

## Corporate Governance and Internal Control System

### Our basic stance on corporate governance

Based on our belief that strong corporate governance builds enterprise value, we are working to establish a transparent and effective management system. To this end, we are working to establish a system to ensure legal compliance and the accurate performance of clerical work. In addition, to ensure proper corporate governance, it is essential to fulfill our duty of accountability through regular and sufficient disclosure of corporate information.

### Our corporate governance system

In addition to a Board of Directors, the conventional statutory auditor system is also a central part of FamilyMart's corporate governance system.

As of June 1, 2007, the Company's Board of Directors comprises 11 directors. Regular meetings of the Board are held once every month, with extraordinary meetings convened whenever deemed necessary. The Board of Directors makes decisions on important matters relating to the execution of the Company's business operations, and also performs a vital oversight function with regard to the execution of their duties by individual directors. The Company has also adopted an executive officer system, under which the Board delegates considerable authority in relation to the day-to-day conduct of business to the Company's executive officers. This separation of responsibilities for day-to-day operations makes possible greater speed in decision-making by the Board of Directors and in the execution of operations.

As an internal auditing unit, the Company's organization includes the Audit Office, which reports directly to the President of the Company. The staff of the Audit Office examine the business operations of the Company from the perspective of such important Companywide management

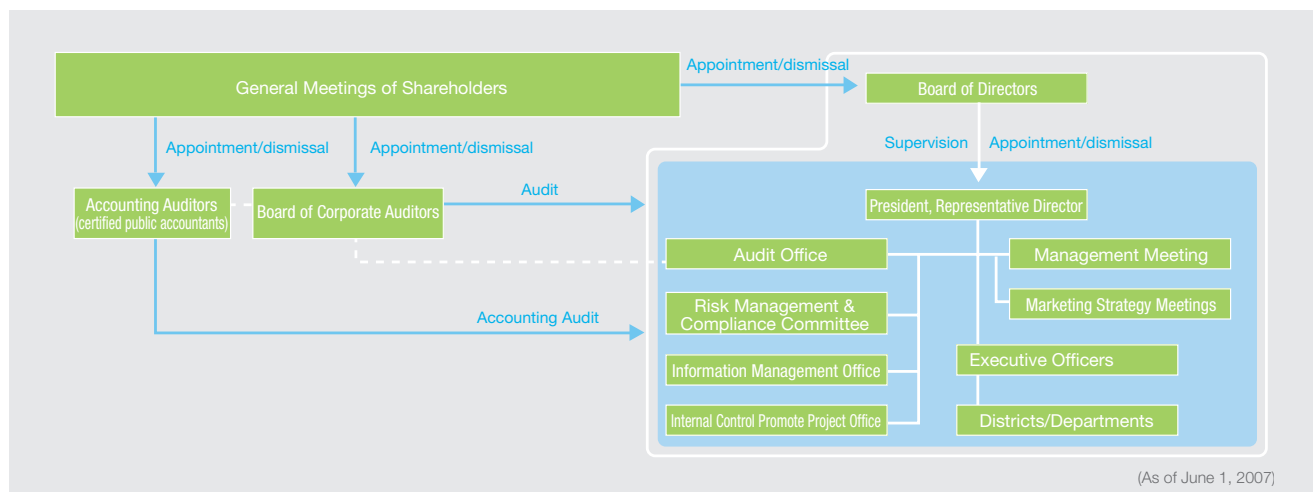
issues as efficiency in carrying out duties, risk management, legal compliance, and so on. They also conduct thorough checks on the implementation of directives issued by the Audit Office or measures taken in response to proposals made by the office, to confirm that improvements have been, or are being, made. The Audit Office staff also liaise with the internal audit staff of other Group companies for the sharing of information and the exchange of opinions.

The Company's Board of Corporate Auditors consists of four members, of whom two are external auditors. The auditors also: 1) sit in on meetings of the Board of Directors and other high-level managerial meetings; 2) ensure, by means of the perusal of documents relating to important management decisions, that they are kept constantly up-to-date with the state of the Company's business operations and with its financial position; and 3) check that the Board of Directors performs its function as laid down in law as well as in the Company's own Articles of Incorporation.

