

FamilyMart at a Glance

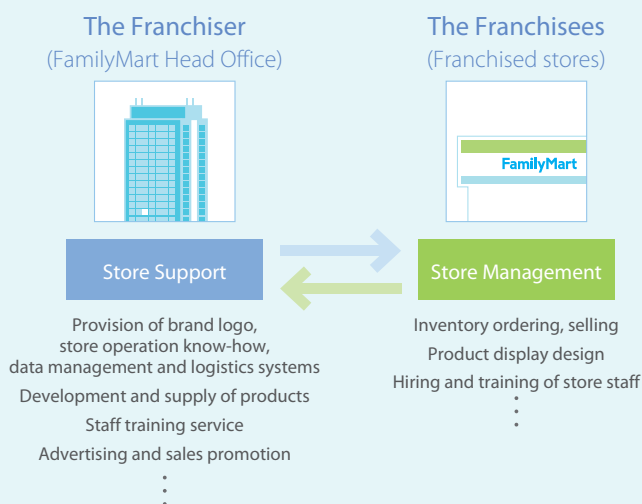
The FamilyMart Group operates a convenience store chain through the franchise system in Japan and the Asia-Pacific region, in addition to an e-commerce business, accounting services for franchisees, and credit card services.

In this section, we describe our main convenience store chain operations, the Japanese retail market and the convenience store industry.

FamilyMart's Franchise System

Aiming at growth together with our franchisees

FamilyMart Co., Ltd., as the franchiser, collaborates closely with all its franchisees to foster mutual trust and a collaborative relationship so that both parties may achieve business growth. Our franchisees are responsible for store management, including the ordering of their own inventories, the arranging of their product displays and the training of their staff. For our part, we supply not only our brand name and logo, but also full store management support services, including store operation know-how and the shared use of data management and logistics systems. In return for this support, the Company receives royalty income consisting of a certain percentage of each franchisee's gross margin. The rate differs according to the type of franchise contract.

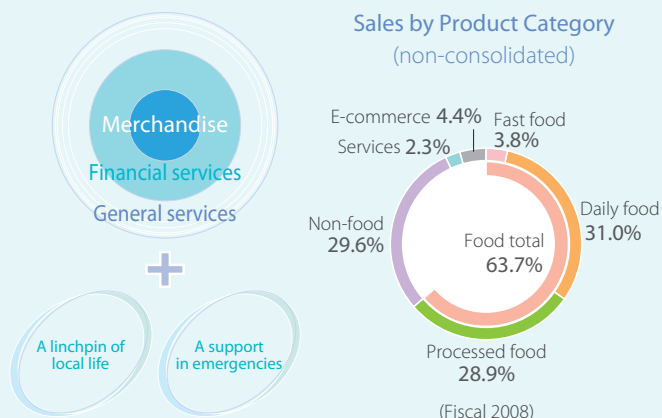


* Please refer to page 43 for details of franchise contracts.

FamilyMart's Stores

Serving as a vital element in the local community infrastructure

FamilyMart's clean, well-lit stores — open around the clock every day of the year — have an average floor space of 115 square meters and contain around 2,600 separate items covering everything from food to sundry goods. Food products, including *bento* take-out meals, together with beverages account for around 64% of total sales. In recent years we have been making the most of the nationwide optical fiber network that connects all our stores to offer financial and general services supplementing the sale of goods. These services include the provision of bank ATMs as well as the acceptance of payments for public utility and other bills, and customers can also use the multimedia terminals installed in FamilyMart stores to purchase tickets for cinemas, sports events, concerts, and so on. In these ways, we have been expanding the social role of our stores, which are assuming a growing importance in the local community infrastructure.



The position of the convenience store industry within the overall retail sector

Market Scale and Share

The scale of Japan's retail market in fiscal 2008 was approximately ¥134 trillion, of which the convenience store industry accounted for around ¥8 trillion, or 6%.

The top four convenience store operators account for roughly 80% of aggregate industry sales, and their grip on the market is increasing as the smaller operators are being squeezed out. FamilyMart is currently No. 3 in the industry.

Trends in Japan's Retail Sector

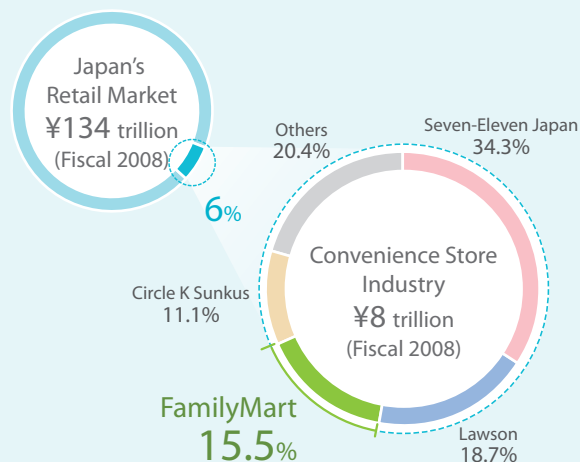
Since hitting a peak of approximately ¥148 trillion in fiscal 1996, total sales of Japan's retail sector have decreased continually amid a prolonged weak trend in personal consumption. A recovery was seen in fiscal 2003, but the trend has been flat over the past few years, largely owing to the aging of the country's population combined with a low birthrate.

Amid these circumstances, supermarkets and department stores are fighting for survival, and both these retail categories are undergoing a rapid winnowing-out process due to fierce competition.

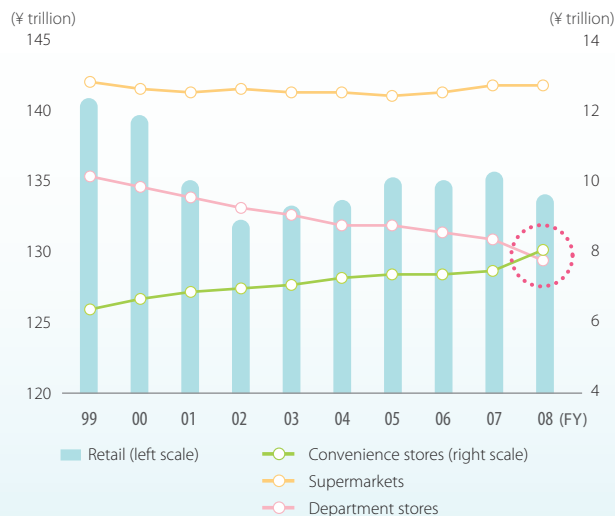
In contrast, the convenience store industry is still in good health. Following the opening of Japan's first convenience stores about 35 years ago, the industry grew strongly up to the 1990s by offering consumers the sort of convenient service that met their needs. The growth pace slowed somewhat after the turn of the century, but sales posted a sharp rise in fiscal 2008 thanks to the introduction of the *taspo* age-verification system for cigarette purchases at vending machines. (See note on page 5.) In fiscal 2008, for the first time ever, total sales by convenience store operators exceeded those of the nation's department stores, which are suffering from poor clothing sales in particular.

