FamilyMart

Growing **Family**

Family Ties

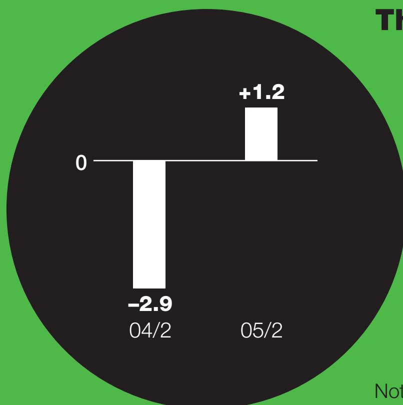
Family Delight

Family Tree

Annual Report 2005

The Industry's Top Rate of Growth in the Average Daily Sales of Existing Stores

YOY Change in the Average Daily Sales of Existing Stores
(Non-consolidated basis)
(%)



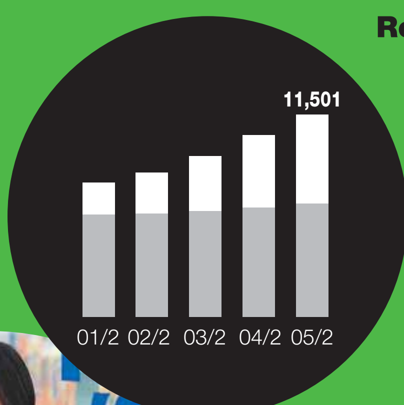
FamilyMart Co., Ltd., is strengthening its organizational power as well as the competitive strength of its stores by creating an organizational structure that facilitates the rapid implementation of corporate strategies and policies, sustaining ongoing efforts to further enhance service, quality, and cleanliness (SQ&C), and taking various other measures. As a result, the average daily sales of existing stores was up 1.2%—the highest rate of growth by any Japan-based convenience store chain—in fiscal 2004, ended February 28, 2005.

Note: The discontinuation of high-value highway toll card sales at the end of February 2003 had the effect of restraining sales almost 2% in fiscal 2003.

OUR **RESULTS**

Robust Overseas Expansion

Number of Stores
Japan Overseas



Overseas operations are a crucial element of FamilyMart's strategy for realizing additional rapid growth.

Based on its Pan-Pacific Plan, FamilyMart has further increased the number of its stores in Taiwan, South Korea, and Thailand and has begun to establish stores in Shanghai. As a result, the number of our overseas stores reached 5,077 in fiscal 2004. In the current fiscal year, we will begin opening stores in the United States.

CONTENTS

OUR **VISION**

Aiming to be the industry's leading company with respect to quality

Based on its corporate ideal of "Co-Growing," FamilyMart is striving to dynamically develop as a company by building and enhancing mutually beneficial relationships with customers, franchisees, business partners, employees, local communities, and other stakeholders.

The FamilyMart Group operates a growing network of 11,501 convenience stores (as of February 28, 2005) in Japan and other East Asian countries. In addition, the Group engages in business associated with e-commerce and a range of other fields. The FamilyMart Group's corporate philosophy is "Co-Growing," namely the building of mutually beneficial relationships with customers, franchisees, business partners, employees, and the local communities it serves and growing and developing in tandem with them. Based on this corporate philosophy, the Group's policy is to conduct convenience store operations in a way that enables franchisees, business partners, employees, and customers to interact harmoniously and also to be an innovative corporate group that is the most advanced in its industry. The Group is aiming to boost shareholder value by sustaining a continuous increase in the earnings of both franchised stores and the Group.

Family Ties

Enhancing the Competitiveness of Individual Stores

Growing Family

Family Delight

Strengthening Merchandising

Family Tree

Creating High-Quality Stores

THE PAN-PACIFIC PLAN

- Build a global network of 20,000 stores (8,000 in Japan and 12,000 overseas) by fiscal 2008
- Create a domestic store network covering all Japan's 47 prefectures by fiscal 2006
- Work to expand and strengthen existing overseas store networks in such countries as Taiwan, South Korea, and Thailand
- Accelerate franchise expansion in Shanghai, where operations were begun in fiscal 2004, and begin considering the establishment of stores in other large Chinese cities, such as Guangzhou and Beijing
- In the current fiscal year, leverage the know-how and experience we have gained in Japan to begin establishing a steadily growing number of high-quality, Japanese-style convenience stores in the United States

OUR STRATE

Enhancing the Competitiveness of Individual Stores

FamilyMart believes that enhancing the competitiveness of individual stores is one of the most important means of sustaining a steady rise in profitability. We are enhancing our stores' competitiveness through efforts centered on two primary objectives: "thorough attention to SQ&C" and "increasing the accuracy of ordering." Numerous steps are being taken by individual stores in close cooperation with parent company divisions to enhance the competitiveness of individual stores.

Strengthening Merchandising

Each FamilyMart store has an average of 2,600 items of merchandise. Many items are replaced by new ones each week, with approximately 70% of the total lineup changing every year. This ensures that the product lineup will always appear fresh and allows customers to make new discoveries. We believe that effectively promoting customer loyalty and steadily boosting daily sales requires the implementation of these strategies in stores as well as the use of other merchandising methods to cater to customers' diverse needs. These initiatives, along with three types of marketing strategies—generation, price, and regional marketing—are enabling us to make progress in integrating the chain and strengthening merchandising.

GY

Aiming to be the industry's leading company with respect to quality

Creating High-Quality Stores

As it is generally believed that the overall convenience store distribution pattern in Japan will be determined in the next few years, FamilyMart is seeking to sustain growth and rising profitability by increasing the quality of its stores while also expanding its store network. Accordingly, the Company is working to reinforce the dominant position it has in such regions as the three principal metropolitan areas of Tokyo, Osaka, and Nagoya and concurrently begin steadily launching additional stores in such new market sites as commercial buildings, hospitals, and expressway service areas. We aim to become a truly national chain through a vigorous program of store-openings in regions we have not yet moved into throughout Japan, thereby extending our chain to cover all 47 of Japan's prefectures.

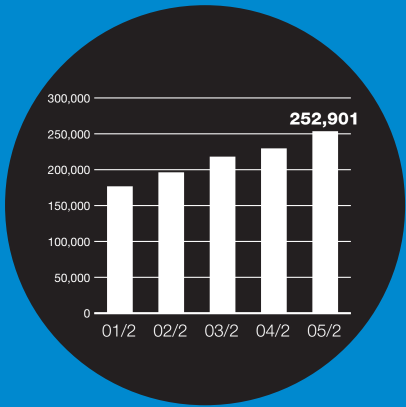
CONSOLIDATED FINANCIAL HIGHLIGHTS

FamilyMart Co., Ltd. and Consolidated Subsidiaries   Years Ended February 28, 2005 and February 29, 2004

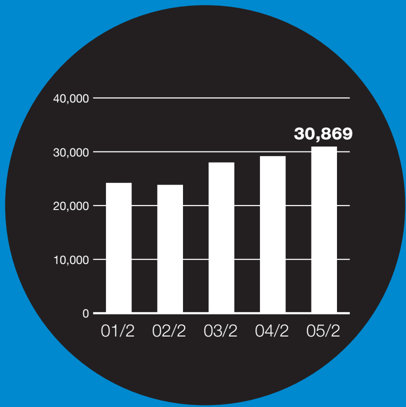
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Results of Operations:			
Total operating revenues	**¥252,901**	¥228,977	**$2,408,581**
Operating income	**30,869**	29,093	**293,991**
Net income	**12,623**	13,788	**120,219**
Basic net income per share (in yen and U.S. dollars)	**129.5**	141.5	**1.23**
Cash dividends per share (in yen and U.S. dollars)	**38.0**	38.0	**0.36**
Financial Position:			
Total shareholders' equity	**156,931**	147,524	**1,494,581**
Total assets	**286,771**	309,315	**2,731,152**
Book value per share (BPS) (in yen and U.S. dollars)	**1,619.5**	1,522.3	**15.42**
Other Data:			
Number of stores (Note 2)	**11,501**	10,326	
Number of shareholders	**18,644**	21,173	
Number of full-time employees	**5,458**	4,675	

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥105=U.S.$1, the rate prevailing on February 28, 2005.
2. Number of stores includes domestic and overseas area franchised stores.

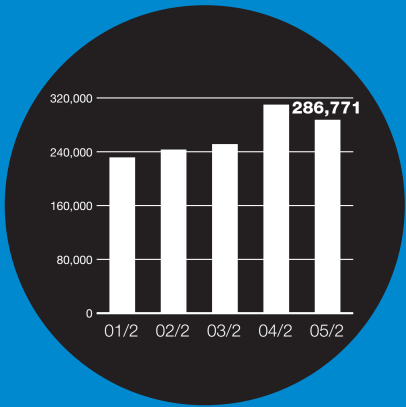
Total Operating Revenues
(Millions of Yen)



Operating Income
(Millions of Yen)



Total Assets
(Millions of Yen)



* The year-end date of February 29, 2004 was a bank holiday, and the unsettled payables, amounting to ¥41,170 million, are included in the amount of total assets as of February 29, 2004.

To win the confidence of customers—Aiming to set the global standard for convenience stores

With the goal of being the leading company in the convenience store industry with respect to quality, FamilyMart is working to augment its various competitive strengths. In line with its Pan-Pacific Plan, the Company is further reinforcing its domestic business base while building the solid business foundation required for sustaining steady revenue and profit growth so that it can meet the expectations of shareholders and other investors.

Q Could you explain the factors that have enabled FamilyMart to record its industry-leading rate of growth in the average daily sales of existing stores and other superior performance indicators?

A In fiscal 2004, despite an extremely hot summer, unseasonable weather associated with a series of typhoons contributed to a difficult operating environment, but it was a year in which I felt the benefits of our strategies were more evident than at any other time since I became president in 2002.

On a consolidated basis, total operating revenues reached a record level, surging 10.4% from the fiscal 2003 level, to ¥252.9 billion. Nonconsolidated performance indicators also reached record levels. In fact, we have enjoyed growth in both operating revenues and operating income each year for the past three years. And our 1.2% rate of growth in the average daily sales of existing stores is the highest such rate in the industry. We also attained record levels in our number of customers and new store openings as well as in the average daily sales of new stores.

In light of our solid performance, we decided to reinforce our financial position during fiscal 2004 by the early adoption of new accounting standards for impairment of fixed assets in advance of their mandatory application. This move restrained consolidated net income for the year to ¥12.6 billion.

Our strategies for boosting the dynamic and sustainable competitive power of frontline operations at our stores are among the most important means we have of ensuring that we can overcome the challenges presented by the current era of increasingly fierce competition among convenience stores as well as other retailers. When talking with our employees, I tend to repeatedly emphasize the point that all our various strategies will be in vain if we do not have this fundamental competitive power at our stores. Our strong fiscal 2004 performance also reflects the fact that our store supervisors and franchisees have taken this point seriously.

▶FamilyMart's rising competitive power is clearly reflected in such indicators as its industry-leading rate of growth in the average daily sales of existing stores.

▶It was a year in which the benefits of our strategies were apparent to an unprecedented degree in the overall growth of the chain.

Q What did FamilyMart do during fiscal 2004 to upgrade its competitive strengths?

A In fiscal 2004, FamilyMart continued emphasizing its three central strategic objectives: enhancing the competitiveness of individual stores, strengthening merchandising, and creating high-quality stores.

Our strategies for enhancing the competitiveness of individual stores center on our ongoing efforts to progressively and thoroughly enhance SQ&C, principally by means of effective store staff training programs. We have continued to strengthen the system for supporting our stores' operations, including the provision of direct guidance through the Supervisor Support Department. This and the relentless efforts of franchisees have enabled substantial growth in the average daily sales of existing stores.

The benefits of our measures aimed at strengthening merchandising power have been clearly evident. Within the strategically emphasized product category of ready-to-eat food items, we are particularly pleased with our newly introduced *tsutsumi jitate*—en papillote boxed lunches (featuring main-dish items wrapped in polypropylene-coated paper pouches) that offer superlative flavorfulness after being heated up in microwave ovens. It is not an exaggeration to say that these are epochal new products for the convenience store industry; we had to disregard a number of long-standing conventional concepts to create them. Similarly, our new fried chicken offerings have been very highly evaluated by customers. Store supervisors were in fierce competition to announce their respective record sales levels. The Company's employees and franchisees worked concertedly to come up with new fried chicken marketing approaches, resulting in an ever-changing, festival-like atmosphere in stores and dynamically surging sales. As a result, ready-to-eat food sales were up significantly.

Our new store development efforts also were an important factor underlying our success during the fiscal year. We accelerated our launches of high-quality stores with the objectives of reinforcing our dominance in areas where we already have a presence and of extending our presence into additional regions of Japan. We opened 532 new stores, and our adoption of more-ambitious store evaluation standards led to a ¥12,000 rise in the average daily sales of new stores—the fourth consecutive year in which this performance indicator has reached a record level.

- ▶The concept that a lively festival atmosphere can increase the effectiveness of retailing operations became increasingly accepted by employees and franchisees, as they worked concertedly to implement the Company's three principal marketing strategies.
- ▶The rise in sales of ready-to-eat foods reflected such marketing programs as promotional events organized by individual stores, and this new approach increased the constructive dynamism of competition among stores.
- ▶FamilyMart opened 532 new stores that met the Company's increasingly strict screening criteria, and the average daily sales of new stores reached a record level.

Q Having expanded operations in Asia and begun preparing to open stores in the United States, FamilyMart appears to be emphasizing the expansion of its overseas business. What effects do you expect the start of U.S. operations to have within and outside your company?

A Our proactive development of overseas operations is one of FamilyMart's strengths. Because we developed as an independent, Japan-based company rather than in cooperation with an overseas company, we face no restrictions with respect

Junji Ueda
President and Representative Director

▶Having long hoped to undertake store operations in the United States, the Company's employees and franchisees are enthusiastically preparing to realize that dream, which is expected to help create a still-stronger FamilyMart brand image.

▶By reinforcing our domestic base and expanding our overseas operations, we are aiming to boost the total number of FamilyMart stores worldwide to 20,000.

to our geographical expansion. Taking advantage of this situation, we have steadily broadened our store network based on our Pan-Pacific Plan, which has involved expansion first among Asian countries and then, from the current fiscal year, in the United States.

In fiscal 2004, our efforts to open new stores in Shanghai and other overseas locations boosted the number of overseas stores to 5,077, and the total number of stores in Japan and elsewhere reached 11,501. In fiscal 2005, we will finally begin establishing stores in the United States, where our strategy calls for clearly differentiating our stores from our competitors' by exporting to those stores the types of high quality we have insisted on in Japan—not only high-quality, highly fresh, ready-to-eat food products but also high-quality hospitality. Our presence in the U.S. market has great potential benefits for all our stakeholders, both inside and outside the Company. From the perspective of our domestic franchisees, this presence holds the potential for enabling them to realize a dream of becoming international businesspeople operating franchised stores both in Japan and the United States. For our employees and area franchisers, the U.S. presence is even more likely to present opportunities for their own activities in the United States. The growing consciousness of FamilyMart's global growth potential is significantly increasing the motivation of our various stakeholders and suggests that our brand image will progressively gain in luster and appeal. We have already established several Famima!! stores in Japan on a pilot basis, and these advanced, high-added-value, premium-image stores will serve as the model for our U.S. stores.

By broadening the geographic scope of our overseas operations, we are aiming to increase the total number of our stores to 20,000 by the end of fiscal 2008 and thereby become one of the world's top convenience store chains in terms of the scale of our operations. To ensure that we can attain this ambition, we are continuing to reinforce our domestic base through unrelenting efforts to develop overwhelming competitive advantages with regard to the quality of our stores. We intend to plow a good share of the profits generated by our international expansion back into our operations, both in Japan and overseas, and thereby sustain a virtuous cycle of profit creation and investment.

Q What kinds of steps is FamilyMart taking with regard to corporate governance?

A Boosting our corporate value by creating highly transparent management systems is another key objective. Having established a rigorous new compliance system, we have a solid framework for ensuring that we continually release relevant information to stakeholders and carry out our responsibility to explain our operations. I believe we have introduced solid new corporate governance systems, and I expect them to be highly effective.

In line with these initiatives, in 2000, we reduced the number of directors on our board of directors and simultaneously introduced an executive officer system with the goal of more clearly separating strategic decision making from strategic execution operations.

We have also created a four-member board of auditors, including one external member, to provide strict supervision of the activities of directors and executive officers. The board of auditors works in close cooperation with internal auditing departments to maximize their respective effectiveness levels.

To ensure rigorous compliance performance, we have also created a Compliance Committee that reports directly to me. In 2004, we instituted the FamilyMart Basic Compliance Policy, which helps make top management's compliance posture clear to people both within and outside of the Company, and also set up an internal reporting system enabling employees to inform management of illegal or unethical practices within the Company. In fiscal 2005, we are responding to a new personal information protection law by establishing an Information Management Office and taking various other measures to further increase the rigor of our systems for protecting confidential information. Through these and other steps, we will continuously work to ensure that our internal supervision system is highly rigorous and effective.

