



FamilyMart UNY Holdings Co.,Ltd.



Group principles

“Everyday Fun and Fresh.”

By continuously creating new value for our customers,
we help make their lives more fun and fresh every day.
Valuing people as individuals, we aim to be a familiar and
trusted presence in their lives.

[Sustainability Policy]

Based on the Group Principle of “Everyday Fun and Fresh” we at FamilyMart UNY Group 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.

Established September 1, 2017

Contents

Group principles / Sustainability Policy	1
Situation surrounding FamilyMart UNY Group	2
History of FamilyMart UNY Group	3
Value Creation Business Model	4
Performance Highlights	5
Message from the President	7
Feature Story: Diversity	9
Corporate Governance	11
Compliance	13
Risk Management	15
Material Issues	
1. Environmental awareness	17
2. Contributing to the development of vibrant local communities as social and living infrastructure	29
3. Strengthening of supply chain management that delivers safe and reliable products	39
4. Responding to increasingly sophisticated and diverse consumer needs	44
5. Enhancing diversity	49
Stakeholder engagement	53
Materiality identification process	54
List of data	55
External evaluation	56
GRI and Global Compact	57
Editing policy	58

Situation surrounding FamilyMart UNY Group

In the retail industry, the core business of the FamilyMart UNY Group, a severe business environment continues because of the shrinking market size resulting from a declining population in Japan, the intensification of competition that goes beyond the boundaries of business categories, including the expansion of e-commerce, the continued orientation toward low prices among consumers, and a labor shortage in stores and in logistics. In addition, the diversification of consumer needs and a trend toward selective consumption are intensifying significantly.

In the midst of such a social context, we believe that brick-and-mortar stores that provide products and services in line with the changing times and social needs are familiar to customers and increasing their value. While one of the strengths of the FamilyMart UNY Group ("the Group") is to provide brick-and-mortar stores to customers as added value, we are required to provide unique products and services that meet the needs of each community in order to respond to recent changes in the social structure, such as

the declining birthrate, the aging population, and the trend toward compact cities.

Moreover, companies' approach to the protection of community safety and security has been drawing much attention due to the frequent large-scale natural disasters in recent years, such as large typhoons and floods, as well as earthquakes. Expectations for community-based companies that function as a social and lifestyle infrastructure, such as watching over the elderly and children and the delivery of relief supplies in times of a natural disaster, will increase more than ever before in the future.

While expectations for companies' social contribution increases, companies whose business activities have a negative impact on the environment and society are subject to great criticism. Amid mounting international concerns over climate change and marine plastic pollution, companies are required to act in a responsible manner as members of society. We need to promote environmentally

friendly management, such as reducing CO₂ emissions and food loss, by streamlining and reinforcing the management of the entire supply chain and using bioplastics for food packaging. At the same time, it is also important to convey the significance of such efforts to employees and next-generation children to enhance public awareness of environmental issues.

Furthermore, since awareness of human rights and diversity issues is growing around the world, it is urgent for companies to create a pleasant work environment friendly to every employee, including women, foreigners, and senior citizens.

In order to accurately respond to the ever-changing consumer needs associated with the vicissitudes of the times, add value to products and services, and contribute to the realization of a sustainable society while growing in a continuous manner, companies need to continue transforming themselves.



History of FamilyMart UNY Group

Since the merger in 2016, FamilyMart UNY Holdings Co., Ltd. ("the Company") has been strengthening the governance of the Group as a whole. We continue providing safe, reliable products and services through high-quality, highly efficient supply chain management, fully leverage the strengths of brick-and-mortar stores as a community-based company, and address social issues together with franchisees and business partners while meeting to the needs of consumers. In the future, we will make ongoing efforts to maximize our corporate value while further building trust in the brands of the Group.

1973

In 1973, Seiyu Stores, Ltd., moved into the development of community-based retail stores as a new business category and opened the first store in Sayama, Saitama Prefecture. The store was named FamilyMart, since it was intended mutual development among customers, franchisees, and the head office through building a family-like relationship. While supporting customers' daily lives through stores close to them, FamilyMart has addressed the development of safe and reliable communities and environmental issues, it has been working to help resolve community issues.



1st FamilyMart Store

1971

In the midst of the high-growth period in the latter half of the 1960s, supermarkets rapidly developed in Japan, which handled everything from food to daily sundries and clothing. UNY was jointly established by Nishikawaya Chain Co., Ltd., (established in 1912); Hoteiya Co., Ltd., (established in 1927); and Takihyo Co., Ltd., (established in 1951) in 1969. In 1971, Nishikawaya and Hoteiya merged and UNY Co., Ltd., was established.

UNY rolls out the Circle K Sunkus CVS business and the GMS business centered in the Chukyo region and has contributed to the formation of a sustainable society as an eco-first company that leads the industry with its commitment to environmental.



Hoteiya store



Nishikawaya store

2016 Management integration



FamilyMart UNY Holdings Co., Ltd.

In September 2016, FamilyMart Co., Ltd., which conducts the convenience store (CVS) business, and the UNY Group Holdings Co., Ltd., which is engaged in the General Merchandise Store (GMS) business and the CVS business, were integrated, which led to the inception of FamilyMart UNY Holdings Co., Ltd., with sales of about 4 trillion yen*. While leveraging the strengths of each of the CVS business and the GMS business, the Company further addresses community issues to meet the needs of customers in a wider and deeper manner and thereby contributes to the formation of a sustainable society.

*Including sales of all chain stores.

2018 Became a subsidiary of ITOCHU Corporation



In August 2018, the Company became a subsidiary of ITOCHU Corporation.

Since its establishment in 1858 as a linen cloth wholesaler, ITOCHU Corporation has been expanding its business under the spirit of "Sampo Yoshi."* It is now a general trading company with over 100,000 employees working in 110 business bases in over 60 countries.

*Sampo Yoshi: It represents the business philosophy embraced by Ohmi merchants and means "Good for the seller, Good for the buyer, and Good for society." It is the spirit that has been handed down from Chubei Itoh, the founder of ITOCHU, to the present and as an approach that leads to the current CSR that constitutes the essence of the management philosophy at many companies.

2017 Capital and business alliance

HLDGS

Don Quijote Holdings Co., Ltd. In November 2017, the Company formed a capital and business alliance with Don Quijote Holdings Co., Ltd.

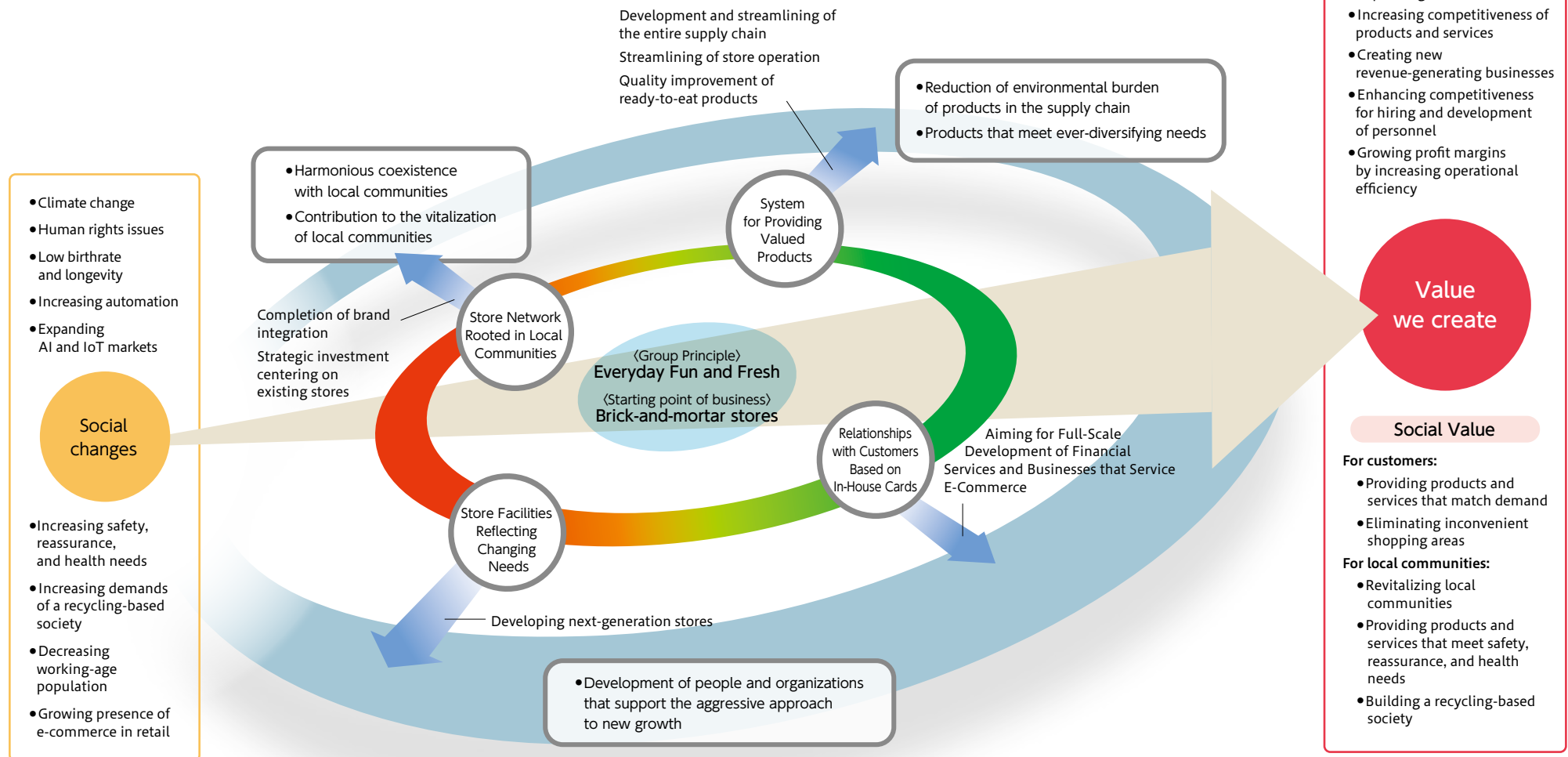
Since the launch of the predecessor of "Don Quijote," the current core business, in 1978, Don Quijote Holdings Co., Ltd. has been operating general discount stores and comprehensive supermarkets in the major cities of Japan. "Don Quijote" has about 400 stores, including overseas stores, and is a leading Japanese discount store chain that features a large selection of products and convenience items. The store chain actively responds to ever-diversifying customer needs, including the needs of foreigners visiting Japan, and provides a videophone service in all stores that answers questions and gives shopping advice in English, Chinese, Korean, and Thai.

*In January 2019, UNY Co. Ltd. became a wholly owned subsidiary of Don Quijote Holdings Co., Ltd.

Value Creation Business Model

The social situation surrounding retail businesses is at a major turning point. Drastic changes in the social structure and demographics and rapid advances in technology have diversified the environment of consumers. Against this backdrop, the Group continues its business activities centering on brick-and-mortar stores toward the sustainable growth of society and itself while supporting local communities and consumers as a community-based

company. While leveraging our strengths, we make ongoing efforts to resolve social issues and meet consumer needs in collaboration with various stakeholders. In the future, we are determined to further enhance our social and economic value as a retail group and contribute to the realization of a sustainable society.



Performance Highlights (financial)

Convenience Store Business (CVS)



● Total Store Sales:

¥ **3,016,064** million

● Core operating income:

¥ **34,196** million

Major Performance

● Gross operating revenue:

¥ **605,827** million

● Core operating income:

¥ **19,551** million

General Merchandise Store Business (GMS)



Medium-term Management Plan (Fiscal 2018 Management Plan)

~Accelerated Pursuit of New Growth~

Total investment for FY2018: ¥ **140.0** billion

① Improvement of quality at existing stores

	CVS	GMS
Reinforcement of store foundations	<ul style="list-style-type: none"> Complete brand conversion Advance B&S initiatives Renovate existing stores and improve facilities Open high-quality stores, etc. 	<ul style="list-style-type: none"> Develop UD Retail business Renovate existing stores and improve facilities Open high-quality stores, etc.
Enhancement of product Competitiveness	<ul style="list-style-type: none"> Improve quality of ready-to-eat items and conduct capital investments Introduce new coffee machines, etc. 	<ul style="list-style-type: none"> Advance side dish project (develop products through team merchandising, renovate sales floors), etc.
Improvement of store operating procedures	<ul style="list-style-type: none"> Enhance operational efficiency (introduce new store facilities, etc.) 	<ul style="list-style-type: none"> Invest in new systems (introduce new registers, etc.)

② Creation of new revenue-generating businesses

Development of earnings foundations in financial and peripheral e-commerce operations	<ul style="list-style-type: none"> Advance initiatives in the Company's financial operations Develop customer database Improve convenience and enable smartphone compatibility for point services
---	--



Performance Highlights

Financial Information



● Stores globally

CVS + GMS

Approx. **24,000** stores

● Overseas

CVS + GMS

In **7** countries and regions

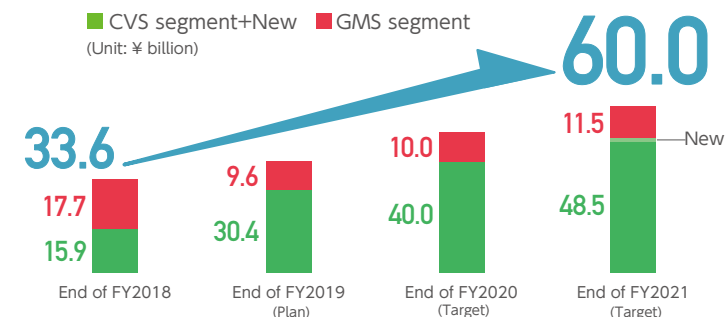
6,849 stores

As of the end of February 2018

Earnings Growth Scenario

(IFRS: International Financial Reporting Standards)

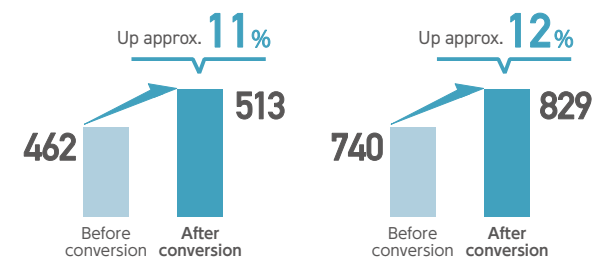
■ CVS segment+New ■ GMS segment
(Unit: ¥ billion)



Circle K Sunkus stores after Brand Conversion

● Daily Sales (¥ thousand)

● Daily Customer Numbers



September 2016 - February 2018 results, year on year

Performance Highlights (non-financial)

Environment

- Certified Food recycling loop system
(Recycling plan)

CVS

7 cases

GMS

14 cases

- Food recycling rate
(Actual food recycling rate)

CVS

54.1%

GMS

80.6%

- Amount of curtailing the generation
of food waste
(per million yen of net sales)

CVS

24.6 kg

GMS

29.9 kg

- Rate of customers declining
plastic shopping bag

CVS

29.1%

GMS

85.6%

Governance

- Number of reports
from whistleblowers

CVS

39

GMS

118

Performance Highlights Non-financial Information

UFHD
FamilyMart UNY Holdings Co.,Ltd.

- Number of store visitors
per day in Japan

CVS + GMS

Approx. **16** million

- Number of group employees

CVS + GMS

Approx. **17,700**

Society

- Total funds raised

CVS

¥ **458** million

(In-store fund-raising,
donations of relief money,
company donations, etc.)

GMS

¥ **156** million

(In-store fund-raising,
donations of relief money,
employee fund-raising, etc.)

- Rate of employment of persons
with disabilities (as of June 2018)

CVS

2.39%

GMS

2.48%

- Number of applications for
the Thank You Letter Contest

CVS

Total number
of applications:

327,583

- Number of participants
in the environmental events
to raise consumer awareness

GMS

Approx. **58,000**

The environment surrounding us is changing rapidly.
The sustainable growth of a company means to keep
taking on challenges without fearing change.
I believe that a sustainable society is formed through
unflagging efforts to rise above challenges.

Koji Takayanagi
Representative Director and President
FamilyMart UNY Holdings Co., Ltd.

高柳浩二



Aiming to develop together with society through community-based management

Issues, such as the declining birthrate and aging population, labor shortage, concentration of the population into cities, environmental issues, and respect for human rights, that modern society faces and the rapid change into a digital society present a variety of challenges to the Group. In order to open a path to the future and ensure sustainability as a company, we are required to act from a multifaceted perspective more than ever before.

After management integration, we became determined to continue creating value with the spirit of "Everyday IMPROVE." To this end, each and every employee is

committed to thinking on their own, nurturing mutual respect, and joining forces with one another to generate the greatest synergy. We aim to realize sustainable growth together with people of local communities by turning the expansion of the scale into streamlining and the enrichment of quality and by conducting business while paying attention to details through meeting the needs of local communities.

Placing a particular focus on the securing of human resources and the development of products and services that meet the diverse needs of each community

For sustainable management, it is essential to secure

human resources. In the face of a labor shortage, we promote the continued employment of female workers, actively accept senior citizens and foreigners, and develop a workplace friendly to every worker. Since we are an aggregate of different cultures due to repeated management integrations, we have developed a deep understanding of the significance of accepting different values and differences and the need for diversity in the truest sense of the word. At the same time, we have learned that people's mindsets cannot be changed easily and that it is tough to take specific actions. In order to achieve "IMPROVE" against such a backdrop, we need to have the power to change the ways of working that are familiar to us through challenging trial and error.

In an environment marked by various social issues, not

only workstyles and the flow of information and products but also consumer needs have been changing. In the midst of the increasing significance of *koto* consumption (consumption of intangible values), we need to incorporate the needs of consumers who are sensitive to lifestyle changes and change ourselves so that we can avoid self-absorbed thinking and accept different views.

In light of the change in shopping hours resulting from women's participation in society and consumer awareness of environmental issues, we have adopted green packaging and enriched the lineup of prepared food, Mother's Kitchen by achieving an extension of the expiration date via cutting-edge technology. Moreover, we also promote the development of stores that meet the needs of each community where customers can find daily necessities and services when they need them. In an effort to become a trusted brand for everyday life that customers continue using, we will continue enhancing the quality of each store.

Continuing to take on challenges toward the realization of a sustainable society from a long-term perspective

As a retail business and group of companies that play a role in the development of the local economy, we fully understand the significance of the development of a sustainable society and agree to the UN Global Compact initiative. Currently, international society accelerates its efforts toward the achievement of SDGs in 2030. The Group will also accelerate its efforts by assigning higher priority to the materialities set last year.

Especially, the countermeasures against global warming and the plastic waste issue are the themes we cannot overlook in the midst of ever-tightening regulatory control. In my view, the entire industry needs to address the issue of plastic food containers and shopping bags by a collective effort while leveraging our wisdom to break established customs. In addition, a reduction of food loss is another serious issue. While it stands to reason that strict standards are required for food quality and safety control, we understand that there are criticisms that many food, which is still good enough to eat, is thrown away. We have been making constant efforts not only to reduce waste in the manufacturing process of products, but also to extend the expiration date while maintaining the freshness of food. Despite our efforts to enrich a good selection of those products, in the event that food is expired at stores as a somewhat inevitable result, we promote a system to recirculate them.

Moreover, as a community-based company, we are required more than ever to provide functions as social and lifestyle infrastructure. If the diversification of needs by the community accelerates in response to changes in the social structure, such as the declining birth rate, aging population,

and compact cities, we need to shift from a one-size-fits-all business model to a decentralized management model that reflects the characteristics of each community. This approach also applies to the achievement of SDGs, and we believe that in our efforts to resolve community issues, our stores should serve as safe, reliable bases where people of local communities come to communicate with one another and that our store operation should contribute to the vitalization of local communities.

In an effort to meet the increasingly sophisticated and diversified needs and continue answering consumer expectations, we need to actively roll out new products and services that go beyond the bounds of business categories while leveraging the collective strengths of the Group to continue providing products and services whose safety and reliability are secured throughout the entire supply chain. For the issues of risks, such as disasters, environment, and human rights, it is essential for us to build and maintain consumer trust through the stable supply of products in collaboration with suppliers.

In order to achieve them, I believe that the promotion of true diversity, such as the acceptance of people with different views and cultural backgrounds, the attitude to address issues from a new perspective, and the development of a corporate climate that tolerates different values, is indispensable. In an effort to change each person's awareness, we aim to achieve cultural fusion while sharing the values to achieve our goals.

The retail business model may change drastically over the coming ten years due to the evolution of technology and the issues of population structure and environment, and it may take a totally different form 30 years from now. In order for each of us to grow in a sustainable manner and contribute to the realization of a sustainable society by resolving social issues, we will continue taking up and rising above future challenges.





Feature Story: Diversity

Aiming to create a workplace where individual employees can play an active role

Common Issues for the Group

In the Group that has 24,000 stores in eight countries across the world, it is essential for each and every employee to participate actively in work in brick-and-mortar stores that a wide variety of customers visit every day. The promotion of diversity that aims to nurture a corporate climate where employees actively participate and find satisfaction in their work forms the very basis of community-based management.

Since the management integration of FamilyMart and UNY in September 2016, we have been intensifying our efforts to turn the expansion of the management scale into the enrichment of quality. To that end, we are required to meet customer requests and face the diverse needs of consumers more than ever before. Thus, it is indispensable for us to nurture a culture of diversity that enables each individual to accept diversity and act on one's own initiative. We, therefore, position the promotion of diversity as a medium and long-term common issue that is essential for our sustainable growth and address it in a strategic manner.

In order to develop a workplace respects a person's character, human rights, and diversity and enables anyone to play an active role while utilizing their own individually and capabilities, we need to change both the internal systems and the corporate culture.

Since the establishment of a section dedicated to diversity under the direct control of the president in March 2017, FamilyMart has addressed the

change in mindsets of 6,200 employees working at the headquarters, which clearly shows that the company intends to promote diversity as a management strategy. Moreover, FamilyMart and UNY exchange opinions on a regular basis to share their own issues and efforts.

Penetration of gender diversity

Among a variety of aspects of diversity, such as race, nationality, religion, and gender, FamilyMart first addressed the issue of gender diversity. While the company has always supported the career development of female workers, the percentage of female workers at the time when the new gender diversity initiative was launched was 10.8% and that of females in managerial positions was only 2.3%.

By positioning the fiscal 2017 as the predawn of the diversity promotion initiative, we set the empowerment of female workers as the first step and have since promoted it as one of our major steps. With dedicated commitment by the management, a diversity promotion committee comprising executive members was established. The committee upheld the goal of 20% female workers and



The company won the Award for Excellence at the third Working Women Empowerment Grand Prix in 2018.

10% female managers at the end of fiscal 2020 as KPIs for the women empowerment promotion initiative.

