

To Our Shareholders
and other Stakeholders



Building an Organizational Structure that Ensures Growth in Revenues and Earnings

Fiscal 2006 marked a major milestone for FamilyMart with the 25th anniversary of the Company's establishment. Business performance for the term, on a consolidated basis, was as follows: total operating revenues of ¥297,849 million (up 7.7% year-on-year); operating income of ¥29,609 million (down 9.3%); and net income of ¥14,969 million (up 5.4%). Thus, while total operating revenues and net income posted increases over the previous year, operating income recorded declines.

In the second half of fiscal 2006, average daily sales per store (on an existing store basis) showed a recovery trend compared with the corresponding period of the previous business year. Having celebrated our first quarter century of corporate existence, we will be focusing our efforts in fiscal 2007 on the creation of a firm business foundation that will assure us of a steady increase in both revenues and earnings over the next quarter century.

We have decided to pay a dividend for the term of ¥46 per share, for an increase of ¥3 compared with the previous fiscal year.

J. Ueda
President and Representative Director

Q1

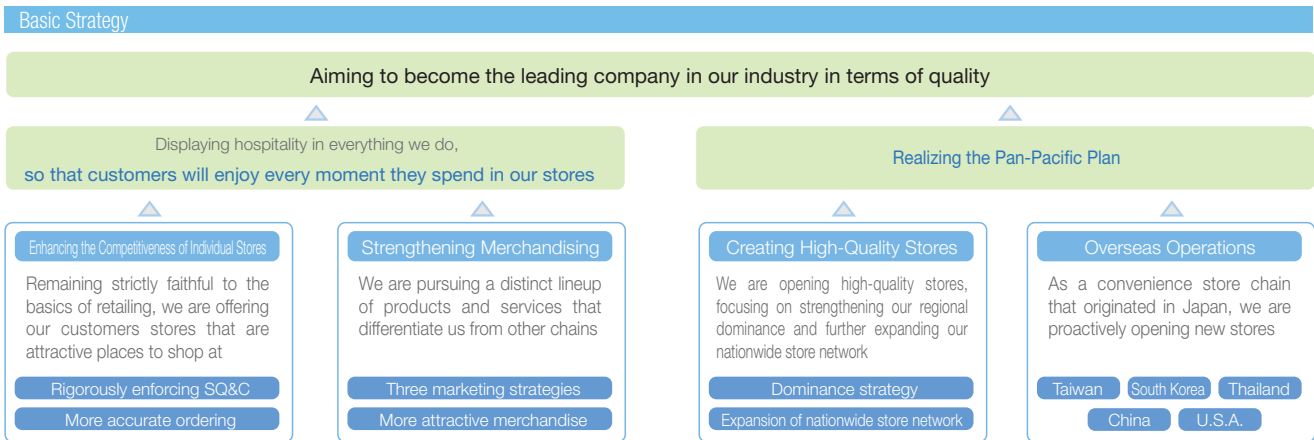
Could you describe FamilyMart's basic strategy?

Aiming to be No.1 in quality

When I became president, the first thing I said to my colleagues in management was that we must aim to become the leading company in our industry in terms of quality. By this, I mean that all of us in FamilyMart, including our employees and our franchisees, must seek to make the Company the leader in the convenience store industry in terms of store operation, product development, and our approach to the opening of new stores.

For this purpose, we must be strictly faithful to the basics of retailing, and respond promptly and effectively to changes in customer needs. Specifically, we must address three priority issues on a continuous basis: 1) raising the accuracy of ordering on an individual store basis to ensure that the products our customers are looking for can always be found on our shelves; 2) rigorously enforcing the principles of service, quality, and cleanliness (SQ&C), so that our stores are convenient and enjoyable places to shop at; and 3) developing the kind of attractive products and services that our customers have come to expect of us. We believe that customers will respond favorably to the high-level hospitality provided by our store staff. In this way, we will make a visit to one of our stores an enjoyable shopping experience, and the number of fans of FamilyMart will increase. Precisely because the business environment for retail companies continues to be severe, we must ensure that each of our stores rigorously observes the principles of good retailing, and that our store staff do everything they can to make shopping there enjoyable for all our customers. Staff should constantly ask themselves what it is that their customers want, and when they have reached a decision, they must act. In this way, unlike our competitors, each of our stores will develop its own individual character, which will be perfectly suited to the customers who shop there. This will raise the quality level of the store chain as a whole, and will be a vital factor in enabling us to prosper and grow in the years ahead.