▶The introduction of an executive officer system and a board of auditors has strengthened FamilyMart's corporate governance system, and the Company is continuing its efforts to make its management processes highly transparent.

▶In accordance with the FamilyMart Basic Compliance Policy, the Company is striving to ensure that it has consistently excellent compliance performance.

Q The retailing industry appears to be entering an era of intensifying competition among companies within and outside the industry. Does FamilyMart have a plan for overcoming that competition?

A In the current era of increasingly intense competition, the success of convenience stores will be decided by how concretely and speedily they can respond to amazingly fast changes in customer needs. In view of this, we are emphasizing five key concepts in fiscal 2005: making retailing festive, boosting levels of hospitality, augmenting the competitive power of stores, reforming the profit structure, and overcoming competition with regard to new store creation. Based on these key concepts, we will continue proactively and thoroughly implementing

▶To survive and thrive, retailers must make relentless efforts to reform their operations and speedily respond to customers' changing needs.
▶FamilyMart will overcome the competitive challenges it faces by maintaining strong emphasis on its three central strategic objectives.

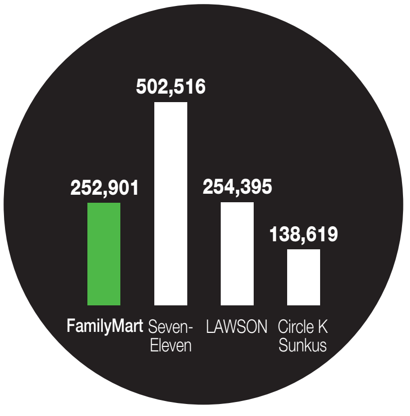
measures to achieve our three central strategic objectives of enhancing the competitiveness of individual stores, strengthening merchandising, and creating high-quality stores.

Fiscal 2005 is also highly significant as the first year of our brand-building program, which comprehensively emphasizes FamilyMart's distinctive characteristic of "familiarity." Centered on the slogan "FamilyMart, Where You Are One of the Family," this program is designed to further increase each individual customer's "cheerful feeling of abundance," feeling of "Being One of the Family," and motivation to choose FamilyMart stores over other stores due to the warm hospitality that characterizes each store in our chain.

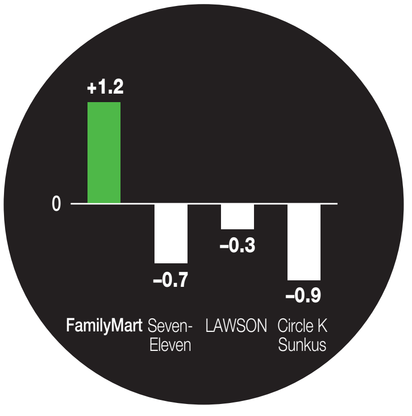
We are also giving priority to overcoming competition with regard to the timely creation of new stores. In line with this, the parent company has accelerated its efforts to establish a nationwide chain and has set itself the goal of opening 600 new stores in fiscal 2005.

Regarding our consolidated performance in fiscal 2005, we are projecting that our total operating revenues will rise 7.9% from the fiscal 2004 level, to ¥272.9 billion, and net income is expected to surge 30.7%, to ¥16.5 billion.

I believe that when you start an ambitious new project, you have a very good chance of realizing your dreams if you begin by telling those around you what you will do and then go on to take responsibility for what you have said. FamilyMart has the dream of becoming a dynamically powerful and growing international chain of 20,000 stores. In the future, the Company and its franchisees will concertedly do their utmost to realize this dream, sustain growth in revenues and profit, and maximize shareholder value.

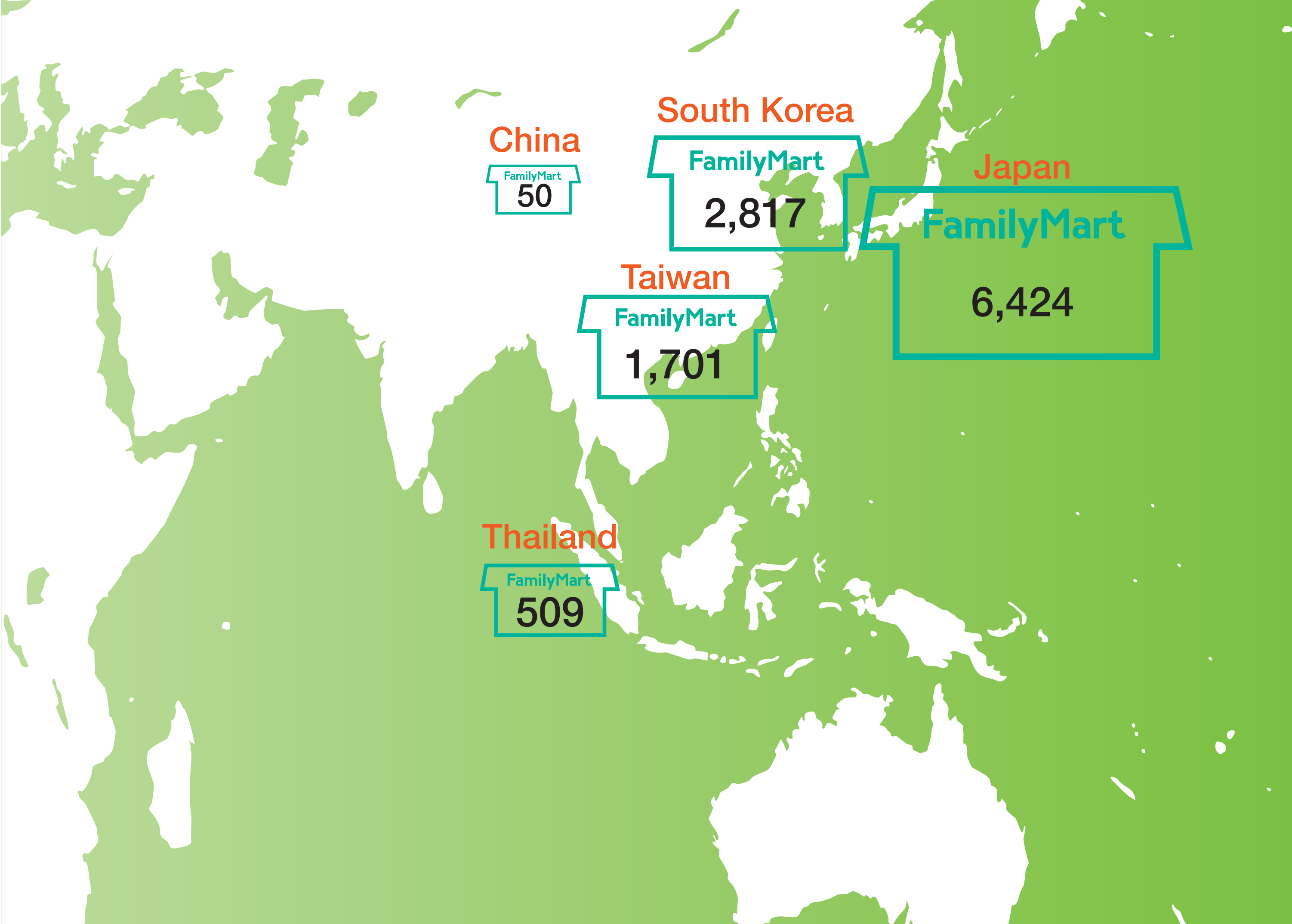


Top Four Convenience Store Chains in Japan—Operating Revenues
(Fiscal 2004, consolidated basis)
(Millions of yen)



Top Four Convenience Store Chains in Japan—YOY Change in the Average Daily Sales of Existing Stores
(Fiscal 2004, non-consolidated basis)
(%)

Aiming to build a global network of 20,000 stores by fiscal 2008



Expanding the Pan-Pacific Branch of the Family Tree

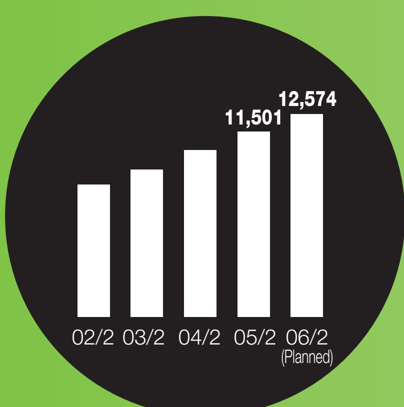
PAN-PACI

United States

Famima!!

Store launchings
on the West Coast
scheduled for 2005

Since 1988, FamilyMart has dynamically expanded its overseas network by successively undertaking programs to establish store networks in Taiwan, South Korea, and Thailand. As a result, the total number of its stores in Japan and other East Asian countries surpassed 10,000 in December 2003. The next stage of our store network expansion campaign entails stepping up store launches in regions we have not yet moved into throughout Japan, increasing the number of stores in overseas regions where we already have a presence, and establishing stores for the first time in the United States. Based on our Pan-Pacific Plan, these measures are designed to create a 20,000-store network (approximately 8,000 stores in Japan and 12,000 stores overseas) by the end of fiscal 2008. In line with the Pan-Pacific Plan, FamilyMart set up stores in Shanghai during fiscal 2004 and will begin establishing stores in the United States during the current fiscal year. FamilyMart will continue making concerted efforts to implement its Pan-Pacific Plan and thereby realize its dream of becoming a convenience store chain of Japanese origin that sets the global standard for convenience store chains.



Total Number of Stores (Japan and Overseas)

OUR **RESULTS**

Achievements in Fiscal 2004

- ▶During the year, FamilyMart and its area franchisers established 1,759 new stores, a record pace of annual store creation. The number of stores opened by the parent company—532—was also a record.
- ▶New store launches were begun in Tokushima Prefecture from March 2004, in Tottori Prefecture from June 2004, and in Kochi Prefecture from October 2004.
- ▶New stores were created in diverse kinds of new market sites, including the Kumamoto Kotsu Center (a large multifunctional complex in Kyushu) and Tokyo Tower. Moreover, a full-scale domestic launch was begun for Famima!! stores, which are new-concept facilities that serve as models for the stores to be opened in the United States.
- ▶As a first step toward establishing a strong presence in China, 25 Company-owned stores were opened in Shanghai during July 2004. The opening of franchised stores in China commenced from December 2004.
- ▶In preparation for the establishment of stores in the United States, U.S.-based FAMIMA CORPORATION was established in October 2004.

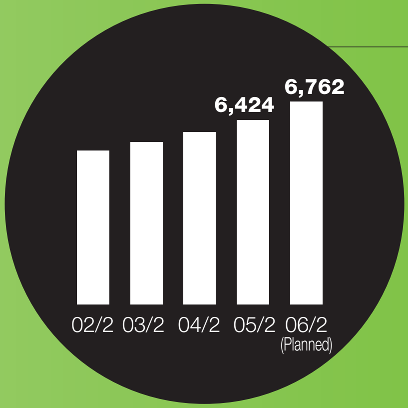
FIC PLAN

DOMESTIC EXPANSION

In fiscal 2004, FamilyMart continued working to strengthen its existing network, primarily in Japan's three largest metropolitan areas. The Company also proceeded with build-and-scrap policies aimed at upgrading its network, and it proactively launched stores in regions where it had not yet established a presence.

With respect to new markets, FamilyMart began opening its new-concept Famima!! stores. As a result, the number of newly opened stores was 532, up 17% from the previous year, and the average daily sales of new stores reached ¥460,000, up ¥12,000. In addition, the establishment of new stores in Tokushima Prefecture, Tottori Prefecture, and Kochi Prefecture extended the coverage of FamilyMart's domestic network to 41 of Japan's 47 prefectures (as of February 28, 2005).

In the future, the convenience store industry will be expected to provide an increasingly broader range of store-based services, including IT-based services, utility payment receipt services, and bill collection agency services on behalf of government entities. In view of this, FamilyMart is seeking to build a truly national chain of stores that can differentiate itself from competitors by providing such services in all domestic regions. For these and other reasons, the Company will continue expanding and increasing the quality of its domestic network.

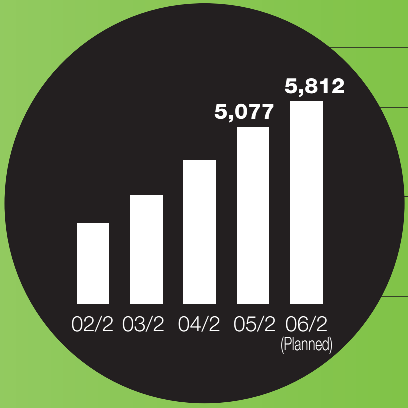


Total Number of Stores in Japan

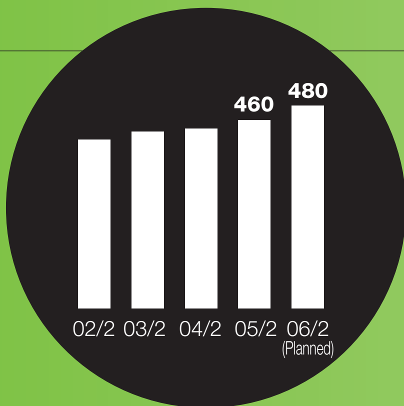
OVERSEAS EXPANSION

Just as in Japan, FamilyMart is engaged overseas in the implementation of its key strategies for enhancing the competitiveness of individual stores, strengthening merchandising, and creating high-quality stores. At the same time, it is seeking to develop merchandise tailored to the needs of customers in each overseas region in a manner that supports the sustained expansion of profitability. As seen in the support provided for the initiation of operations on the Chinese mainland, we are endeavoring to expand the overseas network by realizing the potential for cooperation among area franchisers as well as with the parent company.

In addition to its ability to draw on such intragroup synergies, FamilyMart is well positioned to freely expand its overseas operations because it is the only one of the major convenience store chains in Japan to have been autonomously established and developed in Japan rather than in cooperation with an overseas company. Making good use of this freedom, in the fiscal year under review, FamilyMart began preparing the groundwork for the opening of its stores in the United States during the current fiscal year. Besides its natural emphasis on infusing overseas stores with hospitality, FamilyMart is designing U.S. store operations based on the know-how it has accumulated in Japan. Because this know-how will be exported to the United States without modification, our stores will be the first high-quality, Japanese-style convenience stores in that country. In view of this, we expect that our successive launches of Famima!! stores in the United States will be highly successful.



Total Number of Stores Overseas



Average Daily Sales of New Stores
(Non-consolidated basis)
(Thousands of yen)

China

Shanghai is teeming with convenience stores; about 4,000 are currently competing with each other as well as other retailers for prime store locations. Amid this environment, Shanghai FamilyMart Co., Ltd., has been leveraging the accumulated experience and know-how of Taiwan FamilyMart Co., Ltd., in connection with its operation of 25 Company-owned stores, which started operating in July 2004. In December 2004, the Company began launching franchised stores in response to China's relaxation of foreign capital related regulations in its third year of WTO membership. Shanghai FamilyMart's store development process is becoming increasingly standardized and methodical, and the number of stores in its local chain has increased in accordance with plans, reaching 50 by the end of fiscal 2004.

In the current fiscal year, Shanghai FamilyMart will continue opening new stores in Shanghai and nearby areas, primarily Company-owned stores, while also progressively converting Company-owned stores into franchised stores. Over the medium-to-long term, it will seek to further expand its store chain in such locations as the South China region surrounding Guangzhou and the North China region surrounding Beijing. Each store will offer merchandise centered on such ready-to-eat items as rice balls, boxed lunches, and sandwiches and such fast food items as *oden* (Japanese-style stewed hotchpotch). *Oden* offerings have proved highly popular in China, and these items have made a large contribution to daily sales volumes. Besides taking measures to ensure thorough attention to SQ&C, we will strive to boost the competitiveness of each individual store by organizing training programs modeled on systems used by FamilyMart in Japan and Taiwan for the staff of both Company-owned and franchised stores.

United States

In the United States, many convenience stores are incorporated within gas stations, and the quality of their merchandise and management is different from that of convenience stores in Japan. In view of this, FamilyMart intends to fully utilize in the United States the distinctive and competitively superior characteristics it has acquired as a convenience store that originally developed its operations in Japan. Plans call for creating Japanese-style convenience stores featuring high levels of quality that clearly differentiate them from conventional U.S. convenience stores.

FamilyMart stores in the United States will be based on its new concept stores, Famima!!, which have already been established in Japan on a pilot basis with an eye to using them as models for U.S. stores. Moreover, while the merchandise of conventional U.S. convenience stores centers on sundry goods, FamilyMart stores in the United States will offer products centered on ready-to-eat foods, and the use of a sophisticated manufacturing/delivery system will enable high freshness levels, further differentiating them from conventional U.S. convenience stores.

Besides taking measures to ensure thorough attention to SQ&C, FamilyMart intends to offer conspicuously superior levels of hospitality.

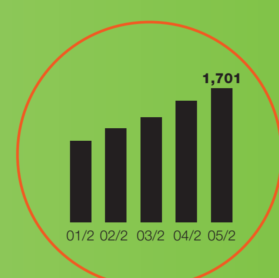
In the current fiscal year, plans call for establishing three stores in the United States—within a luxury housing complex and in two other types of locations. Subsequently, we will begin increasing the number of stores on the West Coast with a view to eventually creating a nationwide chain covering all regions of the country.