The initiative has been promoted through the three themes of *top commitment*, *development of leaders*, and *bottom-up*: for top commitment, a diversity promotion committee was established where executive members deliberate specific measures. For the development of leaders, the KPIs are first translated into field objectives through training for managers and then measures are implemented.

Bottom-up FMWP

For the bottom-up effort, the FamilyMart Women Project (FMWP), an activity by women for the empowerment of women, was launched in October 2017. This project aims to achieve women's growth and change, networking, and the growth and change of the company.

In October 2017, the FMWP College, where demonstration experiments for workstyle reform are conducted mainly by female employees, started as a main activity for the first year of FMWP. This is a three-month project for female workers where these female workers attempt a new workstyle on their own through the Forum, Demonstration Experiment, and Award programs. In the Forum program, a workshop was conducted where female

workers explored how they should act under the themes of *the best form of one's own department a few years later* and *the issues and changes required to achieve the vision*. In the Demonstration Experiment program, a total of 64 teams addressed the issues of own department for four trial weeks. In January 2018, the Awards program (an awards ceremony) was conducted as the culmination of their efforts where about 500 employees participated and were selected as award winners by vote. The achievements of the FMWP College are spreading into each workplace since they help achieve the workstyle reform of the entire workplace involving superiors and colleagues.

Taking ownership of the diversity promotion effort

For the first half of 2018, we aimed to become able to take ownership of the diversity promotion effort centering on the promotion of women's empowerment under the slogan "Everyone takes ownership." Each management member, including the president, transmitted their own views on diversity, and awareness of diversity has penetrated into all departments as all employees took ownership of the diversity issue.

The Tokai III District, which won the Best Performance Award in the district category last year, jointly held a Women's Networking Seminar with FamilyMart, UNY, nexcom, and UCS, while involving not only surrounding districts, but also UNY management. With our Outside Corporate Auditor Mika Takaoka, professor of the College of Business, Rikkyo University, as a lecturer, about 200 female employees participated in the seminar. In



Participants in the Women's Networking Seminar



Lively discussion at a workshop



Outside Corporate Auditor
Mika Takaoka, professor of the
College of Business, Rikkyo University

the seminar, Professor Takaoka discussed the issue of diversity from every perspective, such as the approach to the promotion of women's empowerment based on her own experience. The seminar served as a place for us to realize anew that the creation of a workplace that facilitates the full participation of female workers is the key to the implementation of community-based management.

In fiscal 2018, diversity promotion district committees led by departmental managers were established, which also promote diversity themes other than women's empowerment. The district committees serve as important places where middle-level employees take the leadership in collecting various views of workers out in the field and solving problems on their own. In and after the second half of 2018, we will further promote diversity as the basis of community-based management under the slogan "From practice to results."



Diversity Award Ceremony

Corporate Governance

FamilyMart UNY Holdings Co., Ltd. comes face-to-face with its stakeholders and secures the transparency and integrity of the management of the Group as a whole by verifying its corporate governance in a continuous manner.

Basic Approach

Under the pure holding company system with FamilyMart UNY Holdings Co., Ltd., as the holding company, the FamilyMart UNY Group comprises a total of 65 group companies, including 38 subsidiaries, 14 affiliated companies, and 13 jointly controlled entities, each of which operates the CVS business, GMS business, and/or a related business (as of the end of February 2018).

Since the management integration in September 2016, the Group has been pursuing the maximization of Group synergy to further increase our corporate value. In this pursuit, it is critical to ensure the transparency and integrity of management of the entire Group; therefore, the main focus is placed on the enhancement of corporate governance.

The Group established the Group Principle, "Everyday Fun and Fresh," and the Code of Conduct at the time of management integration. It shares these with all group companies and aims to build the business base toward the achievement of the Group Principle through a unified system. The Group aims to contribute to the realization of a sustainable society. In 2017, the Group established the Sustainability Policy to actively address the ESG issues through community-based management and fulfill its accountability.

In the future, we will listen to the views of our stakeholders in good faith and continue our ongoing efforts to reinforce our corporate governance while verifying it.

Operational Structure

We aim to build a corporate governance system that is based on the highly transparent management system and management monitoring by auditors and have the Board of Corporate Auditors in place. For the Board of Directors, 13 directors, including two independent outside directors are appointed to strengthen and improve the effectiveness of management oversight by the Board of Directors and the transparency of decision-making. For the monitoring of management, five directors, including four Outside Corporate Auditor, are appointed to enhance the monitoring and oversight functions and secure the transparency of decision-making. There are five independent directors (as of May 28, 2018).

In principle, the Board of Directors' meeting is held once a month. The effectiveness of the Board of Directors is verified through the effectiveness assessment conducted by directors and auditors. According to the effective assessment of 2018, almost all items were assessed as appropriate, which demonstrated that the Board of Directors was functioning effectively. We will work to further improve the effectiveness while giving feedback on areas for improvement.

With the aim of maintaining and strengthening the management base, the Company has established the Investment and Loan Committee, the Governance Committee, the Risk Management & Compliance Committee, and the Corporate Social Responsibility

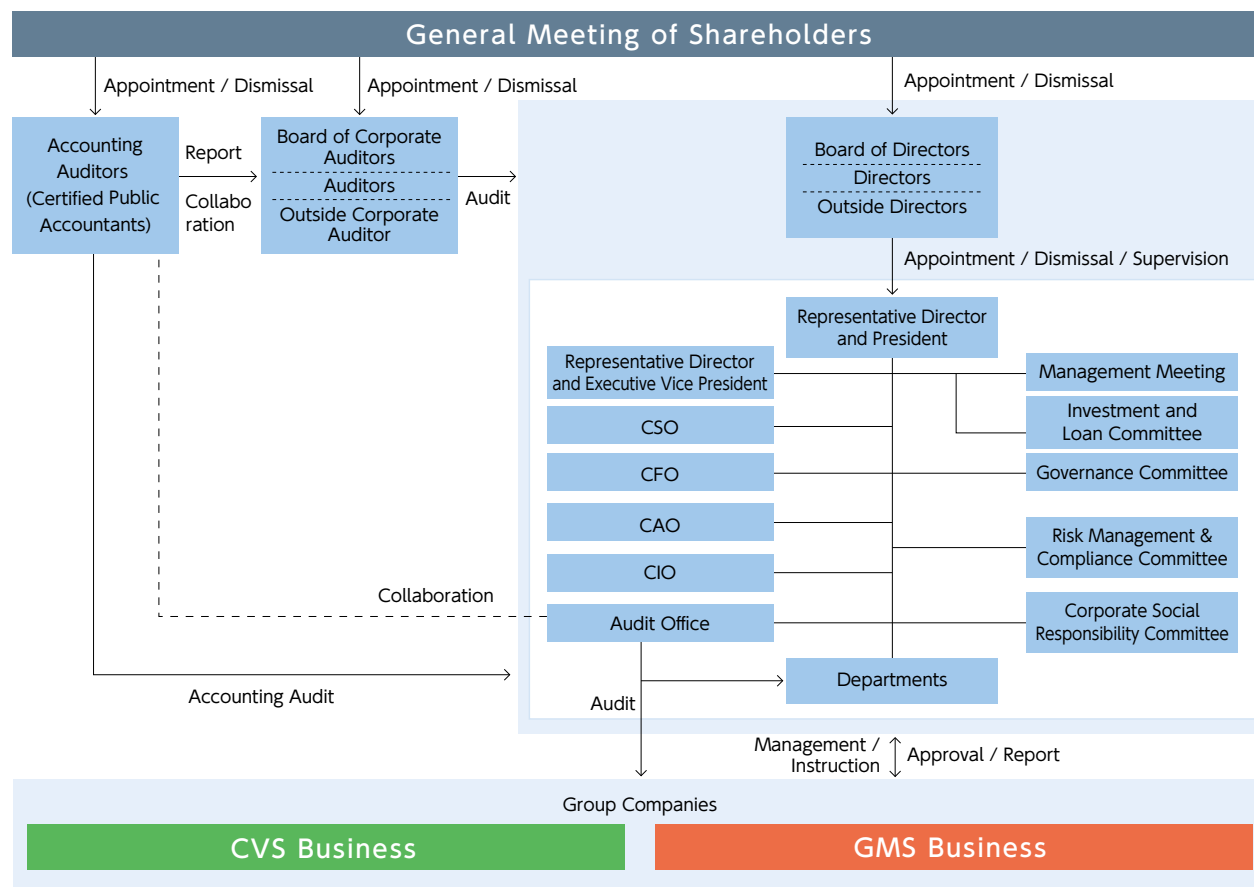
Committee. Among business companies, FamilyMart Co., Ltd., the core company in the CVS business, has the Risk Management & Compliance Committee and the Corporate Social Responsibility Committee in place, whereas UNY Co., Ltd., the core company in the GMS business, has the Risk Management Committee and the ISO Promotion and Environment Committee in place. These committees discuss the risk management and compliance issues that each business faces and social and environmental issues from the perspective of opportunities and risks associated with each business, and they take necessary actions.

Moreover, the Company has set matters to be reported to it, including important business matters that may have an impact on the activities of the Group, and requires each group company to obtain prior approval and reporting for such matters from the Company. Then the Company handles the reported matters in an appropriate manner.

For these processes, the Audit Office under the direct control of the president conducts an internal audit. While sharing information with the auditors of each group company, the Audit Office checks on a regular basis whether the efforts toward the enhancement of governance of the Group as a whole and the resolution of issues related to risk, compliance, and social and environmental responsibilities are implemented appropriately.



Corporate Governance Organizational Chart of FamilyMart UNY Group



Agenda for the Board of Directors

The major governance agenda for the Board of Directors in fiscal 2017 were as follows:

- Results of the assessment and audit concerning internal control over financial reporting
- Status of the development of the internal control system
- Effectiveness assessment of the Board of Directors
- Revision of executive compensation
- Verification of the significance of holding listed shares
- Responses to the effectiveness assessment of the Board of Directors
- Status of sustainability (CSR) activities
- Review of disaster response criteria

CSO : Chief Strategy Officer
 CFO : Chief Financial Officer
 CAO : Chief Administrative Officer
 CIO : Chief Information Officer

Investment and Loan Committee

This is an advisory body for the Management Meeting and is chaired by the CSO. It conducts the preliminary review of important investment and loan cases in the Company and each group company and submits the results at the Management Meeting.

Governance Committee

This is an advisory body to the president and is chaired by the CFO. With the aim of enhancing the governance of the entire Group, it deliberates on the development and operation of the internal control system in a comprehensive manner.

Risk Management & Compliance Committee

This is an advisory body to the president and is chaired by the CFO. With the aim of developing the risk management system and consolidating the ethics and legal compliance system, it controls potential compliance risks that may confront the Company and group companies in a crosscutting manner.

Corporate Social Responsibility Committee

This is an advisory body to the president and is chaired by the CAO. It shares and deliberates reports and issues related to the efforts of social and environmental aspects of the Company and the group companies with members to improve the efforts toward the realization of a sustainable society.

Compliance

In an effort to provide safe, reliable products to consumers, FamilyMart UNY Holdings Co., Ltd. works together with group companies to ensure thorough compliance.

Basic Approach

Toward the realization of a sustainable society, companies are required to squarely face social issues and enhance the transparency of management through well-controlled activities and appropriate information disclosure. The FamilyMart UNY Group believes that compliance is essential to build trust with local communities and implement community-based management. Compliance is also the basis of management in terms of deepening consumer engagement and maintaining good relationships with business partners.

For the Group, compliance means not only the observation of all laws, regulations, and social norms of the countries and regions where the Group conducts its business, but also for each employee to act with high ethical standards and moral awareness based on the Group's Code of Conduct. Based on this understanding, the Group carries out a wide range of measures. Compliance is promoted in light of internal control and checked by audits on the operational process of the internal control and reporting system.

Among a variety of themes related to compliance, the Group places a particular focus on issues related to consumers. Because of the unique characteristics of the retail business, our supply chain extends over a wide area. Since we sell both private and national brand products, we at the Group take every precaution to prevent consumers from misidentifying them and thoroughly control the

operations related to the management of product labels in collaboration with the departments involved and business partners to ensure that we deliver safe, reliable products to customers.

In recent years, interest in the protection of personal information has been mounting significantly in Japan and overseas as exemplified by the enforcement of the Amended Act on the Protection of Personal Information in 2017. As a business operator who handles personal information of consumers, we are required to commit ourselves to the protection of personal information more than ever before.

Compliance Operational Structure

In the Group, the Legal Department in the CSR and Management Division of FamilyMart UNY Holdings Co., Ltd. takes overall control of the promotion of compliance. In addition, the Risk Management & Compliance Committee (RC Committee) is established with the Legal Department as its secretariat. The persons in charge of compliance control in the four direct investment companies (FamilyMart, UNY, UFI FUTECH, Kanemi Co.,Ltd.) report to the RC Committee once a quarter. While in FamilyMart and UNY, an internal committee is in charge of compliance control, the general manager of the Operations Division is responsible for compliance control at UFI FUTECH and Kanemi Co.,Ltd.

Since fiscal 2018, the Governance Committee of two

executives of the Company and three outside experts has established to deliberate on the overall situation of compliance. The Governance Committee in collaboration with the RC Committee oversees the compliance promotion efforts of the entire Group.

The Company and domestic group companies have whistleblowing contact points inside and outside the companies as a system to prevent compliance violations and ensure the implementation of corrective measures upon occurrence of them. The rules to protect whistleblowers are also established and strictly observed. Overseas group companies have their own compliance promotion system based on the laws, regulations, and particularities of each country.



Implementation of Compliance Promotion Training

The Group conducts training for executives and employees on a regular basis to ensure thorough compliance. Moreover, we at the Group ensure that every employee is informed of the whistleblowing system through which they can confer with or report to the person in charge of compliance about such things as compliance issues regarding daily operations.

FamilyMart conducts compliance training on a specific theme once every two months and e-learning-based compliance training once a year, according to the annual training plan. When a compliance training program is conducted, a questionnaire is also carried out as a survey to confirm an increase in employees' awareness of compliance and examine improvement strategies. In addition, training programs on individual environment and food laws and regulations are also provided through e-learning.

A business partner survey is also conducted to build a healthy and fair partnership with business partners by checking on a regular basis if FamilyMart employees use undue pressure to them during negotiations.

We also distribute portable cards where the Group's code of conduct and the whistleblowing system are described to all employees to help raise their awareness of compliance on a daily basis. Since employees who work in stores account for over 80% at UNY, the company distributes compliance readers as a tool to raise their awareness of compliance. The QC(Quality Control) activity that the company has been promoting early on also helps raise employees' awareness of compliance and ethics in the stores. An increase in employees' awareness of compliance is assessed by the self-checking process, and the results of the assessment are used to improve training programs compliance activities. These compliance promotion efforts of group companies are reported to the RC Committee on a regular basis.

Compliance Status

Building compliance awareness through training is indispensable for the development of the sound and solid foundation of a Company. If we should encounter

actual compliance violations or consultation about such violations, we implement countermeasures and corrective actions promptly and prevent compliance violations. During the period from March 2017 to February 2018, there were 157 whistle-blowing cases. For the cases where a compliance violation was confirmed, measures for precaution and recurrence prevention were promptly implemented.

Use of employee hotline and business partner helpline

(Fiscal 2017)

Suspected fraud, law breaking, or rule violation	19cases
Inquiry about labor contract or working hours	7cases
Inquiry about workplace conditions, behavior, language	67cases
Suspected harassment	43cases
Other	21cases
Total	157cases



Portable ethics and compliance cards for FamilyMart employees



Compliance training for new employees at FamilyMart

Risk Management

In order to continue meeting social demands and consumer needs, we make ongoing efforts to enhance our risk response ability and communication skills within the Group and thereby minimize loss and improve profit.

Basic Approach

FamilyMart UNY Group aims to maximize corporate value while implementing community-based management. To this end, it is essential to implement risk management in an appropriate manner.

Our brick-and-mortar stores that function as social and living infrastructures need to have preventive measures against various risks in place to promptly provide safe and reliable products to customers.

It is also important to have not only measures for ordinary operations but also a contingency plan, including measures against large-scale disasters. In an effort to minimize the negative impact on stakeholders, including customers and local communities, the Company has risk management rules and a Business Continuity Plan (BCP) in place to enable the prompt collection of information and quick and agile response in the event of an emergency. In both normal and emergency conditions, the Company works to enhance emergency readiness so that normal operation can be resumed as quickly as possible.

In an effort to carry out these risk management measures in a consistent manner, information is shared with group companies, and a consensus is built among them under the leadership of the Company.

Operational Structure

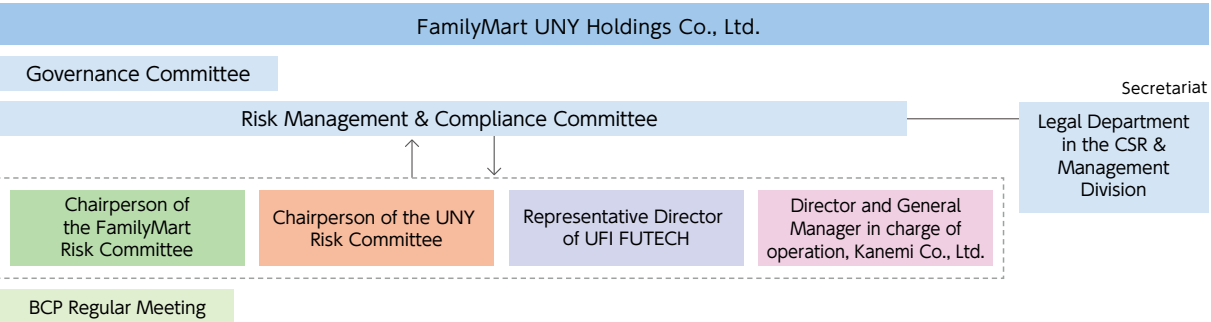
As is the case with compliance, the Group promotes risk management under a unified system. While the Legal Department in the CSR & Management Division of the Company have control over the risk management of the entire Group, the Risk Management & Compliance Committee (RC Committee) in collaboration with the Governance Committee oversees overall risk management. The RC Committee holds a meeting once a quarter where the representatives of the internal committees of FamilyMart and UNY and the general managers in charge of operation of UFI FUTECH and Kanemi Co., Ltd. report progress to the Committee.

Business risks are identified through a workshop style process, where the Company's department in charge

extracts potential risks based on social conditions and recent cases by using a mapping method and examines a risk management method for each department. In the process, business risks are extracted and countermeasures are developed for each group company as well. While taking the risks identified for each company into consideration, the RC Committee deliberates on which risks should be addressed by the Group as a whole.

For crisis management, such as disasters, emergency procedures are discussed in the BCP regular meeting that is held four times a year. A disaster-relief drill is also implemented once a year with the disaster headquarters. For the management of particular risks, such as food safety, incidents and accidents, natural disasters, and fraud and legal violations, that have become evident, the Company has a dedicated escalation system in place.

Risk Management Promotion System of the FamilyMart UNY Group



Major Risks

The Group deems the following seven to be relatively high-risk themes or areas for the Group. While positioning them as key items in risk management, the Group is promoting countermeasures together with business partners and stores:

- ① Business and consumer trends and trends of retail companies in the same and/or different industry in the countries and regions where the Group conducts business
- ② Natural disasters
- ③ Franchise management in the CVS business
- ④ Securing of food safety and reliability
- ⑤ Tightening of ESG-related laws and regulations
- ⑥ Handling of personal information
- ⑦ Information system management

Emerging Risks

From a medium and long-term perspective, the development of further countermeasures may be required in the future for the following risks. While considering appropriate measures to reduce the risks on an as-needed basis, we will turn them into new business opportunities and value:

- ① Personal information management associated with the revision of the Act on the Protection of Personal Information
We will further enhance employee compliance awareness by revising internal rules and reinforcing training.
- ② Tightening of environment-related laws and regulations
To respond to the tightening of environment-related laws and regulations due to growing awareness of environmental issues, such as the Paris Agreement and plastics waste in the ocean, we will promote efforts to reduce environmental burdens in collaboration with the industry group.

Response to Key Risks

The Group has developed and promoted measures to be prepared for natural disasters, such as earthquakes and typhoons early on. In particular, Japan is a country where about 20% of the world's earthquakes with a magnitude of 6.0 or greater occur. Therefore, it is essential for the Group to develop the BCP that covers everything from the maintenance of headquarters functions and the securing of production factories and a logistics network to the operation of stores in the afflicted areas.

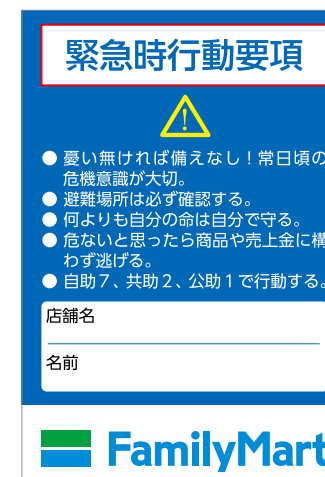
The Group performs earthquake simulations using scenarios that vary with the seismic intensity and the epicenter and verify stress conditions in the entire process from procurement, production, and logistics to headquarters functions and store operation while incorporating the factors that have been verified through actual experience in past earthquakes. Since the incorporation of the actual experience into risk management is helpful in providing an appropriate initial response in future earthquakes, we consider the collection of experiences in different regions as an important factor in risk management.

Similarly, we capitalize on our experiences in concentrated heavy rainfall and torrential rainfall, which are said to arise from global warming, in the development of the BCP while giving due consideration to regional conditions.

Development of Risk Culture

The Group believes that it is essential for the thorough implementation of risk management that all executives and employees deepen their understanding of corporate risks in light of their duties and positions.

Therefore, as was the case with compliance training, FamilyMart conducts risk management training once a year via e-learning. This training targets all employees, including executives.



Portable Emergency Action Cards for the Store Staff of FamilyMart (front cover)



FamilyMart Disaster Message Board

Moreover, the Group conducted drills on safety confirmation as a means to raise awareness of natural disaster and accident risks four times a year. Since 2018, about 17,000 franchisees have introduced the drill as part of the safety drill toward the further enhancement of risk awareness.

Other group companies also address the enhancement of risk awareness through their own training programs. In the future, we will reinforce a comprehensive risk management system through collaboration between the Company and other group companies.

Environmental awareness

We address food-related issues, such as food loss reduction and food recycling, and global issues, such as plastic waste in the ocean and climate change, and thereby contribute to the realization of a sustainable society.



Key Issues

In recent years, global warming is bringing significant changes to the ecosystem around the world. While causing large-scale disasters resulting from severe storms and torrential rainfall of typhoons, global warming has also caused droughts that have led to the depletion of water resources and the consequent emergence of areas where the securing of water and food is very difficult. On the other hand, more than 6 million tons of food that is still good to eat are thrown away annually in Japan. Among the wasted food, about 60 thousand tons are discharged annually by retail businesses, which account for about 1/5 of trade food loss. Moreover, use of plastics for food packaging has become a serious issue as plastics are not naturally degradable and have a serious impact particularly on the marine ecosystem.