Regarding our plans for the further development of our store network, in Japan we will be focusing on the opening of high-quality stores that are likely to yield good profit margins. Overseas, we plan to leverage our position as the only internationally operating convenience store chain that originated in Japan (among the major companies now based in Japan but which were originally set up by American enterprises). We will aggressively pursue our Pan-Pacific Plan, under which we aim to reach a total of 20,000 stores (combined total in Japan and other countries, including those of our area franchisers) by the start of 2009. FamilyMart intends to set the global standard for the convenience store industry, and if our target number of stores is achieved, this will be a major milestone to our becoming the industry's leading company in terms of scale.



For further details, please see P52-61.

Please tell the readers something about FamilyMart's achievements in fiscal 2006, and about any issues that emerged during the term.



Breakdown of Increase in Franchisee Support Expenses

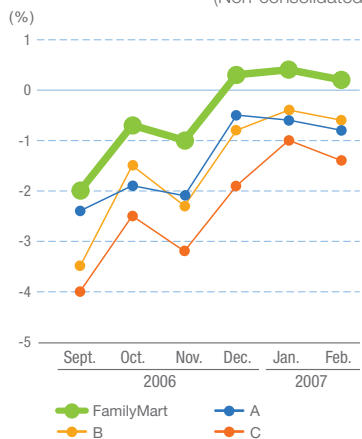
(Non-consolidated)

FY2006 ¥3.3 billion (results)

- Foundation set-up ¥1.4 billion
(installation of new store management system and adoption of 2FC-N contract)
- Campaign/sales promotion ¥1.5 billion
(25th anniversary campaign, FIFA World Cup)
- Shelf/facility improvement ¥0.4 billion
(Shelves for MUJI brand products, Famima Fresh corners)

Number of Customers Visiting our Stores (existing store basis)

(Non-consolidated)



Review of Operations

In fiscal 2006 we did not see a particularly dramatic improvement in consumer spending, in spite of the gradual recovery in corporate earnings during the term. For retail companies, the year was characterized by intensified competition. Not only do we have to adapt to changing consumer tastes resulting from the shifting demographic balance as the average age of the population rises, but competition between existing rivals is also becoming more severe, exacerbated by the entry of players from other industries. In the convenience store sector, the gap between the successful and unsuccessful chains has become clearer.

If we compare the situation to a marathon, we are now, surely, at around the 35-kilometer mark. Just around the next corner, many of the runners will drop further and further back, and the leading pack will disappear into the distance. You may think that those in the leading group have nothing more to fear, but there is a big difference between those who are only just managing to keep up with the leaders, and those who have reserves of strength left, enabling them to fight to be first over the line. Precisely such a situation obtains with the leading convenience store chains in Japan today. So the crucial question we must ask ourselves is: Do we have the reserves of energy (i.e., the strong business base) needed to reach the goal?

That being so, amid this difficult business environment, FamilyMart remains faithful to its core mission as a convenience store chain operator. The Company's management, realizing that long-term capital investments are necessary to strengthen our business base and thereby ensure growth in the future, have adopted a more aggressive stance on providing support for our franchisees and reforming our whole management system.

In fiscal 2006 FamilyMart registered year-on-year increases in operating revenues, as well as increases in net income, on both a consolidated and non-consolidated basis. On the other hand, at the operating income level, the figures were down from the previous year. Could you please tell the readers how you view these results, and what issues FamilyMart will be tackling this term?

These figures are definitely not satisfactory, but I am certain that the approach we have followed up to now, whereby we have focused our management resources and energy on improving the performance of our retail outlets on an individual store basis, has been the correct one. All of the major convenience store chains, including ourselves, have been posting year-on-year declines in average daily sales per store (on an existing store basis). Thanks to the measures we have taken, however, the margin of decline at FamilyMart is smaller than those at our competitors. Moreover, the year-on-year comparison of the number of customers visiting our stores (on an existing store basis) is favorable compared with the other major chains. This comparison has been particularly good since December 2006. Consequently, FamilyMart is the only major chain operator with the potential to emerge from the current severe business climate.

