

Corporate Governance

FamilyMart UNY Holdings Co., Ltd

Date of Latest Update: December 13, 2018

Representative Director and President: Koji Takayanagi

Contact: Corporate Communications Office

Tel: +81-3-3989-7338

Securities Code: 8028

<http://www.fu-hd.com/english/>

The status of corporate governance at FamilyMart UNY Holdings Co., Ltd., is as follows.

I. Basic Policy on Corporate Governance, Capital Structure, Company Details, and Other Basic Information

1. Basic Policy on Corporate Governance

Based on our belief that strong corporate governance builds enterprise value, we are working to construct 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 administrative work. In addition, to ensure proper corporate governance, it is essential to fulfill our duty of accountability through regular disclosure of corporate information.

Reasons for not adopting the principles of Japan's Corporate Governance Code (Updated)

Supplementary Principle 4.1.3: Succession plans for the president and other top executives
The Board of Directors currently does not oversee the formulation or implementation of succession plans for the president and other top executives. The Company cultivates future senior managers through rank-based training of individuals with the potential to become future members of senior management and by having such individuals accumulate experience at numerous divisions and attend the Management Meeting and other important meetings. The possibility of implementing a system in which the Board of Directors oversees cultivation plans will be examined going forward.

Supplementary Principle 4.3.2: Appointment/Dismissal of the president

Individuals that are qualified to contribute to the ongoing growth and medium-to-long-term improvement of the corporate value of the Company are selected for appointment to representative director and other executive director positions.

Supplementary Principle 4.3.3: Procedures for dismissal of the president

Should a representative director or other executive director engage in conduct that violates laws, the Company's articles of incorporation, or internal regulations or be judged by the Board of Directors to have failed to fulfill their expected duties or responsibilities, they will not be selected as a candidate for director positions and/or be dismissed from their position.

Supplementary Principle 4.10.1: Utilization of voluntary frameworks

The Company currently has two outside directors that are designated as independent directors, and these directors do not constitute a majority of directors. Outside directors regularly offer frank and viable input and suggestions with regard to various matters that are not limited to such important matters as the nomination of director candidates and compensation. In addition

to examining measures pertaining to Supplementary Principles 4.3.2 and 4.3.3, the Company will examine possible measures for allowing for increased contributions and input to be received from outside directors in order to improve the independence and objectivity of the Board of Directors.

Disclosure based on the principles of Japan's Corporate Governance Code (Updated)

Principle 1.4: Cross-Shareholdings

Policy Regarding Cross-Shareholdings

In consideration of changes in the business environment associated with Japan's Corporate Governance Code as well as the risks of stock price fluctuations, the basic policy of the Company is to refrain from engaging in cross-shareholdings. Exceptions may be made in cases in which these holdings are deemed to be meaningful for maintaining or strengthening business relationships or for forming strategic business alliances.

Verification of Meaningfulness of Holdings

The Board of Directors verifies the meaningfulness of cross-shareholdings on an annual basis and discusses and decides whether specific holdings will be maintained or sold based on the results of this verification. Those holdings that have been judged to have lost their meaningfulness will be sold as appropriate while considering the potential impact on the market.

Standards for Exercising Voting Rights Attached to Cross-Shareholdings

When exercising voting rights attached to cross-shareholdings that are to be maintained, the Company will examine each proposal and decide votes based on comprehensive consideration of factors such as whether or not the proposal will contribute to increased shareholder value.

Principle 1.7: Related Party Transactions

All transactions conducted by the Company, including related party transactions, are deliberated on from financial, accounting, taxation, legal affairs, and other perspectives as appropriate based on the scale and importance of the transaction as stipulated by internal regulations, and the necessary approval is received prior to executing transactions. Information on this process is made readily available to corporate auditors.

If a director plans to conduct a transaction that competes with the Company or represents a conflict of interest, approval must be received from the Board of Directors in advance and a report is to be issued to the Board of Directors on the results of the transaction as required by law.

Principle 2.6: Roles of Corporate Pension Funds as Asset Owners

The management of the corporate pension fund is entrusted to multiple fund managers along with the responsibility for selecting individual investment targets, exercising voting rights, and performing other tasks. This approach is taken to prevent conflicts of interest between the

benefactors of the pension fund and the Company.

A staff of individuals with qualities and specialties suited to pension fund management is maintained in the organization responsible for the corporate pension fund in order to ensure a sufficient capacity to monitor the fund managers and carry out other related duties. In addition, discussions are held at the regular meetings of the Asset Management Committee to confirm that the corporate pension fund is being managed in a sound and effective manner.

Principle 3.1: Full Disclosure

The Company performs information disclosure as required by law and also proactively discloses information on the following items for the purpose of ensuring the transparency and impartiality of management decisions and realizing effective corporate governance.

i) Company objectives (e.g., business principles), business strategies, and business plans

The Company has defined Group Principles. Please refer to the following website for more details.

Group Principles

<http://www.fu-hd.com/english/company/philosophy/>

ii) Basic views and guidelines on corporate governance

Please refer to “1. Basic Policy on Corporate Governance” under “I. Basic Policy on Corporate Governance, Capital Structure, Company Details, and Other Basic Information” in this report for information on this item.

iii) Policies and procedures for determining the compensation of senior management and directors

Please refer to “Disclosed Policies for Deciding Compensation Amounts and Calculation Methods” in “Director Compensation” under “1. Organizational Structures and Operation” of “II. System of Business Management Organization for Management Decision-Making, Operational Execution, and Auditing and Other Corporate Governance Systems” in this report for information on basic policies regarding the compensation of directors.

Regulations stipulating the aforementioned policies are decided by the Board of Directors.

Basic policies and calculation methods for the compensation of executive officers with titles are based on the basic policies and calculation methods for the compensation of directors.

iv) Policies and procedures for the appointment of senior management and the nomination of directors and corporate auditor candidates

The Company selects and nominates candidates for positions as directors and executive officers

based on the balance of their traits with consideration comprehensively paid to experience, performance, specialty, diversity, and other factors. Candidates for positions as corporate auditors are nominated based on an assessment of the balance of their insight into the Company's business; financial, accounting, legal, and other knowledge and experience; and the diversity of perspectives they will bring to corporate management.

Representative directors and other relevant directors examine potential candidates based on the above policy, and final nomination decisions are made by the Board of Directors.

Should a director or corporate auditor engage in conduct that violates laws, the Company's articles of incorporation, or internal regulations or be judged by the Board of Directors to have failed to fulfill their expected duties or responsibilities, the Company will propose their dismissal at the general meeting of shareholders.

v) Explanations with respect to individual appointments/dismissals and nominations
The reasons for the appointment/dismissal and nomination of specific directors and corporate auditors are disclosed in reference materials pertaining to the general meeting of shareholders.

Supplementary Principle 4.1.1: Scope delegation of authority to management

As a Company with Company Auditor(s), the Company delegates authority to management for decisions pertaining to standard operational execution within the legally permitted scope. The Board of Directors is assigned authority for the oversight of management execution by management and decisions related to corporate governance as well as authority for matters of operational execution that have high quantitative or qualitative materiality. The items needing to be submitted to the Board of Directors are defined in the Board of Directors Regulations.

Principle 4.8: Effective Use of Independent Directors

The Company has appointed two outside directors that are designated as independent directors. Please refer to "Board of Directors" under "1. Organizational Structures and Operation" of "II. System of Business Management Organization for Management Decision-Making, Operational Execution, and Auditing and Other Corporate Governance Systems" in this report for information on these outside directors.

Principle 4.9: Independence Standards and Qualifications for Independent Directors

With the goal of defining the criteria for certifying outside directors and outside corporate auditors as independent directors or auditors of the Company, the Company has established the Criteria Concerning the Independence of Outside Officers with the approval of the Board of Directors. When considering candidates for outside director and outside corporate auditor positions, their independence based on said criteria is a prerequisite for the position.