Taiwan

In the fiscal year under review, Taiwan FamilyMart was able to reduce costs and increase operating profit through such measures as those to progressively convert Company-owned stores into franchised stores. Its efforts to reinforce its dominant positioning in the local convenience store industry resulted in a net rise of 162 stores, to 1,701 stores, by the end of the fiscal year. This growth maintained Taiwan FamilyMart's ranking as the second largest convenience store chain in Taiwan. Moreover, Taiwan FamilyMart was selected as "No. 1 in Service Power" by the leading Taiwan business magazine, *Yuanjian.*

During the current fiscal year, Taiwan FamilyMart will strive to retain this high evaluation by giving thorough attention to SQ&C and taking various other measures to boost the competitiveness of individual stores. Besides broadening the range of the bread-based ready-to-eat food products it offers, it is proactively seeking to differentiate its merchandise through the expedited development of original desserts and other products, the sustained strengthening of its distribution and freshness management systems, and continued emphasis on the marketing of ready-to-eat food products.

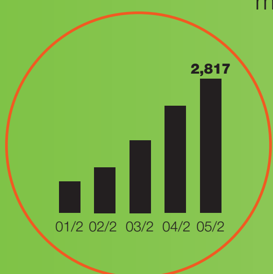
In addition, Taiwan FamilyMart was able to create its first successful store with its own parking lot during the fiscal year under review, and plans call for establishing additional stores of this type during the current fiscal year.



Total Number of Stores in Taiwan

South Korea

In the fiscal year under review, Bokwang FamilyMart Co., Ltd., developed its operations based on the strategic concept "Our Street's Living Station." By working to develop new kinds of rice balls and other rice-based ready-to-eat food products while also collaborating with its exclusive food product suppliers to step up its development of bread-based ready-to-eat food products, the company sustained robust sales of such products. It also augmented its range of services designed to make customers' lives more convenient—such as those involving catalog marketing, digital photo printing, and collaboration in the point systems of leading communications companies—and these services made a significant contribution to growth in the stores' daily sales volumes.



Total Number of Stores in South Korea

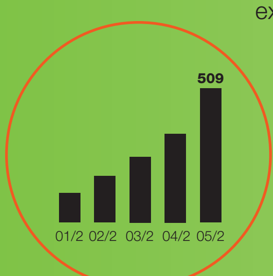
Aiming to bolster its dominant positioning in South Korea's convenience store industry, Bokwang FamilyMart achieved a net rise of 566 stores in its chain, which boasted 2,817 stores at the end of the fiscal year. This sustained its ranking as the largest convenience store chain in South Korea.

In the current fiscal year, Bokwang FamilyMart will continue expanding its network by accelerating its establishment of stores in such locations as rail station complexes and multipurpose buildings. As the scale of its chain grows, the company will undertake the rebuilding of related infrastructure while also endeavoring to develop additional original merchandise, augment its range of services designed to make customers' lives more convenient, and strengthen its marketing capabilities.

Thailand

In the fiscal year under review, Siam FamilyMart Co., Ltd., emphasized the opening of new stores and expansion of its store network in the northeast, central, and southern regions of Thailand. It opened 205 new stores, increasing the total number of its stores to 509, and the company's chain thereby became the second largest convenience store chain in Thailand.

In the current fiscal year, Siam FamilyMart will leverage the increased scale of its network to further expand local recognition of the FamilyMart name and brand concept. It will also work to closely coordinate its operations with those of SDCM Co., Ltd., a distribution and wholesaling company established in 2004. By making greater use of the demand-chain management (DCM) expertise developed by FamilyMart in Japan, Siam FamilyMart is seeking to comprehensively optimize production, distribution, and sales processes while concurrently boosting sales and gross profit ratio.



Total Number of Stores in Thailand

Based on the slogan "Stores First," Siam FamilyMart is undertaking a thorough organizational improvement program aimed at strengthening the capabilities of each of its departments and further augmenting interdepartmental collaboration, thereby greatly boosting the dynamic power of its organization.

Aiming to be the industry's leading company with respect to quality

Growing Family

Family Ties

Family Delight

Family Tree

To ensure that it is the convenience store industry's leading company with respect to quality, FamilyMart is taking diverse measures based on its three fundamental strategies of enhancing the competitiveness of individual stores, strengthening merchandising, and creating high-quality stores. In addition, from fiscal 2005, the Company has begun implementing a brand-building strategy designed to further increase the chain's appeal and value.

Leveraging Stores' "Familiarity" to Build Brand Power

Such trends as an aging society, the growing number of baby boomers who are now approaching retirement, and advances in information technologies are causing significant changes in the consumption environment. At the same time, consumers are increasingly seeking retailers that offer excitement, stress relief, and other types of emotional appeal. Against this back-drop, convenience stores cannot survive simply by being stores that are close by and convenient.

In view of this, FamilyMart is endeavoring to create new value and be the store that best caters to customers' hearts, thereby building dynamic brand power. We believe these strategies are crucial for surviving and prospering amid increasingly intense competition.

FamilyMart's very name suggests "familiarity" and the feeling of "Being One of the Family," and these concepts correspond to what consumers are seeking. That is why we are aiming to build a powerful brand centered on the key concept of familiarity and effectively use that brand power to differentiate ourselves from competing chains. We are proactively using our growing brand power of offering a "cheerful feeling of abundance" to become the convenience store that customers choose.

Specifically, in addition to the fundamental convenience store principles of "pleasantness and convenience," FamilyMart is seeking to be the chain that "best matches the feelings of customers." In other words, the Company is building unique value by being the chain that best understands customer psychology and does the things needed to become close to customers and give them a feeling of familiarity. Our current branding strategy aims to further increase the emphasis we have traditionally placed on infusing our stores with hospitality. When creating merchandise and stores, and when waiting on customers, each of our corporate employees and store staff is striving to maintain high standards of hospitality and give thorough attention to SQ&C.

In the current fiscal year, FamilyMart is announcing this corporate stance to society at large through the revival of its previous slogan, "FamilyMart, Where You Are One of the Family." These words express a promise to all our stakeholders that we intend to move forward in step with them, aptly evolving along with the changing times so that we can best cater to their needs. We are taking diverse steps to ensure we can keep this promise.

FamilyMart's PROMISE to Customers

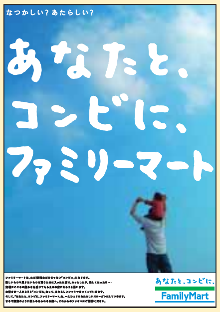
FamilyMart is striving to further increase each individual customer's feeling of **"Being One of the Family"** and motivation to choose FamilyMart over other stores.

To do this, we are committed to giving our busy customers a **"cheerful feeling of abundance."**

"FamilyMart, Where You Are One of the Family."

Taking this slogan to heart, we are working to be more than just close by and convenient. We are dedicated to being the chain that best understands its customers and best caters to their desires.

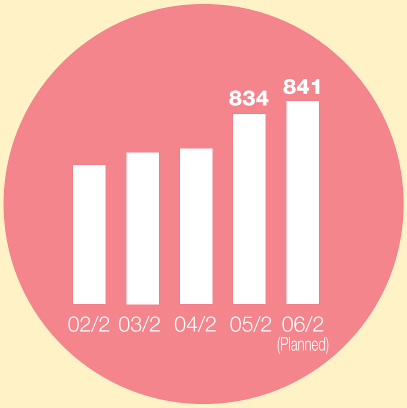
To do this, we are acting to ensure that customers feel the FamilyMart name represents their being **"One of the Family."**



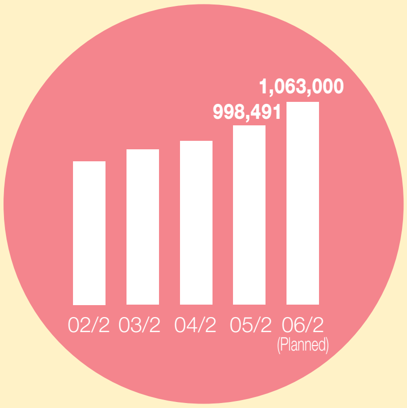
Boosting competitive power through store hospitality

Family Ties

Average Daily Number of Customers per Store
(Non-consolidated basis)



Total Net Sales of FamilyMart Stores
(Non-consolidated basis)
(Millions of yen)



Augmenting Organizational Power

In fiscal 2004, FamilyMart continued using flexibly dynamic store support systems that give close attention to the special conditions in individual regions and moved to further enhance the systems by increasing the number of domestic business districts from 16 to 19. As managers of these districts report directly to top management, this change brings stores even closer to the parent company's divisions, facilitating the expeditious and smooth implementation by stores of strategies and policies devised by the divisions.

We also continued to strongly emphasize our two primary objectives—"giving thorough attention to SQ&C" and "increasing the accuracy of ordering"—and implemented the following measures in line with them.

• Giving Thorough Attention to SQ&C

FamilyMart has strengthened its store support system for providing shops with guidance related to "giving thorough attention to SQ&C" by dispatching Operation Division staff directly to shops facing business challenges. Specifically, the division's Supervisor Support Group has been organizationally upgraded and renamed the Supervisor Support Department. Moreover, the department's full-time staff has been augmented and is now divided into two groups focused on eastern and western Japan, respectively. This enabled the store support system's scope to be expanded during fiscal 2004; including renewal projects, support was directly provided to 500 stores during fiscal 2004, up from 136 stores, primarily in the Kanto region, during fiscal 2003. This promoted the boosting of SQ&C levels and the creation of more-dynamic stores. Stores that received support saw more consistent growth in their average daily sales, and the revitalization of those stores also led to a general rise in the number of their customers.

Since January 2004, the Operation Division's staff has used an SQ&C mobile training vehicle to provide still greater assistance, primarily for stores distant from district offices and newly established stores. This support has focused mainly on giving store staff training, with particular attention to upgrading the staff's customer service skills. During fiscal 2004, the mobile training vehicle visited approximately 1,400 stores, with a special focus on the Shikoku region, where the Company has continued to open new stores, and the Nagoya region, where competition has become particularly intense. We have also sustained our efforts to enhance store operations by commissioning outside specialist firms to study the SQ&C levels at each store and by using an in-house staff monitor system to check and confirm those levels at relatively frequent intervals.

In addition, FamilyMart further strengthened the emphasis it places on the quality of store staff's smiles, which it considers a key element of high-quality hospitality. At the fiscal 2004 session of the Famima Festa convention, which is held over several days to confirm stores' awareness of the latest corporate strategies and policies, the Company prepared a "SQ&C Smile Park" area, where staff received one-on-one training while monitoring their performances with hand mirrors. Through these and other measures, the Company sought to ensure that all staff greet customers with the appropriate smiles.

Aiming to make its Supervisor Support System still more efficient, FamilyMart has issued a supervisor handbook that comprehensively explains all elements and aspects of supervisor operations. The Company is further reinforcing its store support systems by broadening the scope of its store staff qualification system and taking various other measures to increase the capabilities of staff.

• Increasing the Accuracy of Ordering

To create highly appealing sales areas, FamilyMart fully leverages the capabilities of handheld electronic Store Activation Terminals, which enable staff keeping track of store operations to confirm product sales trends and display methods as well as place orders. We also make our sales areas more dynamically responsive by apportioning order placement tasks among general store staff rather than restricting order placement authority to managers alone.

For strategically emphasized merchandise, Companywide sales targets are set on a weekly basis. The precision of ordering such merchandise is increased by undertaking individual target management for stores in each marketing district and each marketing area.

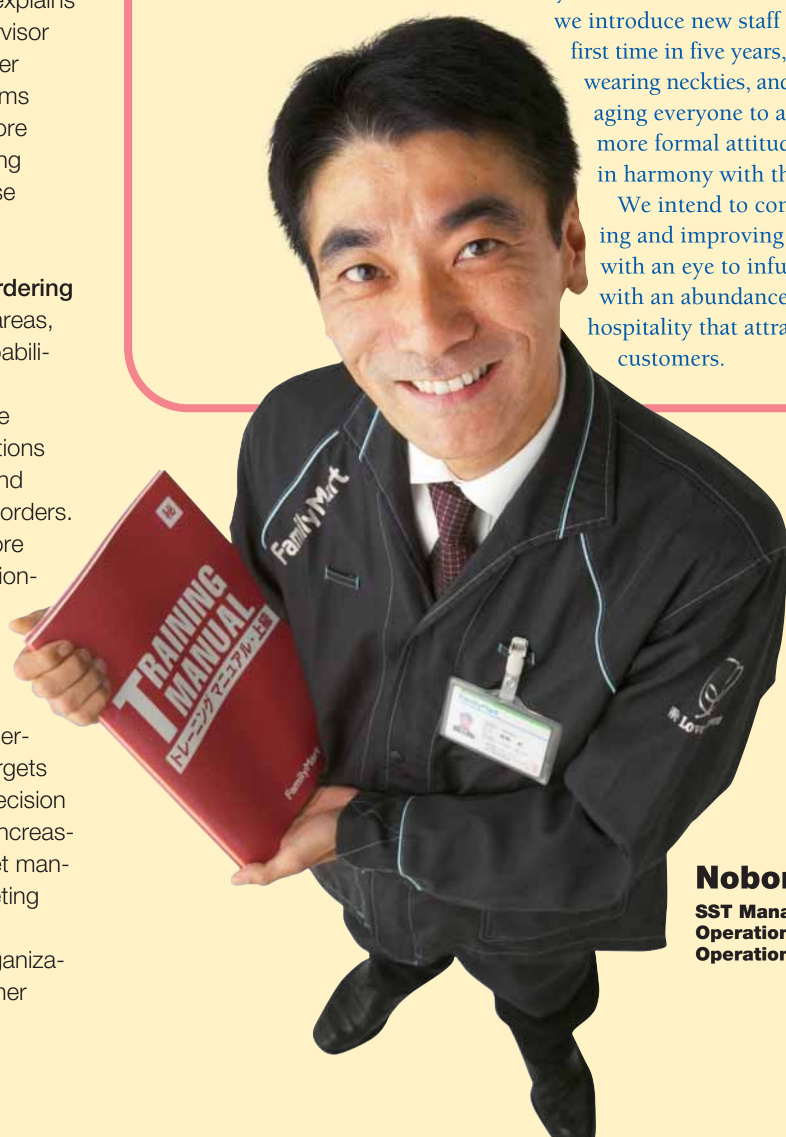
In fiscal 2004, FamilyMart's organizational restructuring moves and other

The Key Word Is Hospitality

Hospitality has become increasingly emphasized in the convenience store industry, and store staff are its main determinants. In view of this, we have worked to increase store staff's motivation and contribution to store competitiveness through training and administration programs within FamilyMart's Store Staff Total (SST) system. Since fiscal 2003, we have further augmented our store staff's performance in this area through the organization of staff trainer development meetings at regular intervals and the full-scale introduction of a staff qualification system, and we revised our three principal SST manuals, which are focused on operations, management, and training. These moves are generating tangible benefits.

An additional goal we are seeking to attain in fiscal 2005 is arranging for all store staff throughout Japan to complete a primary qualification level training program. Besides prescribing high standards with respect to "grooming, smiles, eye contact, and 30° bowing," this program calls for practicing compliance with these standards during actual store operations. This practice is conducted until the ideal behavior and attitude become second nature and can be sustained without any conscious effort. From June 2005, when we introduce new staff uniforms for the first time in five years, all staff will be wearing neckties, and we will be encouraging everyone to adopt a slightly more formal attitude of hospitality in harmony with the new look.

We intend to continue implementing and improving the SST system with an eye to infusing our stores with an abundance of high-quality hospitality that attracts additional customers.



Noboru Hatano

SST Management Group Manager, Operation Planning Department, Operation Division

strategic measures effectively enhanced store competitiveness. Reflecting this, the average daily sales of existing stores advanced 1.2%, the highest such rate in the Japanese convenience store industry. Moreover, steady growth was also realized in the sales of stores in the greater Tokyo region, which generally have relatively high sales volume and account for a large share of the Company's net sales.

Attaining Still-Higher Profitability by Further Upgrading Franchisers' Capabilities

In the current fiscal year, FamilyMart has established a group in the Operation Division with the task of promoting the expansion of the SST system, thereby enabling all store staff nationwide to attain the primary qualification level within the store staff qualification system. The SST Management Group is continuously holding staff trainer development meetings for staff with intermediate and advance qualifications, so that those who complete the sessions can handle the task of bringing other staff up to the primary qualification level. We are continuing to provide direct support for enhancing store staff skills through the Supervisor Support Department and our SQ&C mobile training vehicle.

In addition, district managers, marketing area managers, and supervisors attend personnel development seminars designed to better equip them with the management guidance skills needed to help improve franchisees' capabilities for appropriately handling such tasks as consciousness-raising, operational rationalization, and cost-cutting.