Two notable tasks that we must tackle, which have recently surfaced, are further developing high-quality stores and improving the business performance of our overseas operations. During fiscal 2006 we achieved our goal of extending our store network to cover every one of Japan's 47 prefectures, but the number of new store openings in the three major metropolises of Tokyo, Osaka, and Nagoya failed to reach our targets. This is a particular matter for regret. With regard to our store openings in parts of Japan other than the three major metropolises, the daily sales of stores located in suburban areas tended to be low in the first year, and such stores accounted for a relatively large proportion of new store openings. Moreover, in many cases we were forced to open new stores close to existing ones (on especially favorable sites that had become available) so as to preclude the "invasion" by a rival chain of a local market we had hitherto dominated. This, of course, resulted in intra-chain competition, which lowered the average daily sales of the

Second-Phase Structural Reform (FY2006-)

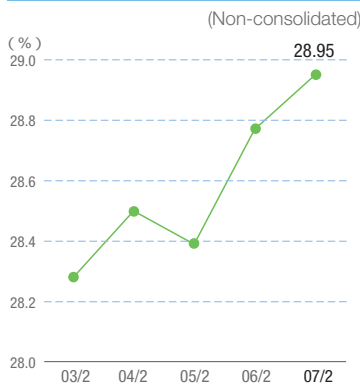
Internal reform of store chain infrastructure

- Remodeling sales displays and product lineups
 - Famima Wonder Corners
 - Famima Fresh Corners
 - Renovation of MUJI brand displays
- Strengthening earnings structure
 - Raising gross profit ratio
 - Efficient operation with new store management system
- Improving cost structure
 - Cost Structure Improvement Committee
 - Internal Control Promote Project Office
- Transforming corporate culture
 - Promotion activities for establishing FamilyMart brand



MUJI brand displays totally changed since FY2006

Gross Profit ratio



Notes:

1. "Ready-to-eat foods" include such items as fast food, rice balls, sushi, boxed lunches, cooked noodles, delicatessen items, salads, savory and sweet rolls & pastries, and desserts.
2. BPR (Business Process Reengineering) is a method of setting and achieving higher targets in sales, profit margin and so on by analyzing the work flow and the organizational structure, and then proposing changes to realize optimum efficiency.

new stores. Raising the average daily sales of new stores has thus become a priority issue for fiscal 2007.

Regarding our overseas operations, our Thai area franchiser failed to achieve the business performance recovery we had projected, while the business results of our Taiwan area franchiser were also below target. Our rehabilitation plan for our Thai area franchiser is proceeding smoothly, and we are confident that the company will register an operating profit for fiscal 2008. Our Taiwanese area franchiser should also get back on the growth track during fiscal 2007.

You initiated your Second-Phase Structural Reform from the start of fiscal 2006. What sort of progress is the plan making?

Our Second-Phase Structural Reform plan, whose implementation was commenced in fiscal 2006, comprises four main initiatives: remodeling our sales displays and product lineups, strengthening our earnings structure, improving our cost structure, and transforming our corporate culture.

Among these, we are putting particular priority on remodeling our sales displays and product lineups, as this presents the possibility of directly boosting sales by revitalizing the customer drawing power of our existing stores. The first of the specific tools we are deploying as part of this plan is the installation in each store of two gondolas (called "Famima Wonder Corners") for the display of a selection of products that vary from store to store. This is aimed at offering our customers a pleasant shopping experience in which they may find relief from stress, feel excitement, and be pleasantly surprised. When these new sales areas were first introduced, our supervisors and staff at the Merchandising Division and at individual stores had no experience in the selection of products. These days, however, we are making changes to the sales display gondolas in our stores to differentiate them from those at our competitors. Store staff now freely make suggestions to each other — sometimes including customers' opinions obtained by asking them about their preferences. They have the expertise to change the product selections to suit their own store's particular selling patterns, and their motivation has improved considerably.

Another initiative is our Famima Fresh corners, offering fresh vegetables and prepared food kits, introduced to 500 stores in the Tokyo area (as of the end of February 2007). Our stores have also started installing special cases for the display of MUJI brand products, thanks to which these products racked up a year-on-year sales increase of 20%.