The Criteria Concerning the Independence of Outside Officers can be found in "Other Matters regarding Independent Directors and Auditors" under "Independent Directors and Auditors" in

“1. Organizational Structures and Operation” of “II. System of Business Management Organization for Management Decision-Making, Operational Execution, and Auditing and Other Corporate Governance Systems” of this report.

Supplementary Principle 4.11.1: Composition of the Board of Directors

The Company’s articles of incorporation define that the number of directors of the Company shall be no more than 15. With the goal of enabling the Board of Directors to effectively exercise oversight of operational execution and make decisions, it is the basic policy of the Company to appoint the number of directors that is appropriate based on comprehensive consideration of factors including directors’ experience regarding the Company’s management and their performance, specialties, and diversity as well as the balance of the functions and obligations of the Board of Directors.

Based on these policies, the Company’s current Board of Directors has been made to consist of 13 directors, 11 of whom are internal directors that have exceptional insight into the Company’s businesses and two of whom are outside directors that possess robust experience and insight.

Supplementary Principle 4.11.2: Concurrent positions held by directors and corporate auditors

Information on concurrent positions held by directors and corporate auditors at other listed companies is disclosed each year in notices of convocations of the general meeting of shareholders, business reports, and other documents.

For more information, please refer to pages 7–21, 38, and 39 of *Notice of Convocation of the 37th Ordinary General Meeting of Shareholders*.

http://www.fu-hd.com/english/ir/stock_information/shareholder_meeting/e1802_sokai_01.pdf

Supplementary Principle 4.11.3: Evaluations of the effectiveness of the Board of Directors

The Company performed an analysis and evaluation of the Board of Directors based on the results of the aggregation of the responses to questionnaires on the effectiveness of the Board of Directors issued to all directors and corporate auditors.

The analysis and evaluation confirmed that the Board of Directors was effective and generally functioning appropriately in terms of composition, proceedings, agenda items, and support systems.

The previous fiscal year’s evaluation pointed out issues related to the Board of Directors with respect to the schedule for convening meetings and the content of documents provided. Based on comparison with the previous fiscal year’s evaluation, the most recent evaluation confirmed that the Company has made improvements with respect to enhancing and revising management

of the Board of Directors in regard to these issues.

In addition, the most recent evaluation pointed out issues related to the composition of the Board of Directors, such as the number of directors and the percentage of outside directors, and issues related to the enhancement of the content of the agenda items of the Board of Directors, including plans for successors to representative directors and the nomination and dismissal of members of senior management. Measures for addressing these issues will be examined going forward.

The Board of Directors will use this evaluation as a reference in its continued efforts to enhance its effectiveness.

Supplementary Principle 4.14.2: Policies for training directors and corporate auditors

It is the Company's policy to support directors and corporate auditors in acquiring knowledge pertaining to the Company and to perform training for new directors and corporate auditors in the form of explanations on the business, finances, and strategies of the Company. In addition, opportunities are provided to help directors and corporate auditors obtain the basic knowledge necessary to perform their duties. The Company also arranges external training for directors and corporate auditors, covering related expenses, as it enacts a policy of aiding directors and corporate auditors in deepening their understanding of their roles and responsibilities.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

Basic Investor Relations Policy

The Company is committed to ensuring that its investor relations activities respect its policy of simple and forthright disclosure characterized by accuracy, promptness, and impartiality. Under the strong leadership of the president, the Company holds biannual financial results review meetings, conducts overseas investor relations activities, meets individually with investors and analysts, and proactively provides information through its corporate website and various publications. Going forward, we will work to further enhance our investor relations activities.

- The chief financial officer (CFO) is responsible for engagement with shareholders and investors, and members of senior management and directors to take part in interactions whenever rationally possible.
- The CFO is responsible for overseeing the CFO & Investor Relations Office, the organization effectively in charge of engagement with shareholders and investors. The CFO & Investor Relations Office holds regular meetings and otherwise pursues close coordination with relevant divisions within the Company to support shareholder and investor engagement activities by members of senior management and directors.

- The CFO periodically reports the input and concerns solicited from shareholders and investors through engagement activities to the Board of Directors. In addition, information is relayed to members of senior management whenever necessary.

- The CFO promotes engagement with shareholders and investors through various opportunities managed by the CFO & Investor Relations Office.

Please refer to “2. Investor Relations Activities” under “III. Initiatives Concerning Shareholders and Other Stakeholders” in this report for detailed information on investor relations activities and measures.

2. Capital Structure

Ratio of shares held by foreign institutions and individuals

Between 10% and 20%

Major Shareholders (Updated)

Name	Number of shares (thousands)	Shareholdings (%)
ITOCHU Corporation	52,507,296	41.43
The Master Trust Bank of Japan, Ltd. (Trust account)	12,540,200	9.89
ITOCHU RETAIL INVESTMENT, LLC	10,880,400	8.58
Japan Trustee Services Bank, Ltd. (Trust account)	6,719,200	5.30
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,626,900	2.07
NTT DOCOMO, INC.	1,812,800	1.43
Nippon Life Insurance Company	1,553,272	1.22
STATE STREET BANK WEST CLIENT-TREATY 505234	1,427,796	1.12
BNP Paribas Securities (Japan) Limited	1,410,425	1.11
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,217,100	0.96

Has controlling shareholders (excluding parent company)

—

Has parent company (Updated)

ITOCHU Corporation (Listed on Tokyo Stock Exchange, Securities code: 8001)

Supplementary Information (Updated)

1. Information listed under “Major Shareholders” is as of August 31, 2018.
2. ITOCHU RETAIL INVESTMENT, LLC, is a wholly owned subsidiary of ITOCHU Corporation.
3. The large shareholding report (change report) publicly disclosed on April 16, 2018, states

that 7,724,000 shares of the Company's stock were held by Mitsubishi UFJ Trust and Banking Corporation and two joint holders on April 9, 2018. However, the Company was unable to confirm the actual number of shares held as of February 28, 2018, and these shares are therefore not included in the information under "Major Shareholders" above.

4. The large shareholding report (change report) publicly disclosed on June 6, 2018, states that 6,337,000 shares of the Company's stock were held by Daiwa Asset Management Co., Ltd., and one joint holder on May 31, 2018. However, the Company was unable to confirm the actual number of shares held as of February 28, 2018, and these shares are therefore not included in the information under "Major Shareholders" above.

5. The large shareholding report (change report) publicly disclosed on September 5, 2018, states that 11,922,000 shares of the Company's stock were held by Nomura Securities Co., Ltd., and three joint holders on August 31, 2018. However, the Company was unable to confirm the actual number of shares held as of February 28, 2018, and these shares are therefore not included in the information under "Major Shareholders" above.

6. The large shareholding report (change report) publicly disclosed on September 6, 2018, states that 8,456,000 shares of the Company's stock were held by Sumitomo Mitsui Trust Bank, Limited, and two joint holders on August 31, 2018. However, the Company was unable to confirm the actual number of shares held as of February 28, 2018, and these shares are therefore not included in the information under "Major Shareholders" above.

3. Company Details

Stock exchange, section	Tokyo Stock Exchange, First Section; Nagoya Stock Exchange, First Section
Fiscal year-end	End of February
Industry	Retail
Number of employees at end of previous fiscal year (consolidated)	More than 1,000
Net sales in previous fiscal year (consolidated)	More than ¥100 billion, less than ¥1 trillion
Number of consolidated subsidiaries at end of previous fiscal year	More than 10, less than 50

4. Guidelines for Measures to Protect Minority Shareholders in the Event of Transactions with Controlling Shareholders (Updated)

When engaging in transactions with parent company ITOCHU Corporation and its subsidiaries, the Company negotiates and decides transaction conditions and other factors in the same manner as it would with standard transactions in order to maintain its independence as a listed company and prevent conflicts of interest with minority shareholders.

5. Other Conditions That May Materially Affect Corporate Governance

The Company has one listed subsidiary. The Company respects the independence of the management of this subsidiary in accordance with its basic policy of respecting the autonomy of the subsidiary's management and proactively providing guidance and advice to help the subsidiary improve management and contribute to the achievement of the Group's targets.