Moreover, in the current fiscal year, FamilyMart has increased the number of its domestic business districts from 19 to 20, to create a more finely focused store support system. As a result, close cooperation between franchisees and the parent company divisions is expected to enable the enhancement of store management along with levels of service, hospitality, and profitability.

BUSINESS STRATEGIES—
STRENGTHENING MERCHANDISING

Developing merchandise that meets increasingly diverse needs

Family Delight

Our Three Marketing Strategies

• **Generation marketing**
FamilyMart is seeking to develop merchandise that matches the needs of customers in a wide range of age groups. In particular, the Company is promoting the development of products targeting baby boomers nearing retirement age.

• **Price marketing**
In all categories, from economically priced to high-value-added items, FamilyMart is striving to develop products offering value greater than their prices. Such product development entails comparison with competing products in each category and periodic product reviews with attention given to products' marketing and profit-earning power.

• **Regional marketing**
Dividing the country into seven regions, FamilyMart develops products for the specific tastes of residents in each of those regions. In addition, the Company has been highly successful in collaborating with local TV stations and well-known local stores to develop popular merchandise.

Implementing Three Marketing Strategies Aimed at Strengthening Merchandising Power

In fiscal 2004, FamilyMart continued to use three main marketing strategies—generation, price, and regional marketing—as it sought to refresh its mainstay high-profit, ready-to-eat food product lineup and develop highly innovative products in other product categories. At the same time, the Company strove to differentiate its products from those of other companies on the basis of superior quality.

In addition to such fast food products as fried chicken and *oden,* which offer relatively high profit rates of approximately 50%, FamilyMart launched distinctive products that further differentiated its fast food offerings from those of competing companies during the year. As a result, sales of fast food products surged approximately 20%, and the products played an important role in attracting greater numbers of customers to stores.

To better stimulate demand among the growing numbers of middle-aged people and seniors, FamilyMart is launching improved versions of such existing products as rice balls while also creating such innovative products as *tsutsumi jitate*—en papillote boxed lunches that offer superlative flavorfulness after being heated up in microwave ovens. Other innovative products include small-portion, low-priced food products designed for women in their 20s and 30s who wish to enjoy a combination of the diverse foods and products we have developed in line with the culinary specialties of Japan's various regions.

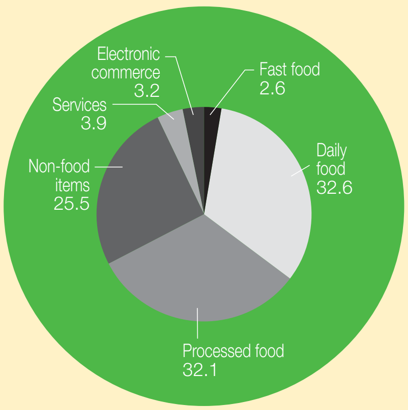
Gross Profit Ratio by Merchandise Category

(%)

	Fiscal 2003	YOY Change*	**Fiscal 2004**	**YOY Change***
Fast food	43.58	9.35	**48.84**	**5.26**
Daily food	33.64	0.06	**33.65**	**0.01**
Processed food	32.59	(0.29)	**33.03**	**0.44**
Food items	33.48	0.21	**33.95**	**0.47**
Non-food items	20.54	(0.99)	**19.72**	**(0.82)**
Services	10.93	2.73	**9.93**	**(1.00)**
Electronic commerce	3.63	1.34	**3.81**	**0.18**
Total	28.50	0.25	**28.39**	**(0.11)**

* Percentage points

Breakdown of Sales by Merchandise Category
(Fiscal 2004, non-consolidated basis)
(%)



In fiscal 2004, FamilyMart's strategic measures supported robust growth in sales of such products as fast food items, rice balls, bread, and beverages, resulting in a 3.7% rise in the overall sales of food products.

Building New Product Development and Marketing Systems to Improve Our Profit Structure

In fiscal 2005, FamilyMart will continue emphasizing its three main marketing strategies while further augmenting its efforts to develop highly innovative merchandise that is distinctively representative of FamilyMart's special characteristics.

Giving top priority to boosting its gross profit ratio, FamilyMart has inaugurated a Companywide restructuring project that involves efforts to improve the gross profit ratio of each product.

To ensure that it can quickly complete processes from new product development through launches, FamilyMart has shifted its Sales Planning Department's marketing, planning, and promotion sections to the Merchandising Division and is also upgrading the capabilities of the Regional Merchandising Department units. As a result, all processes from product planning through development, launching, and sales promotion

Daily food items (boxed lunches, rice balls, bread-based items, ready-to-eat food items other than fast food items, dairy items, etc.)
We are actively using our three central marketing strategies to develop products designed to appeal to middle-aged people and seniors who demand top-quality ingredients and to strengthen our lineup of regional food items.

Fast food items (french fries, fried chicken, dumplings, *oden*, etc.)
We have recorded considerable growth in the sales of fast food items, particularly fried chicken and *oden.* We are further increasing the profitability of our fast food items—a pillar of lunchtime sales.

Processed food items (confectionery, beverages, etc.)
We are promoting sales of products available only at FamilyMart, such as private-brand snacks that sell for only ¥100 per package and beverage makers' newly developed products.

Non-food items (cosmetics, daily necessities, environment-friendly items, etc.)
Our original products in this category include those developed in cooperation with cosmetics makers and various other products that are helping boost sales.

activities have been unified within the Merchandising Division, and that division's marketing planning collaboration with districts is enabling highly efficient market development programs. The entire chain participates in market development programs, and various means—such as marketing strategy meetings, marketing district meetings, and direct meetings between headquarters staff and supervisors—are used to ensure that the flow of communication is not obstructed by the organizational separation of development, manufacturing, and marketing units.

As another means of boosting merchandise-based competitiveness, FamilyMart has created various manufacturing and distribution facilities and taken steps to further reduce procurement costs. These will be key means of successfully implementing our profit structure reform program and attaining our fiscal 2005 gross profit target of 29%.

Using DCM to Strengthen Cooperation with Suppliers

FamilyMart uses DCM systems aimed at sustaining product development tailored to customer needs as well as at the overall optimization of production, distribution, and sales processes. The DCM systems allow FamilyMart to use the Internet to share fresh information on stores' orders and sales with about 100 major business partners (manufacturers and vendors). The systems enable manufacturing, ordering, and marketing operations to be carried out with a high level of precision. This precision makes it possible to minimize product defects, returns, and inventories while boosting sales and reducing overall costs. DCM systems are also used for original merchandise items.

In fiscal 2005, FamilyMart is expanding the scope of DCM information-sharing to include a growing number of ready-to-eat food suppliers throughout Japan. By increasing the efficiency of raw material procurement and reducing product waste, this ongoing initiative is expected to enable additional improvement to the product cost.

Tsutsumi Jitate Boxed Lunches—A Flavor Revolution

Some people consider moderately appealing foods to be all they can expect from convenience stores. However, with our launch of *tsutsumi jitate* boxed lunches, a growing number of such people have been pleasantly surprised to discover the existence of convenience store cuisine with an additional flavor dimension.

Compared with previous generations, the current generation of customers has quite high standards with regard to the quality of prepared foods they purchase—rather than a "convenience-store-style boxed lunch," they want a genuine meal. Moreover, FamilyMart's competitors in the field of ready-to-eat foods are not only other convenience stores but also various types of restaurants, specialized providers of freshly made boxed lunches, and shops that allow customers to create their own boxed lunches by choosing items from a buffet-like setting.

One day, after relishing a delectable dish of minced meat roasted in a foil pouch at a famous Western restaurant, I was inspired to figure out a way to make that great taste available to FamilyMart's customers. I then started testing methods of doing this with a lot of help from my coworkers. After about 18 months of work, we finally perfected the *tsutsumi jitate* en papillote boxed lunch concept, which employs special microwavable paper pouches rather than foil.

One of the best aspects of this culinary experience is the rising of fragrantly scented steam when the heated paper pouch is cut, heralding the juicy fresh-cooked flavor of the incipient meal.

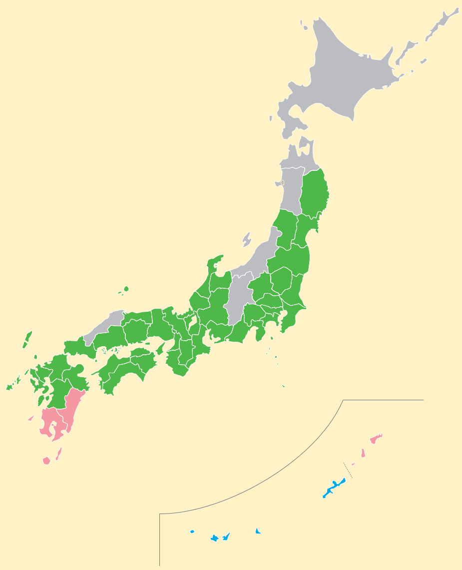
We have a patent pending on this new concept, which we intend to continue refining and developing so that we can offer FamilyMart customers a still greater variety of distinctively superior foods.

Shinichi Miyai

Rice Meal Group, Delicatessen Department, Merchandising Division

Building a nationwide chain by creating new stores in line with regional strategies

Family Tree



Number of Stores by Region

(As of February 28, 2005)

Tohoku	
Iwate	56
Miyagi	176
Yamagata	92
Fukushima	136
Kanto	
Ibaraki	119
Tochigi	105
Gunma	84
Saitama	346
Chiba	240
Tokyo	987
Kanagawa	500
Yamanashi	59
Tokai	
Shizuoka	199
Aichi	422
Gifu	83
Mie	113
Hokuriku	
Toyama	55
Ishikawa	58
Fukui	91
Kansai	
Shiga	98
Kyoto	140
Osaka	612
Hyogo	266
Nara	48
Wakayama	60
Chugoku/Shikoku	
Tottori	5
Okayama	80
Hiroshima	113
Yamaguchi	9
Tokushima	10
Kagawa	44
Ehime	23
Kochi	2
Kyushu	
Fukuoka	224
Saga	43
Nagasaki	144
Kumamoto	88
Oita	64
Minami Kyushu FamilyMart Co., Ltd.	
Miyazaki	76
Kagoshima	192
Okinawa FamilyMart Co., Ltd.	
Okinawa	162
Total	6,424

Reinforcing Market Dominance by Strengthening the Capabilities for Creating High-Quality Stores

In fiscal 2004, FamilyMart continued to fully leverage its autonomously developed Geographic Information System (GIS)* as it worked to reinforce its dominance in areas where its stores are concentrated and to accelerate the opening of stores in additional regions.

FamilyMart is strengthening the capabilities and augmenting the staff of its Store Development Division while simultaneously increasing the number of development sections in individual districts from 27 to 34. These moves enable us to develop new stores with more dynamic flexibility and greater awareness of the special characteristics of each district.

In regions in which we already operate—particularly the three major metropolitan areas of Tokyo, Osaka, and Nagoya—we worked to close relatively unprofitable stores and decided on the best locations for high-quality, new stores. We also continued pioneering such new market sites as commercial buildings, hospitals, and expressway service areas, with a noteworthy new store being opened in Tokyo Tower. Another significant new initiative is the establishment of new concept Famima!! stores in such major urban redevelopment projects as the Yebisu Garden Place complex and Pedi Shiodome complex, which reflect our efforts to better meet office building related demand and upgrade our structural design capabilities.

Regarding new regions, FamilyMart began establishing its presence in Tokushima Prefecture from March 2004, in Tottori Prefecture from June 2004, and in Kochi Prefecture from October 2004. This extended the coverage of FamilyMart's domestic network to 41 of Japan's 47 prefectures (as of February 28, 2005).

FamilyMart's area franchiser in Okinawa, Okinawa FamilyMart Co., Ltd., proactively worked to establish a 200-store network, and the Company's area franchiser in southern Kyushu, Minami Kyushu FamilyMart Co., Ltd., accelerated its store openings in a region centered on Kagoshima Prefecture.

As a result of these measures during fiscal 2004, the parent company opened 532 high-quality new stores and closed 308 stores, boosting the number of stores to 5,994, while the total number of domestic stores, including those of the two area franchisers, reached

* The GIS incorporates a database packed with information on regions throughout Japan—including such fundamental information as that pertaining to population and traffic volumes as well as information on stores in each region. The GIS helps support efficient analysis with respect to candidate locations for new stores. Store development staff can add and update store information in the GIS at any time.

6,424. Moreover, on a non-consolidated basis, the average daily sales of existing stores grew ¥9,000, to ¥474,000, while the average daily sales of newly established stores grew for the fourth consecutive year, rising ¥12,000, to ¥460,000.

Focusing on High-Quality Stores while Striving to Create a Truly Nationwide Chain

Aiming to continue efficiently building dominant market positions in additional regions in line with regional conditions during fiscal 2005, the Store Development Division is working in close cooperation to draft and execute store strategies designed to promote growth in local market share and a rise in the number of local stores.

Based on the goal of establishing a truly nationwide network by the end of fiscal 2006, FamilyMart plans to open its first stores in four additional prefectures—Akita, Niigata, Nagano, and Shimane—during the current fiscal year. To this end, the Tohoku District has been divided into two, boosting the number of domestic business districts to 20. Moreover, having initially entered Shikoku in fiscal 2001, FamilyMart continued working during fiscal 2004 to quickly establish a dominant position in the San-in region.

To further upgrade capabilities for gathering information on store locations, the Store Development Division is augmenting its staff and taking other measures with the goal of deepening ties with leading land-owning companies, general contractors, and developers.

The Company is actively working to promote the recruitment of additional franchisees. We are also encouraging franchisees with good management skills to take over additional stores, as an additional means of boosting the profitability of individual stores.

As a result, during fiscal 2005, the parent company plans to open 600 stores and close 300 stores, while the total number of domestic stores, including those of the two domestic area franchisers, is expected to reach 6,762.

Moving into New Regions with the Goal of Becoming a Truly Nationwide Chain

In fiscal 2004, we were able to attain record levels in both the number of newly opened stores and the average daily sales of new stores. This strong performance reflects our continued efforts to further reinforce our strong position in Japan's three largest metropolitan regions. It also reflects our ability to surpass our initial goals for establishing stores in three new regions—Tokushima Prefecture, Tottori Prefecture, and Kochi Prefecture.

In these regions, we refrained from excessive emphasis on increasing the number of new stores. Instead, we cooperated with prospective franchisees in winnowing out new store proposals based on rigorous profitability requirements. This approach was favorably evaluated by many people in the regions and caused a rise in inquiries from prospective franchisees and owners of promising store sites.

In fiscal 2005, we will expand our chain into four additional prefectures—Akita, Niigata, Nagano, and Shimane. As we have for a number of years been carefully studying the retail markets of those prefectures and building local networks of contacts, we already have obtained numerous promising store locations. We will be very busy working to complete our mission of establishing a truly nationwide chain with a presence in every one of the country's prefectures by the end of fiscal 2006.

Shinri Hisashima

**Planning Group Manager,
Store Development Department,
Store Development Division**

By using e-retail business to strengthen its merchandising power and sustain capabilities for providing the latest and most convenient services, FamilyMart is augmenting the value added by its stores and thereby boosting store profitability. Moreover, the Famima Card is enabling customer relationship management (CRM)* systems that help optimize the array of products and services provided at stores, and this is reinforcing customer loyalty.

Shopping (Electronic Money)

The Suica IC cards issued by East Japan Railway Company can be used as electronic money to quickly pay for purchases at FamilyMart stores.

Famiport

ATM E-net

The Famima Card

Ticket Digital Print Service

Famiport Multimedia Kiosks are used to sell tickets, travel goods, prepaid services, digital photo prints, and other digital content. They can also handle Famima Card processes and the receipt of Famima point certificates.

Cashing

ATMs at FamilyMart stores can be used to withdraw cash using the bank cards of all major banks as well as various types of credit cards. They can also be used to make deposits and fund transfers involving certain financial institutions.

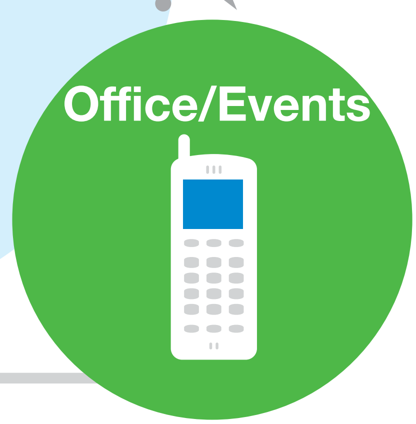
The Famima Card

FamilyMart issues cards and offers diverse services that are exclusively for cardholders. The cards are also being used to enable CRM and optimize the array of products and services provided at stores.