Trends in the Convenience Store Industry

Although the scale of the convenience store industry is still growing thanks to the opening of new stores, sales on an existing store basis are sluggish. This is the result of severe competition between convenience store operators, of which the major companies are continuing to expand their store chains, as well as between these operators and other forms of retail outlet such as supermarkets and discount stores.



Retail Sales



In this highly competitive environment, the only convenience store chains that will be able to continue growing are the major operators, who have achieved the required "critical mass" in terms of the number of stores, and a related soundness of financial position. The industry is in the process of a significant realignment in which the medium-sized and small operators, who have little financial leeway for investment, are particularly at risk.

Three Indicators of FamilyMart's Growth Potential

The FamilyMart chain has excellent potential for growth amid the current severe competition in the convenience store industry

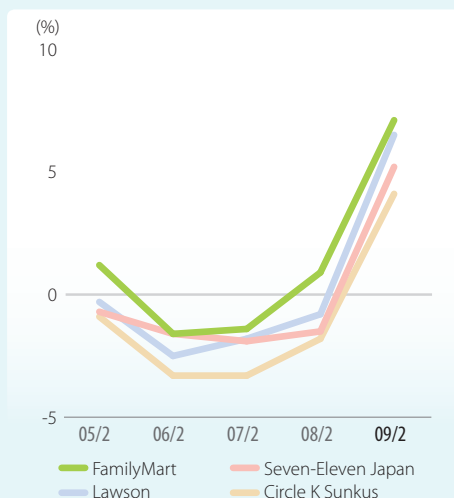
Growth in Number of Customers at Existing Stores (non-consolidated)

Customer visits at existing stores have recorded year-on-year growth nearly every month since December 2006.



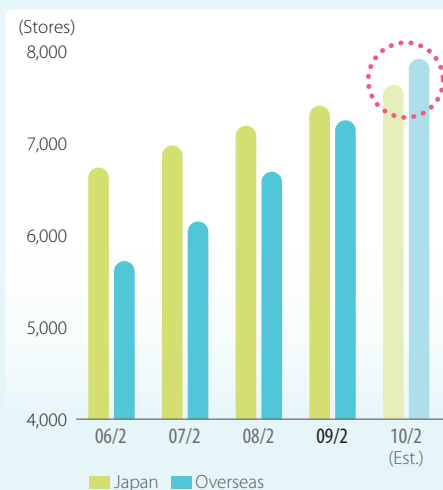
Growth Rate of Average Daily Sales of Existing Stores (non-consolidated)

FamilyMart continues to post growth rates surpassing its competitors.



Overseas Stores

FamilyMart is also aggressively expanding its network of stores overseas. The number of stores overseas will overtake that in Japan by the end of fiscal 2009.



Note

The *taspo* effect: In 2008, after a trial introduction in the two prefectures of Kagoshima and Miyazaki in March, the use of a special age-verification system using smart cards (so-called *taspo* IC cards) became mandatory in the whole of Japan in July for buying cigarettes at vending machines. As a result, all convenience store chains posted sharp increases in sales for fiscal 2008. This is primarily because consumers who do not possess a *taspo* IC card (consumers must apply to the Tobacco Institute of Japan to obtain a card), even though they are of legal age, are buying their cigarettes at retailers, typically convenience stores. Naturally, customers who have entered a convenience store just to buy cigarettes will often end up buying other items, and this phenomenon has been to the advantage of the convenience stores.

Sources: Retail statistical yearbook, Ministry of Economy, Trade and Industry (one year from April 1st to March 31st), and documents released by each company (one year from March 1st to the last day of February).

Consolidated Financial Highlights

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended the Last Day of February

	2009	Millions of yen				Thousands of U.S. dollars (Note 1)
		2008	2007	2006	2005	2009
Results of operations						
Total operating revenues (Note 2)	287,342	319,439	297,849	276,443	252,901	2,932,061
Operating income	36,532	31,214	29,609	32,662	30,869	372,775
Net income	16,452	16,438	14,969	14,195	12,623	167,878
Financial position						
Total assets (Note 3)	398,126	351,271	315,256	314,121	286,771	4,062,510
Total equity (Note 4)	197,529	191,281	171,155	168,233	156,931	2,015,602
Cash flow						
Net cash provided by operating activities	75,028	49,375	35,093	42,778	1,428	765,592
Net cash used in investing activities	(28,217)	(24,593)	(32,938)	(32,249)	(23,183)	(287,929)
Net cash (used in) provided by financing activities	(7,030)	3,956	(19,155)	(4,238)	(3,922)	(71,735)
Cash and cash equivalents	135,888	98,844	69,551	86,189	79,534	1,386,612
Per share of common stock (in yen and U.S. dollars)						
Basic net income	172.6	173.5	158.8	145.7	129.5	1.76
Cash dividends applicable to the year	68.0	60.0	46.0	43.0	38.0	0.69
Total equity (Note 4)	2,001.5	1,921.6	1,771.3	1,736.2	1,619.5	20.42
Ratio						
Equity ratio (%)	47.9	52.2	51.9	53.6	54.7	
ROE (return on equity) (%)	8.8	9.5	9.0	8.7	8.3	
ROA (return on total assets) (%)	4.4	4.9	4.8	4.7	4.2	
PER (price earnings ratio) (times)	19.2	17.8	20.5	25.1	24.0	
Payout ratio (%)	39.4	34.6	29.0	29.5	29.4	
Other data						
Number of franchised stores and Company-owned stores (non-consolidated)	6,891	6,691	6,501	6,284	5,994	
Number of area franchised stores (including overseas area franchised stores)	7,760	7,184	6,621	6,168	5,507	
Number of stores	14,651	13,875	13,122	12,452	11,501	
Number of full-time employees	6,950	6,647	6,735	6,048	5,458	
Number of shareholders	12,293	14,933	17,880	17,444	18,644	
Issued number of shares (thousands)	97,683	97,683	97,683	97,683	97,683	

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥98 = U.S.\$1, the rate prevailing on February 28, 2009.