II. System of Business Management Organization for Management Decision-Making, Operational Execution, and Auditing and Other Corporate Governance Systems

1. Organizational Structures and Operation

Organizational structure	Company with Company Auditor(s)
--------------------------	---------------------------------

Board of Directors

Number of directors pursuant to articles of incorporation	15
Term of directors pursuant to articles of incorporation	1 year
Chairman of Board of Directors	President
Number of directors	13
Has outside directors	Yes
Number of outside directors	2
Number of outside directors who are also independent directors	2

Relationship between External Directors and the Company (1)

Name	Association	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takashi Saeki	Comes from other company								○			
Tadashi Izawa	Other											

* Multiple choice items regarding relationship with the Company

○ indicates that the individual is now or was recently applicable under the item.

△ indicates that the individual was applicable under the item in the past.

● indicates that a close relative of the individual is now or was recently applicable under the item.

▲ indicates that a close relative of the individual was applicable under the item in the past.

- a. A person involved in the operation of the Company, its subsidiaries, or its affiliates
- b. A person involved in the operation or a non-executive director of the parent company of the Company
- c. A person involved in the operation of a subsidiary of the parent company of the Company
- d. An entity or a person involved in the operation of an entity that has a significant business relationship with the Company
- e. An entity or a person involved in the operation of an entity with which the Company has a significant business relationship
- f. A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a director or a corporate auditor
- g. A major shareholder of the Company or a person involved in the operation of an entity that is a major shareholder of the Company
- h. A person involved in the operation of an entity with which the Company has a significant business relationship who does not fall under d., e., or f. above (only applies to the individual in question)
- i. A person involved in the operation of an entity at which a person involved in the operation of the Company, its subsidiaries, or its affiliates serves as an outside director or an outside corporate auditor (only applies to the individual in question)
- j. A person involved in the operation of an entity that receives large amounts of donations from the Company, its subsidiaries, or its affiliates (only applies to the individual in question)
- k. Other

Relationship between Outside Directors and the Company (2)

Name	Independent director	Supplementary information regarding status of independence	Reason for appointment
Takashi Saeki	○	Takashi Saeki serves as a member of the board and advisor of TOHO GAS Co., Ltd. The Group conducts standard gas use transactions as well as gas fee money transfer transactions with this company, but the amounts of these transactions are immaterial. Mr. Saeki is also an outside corporate auditor of The Ogaki Kyoritsu Bank Ltd., which is a creditor of the Company.	Takashi Saeki has served as an outside director of the Company as well as a consultant to directors, outside director, and outside corporate auditor at other companies. We have thus determined that Mr. Saeki can be expected to provide valuable opinions and advice based on his abundant experience and significant insight as a corporate manager. It was also judged that

		<p>Important Positions Concurrently Held in Other Companies</p> <p>Adviser and Member of the Board of TOHO GAS Co., Ltd.</p> <p>Outside Director of Central Japan Railway Company</p> <p>Outside Corporate Auditor of The Ogaki Kyoritsu Bank Ltd.</p>	<p>he fulfills the requirements for being designated as an independent director and does not present the risk of conflicts of interest with general shareholders. Mr. Saeki was therefore designated as an independent director.</p>
Tadashi Izawa	○	<p>Important Position Concurrently Held in Other Company</p> <p>President of the Japan-China Economic Association</p>	<p>Tadashi Izawa has abundant experience acquired through his years of experience as a deputy director-general of the Ministry of Economy, Trade and Industry, a board member of the Japan International Cooperation Agency, an executive vice president of Japan External Trade Organization, and an ambassador. We have determined that Mr. Izawa can be expected to provide valuable opinions and advice based on these experiences and his deep knowledge.</p> <p>It was also judged that he fulfills the requirements for being designated as an independent director and does not present the risk of conflicts of interest with general shareholders. Mr. Izawa was therefore designated as an independent director.</p>

Has committees equivalent to nominating committee or compensation committee	No
---	----

Corporate Auditors

Has Board of Corporate Auditors	Yes
Number of corporate auditors pursuant to articles of incorporation	5
Number of corporate auditors	5

Coordination between Corporate Auditors, Accounting Auditors, and Internal Auditing Organizations

Corporate auditors take steps to enhance coordination with accounting auditors by holding discussions and exchanges of information based on explanations of audit plans and quarterly reports. In addition, corporate auditors receive monthly reports on the results of internal audits from the Audit Office, the Company's internal auditing organization, and otherwise pursue coordination with this organization.

Has outside corporate auditors	Yes
Number of outside corporate auditors	4
Number of outside corporate auditors who are also independent auditors	3

Relationship between Outside Corporate Auditors and the Company (1) (Updated)

Name	Association	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mika Takaoka	Scholar													
Yasuhiro Baba	Comes from other company			△										
Naotaka Nanya	Attorney													
Takayuki Aonuma	Attorney													

* Multiple choice items regarding relationship with the Company

○ indicates that the individual is now or was recently applicable under the item.

△ indicates that the individual was applicable under the item in the past.

● indicates that a close relative of the individual is now or was recently applicable under the item.

▲ indicates that a close relative of the individual was applicable under the item in the past.

- a. A person involved in the operation of the Company, its subsidiaries, or its affiliates
- b. A non-executive director or an accounting advisor of the Company, its subsidiaries, or its affiliates
- c. A person involved in the operation or a non-executive director of the parent company of the Company
- d. An Audit & Supervisory Board member of the parent company of the Company
- e. A person involved in the operation of a subsidiary of the parent company of the Company
- f. An entity or a person involved in the operation of an entity that has a significant business relationship with the Company
- g. An entity or a person involved in the operation of an entity with which the Company has a significant business relationship
- h. A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a director or a corporate auditor
- i. A major shareholder of the Company or a person involved in the operation of an entity that is a major shareholder of the Company
- j. A person involved in the operation of an entity with which the Company has a significant business relationship who does not fall under f., g., or h. above (only applies to the individual in question)
- k. A person involved in the operation of an entity at which a person involved in the operation of the Company, its subsidiaries, or its affiliates serves as an outside director or an outside corporate auditor (only applies to the individual in question)
- l. A person involved in the operation of an entity that receives large amounts of donations from the Company, its subsidiaries, or its affiliates (only applies to the individual in question)
- m. Other

Relationship between Outside Corporate Auditors and the Company (2) (Updated)

Name	Independent auditor	Supplementary information regarding status of independence	Reason for appointment
Mika Takaoka	○	Important Positions Concurrently Held in Other Companies Professor of the College of Business, Rikkyo University Outside Director of TSI HOLDINGS CO., LTD. Outside Director of MOS FOOD SERVICES, INC. Outside Director of	Mika Takaoka possesses a wealth of specialized insight and knowledge regarding economics and management accumulated through her experience as a university professor. We have thus determined that Ms. Takaoka can be expected to perform

		Kyodo Printing Co., Ltd. Outside Director of SG Holdings Co., Ltd.	rigorous audits of the Company's management. It was also judged that she fulfills the requirements for being designated as an independent auditor and does not present the risk of conflicts of interest with general shareholders. Ms. Takaoka was therefore designated as an independent auditor.
Yasuhiro Baba		Important Positions Concurrently Held in Other Companies Corporate Auditor of FamilyMart Co., Ltd. Corporate Auditor of UNY CO., LTD. Yasuhiro Baba was previously employed by ITOCHU Corporation.	Yasuhiro Baba has been engaged in accounting and finance tasks at another company for many years. We have thus determined that Mr. Baba can be expected to perform rigorous audits of the Company's management based on his wealth of experience and insight into the accounting and finance fields.
Naotaka Nanya	○	Important Positions Concurrently Held in Other Companies Attorney, Minamitani Law Office Outside Corporate Auditor of CKD Corporation	Naotaka Nanya has a wealth of experience and insight as a legal specialist. We have thus determined that Mr. Nanya can be expected to perform rigorous audits of the Company's management. It was also judged that he fulfills the requirements for being designated as an independent auditor and does not present the risk of conflicts of interest with general

			shareholders. Mr. Nanya was therefore designated as an independent auditor.
Takayuki Aonuma	○	Important Position Concurrently Held in Other Company Of-Counsel at City-Yuwa Partners	Takayuki Aonuma has a wealth of experience and insight as a legal specialist. We have thus determined that Mr. Aonuma can be expected to perform rigorous audits of the Company's management. It was also judged that he fulfills the requirements for being designated as an independent auditor and does not present the risk of conflicts of interest with general shareholders. Mr. Aonuma was therefore designated as an independent auditor.