Number of Famima Card members:
approximately 430,000
(As of February 28, 2005)

Number of famima Club members:
approximately 1,480,000
(As of February 28, 2005)

famima.com



Catalog Shopping

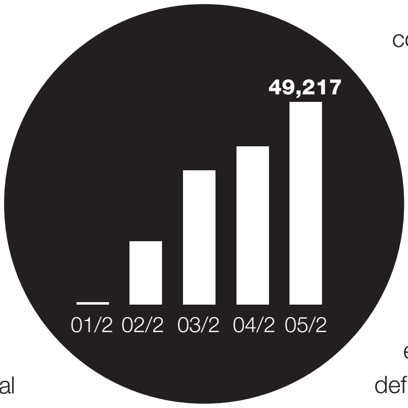
FamilyMart stores distribute a catalog magazine that markets various types of products centered on entertainment and sports goods and also offers the latest information related to entertainment tickets and events.

Internet Shopping/Mobile Shopping

famima.com. Co., Ltd., operates an Internet shopping Web site, which can be accessed with personal computers and mobile phones. Famiport Multimedia Kiosks can be used to obtain tickets and other items purchased at the Web site.

* **CRM:** Companies employing CRM use information technologies to build strong, long-term relationships with customers. Detailed customer-related information is used to respond accurately to customer needs, thereby increasing customers' convenience, satisfaction, and loyalty. FamilyMart uses CRM with the goal of boosting store profitability.

Operating Revenues of famima.com
(Millions of yen)



Emphasizing Measures to Boost Stores' Added Value and Foster Customer Loyalty

In fiscal 2004, FamilyMart worked to reinforce customer loyalty and increase the frequency of customers' visits to stores by beginning to issue Famima Cards—credit cards similar to the previous JUPI Card but with additional features. At the end of February 2005, the number of cardholders had reached the target level of 430,000. During fiscal 2005, we are seeking to boost this number to 800,000 while proactively working to further augment card functions and cardholder benefits. We expect these measures and related CRM programs to help augment stores' clientele and profitability.

To further increase customer convenience, FamilyMart initiated a new shopping service at stores in certain parts of the capital region that enables customers to use Suica IC cards, issued by East Japan Railway Company, as electronic money. FamilyMart's customers can now pay for their purchases with cash, prepaid cards, credit cards, and IC cards. In fiscal 2005, we intend to provide for Suica cards to be accepted at approximately 1,000 stores in the capital region and Sendai area.

FamilyMart is working to increase the usage of Famiport Multimedia Kiosks by promoting such mainstay sales items as tickets and prepaid services and by shifting a portion of payment receipt agency services from checkout counter staff to the kiosks, thus helping to reduce the person-hours required to operate stores. Regarding Internet shopping, our efforts to market games, DVDs, and other entertainment-related products and promote catalog sales by offering seasonal gift items and original products supported a large increase in the performance of famima.com, which attained net profitability for the first time in fiscal 2004.

FamilyMart stores offer receipt agency services for the payment of various types of public-utility bills, and the scope of these services has been expanded to include payments for the national pension and insurance systems. This broadened scope supported a 6% rise in payment receipt agency commission revenue. Our efforts to increase the number of ATMs installed at stores and promote their usage boosted the share of stores with ATMs to 52% on a non-consolidated basis. Moreover, sales through Famiport Multimedia Kiosks of electronic money used to settle Internet transactions surged 50%.

These various measures all helped enhance customer convenience, which is the defining characteristic of convenience stores, as well as customer satisfaction. Reflecting success, net sales in e-retail operations surged 32% during fiscal 2004.

Expanding the Range of E-Retail Services with the Goal of Augmenting Sales

FamilyMart has already made several organizational changes in fiscal 2005 with the goal of improving operational efficiency. The E-Retail Planning & Finance Department and the E-Retail Business Department were reorganized as the Entertainment Department and the Service Department, respectively. Additional measures were taken to augment these departments' liaisons with other units within the Group.

The Entertainment Department is endeavoring to boost its profit-earning capability by expanding its merchandise. It is further increasing the use of the Internet in connection with in-store product and service marketing activities. It is also expanding business involving the sales of tickets with perks as well as copyright-based business such as printed-out books and periodicals. We are working to develop high-value-added products and services that will be exclusively marketed on the Internet.

The Service Department is seeking to increase stores' customer-drawing power as well as commission income by continuing to increase the number of stores offering ATMs and by providing still-more-convenient services.

In fiscal 2005, these initiatives are expected to greatly boost the net sales of e-retail operations, and additional measures are being taken to enhance the profit structure of those operations.

Society is increasingly aware of companies' corporate social responsibility (CSR) performance, and FamilyMart has long attached great importance to its CSR programs. In addition to sustaining ambitious environmental protection activities, all units in the FamilyMart Group are working concertedly to further improve CSR performance, placing strong emphasis on rigorous compliance performance, measures to ensure product safety and reliability, programs for contributing to society, and measures to enhance two-way communication with customers. Accordingly, we have expanded the scope of our Environmental Management Department, which has been renamed the CSR Department. This unit is leading Companywide programs aimed at fostering a highly ethical corporate culture and proactively improving CSR performance.

Environmental Protection Activities

FamilyMart recognizes that environmental protection activities are a Companywide responsibility. Since 1999, when it obtained ISO 14001 certification of the comprehensive environmental management system covering all its stores and other facilities, the Company has annually set itself specific environmental protection enhancement goals related to its merchandise, distribution, store facilities, waste disposal, and other activities, and it has worked resolutely to attain those goals. These activities are viewed as contributing to the achievement of our risk management goals as well as to reducing costs and improving our cost structure.

In fiscal 2004, FamilyMart worked to increase the environment-friendliness of its distribution operations, becoming the first in its industry to begin introducing environment-friendly compact hybrid delivery trucks on a pilot basis. To reduce electric power consumption at stores, the Company increased the number of its stores equipped with its Integrated Heat Use System—a single, highly efficient system that comprehensively handles air-conditioning and heating, refrigeration, and freezing—to 1,233 stores nationwide, and it also proceeded with the experimental use of energy-efficient white LEDs with long usable life spans to illuminate its facade signs. To ensure appropriate waste disposal, it continued introducing organic waste recycling systems as well as organic waste treatment systems for individual stores. As a result, more than 670 stores now recycle their organic waste, and more than 5,400 stores participate in a system for collecting and reusing waste cooking oil. We are also making sustained efforts to develop additional environment-friendly products and reduce our overall consumption of power and resources. Our ISO 14001 certification was renewed for the second time in February 2005.

Information Disclosure

Aiming to disclose and broadly disseminate information on its environmental protection and other CSR activities as well as its business activities, FamilyMart shifted in fiscal 2004 from the annual issuance of environmental sustainability reports to the annual issuance of reports comprehensively describing the Company's CSR and environmental sustainability performance. In April 2004, we became the first in the convenience store industry to issue such reports, which led to our fiscal 2003 report's receipt of a superior performance award at the Seventh Environmental Report Awards organized by Toyo Keizai Co., Ltd., in cooperation with the Green Reporting Forum. In November 2004, we also issued an environmental report designed to increase the consciousness of environmental issues among children.

In March 2004, FamilyMart became the first convenience store to place in the top 10 in the Fourth *Minna de Erabu* Ecoweb awards. Within that awards program, the Company's environment Web site won the special encouragement award, and the FamilyMart-Ecokids Web site won the "KIDS" prize.

In the future, FamilyMart will continue striving to be the top convenience store in terms of harmony with the global environment.

Contributing to Society

In fiscal 2004, FamilyMart continued to undertake environmental beautification programs, including 200 local litter cleanup campaigns held as part of a national program in May and October, and sustained its active fund-raising programs at its stores nationwide for the Japanese arm of Save the Children, an international nongovernmental organization recognized by the United Nations.

Aiming to play a crucial “lifeline” role in maintaining supplies of daily necessities in the case of a major earthquake or other large-scale disaster, FamilyMart signed agreements in Shizuoka Prefecture and Miyagi Prefecture calling for the Company to provide emergency supplies and assist in supporting those unable to return to their homes. During fiscal 2004, the Company signed an additional such agreement in Miyagi Prefecture as well as agreements to assist in supporting those unable to return to their homes in the seven prefectures of the Kansai region.

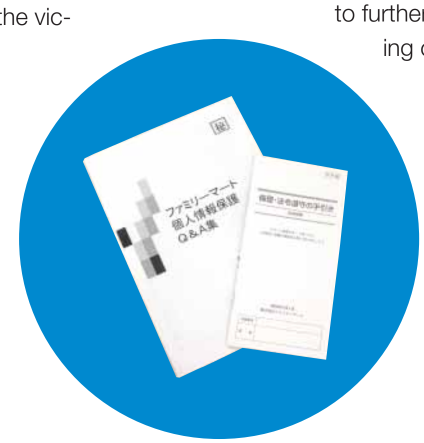
When the Chuetsu Earthquake struck Niigata Prefecture in October 2004, FamilyMart utilized its chain’s infrastructure to create an emergency express shipping network that provided affected people with requisite materials and products, and it also organized a fund-raising campaign for the victims at each of its stores throughout Japan.

This nationwide fund-raising system was once again activated at the end of 2004 on behalf of victims of the huge earthquake off Indonesia and subsequent tsunami. The funds collected were sent to the affected areas via the Japanese arm of Save the Children and the Japanese Red Cross Society. FamilyMart stores in tsunami-affected areas of Thailand made special efforts to ensure their ability to obtain steady supplies of the products needed by local customers.

FamilyMart and its area franchisers are relentlessly working to inspire still greater confidence throughout society by maintaining high ethical standards and operating as an exemplary corporate citizen.

Compliance

As part of its efforts during fiscal 2004 to ensure its ability to maintain high ethical standards and operate as an exemplary corporate citizen, FamilyMart established its Legal and Compliance Department and drafted and announced the FamilyMart Basic Compliance Policy, which has been publicized within and outside the Company. Moreover, the Company has set up an internal reporting system enabling employees to inform management of illegal or unethical practices within the Company. These moves have been thoroughly explained to all employees via the Company’s intranet system and electronic training courses. In fiscal 2005, we responded to a new personal information protection law by establishing an Information Management Office and are taking various other measures to further increase the rigor of our systems for protecting confidential information.



Consolidated Five-Year Summary

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

	Millions of Yen (except per share data and other data)					Thousands of U.S. Dollars (Note)
	2005	2004	2003	2002	2001	**2005**
Results of operations:						
Operating revenues:						
Commission from franchised stores	**¥132,864**	¥127,164	¥122,738	¥116,478	¥111,729	**$1,265,371**
Net sales	**103,599**	87,083	80,952	67,822	54,122	**986,657**
Other operating revenues	**16,438**	14,730	13,778	11,305	10,248	**156,553**
Total operating revenues	**252,901**	228,977	217,468	195,605	176,099	**2,408,581**
Operating income	**30,869**	29,093	27,921	23,756	24,123	**293,991**
Net income	**12,623**	13,788	12,880	8,549	8,112	**120,219**
Financial position:						
Total assets	**286,771**	309,315	250,609	242,517	230,883	**2,731,152**
Total shareholders' equity	**156,931**	147,524	137,636	130,510	126,190	**1,494,581**
Net cash provided by operating activities	**1,428**	73,593	32,694	34,219	23,305	**13,600**
Net cash used in investing activities	**(23,183)**	(10,719)	(29,327)	(28,812)	(30,980)	**(220,790)**
Net cash used in financing activities	**(3,922)**	(3,892)	(3,626)	(4,338)	(6,160)	**(37,352)**
Per share of common stock:						
Shareholders' equity (in yen and U.S. dollars)	**1,619.5**	1,522.3	1,420.4	1,346.6	1,302.2	**15.42**
Basic net income (in yen and U.S. dollars)	**129.5**	141.5	132.3	87.6	82.8	**1.23**
Cash dividends applicable to the year (in yen and U.S. dollars)	**38.0**	38.0	38.0	38.0	38.0	**0.36**
Ratio:						
Shareholders' equity	**54.7**	47.7	54.9	53.8	54.6	
Return on equity	**8.3**	9.7	9.6	6.7	6.5	
Return on total assets	**4.2**	4.9	5.2	3.7	3.7	
Other data:						
Number of franchised stores and Company-owned stores	**5,994**	5,770	5,593	5,287	5,275	
Number of area franchised stores (including overseas area franchised stores)	**5,507**	4,556	3,530	2,897	2,341	
Number of stores	**11,501**	10,326	9,123	8,184	7,616	
Number of shareholders	**18,644**	21,173	24,263	28,088	31,429	
Number of full-time employees (on a consolidated basis)	**5,458**	4,675	4,466	4,205	3,917	
Weighted average number of shares (thousands)	**96,852**	96,857	96,867	96,868	97,107	

Note: Conversion into U.S. dollars has been made at the exchange rate of ¥105=U.S.$1, the rate prevailing on February 28, 2005.

Business Overview and Analysis

Operating Results

(Analysis of Revenues, Costs, and Expenses)

The FamilyMart Group (the “Group”) is comprised of 24 companies, including FamilyMart Co., Ltd. (the “Company”), 12 subsidiaries (of which 8 are consolidated subsidiaries and 3 are accounted for by the equity method), and 11 affiliated companies (all of which are accounted for by the equity method). The Group’s main business is the operation of franchised convenience stores, and it has recently diversified into the development of e-commerce and other related services.

Consolidated total operating revenues, consisting of commissions from franchised stores, net sales, and other operating revenues, increased ¥23,924 million, or 10.4%, to ¥252,901 million (US$2,409 million).

Within this total, operating revenues from convenience store operations rose ¥13,813 million, or 7.1%, to ¥208,466 million, due mainly to growth in commissions from franchised stores as well as a rise in net sales of Company-owned stores. Operating revenues from the e-commerce business increased ¥10,081 million, or 29.7%, to ¥43,973 million, owing to growth in sales of prepaid services and other items by Famiport Multimedia Kiosk.

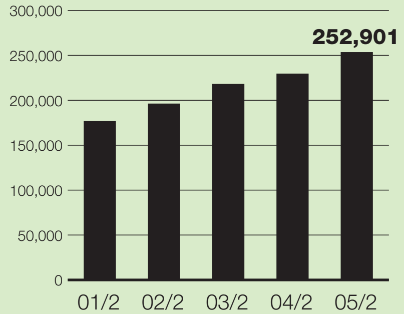
During the year under review, total operating expenses increased ¥22,148 million, or 11.1%, to ¥222,032 million (US$2,115 million). This primarily reflected growth in the e-commerce service-related cost of sales as well as rises in store rents, utility expenses, and other selling, general and administrative expenses by an increase in the number of stores.

As a result, operating income grew ¥1,776 million, or 6.1%, to ¥30,869 million (US$294 million). Of this total, that from convenience store operations increased ¥1,669 million, or 5.1%, to ¥34,659 million, and that from e-commerce rose ¥265 million, or 294.4%, to ¥355 million.

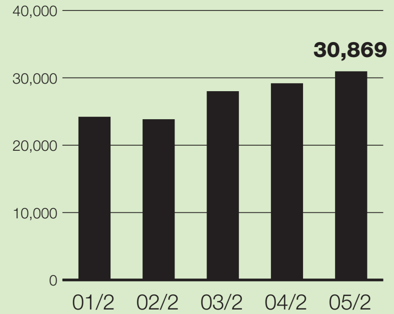
Reflecting the Company’s early adoption of new accounting standards for impairment of fixed assets from the year under review, other expenses—net increased ¥2,420 million, or 58.1%, to ¥6,587 million (US$63 million).

Consequently, income before income taxes and minority interests decreased ¥644 million, or 2.6%, to ¥24,282 million (US$231 million), and net income decreased ¥1,165 million, or 8.4%, to ¥12,623 million (US$120 million).

Net income per share amounted to ¥129.5 (US$1.23).



Total Operating Revenues
(Millions of Yen)



Operating Income
(Millions of Yen)

Financial Position

Total assets decreased ¥22,544 million, or 7.3%, to ¥286,771 million (US$2,731 million), at fiscal year-end.

Current assets decreased ¥28,464 million, to ¥132,517 million (US$1,262 million). This was due mainly to a temporary increase in cash and cash equivalents because the previous year-end date of February 29, 2004, was a bank holiday and bank clearances of ¥41,169 million in payables were not settled until March 1, 2004.

Net property and store facilities decreased ¥470 million, to ¥54,869 million (US$523 million), due to the early adoption of new accounting standards for impairment of fixed assets as well as depreciation and other factors.

Total investments and other assets increased ¥6,390 million, to ¥99,385 million (US$947 million), due to increases in held-to-maturity securities and store-related leasehold deposits.

Total liabilities decreased ¥33,073 million, or 21.1%, to ¥123,989 million (US$1,181 million).

Current liabilities decreased ¥33,957 million, to ¥108,359 million (US$1,032 million), mainly owing to a temporary increase in trade notes and other payables because the previous year-end date was a bank holiday and bank clearances were not settled until March 1, 2004.

Long-term liabilities increased ¥884 million, to ¥15,630 million (US$149 million), mainly because of rises in liability for retirement benefits and allowance for impairment loss on leased property by early adoption of new accounting standards for impairment of fixed assets.