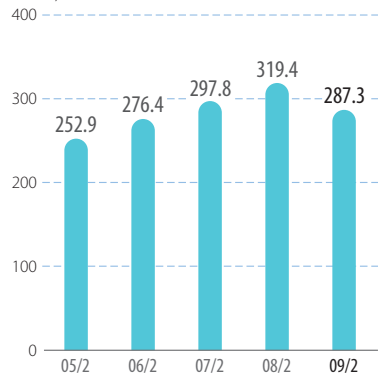
2. Operating revenues for fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd. from gross basis to net basis.

3. Total assets as of the fiscal 2008 term end include the amount for trade payables (¥42,334 million) as the due date (February 28, 2009) fell on a bank holiday.

4. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in total equity.

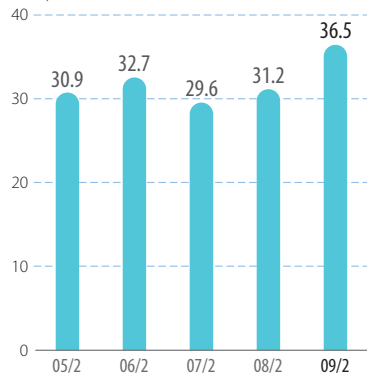
Total Operating Revenues

(¥ billion)



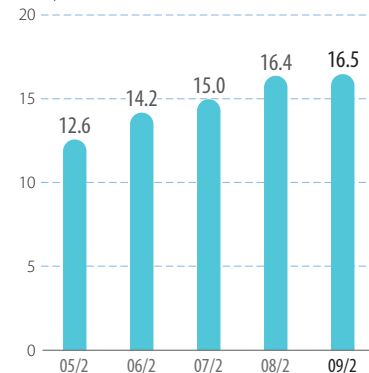
Operating Income

(¥ billion)



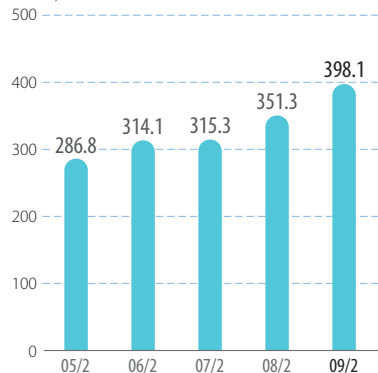
Net Income

(¥ billion)



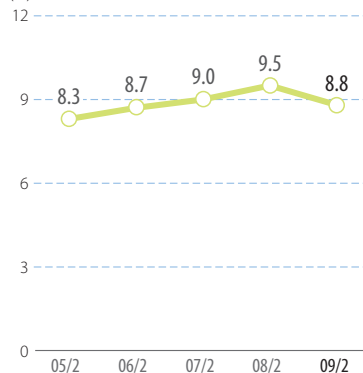
Total Assets

(¥ billion)



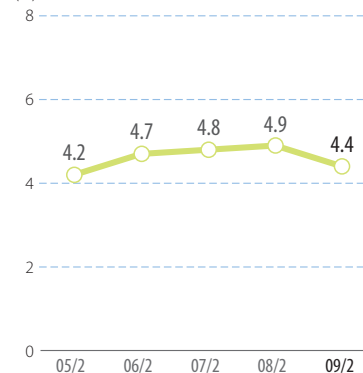
ROE

(%)



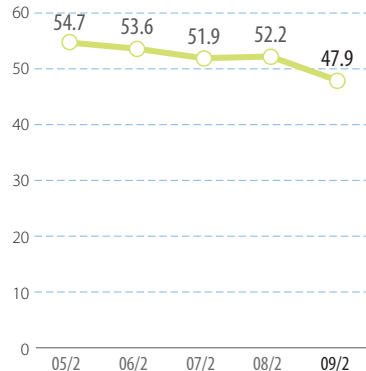
ROA

(%)



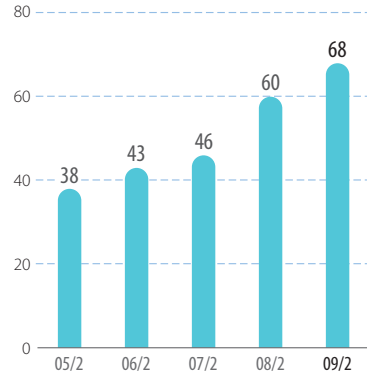
Equity Ratio

(%)



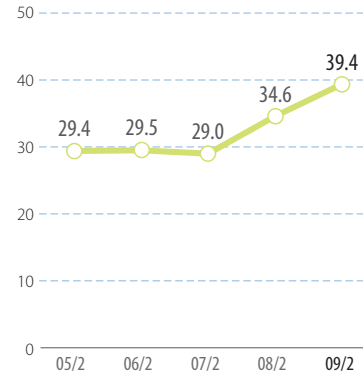
Cash Dividends per Share

(¥)



Payout Ratio

(%)



Faced with an increasingly challenging business environment, we are perfecting our formula for success

In fiscal 2008, ended February 28, 2009, we faced an unprecedentedly harsh business environment as the Japanese economy was impacted by rising prices of crude oil and raw materials in the first half, and hit by the global downturn in the second half. We at FamilyMart faced this tumultuous year with a renewed commitment to perform the basics of retailing — the things that should be taken for granted — better than any of our rivals. Despite these challenging conditions, we were able to achieve record-high earnings on a consolidated basis. As a result, we raised our annual dividend payment to shareholders by 8 yen per share to 68 yen.

The current economic outlook suggests an increasingly severe business environment in fiscal 2009. We will leverage the strengths nurtured through the “FamilyMart Feel” campaign to perfect our formula for success.



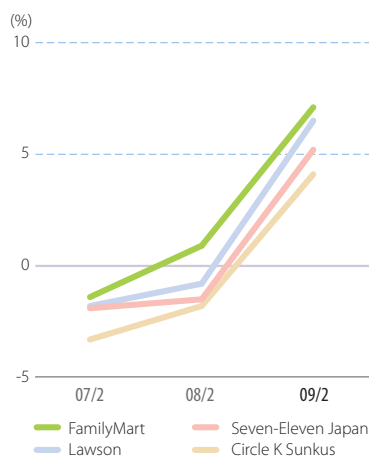
A handwritten signature in black ink that reads "J. Ueda".

Junji Ueda
President and Chief Executive Officer

Question 1

Please summarize FamilyMart’s achievements in fiscal 2008.

■ Growth Rate of Average Daily Sales on an Existing Store Basis (non-consolidated)



Answer

We achieved the industry’s highest rate of growth for average daily sales at existing stores, and reported record-high earnings results on a consolidated basis.

