

Material issue 4

Responding to increasingly sophisticated and diverse consumer needs

We are actively working on the development of new products, based on the mission of a retailing business being to not only provide safe and reliable ordinary products that are essential to daily life but to also provide products that respond to social changes and needs and that take health, social welfare and the environment into consideration.



FamilyMart
Food sales **105.4%**
year on year

(FY 2016)



UNY
Environmentally friendly
product sales:
about **1.3** billion yen

(FY 2016)

Provision of high added-value products

Structural reforms in ready-to-eat items

FamilyMart

FamilyMart is striving to improve product quality by promoting the structural reforms of ready-to-eat items in response to diverse customers' needs. Since strong consumer demand for ready-to-eat items greatly affects differentiation from other competing convenience store chains, including responses to freshness and food trends, advanced product designs are needed.

Therefore, in fiscal year 2014, FamilyMart began a structural reform of its ready-to-eat items operations that involved a fundamental review of all processes from product planning, development and production to sales. It built a structure for continuous delivery of ready-to-eat items that are attractive and have value. Based on these structural reforms, the entire supply chain was reviewed, from ingredients procurement to facilities for production processes and product quality management, and

integrated plants handling multiple products were converted to plants specific to a set temperature zone. Since fiscal year 2016, producers of ready-to-eat items have invested in differentiated food preparation facilities and are working to create attractive, high-value products along with improving product quality.



Development of products / services that improve health and welfare

FamilyMart

With the aging of the population and greater health awareness in today's society, FamilyMart is providing various products and services in response to the needs of consumers. We have launched "diet management products" under the supervision of registered dietitians at the Kobe City Medical Center General Hospital. These products can be easily purchased at convenience stores and are better for physical health and gentler on the body, as they take into consideration

calories, salt content, foodstuff items and nutritional balance.

Moreover, we are selling tasty low-carb products, such as salads, desserts and instant noodles, co-developed with RIZAP GROUP, Inc., an operator of personal training gyms. In addition to supporting consumer health promotion, FamilyMart will enter the fitness business from February 2018. We are starting up 24-hour "Fit&Go" fitness gyms at our stores in response to rising health awareness.



"Mackerel Mirin Grilled box lunch" (saba no mirin-yaki bento) supervised by registered dietitians



RIZAP salad chicken bar (lemon)



Fit&GO store image

UNY

Recipient of the "6th Smart Life Project Award (Let's extend healthy life expectancy!)" from the Ministry of Health, Labor and Welfare

Under the Ministry of Health, Labor and Welfare's "Smart Life Project" to improve people's living habits and movement to extend a healthy life span, the "extend a healthy lifespan" award is given out each year. In November 2017 UNY's "Call for low-salt at supermarket stores – a low-salt campaign in cooperation with many companies starting from the product

development stage" was awarded the Ministry's excellence award in the "Lifestyle disease prevention field" corporate segment. On the "Salt-reduction day" (17th of each month), we introduce low-salt cooking and low-salt foods in the culinary tips section of our stores. This kind of educational activity in support of improved diets is highly regarded.

Environmentally friendly products

UNY

UNY created original environmentally friendly products named "ecolon" that are based on the concept of contributing to a sustainable social structure by changing our daily life to an environmentally sensitive life style with respect to conservation of energy and resources and the 3Rs (Reduce, Reuse, Recycle) in daily life.

The goal of providing "ecolon" products is to lessen impacts on the environment at every step of the supply chain from producers (Ingredients, manufacturing, container packaging) to sellers (selling), consumers (product users) and recyclers (after use).

One representative "ecolon" product is toilet paper made from recycled used milk packs. This product is manufactured from

