

Thorough Risk Management and Compliance

Through complete compliance and ever-stronger risk management, FamilyMart ensures community-based management founded on stakeholder trust.

Basic Approach on Risk Management

Growing risks that are increasingly complex and may pose a serious impact on business require enterprises to prepare effective response systems accordingly.

Recognizing risk management as a material issue for management, we have established rules on risk management and prepared a risk management system reflecting ISO 31000 and other guidelines. Specifically, potential corporate and departmental risks – food safety and reliability, natural disasters, corruption (including fraud, violations, and bribery), human rights problems, environmental problems, and information security concerns – are regularly analyzed and assessed. We then identify high-priority risks and manage them appropriately by establishing rules and criteria on systems and initial responses to prevent major risks and minimize impact.

Risk management responsiveness has been reinforced by creating a system to escalate any food safety/reliability, natural disaster, incident/accident, or fraud/violation risks that emerge, which may have a greater impact on communities and FamilyMart. Moreover, any potential labor problems are avoided when entering new businesses by performing appropriate risk assessment and investigation. Aware of our responsibility in society as an enterprise that forms part of the social infrastructure, we will continue to strengthen our mechanisms for risk management.

Risk Management System

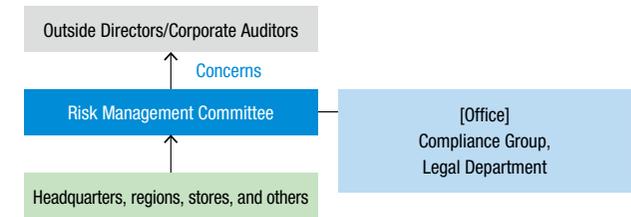
To respond more promptly and accurately to company-wide risk concerns, the former Risk Management and Compliance Committee was dissolved in October 2019 into a new Risk Management Committee, an advisory body to the President.

The Committee receives reports directly from internal reporters on issues that may discredit stakeholders, compromise safety or security, or violate laws, internal rules, or norms, which enables a more appropriate initial response and clearer reporting process.

Through regular reports from each division, the Committee reviews the design and effectiveness of company-wide risk management systems and discusses relevant policies and plans.

A Compliance Group in the Legal Department is also focused on promoting and ensuring risk management, as are risk management coordinators in each department. Annual risk reevaluation and identification are part of ongoing assessment that also includes regular reviews of the effectiveness of the risk management system itself.

Risk Management System (as of August 1, 2020)



Risk Management Committee Structure, Main Roles

Chairperson	Outside directors
Members	<ul style="list-style-type: none"> ▪ General manager, Corporate Planning Division ▪ General manager, Management Division ▪ Corporate auditors ▪ General manager, Audit Office ▪ Outside legal counsel
Office	Compliance Group, Legal Department
Main roles	<ol style="list-style-type: none"> ① Organizing and classifying incidents/accidents ② Reporting critical cases to management team, advising relevant departments on initial response and investigation ③ Discussing investigative results and proposed response by relevant departments, reporting to the President

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Primary Risks

Relevant departments take the lead in identifying potential risks based on social conditions, trends, and recent cases. Departments then consider how to manage these risks. In response to changes in the business environment, a company-wide risk assessment is currently underway.

Main business risks that may have a significant impact on decisions by investors and other stakeholders are as follows. These are prioritized in risk management, as we respond with franchised stores and suppliers in overall business operations.

Primary Risks

①Economic conditions	⑥Handling of personal information
②Natural disasters	⑦Information systems
③Franchise system	⑧Human resources
④Safety of foods, etc.	⑨Management of receivables
⑤Impact of laws and regulations, etc. (including ESG-related laws and regulations)	⑩Impairment

* Certain items above pertain to future developments, based on our knowledge as of the end of the consolidated fiscal year.

Emerging Risks

Responding appropriately to new risks from a mid- to long-term perspective is important in ensuring our sustained growth together with society. For the risks described below, further countermeasures may be needed in the future. Suitable mitigation is studied as needed, along with ways to create new value and business opportunities.

Primary Emerging Risks and FamilyMart Response

Spread of COVID-19

The spread of COVID-19 since March 2020 has prompted us to strengthen our response to new challenges. Examples of this include ensuring employee/customer safety, maintaining stable product supplies, and supporting stores affected by emergency declarations and people staying at home.