Our merchandise selection policy is based on a strategy that focuses on generation, price, and region. This policy has produced a favorable response from our customers, who represent a wide cross-section of the public. In particular, our "Three-Star Pasta," our ready-made "Famima Kitchen" line of fast foods and our "Sweets+" line of desserts within the category of ready-to-eat foods (see note 1) have been highly praised by our customers, who say the quality of taste goes beyond what one would expect from a convenience store.

We have been continually fine-tuning our demand chain management method in collaboration with our business partners, with the goal of maximizing earnings and reducing costs (see Page 56 for further details). Thanks to these efforts, we succeeded in raising the gross profit ratio for fiscal 2006 by 0.18 of a percentage point year-on-year to 28.95%.

Meanwhile, we have been looking for a way of countering the rising trend of personnel costs that has resulted from aggressive store-opening strategy over the past several years. We decided to focus on Business Process Reengineering (BPR; see note 2), the responsibility for which has been given to the Internal Control Promote Project Office (ICPPO), which reports directly to the President. Through the use of BPR, we are seeking to realize a level of sales and profit that will balance out the increase in personnel costs by raising operational efficiency. To this end the ICPPO is conducting investigations into the precise nature of the duties entrusted to each employee, and the prescribed methods of achieving their various job targets.

Could you tell the readers something about your strategies for fiscal 2007?



The Japanese retail sector as a whole is going through a period of intensive competition, amid a culling of the weaker performers. Against this broad background, we expect our operating environment to remain difficult in fiscal 2007. Some of the other major chain store operators have adopted the strategy of diversifying into alternative store chains that target a slightly different demographic. FamilyMart, however, completely eschews this approach. We believe that in a time of crisis such as the present, the steps we are taking to make our existing stores more attractive will result in the creation of a stronger business foundation that is sure to lead to healthy earnings in the not-too-distant future.

In line with this thinking, in fiscal 2007 we are maintaining our focus on support for franchisees. For a number of years FamilyMart has adapted itself to the changing times through a wide range of measures, including the installation of our new store management system; the adoption of the 2FC-N, a new type of franchise contract; and the introduction of a system for encouraging successful franchisees to take on the challenge of managing more than one store. In fiscal 2007, we expect to reap the harvest from these seeds we have sown over the past several years. This will pave the way for a steady upward trend in revenues and earnings from fiscal 2008 onwards.

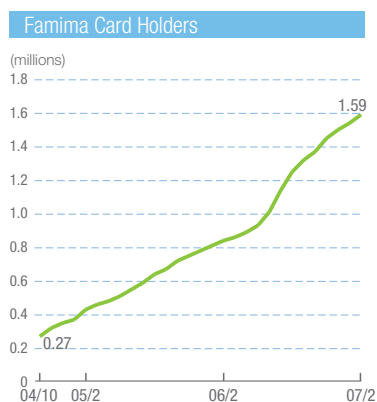
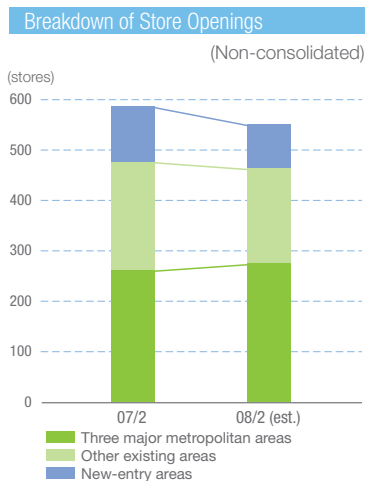
Expanding our store network and responding to customers' needs

Regarding our plans for the expansion of our store network, in fiscal 2007 we will clarify our store-opening criteria by prefecture, and work to create efficient dominance in each region according to the market conditions there. Specifically, we will be focusing more strongly on store openings in Japan's three major metropolitan areas, centered on Tokyo, Osaka, and Nagoya. We plan to raise the ratio of our store development staff in the three major metropolitan areas to two-thirds of the total. Out of the total of 550 stores we plan to open in fiscal 2007, 275 will be in the three major metropolises. For the rest of Japan, most new stores will be constructed in the centers of the largest cities, such as the prefectural capitals. In addition, we have set up a specialist section to ensure more accurate analysis of candidate locations for new stores and thereby achieve greater competitiveness. By these means, we will solve the problem of insufficient average daily sales at some of our new stores.