Opportunities and Risks

Climate change due to global warming can cause natural disasters and significant damage to local communities and lead to the depletion of natural resources, such as water and forests. Since such a situation will lead to the unstable supply of raw materials (farm and marine products) that are essential for our business, it can be said that climate change is our long-term risk.

Toward the Construction of a recycling-oriented society, further systematic efforts are required to reduce the consumption of natural resources, environmental burdens, and plastic waste over which international concern has been rising.

Strategies for Environmental awareness

FamilyMart and UNY have long promoted environmental efforts and accumulated own know-how, particularly in the fields of food loss reduction, food recycling, a reduction of containers, packaging, and plastic shopping bags, and investment in energy-saving equipment for stores. In the future, we will share such know-how within the Group and enhance Group synergy.

For new global issues, such as plastic waste, that have been attracting much interest recently, we will seek a comprehensive approach together with the industry.

Value creation

The Group that has a store network across the country promotes environmental efforts throughout the supply chain in collaboration with local communities and business partners. The Group will spread more stable and efficient environmental measures through our business, which cover store equipment, sales activities, and beautification of the community environment.

The implementation of strategic measures for increasingly diversifying environmental issues will enable us to fulfill our corporate social responsibility and lead to a reduction in environmental risks associated with group business activities and the creation of new business opportunities. We will contribute to the realization of a sustainable society while developing environmental awareness in communities through our store-driven, community-based efforts.

Key Performance



FamilyMart UNY Holdings Co., Ltd.

- Number of participants in environmental learning programs and events at stores

Approx. **70,000**



FamilyMart Co., Ltd.

- Amount of CO₂ reduced by using green packaging for ready-to-eat products

Approx. **4,478** t (side-seal shrink packaging and PLA containers)

Basic Approach

For the Group that conducts business centering on stores, environmental issues are particularly important since they are closely connected to and have a great impact on our daily lives. Therefore, both FamilyMart and UNY obtained ISO 14001 certification early on and established an environmental management system centering on stores.

In March 1999, all stores and business establishments of FamilyMart obtained ISO 14001 certification and have since promoted the development of environmentally friendly convenience stores in conformance with the environmental management system. At UNY, the head office obtained ISO 14001 certification in 2004, and since 2014, stores have introduced ISO 14001 in a sequential manner. Currently, 147 stores have ISO 14001 certification. For the Group as a whole, about 16,000 domestic stores have the environmental management system in place.


The Group intends to strengthen the ISO 14001-based environmental management system and further promote environmental efforts.

ECO FIRST is a system where the Minister of the Environment certifies environmentally advanced companies that conduct advanced, unique, and industry-leading business activities. In 2008, UNY became the only ECO FIRST-certified company in the general retail industry.




ECO FIRST Mark

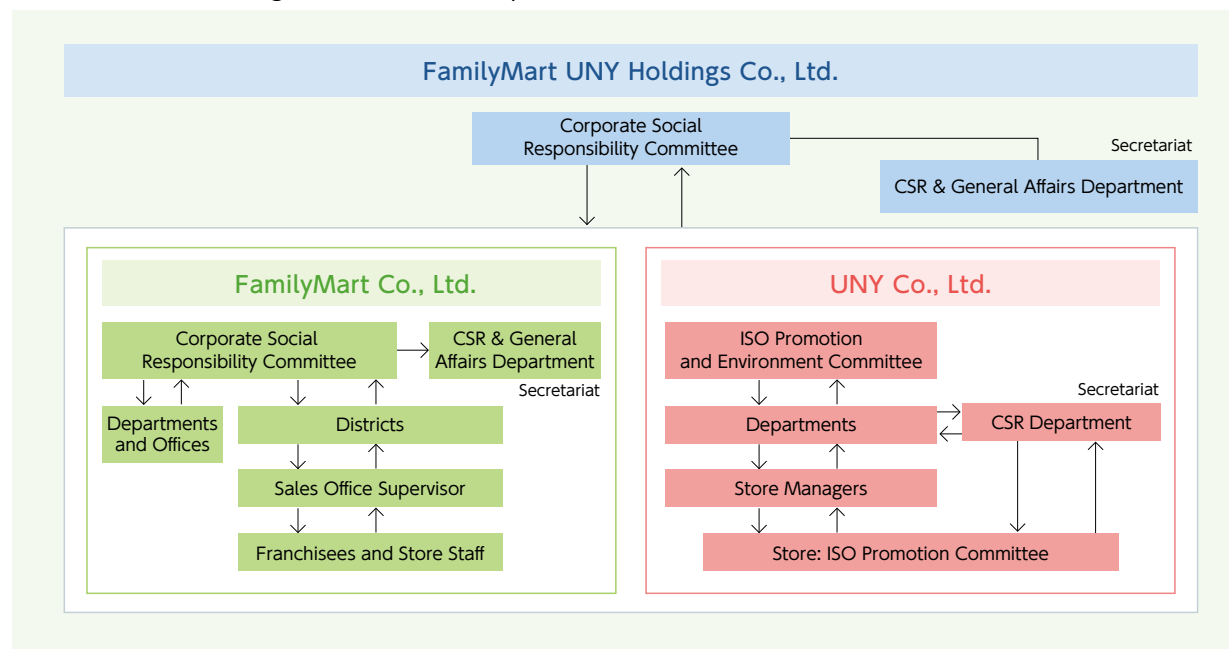
FamilyMart Environmental Policy (Japanese only)

 http://www.family.co.jp/company/csr/environmental_initiatives/policy.html

UNY Environmental Policy (Japanese only)

 <https://www.uny.co.jp/csr/philosophy>

Environmental Management Promotion System



Operational Structure

At the Company, the Society & Environment Committee with the CSR & the General Affairs Department as a secretariat has overall control over the environmental management mechanism of the entire Group and operates and promotes the environmental management system in collaboration with the department in charge of environment of each group company.

At FamilyMart Co., Ltd., the Society & Environment Committee of the company implements efforts in collaboration with departments, offices, and districts based on the company's environmental plan. For the maintenance and improvement of the environmental management system at stores, it is essential that each store actively addresses the issue and that

supervisors (SVs) provide consultation to stores.

Supervisors visit stores on a regular basis and communicate guidelines and improvement measures related to the environmental management system to the stores. Store managers report the status of efforts at stores to the supervisors, who then report them to the CSR & General Affairs Department. Thus, the CSR & General Affairs Department keeps track of the efforts of all FamilyMart stores.

At UNY, under the leadership of the ISO Promotion Committee of the company, each store holds an ISO promotion committee meeting chaired by the store manager each month and implements specific measures according to the environmental implementation plan of the store.

Development of Environmental Awareness

The Group conducts well-crafted environmental education programs to deepen employees' understanding of environmental issues and facilitate their participation in environmental conservation activities within and outside the Company.

In Japan, there are 17,777 employees in total (on a consolidated basis, as of the end of February 2018). In particular, diverse people who vary with age, employment period, and nationality work in the stores. Therefore, in order to raise environmental awareness in the entire Group, it is necessary for us to take different approaches in line with the unique characteristics of each store.

At FamilyMart, supervisors in charge of each store provide environmental education to store managers, and the store managers educate store staff. Through employee training as they began to work, regular e-learning courses, and *eco and social partner*, an environmental education tool for stores, supervisors have deepen their own knowledge and understanding about environmental conservation. Supervisors ensure the dissemination of environmental efforts into stores through promoting environmental communication with store managers and staff by using those education tools and through putting up a panel of the company's environmental policy in the store office areas.

At UNY, environmental education is conducted on a store basis targeting all store employees from the store manager to part-time workers. The environmental education at a store is led by the store manager, and the UNY head office provides manuals and training materials, such as DVDs for environmental education.

Implementation of Internal Environmental Audits

The Group implements internal environmental audits, for which the head of the Auditor Office takes responsibility, to see if the environmental management system is implemented and managed in an appropriate manner. For this auditing process, different mechanisms are established to suit the unique characteristics of each business company.

At each FamilyMart store, a self-assessment is conducted using an ISO 14001 check sheet that is delivered to employees with the environmental education tool, *eco and social partner*. For the internal environmental audit that is conducted every October, supervisors implement the audit of stores and report the results to the CSR & General Affairs Department. For stores that require improvement, corrective measures are implemented promptly at the stores under the guidance of supervisors.

At UNY, the ISO Promotion Committee keeps track of environmental efforts in the meeting that each store holds once a month. A self-assessment is conducted according to the environmental implementation plan on the items, such as paper, CO₂ emissions, and waste reduction, and the results are reported to the CSR Department at the UNY headquarters.

The CSR Department closely analyzes the assessment results against the environmental implementation plan of each store and provides improvement guidance if necessary. For example, when figures that exceed the effluent standard were found through self-assessment, the CSR Department conducted a thorough investigation into the cause and took appropriate corrective measures, including preventive measures. In principle, an internal environmental audit is conducted once every six months in tune with the environmental management system cycle to drive continuous improvement.

Results of Internal Environmental Audit

The internal environmental audit in fiscal 2017 found no legal violations related to the environment or serious environmental problems in the Group.

Number of Internal Environmental Audits implemented

	Headquarters Departments	Bases	Stores
FamilyMart	18	26	15,656* ¹
UNY	16	6	66* ²

*1 As of September 2018. All stores except area franchisers.

*2 As of November 2018

While it has been determined that the minor problems found in some stores do not have a serious impact on the environment at present, the Group has been making collective efforts to address environmental issues and build a continuous improvement culture. Specifically, under close collaboration between the secretariat of each business company and stores, we ensure that improvement measures for each case are examined and that the measures will be put into practice as part of store operations.

Moreover, best practices at stores are accumulated within the Group and shared with other stores as reference cases.

Efforts to reduce food loss

Toward the realization of a recycling-oriented society, the Group has been making ongoing efforts to reduce waste arising from its business activities. In particular, the Group makes a concerted effort to reduce food loss since food is the core product for its sales activities.

In 2015, the Food Recycling Law was revised and the target of recycling rate for the food retail business was raised to 55%. In response to it, the Group has been reinforcing efforts first to minimize waste generation, including food products, and then to recycle the remaining waste into new resources, such as feed and fertilizers.

With "Do not pollute communities" as its basic approach to store operation, UNY stores have been promoting efforts to reduce food loss through the 3Rs (Reduce, Reuse, and Recycle). In fiscal 2003, the company introduced the waste weighing system to sort waste from stores into 19 categories. In fiscal 2007, the system was installed into all

stores. UNY has clearly defined the locus of responsibility by managing waste by discharge source, such as the sales floor and the specialty shop, and has since continued reducing food loss while analyzing the waste generating factors.

FamilyMart has also been promoting efforts to reduce food loss and recycle food waste. By enhancing the ordering accuracy at stores, the company has reduced wasteful food disposal in the production process at plants and food waste due to the expiration of the sell-by date at stores. The company particularly focuses on waste segregation at stores to facilitate the reuse of waste as resources.

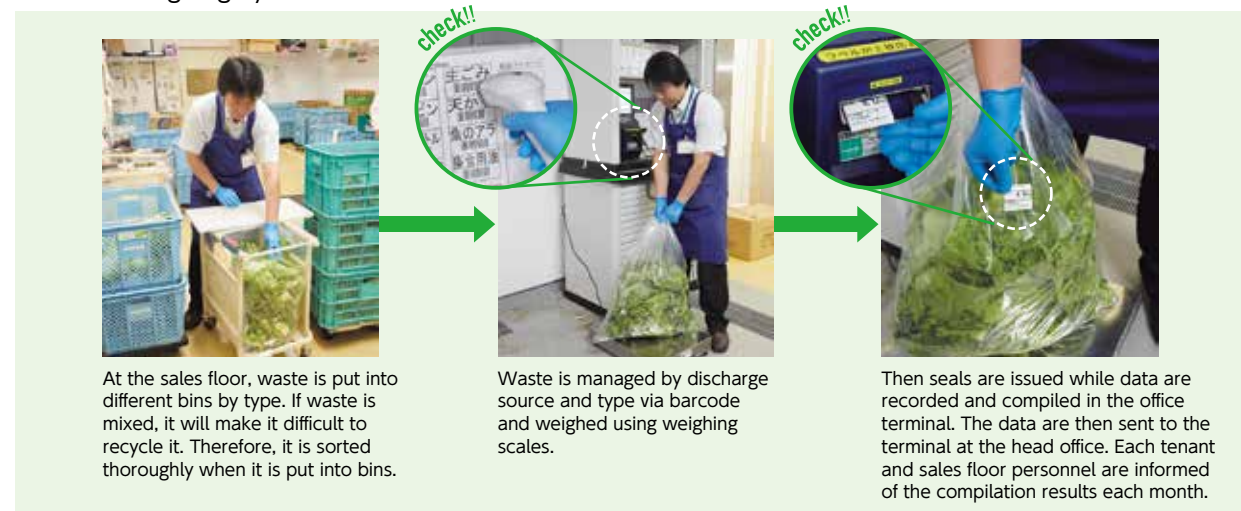
In product development, gas flush packaging, which helps to maintain food freshness longer than conventional packaging, is used for some products in the prepared food series, Mother's Kitchen. The gas flush packaging is a method to minimize oxidation by injecting carbon dioxide and nitrogen into containers. This technology has enabled

FamilyMart to extend the expiration date without damaging the taste or increasing additives.

Moreover, by replacing the conventional cover with top seal packaging with special processing, the company has reduced the use of plastic materials for food containers by 33.6 t annually, which is equivalent to a reduction of 153.7 t of CO₂ per year (estimate at the time of introducing the technology).

The generation of food loss increases not only environmental loads but also the Group's burdens, such as the costs of waste segregation and disposal. With the understanding that in the end, food loss could become a factor that hampers the sustainable and stable supply of food, we will continue our ongoing efforts to reduce food loss/waste.

Waste Weighing System



Ordering Operations at FamilyMart



Product packaged by gas flush packaging (Mother's Kitchen)

Food Recycling

Since the enforcement of the Food Recycling Law in 2001, retail companies have promoted efforts to recycle food. The Group was among the first to address food recycling, as exemplified by the recycling business plan of UNY, the first food-recycling loop* in Japan, certified by the Minister of the Environment, the Minister of Agriculture, Forestry and Fisheries, and the Minister of Economy, Trade and Industry in 2007.

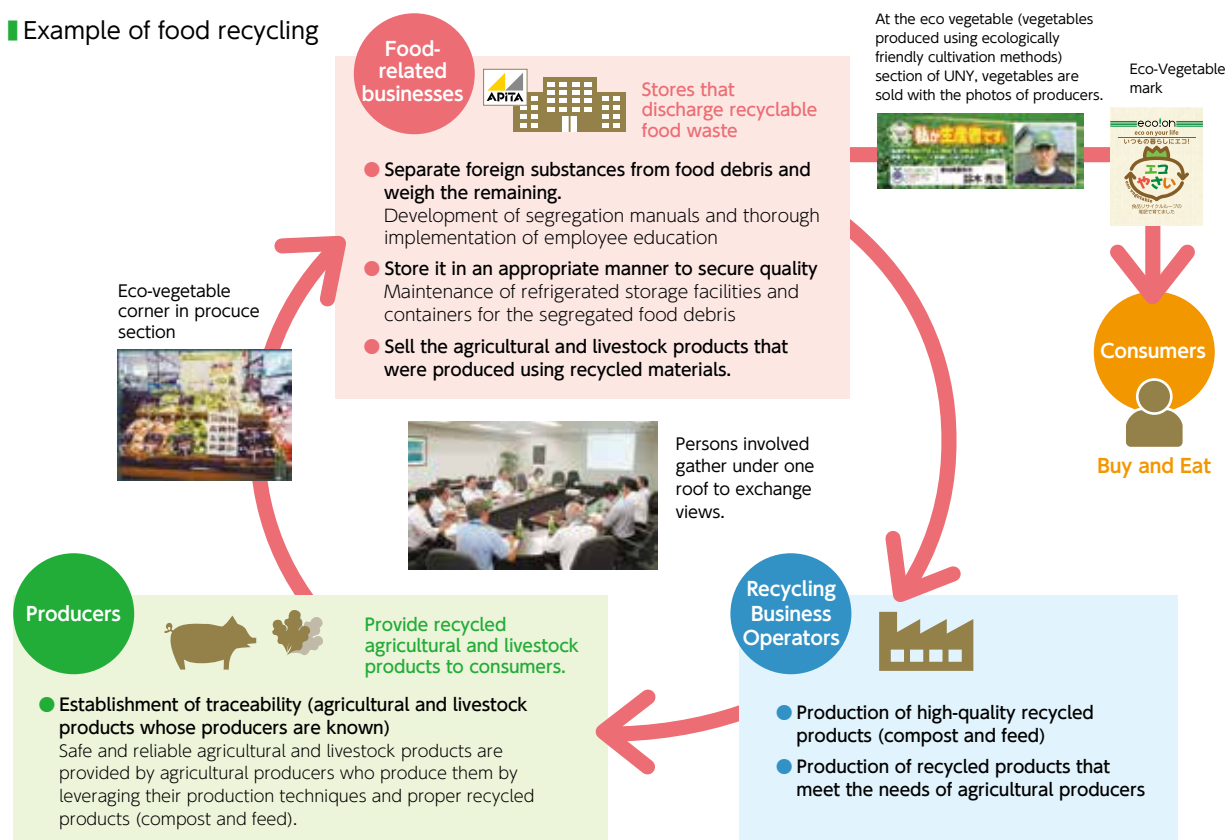
Currently, there are 50 certified food-recycling loops in

Japan, among which 15 loops are operated by the Group (as of the end of December 2018). Particularly after the management integration, the Group has further expanded food recycling efforts toward the maximization of group synergy, such as the participation of FamilyMart in the UNY food-recycling loop, and the number of certified food-recycling loops jointly organized by UNY and FamilyMart has increased from two before the integration to six, an increase by four, in 2018.

In the future, sustainable efforts will be required more than ever before to promote food recycling. The Group will explore such efforts from a long-term perspective while giving due consideration to geographical and economic conditions.

*It is a mechanism where agricultural and livestock products, which have been produced using fertilizers and feedstuff that were made from recycled food waste discharged from the food business operators, such as retail and restaurant businesses, are sold by such business operators.

Example of food recycling



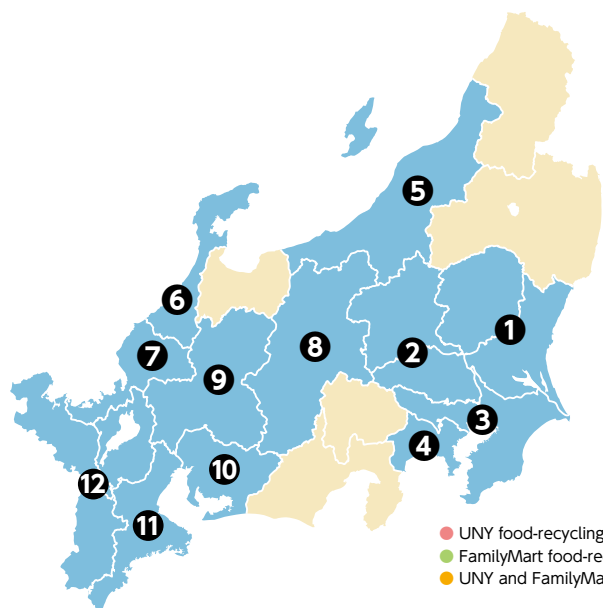
Performance

As a result of efforts to reduce food loss in stores toward the realization of a recycling-oriented society, the recycling implementation rate in fiscal 2017 rose to 54.1% at FamilyMart and 80.6% at UNY.

	(Fiscal year)		
FamilyMart	2015	2016	2017
Amount of food waste generated (t)	51,617	82,910	74,207
Recycling implementation rate (%)	50.5	47.0	54.1
Food waste generation unit (amount generated (kg) per sales of 1 million yen)	26.1	27.5	24.6

	(Fiscal year)		
UNY	2015	2016	2017
Amount of food waste generated (t)	18,075	17,453	16,636
Recycling implementation rate (%)	72.9	74.9	80.6
Food waste generation unit (amount generated (kg) per sales of 1 million yen)	31.3	30.4	29.9

Food-recycling loops of FamilyMart UNY Holdings Co., Ltd.



① Ibaraki and Tochigi Pref.

● Mukashinotaihi Co., Ltd.,
Rainbow Future Co., Ltd.

② Saitama and Gunma Pref.

● I'll Clean-Tech Co., Ltd.,
Kakuya Shoten Co., Ltd.

③ Chiba and Tokyo Pref.

● Bright Pig Co., Ltd.,
Prima Meat Packers, Ltd.,
Yamazaki Baking Co., Ltd.,
● Bright Pig Co., ECO FOOD Ltd.

④ Kanagawa Pref.

● Takematsu Co., Ltd.,
Arita Hokku Science Co., Ltd.

⑤ Niigata Pref.

● Fuji Industry Co., Ltd.,
JA (Japan Agricultural
Cooperatives) Niigata Mirai

⑥ Ishikawa Pref.

● TOSMAC-i Co., Ltd.,
JA Matto

⑦ Fukui Pref.

● Fukui Environmental
Operations Co., Ltd.

⑧ Nagano Pref.

● Iida Organic Co., Ltd.,
JA Minami Shinshu

⑨ Gifu Pref.

● Hashimoto Co., Ltd.

⑩ Aichi Pref.

● Hirate Industrial Co., Ltd.,
JA Aichi Economic Confederation
● D.I.D Co., Ltd.,
JA Aichi Economic Confederation
● Chubu Yuki Recycling Co., Ltd.

⑪ Mie Pref.

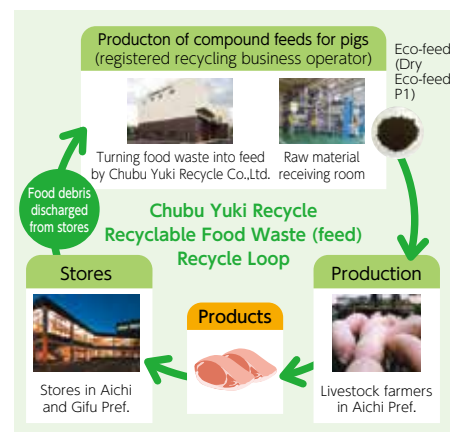
● Sankoh Co., Ltd.,
Kosonosato Co., Ltd.

⑫ Kyoto, Shiga, Nara Pref.