In the first half of fiscal 2008, we saw a surge in the prices of crude oil and the ingredients for food products. Triggered by the financial sector crisis, which came to a head in the U.S. in September, the Japanese economy also fell into the minus growth zone. It was indeed a challenging year.

Despite this backdrop, however, the convenience store industry benefited from the introduction of *taspo* IC cards for age verification when buying cigarettes at vending machines. This change prompted smokers to switch from vending machines to stores (convenience stores in particular) when making their cigarette purchases. Thanks to this “*taspo* effect,” the aggregate sales of the convenience store industry outperformed those of department stores. The convenience store industry is clearly one of the winners in the retail industry at the moment.

Within the industry there is a widening gap between those chains that can be expected to achieve future growth and those that can not, and this trend will gradually become more noticeable. FamilyMart has specified fiscal 2008 as “a year that will cement our position as a sector leader.” Thanks to efforts by employees and franchise store staff to establish FamilyMart’s reputation as a convenience store chain known for its hospitality, the Company is the sole major convenience store operator to achieve year-on-year growth in terms of average daily store visits on an aggregate store basis for more than two straight years. Moreover, this figure has risen year-on-year by 65, to a total of 921 customers per day (record-high).

As a result, FamilyMart’s average daily sales on an existing store basis rose 7.1% year-on-year. If the *taspo* effect is excluded, the year-on-year increase in average daily sales (as a more appropriate indicator of actual growth) becomes a solid 2%. The strong performance by existing stores strongly contributed to the Company’s reporting of record-high operating income and net income on a consolidated basis.

We are especially proud of our good performance compared with the other convenience store chains, in view of the recent harsh business environment.

Key Factors

Question 2

What factors contributed to the highest growth in average daily sales at existing stores among leading convenience store operators?

Answer

Our strict observance of the basics of retailing and pursuit of the “FamilyMart Feel” have enabled differentiation from our rivals.

I am referring here specifically to the rigorous attention we give to service, quality and cleanliness (SQ&C). The basis for the rise in customer visits is our full-scale commitment to stocking the products our customers want to buy, when they want to buy them, in the right amounts, as well as the priority we place on ensuring that the shopping experience is a pleasant one for our customers.

Another significant difference is the strong appeal of our distinctive products. Over the past six years, FamilyMart has pursued the three marketing strategies of generation marketing, price marketing and regional marketing as a means of enhancing the appeal of its merchandise. The cultivation of pasta, fast food and desserts as three priority product categories continues to give FamilyMart a competitive advantage, which contributes to the upward trend in sales. We are enjoying increased customer footfall from smokers thanks to the *taspo* effect. We also increased our lineup of products with appeal to smokers, to encourage purchases of something more than just cigarettes when they visit a FamilyMart store, and we also encouraged individual stores to consider redesigning their store layout. As a result, we registered record-high average daily sales for ready-to-eat items in the reporting period.

Our “FamilyMart Feel” campaign, begun four years ago, is the driving force behind these various initiatives. With the slogan “FamilyMart, where you are one of the family,” we communicate — not only through our product lineup and store operations but also through our advertising and store design — those distinctive features that help to differentiate FamilyMart from its competitors. In this way, we are raising FamilyMart’s brand value and achieving differentiation for the chain as a whole.

We will continue to enhance our strengths to realize a strong earnings performance in fiscal 2009.

Outlook for fiscal 2009

Question 3

Is sustainable growth possible in fiscal 2009 given the bleak outlook for the foreseeable future, with a worsening business environment and intensified competition with other chains?



Answer

It is precisely because of these challenging operating conditions that we keep doing what has to be done, and doing it well, without relying on gimmicks, to become the store of choice for our customers.

No signs of a recovery in consumer confidence have emerged. Consequently, we can only expect that our business environment will become increasingly harsh in fiscal 2009. In difficult times like these, however, we must tackle any outstanding issues, without relying on clever gimmicks, and solve them one by one. Why? Because only a few stores, in any sector, in any age are operated in a manner that is truly faithful to the basics. The degree of faithfulness will make a difference on the customers’ support rate. For that very reason, we consider this current situation a tremendous opportunity.

Thus, we will promote the thorough implementation of service, quality and cleanliness (SQ&C) while also enhancing store operations by improving the training of store staff as a top priority. In terms of our merchandise, we are continuing to undertake product development in line with our three marketing strategies in the creation of products that embody the “FamilyMart Feel,” and we work to ensure a good balance in our product lineup, with the aim of facilitating a swift response to changes in market demand. Through these efforts, we expect to increase average daily sales at existing stores by 0.5%, and thereby achieve a year-on-year rise in average daily sales for the third straight year.

Regarding new store openings, we are seeing more clearly that some chain operators are capable of expanding their chains, while others are not. The race

between convenience store operators to open new stores in Japan is finally coming to an end. Any reduction in the scale of our convenience store chain would lead to a weakening in both brand power and the network itself in the field of franchise business operations. Accordingly, in fiscal 2009, we will expand our store network in Japan's three major metropolises of Tokyo, Osaka and Nagoya, which promise future growth, by pursuing our strengths in new market development and by further encouraging franchisees to manage multiple stores — in both of which FamilyMart is a pioneer. We will also make further efforts to attract new corporate franchisees. We plan to open a net total of 200 new stores (by opening 550 stores and closing 350 stores), and expect average daily sales at new stores to rise ¥20,000 year-on-year to ¥480,000.

As a result, net income on a consolidated basis is expected to hit a record high for a fifth year in a row.

Differentiation Strategies

Question 4

Your three priority product categories have overwhelming strength in terms of their contribution to sales. How do you plan to realize further differentiation in the future?



Ajiwai Famima Café



Chilled bento



"Famima Fresh" corner

Answer

We have introduced nationwide a fourth priority product category — Ajiwai Famima Café (chilled-cup drinks) — as well as chilled bento products. We will also more widely introduce "Famima Fresh" corners at stores in residential areas.

We established a fourth priority product category of chilled-cup drinks*¹ in April 2009. In this fourth category we have launched a new brand known as "Ajiwai Famima Café." We have expanded the product lineup by adding several dessert-like products as well as products incorporating the natural flavor of fresh ingredients, with the aim of clearly differentiating our products from those of competitors. Meanwhile, our chilled *bento* products*², containing seafood, fresh vegetables and other fresh ingredients and requiring storage at temperatures lower than those used for conventional *bento* products, were being sold at approximately 2,000 stores as of February 2009. Thanks to the strong performance of our chilled *bento* products, we have decided to carry these products in all of our stores nationwide in fiscal 2009.