In product marketing, we will be placing even more emphasis on our strategy that focuses on generation, price, and region. In particular, we plan to continue investing in the development of products that carry a higher degree of value-added. This will be one of the tools with which we will revolutionize the existing concept of ready-to-eat foods at convenience stores. We will also be taking steps to realize fuller collaboration in product development and procurement between FamilyMart in Japan and our area franchisers in other countries. We hope to be able to introduce onto our shelves new, high-quality products at lower prices. Our aim is to realize a good balance in terms of price in the selection of products on the shelves of our stores, encompassing both high-end products and reasonably priced ones.

FamilyMart was one of the first convenience store operators to respond to customers' need for a convenient cashless method of making small-amount payments. Regarding e-money, we aim to have approximately 2,600 stores (in the Tokyo region and in the northern Japanese city of Sendai and its surrounding area) that are capable of accepting payment using JR East's Suica card by the end of this summer. We will also be equipping approximately 7,000 stores around the country to handle Edy and iD electronic settlement systems.

In 2004 we introduced the Famima Card, a combined credit card and cash card with an eye to CRM (customer relationship management), as it helps to cement customer loyalty and ensure a larger number of regular repeat visits to our stores. We are actively advertising the benefits of this payment system with the aim of increasing the number of cardholders. We had issued an aggregate total of 1.59 million cards as of the end of February 2007, and from fiscal 2007 we will be initiating a system in which the buying pattern of each cardholders is analyzed, enabling us to



offer personalized marketing services. By signing tie-up agreements on card points sharing with other major corporations, we aim to secure customer loyalty even more effectively.

FY2007 Strategies and Outlook

FY2007 basic strategies

The year for creating a stronger business foundation, leading to healthy earnings in the future

Installation of new store management system

Adoption of 2FC-N, new type of franchise contract

Introduction of multiple store management incentives

Maintain various supports for franchisees

Pave the way for a steady upward trend in both revenues and earnings from FY2008 onwards

Continue Second-Phase Structural Reform

■ Remodeling sales displays and product lineups ■ Strengthening earnings structure ■ Improving cost structure ■ Transforming corporate culture

Enhancing store competitiveness

■ Train all franchisees in the concept of firmly establishing the FamilyMart brand

Strengthening merchandising

■ More emphasis on three product marketing concepts
 ■ Good balance in terms of price in product selection
 ■ Promotion of store-by-store products according to local needs

Creating high-quality stores

■ Focusing more strongly on store openings in three major metropolises and largest cities in other areas
 ■ Setting up New Store Screening Department

Overseas operation

■ Realizing the Pan-Pacific Plan
 ■ Accelerating business performance improvement in Thailand
 ■ Preparing for franchise operations in the US

FY2007 major policies

E-money

- Handling Edy and iD electronic settlement systems nationwide
- Expanding number of stores accepting payment by Suica card to 2,600 in Tokyo and Sendai areas

Famima Card

- Offering personalized marketing services
- Tie-ups with major corporations on card points sharing

New store management system

- Setting up of Store System User Committee aiming for more accurate ordering
- Maximizing usage of broadband network

Business Performance Plan (consolidated)

(¥ million)

	07/2 (results)	08/2 (forecast)	YoY comparison (%)
Operating revenues	297,849	305,200	2.5
Operating income	29,609	30,300	2.3
Net income	14,969	15,200	1.5

Operational Targets (non-consolidated)

	07/2 (results)	08/2 (forecast)	YoY difference
Average daily sales (total stores; ¥ thousand)	464	471	7
Growth rate of average daily sales of existing stores (%)	(1.4)	0.2	1.6
Gross profit ratio (%)	28.95	29.40	0.45
Average daily sales (new stores; ¥ thousand)	406	430	24
Number of store opening	586	550	(36)
Number of store closure	369	350	(19)

Please tell the readers about your future vision for FamilyMart, beginning with your store-opening strategy.