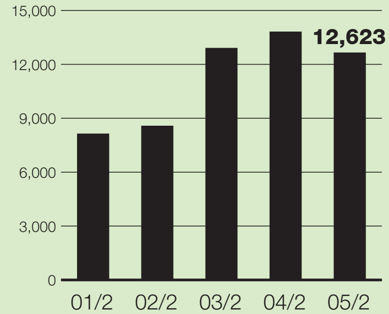
Minority interests grew ¥1,122 million, or 23.7%, to ¥5,851 million (US$56 million), due to an increase in the net income of consolidated subsidiaries and other factors.

As a result, shareholders' equity increased to ¥156,931 million (US$1,495 million), and the shareholders' equity ratio rose 7.0 percentage points, to 54.7%. Net assets per share amounted to ¥1,619.5.

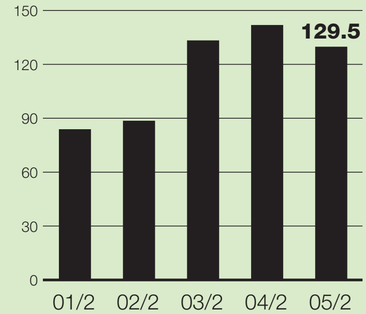
Cash Flows

The year-end balance of cash and cash equivalents decreased ¥25,669 million, or 24.4%, to ¥79,534 million (US$757 million).

Net cash provided by operating activities decreased ¥72,165 million, to ¥1,428 million (US$14 million). This change mainly reflected the shift of payables settlement from the previous fiscal year to the fiscal year under review because of the bank holiday. This shift was associated with a ¥42,405 million increase in payables—trade in the previous fiscal year and a ¥36,787 million decrease in payables—trade in the fiscal year under review, which had the effect of reducing net cash provided by operating activities by ¥79,192 million.



Net Income
(Millions of Yen)



Basic Net Income per Share
(Yen)

Net cash used in investing activities increased ¥12,464 million, to ¥23,183 million (US$221 million), due mainly a ¥11,499 million decrease in proceeds from sales and redemption at maturity of marketable and investment securities and a ¥4,496 million decrease in proceeds from sales of property and store facilities, software, and other intangible assets.

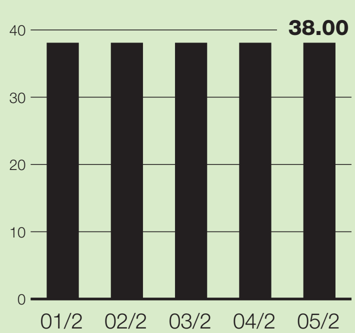
Net cash used in financing activities grew ¥30 million, to ¥3,922 million (US$37 million). This reflected ¥308 million in contribution from minority interest shareholders and a ¥267 million net increase in dividends paid to minority interest shareholders, to ¥526 million.

Dividend Policy

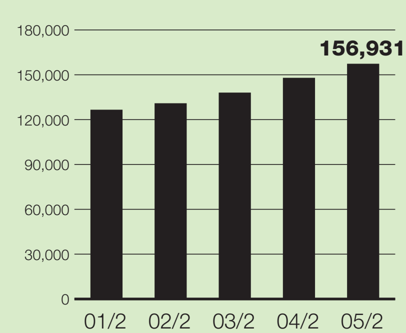
The Company regards the return of profits to shareholders as its most important policy.

In accordance with the Company's fundamental policy of the stable distribution of dividends to shareholders in line with growth of operations, the Company announced that dividends applicable to the year, including interim dividends, will total ¥38.0 (US$0.36) per share, the same as in the previous fiscal year.

Based on projections of a continued strengthening of performance, the Company plans to increase dividends applicable to the current fiscal year to ¥43.0 (US$0.41) per share.



Cash Dividends per Share
(Yen)



Total Shareholders' Equity
(Millions of Yen)

Consolidated Balance Sheets

FamilyMart Co., Ltd. and Consolidated Subsidiaries   February 28, 2005 and February 29, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Assets			
Current assets:			
Cash and cash equivalents	¥ 79,534	¥105,203	$ 757,467
Time deposits	14	10	133
Marketable securities (Note 5)	6,930	8,129	66,000
Receivables:			
Due from franchised stores (Note 4)	8,543	16,553	81,362
Short-term loans (Note 17)	283	1,784	2,695
Other	16,233	12,793	154,600
Allowance for doubtful receivables	(1,271)	(1,254)	(12,105)
Merchandise and supplies	6,715	6,092	63,953
Deferred tax assets (Note 11)	1,940	2,007	18,476
Prepaid expenses and other current assets	13,596	9,664	129,486
Total current assets	132,517	160,981	1,262,067
Property and store facilities (Note 6):			
Land	13,226	14,260	125,962
Buildings and structures	50,525	49,184	481,190
Machinery and equipment	3,645	3,606	34,714
Furniture and fixtures	37,722	35,044	359,257
Construction in progress	47	742	448
Total	105,165	102,836	1,001,571
Accumulated depreciation	(50,296)	(47,497)	(479,010)
Net property and store facilities	54,869	55,339	522,561
Investments and other assets:			
Investment securities (Note 5)	3,935	2,027	37,476
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3 and 17)	6,006	6,286	57,200
Software (Note 6)	6,181	7,828	58,867
Goodwill (Notes 6 and 7)	1,759	1,852	16,752
Leasehold deposits	74,902	69,936	713,353
Deferred tax assets (Note 11)	2,780	1,755	26,476
Other assets	3,822	3,311	36,400
Total investments and other assets	99,385	92,995	946,524
Total	¥286,771	¥309,315	$2,731,152

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 8)	¥ 481	¥ 488	$ 4,581
Payables:			
Trade notes	836	3,088	7,962
Trade accounts for franchised and Company-owned stores	55,229	89,524	525,990
Due to franchised stores (Note 4)	2,455	526	23,381
Other	11,359	15,258	108,181
Income taxes payable (Note 11)	6,559	5,570	62,467
Utility payments received (Note 4)	24,308	22,141	231,505
Accrued expenses	3,360	2,890	32,000
Allowance for impairment loss on leased property (Note 12)	134		1,276
Other current liabilities	3,638	2,831	34,647
Total current liabilities	108,359	142,316	1,031,990
Long-term liabilities:			
Liability for retirement benefits (Note 9)	4,898	4,551	46,648
Leasehold deposits from franchised stores	10,205	10,143	97,190
Allowance for impairment loss on leased property (Note 12)	467		4,448
Other long-term liabilities	60	52	571
Total long-term liabilities	15,630	14,746	148,857
Minority interests	5,851	4,729	55,724
Commitments and contingent liabilities (Notes 12 and 14)			
Shareholders' equity (Notes 10 and 16):			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	158,657
Capital surplus	17,057	17,057	162,448
Retained earnings	125,366	116,504	1,193,962
Unrealized gain on available-for-sale securities (Note 5)	415	102	3,952
Foreign currency translation adjustments	(817)	(1,068)	(7,781)
Total	158,680	149,254	1,511,238
Treasury stock—at cost (834,204 shares in 2005 and 828,369 shares in 2004)	(1,749)	(1,730)	(16,657)
Total shareholders' equity	156,931	147,524	1,494,581
Total	¥286,771	¥309,315	$2,731,152

See notes to consolidated financial statements.

Consolidated Statements of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2005 and February 29, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Operating revenues:			
Commission from franchised stores (Note 4)	**¥132,864**	¥127,164	**$1,265,371**
Net sales	**103,599**	87,083	**986,657**
Other operating revenues (Notes 3 and 4)	**16,438**	14,730	**156,553**
Total operating revenues	**252,901**	228,977	**2,408,581**
Operating expenses:			
Cost of sales	**84,480**	69,809	**804,571**
Selling, general and administrative expenses (Notes 7, 9, 12 and 17)	**137,552**	130,075	**1,310,019**
Total operating expenses	**222,032**	199,884	**2,114,590**
Operating income	**30,869**	29,093	**293,991**
Other income (expenses):			
Interest and dividend income	**708**	642	**6,743**
Equity in earnings of unconsolidated subsidiaries and associated companies	**1**	61	**10**
Gain on sales of marketable and investment securities—net	**274**	272	**2,610**
Loss on devaluation of marketable and investment securities	**(10)**	(3)	**(95)**
Loss on disposals/sales of property and store facilities—net	**(2,868)**	(3,345)	**(27,314)**
Loss on impairment of long-lived assets (Notes 6 and 12)	**(3,226)**		**(30,724)**
Loss on cancellations of lease contracts	**(971)**	(1,001)	**(9,249)**
Other—net (Note 13)	**(495)**	(793)	**(4,715)**
Other expenses—net	**(6,587)**	(4,167)	**(62,734)**
Income before income taxes and minority interests	**24,282**	24,926	**231,257**
Income taxes (Note 11):			
Current	**11,736**	9,965	**111,771**
Deferred	**(1,156)**	154	**(11,009)**
Total income taxes	**10,580**	10,119	**100,762**
Minority interests in net income	**1,079**	1,019	**10,276**
Net income	**¥ 12,623**	¥ 13,788	**$ 120,219**

	Yen		U.S. Dollars
Per share of common stock:			
Basic net income (Note 15)	**¥129.5**	¥141.5	**$1.23**
Cash dividends applicable to the year	**38.0**	38.0	**0.36**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2005 and February 29, 2004

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance, March 1, 2003	97,683	¥16,659	¥17,057	¥106,454	¥(212)	¥ (602)	¥(1,720)
Net income				13,788			
Cash dividends, ¥38.0 per share				(3,680)			
Bonuses to directors and corporate auditors				(58)			
Net increase in unrealized gain on available-for-sale securities					314		
Net decrease in foreign currency translation adjustments						(466)	
Net increase in treasury stock—net (3,933 shares)							(10)
Balance, February 29, 2004	97,683	16,659	17,057	116,504	102	(1,068)	(1,730)
Net income				**12,623**			
Cash dividends, ¥38.0 per share				**(3,680)**			
Bonuses to directors and corporate auditors				**(61)**			
Adjustments of retained earnings for:							
Newly consolidated subsidiary				**(17)**			
Inclusion of associated company accounted for by equity method				**(3)**			
Net increase in unrealized gain on available-for-sale securities					**313**		
Net increase in foreign currency translation adjustments						**251**	
Net increase in treasury stock—net (5,835 shares)							**(19)**
Balance, February 28, 2005	**97,683**	**¥16,659**	**¥17,057**	**¥125,366**	**¥ 415**	**¥ (817)**	**¥(1,749)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance, February 29, 2004	$158,657	$162,448	$1,109,562	$ 971	$(10,171)	$(16,476)
Net income			**120,219**			
Cash dividends, $0.36 per share			**(35,048)**			
Bonuses to directors and corporate auditors			**(581)**			
Adjustments of retained earnings for:						
Newly consolidated subsidiary			**(162)**			
Inclusion of associated company accounted for by equity method			**(28)**			
Net increase in unrealized gain on available-for-sale securities				**2,981**		
Net increase in foreign currency translation adjustments					**2,390**	
Net increase in treasury stock—net (5,835 shares)						**(181)**
Balance, February 28, 2005	**$158,657**	**$162,448**	**$1,193,962**	**$3,952**	**$ (7,781)**	**$(16,657)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2005 and February 29, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Operating activities:			
Income before income taxes and minority interests	**¥ 24,282**	¥ 24,926	**$ 231,257**
Adjustments for:			
Income taxes—paid	**(10,753)**	(9,967)	**(102,410)**
Depreciation and amortization	**12,146**	11,881	**115,676**
(Reversal of) provision for allowance for doubtful receivables	**(99)**	70	**(943)**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(1)**	(61)	**(10)**
Gain on devaluation/sale of marketable and investment securities—net	**(264)**	(269)	**(2,515)**
Loss on disposals/sales of property and store facilities—net	**2,868**	3,345	**27,314**
Loss on cancellations of lease contracts	**571**	571	**5,438**
Loss on impairment of long-lived assets	**3,226**		**30,724**
Bonuses to directors and corporate auditors	**(61)**	(58)	**(581)**
Changes in assets and liabilities:			
Decrease (increase) in due from/to franchised stores—net	**9,939**	(9,759)	**94,657**
Increase in merchandise and supplies	**(545)**	(631)	**(5,190)**
(Decrease) increase in payables—trade	**(36,787)**	42,405	**(350,352)**
Increase in utility payments received	**2,167**	3,716	**20,638**
Increase in liability for retirement benefits	**347**	190	**3,306**
Other—net	**(5,608)**	7,234	**(53,409)**
Total adjustments	**(22,854)**	48,667	**(217,657)**
Net cash provided by operating activities	**1,428**	73,593	**13,600**
Investing activities:			
(Increase) decrease in time deposits—net	**(4)**	201	**(38)**
Purchases of marketable and investment securities	**(123,292)**	(127,104)	**(1,174,210)**
Purchases of investment in subsidiaries and associated companies	**(1,066)**	(1,231)	**(10,152)**
Proceeds from sales and redemption at maturity of marketable and investment securities	**123,489**	134,988	**1,176,085**
Decrease (increase) in receivables—short-term loans—net	**1,647**	(315)	**15,686**
Purchases of property and store facilities, software and other intangible assets	**(15,284)**	(12,794)	**(145,562)**
Proceeds from sales of property and store facilities, software and other intangible assets	**677**	5,173	**6,448**
Payments of leasehold deposits	**(12,112)**	(10,612)	**(115,352)**
Refunds of leasehold deposits	**1,792**	1,801	**17,067**
Receipts of leasehold deposits from franchised stores	**1,074**	672	**10,229**
Refunds of leasehold deposits from franchised stores	**(828)**	(689)	**(7,886)**
Payments for acquisition of business	**(687)**	(621)	**(6,543)**
Other—net	**1,411**	(188)	**13,438**
Net cash used in investing activities	**(23,183)**	(10,719)	**(220,790)**
Financing activities:			
Increase in short-term bank loans—net		59	
Purchase of treasury stock—net	**(19)**	(10)	**(181)**
Contribution from minority interest shareholders	**308**		**2,934**
Dividends paid	**(3,685)**	(3,682)	**(35,095)**
Dividends paid to minority interest shareholders	**(526)**	(259)	**(5,010)**
Net cash used in financing activities	**(3,922)**	(3,892)	**(37,352)**
Foreign currency translation adjustments on cash and cash equivalents	**7**	(77)	**67**
Net (decrease) increase in cash and cash equivalents	**(25,670)**	58,905	**(244,475)**
Cash and cash equivalents, beginning of year	**105,203**	46,298	**1,001,933**
Cash and cash equivalents of newly consolidated subsidiary, beginning of year	**1**		**9**
Cash and cash equivalents, end of year	**¥ 79,534**	¥105,203	**$ 757,467**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2005 and February 29, 2004

1. Basis of Presenting Consodliated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2004 consolidated financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which FamilyMart Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105 to $1, the approximate rate of exchange at February 28, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements as of February 28, 2005 included the accounts of the Company and its eight (six in 2004) significant subsidiaries (together, the "Group"). Two increased consolidated subsidiaries are FamilyMart China Holding and FAMIMA CORPORATION. The former's operations began in People's Republic of China ("China") for the year ended February 28, 2005 and the latter was established in October 2004.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 3 (nil in 2004) unconsolidated subsidiaries and investments in 11 (6 in 2004) associated companies are accounted for by the equity method, including China CVS (Cayman Islands) Holding Corp. ("CCH"), which was not included previously as an associated company accounted for by the equity method, because the operations began in China.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries over its equity in the net assets at the respective date of acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Merchandise and Supplies—Most merchandise is primarily valued at cost determined by the retail method. Supplies are stated at cost determined by the last purchase price method.

d. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, other than (1), are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity, while lower of cost method is applied to available-for-sale securities of consolidated foreign subsidiaries.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property and Store Facilities—Property and store facilities are stated at cost. Depreciation of property and store facilities of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the property and store facilities of consolidated foreign subsidiaries. Buildings acquired on or after April 1, 1998 are depreciated using the straight-line method. The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 20 years for furniture and fixtures.

f. Long-Lived Assets—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets from the year ended February 28, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets (Note 6) was to decrease income before income taxes and minority interests for the year ended February 28, 2005 by ¥3,351 million ($31,914 thousand).

***g. Software*—**Capitalized software is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (five years).

***h. Goodwill*—**Goodwill is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (five years).

***i. Retirement and Pension Plans*—**The Company and certain consolidated subsidiaries have funded and/or unfunded retirement benefit plans for employees. In respect of the funded plans, a part of the annual provisions is funded as contributory pension plans with an outside trustee.

The Company and its consolidated domestic subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

Foreign consolidated subsidiaries provide for the amount of retirement benefits required by local accounting standards.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

***j. Leases*—**All leases of the Company and its consolidated domestic subsidiaries are accounted for as operating leases. Under the Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

***k. Income Taxes*—**The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

***l. Appropriations of Retained Earnings*—**Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

***m. Foreign Currency Transactions*—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

***n. Foreign Currency Financial Statements*—**The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate.

***o. Derivatives*—**The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income.

***p. Per Share Information*—**Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Related Parties and Organization

The Company's main shareholder is Family Corporation Inc., which owns 30.97% of the total outstanding shares of the Company. Family Corporation Inc. is 94.99% owned by ITOCHU Corporation, which distributes merchandise and supplies for "FamilyMart" stores in Japan.