Independent Directors and Auditors

Number of independent directors and auditors

5

Other Matters regarding Independent Directors and Auditors

With the goal of defining the criteria for certifying outside directors and outside corporate auditors as independent directors or auditors of the Company, the Company has established the Criteria Concerning the Independence of Outside Officers with the approval of the Board of Directors. When considering candidates for outside director and outside corporate auditor positions, their independence based on said criteria is a prerequisite for the position.

The Criteria Concerning the Independence of Outside Officers are as follows.

Criteria Concerning the Independence of Outside Officers

1. Purpose

These criteria have been established with the goal of clearly defining the criteria for certifying outside directors and outside corporate auditors as independent directors or independent auditors.

2. Independent Directors and Independent Auditors

1) Independent directors and independent auditors are defined as outside directors or outside corporate auditors that do not present the risk of conflicts of interest with general shareholders and that meet the conditions described in 2) or 3) below.

2) Independent directors and independent auditors should not be applicable under any of the following items.

(1) A person involved in the operation of the parent company of the Company or of a subsidiary of the parent company of the Company

“A person involved in the operation” is defined as a director (other than an outside director), an accounting advisor (or the employee of an accounting advisor if the accounting advisor is a juridical person), or an executive officer (referred collectively as “directors, etc.,” hereinafter) or another manager or employee that is responsible for the execution of operations.

(2) An entity or a person involved in the operation of an entity that has a significant business relationship with the Company

“An entity that has a significant business relationship with the Company” is defined as an entity that fulfills one of the following conditions.

a. A person or entity that provides products or services directly or indirectly to the Company or its subsidiaries (including the affiliates of subsidiaries, the same definition applies to item (3), a. below) and for which product or service transactions with the Company or its subsidiaries through manufacturing, wholesale, or other services provided by the supplier or, if the supplier is a juridical person, the supplier or its consolidated subsidiary represented more than 2% of the total consolidated net sales of the entity in question in the most recently completed fiscal year.

b. A creditor of the Company or its subsidiaries for which the total amount of credit extended to the Company or its subsidiaries by the creditor or, if the creditor is a juridical person, the creditor or its consolidated subsidiary represented more than 2% of the total consolidated total assets of the entity in question at the end of the most recently completed fiscal year.

(3) An entity or a person involved in the operation of an entity with which the Company has a significant business relationship

“An entity with which the Company has a significant business relationship” is defined as an entity that fulfills one of the following conditions.

a. A person or entity to which the Company or its subsidiaries provide products or services directly or indirectly and for which product or service transactions through manufacturing, wholesale, or other services provided by the Company or its subsidiaries represented more than 2% of the total consolidated net sales of the Company in the most recently completed fiscal year.

b. A debtor of the Company or its subsidiaries for which the total amount of credit extended by the Company or its subsidiaries represented more than 2% of the total consolidated total assets of the Company in question at the end of the most recently completed fiscal year.

(4) A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company or its subsidiaries that are separate from the compensation paid for services as a director or a corporate auditor (a member of the applicable organization if the recipient of the financial assets is a juridical person, association, or other organization)

“A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company or its subsidiaries that are

separate from the compensation paid for services as a director or a corporate auditor” is defined as an individual that received financial assets from the Company or its subsidiaries that are separate from the compensation paid for services as a director or a corporate auditor and that exceeded ¥10 million or 2%, whichever is larger, of the individual’s total net sales or income in the most recently completed fiscal year.

(5) A person or entity that was applicable under items (1)–(4) above in the past three years

(6) A close relative (one’s spouse or second-degree relatives) of an individual that fulfills one of the following conditions

a. An individual applicable under items (1)–(5) above

For the purpose of this item, “a person involved in the operation” in items (1)–(3) above is limited to directors, etc., and employees ranked division manager or above (“an important person involved in the operation”) and “a member of the applicable organization” in item (4) above is limited to an important person involved in the operation of the applicable organization or a certified public accountant, attorney, or other individual with specialized qualifications if the applicable organization is an auditing firm, law firm, or other specialized organization.

b. An important person involved in the operation of the Company or its subsidiaries

c. A person that was applicable under item b. above in the past three years

3) Even if an individual fulfills the requirements described in 2) above, the Company may choose not to designate them as an independent director or independent auditor if they are a major shareholder or a person involved in the operation of the Company, if they have been applicable under one of the items in 2) above in the past, or if they are otherwise judged not to be sufficiently independent from the management of the Company.

3. Notification

Independent directors and independent auditors should endeavor to maintain their state of independence as described by these criteria for the duration of their terms. If an independent director or independent auditor loses their state of independence as described by these criteria, they are expected to provide prompt notification to the Company.

4. Establishment, Amendment, and Abolishment

The establishment, amendment, and abolishment of these criteria shall be decided by resolution of the Board of Directors.

Incentive Systems

Incentives provided to directors	Performance-based compensation, etc.
Supplementary Information The Company has introduced performance-based compensation linked to consolidated net profit attributable to owners of parent as part of its bonuses for directors. Furthermore, directors contribute a portion of their fixed compensation and bonuses to the Company’s management stock ownership plan to acquire shares of Company stock. During directors’ terms of office, the Company requires directors to keep the shares they have acquired.	
Individuals able to receive stock options	—

Supplementary Information

Director Compensation

Disclosure of compensation of individual directors	No disclosure of compensation of individual directors
--	---

Supplementary Information

The total amount of compensation paid to directors in fiscal 2017 has been disclosed as follows.
Total director compensation: ¥175 million (of which ¥20 million was paid to outside directors)

The above figures include one director who retired as of the close of the 36th Ordinary General Meeting of Shareholders held on May 25, 2017, and one director who retired on February 20, 2018.

Has policies for deciding compensation amounts and calculation methods	Yes
--	-----

Disclosed Policies for Deciding Compensation Amounts and Calculation Methods

The Company provides compensation to directors and corporate auditors within predetermined monetary limits approved by the general meeting of shareholders.

Directors receive fixed compensation, which is a monthly salary, and bonuses. Fixed compensation is a monetary amount based on internal regulations and position. Bonuses are performance-based compensation and are linked to consolidated net profit attributable to owners of parent.

Further, directors contribute a portion of their fixed compensation and bonuses to the Company's management stock ownership plan to acquire shares of Company stock (stock price-linked compensation).

Part-time directors only receive fixed compensation in the form of a monthly salary.

Corporate auditors only receive fixed compensation in the form of a monthly salary.

Support Systems for Outside Directors and Outside Corporate Auditors

The Corporate Planning Department of the Corporate Planning Division supports outside directors in performing their duties.

The Corporate Auditors' Secretariat, which has a dedicated staff, supports outside corporate auditors and other corporate auditors in performing their duties by aiding in audit processes and conducting tasks pertaining to the operation of the Board of Corporate Auditors.

Individuals That Have Resigned from the Position of Representative Director and President

Names of Advisors and Consultants That Have Previously Served as Representative Director and President

Name	Position	Duties	Format and conditions of employment (full-time/part-time, compensated/uncompensated, etc.)	Date of resignation from the position of representative director and president	Term
Junji Ueda	Advisor	Stakeholder engagement activities (Does not participate in management)	Full-time, compensated	May 25, 2017	2 years

Number of advisors and consultants that have previously served as representative director and president

1

2. Matters concerning Operational Execution, Audits, Supervision, Nomination, Compensation, and Other Functions (Overview of Current Corporate Governance System)

The Board of Directors of the Company comprises 13 directors, two of whom are outside directors, 13 of whom are male, and none of whom are female. The Board of Directors meets once a month, in principle, to make decisions regarding important operational execution matters and oversee the execution of duties. In addition, the Company has adopted the executive officer system to accelerate the making of decisions concerning operations and expedite their execution. Executive officers are nominated and assigned an area of responsibility via resolution by the Board of Directors, and they carry out business execution in their area of responsibility. The Company has also set up the Risk Management & Compliance Committee to coordinate risk management systems and strengthen its mechanisms for the observance of all laws and ethical norms. Furthermore, a specialist department has been established to construct an effective internal control system and entrench corporate governance.