Stricter environmental regulations

Environmental regulations have been tightened amid a growing awareness of environmental problems involving climate change, water resources, marine plastic pollution, and other issues. In response, FamilyMart is studying further mitigation of our environmental impact while collaborating with industry groups.

Supply chain issues: human rights, animal welfare, GMOs

Initiatives will be studied or strengthened as we monitor relevant regulations, consumer trends, and other developments.

Enhancement of Business Continuity Planning

The FamilyMart business continuity plan (BCP) in place minimizes negative impacts on customers, local communities, and other stakeholders in emergencies such as large-scale disasters. It anticipates how to maintain headquarter functions, secure suppliers of ready-to-eat products and logistics networks, and manage store operations across disaster-affected areas.

Quarterly BCP meetings enable regular discussions on emergency responses, and disaster headquarters are set up each year in a simulated emergency. Through multiple scenarios with earthquakes of various magnitudes and locations that incorporate real-world elements from past earthquakes, we can verify how procurement, suppliers of ready-to-eat products, logistics, headquarter functions, and store operations would perform under stress. Because this type of training, applying actual experience, will be quite useful in our initial response to potential earthquakes, building up local experience is a key aspect of risk management. This planning also accounts for local conditions after heavy rain, which is now more common.

FamilyMart will continue to enhance its BCP to ensure that we can fulfill our social mission as an enterprise supporting local communities.

TOPICS

Franchised Stores Included in Safety Confirmation Drills

Quarterly safety confirmation drills are held for headquarters employees to foster awareness of risks from natural disasters and accidents. Since fiscal 2018, these drills have also been included in safety drills at nearly 16,500 stores nationwide to raise risk awareness at franchised stores and across the chain as a whole. Additionally, our emergency action guidelines are distributed to store managers and staff. Both Japanese and English versions are available, summarizing what to do after a major earthquake or other disaster, and how to be prepared. Stores can fill in evacuation and contact details.

FamilyMart Emergency Action Guidelines (FY2019)



Cover of Japanese version

English version

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Basic Approach on Compliance

Compliance at FamilyMart means more than complying with all local laws, regulations, and social norms where we do business. We call on each employee to act with sincerity, high ethical standards, and moral awareness in accordance with our Basic Policy on Ethics and Legal Compliance and our mission of embodying the FamilyMart Basic Principles, values that support our growth. This philosophy lies behind our Compliance Action Guidelines, Code of Conduct, and Compliance Rules. All employees are expected to comply with these rules, which are posted on the corporate intranet and always accessible. FamilyMart is currently reviewing its Code of Conduct, to be followed for sound growth in line with changes in organizational structure and management environment. The revised code will respond to human rights issues and, through the supply chain, environmental and social issues, which are widely requested by stakeholders.

We also promote compliance in terms of internal control, in conjunction with audits of operational processes under an internal control and reporting system following the Financial Instruments and Exchange Act.

Compliance Promotion Structure

The newly established Risk Management Committee responds promptly to any particularly urgent cases, and compliance officers at each division meet with the Legal Department's Compliance Group at quarterly compliance discussions.

Status of the company-wide compliance system, as discussed at these conferences, is reported regularly to the Board of Directors. Any violations of the Basic Policy on Ethics and Legal Compliance or Compliance Rules are investigated and corrective action taken. Disciplinary action is considered for executives or employees involved in bribery or other regulatory

violations, and more severe punishment may apply, depending on internal investigation.

 See "Risk Management System," page 16

Compliance Training, Awareness Survey

Compliance is ensured through e-learning training for all employees, in addition to monthly compliance education. In 2020, in the wake of emergency declarations following the spread of COVID-19, self-guided compliance training was held online. After training, employees pledge that they understand and will comply with the Basic Policy on Ethics and Legal Compliance. Annual compliance awareness surveys confirm awareness of compliance and suggest strategies for improvement.

Employees can easily access compliance information as needed on an intranet site listing policies, regulations, and guidance in case of incidents or accidents, and internal reporting systems (hotlines).

Regular departmental compliance training is also conducted on specific topics relevant to job duties, such as the environment, food safety, or the Subcontract Act.

