

Value Creation Model

Through business activities that take advantage of assets and strengths we have cultivated over time, FamilyMart aims for sustainable growth by maximizing the value of its brick-and-mortar stores, personnel and knowledge, and products and information infrastructure. We will also contribute to solutions to social issues and achievement of the SDGs by conducting initiatives based on the material issues (Materialities) that we have decided to prioritize through our business.

External environment

Changes in society

- Changes in demographics
- Changes in social structure
- Changes in consumer behavior

Social issues

- Social issues that affect revenue growth
- Social issues that should be addressed as a regionally rooted entity

Changes in the competitive environment

- Intensification of competition across industry boundaries
- Technological innovation or business model reform

Inputs

Financial capital

- Total capitalization: about ¥590 billion
- Amount spent to support franchised stores: about ¥10 billion annually (Announced in November 2019)

Production capital

Brick-and-Mortar Stores

- Innovations in store operations
- Store functions reflecting society's needs
- Stores: about 16,500

Human capital / intellectual capital

Personnel and Knowledge

- Accumulation of business know-how
- Diverse personnel (ratio of male to female employees: 21:4, percentage of foreign employees: 2.1%)
- Diverse data from brick-and-mortar stores
- FamilyMart Health Charter

Social capital

Products and Information Infrastructure

- Upgrading of supply chains (Business partners receiving questionnaires: 266)
- Downloads of FamiPay app: about 4 million
- Participants in Famima Kodomo Shokudo: about 3,300

Natural capital

- Energy consumption (within organization): 2,580,209 MWh
- Food product recycling loops: 7

Business activities and initiatives on material issues

Corporate Message

FamilyMart, Where You Are One of the Family

Contributing to the future of the earth and its regions through environmental awareness

Evolving as a regional revitalization base close to people

Creating safe and reliable products and services to bring convenience and richness to everyday life



Working with suppliers to pursue a sustainable supply chain

Building a motivating work culture with driven employees

Outputs

Maximize the value of stores

- Increase quality and efficiency of store operations
- Shortened work time of franchised store: 5.5 hours
- Optimize the store network
- Enhance store functions
- Create high-value-added products and services
- Target percentage of healthy ready-to-eat products: 15%
- Expand product line-up using biomass plastic

Maximize value to support local consumers

- Optimize supply chains
- CO₂ reduced by logistics innovation: 7,000 tons
- Increase product value through structural reform in ready-to-eat items
- Develop products with longer shelf life
- Leverage information acquired in stores
- Create new businesses utilizing information infrastructure
- Donations to stores for disaster victims: about ¥100 million

Maximize the value of personnel and knowledge

- Gather and share know-how on store operations
- Strengthen relationships with franchised stores and local communities
- Secure and develop human resources of the next generation
- Reform workplaces to allow diverse human resources participate activity
- YoY Monthly average overtime hours per person: 89.2%