The Company's internal auditing organization is the Audit Office, which reports directly to the representative director and president. The Audit Office conducts internal audits from the perspective of the efficiency of business execution, risk management, and compliance. It also carries out thorough checks on the progress of improvement measures based on issues identified and proposals made during the course of audits. Moreover, the Audit Office coordinates with internal auditing units at Group companies to share information and opinions.

The Board of Corporate Auditors consists of five members, of whom four are outside corporate auditors, four are male, and one is female. The corporate auditors attend meetings

of the Board of Directors and other high-level managerial meetings and review documents on important resolutions to monitor the state of the Company's business operations and financial position and thereby audit the execution of duties by directors. In addition, corporate auditors maintain close coordination with the Audit Office to collect information, and regular liaison meetings are held with corporate auditors from Group companies to promote governance on a Groupwide level.

Overview of Limited Liability Agreements

In accordance with the stipulations of Article 427 (1) of the Companies Act of Japan, the Company has concluded agreements with five independent officers (two outside directors and three outside corporate auditors) limiting their liability for damages as described in Article 423 (1) of the same law. These agreements provide that, in the case that the outside directors and outside corporate auditors perform their duties in good faith and without gross negligence, their liability for any damages that may occur will be limited to the minimum amount stipulated in Article 425 (1) of the Companies Act.

For accounting auditors, the Company has entered into an agreement with Deloitte Touche Tohmatsu LLC and is subject to audits under the Companies Act and the Financial Instruments and Exchange Act. Accounting auditors audit the financial statements from the position of an independent third party, and the Company discusses the results of the audit after receiving it.

Information on the certified public accountants that performed the audits and on compensation they received is as follows.

Information on the certified public accountants that performed audits

Names of the certified public accountants that performed audits and affiliated audit firm

Koichi Okubo, Deloitte Touche Tohmatsu LLC

Haruko Nagayama, Deloitte Touche Tohmatsu LLC

Support staff: 19 certified public accountants and 35 other individuals

Audit Compensation

Compensation paid to accounting auditor of the Company and its subsidiaries, Deloitte Touche Tohmatsu LLC

Compensation based on audit and attestation as stipulated in Article 2 (1) of the Certified Public Accountants Act: ¥528 million

(Compensation for audits of the Company: ¥79 million; Compensation for audits of subsidiaries: ¥449 million)

3. Reason for Selecting Current Corporate Governance System

As a Company with Company Auditor(s) (Company with Board of Company Auditors), the Company is able to enhance oversight and supervisory functions and ensure transparency in decision-making as outside corporate auditors and other corporate auditors exert an effective oversight function on management. In addition to a corporate governance system centered on the management oversight function of corporate auditors, two highly independent outside directors have been appointed to improve the effectiveness of the management oversight

function and the transparency of the decision-making of the Board of Directors. The foundation of the Company's current corporate governance system is formed by the Board of Directors, which includes outside directors among its members, and the Board of Corporate Auditors, which comprises a majority of outside corporate auditors. The Company has judged that this system conforms to its vision for the highly transparent management system that it seeks to develop.

III. Initiatives concerning Shareholders and Other Stakeholders

1. Measures to Ensure Interactive Ordinary General Meetings of Shareholders and the Smooth Exercise of Voting Rights

	Supplementary information
Early dispatch of notices of convocation of ordinary general meetings of shareholders	Notices of convocation of ordinary general meetings of shareholders distributed three weeks prior to the meeting
Electronic methods of exercising voting rights	Available
Participation in platforms for the exercise of electronic voting rights and other initiatives to enhance options for the exercise of voting rights for institutional investors	Yes Notices of convocation of ordinary general meetings and other documents are available on the Company's corporate website. http://www.fu-hd.com/english/ir/stock_information/shareholder_meeting/
Provision of (abbreviated) English-language notices of convocation of ordinary general meetings of shareholders	Yes http://www.fu-hd.com/english/ir/stock_information/shareholder_meeting/

2. Investor Relations Activities

	Supplementary information	Explanations are provided directly from Company representative
Establishment and release of disclosure policy	Established policy of simple and forthright disclosure characterized by accuracy, promptness, and impartiality	
Regular explanatory forums for individual investors	Briefings for individual investors by executives responsible for investor relations	No
Regular explanatory forums for analysts and institutional investors	Twice annual meetings (interim and year-end results) offering explanations of business results and management strategies	Yes
Regular explanatory forums for overseas investors	Visits to important investors in the United States, Europe, and Asia for briefing sessions offering explanations of business results and management strategies	Yes
Investor relations materials provided via Company website	http://www.fu-hd.com/english/ir/ Website providing message from the president, consolidated financial results, presentations, etc.	
Division (representative) responsible for investor relations	Investor relations division: CFO & Investor Relations Office Investor relations contact: Kenji Kunitomo	

3. Activities concerning Respect for Stakeholders' Positions

	Supplementary information
Internal regulations requiring respect for stakeholders' positions	Described in the FamilyMart UNY Group Code of Conduct http://www.fu-hd.com/english/company/conduct/
Environmental preservation, CSR, and other activities	<p>FamilyMart UNY Holdings seeks to contribute to better lives that are both richer and more enjoyable, and we strive to become a central figure in communities where customers gather by helping resolve the issues faced by communities as a provider of social and living infrastructure. We therefore recognize that the value provided through our business activities must be sincere and oriented toward a future characterized by smiles.</p> <p>To ensure a healthy environment for future generations, we will solicit feedback from stakeholders and work together with government bodies, nongovernmental organizations, nonprofit organizations, and communities to address social and</p>

	<p>environmental issues and contribute to the realization of a sustainable society.</p> <p>The Company's sustainability reports present the approaches and mechanisms established by the FamilyMart UNY Group to steer CSR activities. Also after reconfirming the respective material issues of FamilyMart Co., Ltd., and UNY CO., LTD., to date taking into account the United Nations Global Compact that FamilyMart UNY Holdings signed in fiscal 2017, the Sustainable Development Goals for which we have made a contribution commitment, the newly established Sustainability Policy, and other initiatives, we place the focus of these reports on the material issues that must be addressed by the FamilyMart UNY Group and describe these issues centered on the activities of Group companies. The initiatives for addressing these material issues are described in digest form. For more detailed information, please refer to <i>FamilyMart CSR Hand book 2017</i> and <i>UNY Environmental Report 2017</i>.</p> <p>Information on the Company's CSR activities is available on its corporate website. http://www.fu-hd.com/english/sustainability/</p>
Policies for disclosing information to stakeholders	<p>The Company is fully aware of the fact that the appropriate and timely disclosure of corporate information to investors is instrumental to a healthy financial instruments market. Accordingly, the Company actively promotes the appropriate and timely disclosure of corporate information to investors, always considering the perspective of investors as it enhances internal systems for supporting the swift, accurate, impartial, and appropriate disclosure of corporate information.</p>
Other	<p>The Company promotes diversity to ensure respect for the character, human rights, and diversity of each individual employee and prevent discrimination based on race, nationality, religion, or gender and to thereby enable all employees to work while exercising their individuality and talents. More information is available on the Company's corporate website. http://www.fu-hd.com/english/sustainability/material_issues/employee.html</p>

IV. Internal Control Systems

1. Basic Policies for Internal Control Systems and Implementation Status

The Board of Directors formulated a basic policy on the creation of a more effective internal control system on May 19, 2006. A partial revision was instituted to this policy on March 14, 2018, and the revised policy is as follows.