Looking ahead, a priority issue for us will be how to attract to our stores more middle-aged and elderly customers, as well as more housewives, none of whom are part of the main customer segment of conventional convenience stores. Measures being implemented include the establishment of "Famima Fresh" corners, featuring fresh foods and prepared food kits, in stores located principally in residential areas. From fiscal 2008, the product lineup has included roast beef and raw fish, which had never been offered at convenience stores before. This change in product lineup has helped us to attract customers from new demographic segments. Expecting demand to continue growing in the future, we plan to expand "Famima Fresh" corners from the current 1,200 stores to 3,500 stores by the end of fiscal 2011.

In this way, we will continue making investments to create new added value, to develop products that will appeal to our customers, and to design displays that our customers will find attractive, with the aim of achieving sustainable growth.

*1. Chilled-cup drinks: From distribution to sales, drinks are kept at between 3°C and 8°C

*2. Chilled *bento* products: From distribution to sales, *bento* products are kept at between 3°C and 8°C

Question 5

Please explain your recent initiatives involving the Famima T Card.

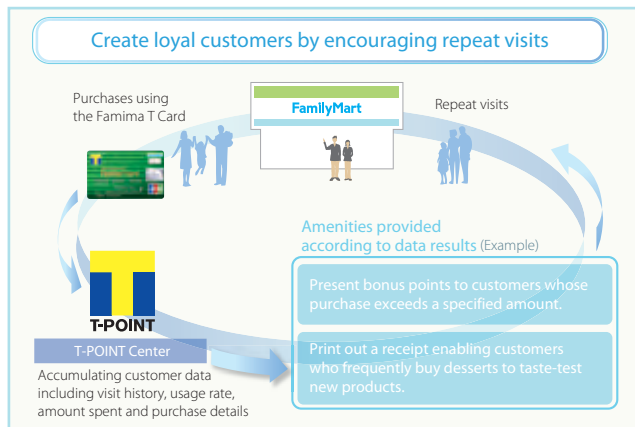
Answer

We expect the Famima T Card will contribute to a further increase in customer visits.

The Famima T Card, an important strategy for increasing customer footfall, enhances the competitiveness of each individual store. At the end of February 2009, total Famima T Card membership stood at 1.79 million, and the rate of card utilization (including other companies' T Cards) rose 150% to approximately 15%.

We plan a full-scale launch of sales promotion activities utilizing IT systems in fiscal 2009. By analyzing customer data according to age, sex, frequency of visits and items purchased to make optimal use of data, we will employ the most effective means for motivating individual customers to visit our stores.

■ Loyal Customer Preferential Treatment System



A specific example is the introduction of the Loyal Customer Preferential Treatment System targeting frequent visitors. The program encourages customers to make repeat visits to the store with the aim of encouraging them to become loyal customers.

We are strengthening ties with corporate members of the T-POINT program, which facilitates the sharing of customers for T Card holders. We expect that by stimulating latent customer demand, we will be able to attract new customers who have never been to our stores before. Our aim is to increase the employment of measures that would be difficult for other chains to imitate.

Question 6

As consumer confidence worsens, supermarkets and some convenience stores are lowering price bands for certain products. What thoughts do you have on pricing policy?

Answer

We will provide products and services with the best balance between price and value suitable for each age group and region we serve.

Convenience stores stock products customers want to buy, whenever they want to buy them, and in the right amounts. The stores also offer ATM services and accept payment for utilities and other bills, and also contribute to crime prevention and disaster relief. In this way, convenience stores fulfill an important function in the social infrastructure. Moreover, their clientele differ from those of supermarkets and discount stores. In addition to convenience, FamilyMart aims to provide a place for communication and relaxation, and sometimes even enjoyment, in addition to being secure and safe. Thus, in my opinion, convenience stores do not compete on a price basis with supermarkets and other mass retailers. My aim is for us to continue to supply innovative products, products with the "FamilyMart Feel," and products that customers are pleasantly surprised to find in a convenience store. Our customers know the type of products we carry, and they expect our stores to be fun, interesting places. It is on these terms that we aim to compete with other retailers.

However, given the ongoing economic downturn, and the consumers' purse-tightening stance toward day-to-day purchases, pricing will become an important factor. FamilyMart has always based pricing and value decisions for matching age groups and regions to products and product categories in its three marketing strategies (based on generation, price, and region). Catering to a particular generation means, for example, developing value-for-money *bento* products for younger customers and higher value-added products for middle-aged customers. Also, our regional focus means we adapt to local price differences. We are also taking steps to expand the use of low-cost locally sourced fresh food ingredients. We think that striking a balance between these various factors is important to our competitiveness.

M&A Policies

Question

7

There is a growing view in Japan that the retail sector faces a wave of consolidation. What are FamilyMart's policies in this regard?

Answer

For any takeover, there would have to be brand integration.

There is no doubt that the convenience store sector faces a period of realignment. For any chain takeover, the *sine qua non* would be integration into a single brand. Then you would have to integrate store operation, production, distribution and *bento* products and other food processing plants as well as harmonizing franchising contracts. Any chain takeover that does not meet these conditions is unthinkable. Simply expanding the scale of our operations without full integration is not enough. To ensure efficiency, we must also lower costs and improve profitability.

Overseas Expansion

Question

8

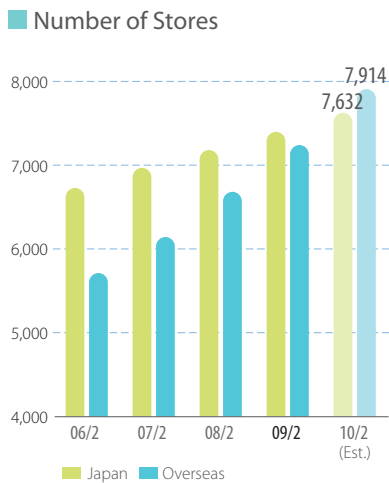
What current and future plans do you have for business development in overseas markets, which are expected to be a pillar of future growth?

Answer

We are speeding up the pace of our overseas development, aiming at building a network of 20,000 stores around the Pacific Rim. In fiscal 2009, we expect to see overseas stores outnumber those in Japan.

The future growth strategies for overseas markets will become increasingly important once the market positions of Japan's leading convenience store operators have become more firmly established. In fiscal 2009, we expect the total of overseas stores to exceed the total for Japan. In September 2008, we established a Business Support Department and are now focusing on improving management standards at overseas stores.