Creating high-quality stores

FamilyMart extended its store chain throughout the whole of Japan in fiscal 2006, but the purpose of this expansion was not simply to enlarge the scale of the Company's operations.

If we project a scenario for the convenience store industry five or ten years from now, it seems clear that the provision of services, as opposed to the sale of physical goods, will rack up the fastest rate of growth. The services I have in mind include the sale of tickets for entertainment events, acting as an agent for payments of taxes and other dues to central and local government authorities, financial services, the insurance agency business, and acting as an intermediary for nursing care and home helper services. All these services would effectively leverage the advantages convenience store chains possess in terms of delivery capabilities, ease of access, and advanced payment systems. I foresee a point in the future when the main focus of competition between convenience store chains shifts from ready-to-eat foods to services, including E-Retail services.

Looked at in this way, the possession of a network of outlets stretching from Hokkaido in the north to Okinawa in the south means that our customers can be assured that wherever in the country they go, they will be able to access and take advantage of the same services offered by FamilyMart. When I realized that, over the long term, the role of convenience stores would be as providers of "universal services," I determined to complete the Company's service network by extending it to every one of Japan's 47 prefectures. It is this vision that lies behind my decision to invest ¥31 billion in installing our new store management system.

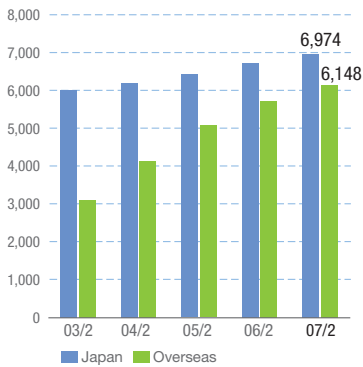
Could you give us your perspective on the reorganization of the convenience store industry?

As instanced by FamilyMart's introduction of its new store management system, convenience store chain operators are being required to make large-scale investments in response to the growing demand for e-money payment systems and an extended range of services. Only a small number of major chain operators will be able to afford such investments, and the small and medium-sized chains that cannot make the necessary investments in their information technology infrastructure will be unable to offer non-cash payment services, thus disappointing their customers. After all, to live up to its name, a convenience store, above all else, must provide convenient services. It will be difficult for such companies to remain in independent existence.

You might imagine, therefore, that these chains would be swallowed up by the major chains, but such takeovers carry considerable risks. Mergers between major operators, too, carry the risk of excessive costs caused by the duplication of two sets of electronic store management systems. Personally, I do not see this sort of merger as a practical solution. If so, the period we are now entering will not so much be one in which the industry undergoes a process of restructuring, but one in which there will be a major shakeout: the unsuccessful convenience store chain operators will inevitably go out of business. At the individual store level, we are likely to see a growing tendency for franchisees to transfer their allegiance to more efficient franchisers.

While all this is going on, the competition to survive among the major chains, too, will be extremely fierce. Over the next couple of years, we are likely to see clearly which companies possess the store networks with the strongest customer drawing power and the greatest potential for cost-efficient expansion. Needless to say, I am determined to see to it that FamilyMart emerges successfully from this period of intense competition as a strong and profitable company.

Number of stores



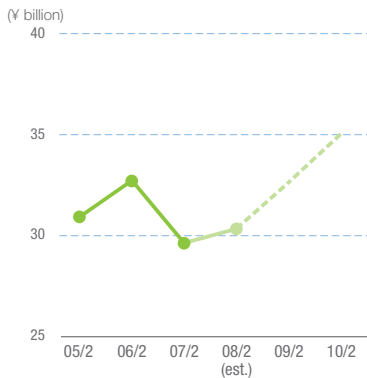
Regarding FamilyMart's overseas store development strategy, you have strongly put forward your Pan-Pacific Plan, under which you are aiming at the realization of a network of 20,000 stores. Could you provide more details of your overseas development plans?

As our domestic market here in Japan becomes increasingly mature, we are relying more and more on our overseas operations to supply the retained earnings needed for reinvestment in our franchisees in Japan and overseas in the form of sales promotion support, among other things. We have no plans at the moment to open stores overseas except for Taiwan, South Korea, Thailand, China, and the United States, where we already have networks in operation. We intend to take a cautious stance on expanding our store networks overseas, and will not commit ourselves to further expansion without thorough analysis of the earnings potential of candidate markets.