Outcomes

Increase our value as a base for regional revitalization

Increase corporate value

Bring convenience and richness to everyday life

SUSTAINABLE DEVELOPMENT GOALS

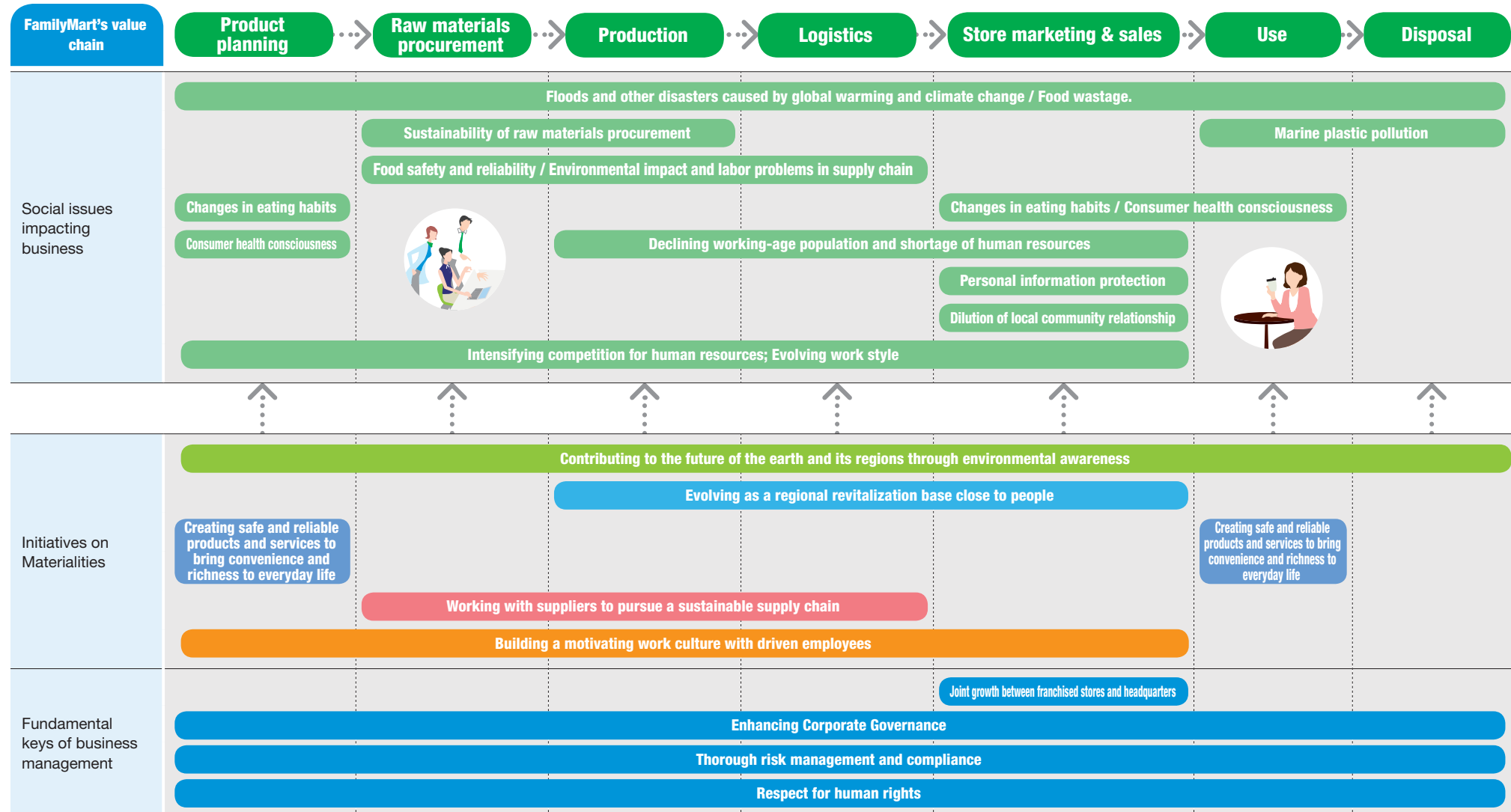


Fundamental keys of business management

- Enhancing corporate governance
- Thorough risk management and compliance
- Respect for human rights
- Joint growth between franchised stores and headquarters

FamilyMart Business Activities and Sustainability Initiatives

FamilyMart's business activities deal with a variety of social issues at each stage in the value chain. We work with various stakeholders on material issues (Materialities) in order to respond to a range of social issues. By doing so, we aim to minimize negative impacts and create new value we can provide.



Sustainability at FamilyMart

The Corporate Message, “FamilyMart, Where You Are One of the Family,” contains within it our wish to build a relationship of trust with every stakeholder so that we can grow together. It is our mission and responsibility in every region to meet our customers’ expectations and help solve local social issues.

Basic Approach on Sustainability

As an operator of convenience stores, FamilyMart sees it as our social purpose to provide our customers and local communities with safe and reliable products and services to bring convenience and richness to everyday life. In addition, by actively promoting community-based management, we participate in solving regional/social issues and contribute to the formation of a sustainable society, furthermore, we consider that sustained growth together with society is the basic idea of our sustainability.

In order to commit these ideas internally and externally, we established the Sustainability Policy in 2017 and signed the United Nations Global Compact to promote initiatives in collaboration with the international community. Moreover, in order to operate our business after examining and managing its impact on society, we identified material issues (Materialities) in fiscal 2017 and have been promoted CSR linked with our business.

In 2018, we also established our Sustainability Procurement Principles and the Supply Chain CSR Code of Conduct to promote business activities favorable to the environment and communities throughout our supply chains. In 2019, moreover, we revised our material issues in light of our Group reorganization and began setting environmental targets for 2030.

