

Enhancing Corporate Governance

FamilyMart is enhancing corporate governance across the Group and ensuring management transparency and soundness for sustained growth and higher corporate value.

Basic Approach on Corporate Governance

Knowing that enhanced governance can increase corporate value, we are working toward a transparent and effective management system. To this end, we are building the framework to ensure legal compliance and accurate administrative work. We believe that sound corporate governance is also supported by accountability and disclosure.

Corporate Governance at a Glance (as of August 1, 2020)

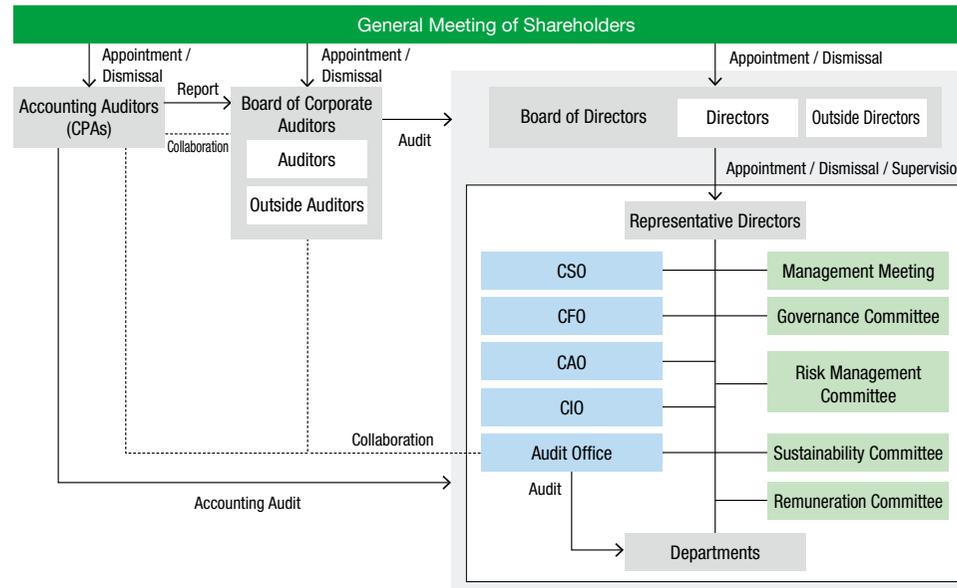
Type of system	Company with a Board of Directors and Corporate Auditors
Executive officer system used	Yes
Chairman of the board of directors	Representative Director and Chairman
Directors	12 (Outside Directors: 4)
Term	1 year (also applies to Outside Directors)
Board of directors meetings*	Meetings held: 24 Attendance: 98.9%
Corporate Auditors	4 (Outside Auditors: 2)
Term	4 years (also applies to Outside Auditors)
Board of corporate auditors meetings*	Meetings held: 13 Attendance: 98.7%
Independent officers	6

* Applies to fiscal 2019

Corporate Governance System

Auditors and outside auditors on the Board of Corporate Auditors ensure sufficient monitoring, supervision, and transparency of decision-making. In addition to corporate governance centered on management oversight by corporate auditors, we have also appointed highly independent outside directors, with the aim of strengthening and improving the effectiveness of management supervision by the Board of Directors and the transparency of decision-making. We believe that our current corporate governance system, grounded in a Board of Directors with outside directors and a Board of Corporate Auditors mainly consisting of outside auditors, is consistent with building a highly transparent management system.

Corporate Governance System



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

Overview of main committees (advisory bodies to the representative director and the President)

Governance Committee

- Chairperson: Director, Managing Executive Officer (CFO)
- Members: 4
- Overview/purpose: Deliberation of the establishment/operation status of the company-wide internal control systems
- Meetings in fiscal 2019: 3

Risk Management Committee

- Chairperson: Outside Director
- Members: 5
- Overview/purpose: Overseeing company-wide risk management activities
- * Established October 2019

Sustainability Committee

- Chairperson: Executive Officer (CAO)
- Members: 6
- Overview/purpose: Overseeing company-wide CSR and sustainability activities
- Meetings in fiscal 2019: 2

Remuneration Committee New

- Chairperson: Outside Director
- Members: 4
- Overview/purpose: Improves fairness, objectivity, and transparency of the process of determining executive compensation