In addition, the auditors maintain close and constant contact with the Audit Office and other relevant units of the Company to ensure that the information available to them is at all times up to date, accurate, and adequate in coverage. The Company's corporate auditors also hold regular meetings with the corporate auditors of other Group companies to ensure that the same degree of rigorous corporate governance is conducted throughout the Group.

FamilyMart has a contractual agreement with the auditing company Deloitte Touche Tohmatsu to perform the auditing of the Company's accounts in line with the stipulations of the Corporation Law and of the Securities and Exchange Law. The auditing company, as an independent organization, examines the financial statements and other financial documents of the Company. Upon receiving independent auditors' reports, the Company exchanges opinions on the auditing results to pinpoint issues that need to be addressed.

### Corporate Governance System



### Internal control system and risk management system

The basic concept underlying the FamilyMart Group's operations is "Co-Growing," by which we mean the building of mutually beneficial relationships with our customers, franchisees, business partners, shareholders, employees, and the local communities we serve. Through the pursuit of our co-growing ideal, we hope to conduct convenience store operations in a way that enables all our stakeholders to interact harmoniously. To this end, FamilyMart insists not only on the observance of all the normal rules of behavior, but also on the maintenance of high ethical standards. Our internal control system exists to ensure that all members of FamilyMart follow these rules at all times.

In March 2006 we established the Internal Control Promote Project Office (which reports directly to the President) to direct initiatives to reinforce the Company's internal control system and simultaneously push forward with reforms of our administrative processes on a Companywide scale. In May of 2006 we announced our basic policy on the creation of a more effective internal control system in response to the enactment of the Corporation Law, which requires companies to establish stricter in-house regulations with regard to their internal control systems. We will be regularly monitoring and assessing the effectiveness of our basic policy, and will be implementing such revisions as we deem necessary in the light of changes in our operating environment.

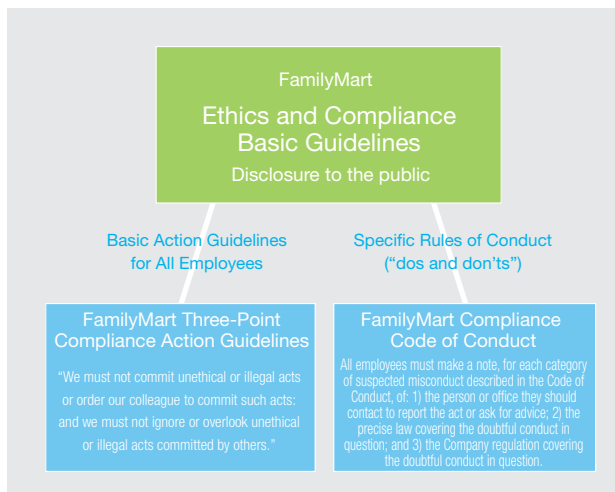
Since the establishment of the Compliance Committee (which also reports directly to the President) in September 2003, FamilyMart has taken a number of steps to ensure the observance of compliance, not only with the law, but also with generally accepted standards of ethical behavior. In 2004, we announced the FamilyMart Ethics and Compliance Basic Guidelines, together with our FamilyMart Three-Point Compliance Action Guidelines and FamilyMart Compliance Code of Conduct. These documents spelled out the Company's compliance

policy in specific terms, and, to give practical effect to our declarations regarding compliance, we also set up an internal reporting system that further strengthens our system for legal and ethical compliance. In March 2005 we set up the Information Management Office to enhance our management of confidential data, including information of a personal nature.

In view of the obvious fact that the management of any company is subject to various risks, FamilyMart has from the beginning implemented a number of measures to minimize the likelihood of the materialization of such risks as damage suffered as a result of natural disasters and accidents resulting from human error, or the leakage of confidential information. In July 2006 the Compliance Committee was given the additional responsibility of serving as a central risk management body, and in line with this it was renamed the Risk Management & Compliance Committee. Finally, in March 2007 three subcommittees were created under the supervision of the Risk Management & Compliance Committee, namely: the Crisis Management Subcommittee, the Compliance Subcommittee, and the Information Management Subcommittee. Within their respective spheres of authority, each of these subcommittees seeks to raise the level of legal compliance of all FamilyMart employees.