FamilyMart understands that we are a corporate entity playing a part in the development of society and regional economies. We contribute to the formation of a sustainable society including the achievement of SDGs by pursuing advanced sustainability management.

Sustainability Policy

We at FamilyMart always aim to continue to provide new value in the world and to be a presence trusted by our customers. In order to realize these aims, we work together with all of our stakeholders to aim for the formation of a sustainable society and we advocate the following policies.

1. We get involved in activities that lead to the development of local communities and contribute to better lives for everyone.
2. We provide products and services with consideration for safety, reliability, and health and construct the supply chain in accordance with fair business practices with our business partners.
3. We endeavor to give consideration to the global environment, nature, and biodiversity, prevent global warming, and form a recycling-oriented society.
4. We endeavor to support the development of the next generation together with local communities so that the children who will be responsible for the future can grow up healthily and happily.
5. We respect people and their rights regardless of their race, nationality, religion, gender, etc. and promote business activities which offer job satisfaction and enable all of the people involved in the business to be successful.
6. We comply with international norms and the laws and norms in the countries and regions in which we develop our businesses, and carry out our business activities faithfully.



Major sustainability policies:

Sustainability Procurement Principles, Supply Chain CSR Code of Conduct, Environmental Policy, and Social Contribution Policy

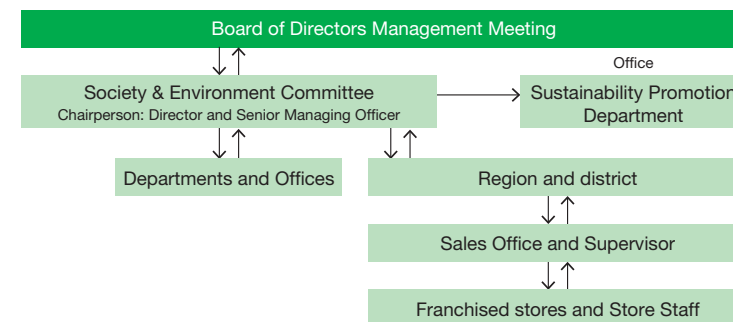
<https://www.family.co.jp/english/sustainability/management/policy.html>

Sustainability Promotion Framework

FamilyMart’s Society & Environment Committee, an advisory body to the President, oversees sustainability initiatives throughout the Group. Chaired by the Director and Senior Managing Officer and administered by the Sustainability Promotion Department, it approves initiative plans and manages progress.

To promote sustainability, each department and office and each region and district are conducting concrete CSR activities based on the Group’s basic policies and mid- to long-range plans, decisions made by the Society & Environment Committee, and the like. For the issues resulting from the activities are shared and deliberated to improve by the Society & Environment Committee as needed basis. We regularly engage with stakeholders and external experts to find expectations/demands from society and recognize gaps between them and our current performance, to promote sustainability.

Sustainability Promotion Framework



Major Items Considered by the Society & Environment Committee

- | | |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fiscal 2018
Fiscal 2019 | <ul style="list-style-type: none"> ▪ Respond to ISO 14001 update inspection ▪ Revise material issues ▪ Consider long-range environmental targets for 2030 |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Material Issues (Materialities) Related to Sustainability

We identified material issues (Materialities) among many different issues submitted by society and stake holders that can be resolved through our business on a priority basis. We are actively and continuously working on them for advanced sustainability management.

Revision of Material Issues (Materialities)

There are issues about climate change, various resources and the plastic problem, as well as social issues such as economic disparity, poverty and human rights are all tangled up and came up to the surface as significant issues. In 2015, the SDGs and Paris Agreement were adopted to resolve these issues. Companies are also expected to take advantage of their strengths and to be proactive in working on a common perception that the international community work together to resolve those issues.

Because we operate convenience stores with a close connection to people's lives, we believe it is important to adapt

to social changes and respond closely to the demands and expectations of our stakeholders. For that reason, we identified material issues (Materialities) in fiscal 2017 and have been promoted CSR linked with our business to monitor and manage our business' impact on our communities.

In fiscal 2019, our convenience stores have been reorganized to a business entity, we have reviewed our external environment, social issues and stakeholders' expectations and demands of us, and re-examined the material issues. The revision focuses more on realizing the basic philosophy through resolving issues and contributing to the SDGs. In other words, we stated clearly

that by contributing to solve social issues through our business, we are contributing to the achievement of the SDGs and thereby getting closer to realizing our Corporate Message.