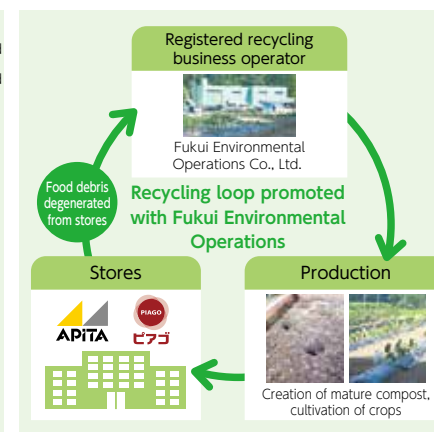
● Kyoto Yukishitsushigen Co., Ltd.

Effort Examples

■ Chubu Yuki Recycle Private Brand Pork (Aichi Pref.)



■ Fukui Environmental Operations (Fukui Pref.)



Message from a producer

Satoshi Maekawa, President, Chubu Yuki Recycle Co., Ltd.

Our company built a food recycling for feed facility in Moriyama-ku, Nagoya, and started operation in August 2009. As a recycling partner, we conduct the food recycling for feed business with UNY while strictly observing laws and regulations. All of the feed we produce is sold to feed producers as a raw material for compound livestock feed. The compound livestock feed produced is then sold to pig farmers and chicken farmers in Aichi Pref.

We conduct a product quality inspection on feed on a regular basis. In particular, we have been successfully controlling enterohemorrhagic E. coli O157 and Salmonella by using a heating process, leading to the production of safe and reliable feed products.

Pigs that have been raised with this feed are sold as pork at UNY, completing the recycling loop, which was certified as a recycling business

plan (food-recycling loop) by the Minister of the Environment, the Minister of Agriculture, Forestry and Fisheries, and the Minister of Economy, Trade and Industry in November 2011.

Moreover, since we accept food waste also from FamilyMart stores to recycle it, a food-recycling loop, including FamilyMart, was certified in 2018.

We believe that the food recycling for feed business and the certification of food-recycling loops are the projects that will greatly contribute to improving the feed self-sufficiency rate and the food self-sufficiency rate in Japan. In the future, we as a recycling partner will further promote recycling and contribute to these projects.



Efforts associated with Containers and Packaging

Reducing greenhouse gas emissions, such as CO₂, that causes global warming has become a serious global issue. The Group has stores across the country and has been implementing a range of efforts toward the realization of a low carbon society. One of such efforts is to reduce CO₂ emissions by changing product containers and packaging.

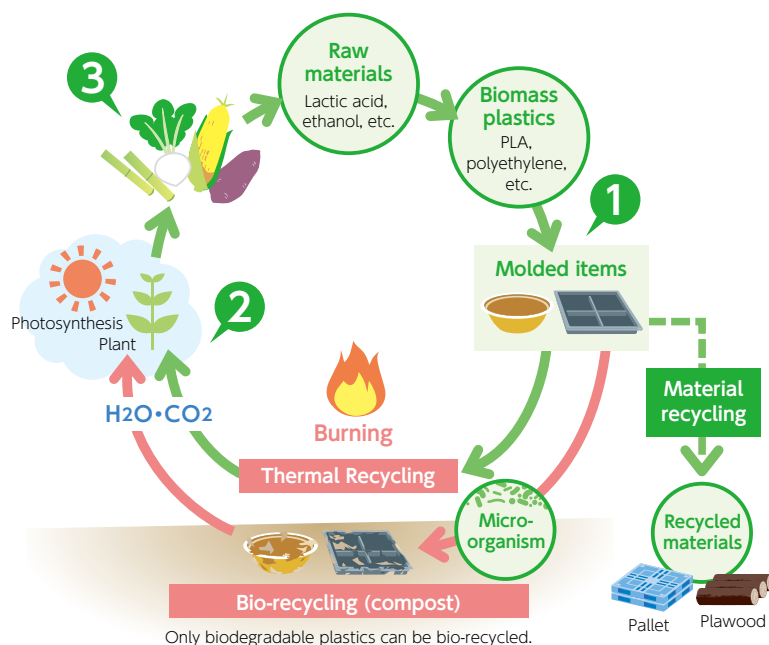
The reuse rate of plastic waste in Japan is about 84%, and it is relatively high compared to other countries in the world. However, since plastics are made from petroleum, they are not fully naturally degradable and possibly emit harmful substances in addition to CO₂ when incinerated or used for heat recovery.

Therefore, the Group not only promotes the recycling of plastics based on the Containers and Packaging Recycling Act, but also uses biomass plastic containers, which will lead to a reduction in CO₂ emissions, for some products. For plant-derived biomass plastics, the amount of CO₂ absorbed when the plant raw materials perform photosynthesis and the amount of CO₂ emitted when the container is disposed of are almost the same, leading to a reduction in the total CO₂ emissions.

UNY has been using biomass plastics for containers and packaging in the vegetable and fruit sections since 2006 and uses bio-polyethylene that is made from sugarcane scrap in the 25% of the raw material for the paid plastic bags. The use of bio-polyethylene will lead not only to reducing CO₂ emissions by 17% compared to petroleum products but also to discouraging the use of a limited petroleum resource.

FamilyMart introduced biomass plastic containers for regular salad products and reduced 24.57 g of CO₂ emissions per salad container and about 2,503 t of CO₂ emissions per year in fiscal 2017. After the introduction of biomass plastic containers in 2007, about 20% of biomass plastic containers in Japan are used by FamilyMart, the

Environmentally friendly plastics: Environmental cycling of biomass plastics,



Biomass plastic container

1 Waste is not generated.

Waste can be recycled.

2 CO₂ emissions are not increased.

The CO₂ emitted from burning and degradation is CO₂ that was absorbed during the plants' growing process. Therefore, the absolute quantity of CO₂ does not increase (carbon neutral).

3 Petroleum resources are not consumed.

Since plant-derived materials are used, it contributes to saving petroleum resources.

highest utilization performance in the retail industry.

Moreover, it has reduced the amount of plastics used by 550 t and the corresponding amount of CO₂ emissions by 1,975 t by changing the lunchbox wrapping method from the conventional full shrink packaging that wraps the entire lunchbox to the side shrink packaging where a film wraps only the area between the lid and the box. In addition, in fiscal 2017, the company expanded the use of plant-derived ink, which has been used for sandwich packaging, to rice

ball and hand-rolled sushi packaging, leading to a reduction of about 100 t of CO₂ emissions per year.

In Europe and some states in the US, regulating the use of plastic products has been considered and the trend toward plastic waste discharge control seems to accelerate internationally. In the future, the Group will continue making improvements on containers and packaging as an effort to be addressed by the entire supply chain.

Efforts to reduce the use of plastic shopping bags

As part of efforts to reduce containers and packaging, the Group has been promoting a reduction in plastic shopping bags. Reducing plastic bags distributed to customers at the cash register will lead to a reduction in CO₂ emissions and eventually to the prevention of global warming.

To that end, UNY launched a plastic shopping bag reduction campaign in 1989 and has since actively conducted customer awareness raising activities, such as the distribution of My Bags in 2001 and a no plastic shopping bag campaign in 2006. Since 2014, the company expanded the "Stop the distribution of free plastic shopping bags (charging for plastic shopping bags)" campaign to all stores, achieving the plastic shopping bag refusal rate of 85.6% in fiscal 2017. Consequently, compared to fiscal 2007 when the distribution of free plastic shopping bags was discontinued, the use of plastic shopping bags was significantly reduced: the number of plastic shopping bags was reduced to about 1/5, and the amount of recycling implementation commission fee based on the Container and Packaging Recycling Law was reduced to less than 1/2. The company contributes 1 yen per plastic shopping bag purchased to municipalities, and the contributions have been used for various environmental conservation activities. The

amount of money contributed in fiscal 2017 was 26,217,118 yen.

Toward the unified objective of the Japan Franchise Association, of which FamilyMart is a member, "Achievement of the plastic shopping bag refusal rate of 30% by 2020," FamilyMart has been promoting efforts to reduce the use of plastic shopping bags, such as awareness raising activities, including speaking to customers about the use of plastic shopping

bags and putting up posters, the distribution of appropriately sized plastic shopping bags by store employees, and the use of thinner plastic bags that will lead to a reduction in petroleum consumption.

These efforts have resulted in increasing the company's plastic shopping bag refusal rate to 29.1% in fiscal 2017. In the future, the company will make ongoing efforts toward the achievement of the unified objective.

In recent years, efforts to reduce the use of plastic shopping bags have been spreading across the world centering on Europe and business operators are required to implement appropriate measures in accordance with the characteristics of each business category. While the Group conducts consumer awareness campaigns in collaboration with municipalities, it will further reinforce efforts at stores by implementing store employee training and customer awareness raising activities toward the improvement of the plastic shopping bag refusal rate.

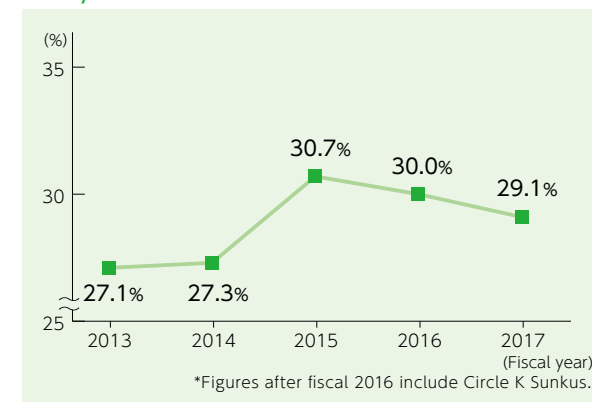
Changes in the use of plastic shopping bags and the commission fees based on the Containers and Packaging Recycling Law at UNY

Fiscal Year	Number of bags (unit: thousand bags)	Weight (t)	Commission Fee (unit: million yen, incl. tax)
2007	310,559	1,818	297.29
2008	309,222	1,851	279.78
2009	134,678	1,029	222.72
2010	116,749	964	166.55
2011	111,632	851	161.54
2012	110,743	839	148.68
2013	109,528	821	158.04
2014	68,454	616	161.04
2015	63,288	587	135.57
2016	63,572	573	124.89
2017	68,852	548	136.65

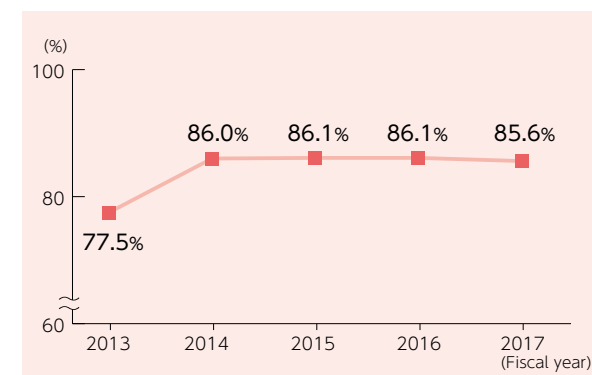
*The amount of commission fee paid to the Japan Containers and Packaging Recycling Association based on the Containers and Packaging Recycling Act.

Changes in the plastic shopping bag refusal rate

FamilyMart



UNY



Plastic shopping bag reduction poster put up at a FamilyMart store

Conservation of Biodiversity

Basic Approach

The Group provides products that enable customers to enjoy all the blessings of nature and that are useful for their daily lives. On the other hand, we recognize that our business activities have impact on biodiversity at all stages of the supply chain, including the procurement of raw materials.

In order for us to provide products in a sustainable manner, we must be able to secure biological resources on a long-term basis. To do so, it is critical for us to give due consideration to the conservation of biodiversity and community activities. We believe that reflecting such a corporate attitude in our business activities will lead to the enhancement of our brand value and the acquisition of support from customers, including environment-oriented consumers.

We address the conservation of biodiversity while making clear what we can do in our business activities, especially the daily operation of stores.

Specific Efforts

As part of biodiversity conservation efforts, UNY harvests farm and marine produce, raw materials of its products, in an eco-friendly manner as much as possible.

● Atlantic Salmon

In order to protect the clean sea of Norway, the company has built a system to prevent the discharge of wastewater from salmon farms and processing plants. It recycles the wastewater from processing plants into fish oil. The salmon are transported from the northern end of Norway to our stores in Japan without freezing.

● Sustainable Coffee

Coffee, which is grown organically using the shade grown method that leverages a blanket of shade provided by layers of trees in a tropical rainforest, can grow with little water. Since this method also works to protect the soil and plants of the tropical rainforest, it contributes to the conservation of environment for creatures in the cultivated field. Moreover, since large harvest machines cannot be used in the forest, hand harvesting is practiced, which enable the harvesting and shipping of coffee beans without

causing any damage to them.

Organically grown crops are cultivated on farmland where agricultural chemicals or chemical fertilizers are not used for more than two to three years based on predetermined criteria. Compared to conventional farming methods, this method contributes to reducing CO2 emissions since the energy consumption by agricultural machinery can be reduced.

● Fair Trade Ice Cream

In 2017, UNY launched Ben and Jerry's ice cream, the first Fairtrade International-certified ice cream in Japan. The ice cream uses ingredients, such as sugar, vanilla, cocoa, coffee, and bananas, which have been grown organically and certified by the Fairtrade Labelling Organizations International, e.V. (FLO). This ice cream is not only ecologically friendly, but also safe for children to eat.

● ecolon Organic Cotton T-shirts

Since 2007, UNY has been handling t-shirts made from organically grown cotton. High-quality organic cotton that has been harvested in a careful manner is used and provided as t-shirts in lustrous colors that have little down.



Atlantic Salmon



Sustainable Coffee



International Fairtrade Certification Marks



Fair Trade Ice Cream



ecolon Organic Cotton T-shirts

Development of Environmentally Friendly Stores

To build a society in harmony with nature, the Group promotes the development of environmentally friendly stores.

In the stores

● CO2 reduction

UNY uses energy-saving LED for indoor and outdoor lighting. Moreover, some stores have adopted a trench heating and cooling system, a geothermal heat-based air-conditioning system, leading to a reduction in power consumption for air conditioning by about 1.8% and the annual CO2 emissions of the stores by about 0.6%. ①

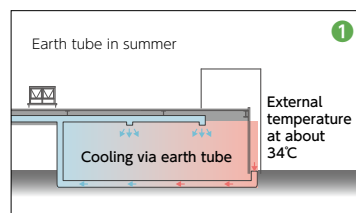
FamilyMart stores have also adopted LED lighting and a system that controls brightness by time or store zone. The demonstration experiment on energy-saving stores that has been conducted since fiscal 2017 showed that the use of highly efficient LED lighting reduced electricity consumption by 8% compared to conventional lighting systems. The highly efficient lighting system has been being introduced into the lighting of new stores since January 2018. ②

In addition, the company has been promoting the introduction of CO2 refrigerant-based refrigerators and freezers, which achieve a reduction in both energy-derived CO2 and chlorofluorocarbons, and as of the end of February 2018, 125 such systems are in operation in 64 stores. ③

● Waste Prevention

UNY has installed recycling stations or trash separation bins to collect recyclable materials that customers dispose of after purchase, such as milk cartons, disposable food trays, aluminum cans, PET bottles, and PET bottle caps. In addition, it provides a waste measuring system, which is used for the separation and weighing of waste from sales floors and tenants, at designated trash disposal places. These efforts are introduced and communicated to customers through posters put up in the stores to raise their awareness of waste separation. ③

In fiscal 2016, FamilyMart standardized the installment of trash bins in the stores to ensure a reduction in waste from stores and the compliance with government rules on waste sorting.



① UNY: Structure of a trench heating and cooling system
② FamilyMart: LED lighting in a store
③ UNY: Recycling station

Areas around stores

● Consideration to the environment around stores

UNY uses part of power generated by solar power panels installed on store walls or roofs in the stores. As of the end of February 2018, 11 UNY stores are using the solar panels, and 2,083 FamilyMart stores have installed solar power panels. ④

In addition, UNY promotes the greening of store walls to reduce a temperature increase in the building by leveraging high insulation of green walls and to save energy by reducing air conditioning use in the stores. ⑤

Moreover, some UNY stores have installed a rainfall infiltration facility, which reduces the amount of rainfall discharged outside stores by 25% and thereby contributes to the conservation of groundwater and the prevention of floods via the control of river flow rate.

FamilyMart uses LED lighting for facade and other signs, improving energy saving by about 70% compared to fluorescent lighting-based signs. ⑥ FamilyMart has also introduced LED lighting into parking lots at 3,726 stores, as of the end of February 2018. Compared to conventional lighting systems, LED lighting has improved energy saving by about 30%. Besides, LED bulbs and tubes have the life four times longer than that of conventional bulbs and tubes.

The company has installed a fast charger for electric cars at the parking lots of 699 stores (as of the end of February 2018), contributing to the development of the use environment for electric vehicles and PHVs. ⑦



④ UNY: Solar power generation
⑤ UNY: Use of green walls on the exterior walls of stores
⑥ FamilyMart: LED lighting for the sign on the store facade
⑦ FamilyMart: Fast charger for electric vehicles

Promotion of ESD (Education for Sustainable Development)

In order to build a sustainable society, it is essential to provide environmental education to children who will live in the future local communities. Recognizing the significance of this education early on, the Group has continuously provided environmental educational programs that address environmental issues together with young people of the next generation centering on community children.

As a program that leverages brick-and-mortar stores, UNY launched the Ecological Store Expedition program in 2001. This is a program where community children learn environmental efforts by a supermarket and environmentally friendly shopping while exploring in the store. The Ecological Store Expedition program is conducted in the stores across the country as a community and store-based environmental educational program. The program was conducted 96 times in 2017, where 844 children participated.



Children in the Ecological Store Expedition who look for environmentally friendly products

The company also participates in community events actively and since 2007, it has been conducting a course for citizens at the Nagoya Open University of the Environment that was established in collaboration among citizens, citizens' groups, enterprises, schools, universities, and the local government. In the course, participants learn various environmental issues and countermeasures by shopping, and those who completed the course participate actively at UNY events as interpreters.

By using part of the contributions from customers, FamilyMart provides environmental educational programs to young people of the next generation in Japan and overseas and supports them in collaboration with NGOs, NPOs, and community volunteers.

One of the environmental education programs provided by FamilyMart to children in community kindergartens and nursery schools is the "Forest Class: Little Donguri and His Forest Friends" (organized by the National Land Afforestation Promotion Organization). Through various programs in the class, such as a Character Show where children can learn the value of a forest while having fun, Forest Gymnastics where they dance to original music, and the planting of acorn trees, the various roles of forests, and the preciousness of life are communicated to children.

Both UNY and FamilyMart provide a school visit lecture service targeting elementary

school children, junior and senior high school students, and university students, where employees visit schools and teach about our business and related environmental issues, etc.

In fiscal 2017, UNY conducted an environment class for children at stores 297 times, where a total of 9,152 children participated. FamilyMart provided the school visit lecture service and the visit the company program to 952 students in 23 schools.

It is our responsibility to provide support to children so that they can understand the environmental issues in the world and in their intimate environment and work out countermeasures on their own. Such support is essential for the development of local communities. In the future, we will continue communicating to children the significance of facing environmental issues and resolving them together with others through environmental activities at stores and efforts in collaboration with community people.



"Forest Class: Little Donguri and His Forest Friends" held in Niigata pref.

● Efforts to contribute to the realization of a low carbon society

Efforts to reduce greenhouse gases

Kanemi Co., Ltd. actively addresses energy saving at every plant and according to the regular report that the company submitted in fiscal 2017 based on the Law concerning the Act on the Rational Use of Energy (Energy Saving Act), it was categorized as S class, a category of companies with high energy saving performance, for the third consecutive year since the establishment of the business classification system by the Ministry of Economy, Trade and Industry.

One of the specific efforts is the promotion of the use of LED lighting in plants, particularly in dishing up rooms. The shift to LED lighting is conducted on a room-by-room basis since the different illumination levels and colors could affect visual quality. The company makes an effort to promote energy saving without lowering operational quality, such as making a gradual shift to LED lighting starting with sections that have less of an impact in the thermal processing area where there are over 100 lights in a room.

A shift to energy-saving freezers, refrigerators, and air conditioning in plants is conducted in a systematic manner while considering investment efficiency. Almost all boilers have been changed to those with higher gas efficiency in accordance with the Energy Saving Act. For kitchen equipment, such as stir fryers, high-efficiency equipment is being phased in.

Tenant stores in UNY are changing all light fixtures to LED in line with the UNY renovation plan. The head office of Kanemi Co., Ltd. changed the entire lighting system to the LED-based system when it was relocated in 2013.



LED lighting

Replacement for Freon gas

Generally, Freon gas that causes ozone depletion and global warming is used in commercial refrigerators and freezers. The company, therefore, has been phasing in gases that have less impact on global warming. By starting the replacement with energy inefficient equipment and replacing broken equipment with new non-Freon ones without fixing them, the company promotes efforts toward the realization of a low carbon society.

● Efforts toward the realization of a society in harmony with nature

All of the 15 plants of Kanemi Co., Ltd. consume about 200 tons of water per day on average. Water intake equipment is installed on wells in compliance with municipal ordinances and if it is difficult to dig a well, it uses water tanks to utilize a public water supply system, and/or industrial water in order to secure enough water. The company filters water on an as-needed basis to obtain high-quality water.

Since the amount of wastewater discharged per day is over 50 tons, the plants are equipped with wastewater treatment facilities as specified facilities. Even in the regions where a sewer system has been installed, wastewater is first treated before being discharged into the system. When discharging wastewater into rivers, the company does so in compliance with its own effluent standards that satisfy municipal requirements to conserve the ecosystem. These water treatment facilities of 15 plants are managed collectively.

The wastewater treatment facilities maintain the effluent standards even when the plants are operated at full capacity, such as at the time when seasonal campaign products or new products are introduced, by implementing the necessary measures, such as cleaning water-purifier tanks more frequently than usual. In an effort to consider biodiversity, the company will thoroughly manage water resources and effluent in collaboration with management companies to contribute to the realization of a society in harmony with nature.



Water treatment facility



Contributing to the development of vibrant local communities as social and living infrastructures

We contribute to the development of safe and reliable communities by leveraging our brick-and-mortar stores and community-based management.

Key Issues

In Japan that has been referred to as the world leading super-aged society, a trend toward the nuclear family is accelerating, and particularly in urban areas, the number of one-elderly person households and that of only old married-couple households have been increasing. Therefore, it has been a big social issue that the elderly can maintain their health while keeping in touch with the community.

Moreover, the number of local infrastructure failures has increased recently due to earthquakes and water-related disasters triggered by frequent typhoons and torrential rains. Expectations for the role of stores as safe and reliable bases that children, our future leaders, and working women can rely on in a disaster, as well as in their daily lives, are increasing more than ever before.

Opportunities and Risks

We at the Group that conducts community-based management intend to fulfill its important role as social and living infrastructures while enhancing the functions of brick-and-mortar stores.

