

Enhancing Corporate Governance

FamilyMart is enhancing corporate governance throughout the Group and working to ensure management transparency and soundness in order to achieve sustainable business development and further increase corporate value.

Basic Approach on Corporate Governance

Based on our belief that enhanced 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.

Overview of the Company's Corporate Governance (as of August 1, 2019)

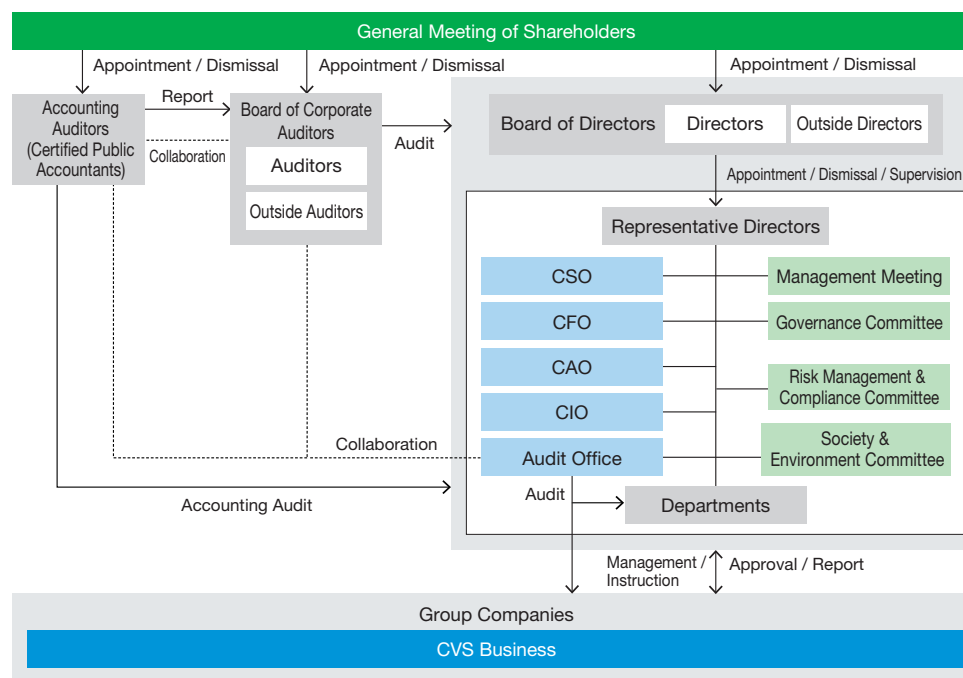
Type of system	Company with a Board of Corporate Auditors
Adoption of an executive officer system	Yes
Chairman of the Board of Directors	Representative Director and Chairman
Number of directors	12 (Of whom, outside directors: 3)
Term of office	1 year (the same for outside directors)
Report on Board of Directors meetings*	Meetings held: 21 Attendance: 98.1%
Number of corporate auditors	6 (Of whom, outside directors: 4)
Term of office	4 years (the same for outside corporate auditors)
Report on Board of Corporate Auditors meetings*	Meetings held: 12 Attendance: 98.5%
Number of independent officers	6

* indicates fiscal 2018 results

Corporate Governance System

As a company with corporate auditors (Board of Corporate Auditors), management oversight by our corporate auditors, including outside corporate auditors, functions adequately to ensure the enhancement of the monitoring and supervisory functions and the transparency of decision making. In addition to our corporate governance system centering on management monitoring by corporate auditors, we also appoint outside directors with a high degree of independence in order to strengthen and improve the effectiveness of management supervision and the transparency of decision-making by the Board of Directors. We believe that our current corporate governance system, based on a Board of Directors including Outside Directors and a Board of Corporate Auditors with the majority being outside corporate auditors, is consistent with the highly transparent management system that we must build.