There are still many countries where there are few, if any, Japanese-style convenience stores, offering a wide range of services to meet all sorts of needs. This fact means that the global market expansion potential for convenience store chains like FamilyMart is immense. As if in illustration of this, the balance between the number of our stores in Japan and those abroad will reverse itself sometime in the near future. By early 2009, when we reach our global target of 20,000 stores, the balance of power among the leading Japanese convenience store chains will have largely become fixed, and any growth that occurs from then on will come mostly from our overseas operations.

Operating Income

(Consolidated)



What are your projections for FamilyMart's business prospects in fiscal 2008 and subsequent years?

FamilyMart does not draw up any of the sort of medium-term management plans commonly created and publicly announced. In view of the inability of any retail company to precisely forecast the state of the market, even one year ahead, the targets set out in such medium-term plans are usually little more than window-dressing. Managements must be able to react flexibly and speedily to developments in the wider world, and drawing up a medium-term plan serves only to tie their hands. This is especially so during periods of rapid change such as we are going through now. Having said that, if a company is to maintain its status as a going concern, the management must possess some kind of medium-term vision.

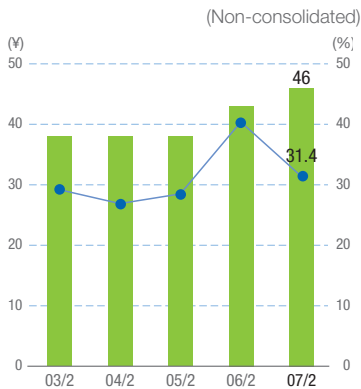
At the non-consolidated level, most of our planned investment in support of our franchisees will have been completed by the end of fiscal 2007, and we will be ready to embark on a new growth phase. At the consolidated level, our Thai subsidiary should register an operating profit for fiscal 2008, making its first contribution to the Group's earnings, while our United States subsidiary will begin franchising operations in 2008. Thus, we see an improvement in our business environment in fiscal 2008 at the consolidated level, after hitting bottom in fiscal 2007.

To sum up, we project a growth of 5% at the minimum in operating income for fiscal 2008 on a non-consolidated basis, while growth on a consolidated basis should be close to 10%.

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Could you tell the readers what steps you are taking to increase FamilyMart's enterprise value? Also, please say something about your policies on shareholder return, and on maintaining the appropriate number of outstanding shares of the Company.

Per-Share Dividends and Payout Ratio



Maximizing Shareholder Value

FamilyMart puts top priority as a management issue on the distribution of retained earnings to its shareholders, and it is our stated policy to continue paying dividends at a stable level insofar as our business performance allows.

Up to now, we have treated the payout ratio on a non-consolidated basis as the principal indicator of shareholder return, but now that the contribution of consolidated subsidiaries to overall consolidated earnings is rising, particularly of our overseas subsidiaries, we expect the ratio of earnings on a consolidated basis to those on a non-consolidated basis to rise in the years to come. Consequently, with effect from fiscal 2007 we have decided to employ the payout ratio on a consolidated basis as the indicator of shareholder return, and have raised our target to 35% from the 30% we have constantly cited hitherto. In line with this, we plan to pay a per share dividend of ¥56 for fiscal 2007, an increase of ¥10 over the dividend for the previous business year.

Even though our business environment has been difficult for a number of years, and seems likely to remain so for some time to come, FamilyMart's financial position is healthy, and we are confident of the Company's growth potential in the foreseeable future. The figure of 35% does not constitute our final target as far as the payout ratio is concerned: it is simply a guideline for the time being, and we intend to raise the ratio if our business performance allows it. We see this as part of our responsibility to our shareholders.

Regarding our future dividend policy, we hope to match the level of dividend payments in a rational way to the Company's business performance, while setting aside sufficient retained earnings to finance the investments needed for future corporate growth and maintain our competitiveness. We will repurchase our own shares to enable the implementation of a flexible capital strategy.