While pursuing convenience and a wide selection of products that accurately reflect the ever-diversifying consumer needs, we will make ongoing efforts to maintain good relationships with local communities to remain an essential presence in the daily lives of customers. Moreover, to become not only places for the get-together of community people, but also emergency restoration centers in the event of disaster, we make it a top priority to restore store functions, such as the continuous and stable supply of products, as fast as possible. At the same time, we will

fulfill our function as safe and reliable bases trusted by local communities, such as the provision of emergency relief goods in collaboration with the national government and municipalities.

Strategies for contributing to the development of vibrant local communities

The Group considers it important that community people visit our brick-and-mortar stores not only as places of daily shopping but also as safe places for get-together of community people. To fulfill such functions, we need to listen to what customers and community people have to say and continue meeting their diversified needs.

At the time of a disaster, our stores provide not only products and services required for daily life but also emergency relief goods in collaboration with the government, municipalities, and community people.

Value creation

As our Group Principle, "Everyday Fun and Fresh," says, we provide new discoveries and experiences to the daily lives of community people through products and services in line with community needs and thereby contribute to the realization of pleasant everyday life.

Moreover, we will continue our ongoing efforts to contribute to the vitalization of communities through daily communication and the development of safe and reliable communities by maintaining the stable supply of products toward early recovery at the time of natural disaster.

Key Performance



FamilyMart Co., Ltd.

● Safe haven for women and children and protection of the elderly

4,512 stores



UNY Co., Ltd.

● Number of dementia supporters

Approx. **4,200** persons

Basic Approach

The Group as a retailer that plays a role as social and living infrastructures makes ongoing efforts to contribute to the development of local communities through its community-based management. Lifestyles have greatly diversified in local communities as well due to the declining birthrate, the aging population, an increase in the number of foreigners in Japan, and the promotion of workstyle reform. In the midst of such social context, the role of brick-and-mortar stores as retail business operators that support the daily lives of customers has become increasingly important. In particular, their roles as places to create jobs and as providers of products and services essential for the lives of people have become important more than ever before.

In cases where a severe natural disaster, such as an earthquake and a torrential rain, has caused extensive damage, the Group functions as social infrastructure and provides relief goods as fast as possible by leveraging its nationwide supply and logistics networks. To this end, the Group makes preparations in a systematic manner on a routine basis in collaboration with the Government, municipalities, and other companies.

To ensure the safe and secure everyday life for community people, the Group also promotes the development of places for relaxation in local communities, supports the development of the next generation, and helps the elderly with their shopping.

FamilyMart Social Contribution Policy (Japanese only)



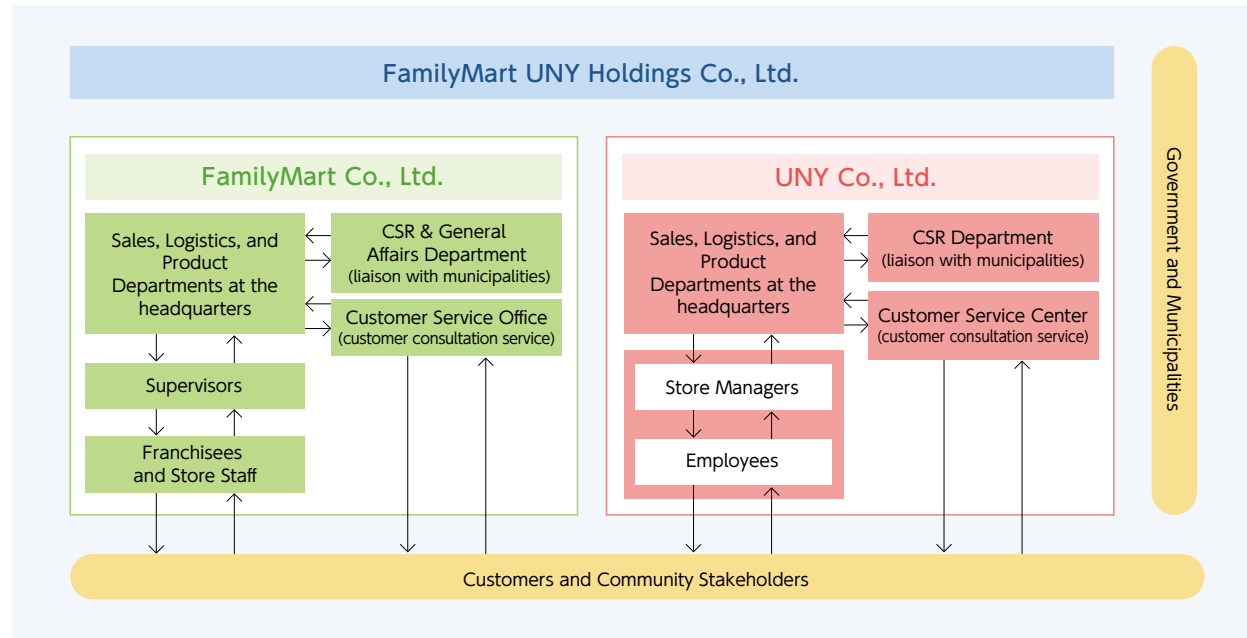
http://www.family.co.jp/company/csr/commitment_to_society/society.html

UNY Social and Community Contribution Activities (Japanese only)



<https://www.uny.co.jp/csr/philosophy>

Collaboration System with Local Community



Operational structure

Centering on FamilyMart and UNY that operate brick-and-mortar stores, the Group promotes efforts to contribute to the development of local communities. With stores as starting points, the sales, product, and logistics departments of each company take the leadership in promoting efforts based on the needs of each community while leveraging the unique functions of each department.

For the provision of support to the areas stricken by large-scale natural disasters, each business company has agreements with municipalities across the country. The Group

has also built a system to provide support in the event of emergency in collaboration with other companies and groups.

Moreover, in collaboration among logistics and product departments of each business company and stores around the country, the Group has built a disaster support network. When a disaster occurs, departments involved work together under the leadership of the disaster headquarters in each business company to arrange for relief goods, dispatch support teams, and accept donations of relief money at stores.

Promotion Programs

The Company provides services that support the daily lives of customers and implements, mainly through stores, various efforts that contribute to the development of local communities, such as job creation, including store staff.

It also offers store spaces to community events sponsored by municipalities or NPOs and actively participates in community volunteer activities. At stores, donation boxes are set up and the collected money and matching gift* are used for the development of the next generation and environmental conservation activities through NGOs and NPOs that agree with the Company's cause of contributing to the development of local communities. In time of disaster, we use the donation box as the relief donation box and use the money collected to support the affected areas.

*Matching gift: It is a type of corporate giving program where a company makes a donation by adding the amount calculated by multiplying a certain percentage to the total amount donated.

Result

The implementation of community-based management while meeting the needs and expectations of local communities has led to about 16 million customers visiting our stores every day. The Company has also been working with community people to resolve community issues.

While many of these efforts are conducted by store, when the issue involves a wide area, stores cooperate with one another to implement effective measures.

Our stores also function to watch over community safety as places where community people can drop by casually. In the event of disaster, the Company makes every effort to resume normal operation of stores as quickly as possible to serve as centers for the recovery of afflicted areas and become places essential for daily lives of community people by providing support in a systematic manner through the product and logistics networks of FamilyMart and UNY, designated public institutions under the Disaster Countermeasures Basic Act.

Overview of major CSR programs: 400 million yen in total

Category	Percentage in total amount	Representative program (collaborative organization)	Number of outside beneficiaries
Charitable Donation	41%	Myanmar School Feeding Program (UN WFP)*	Approx. 270,000 persons
		Vietnam Disaster Prevention and Mitigation Program (Save the Children Japan)*	Approx. 6,000 persons
Community Investment	37%	Forest Class, Listening and Writing Koshien, etc. (National Land Afforestation Promotion Organization)*	Approx. 3,000 persons
		Support for environmental learning/career learning programs at stores	Approx. 70,000 persons
		School visiting lecture service/Acceptance of visiting the Company on a field trip	Approx. 2,000 schools
Commercial Initiative	22%	Cooperation in the Bell Mark Campaign	Approx. 20,000 schools
		FamilyMart Thank You Letter Contest, etc.*	Approx. 30,000 persons

*Including activities at store donation recipients



Relief Donation for Typhoon No. 21 and Hokkaido Eastern Iburi Earthquake in 2018

General Manager Masayoshi Fukuda (right), Kansai III District, FamilyMart, presented the donation list to Ichiro Matsui (left), the Governor of Osaka, and received a letter of gratitude in return.



School visiting lecture service to the Junior High School Affiliated to the Faculty of Education, Iwate University

Lecturer: Manager Hidenori Tsunematsu, CSR & General Affairs Department, FamilyMart

FamilyMart Connecting Dreams Foundation Donation

In 1993, FamilyMart set up donation boxes in stores, the first action among convenience stores in Japan. Since 2006, it has been implementing the FamilyMart Connecting Dreams Foundation Donation Campaign to become a bridge connecting customers with NGOs/NPOs that conduct inspiring social responsibility activities. The stores receive donations from customers via donation boxes set next to cash registers and the collected money combined with a FamilyMart matching gift* is then used for the development of the next generation, including children in Japan and in the world, and environmental conservation activities.

When a large-scale disaster happens in Japan or overseas, the donation boxes are used as relief donation boxes to support the stricken areas.



Accumulated donations of FamilyMart

¥ 5,893,374,821

(From 1993 to the end of August 2018) Store donations, corporate donations, Famipart donations, and donations of relief money included

Main Activities

● Save the Children Japan

The Group has been supporting Save the Children Japan for 25 years since 1993. In 2013, we concluded the Global Partnership Program contract with the organization and have since been promoting the disaster prevention and mitigation project in the countries and region where FamilyMart conducts business, such as Thailand and Vietnam.



© Save the Children
Swimming class for the prevention of water accidents (Thailand)

● National Land Afforestation Promotion Organization

Through the Forest Class where kindergarten and nursery school children learn the preciousness of forests and nature, the Listening and Writing Koshien where high school students learn the wisdom and lives of masters on the forests, seas, and rivers in Japan and give thought to a sustainable society, and the project for the Development of Forests for the Future of Children where children plant trees that will become the symbol of the community and engage in Community-based woodland conservation activities, we provide environmental education programs designed to learn about forests at firsthand, learn from them, and protect them.



Project for the Development of Forests for the Future of Children

● Japan Association for the World Food Programme

Agreeing with the cause of Zero Hunger promoted by the UN WFP, the Group has been making donations to the UN WFP since 2006. As a partner of the UN WFP corporate program, the Group supports the activities of the UN WFP, and since 2016, it has been making donations by designating the Myanmar School Feeding Program as its donation destination.



Children having enriched biscuits

● U.S.-Japan Council (Japan) TOMODACHI Initiative

The Group offers a career support program to female high school students in Fukushima Pref., one of the areas devastated by the Great East Japan Earthquake. Through the program, the students have exchange meetings with a group of senior women who vary in age, nationality, and experience to obtain from them inspiration to open the way to the future on their own.



Song and Dance Workshop with Young Americans

Senior Franchisee System

FamilyMart has the Seniors Franchisee System in place that aims to contribute to the job satisfaction and health of seniors by providing them the opportunity to manage a store while leveraging their motivation for work and experience. The system targets franchisees or their partners who are between 61 and 70 years of age. While the contract period is five years, those who wish to extend their contracts can do so and operate the stores up to 75 years of age.

Before starting store operation, senior franchisees receive training, including how to use a cash register and how to serve customers, so that even those who have never engaged in store management can start without feeling insecure. In addition, after opening a store, our expert team provides the necessary support to improve the operational skills of the store manager and staff to ensure successful store management.

As of November 2018, 20 stores have entered into a new contract and are operated under this system.

Utilization of Senior Staff

In the midst of the acceleration of population aging in communities, FamilyMart has been promoting efforts to leverage the knowledge, skills, and motivation to work of senior people. Stores actively employ healthy and energetic senior people while giving due consideration to the employment situation in the community. Senior employees work at stores vigorously while sharing their wisdom and experience that they have built up through life in the community over the years. Moreover, the network that senior employees have with community people helps build not only trust relationships between stores and customers, but also a solid bond between stores and the entire community through communication.

Product Delivery Service for the Elderly

In an effort to meet the daily needs of the elderly in local communities, the Group provides a product delivery service, such as box lunch delivery, while maintaining close communication with each community. One of the typical examples is Takuhai Cook 123 service, a box lunch home delivery chain store dedicated to the elderly, which SENIOR LIFE CREATE Co., Ltd., our group company, operates. Since the delivery of box lunches also serves to confirm the safety of the elderly, the service functions as a watch over the community to ensure that the elderly can feel safe to live.

Some FamilyMart stores also provide a service for the elderly who live alone and have difficulty visiting stores on foot. Through the service, stores receive orders via phone and deliver the products directly to them.

UNY provides a Net Supermarket service through which food and daily commodities are delivered on the day they were purchased. Orders can also be placed via phone or fax and fresh products selected by professional staff are delivered. The elderly appreciates this service helpful for their everyday life.



Delivery by Takuhai Cook 123

Supporting people with dementia

In an effort to support people with dementia based on accurate knowledge and understanding of the disease and to make their lives in communities safe and comfortable, FamilyMart and UNY encourage store managers and staff and employees in the head office to take a dementia supporter training course. Both companies not only use such courses offered by municipalities or NPOs, but also hold own course in store manager meetings. In the future, stores and store staff as community members will keep an eye on the elderly and support them while cooperating with one another.

Orange Cafe

UNY uses an open space in the food court of each store to hold a Cafe for People with Dementia (Orange Cafe) once a month. This is an event where people with dementia, their families,



At the Orange Cafe

community people, and people concerned in dementia gather for information sharing and networking. In light of the fact that the number of people with dementia is increasing as population aging accelerates in local communities, the Orange Cafe is held in various locations in collaboration with local municipalities and NPOs. The company has received favorable comments from many people who have participated in it.

Collaboration with the government and municipalities

The Group prepares for disasters on a routine basis so that it can promptly provide support to afflicted people in the stricken areas in the event of disaster. FamilyMart and UNY are appointed by the Prime Minister as designated public institutions that are required to develop an anti-disaster operations plan based on the Basic Act on Disaster Control Measures and play an important role in disaster prevention, response, and recovery activities.

In an effort to fulfill its role as social and living infrastructures not only during a normal period, but also in times of disaster or emergency, the Group has concluded agreements with prefectures (except some) and municipalities, such as a comprehensive agreement, a disaster relief supplies support agreement, an agreement on the provision of support to stranded persons, and a watch-over agreement (for the elderly and other people in need.)

In the event of a large-scale natural disaster, FamilyMart provides emergency relief goods by leveraging its nationwide logistics network and organized transportation capacity. On the other hand, some of UNY's large stores provide Kamado Bench that can be used for a soup kitchen and emergency toilets (that can be used as stools in peacetime) and play a role as a base in emergency for community residents. Moreover, for the restoration period, the Group has a system in place that enables to resume normal store operations as fast as possible. The Group joins forces with group companies to prepare for large-scale natural disasters and ensure the safety and security of local communities.

Agreement between FamilyMart and Municipalities	Details
Comprehensive Agreement	Number of agreements made: 45 prefectures and 15 municipalities As one of the important community lifelines, the company collaborates in a variety of issues, such as child-rearing, supporting the elderly, tourism, regional promotion, and environmental activities.
Disaster Relief Supplies Agreement	Number of agreements made: 46 prefectures, 29 municipalities, and 15 groups In the event of disaster, the company procures and provides available emergency goods upon municipal request.
Agreement on the provision of support to stranded persons	Number of agreements made: 43 prefectures and 10 cities In the event of disaster, the company allows people going home on foot to use store washrooms and provides tap water and information obtained via radio.
Agreement on the elderly watching collaboration project	Number of agreements made: 5 prefectures and 10 municipalities The company implements such activities that help the weak, such as the elderly in local communities, live in a safe and secure manner without getting involved in crimes or accidents, as cooperation in the early discovery and protection of the missing elderly people due to wandering from dementia and prompt reporting when something unusual is found.

*As of December 2018



Suginami Ward, Tokyo, Crisis Control Office Director Minoru Terashima (left) and FamilyMart Tokyo II District General Manager Hiroaki Kusama (right) at the disaster relief supplies support agreement signing ceremony



FamilyMart signed the agreement on the elderly watching collaboration project and the disaster relief supplies agreement with the Nerima Ward, Tokyo.

Role as social and living infrastructures at the time of disaster

At the time of large-scale natural disaster, stores receive donations of relief money from customers while the head office sends relief supplies and support teams of employees to the afflicted areas to help local people resume normal life as soon as possible.

In 2018, FamilyMart sent a support team of 312 employees to the West Japan Heavy Rain Disaster of July 2018 and a team of 364 employees to the Hokuriku Heavy Snow Fall Disaster in February 2018.

Major donation of relief money in the past three years

(After the management integration, The holding company carry out the donation of relief money.)

Date	Disaster	Amount of donations collected (yen)
February 2016	Southern Taiwan Earthquake	15,876,096
April 2016	Kumamoto Earthquake	142,867,989
August 2016	Typhoon (No. 10) Disaster	12,251,223
July 2017	Northern Kyushu Heavy Rain Disaster	41,383,739
February 2018	Eastern Taiwan Earthquake	29,276,019
July 2018	West Japan Heavy Rain Disaster	78,224,682



Support team helping remove snow at the site afflicted by heavy snowfall in Hokuriku

Participation in SEMA

FamilyMart is a member of SEMA*, a one-stop emergency response alliance that provides products and services that its member companies of 17 private companies and 6 NPOs have at the time of large-scale natural disaster in Japan.

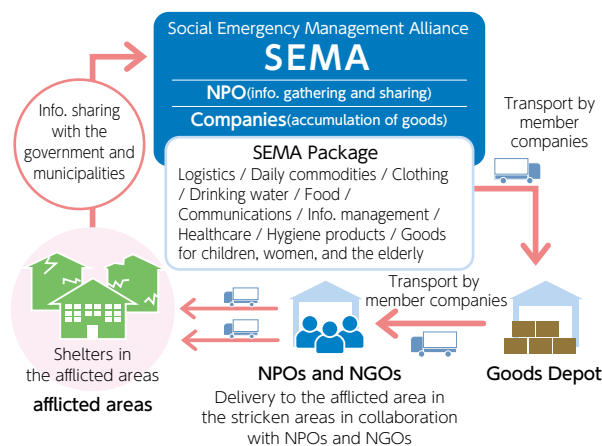
Based on the idea that early recovery from a large-scale natural disaster requires a response system that combines companies and organizations, SEMA makes a list of goods and services that member companies and organizations have in ordinary times and, in the event of disaster, makes packages as the support (goods and services) of each company to facilitate the delivery of relief goods.

In addition, SEMA also exchanges information with public institutions and promotes collaboration with them in providing support to victims to ensure that there is no omission or lean of relief goods and to reduce burdens on affected municipalities.

For the support to the West Japan Heavy Rain Disaster (July 2018) when SEMA was mobilized for the first time, FamilyMart delivered drinking water to the afflicted city of Mihara in Hiroshima Pref..

*SEMA: Social Emergency Management Alliance

Schematic Diagram of SEMA



Safety Station

As a member of the Japan Franchise Association, FamilyMart has been promoting the Safety Station Activity, an activity to help protect the safety of local communities, since 2000.

This activity was launched by the National Police Agency, where efforts, such as anti-crime measures, disaster prevention, safety measures, thorough prohibition against the sale of cigarettes and alcohol to people underage to urge those people to go home at late night, are actively promoted in collaboration with the government, municipalities, and community people.



Safety station poster

Purpose and significance of these activities

- 1 Contribution to the safety and security of local communities (residents and customers)
- 2 Establishment of communication with local communities
- 3 Contribution to social responsibility by convenience stores
- 4 Incorporation of the safety station activity into daily operations

Gathering places in local communities

FamilyMart sets an eating space in a store and uses it as a base for deepening ties with the community. It serves not only as a place to eat the products purchased at the store, but also as a place of relaxation for customers particularly in the stores located in business districts. In the stores in residential areas and roadside stores, the space is used as a place to enjoy conversation with family members or friends or to hold community events organized by local NPOs and circles. There are about 7,000 stores with an eating space across the country.

As one of the activities that leverage the eating space, some stores implement the Children's Cafeteria. While this is still at a trial stage, FamilyMart aims not only to contribute to resolving the issue of eating alone among community children through the Children's Cafeteria, but also to make it a gathering place where community people from different generations, including the elderly, gather together to interact with one another while having something to eat.



Eating space

Asobosai event

UNY holds a hands-on disaster prevention event, Asobosai, which enables people to experience how to act in the event of earthquake to protect one's own life, in the stores and nearby parks. In collaboration with an authorized NPO, Rescue Stock Yard, citizen volunteers, and local municipalities, UNY provides an opportunity for adults and children to learn skills that are useful at the time of disaster through play.



Asobosai event (at Hill's Walk Tokushige store)

● Health Fair

The Iki Iki Inazawa Health Fair was jointly held by Inazawa City and the UNY Group Health Insurance Union at Leaf Walk Inazawa store. Participants who visited the store for shopping found out own physical conditions and received advice on the prevention of lifestyle-related diseases and diet. In the salt content measurement corner, UNY's original salt-reduced products were introduced.



The Health Fair was busy with many participants.

Children's Cafeteria

In fiscal 2018, FamilyMart launched the Children's Cafeteria on a trial basis. Since the main purpose of Children's Cafeteria is to have meals with many others, extreme caution is exercised for hygiene control. For food allergy of participants, we let them check our meal menu in advance. Moreover, we let participants organize a FamilyMart expedition team, explore our walk-in refrigerators and offices, and experience how to operate the cash register.

In the future, we will consider the expansion of stores where the Children's Cafeteria is conducted to develop it into an Children's Cafeteria for Everyone that embodies the "family" in our company name while giving due consideration to the community needs and operational issues.



Children's Cafeteria held at the Fujimi Harigaya 2-chome store

Thank You Letter Contest

Since 2009, FamilyMart holds the Thank You Letter Contest, which aims to let elementary school children across the country learn the significance of communication by expressing their appreciation in words and sentences.

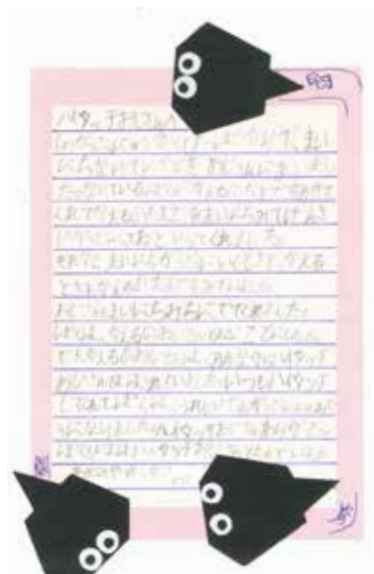
They can participate in the contest as individuals or in a group, such as a school and a class. The Best Letter Award and the Best School and Group Award winners are selected from each of the seven districts across the country. In 2017, when the ninth contest was held, the company received 34,102 applications, leading to the accumulated total of over 280,000 applications.