Main Themes of FY2019 Compliance Training

- Ethics and compliance (including bribery, insider trading, and other corruption)
- Labor management (preventing harassment)
- Information management (personal information)
- ISO 14001 (environmental management system)
- Quality control
- Laws on misleading representations
- Laws against monopolies
- Laws on subcontracting

Internal Reporting Systems

Internal reporting systems in the form of hotlines accessible at and outside of work provide advice and receive reports on any legal violations or behavior that violates FamilyMart norms or rules, including bribery or other corruption, harassment, and human rights violations. Accessible at any time, the hotlines are operated under a slogan encouraging everyone not to commit, allow, or overlook violations. Employees are regularly reminded that the hotlines are available and encouraged them as needed. Having hotlines available within and outside FamilyMart helps has established ways of preventing compliance violations and correcting any that occur.

Hotlines take information by phone, email, or letter. Whistleblower anonymity is assured, as is the confidentiality of reports, and the Company prohibits retaliatory or adverse treatment of whistleblowers.

In fiscal 2019, 61 cases were reported, from March 2019 to February 2020. For confirmed violations, preventative measures were taken, along with steps to prevent recurrence.

Hotline Usage (FY2019)

Suspected fraud, crime, or rule violation	9 cases
Inquiries about labor contracts, employment, or working hours	3 cases
Inquiries about products or quality	1 case
Inquiries about workplace conditions, language/behavior, or suspected harassment	43 cases
Other	5 cases
Total	61 cases

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Initiatives to Prevent Corruption

As a signatory to the United Nations Global Compact whose employees are aware of this clear commitment, we strive to prevent corruption in all forms, including coercion and bribery, in line with our basic policy, action guidelines, and code of conduct covering ethics and legal compliance.

Specifically, thorough measures are in place to guard against any deviation from ordinary business customs, such as bribery in the form of gifts and entertainment. We comply with regulations on doing business with public agencies and making political donations, and we do not give money, entertainment, accommodations, or other benefits to public employees or private-sector officers or employees in Japan or overseas with the intention of receiving improper benefits. We have also raised awareness on the importance of cultivating and sustaining appropriate relationships with stakeholders of all kinds.

Ensuring Tax Transparency

In fulfilling tax return and tax payment obligations, we comply with FamilyMart Group tax rules specifying our basic stance and code of conduct on taxation, including prevention of tax avoidance, maintaining open and transparent relationships with tax authorities, filing accurate returns, and making appropriate payments. We comply with and abide by the spirit of tax treaties and laws in all countries and regions where we do business. In addition, we ensure tax transparency by disclosing tax payment information in a timely and appropriate manner to all stakeholders through annual securities reports and cooperatively providing information to tax authorities.

Non-association with Criminal Elements

To support the elimination of antisocial forces and severing of their ties to the community, we have stated internally and

externally that we will not associate with antisocial forces and are acting accordingly. We are also working more closely with the police, attorneys, and other external organizations as well as industry groups and local communities to respond as an organization. Clauses prohibiting relationships with antisocial forces have been added to the terms of agreements with business partners, and we also conduct investigations, among other measures.

Information Security

Information systems have been developed with franchised stores and business partners in the course of doing business, and in business activities, our customers' personal information is collected and retained. Recognizing that all of this information is an important management resource for us and a valuable information resource for our customers and society, we position information system resource risk management as a key part of management strategy.

To avoid risks of unauthorized access or use of resources or information system leaks, loss, or destruction, and to prevent company harm from this unauthorized use, we have established rules on information security management and handling of information system resources. We continually improve and strengthen information security management.

Regular e-learning enhances employee information literacy, and sharing case studies on information security violations internally raises awareness.

Offices are accessible only to employees of FamilyMart and certain business partners such as subsidiaries authorized to handle confidential and personal information, and office access is strictly controlled. Outsourcing partners receive site audits every two years, which has also helped build a more robust security system.

In September 2020, ISO/IEC 27001:2013 certification was obtained by Famima Digital One Co., Ltd., which issues and

operates FamiPay mobile payment service. Corresponding to Japan's JIS Q 27001:2014, this certification is required for third-party information security management system (ISMS) certification, which is considered a global standard for information security management.

Information Security Promotion System

Any personal information leak, information system failure, or malicious use of systems that interferes with business operations may affect FamilyMart business, performance, and financial condition.

Under the direction of our chief information security officer (CIO), we have built a robust information security management system and established organizational, human, physical, and technological safety management measures that are considered highly reliable.

Information Security Promotion System

