and convenient in everyday life. The development also distinguishes us from competitors. Concretely, development concepts emerge from customer needs and research, and product details are determined by divisions working in each category. Sales, marketing, and product divisions meet weekly to share information on sales conditions and promotion as they discuss how to improve quality. As a sales measure providing new value to customers, we also proactively partner with manufacturers to plan sales promotions, which leads to a joint project with one manufacturer each month.

In deciding a product's target segment and price, we have introduced demand-chain management to forecast demand from point of sale (POS) data, allowing us to use various data strategically. Online and social media are used to share, collect, and analyze information, which helps us monitor consumer preferences and trends and create suitable products for the lifestyle trends of each generation.

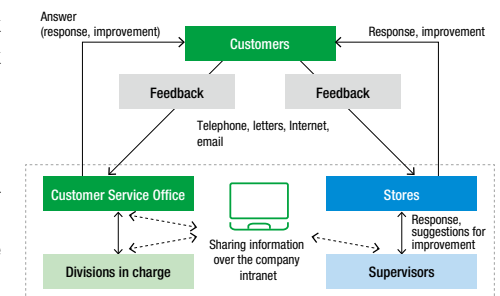
Responding Promptly to Customer Feedback

The Customer Service Office was established directly under the president to apply customer feedback about our stores and services in our business. In fiscal 2019, the office received more than 85,000 comments by phone, mail, and online forms.

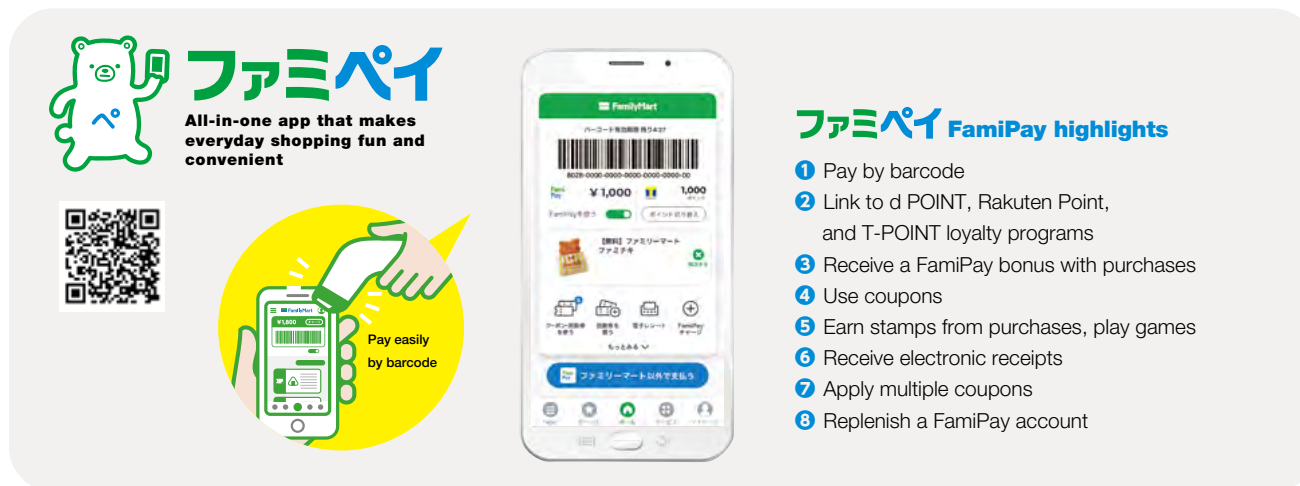
Feedback is quickly passed to relevant departments, where representatives share information with stores as needed and work together for rapid improvements. The feedback is also posted on the company intranet and shared so that all employees can build trust with customers.

Any feedback or inquiries that may have a great impact on our business are reported and discussed by the Risk Management Committee and other meetings.

Linking Customer Feedback to Improvements



Improvement of customer satisfaction / Promotion of digitalization to improve convenience



ファミペイ
All-in-one app that makes everyday shopping fun and convenient

Pay easily by barcode

ファミペイ FamiPay highlights

- 1 Pay by barcode
- 2 Link to d POINT, Rakuten Point, and T-POINT loyalty programs
- 3 Receive a FamiPay bonus with purchases
- 4 Use coupons
- 5 Earn stamps from purchases, play games
- 6 Receive electronic receipts
- 7 Apply multiple coupons
- 8 Replenish a FamiPay account

In September 2020, the issuer and operator of FamiPay, Famima Digital One Co., Ltd., obtained Information Security Management System (ISMS) certification, considered a global standard for information security management. This attests to our efforts toward robust management of customer information.