The past winning letters are used for school education, such as the introduction of the two winning letters in the two moral textbooks published in 2018. The award ceremony of the Best Letter Award is held at school to which the winner child belongs, where the winner's family, managers of nearby stores, and FamilyMart employees attend to praise the achievement of the child together with the school.

In the future, FamilyMart as a member of community will expand the circle of gratitude that starts with children through the contest and thereby contribute to the development of enriched communities.



Poster inviting applications to the Thank You Letter Contest



Many thank-you letters have been received.

Comment from an owner franchisee

I realized that this program has been helpful for the growth of children.

I attended the award ceremony at Ikki Elementary School (in Aizu, Fukushima Pref.) for the first time. At the ceremony, not only the winner, but also the parents and teachers looked so happy and I felt honored to be present at the ceremony. It was a heartwarming ceremony and I realized that this program helps children grow.



Takayoshi Yoshikawa,
owner of the FamilyMart
Yoshikawa-Aizu store

Bell Mark activities

FamilyMart agrees to the cause of the Bell Mark project that all children should be able to receive education in a good environment on an equal basis and has been selling all the rice balls with the bell mark across the country since April 1, 2008. As a local community member, FamilyMart conducts this program of rice balls with the bell mark, the first of its kind in the retail industry, as part of its child support activities.

A bell mark collection box is set up in the section of rice balls at FamilyMart to collect bell marks. The bell marks collected from customers are delivered to nearby elementary schools where community children belong and to elementary schools in the disaster-stricken areas. In December 2017, FamilyMart employees visited the Shiromaru Elementary School in Sendai, Miyagi pref. and delivered about 125,700 points to the school.



a rice ball with the bell mark



a rice ball section set up a bell mark collection box

>>> Supporting the Sound Development of the Next Generation

Efforts by UNY

Aiming to contribute to the realization of a physically and mentally sound society, UNY conducts dietary education activities in accordance with its dietary education principles and policy with the aim of encouraging children and adults to become interested in food, acquire accurate knowledge, and enjoy nice and pleasant meals. In particular, the company implements various food events for children, our future leaders.

At stores, events, such as a 5 A Day Nutrition Education Experience Tour, which promotes eating more than five plates of vegetables (350 g) and more than 200 g of fruits per day, 365 Kitchen that proposes easy-to-prepare and healthy daily dishes, and a dietary education event where participants learn safe food using UNY's original pork called Yukenton, are conducted. Moreover, as a member of the Aichi Shokuikunet Support Authority that was established by 14 food-related companies in Aichi Pref., UNY also holds a class in food education and a class in hands-on harvesting with producers.



At the site of 5 A Day Nutrition Education Food Experience Tour

UNY's Dietary Education Principles

Dietary Education Policy

- ① We foster preparation and cooking skills that tap into the natural taste and characteristics inherent in ingredients.
- ② We foster the mindset that values the preciousness of food by tracing the roots of ingredients.
- ③ We build body strength by understanding the nutrients and functions of ingredients.
- ④ We develop a sense of taste for food by providing fresh and delicious ingredients.
- ⑤ We make every effort to provide safe and reliable ingredients by selecting products in a rational manner.

>>> Group Companies: Efforts by Kanemi Co., Ltd.

● Employment Support for Special Schools

In an effort to help persons with disabilities become independent, Kanemi Co., Ltd. provides job assistance in plants. The 15 plants across the country recruit persons with disabilities in collaboration with local special schools. Each year about 30 persons are employed across the country.

For about 15 years, each plant has been implementing a program to invite students of local special schools to experience a part-time job in the plant. Through such opportunities before employment, students can ease their insecure feelings about future work after graduation and get prepared for it while receiving support from their families.

In the future, Kanemi Co., Ltd. as a community-based company will continue providing job assistance to people with disabilities.

● Store Tour

The company cooperates with UNY in its programs, such as store expedition for children and workplace experience.

● Cleaning the surrounding area

Kanemi Co., Ltd. head office and plants make it a daily routine to clean up their surrounding areas in the morning. As part of contribution to the community beautification activities, plant employees actively participate in cleaning activities organized by neighborhood associations, which also serves to promote communication with community people.

● Disaster Support Service

The company provides food-based support to the areas afflicted by earthquakes or heavy rainfall. In the Great East Japan Earthquake and the Kanto-Tohoku heavy rainfall in September 2015 that caused serious damage to Ibaraki Pref., the company's employees were among the first to make rice balls in plants and deliver them to the afflicted areas.



At the site of disaster support

Strengthening of supply chain management that delivers safe and reliable products

We continue to be a company group trusted by customers by exercising thorough supply chain management.

Key Issues

Retail business operators are responsible for providing safe and reliable products and are required to implement thorough and consistent supply chain management throughout stages from the procurement of raw materials, production and processing to selling in response to suppliers who have spread across the world due to globalization of the supply chain. Therefore, indirect management is required not only for traceability but also for the environmental, human rights, and labor issues at the upstream of the supply chain.

In Japan, as a result of the revision of the Food Sanitation Act in June 2018, food business operators are now required to implement hygiene control in accordance with HACCP to enhance food safety and respond to globalization. Moreover, for the food supply networks that retailers have as social and lifestyle infrastructure, expectations are increasing for them to have stronger resilience against natural disasters.

Opportunities and Risks

In an effort to provide safe and reliable products, the Group in collaboration with business partners ensures thorough quality control throughout the entire supply chain. Particularly for food, we control quality based on strict standards in light of the prospect that the HACCP will become mandatory in the near future in Japan. Moreover, the traceability of raw materials is secured on a global basis to ensure our prompt response in case anything should happen and minimize impact on consumers.

Since in Japan, business continuity in the event of natural disaster is a big issue, we make efforts to build a system that enables us to receive products from different regions and deliver products through alternate routes and improve employees' awareness of emergency response.

Since these efforts with our business partners may lead to the creation of business opportunities, we maintain and

consolidate a good partnership with them through close communication.

Strategies for strengthening supply chain management

The Group, as a retailer that conducts global business, recognizes the significance of supply chain management and assesses risks through regular monitoring of suppliers. We address supply chain management in close collaboration with suppliers, such as requesting them to make improvements if necessary.

In order to meet changing consumer needs, our parent company, ITOCHU Corporation, shares its business resources for our procurement of raw materials, product development, and purchasing. We also have built a system that enhances the network capabilities among related departments at FamilyMart and UNY to achieve prompt decision-making based on quick communication.

Value creation

Since most products that are produced under thorough quality control throughout the entire supply chain are essential for our daily lives, we have a system in place that enables us to minimize impact on customers in case products that do not fulfill the quality control standards are found, such as stopping the sale of such products at stores through our centralized management system.

Moreover, our supply chain management also indirectly contributes to the enhancement of employee satisfaction at suppliers.

Providing products and services at stores that are supported by these supply chain management efforts also works to enhance trust in the Group as a whole.

Key Performance



FamilyMart UNY Holdings Co., Ltd.

- Number of companies to which a supplier questionnaire is sent

Approx. **1,000** companies



FamilyMart Co., Ltd.

- Number of business partners related to traceability

Approx. **200** companies

Basic Approach

In order for a retail business operator to provide safe and reliable products, it is essential to have centralized management based on a comprehensive perspective in each stage of procurement of raw materials, production, logistics, and sales. In light of the current situation where the procurement network expands globally along with the expansion of business activities, we believe that it is critical to manage the supply chain in a more sophisticated manner while giving due consideration to the global environment and human rights issues in order to contribute to the realization of a sustainable society.

To that end, trust-based long-term cooperation with suppliers is essential. In February 2018, the Group established the Sustainability Procurement Principles and the Supply Chain CSR Code of Conduct based on the Sustainability Policy toward the realization of a sustainable society with suppliers. These principles define our relationships with suppliers and our approach to business with them to build and maintain good partnerships through fair and equitable business. By developing such a trust relationship-based solid system, we aim to continue delivering safe and reliable products to customers.

Food Safety and Reliability (FamilyMart) (Japanese only)



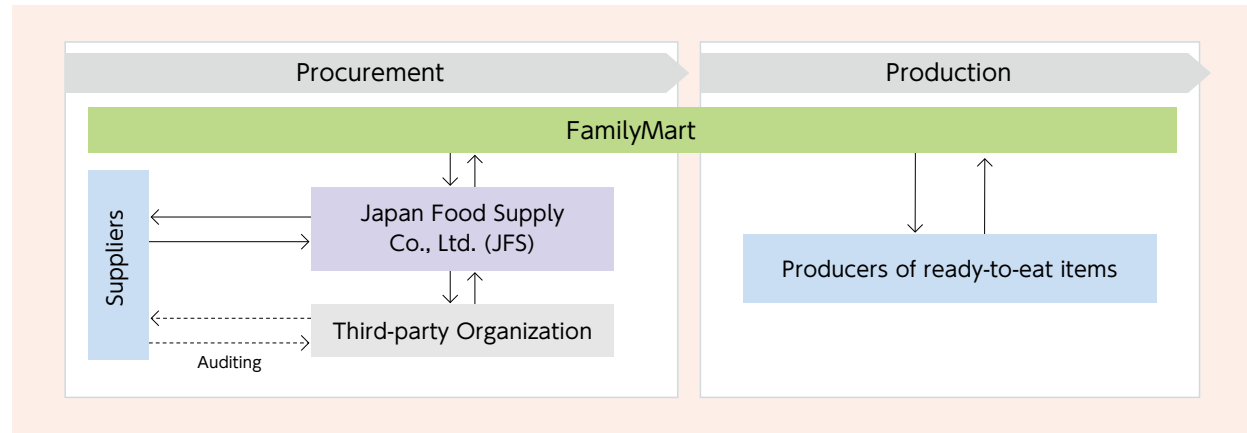
<http://www.family.co.jp/company/csr/safety.html>

Efforts to ensure safe food (UNY) (Japanese only)



<https://www.uny.co.jp/shopping/special/traceability/index.html>

Structural Chart from the Procurement of Raw Materials to Production



Operational Structure

By placing utmost priority on the delivery of safe and reliable products, the Group manages everything from the procurement of raw materials, production, and logistics to disposal and recycling in an integrated manner.

At FamilyMart, the Merchandising & Logistics & Quality Control Division takes the leadership in supply chain management, including the operational status of producers of ready-to-eat items (ready-to-eat items outsources), with the aim of building and improving supply chain management for ready-to-eats items, its original products. The Division checks if the products designed by persons in charge of merchandising are produced in an appropriate manner in plants, in addition to the streamlining of production lines. At FamilyMart that provides diverse products, in particular in the ready-to-eat items field, the Ready-to-eat Structural Reform Promotion Department acts as an interdepartmental coordinator that coordinates product category-based departments. The Department shares views and requests from customers and the ideas obtained through the product development process with producers of ready-to-eat items.

To ensure the stable supply of products in the event of disaster, FamilyMart shares information concerning the continuity of plant operation, discontinued production, and the operation of stores in the afflicted areas with the producers of ready-to-eat items. In recognition of the development of the disaster prevention and business continuity system, FamilyMart has been selected as one of good borrowers in the BCM (Business Continuity Management) ranking by the Development Bank of Japan.

For procurement management, the Group has been promoting it through a partnership with Japan Food Supply Co., Ltd. (JFS), a group company of ITOCHU Corporation. JFS renovated the management system in 2016 to make the display of raw materials and the centralized management of traceability available on the system and to secure browsing up to secondary raw materials. For the monitoring of the environmental, human right, and labor issues of suppliers, JFS implements it in an appropriate manner in collaboration with a third-party organization.

*Japan Food Supply Co., Ltd. (JFS): After it was established as a wholly owned subsidiary of Nippon Access Inc., the company has been engaged in the procurement, joint delivery, and quality control for producers of ready-to-eat items, centering on the ready-to-eat items of FamilyMart.

Efforts to secure safety and reliability in supply chain

In order to deliver safe and reliable products, FamilyMart in collaboration with JFS makes every effort to ensure from management of raw materials. We ask about 200 registered supplier companies to disclose information concerning ingredients and packaging materials.

Considerations and efforts concerning supply chain management of FamilyMart



Streamlining and securing of safety of the supply chain

FamilyMart conducts plant inspections centering on those suppliers involved in the production of its private brand (PB) products while considering the results of preliminary voluntary inspections in a comprehensive manner. The plant inspection includes the inspection of ingredients over 50 items. In particular, in plants in China, strict rules are established, and a plant inspection is conducted, in principle, once a year to assess each plant on a four-point scale. The inspection items include human rights, fair trade, food safety, environment, and labor issues. For plants other than those in China, JFS or a third-party organization visits them to implement a plant inspection on an as-needed basis. For findings during the inspections, improvement ideas are provided, and the results of corrective action taken are confirmed.

Despite the fast product development cycle and frequent registration of new ingredients, the Quality Control Department of FamilyMart and JFS implement plant inspections in an appropriate manner. The plants to visit for inspection are determined in a systematic manner each year and for unsatisfactory plants, JFS implements a follow-up audit later on.

Problems found are reported to the Quality Control Department of FamilyMart via management system and the Department checks with each producer regarding the situation as appropriate. In 2014 when a scandal of fake expiration date for chicken occurred in China, the company inspected all 67 local plants and allowed only about 30 plants where safety was confirmed to continue operation. Since then, the company has been reinforcing safety and quality control while reviewing the recurrence prevention system.

As of August 2018, 45 producers of ready-to-eat items and 94 plants are in operation across the country. The inspection of all 94 plants is conducted once a month centering on the quality management and labor management. An unannounced inspection is also conducted once every three months by an external contract organization to ensure thorough quality control.

Moreover, the company hosts meetings where producers of ready-to-eat items gather by district each week to share information on the latest industry trends and success cases. FamilyMart commends producers who have carried out excellent programs. Through the Nippon Fresh Foods Cooperative (NFF) organized by producers of ready-to-eat items, a system that facilitates efficient mutual collaboration among producers has been established.

Inspections of logistics centers are conducted by a management company, Nippon Access Inc., a group company of ITOCHU Corporation. Nippon Access Inc., also develops, operates, and manages the logistics network in an integrated manner in preparation for disasters, such as earthquakes.

Dissemination and raising awareness of ethical consumption

Fair trade is an institutional arrangement to create a cycle that allows producers in developing countries to improve their living standards and become independent through continuous business based on fair prices. It will also lead to protecting the environment of living bases and production sites from soil contamination and environmental destruction by supporting local organic farming.

In an effort to deepen customers' understanding of the social meaning and significance of the fair trade efforts through ethical shopping, UNY has held the Fair Trade Festival since 2013 in collaboration with an incorporated NPO Fair Trade Nagoya Network, Nagoya City, and student volunteers. In 2018, as part of the Green Purchase Campaign organized by three prefectures and one city in the Tokai area, the company held a talk show and exhibited panels concerning fair trade.

Moreover, UNY also sells fair trade products, such as chocolate made from selected cacao beans grown by certified organic farmers, and promotes efforts that enable customers to become connected with the development of a sustainable society through daily shopping.



UNY's fair trade products



Flyer introducing the Fair Trade Festival

● Utilization of the Supplier Management Network

For the management of manufacturers of ingredients delivered to the company, Kanemi Co., Ltd. conducts a regular plant audit using own check sheet through a wholesale management company of a client company to check the quality, hygiene control, and financial health of the producers.

If defective products should be found, the company in collaboration with delivery destinations discontinues the sale of the products by lot or replaces them with different products. In collaboration with the wholesale management company, these defective products can be traced back to the cause, leading to the effective investigation into the cause and the development of recurrence prevention measures.

For food distribution, Kanemi Co., Ltd. has own information collection network in place. For example, when a hygiene hazard was found in chicken produced in Brazil, the company quickly obtained the information and prevented the use of such chicken before it became a serious issue.

Kanemi Co., Ltd. has own quality management standards and require its suppliers, such as ingredients and processed product producers, to comply with them.

The company visits producers' plants once a year and checks the conditions against the results of self-assessments that are conducted before the visits. In 2018, the company visited about 20 plants and checked the compliance status on the out-packed products (prepared food packed by suppliers).

In the past visits to plants, the company did not find cases that significantly deviated from its quality management standards. For minor areas of improvement (improvements that can be done easily to those that take several days), each producer took corrective action promptly. Moreover, self-imposed efforts are made to improve the quality and hygiene control conditions in its plants and the results are reported to FamilyMart UNY Holdings's Risk Management & Compliance Committee quarterly.

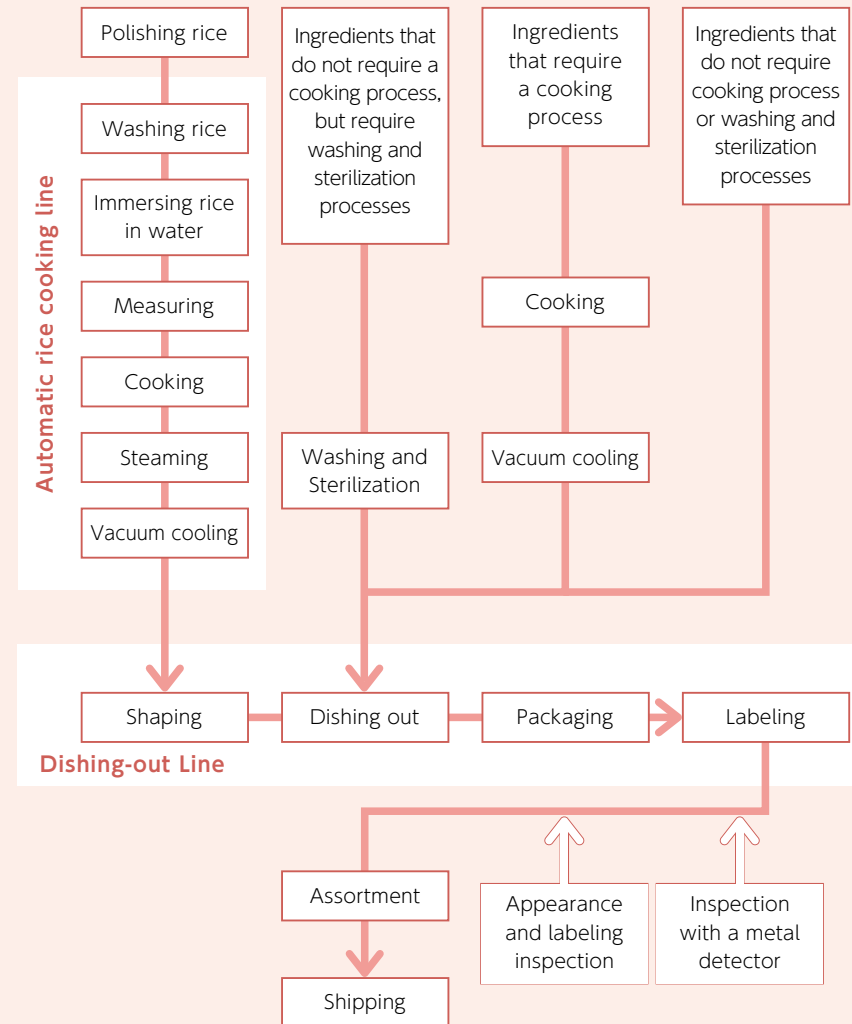


Dishing-out line



Strict hygiene control

■ Box lunch production process



Responding to increasingly sophisticated and diverse consumer needs

We will keep growing as a corporate group that accurately responds to changing consumer needs and provides products with high added value.

Key Issues

Dissemination of the internet rapidly increases e-commerce consumption and brings changes in the way of sales and retail of products. Consumers' sense of value has been diversified, and people in the millennial generation (born between 1981 and 1997) and Generation Z (born between 1998 and 2016) are said to be keen to buy products and services that contribute to solutions of environmental and social issues. The demographic structure has been changing due to declining birthrate and a growing proportion of elderly people and population is concentrated in cities, which accelerates the trend of small families and increases the number of working women. Accordingly, people spend less time on household chores and the demand for small volume packaged food is increasing.

In addition, in the matured market, people increasingly tend to seek *intangible consumption*, which pursues satisfaction in experience of purchase and use or time

consumption, rather than *tangible consumption*, that choose functions of products and services.

Opportunities and risks

The people in their 20s and 30s in the millennial generation account for about 30%, the largest percentage, of the world population. They are highly sensitive to prices and increasingly inclined to use online shopping or drugstores in which they can buy various consumable products at a time such as drugs, daily commodities, and food. Also, people in this generation tend to be interested in preservation of the environment and social issues. Therefore, it is important to develop products that meet their needs and improve value provided by the products.

Double-income households often use 24-hour operation convenience stores and characteristically buy products for families. We need to increase product lineup and enhance user-friendliness so that consumers can buy products they need and in quantities that they want within a limited time without changing their life patterns.

Responding increasingly sophisticated and diverse consumer needs

As single-person households are increasing and more women are working, user-friendliness of convenience stores is being reevaluated and we are reinforcing the measures for responding to needs for time saving and product lineup. We have improved our product lineup that responds to various scenes such as single-person meals and family meals, and everyday meals and additional dish on weekends, and that helps consumers save time for shopping and cooking.

To develop products that contribute to maintaining freshness of food and to protecting environment, we have improved container packages in cooperation with our business partners and are working on extending use-by dates. Also, as people's health consciousness is increasing, we are reinforcing our proposals of the diet that is conscious of additive-free, nutritious balance, and calories. Moreover, we are developing products that involve customers and products by using ingredients produced in local communities according to their food culture.

Value creation

The Group is making proposals of various products, including clothes, food, and housing to contribute to better living of customers in local communities. We will enhance our selling space that makes everyday living fresher, more fun, and responds to a wide range of consumer needs, and help each customer achieve his/her desired life style.

Brick-and-mortar stores have advantages, where customers can touch and feel products that they have never seen or heard before or that propose new value. We will make the most of these characteristics and strive to create stores of our group to be a place where customers encounter new products or have experience.

Key Performance



FamilyMart UNY Holdings

● Customers' opinions and inquiries

Approx. **100,000**



FamilyMart Co., Ltd.

● Sales amount of food

year-on-year approx. **120.0** % (period ending in February 2018)

Basic Approach

The Group aims to develop original products based on diverse lifestyles and sense of value, increase and improve product lineup, and meet a wide range of consumer needs.

At the time of product development, we adopt various consumer needs and develop or renew products mainly with high added value that are time-saving, convenient, and used in everyday life while differentiating from the products of other companies. Also, we work on creating products focusing on the tendency of lifestyles by generation of consumers.

At FamilyMart, products and services that meet various needs are provided, while responding to changes in consumers' lifestyles.

At UNY, product lineup is increased and store operations are improved through a synergistic effect by jointly operating stores in cooperation with Don Quijote Holdings Co., Ltd.