The Company is a franchiser of "FamilyMart" stores for retail sales of daily necessities to consumers. The Company allows each independent franchisee to operate convenience stores using the specific designs and name of "FamilyMart" and provides them with related managerial and technical know-how under a franchise agreement. Under the agreement, each franchisee is provided with a variety of services and advice on the operation of convenience stores from the Company. In return, the franchisee is required to pay continuing franchise commissions to the Company based on certain percentages of the respective franchised store's gross margin (net sales less cost of sales).

The Company allows area franchised companies to be franchisers of "FamilyMart" stores in each area, including outside Japan. Area franchised companies are required to pay continuing royalty fees to the Company and the Company records this as "Other operating revenues." Area franchised companies as of February 28, 2005, are as follows:

Name of Area Franchiser	Area	The Company's Ownership in Area Franchiser
Subsidiaries:		
Taiwan FamilyMart Co., Ltd.	Taiwan	41.16%
Siam FamilyMart Co., Ltd.	Thailand	90.13
Associated companies:		
Okinawa FamilyMart Co., Ltd.	Okinawa, Japan	48.98
Minami Kyushu FamilyMart Co., Ltd.	Kagoshima and Miyazaki, Japan	49.00
Bokwang FamilyMart Co., Ltd.	Korea	20.79

FamilyMart China Holding., a 67.00% owned subsidiary, is a holding company of CCH. CCH, a 49.50% owned associated company, is holding company of Shanghai FamilyMart Co., Ltd. Shanghai FamilyMart Co., Ltd., a 65.00% owned associated company, is an area franchiser in Shanghai, China.

SFM HOLDING CO., LTD., a 90.71% owned subsidiary, is a holding company of Siam FamilyMart Co., Ltd.

FAMIMA CORPORATION, a 70.00% owned subsidiary, is preparing business to be an area franchiser in the United States of America.

In addition to the aforementioned, there are a number of subsidiaries and associated companies whose principal businesses are other than operating convenience stores.

MBE Japan, Inc., an 82.76% owned subsidiary, is operating "MAIL BOXES ETC." franchised stores.

Famima.com Co., Ltd., a 50.50% owned subsidiary, and e-PLAT JAPAN. CO., LTD., a 36.36% owned associated company, both support E-commerce operations.

Famima Credit Corporation, a 33.34% owned associated company, operates financial services, such as a settlement of credit card service and related services for its customer.

Kouyou Trading Co., Ltd., a wholly owned subsidiary, leases various equipment to "FamilyMart" stores in Japan.

Family Chef Co., Ltd., a 30.00% owned associated company, produces and distributes delicatessen items to "FamilyMart" stores in Japan.

4. Transactions with Franchised Stores

As discussed in Note 3 under the franchise agreement, each franchisee is provided with a variety of services and advice on the operation of convenience stores by the Company, and, in return, the franchisee is required to pay continuing franchise commissions to the Company based on certain percentages of the respective franchised store's gross margin (net sales less cost of sales). As the franchiser, the Company accounts for such franchise commissions on an accrual basis.

The term of a franchise agreement is generally for 10 years and may be extended or renewed upon expiration subject to renegotiation of contract terms between the Company and the franchisee. The franchise agreement currently in use provides that, at the commencement of the agreement, the franchisee shall make a cash payment to the Company in the amount of ¥1,500,000 which is credited to income of the Company as "Other operating revenues" for the lump-sum franchise fee and which shall be spent for services such as research, training and preparations of store opening provided by the Company. In addition, the franchisee shall advance another ¥1,500,000 to the Company as a deposit for purchases and it is credited to "Payables—Due to franchised stores," accordingly.

Under the franchise agreement, each franchised store shall order merchandise and the store is supplied from suppliers using the centralized buy-order system maintained by the Company. The Company then accumulates such purchase orders by the franchised stores and pays the purchase amounts to suppliers on a monthly basis on behalf of the franchised stores. The Company records account receivable due from franchised stores for such purchases.

Each franchised store shall make a remittance of cash from sales to the Company on a daily basis. Furthermore, the franchised stores collect utility payments from customers on behalf of utility service providers, such as electric power companies and telecommunication companies, which are remitted to the Company on a daily basis. The receipts of such charges are recorded as a liability due to utility service suppliers and presented as "Utility payments received" on the accompanying consolidated balance sheets.

The monthly payments to purchase merchandise and other goods on behalf of each franchised store and the daily receipts of cash from the franchised stores are accumulated and offset against each other to present the net balance due to or from each franchised store.

The balances of "Receivables—Due from franchised stores" and "Payables—Due to franchised stores" in the accompanying consolidated balance sheets represent such net balances between the Company and franchised stores at the balance sheet date.

5. Marketable and Investment Securities

Marketable and investment securities as of February 28, 2005 and February 29, 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Current:			
Government and corporate bonds		¥ 998	
Trust fund investments	**¥6,930**	7,131	**$66,000**
Total	**¥6,930**	¥8,129	**$66,000**
Non-current:			
Marketable equity securities	**¥1,457**	¥1,446	**$13,876**
Government and corporate bonds	**2,000**		**19,048**
Non-marketable equity securities	**478**	581	**4,552**
Total	**¥3,935**	¥2,027	**$37,476**

The carrying amounts and aggregate fair values of marketable and investment securities at February 28, 2005 and February 29, 2004, were as follows:

	Millions of Yen			
	February 28, 2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 771**	**¥706**	**¥ 20**	**¥1,457**
Debt securities	**6,930**			**6,930**
Held-to-maturity	**2,000**		**10**	**1,990**

	Millions of Yen			
	February 29, 2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,248	¥310	¥ 112	¥1,446
Debt securities	7,131			7,131
Held-to-maturity	998	1		999

	Thousands of U.S. Dollars			
	February 28, 2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 7,343**	**$6,724**	**$191**	**$13,876**
Debt securities	**66,000**			**66,000**
Held-to-maturity	**19,048**		**96**	**18,952**

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2005 and February 29, 2004, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale—Equity securities	¥478	¥581	$4,552

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2005, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥2,000	$19,048

6. Long-Lived Assets

The Group reviewed its long-lived assets for impairment as of the year ended February 28, 2005 and, as a result, recognized an impairment loss on land of ¥955 million ($9,095 thousand), buildings of ¥1,252 million ($11,924 thousand), leased property of ¥601 million ($5,724 thousand) and others of ¥418 million ($3,981 thousand) as other expense for each stores, idle assets and others due to a decline in value of the related asset categories due mainly to a continuous operating losses. The carrying amount of those assets was written down to the recoverable amount.

The Group recognized impairment loss on the following asset categories during this fiscal year.

Category	Location	Related Assets	Millions of Yen	Thousands of U.S. Dollars
Stores	Sagamihara city, Kanagawa, etc.	Land, building, leased property, etc.	¥2,595	$24,714
Idle assets	Toyonaka city, Osaka	Land and building	108	1,029
Others	Takarazuka city, Hyogo, etc.	Land, building, etc.	523	4,981
Total			¥3,226	$30,724

The recoverable amount of those stores and the others were measured at their value in use and the discount rate used for computation of present value of future cash flows was 9.78%. The recoverable amount of the idle assets was measured by its net selling price at disposition.

In addition, some associated companies accounted for by equity method recognized an impairment loss by the same method, and the Group recognized ¥125 million ($1,190 thousand) of loss on impairment of long-lived assets as "Equity in earnings of unconsolidated subsidiaries and associated companies."

7. Goodwill

Goodwill as of February 28, 2005 and February 29, 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Consolidation goodwill	¥ 225	¥ 284	$ 2,143
Acquisition goodwill	1,534	1,568	14,609
Total	¥1,759	¥1,852	$16,752

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2005 and February 29, 2004, was ¥917 million ($8,733 thousand) and ¥888 million, respectively.

8. Short-Term Bank Loans

Short-term bank loans as of February 28, 2005 and February 29, 2004, consisted of bank overdrafts. The annual interest rate applicable to the short-term bank loan at February 28, 2005 was 3.2%.

9. Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits for directors and corporate auditors at February 28, 2005 and February 29, 2004 is ¥397 million ($3,781 thousand) and ¥305 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits as of February 28, 2005 and February 29, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥12,901	¥11,763	$122,867
Fair value of plan assets	(5,485)	(5,195)	(52,238)
Unrecognized actuarial loss	(2,893)	(2,297)	(27,552)
Unrecognized transitional obligation	(22)	(25)	(210)
Net liability	¥ 4,501	¥ 4,246	$ 42,867

The components of net periodic benefit costs for the years ended February 28, 2005 and February 29, 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 905	¥ 869	$ 8,619
Interest cost	321	290	3,057
Expected return on plan assets	(4)	(4)	(38)
Recognized actuarial loss	136	102	1,295
Amortization of transitional obligation	3	4	29
Net periodic benefit costs	¥1,361	¥1,261	$12,962

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on April 23, 2002.

As a result of this exemption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended February 28, 2003.

The Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained an approval by the Ministry of Health, Labour and Welfare on October 1, 2003.

In the current year, the Company thereafter transferred the substitutional portion of the pension obligations and related assets to the government on March 19, 2004. This transfer had no effect to the consolidated statements of income for the year ended February 28, 2005.

Assumptions used for the years ended February 28, 2005 and February 29, 2004, are set forth as follows:

	2005	2004
Discount rate	**Primarily 2.0%**	Primarily 2.7%
Expected rate of return on plan assets	**Primarily 0%**	Primarily 0%
Recognition period of actuarial gain/loss	**Primarily 15 years**	Primarily 19 years
Amortization period of transitional obligation	**Foreign consolidated subsidiary—15 years**	Foreign consolidated subsidiary—15 years

Retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code").

The Company recorded a liability for its unfunded retirement benefits plan covering all of its directors and corporate auditors. The annual provisions for retirement benefits for directors and corporate auditors for the years ended February 28, 2005 and February 29, 2004 were ¥114 million ($1,086 thousand) and ¥100 million, respectively.

10. Shareholders' Equity

Japanese companies are subject to the Code to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥125,790 million ($1,198,000 thousand) as of February 28, 2005, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended February 28, 2005 and February 29, 2004.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2005 and February 29, 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets:			
Provision for doubtful receivables	**¥ 364**	¥ 369	**$ 3,467**
Accrued bonuses	**426**	355	**4,057**
Provision for retirement benefits—employees	**1,804**	1,694	**17,181**
Provision for retirement benefits—directors and corporate auditors	**159**	126	**1,514**
Depreciation	**57**	145	**543**
Loss on disposals of property and store facilities and cancellations of lease contracts	**256**	112	**2,438**
Loss on impairment of long-lived assets	**1,280**		**12,190**
Enterprise tax payable	**541**	526	**5,152**
Tax loss carryforwards	**2,219**	2,237	**21,133**
Other	**521**	855	**4,962**
Less valuation allowance	**(2,272)**	(2,269)	**(21,638)**
Total	**5,355**	4,150	**50,999**
Deferred tax liabilities:			
Special reserve for tax purpose depreciation	**92**	124	**876**
Other	**543**	264	**5,171**
Total	**635**	388	**6,047**
Net deferred tax assets	**¥4,720**	¥3,762	**$44,952**

A difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended February 28, 2005 and February 29, 2004 would not be material.

As of February 28, 2005, certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,102 million ($58,114 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending February 28 (or 29)	Millions of Yen	Thousands of U.S. Dollars
2006	¥1,084	$10,324
2007	2,033	19,362
2008	1,300	12,380
2009	693	6,600
2010	992	9,448
Total	¥6,102	$58,114

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 42% to 41%, effective for years beginning on and after March 1, 2005. The effect of this change on deferred taxes in the consolidated statements of income for the year ended February 29, 2004 was not material.

12. Leases

The Group leases certain furniture and fixtures, software and other assets.

Total rental expenses including lease payments for the years ended February 28, 2005 and February 29, 2004, were ¥12,617 million ($120,162 thousand) and ¥11,960 million, respectively.

For the year ended February 28, 2005, the Group recorded an impairment loss of ¥601 million ($5,724 thousand) on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense, interest expense and impairment loss of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 28, 2005 and February 29, 2004, was as follows:

	Millions of Yen		
	2005		
	Furniture and Fixtures	Software	Total
Acquisition cost	**¥64,354**	**¥1,442**	**¥65,796**
Accumulated depreciation	**(33,868)**	**(1,068)**	**(34,936)**
Accumulated impairment loss	**(601)**		**(601)**
Net leased property	**¥29,885**	**¥ 374**	**¥30,259**

	Millions of Yen		
	2004		
	Furniture and Fixtures	Software	Total
Acquisition cost	¥62,003	¥1,545	¥63,548
Accumulated depreciation	(29,604)	(843)	(30,447)
Net leased property	¥32,399	¥ 702	¥33,101

	Thousands of U.S. Dollars		
	2005		
	Furniture and Fixtures	Software	Total
Acquisition cost	**$612,895**	**$13,734**	**$626,629**
Accumulated depreciation	**(322,552)**	**(10,172)**	**(332,724)**
Accumulated impairment loss	**(5,724)**		**(5,724)**
Net leased property	**$284,619**	**$ 3,562**	**$288,181**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥ 9,544**	¥10,094	**$ 90,895**
Due after one year	**22,374**	24,613	**213,086**
Total	**¥31,918**	¥34,707	**$303,981**

Allowance for impairment loss on leased property of ¥601 million ($5,724 thousand) as of February 28, 2005 is not included in obligations under finance leases.

The imputed interest expense portion is included in the above obligations under finance leases.

Depreciation expense, interest expense and impairment loss under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Depreciation expense	**¥10,486**	¥10,032	**$ 99,867**
Interest expense	**1,012**	1,162	**9,638**
Total	**¥11,498**	¥11,194	**$109,505**
Impairment loss	**¥ 601**		**$ 5,724**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as of February 28, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 65	$ 619
Due after one year	256	2,438
Total	¥321	$3,057

13. Derivatives

The Company enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into hedge foreign currency exposures incorporated within its business and the Company does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The execution and control of derivatives are controlled by the Accounting and Finance Department of the Company in accordance with the Company internal regulation.

The Company had no derivative contracts outstanding as of February 28, 2005 and February 29, 2004.

14. Contingent Liabilities

As of February 28, 2005, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee of financial institution loan, borrowed by Famima Credit Corporation	¥2,058	$19,600
Guarantee of financial institution loan, borrowed by SIAM DCM Co., Ltd.	61	581
Guarantee on payment of CAPLAN Corporation	10	95

SIAM DCM Co., Ltd., which is associated company, distributes merchandise and supplies for "FamilyMart" stores in Thailand.

CAPLAN Corporation supports merchandising activities of all franchisees of "MAIL BOXES ETC." and the franchisees pay supporting fee to CAPLAN Corporation. MBE Japan, Inc. guarantees the franchisees' payment to CAPLAN Corporation.

15. Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2005 and February 29, 2004 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended February 28, 2005	Net Income	Weighted-average Shares	EPS	EPS
EPS:				
Net income	**¥12,623**			
Bonuses to director and corporate auditors	**(86)**			
Net income available to common shareholders	**¥12,537**	**96,852**	**¥129.5**	**$1.23**

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended February 29, 2004	Net Income	Weighted-average Shares	EPS	EPS
EPS:				
Net income	¥13,788			
Bonuses to director and corporate auditors	(80)			
Net income available to common shareholders	¥13,708	96,857	¥141.5	

16. Subsequent Event

At the general shareholders meeting held on May 26, 2005, the Company's shareholders approved the following appropriations of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥19 ($0.18) per share	¥1,840	$17,524
Bonuses to directors and corporate auditors	47	448

17. Related Party Transactions

Transactions of the Company with related parties for the years ended February 28, 2005 and February 29, 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
ITOCHU Corporation—Average short-term deposit balance to ITOCHU Corporation under cash management program	**¥20,110**	¥18,593	**$191,524**
Tadashi Endo (corporate auditor and attorney)—Attorney's fee	**35**	27	**333**
Famima Credit Corporation (associated company):			
Receivable—short-term loans		500	
Receivable—long-term loans (included investments in and advances to unconsolidated subsidiaries and associated companies)	**2,000**	3,500	**19,048**
Guarantee of financial institution loan	**2,058**		**19,600**

A portion of the above the short-term loans and the long-term loans are guaranteed by ITOCHU Corporation and ITOCHU Finance Corporation, which guaranteed amounts were ¥1,031 million ($9,819 thousand) and ¥2,034 million, for the years ended February 28, 2005 and February 29, 2004, respectively.

18. Segment Information

The Group operates in the following industries:

Convenience Store Business:	Developing "FamilyMart" chain stores by franchise system and area franchise system
E-commerce Business:	Sales by Famiport Multimedia Kiosks and internet shopping, etc.
Other Businesses:	Leases, operating "MAIL BOXES ETC." franchised stores, financial services, etc.