After the revision process, the five material issues and the four fundamental keys to support their resolution will be cared by the departments in charge working with the Sustainability Promotion Department to formulate action plans such as medium- to long-term targets and KPIs. The Society & Environment Committee will oversee the PDCA cycle to continuously enhance our activity.

Material Issues (Materialities) Revision and Identification Process

STEP 1 Figure out, organize, and extract issues

Analyze the internal and external environment and extract issues relevant to FamilyMart.

Analysis of external environment

Comprehensively analyze SDGs and other international standards, norms, and initiatives, ESG evaluations, customer demands, activity indicators of benchmark companies, etc.

- Major analysis indicators: SDGs, Paris Agreement, United Nations Global Compact, ISO 26000, GRI Standards, SRI/ESG evaluations, SASB, industry targets, etc.

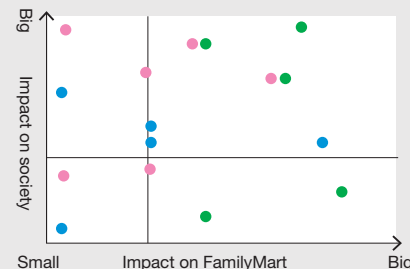
Analysis of internal environment

Analyze FamilyMart's Corporate Message, norms, business strategy, etc.

- Corporate Message, business plan, policies, etc.

STEP 2 Evaluate Materiality

Evaluate and verify the Materiality of the extracted issues' impact on society and on FamilyMart and identify material issues (in draft form).



STEP 3 Evaluate appropriateness



























Discuss views with departments confer on each issue, ask for advices from external experts, and evaluate appropriateness as well as consistency of resolution to create final draft of Material Issues Matrix.

STEP 4 Identify material issues

The "final draft of Material Issues Matrix" created in STEP 3 was classified into five major themes and four basic themes that support each resolution, considering the relationship with the basic philosophy, contribution to the SDGs, penetration into internal and external of the company, explicitness, etc. They were approved by the Management Meeting and identified after confirmation by the Board of Directors.

Material issues (Materialities) related to sustainability

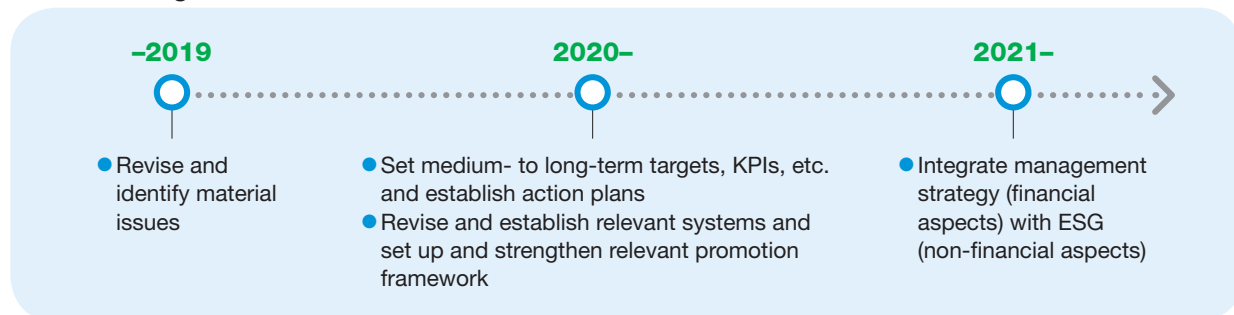
Connections between Material Issues (Materialities) and SDGs