Product information (FamilyMart) (Japanese only)



<http://www.family.co.jp/goods.html>

Original products (UNY) (Japanese only)



<https://www.uny.co.jp/item>

Operational Structure

In the Group, related divisions work together and establish the system to stably provide high quality, safe, and reliable products.

In the product development, we formulate a development concept based on customers' requests and various survey results, and each division decides the details of product specification by category. Sales, Marketing, and Merchandising Divisions have a weekly regular meeting, share information on sales status and promotion, and have discussion for quality improvement.

As one of sales measures, FamilyMart carries out the sales promotion project using partnerships with producers. The company propose a new value to consumers through a project with one producer per month.

To decide a target layer and product prices, the company uses demand chain management in which demands are predicted based on POS data, which allows us to strategically use various data. Also, information is distributed, collected, and analyzed on website or using SNS to monitor inclination or trend of consumers.

On the website of Circle K and Sunkus (closed on November 30, 2018), the company received a total of 37,007 responses to reproduction requests. Through these kinds of marketing activities, *Yakitori* (Charcoal Grilled Chicken Skewers), Baked melting *kamadashi* pudding, and Crispy



Yakitori (Charcoal Grilled Chicken Skewers)

baked cheese tart were commercialized at FamilyMart, and they are still in the stores as standard products through several improvement (as of the end of November 2018).

In addition, making the most of brick-and-mortar store business, qualitative information in local communities are directly collected. Circumstances specific to each local community that we never know only with data are analyzed and used them for improvement in products and selling space.

A good deal of product development involving external specialists or students are carried out, such as health conscious box lunches, in collaboration with nutritionists, hospitals, and schools. The company improves these efforts by surveying customer satisfaction or use status of stores to enhance the image of the corporate brand.



(left) Baked melting *kamadashi* pudding
(right) Crispy baked cheese tart

Providing products with high added value

As more women work outside and double-income households are increasing, time spent on household chores is relatively reduced. FamilyMart improves products with high added value that support the lifestyle of modern busy people with little time.

Mother's Kitchen, delicatessen dishes brand of FamilyMart, which has been deployed since 2017, is gradually increasing product lineup that requires less time and labor for preparation of meals. For example, fish bones for grilled fish and boiled fish are removed in the factory, which allows consumers to eat them only by warming at home without time and effort. The product lineup also includes food ingredient series for Chinese dishes that require time for preparation and large volume delicatessen dishes.

The "evening Famima" campaign was launched to help customers buy products from evening to night after work and to try to improve recognition of products. The high in-house standards for quality control at the time of sales are set to provide safe and high quality food for delicatessen dishes of Mother's Kitchen and others. However, it is not easy to keep freshness, and thus particularly, to maintain product lineup in the stores at night was difficult. To provide customers with a plenty of product lineup during the time after work, the effort to improve the product packaging through technology innovation were implemented, thus sell-by dates and best-by dates were successfully extended. We will help customers reduce time spent on shopping and provide fun of choosing products.

Developing products and services that improve health and welfare

FamilyMart is deploying various products that support health based on the idea of ON and OFF. ON means appealing health through ON (adding) of vegetables, lactic bacteria, and dietary fiber and OFF means OFF (removing) of specific components from the health-conscious perspective without spoiling good taste of the existing products such as low-sugar or low-salt products. OFF products are particularly in high demand, and sophisticated product development to achieve good taste is required.

Ready-to-eat products using barley max and whole wheat with plenty of minerals and dietary fiber are popular with their good taste and healthiness. Barley max is now used for rice balls, sushi, and tortilla as well.

Low-salt box lunches supervised by nutritionists are sold as a product that is readily available, natural to bodies, and healthy. The grilled salmon box lunch requiring reservation was awarded the Smart Meal certificate* as the first convenience store, as a well nutritiously balanced meal containing good elements for health.

Also, delicious and low-sugar products jointly developed with RIZAP GROUP, Inc., personal training gym operator, such as salad, dessert, and cup noodles support improvement in customers' health.

*A certification system examined by the Healthy Meal and Dietary Environment consortium comprised of 10 academic societies (Japanese Society of Nutrition and Dietetics, Nutrition and Food service Management, The Japanese Society of Hypertension, Japan Diabetes Society, Japan Society for the Study of Obesity, Japanese Society of Public Health, Workshop for the Management of Health on Company and Employee, Japanese Society of Health Education and Promotion, Japanese Society of Nephrology, and Japan Atherosclerosis Society)



Box lunch supervised by nutritionists
Grilled chicken with tomato sauce (with cheese sauce)



Grilled salmon box lunch

Efforts for making products more attractive

FamilyMart sells Famima's Chinese steamed buns in "Famiyoko Chinatown" placed in the corner of Famiyoko Shopping Street just next to the cashier. In fiscal 2017, the sales increased 118% compared to the previous year through a great improvement in cooperation with IMURAYA GROUP CO., LTD., our production subcontractor. With the further improved quality in 2018, and the sales of one month after the release in August was about 150% compared to the previous same period, and the sales are increasing well.

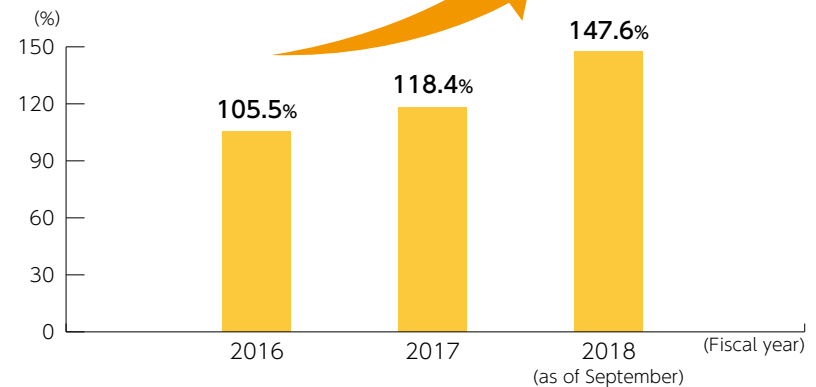
These great results are supported by direct meetings in which store staff members and Takashi Sawada, president of FamilyMart Co., Ltd., exchange opinions. The third direct meeting was held at the factory of IMURAYA GROUP CO., LTD. with the theme "To make products of FamilyMart more attractive" in August 2018. The presentation of new Chinese steamed buns was given on the day, and Mr. Sawada, six staff members of member stores in the Tokai region, and two staff members of Merchandising and Logistics and Quality Control Divisions attended the meeting and joined a factory tour.

At the meeting, a participant commented that newly released Famima premium steamed meat bun sold well with favorable opinions of customers and staff members felt good reactions at stores. There were also some comments, however, that in the stores with many overseas store staff and customers, they did not enjoy eating steamed buns because they were not allowed to eat pork in steamed buns due to religious reasons. Since the number of Muslims is currently increasing in Japan, and retailers need to respond to halal, some proposed that Chinese steamed buns with chicken, which were sold in the short-limited period be sold through a whole year. By deeply understanding the production processes in the factory, FamilyMart will pursue the good taste of special store quality and aim to improve its product appeal.

From the perspective of product lineup, some proposed that the company reinforce local products from each area such as products that can only be bought at FamilyMart in one particular prefecture. Customers in each area can enjoy their local products, and in addition, it can be expected that customers from other prefectures who want to buy local products visit those stores. Also, sales campaign such as local food fair with a variety of local products can be organized. Thus, all the participants had an animated discussion and exchange opinions.

The company will reinforce its product development to further differentiate from its competitors by creating its popular "This is Famima!" products such as FamiChiki, frappe, and grilled chicken skewers.

Chinese steamed buns daily sales amount to the previous years



At a direct meeting

>>> Provision of products with high added value

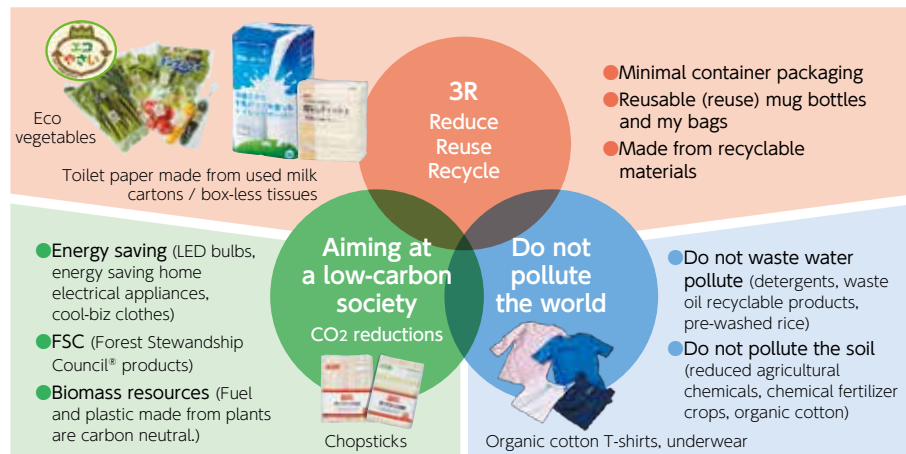
Developing environmentally friendly products

UNY develops and sells environmentally friendly private brand (PB) products eco!on to support customers' eco lifestyles. This effort has started since September 2007, aiming at lessening impacts on the environment in value chain in all stages such as raw materials, production, container packaging, sales, usage, and after use. The company currently sells about 280 kinds of products, including toilet paper made by recycling used milk cartons.

The company released the eco!on organic harvest set using compost made from food waste in September 2017. The set is comprised of culture soil, organic seeds, and organic fertilizer, and it can be easily used to grow safe and secure vegetables at home. Also, the culture soil mixed with compost made from food waste was launched in March 2018. It is mixed culture soil to grow strong plants with compost made from food waste, organic material humic fulvic acid that improves fertilizer holding property, and components that improve the soil.

To put an eco!on mark on products, the eco!on development project examines application of persons in charge of product development, and the third party review committee comprised of specialists and learned individuals makes an assessment in the final stage. They examine environmental consciousness in each product life cycle, including products functions and container packaging, the acquisition status of the third party certificate in the final manufacturing/production factories, the status of information disclosure, responsibility for the future global environment, thoughts of producers, and messages to customers about ideas and stories on environmental awareness.

Environmentally friendly PB products eco!on



*Only an example

>>> Group Companies: Efforts by Kanemi Co., Ltd.

● Delicatessen project

Kanemi Co., Ltd. have developed products that respond to the lifestyle change associated with declining birthrate and a growing proportion of elderly people and accelerating small families, increasing working women, and increasing single-person households. Kanemi Co., Ltd. makes further proposals for delicatessen dishes that support healthy life, including developing products that meet consumer needs for health, such as box lunches with rice and millet or rice balls using mochi-wheat.

UNY and Kanemi Co., Ltd. are working together on the delicatessen project, which is a joint project to activate the entire category of delicatessen aiming at meeting consumer needs and increasing customers. This project started in July 2017, and has been improving the quality of delicatessen and increasing product lineup while taking over the tastes in local communities and using local production for local consumption. The concepts are "Delicatessen that impresses customers every day," "From material to delicatessen – three important things of delicious, beautiful, and delighted," and "No.1 customers' review in the community" (customer friendly selling space, product lineup, sense of seasons, and special products). Thus, this project is trying to activate the selling space of delicatessen. The priority efforts are made with "weekend recommendation" with a theme responding to consumers' life cycle, "introducing products using steam convection oven" aiming at improving product lineup to meet diverse consumer needs, and "products contributing to increasing brand power" by periodical product development and reinforcement of sales focusing on popular delicatessen dishes.



(upper left) Cut fruits area / (lower left) Chinese food area / (right) Grilled chicken buffet

Enhancing diversity

We promote diversity companywide and aim to create a workplace environment that motivates employees.

Key Issues

The understanding towards social engagement of women or LGBT in the entire international society has increased and the formation of a society in which diverse human resources are actively involved are expected. In Japan, while labor population is decreasing due to the declining birthrate and a growing proportion of elderly people, it is urgent to establish a society in which women, the elderly, the people with disabilities, and people from various ethnic groups can participate with rewarding sense of satisfaction. To this end, it is essential to create a workplace environment where employees can respect the other employees' lifestyle and workstyle.

The Group has been practicing community-based management and deploying brick-and-mortar stores nationwide, and is required to respond to issues about employment environment, demographics, and changes in lifestyle.

Opportunities and risks

For operating brick-and-mortar stores, promotion of women participation particularly helps understand the viewpoint of living, which is close to consumer needs, gives good opportunities to improve the quality of products and services, and enhances competitiveness.

Also promoting reemployment of experienced workers who had left the work due to their life events and of employees over the age of retirement is necessary efforts. These measures ensure continuity of smooth operation of duties, and can contribute to establish the image of the Company that contributes to promoting employment and activating the economy in local communities.

Moreover, active employment of people from overseas according to the situation of local communities helps stabilize the store operation and leads to better services with overseas tourists.

Strategies for enhancing diversity

FamilyMart has about 12% of full-time female employees, which is about 30% at the time of recruitment. The company makes efforts to eliminate negative image of the convenience store industry such as long working hours and male dominated workplace as early as possible and support women's career.

In UNY, 85% of all employees work part time, and many female employees work either full-time or part-time. However, the ratio of female managers is only 7% to the target of 10%. While about half of new full-time employees are female, we need to establish various systems and improve a workplace environment to help them achieve a balance between work and family.

Value creation

Through the community-based management centering on brick-and-mortar stores, we have been establishing valuable assets such as relationship with customers, staff members engaged in store operation, and business partners as well as operation know-how. Based on these assets, we understand diversity in each local community through business activities and meet needs of local communities and consumers in a careful manner.

Also, we promote our efforts for diversity and respect for human rights while improving our personnel system and enhancing diversity of human resources. Thus, we broaden the opportunities for varied employees to work effectively in characters.

Key Performance



FamilyMart Co., Ltd.

- Awarded the certificate as a company achieving women's empowerment

2 cases

April 2018 Awarded the excellent award of the third women's empowerment power up award
March 2017 Certified as L-boshi by Ministry of Health, Labour and Welfare



UNY Co., Ltd.

- Ratio of women working at stores

Approx. 77.6 % (as of June 2018)

Basic Approach

The Group has been effectively reforming the in-house systems to achieve a workplace environment that offers more job satisfaction than before since the management integration in 2016.

Each business company has considered diversity to be an important issue and been working toward the enhancement of diversity before the management integration. We position employment and development of diverse human resources as an important element associated with laws and regulations related to workstyle reform and with changes in the labor market. In 2016, both FamilyMart and UNY formulated the action plan to promote women's empowerment and make efforts to achieve the goals.

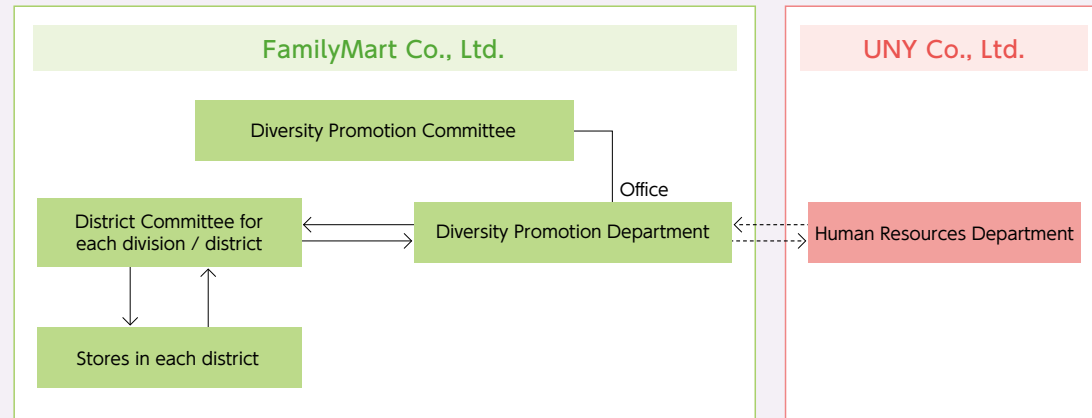
We will not only promote empowerment of women but also extend our activities and foster the corporate culture in which each employee respects each other's sense of value regardless of gender, age, and nationality and all stakeholders can feel "Everyday Fun and Fresh." Each group company will accurately understand the situation and rapidly promote appropriate efforts.

Sustainability Management Collaboration
with International Society



http://www.fu-hd.com/sustainability/management/international_society.html

Diversity Promotion System



Operational structure

The Diversity Promotion Department in FamilyMart and Human Resources Department in UNY are mainly working on the issues to ensure diversity enhancement. Both departments share issues and future direction and carry out activities with a sense of group-wide unity. Each responsible department is closely cooperating with each division of the head office and sales sites and making efforts for solving issues of diversity enhancement from the perspective of the Group as well as each division.

FamilyMart has established the diversity enhancement committee with the president as chairperson and management as members, and the committee recognizes issues, decides the direction of the entire company and checks the progress in every quarter.

In fiscal 2018, while focusing on the promotion of

women's empowerment, the company established the district committee with a district general manager or general manager of each division as chairperson, in order to expand the activities of diversity enhancement in districts that are responsible for sales activities in various places as well as each division of the head office.

The district committee is positioned as a place where members think about diversity, meet and share various opinions, and solve problems. Each district committee is independently operated. Thus, the company can quickly solve issues at each site and try to disseminate diversity companywide.

Also, a supervisor in each district summarizes issues of each responsible local community and lead the diversity enhancement at each store.

Enhancement programs

In FamilyMart, each member in management pledges to "FamilyMart Workstyle Reform" and expresses his/her own commitment to diversity enhancement and workstyle reform companywide. The company also conducts the diversity dissemination survey on all employees every three months to visualize the enhancement status and issues.

Setting fiscal 2017 as the early stage of the promotion, the company focused on women's empowerment, and started FamilyMart Women Project (FMWP), the bottom-up activity for women's empowerment, in which female employees themselves change their awareness. Also, the company participated in the joint platform built by different types of business, "new generation eiyo (sales women) college," where it aims at further empowerment of female employees in the sales section and encourage them to work as a supervisor.

In the first half of fiscal 2018 the company focused on "All employees take it as their own matter" for not only female employees but also all employees, established the district committee, and carried out diversity seminars for all managers.

After the second half of fiscal 2018, with the theme of "From practice to results," the company worked on clarifying the purpose of the diversity enhancement in the business management and focused on producing results from specific practices. In addition to the activities in the first half, the company will provide lectures of experts and diversity workshop with managers.

Almost 80% of employees are women in UNY, however, the company will improve the systems in which all employees respect each other and consider work life balance while creating better workplace environment for women. For example, store employees live in local communities and have deep connection in the area, so we have introduced the regional employee system in which employees live close to their workplace.

The site QC (Quality Control) activities of about 200 teams have been carried out to improve daily operation from the work site perspective and will be continued since they help various employees have strong solidarity.

Employee's voice

Female supervisor who works shorter working hours due to child care



I did not originally want to work as a supervisor who has a great responsibility of store guidance. However, when I thought about my career, my colleague encouraged me, and my family offered support. So, I decided to get a promotion from a store manager to a supervisor. Since I work shorter hours from 9:00 to 16:00, I make my schedule with the order of priority to enhance work efficiency. After going home, I let my child eat, prepare for dinner for the following day, take a bath with my child, and put him into bed. Thus, my day passes so fast. Since my workplace has a good atmosphere and the people surrounding me understand my situation, I do not have to feel guilty about shorter working hours. Also, I am responsible for stores close to my house, which helps me a lot.

When I worked at a store with more than 60% women customers, I tried to create selling space from a woman's perspective, and I increased the sales of the store. Based on my own experience, having active female supervisors would be important for both stores and customers.

If there are female employees who has concern about raising a child while working as a supervisor, I would like to say, "Don't worry." The company actively promotes diversity enhancement and workstyle reform, so it is a shame if female employees give up working as a supervisor because of shorter working hours from the beginning.

When I got an unofficial announcement of my promotion to a supervisor, I was filled with anxieties. However, I decided to take a job saying, "Let's Do It! Anyway." which now I think was a right decision. My family helps me a lot, so I can work in the current workstyle. People have their own conditions and circumstances. I will make many good precedents by working with a positive attitude and increase co-workers who follow my path. I hope our workplace would be a better place for everyone.

Kazue Torii, Wide area new business model group (central Japan) Train Line Store Operation Business Department
Store Operation Division, FamilyMart Co., Ltd.

Toward diversity enhancement

I think it is very important for the company and employees to enhance diversity while the production population is decreasing. Since each employee has his/her own conditions, I will try to prepare systems and improve a workplace environment so that both work and life would be more fulfilled for employees and employees who want to work can engage in work.



Emi Matsushita, General manager
General Affairs and Human Resources Department
Administration Division, UNY Co., Ltd.

● Enhancement program

Creating employee friendly workplace

Kanemi Co., Ltd. is attempting active recruitment aiming at increasing the ratio of female employees as part of improvement in productivity. In recent years, almost half of new employees are women, and the number of female employees returning to work after taking maternity and childcare leave is increasing. Also, the company established the system in which employees who retired at the age of 62 can work until 75 years old with the purpose of promotion of re-employment.

The company has improved the benefit program, including distributing gift catalogs to employees and giving ice cream vouchers in a birthday month and paying bonus twice a year to part-time workers. Thus, the company is making efforts to create a workplace that offers job satisfaction companywide.

Accepting workers from overseas

Currently, about 1,500 overseas employees work at factories of Kanemi Co., Ltd., which accounts about 30% of all employees working in the factories.

In Tokai City, Aichi Pref., the company cooperates with a local university, Seijoh University, and employ overseas students as part-time workers in the Tokai factory with the purpose of employment support. Also, the company has been accepting technical interns from Thailand for 10 years, and considers directly employing former technical interns, who finished their programs and returned home, if they want and the conditions meet. The general manager of the Human Resources department has an interview with candidates and decides their employment. When accepting new employees, the company adjust the employment period in which senior employees can directly teach jobs to new employees in Thai, although a manual in Thai is in place.

A total of 1,460 Thai people has been employed so far. They have reunion parties after leaving the company and going back to Thailand. When the general manager of the HR department visits Thailand for recruitment interviews, former employees organize a reunion party.

The ambassador of Thailand visited Matsudo factory, and the company has established a good relationship with the Royal Thai Embassy in Japan.

The company will consider the employment of these overseas workers as full time employees in the future.



Interns at an excursion trip in Japan

Employee's voice

Development of Spanish Bellota Iberian Pork on rice (box lunch)

We developed Spanish Bellota Iberian pork on rice, with the strong wish that "we want to provide our special product that can only be available at *eashion* stores and make customers happy."

We used Iberian pork, which was valuable but not so well-known as today, ahead of all other companies, and aimed to provide delicious and healthy box lunches with customers.

We chose a simple design for this box lunch in which plenty of Iberian pork covered the rice with the seasoning of soy sauce and sugar that enhance the taste of the material so that customers can enjoy Iberian pork.