New Business for Customer Convenience, Addressing Diverse Lifestyles

Now available at 13 stores nationwide as of the end of September 2020, *Famima Laundry* is a coin laundry service intended to simplify housework for the growing number of dual-income or single-person households and others who have limited time for these activities. It was inspired by a wish to make daily laundry easier, more fun, and more thorough.

The location next to a FamilyMart store makes it more convenient for customers to use their limited time more efficiently by shopping at the store or having a meal in the eating space as they wash clothes. Enabling people to wash bedding or sneakers or to wash and dry clothes in weather that makes this difficult at home are examples of business that is responsive to local needs. Customers can check how much time is left for their laundry via smartphone, which is a useful feature that has helped make this service popular, because people can use their time well.

FamilyMart stores tend to be less busy on rainy days and weekends, but because people use *Famima Laundry* more often then, they are likely to stop by the store next door.

Promoting Digitalization

Launched in July 2019, the FamiPay smartphone app with barcode payment services receives distributed coupons and bonuses for purchases and can be linked to a variety of loyalty programs from other companies. We are actively promoting expanded service focused on customer convenience, not only services that FamilyMart offers. With approximately 5.02 million downloads as of the end of February 2020, FamiPay received an award of excellence an app of the year in the 2019 App Ape Award program organized by Fuller, Inc. for substantial growth in 2019.

Since March 2020, users have been able to replenish their FamiPay account from a bank account. From July, an “eco-stamp” CSR campaign began that rewards customers who decline plastic shopping bags.

September brought the first major update since the service started, with an updated home screen and expanded stamp features so that customers can appreciate the advantages.

What's more, October introduced support for FamiPay payment at neighborhood stores other than FamilyMart.

Cashless transactions made up about 30% of transactions at the end of February 2020. Expanding this ratio will improve customer convenience and satisfaction, besides streamlining store operations.

Creating New Businesses with Digital Technology

Beyond the sale of goods, FamilyMart is pursuing creation of new business applying the vast amount of customer and purchase data from stores visited by approximately 15 million people each day.

Specifically, we are entering financial business (such as small-scale financing) and promoting digital advertising business that applies purchase data in pinpoint advertising, in-store signage, and apps.

Illustration of a convenience store and *Famima Laundry* at the same site (FamilyMart Hachioji Dairakujimachi)



Provision of Products and Services that Improve Health and Well-being

Issues to Recognize

People in Japan live longer than nearly anywhere else, but changes in habits such as diet have made lifestyle diseases a serious social issue. Increased health consciousness in response, aimed at improved QOL* and disease prevention, is changing dietary needs for the better. Adopting healthy habits not only lowers these risks but also helps curb the rising cost of social welfare as the population ages, which has led to growing expectations for the development of relevant products and initiatives.

* QOL: Quality of life

Management Approach

Lifestyle diseases are a serious social issue in Japan that can be prevented or stopped by adopting healthy habits, including diet. As a convenience store that is a familiar presence in people's lives, FamilyMart takes an approach of *You are what you eat* and contributes to health and future happiness by enhancing development and expanding our lineup of healthy products and services, such as additive-free, nutritionally balanced, and calorie-conscious options.

Key Accomplishments and Performance in FY2019

- Sales of rice dishes with super barley: surpassed **120** million units
- Winner of JSH Reduced-Salt Food Product Awards
- Launch of products made with soy meat labeled as recommended by the Japan Vegetarian Society (launched in March 2020)



Targets and KPIs

KPIs for FY2020

- Establishing our own standards for health-related products
 - * Focusing on nutrients, dietary intake, and other aspects
- Selling health-related products with unified labeling

Future Activities

- Strengthen development of original products by combining FamilyMart infrastructure/sales capabilities with our manufacturing partners' unique ingredients and expertise
- Adopting a unified design for health-related products and refreshing the packaging
- Expanding the health food lineup in *FamilyMart Collection*