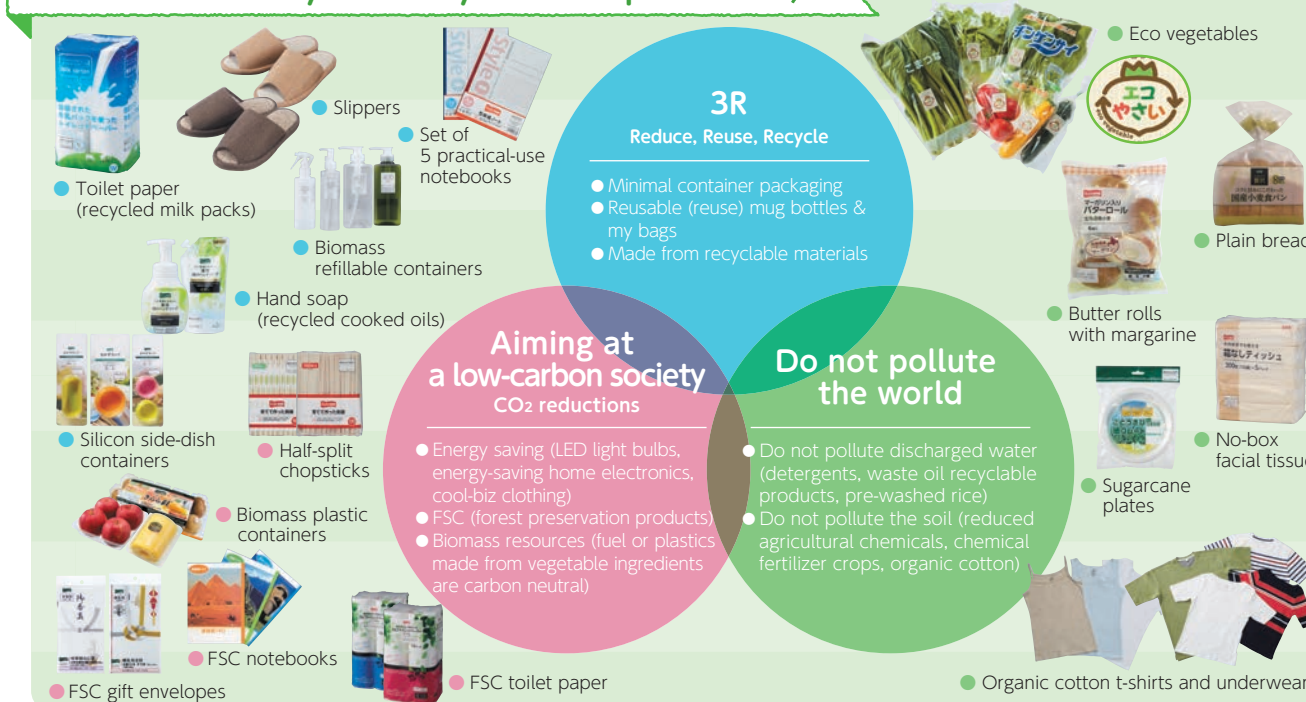
recycled milk packs that consumers deposit into recycling boxes at our stores. UNY's thinking, which helps with product development, is: "When shopping, choose products in regard to price and design but also with respect to care for the environment, which is part of an environmentally sensitive lifestyle." "ecolon" products are not only environmentally friendly products but they are also product that should be cultivated by people all along the value chain, from consumers and to producers and recyclers. While spreading and also increasing values related to supporting forestry preservation and biodiversity via shopping, UNY is proceeding to develop products that contribute to the resolution of social problems.

ecolon thinking

Environmentally friendly products are products that lessen impacts on the environment in the "value chain," which runs from producers to sellers, consumers, recyclers and others with regard to ingredients, production, container packaging, sales, usage and after use.

UNY's environmentally friendly ecolon products are developed and sold as safe and reliable products that minimize environmental impacts. The buying of these products promotes a sustainable social structure in support of a healthy consumer's comfortable eco life to both producers and consumers.

Environmentally friendly ecolon products



- 1 Environmentally friendly-type products developed together with consumers
- 2 Meet product quality standards stipulated by UNY
- 3 Meet environmentally production conditions stipulated by UNY
- 4 Examination by "ecolon development Project" and evaluation by a third-party inspection committee

Provision of high added-value products

FamilyMart

Famiyoko Shopping Street

Fast food delicatessen dishes sold near the register have started to be consolidated at the "Famiyoko Shopping Street," a development that is underway at all stores in Japan. The concept is an in-store "shopping street" full of vitality that customers of all ages can freely use and that can respond to demand for easy to eat. Due to changes in the social structure and lifestyles such as the declining birthrate and aging population, the increase in single-person households and double-income households and the increase in working women, customer demand expectations for fast food delicatessen dishes are growing. In response to the individual needs of these customers, FamilyMart is providing high-value added delicatessen products that serve as life infrastructure in small retail zones.

Currently, the size of the ready-to-eat items market exceeds 9 trillion yen, with regular delicatessen dishes said to account for 3 trillion yen. Within this market, recent fast food sales grew 128.5%

compared with the previous year. FamilyMart will in the future as well aim to develop "Fun & Fresh" products that offer substantial enjoyment and freshness through structural reforms in ready-to-eat items, in response to customer demand and provide the own values.



Famiyoko Shopping Street mainstay products

● Yakitori (Grilled Chicken Skewers)

About six months after being launched, sales topped 100 million for this must-have food item. FamilyMart's yakitori leverages the know-how of the yakitori that was extremely popular at Circle K and Sunkus while adding superior improvements focused on "meat texture," "the flavor of the sauce" and "salt flavor." The deliciousness and texture that recreated "Yakitori made by specialty stores of yakitori," in addition to large size of volume, therefore we are received favorable reputations from many customers.



Famiyoko Shopping Street special dish:
"Charcoal Grilled Chicken Skewers"

● Mother's Kitchen

"Mother's Kitchen" provides delicious delicatessen dishes like mothers made, in order to respond to customer desires for "hassle-free cooking" and "only the necessary quantities wanted." The "Mother's Kitchen" is a line-up of a rich assortment of foods for all kinds of occasions that support the family dinner table, such as single-serving top-seal products that meet demand for instant side dishes at dinner and next-day box-lunch side dishes and stand-pack products that can be stocked up for weekend menus.



Popular edamame (soybeans in the pod) and seaweed providing a home-cooked taste in eatable portions

"Mother's Kitchen" research developer comments

Pursuing a new approach to taste while also creating products that are environmentally friendly

Development at "Mother's Kitchen" involves meetings with producers of ready-to-eat items to pursue better taste and also to focus on "long-lasting deliciousness" based on methods that do not involve additives and canning. The result after various trial and error tests was the introduction of gas exchange packaging technology. Use of this technology that is expanding, especially in environmentally advanced countries in Europe. In introducing this, we also performed our own technology development, such as adopting a new film that blocks outside oxygen while also making content visible.

Consequently, we completed environmentally friendly products that are delicious and have long-lasting product quality. In the future as well we want to help reduce the environmental impact based on "deliciousness the same as mother's homemade cooking."



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