Systems to ensure compliance of the execution of duties by directors with laws, regulations, and the articles of incorporation of the Company and systems to ensure that the business operations of the Company and the Group are duly executed

1. Systems to ensure compliance of the execution of duties by directors, executive officers, and employees with laws, regulations, and the articles of incorporation of the Company and the respective companies of the Group

1) The Board of Directors' meetings of the Company shall be held once every month, in principle, and, at the meetings, the representative director, etc., are required to report on the progress of their duties being executed. To enhance the auditing function, the Company shall take the necessary measures to ensure the effectiveness of the audits conducted by the corporate auditors, whereas the corporate auditors shall examine whether the independence of the accounting auditors is being strictly maintained.

2) The Company shall establish the Risk Management & Compliance Committee, which is directly controlled by the president and representative director as an organization to control the compliance-related activities of the entire Group. The Risk Management & Compliance Committee shall monitor the status of the implementation and operation of Groupwide risk management systems through periodic reports from Group companies and deliberate on the policies and plans thereof. The Company shall also establish the Legal Department as a dedicated department for compliance-related disseminating activities. Furthermore, the Company shall promote thorough compliance by appointing responsible staff at major Group companies.

3) The Company shall formulate the FamilyMart UNY Group Code of Conduct and the Compliance Rules. Directors, executive officers, and employees of the Group shall be required to comply with such rules.

4) The Company shall establish the Audit Office, which is directly controlled by the president and representative director. The Audit Office shall conduct regular audits to evaluate the Company's ethical and legal compliance.

5) An internal reporting system, etc., shall be adopted and a point of contact for the provision of information shall be established internally and externally by the Company and Group companies to promote the systems to rectify violations of compliance and prevent infringements. Furthermore, the Rules regarding Internal Reporting System shall prohibit any disadvantageous treatment against any person who engages in internal reporting on account of such report, and directors, executive officers, and employees of the Group shall be required to comply with such rules.

6) To eliminate and discontinue relations with antisocial forces, the Company and Group companies shall declare internally and externally that they discontinue relations with such antisocial forces and take necessary measures to this end. Furthermore, the Company and Group companies shall endeavor to properly deal with such antisocial forces as a unified organization by strengthening collaboration with external bodies, such as the police and lawyers, as well as with industrial organizations and local communities.

2. Rules and other systems regarding loss risk management of the Company and Group companies

- 1) The Company shall establish the Risk Management & Compliance Committee, which is directly controlled by the president and representative director, as an overall risk management organization to control the management of various risks that the Company and Group companies might face in the future. The Risk Management & Compliance Committee shall monitor the status of the implementation and operation of Groupwide risk management systems through periodic reports from Group companies and deliberate on the policies and plans thereof. The Company shall also establish the Legal Department as a dedicated department to promote and thoroughly conduct risk management activities. Furthermore, the Company shall promote thorough risk management by appointing responsible staff at major Group companies.
- 2) The Company shall formulate the Risk Management Rules, and the Company and Group companies shall regularly analyze and evaluate the risks that they might encounter. These risk factors shall be determined selectively, and rules regarding the system and methods for minimizing the effects of the risks concerned shall be developed in an effort to manage the risks appropriately.
- 3) The Company shall establish the Investment and Loan Committee as an advisory body to conduct preliminary reviews of important investment and loan targets at the Company and Group companies. The Investment and Loan Committee shall submit its view on such targets to the Management Meeting.
- 4) The Audit Office shall regularly conduct audits regarding the status of risk management, etc.
- 5) The Company and Group companies shall implement the Risk Management Rules, a business continuity plan (BCP), etc., to take emergency responsive measures to fulfill their mission to customers even in the event of large-scale disasters and other emergencies.

3. Systems to ensure the appropriateness of financial reporting

- 1) The Company shall implement the Unified Group Accounting Rules, the Accounting Rules, the Internal Control Rules regarding Financial Reporting, and other necessary rules; appoint a CFO; and develop necessary systems to ensure compliance with accounting standards and other related laws and regulations and the appropriateness and reliability of the financial reporting on a consolidated basis.
- 2) The Company shall regularly evaluate and improve the implementation and operation of the systems for ensuring the appropriateness and reliability of financial reporting. The Audit Office shall regularly conduct audits on the Company's systems to ensure the appropriateness of its financial reporting.

4. Systems to ensure efficient execution of the duties of directors of the Company and Group companies

- 1) The Company shall maintain the Management Meeting as an advisory body for decision-making on the execution of important business affairs at the Company and Group companies through rapid and careful deliberations. This body is presided over by the president and representative director.
- 2) The Company shall adopt an executive officer system, with which the execution of business affairs can be made more efficient by delegating such execution to executive officers to the extent possible.

3) At the Company and Group companies, the Board of Directors shall determine the scope of job responsibility for each director and establish the Rules on Operational Approvals, Functional Authority and Responsibility to clarify the functional authority and responsibility, etc., of the respective directors for more appropriate execution of business affairs.

5. Systems to keep and manage information pertaining to the execution of duties by directors
The Company shall establish and maintain its document-handling rules compliant with relevant laws and regulations with regard to the preparation, preservation, and management, etc., of information stated or recorded in important documents for approval (including electronic media), such as minutes of important meetings, including those of the Board of Directors and the Management Meeting; *Ringisho*; and authorized documents. Moreover, the Company shall put in place a system to allow directors, corporate auditors, and other concerned parties to inspect the above documents.

6. Systems to ensure the appropriateness of business operations conducted by the corporate group consisting of the Company and Group companies

1) The Company shall dispatch directors and/or corporate auditors to Group companies, as necessary, to monitor their management and make their business operations more appropriate while respecting their independence.

2) The Company shall provide Group companies with business administration and management guidance in accordance with the Management Rules regarding Associated Companies. In addition, the Company shall strive to ensure the appropriateness of business operations based on the Basic Policy by entering into management guidance agreements with major Group companies.

3) The Company shall clarify guidelines for business administration, etc., in the Management Rules regarding Associated Companies; designate decisions on important managerial matters at Group companies as matters that require the Company's prior approval; identify matters that need to be reported to the Company; oblige Group companies to report such matters to the Company; and receive reports therefrom, as required.

4) The Company shall support Group companies in implementing and operating their internal control systems with regard to major internal control items while respecting their independence and control such operations when necessary. The Company shall also make Group companies formulate various rules depending on actual business conditions thereof for the purpose of establishing systems in accordance with such rules and provide education and training thereto so that internal control systems can be put in place across the entire Group.

5) Audit departments of Group companies and the Company's Audit Office shall collaborate with each other and the corporate auditors of Group companies, and the Company's Board of Corporate Auditors shall hold regular liaison meetings to exchange information and coordinate measures to furnish Groupwide internal control systems.

6) The Audit Office of the Company shall conduct audits of departments of the Company. The Audit Office shall also monitor and give advice regarding the establishment of appropriate internal controls at the Company and Group companies by conducting or controlling audits of Group companies. Furthermore, the Audit Office shall regularly report the established status of Groupwide internal controls to both the Board of Directors and the Board of Corporate Auditors.

7. Matters regarding employees in cases in which a corporate auditor requests the Company to dispatch employees to support his or her duties

The Company shall establish the Corporate Auditors' Secretariat and appoint several dedicated employees thereto to assist in the execution of the corporate auditor's duties. A corporate auditor may give directions or orders to such employees in respect of matters required for audit duties.

8. Independence from directors for employees who are to assist the corporate auditors in the execution of their duties and assurance of effectiveness of their instructions

Employees who assist the corporate auditors in the execution of their duties shall obey only the directions or orders given by the corporate auditor concerned in carrying out their duties and shall not take directions or orders from any directors, executive officers, and/or other employees. With regard to the exercise of authority over personnel affairs, including personnel ratings, personnel changes, and disciplinary measures, the Company shall discuss with the corporate auditors in advance and shall exercise such authority only after the Company has obtained the consent of the corporate auditors.