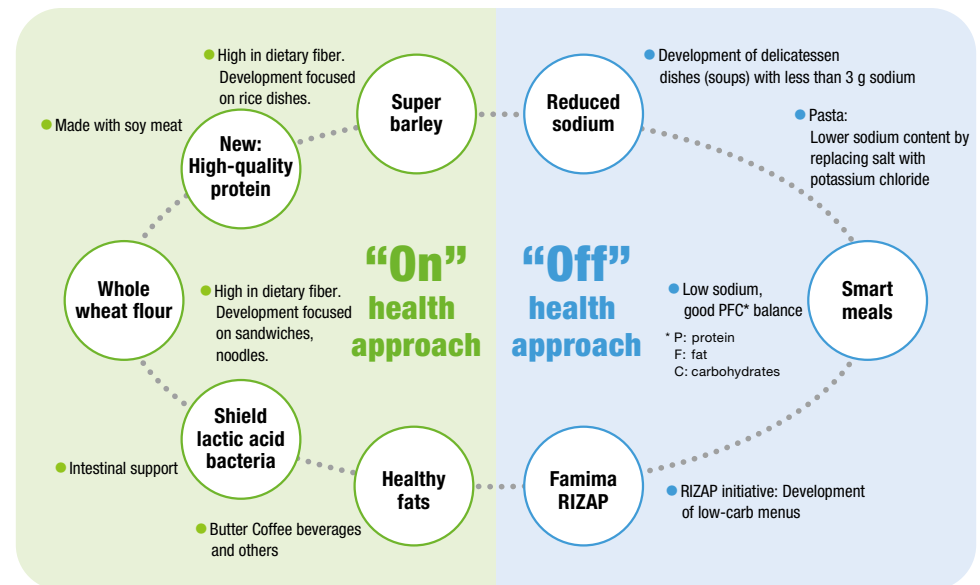


Developing Healthy Ready-to-Eat Products

With consumers becoming more health-conscious, we are boosting development of healthy ready-to-eat products that takes a unique "on/off" approach. On the "on" side are products that bring something positive to the body, such as vegetables, lactic acid bacteria, or dietary fiber. Products made with whole grains or super barley, rich in minerals and dietary fiber, have become popular as a healthy and delicious way to restore a balanced diet without deficiencies. Super barley in particular has been introduced in rice balls and expanded to sushi, sandwiches, and tortillas.

On the "off" side are existing products with certain ingredients removed or reduced with no loss of flavor, such as low-carb or low-sodium foods. "Off" products call for sophisticated new approaches to balance health benefits with taste. Encouraged by strong consumer demand, we are focusing on this development in particular. FamilyMart boxed lunches developed with a registered dietitian are acclaimed as healthy products that are conveniently easy to purchase. We also support customer health with delicious, low-carb products such as salads, desserts, and instant noodles jointly developed with the RIZAP GROUP, Inc., an operator of personal fitness gyms.

Ready-to-Eat Products Supporting Health from an "On/Off" Approach



Provision of products and services that improve health and well-being

Developing Healthy Ready-to-Eat Products: Main Initiatives and Results

Sales of Rice Dishes with Super Barley Surpass 120 Million Units

Since becoming the first leading convenience store chain to introduce super barley*¹ in rice balls in August 2017 for health-conscious consumers, we have expanded these products since full-scale sales began in April 2018.



Expansion of super barley products

These rice dishes – rice balls, boxed lunches, and sushi – were developed from a concept of offering meals that are easy to eat regularly. Their popularity not only among health-conscious women but people of many ages (women in their 20s to 50s and men in their 40s to 50s) has pushed cumulative sales past the 120 million unit mark (as of the end of February, 2020). Targeting sales of 200 million units, we are continuing to make compelling products with super barley and expanding use from rice dishes to bread and salads.

First Convenience Store to Obtain Smart Meal Certification

In August 2018, FamilyMart became the first convenience store chain to obtain Smart Meal certification*² for a grilled salmon boxed lunch (*Aburiyaki Shake Makunouchi Bento*), available by pre-order only. Developed to taste great with less salt and ample vegetables, the meal was recognized for being nutritionally balanced and including healthy ingredients.



A grilled salmon boxed lunch available by pre-order only

Another product released in February 2019 has also earned Smart Meal certification: *Ajiwai Gozen*, a boxed lunch of nine dishes and rice, which was praised for its balance of nutrients including carbohydrates, fat, and protein.

Reducing Additives in Food Products

Additives have been gradually reduced in ready-to-eat products such as noodles, bread, delicatessen dishes, and rice balls since March 2002 and all preservatives, sweeteners, and artificial coloring in these products prohibited as of January 2005. We are committed to providing food that is safe and reliable at reasonable prices.

Category	Deli dishes, salads, sandwiches, noodle dishes, snack noodles	Rice balls, sushi, boxed lunches
Artificial colorings	Not used since March 2002	
Artificial preservatives	Not used since October 2002	
Artificial sweeteners	Not used since October 2002	
Natural preservatives	Not used since March 2003	Not used since September 2003
Natural sweeteners	Not used since January 2005	

Winner of the Gold Award at Two Consecutive JSH Reduced-Salt Food Products Awards

In the sixth JSH Reduced-Salt Food Products Awards*³ held by the Salt Reduction Committee of the Japanese Society of Hypertension, *Kaki No Tane Savory Rice Crackers* in the *FamilyMart Collection* received the gold award. Jointly developed with KAMEDA SEIKA CO., LTD., this product has 40% less salt than ordinary rice crackers of this kind and contains 10 billion units of K-2 lactic acid bacteria derived from sake lees. This marks our second consecutive gold award following last year's award for Reduced-Salt Japanese-Style Dressing.