We already have over 4,000 stores in South Korea, and expect to steadily expand business there. Our earnings performance has been solid in Taiwan, where we opened our first overseas store 20 years ago, and where the market is now mature. We expect to achieve profitability in Thailand during fiscal 2009. In the United States, the one place where we are still at the initial investment stage, we are once again considering our options, including what business model to use.



In China, we currently have around 200 stores in the Shanghai, Guangzhou and Suzhou areas. China is our most promising location for business growth, and we plan to grow our store network to several thousand in the near future, including expansion into new regions. In the autumn of 2009, we also aim to establish a new company in booming Vietnam.

FamilyMart will continue to aggressively develop overseas markets, particularly in Asia, as it builds up its global store network to 20,000 outlets worldwide.

Management Issues

Question 9

What issues do you see affecting future growth?

Answer

We will strengthen our operating base through reform of our cost structure.

While continually improving our support and service functions for franchisees, we must create a slimmer and more robust cost structure. We have to pursue this policy effectively because our financial position is sound at present. We are launching the Cost Structure Improvement Committee that will oversee sweeping cost reductions across the Company.

The committee will review spending in all headquarters operations, except for support costs for franchisees. Our goal is across-the-board cost restructuring and improved operating margins, by cutting infrastructure costs (getting a clearer view of hidden items such as purchasing prices and distribution and computer system costs) and improving operational efficiency through business process reengineering.

Return to Shareholders Corporate Governance

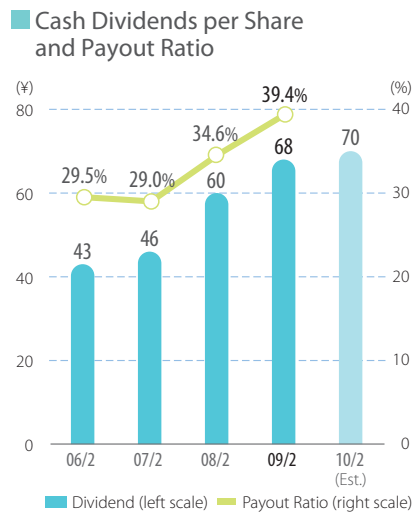
Question 10

What is your thinking with regard to return to shareholders and takeover bid-prevention strategies?

Answer

We will make every effort to ensure a sufficient level of return to our shareholders.

We have positioned shareholder return as an important management priority. Beginning in fiscal 2007, we raised our targeted payout ratio from 30% on a non-consolidated basis to 35% on a consolidated basis, and have paid dividends that adequately reflect our earnings performance. In fiscal 2008, we raised our dividend payment by 8 yen per share from the previous year to 68 yen. In fiscal 2009, we expect to increase the dividend payment by another 2 yen, for an annual dividend of 70 yen per share.



In fiscal 2006, FamilyMart adopted the Policy toward Large-Scale Purchases of FamilyMart Shares (otherwise known as “the counter-acquisition policy”). As a result of recent amendments to the Financial Instruments and Exchange Law, the law now provides basic procedures for dealing with the attempted large-scale purchase of shares of a company so that the shareholders of the company are able to exercise due judgment with regard to the proposed purchase after provision of relevant information by the would-be buyers and allowance of a certain period for review. As a result, the law now largely provides the protection against damage caused by large-scale purchases for the purpose of which the counter-acquisition policy was adopted. We have therefore decided not to extend application of the said counter-acquisition policy.

In the future, we will continue to make the utmost efforts to achieve a steady growth in profits, strengthen corporate governance, and maintain stable returns to our shareholders to raise the Company’s enterprise value.

Maximizing Enterprise Value

Question

11

Do you have a message for your shareholders and other investors?

Answer

In this harsh business environment, effectively communicating the features that distinguish FamilyMart from its rivals will become even more important.

Our current business environment is characterized by a global recession and a trend toward a major realignment within the convenience store industry. In fiscal 2009, the challenging business environment will become increasingly harsh. Anything could happen. Against this backdrop, FamilyMart has declared the current fiscal year as a crucial year for perfecting our formula for success in the convenience store industry. There are no new initiatives. If we patiently continue to deal effectively with the tasks at hand, we will be able to create a stronger operating and financial base, and this is our top priority.

As I’m sure you know, the driving force behind FamilyMart’s favorable earnings performance in recent years has been the “FamilyMart Feel” campaign. Everyone involved in the chain’s operations has an idea of what FamilyMart should be like and is helping to make it the best it can be. Under this campaign we are working to eliminate underperforming or stagnant operations to create a path for growth. These days, the “FamilyMart Feel” campaign has itself come to embody the Company’s enterprise value. Business conditions are expected to remain harsh in the near term, and such conditions make the “FamilyMart Feel” campaign even more important.

I have said in the past that retailing should be festive. It is during challenging times that we must make our best efforts, rallying courage and holding fast to our dreams. I would like everyone to work cheerfully, with vigor. I believe that such efforts will produce new, distinctive features for FamilyMart.





The “FamilyMart Feel” Campaign

Strengthening brand identity and implementing organizational reforms

Amid intensifying competition in the convenience store industry, clear branding is essential for us to remain the convenience store of choice.

In this Special Feature section, we provide an overview of the various branding activities that have been implemented since fiscal 2005 under the “FamilyMart Feel” campaign.



Q What was the background to the “FamilyMart Feel” campaign?

The establishment of a clear identity is crucial to success.

Intensifying competition with rival convenience store chains, growing popularity of online shopping, and a diversification in customer values have made it difficult to win customer loyalty merely on the basis of convenience, which has been the most attractive feature of convenience stores until now. Faced with these circumstances, some younger employees raised the question of which features give FamilyMart its competitive strengths and enable it to clearly differentiate itself from its rivals. The employees then proposed the “FamilyMart Feel” campaign. The key point is that this campaign began as a “bottom-up” initiative, rather than in response to orders from the top.

The Value Provided by FamilyMart

Convenience

The basic value (function) of convenience stores

Convenient & easily accessible



Friendliness and Fun

FamilyMart’s added value (emotional value)

“Touching people’s hearts”



Hiroshi Iwasaki
General Manager
Marketing Department
Corporate Planning Division

Q What are the unique features of FamilyMart — what you call the “FamilyMart Feel?”

We are building a brand identity centered on friendliness.

For a convenience store chain, the brand identity is a composite of impressions customers receive from the store’s products, retail environment, friendly service, and advertising. Thus, we must clarify what FamilyMart aims to provide its customers as a convenience store, and then ensure that all its corporate activities are working in the same direction.