Material Issues	Important themes * indicates connection to Corporate Message	Measures Taken	Related SDGs	Related pages
Materiality 1	Contributing to the future of the earth and its regions through environmental awareness **"An integral part of the community"	<ul style="list-style-type: none"> Continuous improvement of environmental management system Climate change mitigation and adaptation Reduction of food wastage Use of sustainable resources Prevention of environmental pollution 	    	Page 22
Materiality 2	Evolving as a regional revitalization base close to people **"An integral part of the community"	<ul style="list-style-type: none"> Contributing to create safe, secure neighborhoods Supporting the development of the next generation Responding to an aging society 	    	Page 34
Materiality 3	Creating safe and reliable products and services to bring convenience and richness to everyday life **"Meet the needs of each customer"	<ul style="list-style-type: none"> Improvement of customer satisfaction Promotion of digitalization to improve convenience Provision of products and services that improve health and well-being 	  	Page 42
Materiality 4	Working with suppliers to pursue a sustainable supply chain **"Meet the needs of each customer"	<ul style="list-style-type: none"> Fair and transparent business Building good relationships with our partners Building responsible supply chain management Promoting sustainable raw material sourcing Our responsibility to provide safe and reliable products 	        	Page 48
Materiality 5	Building a motivating work culture with driven employees **"Like a family"	<ul style="list-style-type: none"> Promotion of diversity and inclusion Work-life balance and workstyle reform Human resource development and training Creating a safe, healthy and comfortable workplace environment 	   	Page 56

Four Fundamental Keys for Supporting Solutions to Material Issues (Materialities)

Fundamental Keys	Related pages
Enhancing corporate governance	Page 14
Thorough risk management and compliance	Page 16
Respect for human rights	Page 19
Joint growth between franchised stores and headquarters	Page 20

Plans Going Forward







Stakeholder Engagement





We provide communication opportunities with key stakeholders with us so that we can understand the social responsibilities and expectations of FamilyMart through our business.

Based on the valuable opinions and requests received, our material issues (Materialities) have been reviewed in 2019. Our business activities, the quality of our products and services are also making a great progress.

Following is an overview of major stakeholder engagement initiatives.

	Method / Content	Achievement and Evaluation	Response / Plan
Customers 	<ul style="list-style-type: none"> Sales channels including stores, online shopping, and Automatic Super Delice (ASD) Responding to customer inquiries at Customer Service Office Holding in-store events with customers Responsible advertising, product displays, and marketing Dispatching user-specific information through FamiPay app 	<ul style="list-style-type: none"> Reflection in sales and number of customers visiting stores Improvement of the evaluation of products and services Voices to the Customer Service Office: 91,053 Downloads of FamiPay app: 4 million (as of November 30, 2019) 	<ul style="list-style-type: none"> Improve the quality of products and services that meet consumer needs Improve store management quality, including product lineup, customer interactions, cleanliness, etc. Increase communication opportunities using in-store equipment and apps Pursuit of easy to understand and ensuring accuracy of product displays
Local communities / NGO 	<ul style="list-style-type: none"> Dialog through Customer Service Office Support for development of the next generation, prevention of crime and disaster, dialogue with communities through customer-participation events Collaboration with the local government Direct dialog with elementary schools through the development of the next generation Donations collected at stores and from FamilyMart employees Cooperating to hold local events and community activities Human support for the operation of organizations 	<ul style="list-style-type: none"> Strengthening of the environment awareness of the children in the local community Contribution to local crime and disaster prevention systems Food and supplies distributed in natural disaster: about 5,000 bottles of drinks including 600 ml bottles of water; about 4,000 bottles of vegetable juice Relief donations to disaster-affected areas: ¥99 million Fiscal 2018 donations (except relief to disaster-affected areas): ¥444 million 	<ul style="list-style-type: none"> Proposal and implementation of the development of the next generation and local community activities through stores Expand community contribution activities based on comprehensive partnership agreements, disaster relief agreements, and watch over agreements Effective use of donations collected at stores, from FamilyMart employees and from corporation. Aware of resolving social issues of customers, franchised stores, and employees
Franchised stores 	<ul style="list-style-type: none"> Establish and implement action plans to support franchised stores On-site visits by the president and have conversations with franchised stores Direct meetings with the President Regular store visits by the supervisor <i>Kansha no Tsudoi</i> (Gratitude Gathering; a meeting to announce fiscal year policies/ product seminars) Operation of Staff Hiring Center and "FamiJOB", a system for recruiting store staff Distribution of internal on-line monthly magazines for franchised stores Operation of Franchised Store Relations Office 	<ul style="list-style-type: none"> Stores inspected by President: more than 700 (since assuming office in September 2016) <i>Kansha no Tsudoi</i>: held 16 times at 11 venues nationwide (fiscal 2018) Satisfaction with product seminars: more than 90% (autumn-winter 2018) Strengthening holding of region/district-hosted store manager meetings Strengthening/enhancing of: support for free health examination services, seminars for improving store management skills, support system for managers to take leave, support for dispatching staff to stores (since June 2019) Study of store earnings with trial of shorter store business hours (continuing as of November 2019) 	<ul style="list-style-type: none"> Promote store management efficiency Increase store's profit Expand store operation support Establish of deep trust relationship Create community-based stores that understand and contribute to the local communities
Store staff 	<ul style="list-style-type: none"> Store staff awards program Full-time employee promotion system for excellent staff Periodic training for store staff SST (Store Staff Total System) Workshop Training support by Famima School Workshops for foreign staff 	<ul style="list-style-type: none"> Number of awarded staff: 59,974, 253 staff won the Top prize/the Excellent Staff prize Excellent staff promoted to full-time employees: 10 (accumulated since 2017) Famima School: run 329 times; participants: 8,816 Workshops for foreign staff: 286 participants Started of free health examinations support service (June 2019) 	<ul style="list-style-type: none"> Reduce store workload and optimize manpower Enhancement and expansion of the system for store staff to get more motivated Enhance contents of workshops for store staff and trainings for foreign staff