9. Systems to help directors and employees, etc., of the Company and Group companies report to the corporate auditors and other systems relating to reporting to the corporate auditors

1) The corporate auditors of the Company shall attend the Board of Directors' meetings; attend other important meetings, such as those of the Management Meeting; receive explanations from directors, executive officers, and employees; and examine associated materials.

2) Directors, executive officers, and employees of the Company shall periodically report to the corporate auditors the results of internal audits, the status of the execution of the internal reporting system, information about transactions involving competitors, or self-dealing transactions, etc.

3) Directors, executive officers, and employees of the Company as well as directors, corporate auditors, and employees of Group companies, shall, either directly or through the department in charge, swiftly report to the corporate auditors of the Company if they discover facts that could cause significant damage to or have a material impact on the Company or any Group companies. Furthermore, the corporate auditors may request, when necessary, that a relevant director or others at the Company or Group companies make a report to such corporate auditors.

4) In accordance with rules such as the Internal Reporting Policy Provisions, an individual who makes a report to the corporate auditors shall not receive any disadvantageous treatment due to the fact that he or she reported the issue. Directors, executive officers, and employees involved must abide by this rule.

10. Policies on prepayment or procedures for repayment of expenses incurred in executing duties as a corporate auditor and processing of expenses and liabilities incurred in executing duties as a corporate auditor

In the event that a corporate auditor requests for the prepayment of expenses or makes other such requests to the Company in connection with the execution of his or her duties, the Company shall promptly process the invoices for such expenses through the internal system unless the Company has proved that such expenses are not necessary for the execution of the

duties of said corporate auditor.

11. Other systems to ensure effective audits by the corporate auditors

1) The corporate auditors of the Company shall periodically meet with representative directors to receive reports on managerial issues, the various risks surrounding the Company, and other subjects and to exchange opinions. Meanwhile, corporate auditors shall receive reports about the method and results of the accounting audit from the accounting auditors and reports about the internal audit from the Audit Office.

2) Any corporate auditor may commission research or seek advice from independent outside experts if it is deemed necessary in connection with an audit.

Implementation Status of Systems to Ensure the Appropriateness of Business Operations

The implementation status of the aforementioned systems in fiscal 2017 (March 1, 2017–February 28, 2018) is as follows.

1. Internal Control System

The Company has the Risk Management & Compliance Committee as an advisory body to the president and representative director, and the committee meets quarterly and confirms the status (implementation and operation) of internal controls based on the Basic Policy. The standing corporate auditors also attend meetings of the committee to deliver their opinions.

1) Compliance

The Risk Management & Compliance Committee monitors the status of compliance and works to enhance compliance systems by receiving reports from the Compliance Committee at each Group company. Group companies continuously execute various measures including education and training activities for officers and employees and the establishment of an internal reporting system and a point of contact for consulting.

2) Risk Management

The Risk Management & Compliance Committee monitors the status of risk management by receiving reports from the Risk Management Committee at each Group company, creating an integrated risk map of the risks faced throughout the Group, and implementing other measures. Group companies regularly analyze and evaluate various risks and independently conduct risk management regarding the risks concerned.

The Company has established the Investment and Loan Committee, which reviews important investment and loan targets at the Company and Group companies. This committee met 11 times in fiscal 2017.

3) Status of Important Meetings

The Company's Board of Directors comprises 11 directors (including two outside directors designated as independent directors), and meetings are attended by five corporate auditors (including four outside corporate auditors). A total of 20 meetings of the Board of Directors were held during fiscal 2017, where directors made decisions regarding important matters affecting the Company's business operations and performed supervisory duties. In addition, the Management Meeting, which advises on decisions regarding important matters affecting business operations of Group companies, met 23 times. Furthermore, meeting minutes are

accurately created and recorded and information is stored and managed appropriately. To ensure the appropriate and efficient execution of duties by directors, the scope of responsibility for each director is determined to clarify the functional authority and responsibility of the respective directors.

4) Group Company Management System

The Company dispatches directors and corporate auditors and provides Group companies with business administration and management guidance in accordance with the Management Rules regarding Associated Companies. The Company also has entered into management guidance agreements with major operating companies to promote Groupwide improvements to the appropriateness of operations.

In addition, we identify matters that require the Company's prior approval and matters that need to be reported to the Company in the Management Rules regarding Associated Companies and conduct deliberations on significant matters pertaining to subsidiaries at Board of Directors' meetings and the Management Meeting.

Furthermore, with respect to risk management, we have taken actions such as the establishment of the Risk Management & Compliance Committee and the implementation of compliance education at Group companies. Based on the status of such actions, the Company conducts education and training regarding compliance and risk management at Group companies and provides training materials to Group companies while also offering advice and guidance on the implementation of relevant rules and systems. Through these measures, the Company promotes internal control systems, including those at Group companies.

5) Measures for Ensuring the Appropriateness of Financial Reporting

In addition to developing rules for internal controls regarding accounting and financial reporting, a CFO has been appointed to enhance systems for ensuring the appropriateness and reliability of financial reporting.

6) Internal Audits

The Company's internal auditing organization, the Audit Office (which is directly controlled by the president and representative director), monitors the status of audits on compliance, risk management, and the appropriateness of financial reporting (J-SOX) at the Company and at major operating companies and conducts audits of internal control systems based on the Basic Policy.

2. Effectiveness of Auditing by Corporate Auditors

The Board of Corporate Auditors of the Company consists of five corporate auditors (including four outside corporate auditors) and held 12 meetings during fiscal 2017. The corporate auditors receive reports on significant audit-related matters and discuss and make resolutions regarding such matters. Two dedicated employees are appointed to the Corporate Auditors' Secretariat to assist the duties of the corporate auditors.

Pursuant to the audit plan established at the Board of Corporate Auditors, every corporate auditor attends Board of Directors' meetings and the full-time corporate auditor attends the

Management Meeting, the Risk Management & Compliance Committee, and other important meetings. The corporate auditors also seek to enhance the effectiveness of their auditing by checking documents regarding important resolutions and holding regular (monthly) meetings with representative directors, etc. In addition, the corporate auditors receive reports regarding the status of the internal reporting system, etc., and hold regular (monthly) meetings with the Audit Office to exchange information and receive reports on the results of its audits. Furthermore, the corporate auditors are provided opportunities to receive reports regarding the progress of the accounting audit and the results of audits of subsidiaries from the accounting auditors and discuss significant items, etc., with the accounting auditors.

The corporate auditors of the Company regularly (semiannually) conduct Group Corporate Auditors' Liaison Conferences with the corporate auditors of Group companies to share information on matters such as the auditing policy through training and discussions and entrench internal controls throughout the Group.

2. Basic Policies for Non-Association with Criminal Elements and Implementation Status

1) Basic Policy

The Company declares its commitment to non-association with criminal elements and groups that threaten social order or safety in the FamilyMart UNY Group Code of Conduct.

2) Implementation Status

The CSR & Management Division has been tasked with responding to criminal elements, and coordination is pursued with Tokubouren, a specialized criminal element response agency within the Metropolitan Police Department, and other external organizations to collect information. In addition, internal systems for responding to criminal elements are put in place and awareness regarding these systems is promoted among all officers and employees.

V. Others

1. Takeover Defense Measures

Has instituted takeover defense measures	No
--	----

Supplementary Information

The Company believes that the persons who control the Company's decisions on financial matters and business policies should contribute to the ensuring and enhancing of the corporate value of the Group (the Company and its subsidiaries) and the common interests of the shareholders.

The Group engages in the franchised convenience store business, the general merchandising store business, and peripheral businesses. Under the corporate philosophy of the Group, the Company aims to continuously improve earnings while solidifying trust relationships with stakeholders, such as shareholders, franchisees, business partners, employees, and local communities.

It is indispensable for the management of the Group to have a broad range of expertise and experience regarding its franchising business and retail business and to sufficiently understand the Group's business relations with stakeholders in Japan and overseas. Indeed, such expertise, experience, and understanding are the resources that the Group has nurtured since its foundation and our business operations derive from these resources.