Corporate Governance System (as of August 1, 2019)



Overview of major committees (advisory bodies to the Representative Director and President)

Governance Committee

- Chairperson: Director, Senior Managing Executive Officer
- Committee members: 4
- Overview/purpose: Reviews the establishment and operation of internal control systems throughout the Group
- Times held in fiscal 2018: 2

Risk Management & Compliance Committee

- Chairperson: Director, Senior Managing Executive Officer
- Committee members: 12
- Overview/purpose: Exercises Group-wide control of risk management and compliance activities
- Times held in fiscal 2018: 4

Society & Environment Committee

- Chairperson: Director, Senior Managing Executive Officer
- Committee members: 6
- Overview/purpose: Exercises Group-wide control of corporate social responsibility and sustainability activities
- Times held in fiscal 2018: 1

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

Enhancing corporate governance

Board of Directors

The Board of Directors, consisting of twelve directors (including three outside directors) and six corporate auditors (including four outside corporate auditors), meets once a month in principle to make decisions regarding the execution of important company business and supervise work duties. To accelerate decision-making and strengthen business execution, FamilyMart also uses an executive officer system in which executive officers are appointed and carry out duties assigned by decision of the Board of Directors. (As of August 1, 2019)

Major Agenda Items of the Board of Directors in Fiscal 2018

- Statement of opinion on tender offer for FamilyMart shares by a wholly-owned subsidiary of ITOCHU Corporation
- Evaluation of Board of Directors' effectiveness
- Policy on responding to revision of the Corporate Governance Code
- Verification of the significance of cross-shareholdings
- Sale of shares related to UNY CO., LTD.
- Enhancement of disaster response

Evaluation of Board of Directors' Effectiveness

FamilyMart evaluates the effectiveness of the Board of Directors in order to further enhance corporate governance. Based on evaluation indicating that the Board of Directors generally functions appropriately, with its actions deemed "appropriate" or "mostly appropriate" on the majority of items, we have determined the Board of Directors to be effective.

The previous year's evaluation noted issues with the Board of Directors' meeting schedule and the content of documents provided at meetings. With regard to these issues, we have made progress in enhancing and revising the management of the Board of Directors, and confirmed that improvements have been made since the previous year's survey. At the same time,

the evaluation found problems with the structure of the Board of Directors (number of directors and ratio of outside directors) and the content of topics discussed at Board of Directors meetings (Representative Director's successor plan, appointments and dismissals of members of management team, etc.), so we will be examining ways to improve and revise these areas. The results of the latest evaluation will help the FamilyMart Board of Directors to enhance its effectiveness.

Summary of Evaluation of Board of Directors' Effectiveness

Subjects	All directors and corporate auditors at March 1 each year	
Method	Questionnaire of all subjects (answers anonymous)	
Questions	1. Composition of the Board of Directors 2. Management of the Board of Directors 3. Agenda items of the Board of Directors 4. Support systems of the Board of Directors	The Board is evaluated at four ranks, for each category shown at left.
Evaluation method	All directors and corporate auditors answer a questionnaire about the effectiveness of the Board of Directors. Based on the aggregated results of these answers, analysis and evaluation are conducted at meetings of the Board of Directors.	

Board of Corporate Auditors

The Board of Corporate Auditors consists of six corporate auditors (including four outside corporate auditors). In fiscal 2018, it met thirteen times. The Board takes reports on important auditing matters to discuss and make decisions on. Two employees are appointed to full-time service in the Board of Corporate Auditors Secretariat to assist with corporate auditors' duties. (As of August 1, 2019)

Following an audit plan established by the Board of Corporate Auditors, all corporate auditors attend meetings of the Board of Directors, while standing corporate auditors attend the Management Meeting, meetings of the Risk Management & Compliance Committee, and other important meetings, along with viewing documents on important decisions and holding regular meetings (once a month) with the Representative Director

in an effort to increase the effectiveness of auditing. Corporate auditors also take reports on the state of internal systems for providing information, among other matters, and set up periodic meetings (once a month) with the Audit Office to exchange information and take reports on audit results. In addition, they create opportunities to meet with accounting auditors in order to receive updates on accounting audits and reports on audits of subsidiaries, as well as trade views on material issues.

Group corporate auditor liaison councils are periodically held with corporate auditors from Group companies in order to share information about matters such as auditing policies and enhance internal control within the Group through training and discussion.

Group Companies Management System

The Company dispatches directors and/or corporate auditors and provides the respective Group companies with business administration and management guidance in accordance with the Management Rules regarding Associated Companies.

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

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