Also, we carefully chose the wrapping paper for the box lunches, and we used dark green paper that gave an image of acorn forests where Iberian pigs grew.

At first, we received opinions from customers such as, "I cannot eat because it has too much fat and is too heavy." We sincerely listened to customers' opinions and improved in cooperation with the business partners to make this product popular by changing the trimming of pork and reconsidering kinds of side dishes and seasoning to make this product loved by customers.

As the characteristics and the value of Iberian pork is known widely, it has been chosen as the best-selling box lunch at Gransta inside the ticket gate of Tokyo Station for nine consecutive years since 2009.

To continue to be chosen by customers in the future, we will listen to the voices of customers and work toward the better product.



Takako Inoue,
Kanemi Co., Ltd.











Spanish Bellota Iberian Pork on
rice (box lunch)

Stakeholder engagement

The Group makes opportunities to directly receive stakeholders' needs and expectations regarding the social responsibility and roles that we should achieve through our business activities. We use the valuable opinions and requests for review of our group's material issues, improvement in business activities, development of products and high quality of services, and

enhancement of brand management. We had a lot of opportunities for engagement from fiscal 2017 to 2018 and gained so many opinions and requests. The following is the implement status of stakeholder engagement of our group.

	 Customers	 Employees	 Local communities / NGO	 Franchisees	 Store staff	 Shareholders and investors	 Future generations	 Suppliers
Method / Content	<ul style="list-style-type: none"> Sales in the stores and through online supermarkets Receiving and responding to opinions and requests Holding of customer participation events in the stores 	<ul style="list-style-type: none"> Visits of the stores by the President and direct dialog Implementation of employee surveys Motivation Up seminar Employee training / support system for self-enlightenment Implementation of self-evaluation (stress check) / individual interview In-house portal site/company magazine 	<ul style="list-style-type: none"> Dialog through Customer Service Office Dialog with the local community through support for the development of the next generation, crime prevention and disaster risk reduction, and environmental beautification activities Collaboration with the local government Direct dialog with elementary schools through the development of the next generation Donation of funds raised in the stores and funds raised by employees Joint holding of events and activities Human support for the operation of organizations 	<ul style="list-style-type: none"> Direct meeting with the President Regular store visits by the supervisor Holding of policy announcement meetings / product seminars Publishing monthly magazines for franchisees Operation of Franchisee Relations Office 	<ul style="list-style-type: none"> Store staff commendation system On-site workshops for store staff Development training for foreign staff System for promoting excellent staff as a full-time employee 	<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 through the website and the publication of a range of reports 	<ul style="list-style-type: none"> Provision of learning opportunities such as workplace experiences, etc. Cooperation and sponsorship for contests aimed at high school students / university students Hosting of elementary school students contests Provision of learning opportunities such as workplace experiences, etc. Support through fund-raising donations for the experience-based learning programs run by NGOs / NPOs 	<ul style="list-style-type: none"> Explanatory meeting of product strategies Information collaboration between companies Installation of an information provision window Implementation of a business partner questionnaire
Achievements and Evaluation	<ul style="list-style-type: none"> Reflection in sales and number of customers visiting stores Improvement of the evaluation of products and services Number of voices to the Customer Service Office: 92,886 (FM), 3,690 (U) 	<ul style="list-style-type: none"> Dialog with the top management, exchanging opinions. Held in 12 places nationwide (FM) Implementation rate of stress check: 74.4% (FM) The number of employees who used the self-enlightenment support system: 483 (FM) Recruitment and development of various human resources 	<ul style="list-style-type: none"> Strengthening of the environment awareness of the children in the local community Contribution to the crime prevention and disaster risk reduction structures of the local community Cumulative total number of participants in environmental cleaning activities: a total of 1.2 million (FM) Number of participated stores in the All-Store Simultaneous Cleaning Campaign: 192 stores (U) Fiscal 2017 fund raised in the stores (except for relief donation): approx. 325 million yen (FM), approx. 16 million yen (U) 	<ul style="list-style-type: none"> Support for smooth store operation (FM) Completion of brand conversion of 5,003 stores Converted stores: daily turnover y/y 110%, the number of customers y/y 112% (FM; as of the end of Nov. 2018) 	<ul style="list-style-type: none"> Number of store staff who received commendations: 49,401; the top prize, the Excellent Staff prize, was awarded to 241 staff (FM) Number of on-site workshops held: 6,493 times Number of participants: 27,810 Number of foreign staff participated in the workshop: 292 (FM; Dec. 2017 to the end of Dec. 2018) Number of excellent staff promoted as full time employees: 10 (FM; Dec. 2017 to the end of Dec. 2018) 	<ul style="list-style-type: none"> Number of shareholders: 26,978 (HD; as of the end of February 2018) Number of participants in the financial results briefing: approx. 200 Individual meetings with investors: approx. 300 times Domestic and overseas conferences (sponsored by securities companies): approx. 10 times Explanatory meetings for individual investors: four times 	<ul style="list-style-type: none"> Fiscal 2017 internship participants: a total of 364 (FM) 344 students from eight schools participated as designers in the creation of products from recycled materials (U) Cumulative number of letters applied to Thank You Letter Contest: approx. 320,000 letters (FM) Cumulative number of participants in Forest Classes for kindergarteners: approx. 20,000 (FM) 	<ul style="list-style-type: none"> receipt of replies from 416 companies, including consisting of 29 requests, 20 compliments as free responses, out of approx. 1,000 companies that were requested to submit questionnaire
Response / Plans	<ul style="list-style-type: none"> Upgrading of products and services Making store management high quality, including the product lineup, customer interactions, cleanliness, etc. Increasing communication opportunities utilizing the store facilities 	<ul style="list-style-type: none"> Improvement of support for work-life balance Enhancement and expansion of the career advancement support system and the education and training structure 	<ul style="list-style-type: none"> Proposal and implementation of the development of the next generation and local community activities through the stores Expansion of regional contribution activities based on comprehensive partnership agreements, disaster relief agreements, and watch over agreements Effective utilization of in-store fundraising and company donations Raising the awareness of employees and customers for the solution of social issues 	<ul style="list-style-type: none"> Fundamental revision of store operation Enhancement and expansion of store support Establishment of deep trust relationship Creation of stores while understanding and contributing to local communities 	<ul style="list-style-type: none"> Promotion of store operation innovation Enhancement and expansion of the system that increases motivation of staff Enhancement of the content of the on-site workshops and foreign staff training 	<ul style="list-style-type: none"> Growth of shareholder value Succinct and faithful information disclosure focused on accuracy, speed, and fairness Construction of a sound and highly transparent management system 	<ul style="list-style-type: none"> Enhancement and expansion of the provided programs Improvement in the rate of participation of the stores and employees in the program 	<ul style="list-style-type: none"> Strengthening of governance in the entire supply chains and consideration of human rights and the environment Notification of Sustainability Procurement Principles and Supply Chain CSR Code of Conduct

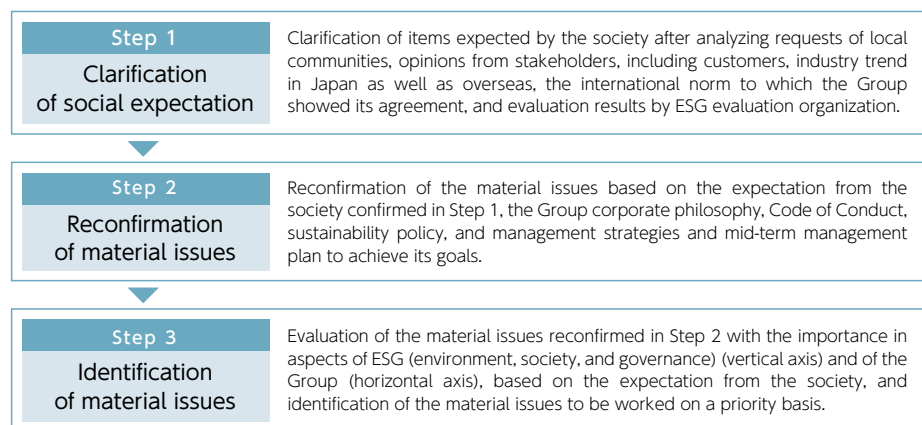
* (FM): FamilyMart (U): UNY

Materiality identification process

Identification process of material issues

Taking the opportunity of management integration, the Group reconfirmed material issues of its core business companies, FamilyMart and UNY and identified the Group's material issues comprehensively considering the following processes.

*The previously identified material issues were reviewed with those of Kanemi Co., Ltd., which became a subsidiary company in July 2017, and were identified again as the Group issues.



■ Evaluation of the material issues in the Group



Sustainable Development Goals (SDGs)

SDGs (Sustainable Development Goals) laid out by the United Nations' Agenda for Sustainable Development in 2015 are the global goals to which the world agreed toward solving social problems. Since it came into force in 2016, various efforts have been made to achieve the goals by many countries and regions. The Group will work on its own material issues and contribute to achieving SDGs.



■ Material issues of the Group

No.	Material issues (SDGs)	Material issues of the Group
1	Environmental awareness       	Construction of a recycling-oriented society Contribution to a low carbon society Toward realization of a society that coexists in harmony with nature Promotion of ESD (Education for Sustainable Development)
2	Contributing to the development of vibrant local communities as social and living infrastructure       	Development and revitalization of local communities Disaster countermeasures and support for disaster-affected areas Supporting the development of the next generation Working together with NGOs / NPOs and harmonious coexistence with local communities
3	Strengthening of supply chain management that delivers safe and reliable products    	Provision of safe and reliable products / services Dissemination and awareness-raising about ethical consumption Promotion of fair and transparent business activities
4	Responding to increasingly sophisticated and diversifies consumer needs  	Provision of high added-value products Development of products / services that improve health and welfare
5	Enhancing diversity    	Promotion of the acceptance and activity for diverse human resources Enhancement of work-life balance and building a workplace which offers job satisfaction

List of data

Performance highlights

(Fiscal 2017)

	Item	Unit	FamilyMart	UNY	Reference
Financial	Major performance	Total Store Sales	mil. yen	3,016,064	p.5
		Operating revenue	mil. yen	—	
		Operating income	mil. yen	34,196	
Non-financial	Environment	Certified Food-recycling loop businesses (Recycling business plan)	cases	7	p.6
		Food recycling rate (Actual food recycling rate)	%	54.1	
		Amount of curtailing the generation of food waste (Per mil. yen of net sales)	kg	24.6	
		Rate of consumers declining plastic shopping bag	%	29.1	
	Governance	Number of reports from whistleblowers	cases	39	
	Society	Total amount of donation	mil. yen	458	
		Rate of employees with disabilities	%	2.39	
		Total letters applied to the Thank You Letter Contest	letters	Total of 327,583	
		Participants in environment events for consumer awareness-raising	people	—	
	Others	Store visits per day in Japan	10,000 people	(CVS+GMS) Approx. 1,600	
		Total number of employees in the group	people	(CVS+GMS) Approx. 17,700	

Material issues

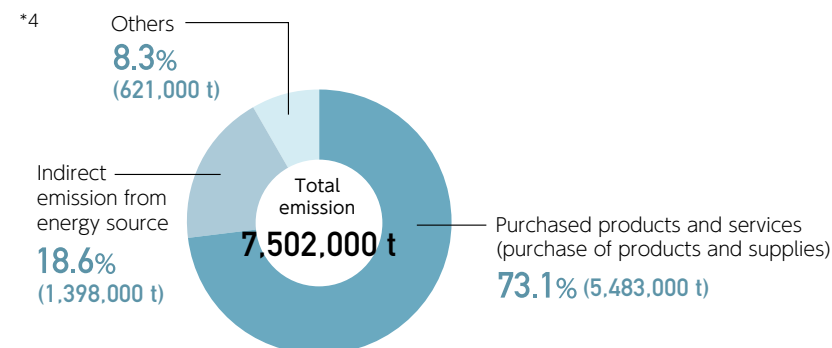
(Fiscal 2017)

	Item	Unit	FamilyMart	UNY	Reference
① Environmental awareness					
	Participants in environmental education at stores and environmental events	people	(HD) Approx. 70,000		p.17
	CO ₂ reduction through eco-friendly packaging for ready-to-eat items	t	4,478*1	—	
② Contributing to the development of vibrant local communities as social and living infrastructure					
	Rescuing of women/children protection of senior citizens	stores	4,512	—	p.29
	Number of dementia supporters	people	—	Approx. 4,200	
③ Strengthening of supply chain management that delivers safe and reliable products					
	Number of suppliers that questionnaires were sent	companies	(the Group) Approx. 1,000		p.39
	Number of supplier with traceability	companies	Approx. 200	—	
④ Responding to increasingly sophisticated and diverse consumer needs					
	Customers' opinions and inquiries	10,000 cases	(HD) Approx. 10		p.44
	Sales amount of food to the previous period	%	Approx. 120.0*2	—	
⑤ Enhancing diversity					
	Certification and commendation of organizations associated with women's empowerment	cases	2	—	p.49
	Ratio of women working at stores	%	—	77.6*3	

*1 Side shrink and PLA containers *2 Fiscal year ending in February 2018 *3 As of June 2018

Other environmental / social data

Item	Unit	FamilyMart			UNY		
		2015	2016	2017	2015	2016	2017
CO2 emissions in supply chain	10,000 t	—	—	750.2*4	—	—	184.1*5
Amount of waste	t	282,920	442,585	379,268	80,559	78,817	75,603
Rate of food recycling	%	50.5	47	54.1	72.9	74.9	80.6
Number of suppliers that questionnaires were sent	companies	—	—	Approx. 100	Approx. 900	Approx. 900	Approx. 900
Ratio of female management	%	1.3	1.9	2.3	6.5	6.5	6.8
Ratio of female employees	%	12.3	10.9	11.8	19.7	20.0	19.6
Number of employees taking maternity leave	people	78	66	121	77	86	97
Average service years of full-time employees	years	9.9	13.1	12.3	20.3	20.9	21.6



*5 Breakdown: Direct emission 7.1, indirect emission from energy source 48.1, indirect emission from non-energy source 128.9 (Among indirect emission from non-energy source, the data was calculated by limiting to food division of purchased products and services.)

External evaluation

The following are the external evaluation after fiscal 2017.

	Category	Evaluation and awards	Organizer / awarding organization	Reasons for evaluation	Subject	Time
Commendation	① Environmental awareness	Yokohama 3R Kiraboshi Food Activity Award the recycling category award	Yokohama city	Enthusiastic efforts for reducing food loss	UNY	Nov. 2, 2017
		The 5th Food Industry <i>Mottainai</i> Award The Minister of Agriculture, Forestry and Fisheries Award	Japan Organics Recycling Association	Efforts for promoting the activities with consumers protecting the earth by environmentally friendly shopping	UNY	Jan. 25, 2018
	① Environmental awareness and ② Local Communities	2018 Aichi Environment Award The Excellent Award	Aichi prefecture	Students designed the products using waste fabric materials, such as scraps at welfare facilities, and sell them in the stores. These efforts were evaluated and regarded as the activities that greatly contribute to improvement in environmental awareness and promotion of environmental activities in local communities.	UNY	2018
		Governor's Award for promotion of forming a recycling society, including food recycle and agricultural products, etc.	Ishikawa prefecture	Separated waste food from UNY's four stores in Ishikawa is collected and turned into compost by TOSMAC-i Corporation. Yasui Farm grows agricultural products using this compost, which UNY purchases and sells at stores. The establishment of a recycling loop in local communities was evaluated.	UNY	Feb. 21, 2018
	② Local Communities	The 6th Extending Healthy Life! Award The category of life style diseases prevention The Minister of Health, Labour and Welfare Excellent Award (Corporate division)	The Ministry of Health, Labour and Welfare	Employees are encouraged to reduce salt at the health checkup and health events were organized for citizens in cooperation with food manufacturers.	UNY	Nov. 16, 2017
		Aichi shokuikunet support authority Governor's Award	Aichi prefecture	UNY has been participating in the Aichi food education support corporation group and carrying out food education activities in cooperation and collaboration with Aichi prefecture and related organizations over the last 10 years.	UNY	Nov. 20, 2017
		2017 Community Contribution Award	Nihon Shinbun Kyokai	UNY has been working on collecting caps of PET bottles and sending vaccines to children in developing countries in cooperation with the Chubu branch of the Yomiuri Shimbun since June 2010.	UNY	2017
	③ Safe and Reliable	Selected as Morningstar Socially Responsible Investment Index components	Morningstar Japan K.K.	Active attitude toward corporate governance, environment, society, and utilization of human resources	Holdings	2018
	④ Consumer Needs	The 4th JSH Salt-reduced Food Award Golden Award	The Japanese Society of Hypertension	StyleONE delicious salt reduced rich Chinese cabbage kimchi was evaluated as an excellent product for promoting salt reduction.	UNY	May 19, 2018
	⑤ Enhancing diversity	Certified as L-boshi based on the Act on Promotion of Women's Participation and Advancement in the Workplace	The Ministry of Health, Labour and Welfare	Satisfying three of five items. Two-star certificate was acquired.	FamilyMart	Mar. 2017
		Tochigi Inclusive Society Development Commendation Nice Heart Division	Tochigi prefecture	The efforts that Nice Heart Bazaar was organized to promote the sales of products produced at the offices of handicapped persons' support for employment	UNY APITA Utsunomiya Store	Nov. 30, 2017
		Third Women's Power-up Award Excellent Award	Japan Productivity Center	Appointing women for management by the leadership of the top and achievement of new workstyle coming from the bottom up.	FamilyMart	Apr. 11, 2018
	Others	Japan Packaging Contest 2017 POP Packaging Award	Japan Packaging Institute	Development of easy-to-open cardboard boxes that reduce the workload of store staff	FamilyMart	Aug. 30, 2017
Evaluation	Evaluation by ESG evaluation institutes	Selected as MSCI Japan ESG Select Leaders index component	MSCI INC.	The quality management system is possessed in accordance with the international quality standard, such as ISO 9001, and the third-party audit is implemented regarding safety of food at the production bases of suppliers.	Holdings	2018
		Selected as 2018 SNAM Sustainability index component	SOMPO	Establishment of the PDCA operation system and the attitude of having active communication in the organization	Holdings	2018

GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX

This report is "GRI-referenced" and has been prepared having regard to the GRI Standards published in 2016.

GRI Standards (common)		Page	
102	Organizational profile	1	59
		2	3,4,5
		3	59
		5	59
		6	5,6,53
		7	5,55
		9	40,41
		10	3
		11	15,16
		12	58
	Strategy	14	7,8
		15	15–17,29,39,44,49
	Ethics and integrity	16	1
		17	13,14
	Governance	18	11,12
		20	12
		21	12
		22	11
		24	11
		26	11,12
		27	14,16
		28	11
		29	11,12,15
		30	11,12,15
		33	11,14
		34	14

102	Stakeholder engagement	40	53
		43	14,53,45
	Reporting practice	46	54
		47	54
		50	58
		53	59
		55	57
103	General requirements for reporting the management approach	1	54
		2	18,19,29,30,39,40,44,45,49,50,54
		3	19
201	Economic Performance	1	5
		2	17
203	Indirect Economic Impacts	1	29,32–38
205	Anti-corruption	2	13
305	Emissions	3	55
		5	23,24,26
306	Effluents and Waste	1	28
307	Environmental Compliance	1	19
401	Employment	3	55
404	Training and Education	2	14,16,19,51
405	Diversity and Equal Opportunity	1	49,55
413	Local Communities	1	31,32,34–36
414	Supplier Social Assessment	2	41,42
416	Customer Health and Safety	1	41,42
417	Marketing and Labeling	1	21,25

UNITED NATIONS GLOBAL COMPACT REFERENCE TABLE

		Page
Human Rights	1: Businesses should support and respect the protection of internationally proclaimed human rights	1,13,14,42,54
	2: Make sure that they are not complicit in human rights abuses	
Labor	3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	1,13,14,42,54
	4: The elimination of all forms of forced and compulsory labor	
	5: The effective abolition of child labor	
	6: The elimination of discrimination in respect of employment and occupation	
Environment	7: Businesses should support a precautionary approach to environmental challenges	1,17–27,54
	8: Undertake initiatives to promote greater environmental responsibility	
	9: Encourage the development and diffusion of environmentally friendly technologies	
Anti-Corruption	10: Businesses should work against corruption in all its forms, including extortion and bribery	1,11–14,54


About this report

This report is the Group's Sustainability Report published by FamilyMart UNY Holdings. This report describes the Group's idea and system to promote the sustainability activities. Also, this report mainly describes activities of each company focusing on material issues that should be solved as the Group, based on the United Nation Global Compact to which FamilyMart UNY Holdings signed, Sustainable Development Goals (SDGs) to which the Group expressed the contribution, and the Group's Sustainability Policy. In this financial year, by improving

the description about corporate governance, compliance, and risk management, the Group's management foundation to steadily enhance its sustainability activities are explained. Also, with introduction of a group company, Kanemi Co., Ltd., the explanation about the Group's efforts for sustainability is expanded. Please refer to the *CSR Handbook 2018* of FamilyMart and *Environment Report 2018* of UNY for more details and visit the website of each company, as this report presents digest of activities regarding material issues.




**FamilyMart
CSR Hand Book 2018
(Japanese only)**

 http://www.family.co.jp/company/csr/engagement/csr_handbook_arc_2018.html



**UNY
Environment Report 2018
(Japanese only)**

 <http://www.uny.co.jp/corporate/torikumi/eco/management/report.html>

[Outline of this report]

- Period: From March 2017 and February 2018, partially including the latest period
- Subjects: 38 companies in Japan
27 companies in overseas (as of the end of Feb. 2018)
- Referred guidelines
 - GRI Sustainability Reporting Standards
 - Environmental Report Guidelines in 2012 by The Ministry of the Environment
 - ISO 26000 (Social Responsibility Guidance Standard)


[Disclaimer]

This report includes information about future forecasts, but these statements are judged based on the available information at the time of the preparation of each of the material and are not a guarantee of future performance, etc.

FamilyMart UNY Group The latest CSR information

The latest CSR related information of FamilyMart UNY Group is updated as needed at the respective websites of FamilyMart UNY Holdings, FamilyMart and UNY.

 **FamilyMart UNY Holdings Co., Ltd.**
Sustainability
<http://www.fu-hd.com/english/sustainability/>

 **FamilyMart Co., Ltd.**
CSR, society, environment(Japanese only)
<http://www.family.co.jp/company/csr.html>

 **UNY Co., Ltd.**
CSR information(Japanese only)
<http://www.uny.co.jp/csr/index.html>



FamilyMart UNY Holdings Co., Ltd.

Sunshine60, 17F
1-1, Higashi-Ikebukuro 3-chome,
Toshima-ku, Tokyo 170-6017, Japan
Telephone: (81) 3-3989-7301