

Joint Growth between Franchised Stores and Headquarters

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

Following the action plan we established in April 2019 to support our franchised stores, we are taking steps to strengthen support for franchised stores, in part by increasing the efficiency of store operations, and actively trying new experiments to build an appropriate store management system suited to the times.

Shorter Store Opening Hours

(Starting March 2020)

We started a trial of shorter store opening hours in some regions in June 2019 with the goal of building a store management system suited to the times. We also sent out a survey to all franchised stores in Japan on the topic of shorter opening hours. In October 2019, we expanded the shorter-hours experiment to about 620 stores across Japan in search of an appropriate balance between customer convenience and stable store management.

In light of the franchised store survey and result of trials so far, we decided to revise our franchise contract to enable store management flexible enough to meet franchised store needs and local circumstances. Specifically, franchised stores have the discretion to switch to shorter hours after consulting with headquarters and also have a choice between shorter hours every day or just once a week (on Sundays).

Increasing the Efficiency of Store Operations

Since fiscal 2016, we have been analyzing, reorganizing, and drastically reducing store workload in order to increase the efficiency of store operations. In fiscal 2018, we reduced workload by about 5.5 hours per store per day as a result of simplifying our store operations manual and introducing new store equipment or improving existing equipment. For example, we introduced self-checkout registers as well as larger fryers for *FAMICHIKI* fried chicken and other fried items. In fiscal 2019, we aim to reduce workload by a further five hours per store per day through the continued introduction and improvement of equipment such as the introduction of new tablet devices for placing orders, promotion of cashless payment services, and introduction of new pullout shelves.

Reduced workload per store

FY2018 **5.5 hours** → Further reduction in FY2019
Target: reduce by 5 hours

TOPICS

Incorporating IoT to Realize Next-Generation Convenience Stores

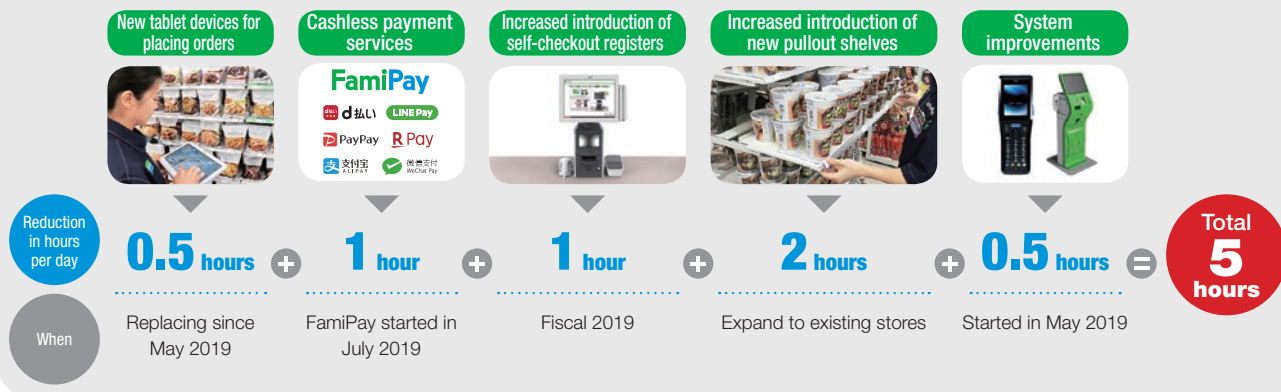
FamilyMart has joined forces with Panasonic Corporation in joint proving tests to realize next-generation convenience stores. The experimental technologies being demonstrated and tested at the newly opened FamilyMart Saedo Store in Yokohama, Kanagawa Prefecture as a prototype convenience store in April 2019, include object detection based on image processing technology, payment through authentication by facial recognition, and point-of-purchase displays and digital shelf labels that automatically change their displays of product prices and other information.

We will continue to test these technologies in order to realize the new concept of a next-generation convenience store that not only addresses challenges for store management, but also helps solve problems for society and customers.