As described above, the management of FamilyMart have taken a number of steps to enhance the effectiveness of the Company's internal control system and risk management system, and we will continue to take all actions required to ensure that the Company's corporate governance meets the prevailing standards.

### Compliance Policy



### The Risk Management & Compliance Committee and its specialist subcommittees



## Amounts of remuneration to directors, corporate auditors and independent auditors

### Amounts of remuneration to directors and corporate auditors

(Millions of yen)

Directors	230
Corporate auditors	55

### Amounts of remuneration to independent auditors

(Millions of yen)

Payment for audit certification	38
Other payments	3

## Notes:

1. The amounts for remuneration on the left include ¥48 million in bonuses.
2. An increase in the liability for retirement benefits for directors and corporate auditors for the year of ¥81 million is not included in the amounts in the table.
3. The amounts for remuneration on the left do not include the amounts that correspond to the salary and the bonus for directors who concurrently serve as employees.

## Policy (Action against Corporate Acquisition) toward Large-Scale Purchases of FamilyMart Shares

By decision of the Board of Directors of FamilyMart Co., Ltd., in April 2006 the Company adopted a Policy (Action against Corporate Acquisition) toward Large-Scale Purchases of FamilyMart Shares and this policy was subsequently amended (also by resolution of the Board) in June 2006. Since then, the policy has been the subject of continual discussion and reappraisal, as a result of which the Board of Directors, by a resolution adopted in April 2007 decided to implement a major overhaul of the Company's anti-takeover measures through the replacement of the existing buyout prevention policy with a thoroughly redrafted policy. This decision was approved by the Company's shareholders at the Annual General Meeting of Shareholders held on May 30, 2007.

## Disclosure

The Company's IR activities are principally characterized by accuracy, speed of disclosure, and impartiality. In our investor relations activities during fiscal 2006, we took care to treat all our stakeholders with strict impartiality, whether in terms of the provision of information to individual investors within Japan or overseas, or with regard to the holding of explanatory sessions for our interim and term-end accounts settlements. We ensured that important corporate information was made fully available in the literature provided to explain our accounts settlements, and that monthly sales data shown on our website was constantly updated. We also published and distributed a complete range of disclosure tools such as annual reports and sustainability reports, so as to extend an understanding of our activities as widely as possible. Our efforts were greatly appreciated, and in November 2006 we received the Excellent IR Activity Award from the Japan Investor Relations Association. This was the first time in nine years that the award went to a major retailer. In March 2007, with the goal of upgrading the level of importance we assign to investor relations, the name of the Corporate Communications Department (which reports directly to the President) was changed to the Corporate Communications and Investors Relations Department, within which a separate Investors Relations Office was established.



## FamilyMart Obtains Permission to Display Privacy Mark

In November 2003 FamilyMart laid down and publicly announced a set of rules for the protection of personal information which made clear that we place great importance on the appropriate handling of personal information relating to all our stakeholders, particularly our customers, and that we will be taking all reasonable steps to ensure the confidentiality of such information in our possession. The Company does not merely comply fully with the stipulations of the Personal Information Protection Law and other legislation passed in Japan, but also takes steps to ensure that its franchisees and their staff are fully cognizant of the law and of the Company's privacy policy. In these ways, we are working to realize an even higher degree of protection for the privacy of our customers and other stakeholders across the entire Company. In recognition of our efforts in this respect, in November 2006 the Japan Information Processing Development Corporation (JIPDEC) gave the Company permission to use the Privacy Mark, which indicates

conformity with the JIS Q 15001 standards for the establishment of a personal information protection system. This is the first instance of a convenience store chain operator being allowed to use the Privacy Mark.

Following this, in February 2007 our e-commerce subsidiary famima.com Co., Ltd. was also awarded permission to employ the Privacy Mark. We believe that over the next few years the Privacy Mark will rapidly assume considerable importance as an indicator of the trustworthiness of enterprises with regard to the protection of personal information. With this in mind, we are continuing our efforts to further enhance the protection of personal information, as well as data confidentiality in general.