* Established March 2020

Enhancing corporate governance

Board of Directors

The Board of Directors consists of 12 directors, including four independent outside directors (two of whom are female). The four-member Board of Corporate Auditors includes two outside auditors (one of whom is female). For effective management, we are seeking greater diversity in members' attributes, experience, and expertise. The Board met 24 times in fiscal 2019, making key decisions on how FamilyMart conducts business and engaging in oversight. As of August 1, 2020, FamilyMart employs an executive officer system, in which executive officers are appointed and carry out assigned duties according to Board decisions, to accelerate decision-making and strengthen business execution.

The Main Agenda in Fiscal 2019 Board of Directors

- Additional acquisition of shares in Pan Pacific International Holdings Corporation
- Evaluation of the Boards' effectiveness
- Submission of Corporate Governance Report
- Verification of the significance of cross-shareholdings
- Revision of material issues (materialities)
- Establishment of the FamilyMart Environmental Vision 2050

Evaluation of Board Effectiveness, Response

FamilyMart assesses Board effectiveness with the aim of improving Board functions and effectiveness.

In evaluation, a questionnaire is distributed to all directors and corporate auditors, and the Board analyzes and evaluates conditions from the aggregate results of responses.

Based on an awareness of issues obtained from assessment, the Board sets aside time to discuss various decision-making and exchange opinions on topics related to FamilyMart operations and management strategy. In particular, frank

opinions and advice from the independent outside directors is obtained as the Board responds.

Board of Corporate Auditors

The Board of Corporate Auditors consists of four auditors (including two outside auditors). In fiscal 2019, this Board met thirteen times, receiving reports on key auditing matters, engaging in discussions, and making decisions. As of August 1, 2020, the supporting Corporate Auditors' Secretariat is staffed with two members.

Following an audit plan established by the Board of Corporate Auditors, all corporate auditors attend meetings of the Board of Directors, and standing auditors attend the Management Meeting, meetings of the Risk Management Committees, and other essential meetings. These members also view documents on key decisions and meet monthly with a representative director to enhance the effectiveness of auditing. Corporate auditors also receive reports on the state of internal information systems, among other matters, and set up regular monthly Audit Office meetings to exchange information and receive reports on topics such as audit results. In addition, the auditors make opportunities to meet with accounting auditors to receive updates on accounting audits and results of subsidiary audits, and to exchange views on material issues.

Group corporate auditor liaison meetings are held regularly with corporate auditors from Group companies to share information on matters such as auditing policies and to enhance internal control within the Group through training and discussion.

Group Companies Management System

Directors and corporate auditors provide executive management and management guidance to Group companies following the Management Rules regarding Associated Companies.

The rules also help determine matters that require the Company's prior approval or must be reported to the Company. Significant matters involving subsidiaries are discussed by the Board of Directors, and at the Management Meeting and others.

Risk management measures benefitting Group companies have included establishing the Risk Management Committees and conducting compliance education. Education and training on matters such as compliance and risk management are tailored to Group company needs, and training materials are provided with advice and guidance on improving relevant rules and systems. These measures support internal control systems, including those at Group companies. As of fiscal 2020, the Group Management Department was integrated into the Corporate Planning Department, putting in place a system to strengthen Group governance.

Summary of Evaluation of Board of Directors' Effectiveness

Relevant Fiscal Year	Results	Issues	Response after Next Fiscal Year
FY2017	Generally functioning appropriately	Expanding business information provided to independent outside directors; providing a forum for the directors to exchange information and share their understanding	Continued to conduct tours of ready-to-eat product plants and participated in product seminars for independent outside directors. A board consisting solely of independent outside directors was established to promote communication among these directors and provide a forum for FamilyMart to receive advice on business issues.
FY2018	Generally functioning appropriately	Board agenda items, such as executive compensation and management team appointment/dismissal	Improvements since the previous evaluation were made in management of conflicts of interest with related parties and in meetings of independent outside members.
FY2019	Generally functioning appropriately	Number/ratio of outside directors, representative director's successor plan, and other issues	A Remuneration Committee was established, in view of the need for discussions in line with more objective proposals. The number of outside directors was also increased, making the ratio 1/3 of the total.