We undertook a review of FamilyMart’s positioning in the industry. In the fall of 2004, we conducted a large-scale image survey for convenience stores. What we found is that an overwhelming majority of customers indicated “Friendly” as their main impression of FamilyMart. This may be partly due to the fact that “Family” is part of the Company’s name. Leveraging the strength provided by this positive image and the company name, we aim to establish a genuine heart-to-heart connection with our customers, rather than merely offer convenience. We have identified the value we can provide as being “Convenience, Friendliness, and Fun.” It is the spirit of “hospitality” (treating visitors as guests) that makes this possible. We will be required to continue providing convenient services, which is the basic function of convenience stores, along with friendliness and fun. The value-added that FamilyMart provides are features not usually found in conventional convenience stores — a sense of healing and happiness. These are positive, emotional value — added qualities that touch people’s hearts.

It is not that we enjoy being different, but rather that as a member of the service industry when we do what is expected of us the customer is sure to be satisfied. At the same time, by maintaining an awareness of the importance of “touching people’s hearts” through the extension of hospitality, we aim to continue to promote the “FamilyMart Feel” as our brand image.

Main Points

1. "Bottom-up" branding activities (stemming from employees' initiatives)
2. We aim to communicate the distinctive features of FamilyMart by providing convenience, friendliness and fun
3. The "FamilyMart Feel" campaign is increasing customer loyalty and helping to transform our corporate culture



Q What activities are being implemented as part of the "FamilyMart Feel" campaign?

The following are our strategies for differentiation and the drivers of our future growth.

These activities can be divided into two categories. One category is outward-looking, focused on the customer. Such activities, as examples of "outward branding," require that the "FamilyMart Feel" campaign be reflected in all of our corporate activities. The other category is inward-looking, the priority of which is to get employees and franchise store staff to understand our corporate vision and improve the quality of communication. These efforts not only facilitate the implementation of the "FamilyMart Feel" campaign, but also invigorate our chain as a whole and contribute to the transformation of our corporate culture.

Inward-focused and outward-focused branding activities have been undertaken through concerted efforts for over four years. Below is an explanation of the types of results that have been achieved through these efforts.

With regard to the overall customer response, FamilyMart was rated No. 1 among convenience store chains in a survey of 20-year-olds conducted in 2009. Thus, we are seeing a steady rise in the support rate for the FamilyMart chain, backed by a protracted upward trend in the average number of customers over the past two years.

Within the Company, these activities are bringing new energy and enthusiasm to our corporate culture by allowing individuals to make proposals and take action based on their own assessment of the situation. To respond to our customers' growing expectations, we are seeking greater cooperation from our employees and franchise store staff in our pursuit of the "FamilyMart Feel" and are thus creating a virtuous cycle.

In short, our "FamilyMart Feel" campaign is a strategy for differentiation aimed at raising our enterprise value. We also expect that this campaign will continue activating our organization and serving as a driver of sustainable growth.

To remain the "convenience store chain of choice" among our customers and continue to be a rewarding chain for which to work for both our employees and our franchise store staff, we will make further efforts group-wide to implement our "FamilyMart Feel" campaign.



Incorporating the “FamilyMart Feel”

Our primary differentiation strategy

All of our corporate activities are aimed at successfully incorporating the “FamilyMart Feel” — to realize our vision of offering “Convenience, Friendliness and Fun” with the aim of remaining the convenience store of choice. The following is a partial list of the “FamilyMart Feel” campaign guidelines, as well as examples of actual initiatives being undertaken.

Products that aim to embody the “FamilyMart Feel”

Eight product concepts that “touch people’s hearts”

- Products that instill a sense of “family” and “home”
- Products that are not for one’s own pleasure alone, but to be shared with others
- Products that promote relaxation, a general sense of well-being and refreshment
- Products that offer genuine quality at affordable prices
- Products with a nostalgic appeal, that evoke a memory or an experience
- Products embodying playfulness
- Products that customers helped to create, and which they can enjoy
- Products that are eco-friendly or that somehow make a contribution to the community

Developing products that represent the FamilyMart Chain

We have focused on the strengthening of the three priority product categories of pasta, fast food, and desserts, based on the preceding eight concepts. In fiscal 2008, sales in all three of these categories exceeded the previous-year levels, and products in these categories have won a loyal following among FamilyMart customers. In fiscal 2009, we aim to bolster chilled-cup drinks as a fourth priority product category.



“Welcome Home”



Creating products that completely capture the “FamilyMart Feel”

To further clarify these eight core concepts, we have devised a list of 50 key words to guide actual product development. Products developed using these key words are evaluated by members from all departments in our Merchandising Division from the viewpoint of third parties. Assessments are made as to whether each product adequately conveys the spirit of our motto “Convenient, Friendly, Fun.” Only those products which fulfill this requirement are recognized as “FamilyMart Feel” products. In addition, once every three months a follow-up evaluation is conducted to confirm the degree to which each product matches the keywords, and to note each product’s sales performance. The results of evaluations are reported back to product representatives, and this feedback is taken into consideration in the further development of “FamilyMart Feel” products.

Advertising that captures the “FamilyMart Feel”

Our priority is to create uplifting ads that communicate to customers the attractive features of our products and services.

Confirmation of consistent use of slogan and uniformity of our message

In the Corporate Message Survey 2008 conducted by Nikkei BP Consulting, Inc., the FamilyMart slogan in Japanese “Anata to Combi ni, FamilyMart” (English version: “FamilyMart, Where You are One of the Family”) placed second among 290 companies in terms of the corporate name recognition rate, which indicates the fondness with which people regard FamilyMart.

Main Points

1. Reflecting the "FamilyMart Feel" in all of our corporate activities
2. Specifying products, retail environments, advertisements, and friendly service as points for direct contact with customers, we have drafted guidelines and are making a consistent, ongoing appeal
3. Rather than implement the campaign in a uniform manner nationwide, we are tailoring the message to match the character of individual stores



Retail environments that capture the "FamilyMart Feel"

Our priority is the provision of stores that function as comfortable, inviting places in which customers can relax and spend an extended period of time, while receiving genuine hospitality.

Examples of how we work to create stores that are pleasant and inviting

- POP displays with friendly messages.
- Use displays that convey the changing seasons.
- Renovate the restrooms to make them more attractive and pleasant for customers.

FamilyMart aims to provide opportunities for interaction with customers and the local community

Valuing the opportunity for interaction between individuals, we welcome our customers warmly — like family.