Stakeholder engagement

	Method / Content	Achievement and Evaluation	Response / Plan
Shareholders and investors 	<ul style="list-style-type: none"> General Meeting of Shareholders Financial results briefing (including overseas) Meeting to exchange views with investors Explanatory meeting on sustainability Information disclosure in the official website and in various reports 	<ul style="list-style-type: none"> Number of shareholders: 10,444 (as of the end of February 2019) Attendees at 38th Ordinary General Meeting of Shareholders: 152 Individual meetings with investors: approx. 300 times Domestic and overseas conferences (sponsored by securities companies): 10 times 	<ul style="list-style-type: none"> Improve shareholder value Simple and sincere information disclosure focused on accuracy, swiftness, and fairness Construction of a sound and highly transparent management system Enhance information disclosures with a focus on response to ESG investment
Future generations 	<ul style="list-style-type: none"> Cooperation and support for educational programs for high school/university students Hosting contests for elementary school children Provision of learning opportunities of work experience, etc. Supporting hands-on learning programs held by NGOs/NPOs through donations 	<ul style="list-style-type: none"> Participants in Fiscal 2018 internship: 1,355 Support for <i>Kikigaki Koshien</i> (sponsored by a non-profit) Support for data utilization competition (sponsored by Wakayama Prefecture) Thank You Letter Contest (supported by the Ministry of Education, Culture, Sports, Science and Technology) Cumulative letters entered: more than 320,000 Forest Classes (sponsored by the National Land Afforestation Promotion Organization) Kindergarten children participated: more than 20,000 	<ul style="list-style-type: none"> Expansion of programs offered Increasing store and employee participation rate in program
Suppliers 	<ul style="list-style-type: none"> Product policy briefing Information sharing with other companies Establishment of consultation service for business partners Conduct surveys for business partners Conduct factory audits with Japan Food Supply (JFS) from the perspective of CSR procurement Information sharing and capacity improvement on quality and hygiene management with outsourcing manufacturing contractors of ready-to-eat products 	<ul style="list-style-type: none"> 118 business partner surveys have been answered out of 266 sent, of which 8 free-answers, 11 complaints, 1 praise JFS ingredients claims: 95.6% YoY Claims for producers of ready-to-eat products: 85.0% YoY 	<ul style="list-style-type: none"> Strengthening of governance in the entire supply chains and consideration of human rights and the environment Educating suppliers about FamilyMart Sustainability Procurement Principles and Supply Chain CSR Code of Conduct
Employees 	<ul style="list-style-type: none"> Conducting employee awareness survey Rally seminars by President Employee training/self-development support system Supervisor award system Self-evaluations (stress checks) / personal interviews with supervisor Internal portal site / company magazine Labor-management dialogue 	<ul style="list-style-type: none"> Dialogues and discussions held with top managements (11 locations in Japan) Brainstorming: more than 2,000 sessions (accumulated) Participation rate of stress check: 82.4% Participants of employees training supervised by the Human Resource Department: 6,169 Collection rate of employee satisfaction survey conducted by labor union: 97.1% Securing and developing diverse human resources 	<ul style="list-style-type: none"> Improve business as well as ability of planning proposal. Improve support for work-life balance Expand education and training system Promote good maintenance of both mental and physical health