Inside the FamilyMart Saedo Store

FY2019 Targets for Increasing the Efficiency of Store Work by Introducing Equipment



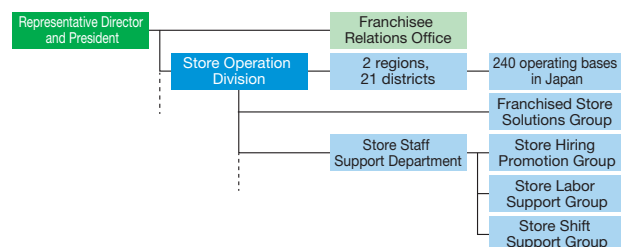
Joint growth between franchised stores and headquarters

Establishment of System to Strengthen Support for Franchised Stores

In line with our action plan to support franchised stores established in April 2019, we have revised our organization and system concerning store support. Within our Store Operation Division, we set up a new Franchised Store Solutions Group to respond to the opinions and needs from franchised stores. One of the most pressing challenges in the retail industry is the shortage of manpower. To address this, we put groups in place in the Store Staff Support Department to focus on hiring, labor management, and shift structure, respectively. Along with this, we prepared a system to support the recruitment, hiring, and retention of store staff.

We will continue to strengthen our support for franchised stores in cooperation with two regions, 21 districts, and 240 operating bases across Japan.

Main Franchised Store Support Systems (Excerpt)



Enhancing Support Systems for Franchised Stores

We continually work to enhance our systems and measures for supporting franchised store operations to ensure that they grow and develop with us. Measures enhanced starting in fiscal 2019 include raising incentive payments for 24-hour stores, promoting health management by making health checkup support services free of charge, and encouraging franchised stores to take more vacations by enhancing our support system for store managers. We will continue not only to provide economic support, but also to help create environments where people can work with confidence by facilitating health management for franchised store owners and staff and encouraging work-life balance.

Sustaining Strong and Trusting Relationships with Franchised Stores

Trusting relationships with our franchised stores are the foundation of our franchise business. Our top management values its opportunities to interact with franchised stores, including events like *Kansha no Tsudoi*, where we announce our strategies for each fiscal year, and visits to the stores. We also hold seminars to enhance store management and expand the functions and scale of the Franchisee Relations Office as part of efforts to build strong and trusting relationships with the stores.

To ensure that franchised stores operate with aims and values fully aligned with ours, we will continue increasing opportunities for dialogue, providing attractive products and services, and devising new store functions that incentivize customers to visit franchised stores and help grow their business. We will maintain our efforts to be a chain where the stores can operate with pride.



Visit to a franchised store by the President

Main Support Systems for Franchised Stores / Main Opportunities for Dialogue with Franchised Stores

Measure	Implementation commencement	Summary and aim
Main Support Systems for Franchised Stores		
Promotion of health management	July 2019–	Health checkup support services for the store staff of franchised stores Paid for by the head office, thereby dispensing with fees
Enhancement of support system for store managers (encouragement to take more vacations)	June 2019–	Significantly eased the conditions for using the system. Provided gratis during disasters or bereavement leave, and one day per year provided gratis mainly to individually managed stores, etc.
Enhancement of store staff support	June 2019–	Strengthened system for dispatching personnel from partner staffing agencies. The system is only used in Kanto and Kansai regions presently, but we plan to extend it nationwide during FY2020
Cost-sharing for 24-hour operation (formerly known as incentives for opening 24 hours a day)	June 2019–	Increased based on the percentage increase in the minimum wage. Increase base amount from ¥100,000 to ¥120,000 per month in fiscal 2020. In addition, cost-sharing for 24-hour operation, which is currently paid uniformly to all shops open 24 hours a day, will also be paid to stores that keep shorter hours one day a week, with the amount to be calculated on a daily basis
Strengthen countermeasures to losses from food wastage	Start rolling out in March 2020	Raise the percentage of costs borne by headquarters for losses from food wastage (headquarters and franchised stores share these costs). Also start support system for franchised stores to lower percentage of food discarded as a response to the food loss problem
Increase incentives for operating multiple stores, renewing contracts	Start rolling out in March 2020	Support efforts to stabilize and strengthen business foundation for franchised stores by letting them run multiple stores, and increase incentives to renew contracts to support long-term stable management by franchised stores
Main Opportunities for Dialogue with Franchised Stores		
<i>Kansha no Tsudoi</i> ("Gratitude Gathering") (held 16 times at 11 venues nationwide)	Held continuously	Intended to show gratitude to owners for operating franchised stores and enable the senior management team to explain the fiscal year's strategies
Increase in holding of store manager assemblies (organized by district managers)	Held as needed	Study groups comprising store managers and with themes set by region district
Establishment of store business management enhancement seminars	June 2019–	Holding seminars for the owners and managers of franchised stores with themes selected to help with the business management of stores
Increase in the functions and scale of the Franchisee Relations Office	September 2019–	A dedicated head office organization that not only provides consultations on store management but also seeks solutions to all kinds of inquiries received from the owners and managers of franchised stores