As I have already explained, in the near future we are likely to see an expansion in the networks of the major convenience store operators as they seek to optimally leverage their infrastructures to provide a growing range of increasingly sophisticated services. However, there is only so much that the staff of a convenience store company can do in-house: at some point they will have to collaborate with companies in different industrial sectors who possess the required expertise. From this point onward, we plan to cultivate collaborative relationships with successful enterprises in other industrial sectors as a means of fueling our own further growth. Consequently, we are also studying the share crossholding strategies that will be required for the successful implementation of such collaborations.

Establishing FamilyMart Brand

Fiscal 2005

- Start of campaign = "FamilyMart, Where You Are Always One of the Family" – slogan readopted after seven-year hiatus
- Start-up of across-the-section project

Fiscal 2006

- Revision of our corporate philosophy for the first time in 15 years ⇒ participation of all employees in the drafting of the "Basic Philosophy"
- Drafting of "Famimaship," our action guidelines

Fiscal 2007 (plan)

- Increased use of knowledge management
- Continued efforts to increase understanding of the FamilyMart Corporate Image among our franchisees

Could you give the readers some background to your ongoing promotion activities for establishing FamilyMart brand, in which all of your staff are involved?

Convenience stores have become an integral part of modern life in Japan. Something often seen in urban areas is one convenience store facing a rival store across the street or road, or separated from a competitor store on the same side of the road by only a few dozen yards. The competition between such closely situated rivals is particularly fierce, and we believe that the key factor in tipping customer choice toward one store rather than the other is the chain's image.

In line with this, since 2005 we have been conducting a campaign — led by our younger staff but covering all units of the Company — to raise the recognition profile of the FamilyMart brand. Our primary weapon in this initiative is to ensure that customers who enter our stores have the immediate feeling of being warmly accepted.

To mark our 25th anniversary in fiscal 2006, we revised the FamilyMart Basic Principles for the first time in 15 years. At the same time, we also set out the FamilyMart Action Guidelines, centered on our "Famimaship" concept. So far in fiscal 2007 – the third year since the start of these brand profile improvement initiatives – we have printed and distributed the FamilyMart "Brand Book,"



Newsletter describing the Company's "FamilyMartness" campaign – the fruit of voluntary activities by our younger staff

which seeks to imbue all the Company's employees with a common vision of the FamilyMart brand. During fiscal 2007, we expect to see this common vision reflected even more strongly and concretely in our stores, so that our customers will be so favorably impressed with the excellent quality of products and services on offer, they will be convinced that only FamilyMart can provide what they seek. We call this "FamilyMartness."

We have received a large number of favorable comments from our customers regarding the attitude of the staff at our stores. According to one corporate image survey carried out by a third party, FamilyMart had the leading corporate brand recognition among the general public of all convenience store chain operators. The survey also showed that FamilyMart had achieved great strides in further raising its stores' reputation for friendliness and likeability.

In fiscal 2006, the effort to spread this concept of FamilyMartness to every corner of all our stores was still an ongoing process. Encouraged by the strongly favorable response from our customers, in fiscal 2007 we will be conducting "FamilyMartness Activities" with the aim of ensuring that all aspects of our stores' operations contribute to the improvement of our corporate image. The staff at head office, together with our franchisees and their store staff, are working as one to achieve the materialization of their shared concept.

While tackling and solving each problem that faces us, we will work to differentiate the Company from its rivals — both existing convenience store chain operators and new entrants from other industries. This, in turn, will enable us to survive and prosper — despite the severe operating environment in the retail sector — and will lead to improved earnings for our franchisees.

In conclusion, could you send a message to your shareholders and other stakeholders?

The vision I most cherish as a member of FamilyMart's management is of all the staff of FamilyMart at our franchisees' stores and at our headquarters motivated, and encouraged to take on any challenge that presents itself. In this way, I hope that an endless chain of aspirations and objectives will come into being, linking every single FamilyMart staff member. The combined effect of such motivation, encouragement, and aspirations is certain to secure the trust of our customers.

In fiscal 2007, too, the management of FamilyMart will continue to encourage ever-closer collaboration between the head office and our franchisees, and we look forward to seeing the realization of "FamilyMartness" through teamwork.

I hope that our shareholders, as well as stakeholders in general, will continue to give us their support and encouragement in our ongoing endeavors.