Accordingly, the Company believes that it would be inappropriate for persons who might hurt the corporate value of the Group and/or the common interests of the shareholders as derived from the aforementioned resources formed by the Company's relationships with shareholders and other stakeholders to control the Company's decisions on financial matters and business policies.

The Company also believes that the corporate value of the Group and common interests of the shareholders should be protected if such persons, as mentioned below, were to conduct or propose to make a large-scale purchase of the Company's shares in cases where 1) the corporate value of the Group or the common interests of the shareholders might be significantly damaged by the purchaser's objective in making the purchase or its subsequent management policies; 2) there is a possibility that shareholders might be effectively forced to sell their shares; 3) the Board of Directors is not given a reasonable period to propose alternative plans; 4) the purchaser does not provide the shareholders with reasonably sufficient information to examine the conditions to judge the purchase proposal; 5) the purchase terms and conditions (e.g., value and type of compensation, purchase timing, legality of the purchase method, and probability of the execution of the purchase) are insufficient or improper in view of the primary values of the Group; and/or 6) the purchaser has the intent of destroying relations with or among stakeholders, which are vital to maintain and increase the corporate value of the Group.

2. Other Matters regarding Corporate Governance Systems

Overview of Systems for Timely Disclosure

- 1) The general manager of the CFO & Investor Relations Office is assigned responsibility for managing information, and the CFO & Investor Relations Office is responsible for the timely disclosure of corporate information.
- 2) The CFO and the general manager of the CFO & Investor Relations Office, who is responsible for managing information, attend all meetings of the Board of Directors and the Management Meeting as well as other meetings at which important internal decisions are made or important matters are discussed. Through this attendance, these individuals endeavor to maintain accurate, up-to-date understanding of important matters at the Company and associated companies.

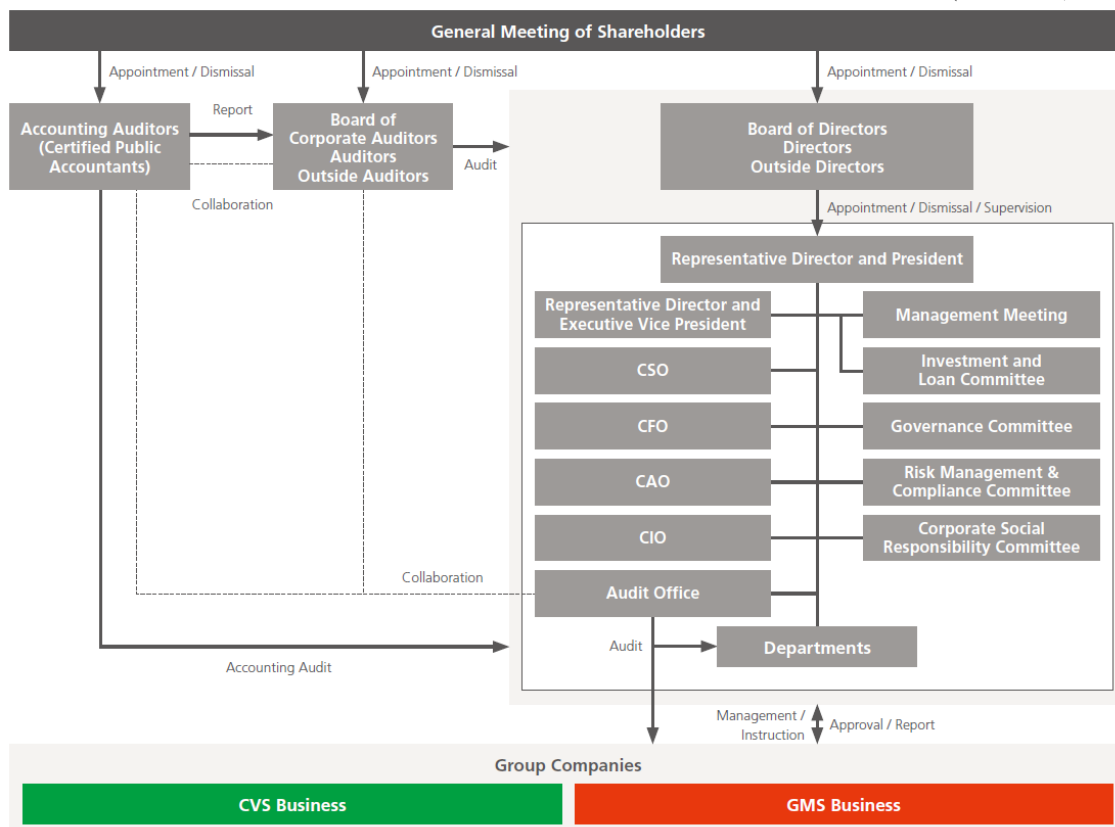
In addition, the CFO and the general manager of the CFO & Investor Relations Office maintain constant coordination with the Corporate Planning Division and the Finance & Accounting Division to conduct inspections with the aim of preventing any omission of information requiring timely disclosure. Furthermore, these individuals will hold discussions with relevant internal divisions when necessary to ensure the accurate and timely disclosure of information.

- 3) The Company has clearly declared its commitment to ensuring timely disclosure of corporate information. Also, the Rules for Preventing Insider Trading have been established, and we maintain a rigorous monitoring system to prevent insider trading.

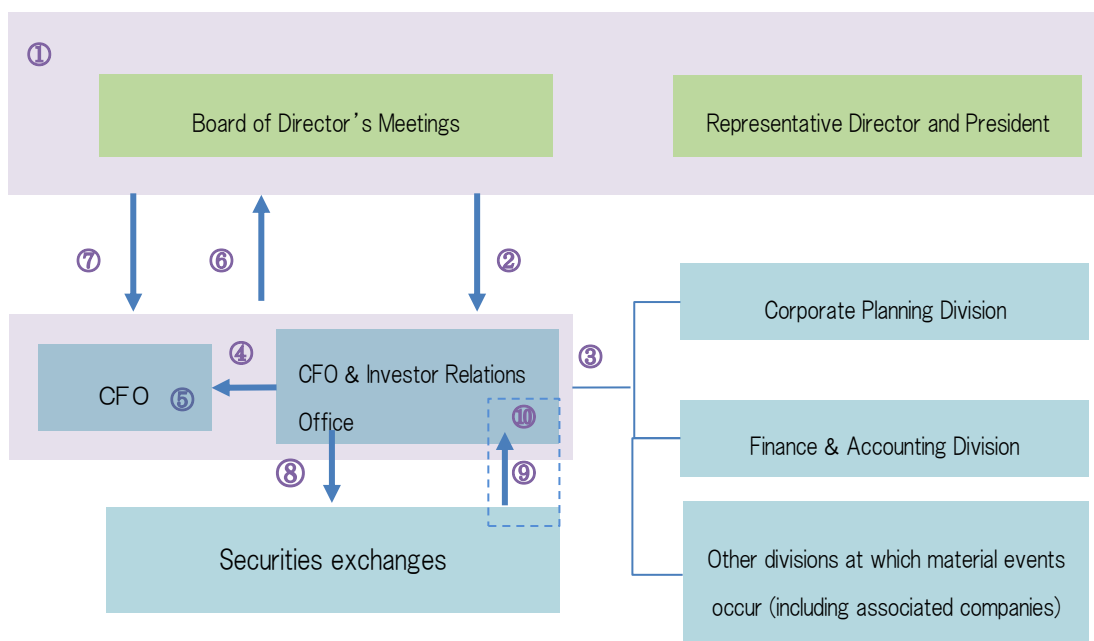
Reference Materials

1. Corporate Governance System

(As of June 1, 2018)



2. Timely Disclosure System



※Note: Timely disclosure representatives are stationed at the CFO & Investor Relations Office on a full-time basis.

- ① Decision of important matters
- ② Reporting on decisions of important matters
- ③ Discussion, report preparation
- ④ Report
- ⑤ Decision
- ⑥ Application for approval
- ⑦ Approval
- ⑧ Disclosure

- ⑨ Notifications regarding disclosure
- ⑩ Reports to relevant internal divisions