Kaki No Tane Savory Rice Crackers in the *FamilyMart Collection*

*¹ Super barley: BARLEYmax® as used by FamilyMart is a non-GMO barley rich in dietary fiber – two times more than ordinary barley, seven times more than brown rice, and 40 times more than white rice. It also has four times the insoluble resistant starch of these grains. Its three dietary fibers fructan, β-glucan and resistant starch break down at different rates in the intestines, which allows fermentation in the large intestine to support beneficial bacteria.

*² Smart Meal certification: Candidates for this certification are judged according to standards set from analysis of actual healthy menus from four food services. The standards are based on the Ministry of Health, Labour and Welfare guidelines on foods to help prevent lifestyle diseases and otherwise promote health (September 2015) and the 2015 *Dietary Reference Intakes for Japanese*. The certifying consortium consists of 13 academic societies: Japanese Society of Nutrition and Dietetics, Nutrition and Food Service Management, Japanese Society of Hypertension, Japan Diabetes Society, Japan Society for the Study of Obesity, Japanese Society of Public Health, Nonprofit Organization Kenkokei, Japanese Society of Health Education and Promotion, Japanese Society of Nephrology, Japan Atherosclerosis Society, Japan Prosthodontic Society, Japan Society for Occupational Health, and Japanese Association for Cancer Prevention.

*³ JSH Reduced-Salt Food Products Awards: The Salt Reduction Committee of the Japanese Society of Hypertension began introducing a list of reduced-salt food products in 2013 to help hypertension patients and others trying to reduce their sodium intake. 2015 saw the start of the JSH Reduced-Salt Food Products Awards to recognize listed products that are outstanding examples of sodium reduction.

Provision of products and services that improve health and well-being

TOPICS

Supporting Active Senior Lifestyles: “Keeping Tokyo Healthy with Delicious Food”



In-store poster

FamilyMart has concluded an agreement on promoting health through ready-to-eat products with the Tokyo Metropolitan Government in August 2019. One result of a graying society is that a greater number of senior citizens living alone are purchasing ready-to-eat products such as boxed lunches or delicatessen dishes. Through this project, we enable those who purchase ready-to-eat products to enjoy a wide variety of foods that help prevent frailty,* and we broadly disseminate information and raise awareness about eating wisely to avoid undernourishment.

Under this agreement, following an initial phase in October 2019, since March 2020 we have put up special display cards and posters and distributed leaflets in about 2,400 FamilyMart stores in Tokyo to provide information on dietary habits that can help prevent frailty. We have also started selling boxed lunches developed with advice from the Tokyo Metropolitan Government. We will continue to work more closely with the government toward a society where members of the local community can live with peace of mind.

* Frailty: A physical state brought on by aging and disease in which physical, mental, and social functions decline and senior citizens will soon need nursing care

1 Launch of Nutritionally Balanced Boxed Lunches



Boxed lunch with an assortment of ten items

The initiative led to development and sale of a boxed lunch with an assortment of ingredients from all ten food groups, combining a staple (rice) and main and side dishes in one product. It features many familiar side dishes and plenty of protein, which is useful in preventing frailty.

2 Promotional Materials Showing Food Groups Used in 20 Products

We place promotional materials in the boxed lunch and delicatessen area showing the ten food groups used in our products. By seeing at a glance what foods are in these products, customers know whether a product contains the foods they want and can combine products to eat well.



A special display card

3 Leaflets and Posters on Preventing Frailty

Store leaflets to educate consumers about frailty concisely and conveniently summarize basic information on frailty and how to make informed dietary choices and combine menu items to prevent it. Additionally, posters introducing this initiative are displayed in these stores.



Leaflet

Responding to COVID-19 and “New Normal” Conditions

Preventing the spread of COVID-19 has called for a shift to a “new normal” reflecting changes in work, leisure, and consumption. FamilyMart is responding to support these social and consumer changes through our product policies. Besides selling exclusive masks, we have helped people avoid crowds by carrying a fuller selection of fresh food, seasonings and condiments, and consumables so that all daily necessities can be picked up at a nearby store. A wider selection of microwaveable food has supported the growing number of people working from home.

Meanwhile, we continue to expand our selection of healthy products, and to help improve general immunity, we have introduced products made with LAC-Shield® lactic acid bacteria* as we work to meet the new customer needs.

* LAC-Shield®: Lactobacillus carefully selected from the thousands of strains of Lactobacillus paracasei that live in the human body. LAC-Shield® is a registered trademark of MORINAGA MILK INDUSTRY CO., LTD., recalling the image of a protective shield.



FamilyMart exclusive masks



Soup with “LAC-Shield®” lactic acid bacteria