Examples of showing sincerity in interactions with customers

- During the summer, present customers who purchase *bento* products with a cool, moist paper napkin.
- Understand the importance of making small talk with customers.
- Make available shopping baskets for children at stores where a high proportion of customers are accompanied by children.

Examples of promoting interaction with the local community

- Sponsor fun events including a portrait contest at the local day-care center.
- Set up a booth at local sports events for elementary school children to promote interaction with the local community.
- Set up a booth at neighboring nursing homes.
- Conduct cleanup campaigns at neighboring parks.



Air pump for refilling bicycle tires



Small shopping baskets for children

We regularly receive warm messages of thanks from our customers

At FamilyMart franchise stores, we are putting increasing emphasis on hospitality. We are pleased to note that there has been a rise in letters to the FamilyMart headquarters praising our products and services as well as expressing words of appreciation. In fiscal 2008, there was a 40% rise in such correspondence from the previous year. Furthermore, in terms of store development, such examples of hospitality are well received, and tend to have a ripple effect, leading to the opening of new stores.

Today, I bought a liquid cold-remedy. The girl at the register called out to me "I hope you'll feel better soon" as I left the store. For someone like me who lives alone, it was heartening to hear her words, and I left the shop feeling very happy. I am writing to you now because I was impressed by the employee training at FamilyMart. For someone like me, living far from my hometown, those words were truly heartwarming. Thank you.

I pushed my child in a stroller to FamilyMart. After paying at the register the employee who rang me up promptly disappeared from behind the counter. I thought to myself "Wow, he must be busy!" But in fact, the cashier walked straight over to the door and held it open for me, so I could push the stroller through. The store does not have automatic doors, and he must have noticed me struggling to get the stroller through the door when I entered the store. It was a very kind gesture, and it made me very happy. Thank you very much.



Raising awareness of employees and franchise store staff and achieving widespread implementation of the “FamilyMart Feel” campaign

Activities to promote organizational transformation

To successfully implement the campaign and truly convey the spirit of the “FamilyMart Feel,” it is crucial that all the Company’s employees and franchise store staff understand the true meaning of this concept and make a proactive effort to reflect this spirit in all of their daily work-related activities. We must create various opportunities and environments to ensure that all staff at the Company and franchisees fully support this campaign. By raising the awareness of Company employees and franchise store staff we are strengthening our organization and making it easier for them to act on their own initiative. We encourage them to “Listen, Decide, and Act.”



The “FamilyMart Feel” Promotion Project

The engine driving promotional activities

The success of any project is contingent on gaining the understanding and full cooperation of all employees and franchise store staff. But when a project is implemented in a “top-down” manner, employees and other store staff tend to refrain from taking the initiative, and their understanding is rather superficial. With this in mind, we have established the “FamilyMart Feel” Promotion Project, and have created a team consisting of one representative from every department of the Company. The team considers the desired direction for the project as well as the role to be played by each department, and serves as a facilitator for the companywide promotion of “FamilyMart Feel” project-related activities.

Team members meet periodically to conduct passionate discussions about the best way to capture the “FamilyMart Feel.” The group includes members from both front-line marketing departments and supporting departments, transcending the usual divisional boundaries, and sometimes even includes the President. The group publicizes status reports on the project via the Company’s Intranet, and is making progress in ensuring that the information is available companywide. Since the team’s establishment in fiscal 2005, nearly 400 people have participated in this project.



“Famimaship”

FamilyMart’s Action Guidelines, created by Company employees

In fiscal 2006, we took the opportunity of our 25th anniversary to revise our FamilyMart Basic Principles. We drafted action guidelines aimed at conducting daily operations in a way that incorporates the concept of the “FamilyMart Feel.” These action guidelines, which have been named “Famimaship,” were compiled during a six-month period, based primarily on employee feedback. The guidelines are easy to understand and touch the heart. The guidelines consist of five expressions that communicate our employees’ enthusiasm.

“Famimaship”

“Listen, Decide, Act”
“Wholehearted Hospitality”

- Exceeding customers’ expectations
- Growing together, through mutual trust
- Cultivating an aesthetic sensitivity
- Enjoying new challenges
- Acting with integrity

Main Points

1. Instead of "top-down" management, we encourage the participation of all employees and franchise store staff
2. We emphasize the importance of autonomous decision-making, and give employees at every level the authority to make decisions
3. We put priority on two-way communications



"FamilyMart Feel" Day

A daylong workshop on the "FamilyMart Feel" campaign

For this campaign, there is no established manual. To embody FamilyMart's values of convenience, friendliness and fun, it is necessary for each employee to approach this project with great sensitivity. Thus, in fiscal 2008, we held a companywide, daylong workshop. During one full day, participants consider such questions as: "What was your peak experience on the job?" and "What do you consider to be the features most representative of FamilyMart?" No distinctions are made in age or work experience. Participants are encouraged to speak freely and enjoy the brainstorming process.

In the future, we will continue to hold this type of workshop periodically, with the hope that participants will share the values of the "FamilyMart Feel" campaign. We will encourage quality relationships among our employees, and thereby work to create a stronger organization.

Initiatives Targeting Franchise Stores

Further means for capturing the "FamilyMart Feel"

Our customers usually get their first exposure to the "FamilyMart Feel" at one of our franchise stores nationwide. For this reason, we provide opportunities for franchise store managers and staff to deepen their understanding of the various aspects of this campaign. One activity is an exhibition aimed at franchisees entitled, "The Famimaship Forum." At this event, each franchise store provides examples of hospitality. The workshop gave franchise store staff a chance to meet and speak with one another, exchanging views on the theme "What is genuine hospitality and customer satisfaction?" Drawing on their experiences from the workshop, franchise store managers and staff work to undertake various initiatives at their stores nationwide.



Creating a balloon sculpture that symbolizes the "FamilyMart Feel"



Generating themes to be addressed by individual divisions



Franchisees carefully consider case studies provided by other stores



This event is a chance for lively discussion and new insights

Campaign to raise employee awareness

The results of an employee awareness survey conducted at the start of our "FamilyMart Feel" campaign in fiscal 2005 showed that awareness of the campaign was generally low. However, the results of a similar survey conducted in fiscal 2008 indicated that approximately 90% empathized with the campaign, while 80% said they thought the campaign was helping to energize the Company's in-house activities. The percentage of people who said they were proud to be working at FamilyMart rose by approximately 10 percentage points over the previous year. The "FamilyMart Feel" campaign has become a source of motivation for people who work at FamilyMart, and we will continue to foster a corporate culture that emphasizes autonomy, allowing Company employees and franchise store staff to act more on their own initiative.