Information about industry segments, geographical segments and operating revenues from foreign customers of the Company and its subsidiaries for the years ended February 28, 2005 and February 29, 2004, was as follows:

(1) Industry Segments

The industry segments of the Company and its subsidiaries for the years ended February 28, 2005 and February 29, 2004, are summarized as follows:

a. Operating Revenues and Operating Income (Loss)

	Millions of Yen				
	2005				
	Convenience Store Business	E-commerce Business	Other Businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	**¥208,466**	**¥43,973**	**¥ 462**		**¥252,901**
Intersegment operating revenues	**61**	**5,244**	**2,389**	**¥(7,694)**	
Total operating revenues	**208,527**	**49,217**	**2,851**	**(7,694)**	**252,901**
Operating expenses	**173,868**	**48,862**	**2,860**	**(3,558)**	**222,032**
Operating income (loss)	**¥ 34,659**	**¥ 355**	**¥ (9)**	**¥(4,136)**	**¥ 30,869**

b. Total Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Millions of Yen				
	2005				
	Convenience Store Business	E-commerce Business	Other Businesses	Eliminations/ Corporate	Consolidated
Total assets	**¥202,378**	**¥4,285**	**¥3,656**	**¥76,452**	**¥286,771**
Depreciation	**11,835**	**5**	**120**		**11,960**
Loss on impairment of long-lived assets	**3,130**		**96**		**3,226**
Capital expenditures	**26,538**	**4**	**81**		**26,623**

a. Operating Revenues and Operating Income (Loss)

	Thousands of U.S. Dollars				
	2005				
	Convenience Store Business	E-commerce Business	Other Businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	**$1,985,390**	**$418,790**	**$ 4,401**		**$2,408,581**
Intersegment operating revenues	**581**	**49,943**	**22,752**	**$(73,276)**	
Total operating revenues	**1,985,971**	**468,733**	**27,153**	**(73,276)**	**2,408,581**
Operating expenses	**1,655,886**	**465,352**	**27,238**	**(33,886)**	**2,114,590**
Operating income (loss)	**$ 330,085**	**$ 3,381**	**$ (85)**	**$(39,390)**	**$ 293,991**

b. Total Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Thousands of U.S. Dollars				
	2005				
	Convenience Store Business	E-commerce Business	Other Businesses	Eliminations/ Corporate	Consolidated
Total assets	**$1,927,410**	**$40,810**	**$34,819**	**$728,113**	**$2,731,152**
Depreciation	**112,714**	**48**	**1,143**		**113,905**
Loss on impairment of long-lived assets	**29,810**		**914**		**30,724**
Capital expenditures	**252,743**	**38**	**771**		**253,552**

a. Operating Revenues and Operating Income

	Millions of Yen				
	2004				
	Convenience Store Business	E-commerce Business	Other Businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥194,653	¥33,892	¥ 432		¥228,977
Intersegment operating revenues	29	4,484	2,737	¥(7,250)	
Total operating revenues	194,682	38,376	3,169	(7,250)	228,977
Operating expenses	161,692	38,286	3,086	(3,180)	199,884
Operating income	¥ 32,990	¥ 90	¥ 83	¥(4,070)	¥ 29,093

b. Total Assets, Depreciation and Capital Expenditures

	Convenience Store Business	E-commerce Business	Other Businesses	Eliminations/ Corporate	Consolidated
	Millions of Yen 2004				
Total assets	¥198,479	¥5,612	¥5,696	¥99,528	¥309,315
Depreciation	11,498	6	188		11,692
Capital expenditures	23,388	2	96		23,486

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended February 28, 2005 and February 29, 2004, are summarized as follows:

	Japan	Asia	Other Area	Eliminations/ Corporate	Consolidated
	Millions of Yen **2005**				
Operating revenues from outside the Group	**¥217,363**	**¥35,538**			**¥252,901**
Interarea transfers	**440**	**29**		**¥ (469)**	
Total operating revenues	**217,803**	**35,567**		**(469)**	**252,901**
Operating expenses	**184,689**	**33,679**	**¥ 5**	**3,659**	**222,032**
Operating income (loss)	**¥ 33,114**	**¥ 1,888**	**¥ (5)**	**¥ (4,128)**	**¥ 30,869**
Total assets	**¥173,772**	**¥32,770**	**¥99**	**¥80,130**	**¥286,771**

	Japan	Asia	Other Area	Eliminations/ Corporate	Consolidated
	Thousands of U.S. Dollars **2005**				
Operating revenues from outside the Group	**$2,070,124**	**$338,457**			**$2,408,581**
Interarea transfers	**4,190**	**276**		**$ (4,466)**	
Total operating revenues	**2,074,314**	**338,733**		**(4,466)**	**2,408,581**
Operating expenses	**1,758,942**	**320,752**	**$ 48**	**34,848**	**2,114,590**
Operating income (loss)	**$ 315,372**	**$ 17,981**	**$ (48)**	**$ (39,314)**	**$ 293,991**
Total assets	**$1,654,971**	**$312,095**	**$943**	**$763,143**	**$2,731,152**

	Japan	Asia	Eliminations/ Corporate	Consolidated
	Millions of Yen 2004			
Operating revenues from outside the Group	¥196,386	¥32,591		¥228,977
Interarea transfers	416	26	¥ (442)	
Total operating revenues	196,802	32,617	(442)	228,977
Operating expenses	165,292	30,951	3,641	199,884
Operating income	¥ 31,510	¥ 1,666	¥ (4,083)	¥ 29,093
Total assets	¥178,896	¥27,749	¥102,670	¥309,315

(3) Operating Revenues from Foreign Customers

Operating revenues from foreign customers for the years ended February 28, 2005 and February 29, 2004, amounted to ¥35,945 million ($342,333 thousand) and ¥32,820 million, respectively.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FamilyMart Co., Ltd.:

We have audited the accompanying consolidated balance sheets of FamilyMart Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Group") as of February 28, 2005 and February 29, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FamilyMart Co., Ltd. and consolidated subsidiaries as of February 28, 2005 and February 29, 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.f to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets from the year ended February 28, 2005.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

May 26, 2005

Member of
Deloitte Touche Tohmatsu

FamilyMart has two main kinds of franchising contracts. One kind (1FC-A and 1FC-B) calls for franchisees to provide the land and store space as well as to make certain other investments, while the other kind (1FC-C and 2FC) calls for the Company to make those investments. Aiming to motivate franchisees, the Company provides support for those seeking to step up from 2FC to 1FC-B or 1FC-C contracts as well as for 1FC-contract franchisees who operate multiple stores.

Types of FamilyMart Franchising Contracts

Contract type	1FC-A	1FC-B	1FC-C	2FC
Contract period	—10 years from store opening—			
Funds required at contract date	¥3,075,000 at contract date (including ¥75,000 consumption tax) Affiliation fee ¥ 525,000 Store preparation commission ¥1,050,000 Initial stocking fee* ¥1,500,000 * Including cash for making change and a portion of merchandise procurement costs			
Land/building				
Store construction expense				
Remarks		FamilyMart funds portion of interior facility construction expense	Franchisee funds interior facility construction expense	
Franchise commission	35% of gross margin*	38% of gross margin*	48% of gross margin*	55%~70% of gross margin*

1FC Multiple-Store Promotion System
Support for the operation of multiple stores based on 1FC contracts
When franchisees operate multiple stores based on 1FC contracts, the 1FC Multiple-Store Promotion System makes incentive payments to franchisees that are calculated based on gross margin (net sales less cost of sales) standard levels.

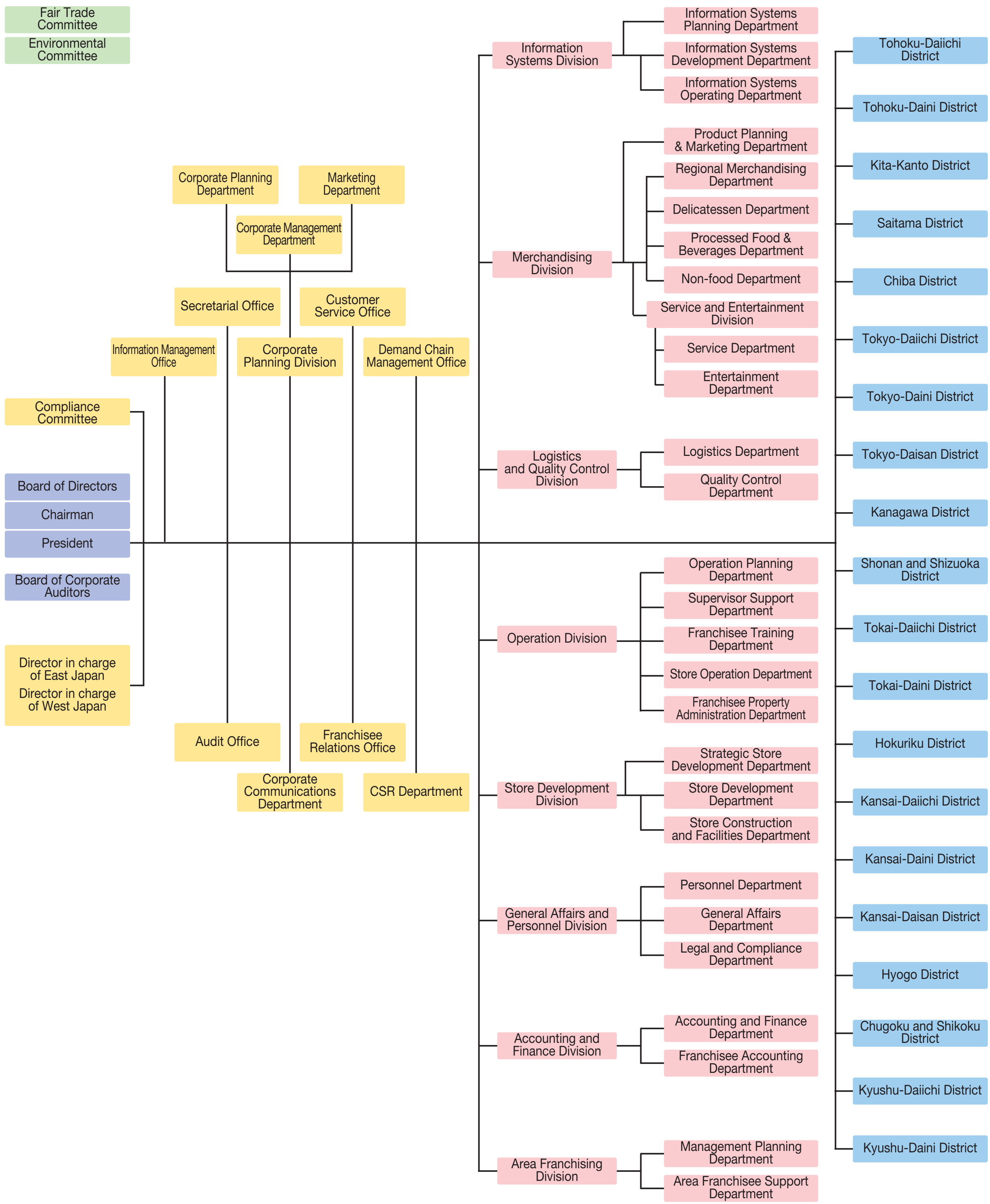
2FC Step-Up System
Support for moving up to 1FC contracts
At the end of the first five years of their contracts, 2FC franchisees who are entitled by the Company can shift to either 1FC-B or 1FC-C contracts.

Provided by franchisee
Provided by FamilyMart
See Remarks

* Net sales less cost of sales

ORGANIZATION

(As of March 1, 2005)



BOARD OF DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE AUDITORS

Chairman
Michio Tanabe

President,
Representative Director
Junji Ueda

Executive Vice President,
Representative Director
Hiroyoshi Yada

Chairman
Michio Tanabe

President,
Representative Director
Junji Ueda

Executive Vice President,
Representative Director
and Vice President Executive Officer
Hiroyoshi Yada

Senior Managing Directors
and Senior Managing Executive Officers
Shisaburo Ueda
Shinichiro Harima

Managing Directors
and Managing Executive Officers
Masahiro Ikeda
Shiro Inoue
Yasuhiko Uramoto
Gonjiro Minamimoto
Takayuki Yokota

Directors and
Managing Executive Officers
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Masatsuna Seki
Shota Takahashi

Managing Executive Officers
Toshio Kato
Masaaki Kosaka
Akinori Wada
Yasuhiro Kobe
Takeshi Takasugi
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Kazushige Ueno
Kimichika Iwakiri
Hisashi Suzuki
Motoo Takada
Masami Fujimori
Teruki Uehigashi
Masayuki Kato
Tomoyuki Kimura
Yoshiki Miyamoto

Standing Corporate Auditors
Yukinobu Maeda
Naoji Ishizu
Noboru Nishioka

Corporate Auditor
Takashi Endo

CORPORATE HISTORY

1972 Sept. ■ The Planning Office of The Seiyu Stores, Ltd., sets up a Small Store Section.

1973 Sept. ■ The first convenience store opens on a trial basis in Sayama, Saitama Prefecture.

1978 Mar. ■ The Seiyu Stores establishes FamilyMart Department; four stores operating.

1981 Sept. ■ The Seiyu Stores establishes FamilyMart Co., Ltd., and transfers business and property; 89 stores operating.

1987 Feb. ■ The number of stores reaches 1,000.

Oct. ■ FamilyMart and RYUBO CO., LTD., in Naha, Okinawa Prefecture, jointly establish Okinawa FamilyMart Co., Ltd.

Dec. ■ The Tokyo Stock Exchange lists FamilyMart stocks on the Second Section.

1988 Aug. ■ FamilyMart and partner companies in Taiwan jointly establish Taiwan FamilyMart Co., Ltd.

1989 Aug. ■ The Tokyo Stock Exchange lists FamilyMart stocks on the First Section.

1990 July ■ FamilyMart concludes a contract with Bokwang FamilyMart Co., Ltd., of Seoul, South Korea, for the transfer of convenience store operational know-how and the use of the FamilyMart service logo under license; under this contract, franchising operations for FamilyMart stores in South Korea commence.

1992 Sept. ■ FamilyMart jointly establishes Siam FamilyMart Co., Ltd. with Robinson Department Store Public Co., Ltd.; Saha Pathanapibul Public Co., Ltd.; and ITOCHU (THAILAND) LTD.

1993 Apr. ■ FamilyMart and HOMBO SYOTEN Co., Ltd., in Kagoshima jointly establish Minami Kyushu FamilyMart Co., Ltd.
FamilyMart concludes an area franchiser contract with the Company and commences franchising operations for FamilyMart stores in Kagoshima and Miyazaki prefectures.

1998 Feb. ■ The total number of stores reaches 6,000, including 1,000 overseas.

Feb. ■ The ITOCHU Group buys the stock of FamilyMart from The Seiyu, Ltd., and other companies, becoming the largest shareholder.

Aug. ■ FamilyMart establishes wholly owned subsidiary MBE Japan, Inc.

1999 Mar. ■ All offices and stores of FamilyMart receive blanket certification under ISO 14001, the international standard for environmental management systems.

Sept. ■ FamilyMart and 25 other companies (including 4 convenience store chains and 10 financial institutions) jointly establish E-net Co., Ltd., to install ATM machines in stores.

2000 May ■ To promote electronic commerce, FamilyMart and top companies in each industry—including ITOCHU Corporation, NTT DATA Corporation, and Toyota Motor Corporation—jointly establish famima.com Co., Ltd.

Oct. ■ FamilyMart experimentally introduces Famiport Multimedia Kiosks in some stores (full-scale introduction in Feb. 2001).

Dec. ■ The number of franchised stores under the control of Taiwan FamilyMart reaches 1,000.

2001 Nov. ■ FamilyMart establishes IFJ Co., Ltd. (currently Famima Credit Corporation), a credit card company.

2002 Feb. ■ Taiwan FamilyMart is listed on the GreTai Securities Market, an over-the-counter stock market in Taiwan.

Apr. ■ The number of franchised stores under the control of Bokwang FamilyMart in South Korea reaches 1,000.

May ■ FamilyMart introduces an IC card (JUPI card).

2003 Dec. ■ FamilyMart becomes the first convenience store chain of Japanese origin to reach 10,000 outlets in Asia.

2004 May ■ FamilyMart jointly establishes Shanghai FamilyMart Co., Ltd. (China), in cooperation with four partners—ITOCHU Corporation; Taiwan FamilyMart; Tinghsin (Cayman Islands) Holding Corporation; and CITIC Trust & Investment Co., Ltd.

July ■ Shanghai FamilyMart begins the development of FamilyMart stores in Shanghai.

Oct. ■ FamilyMart introduces its Famima Card.
FamilyMart establishes FAMIMA CORPORATION (United States) in cooperation with two partners—ITOCHU and ITOCHU International Inc. (United States).

Dec. ■ Shanghai FamilyMart begins establishing franchised stores in Shanghai.

CORPORATE DATA (Non-consolidated)

Head Office

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Toshima-ku, Tokyo 170-8404, Japan

Telephone: (81) 3-3989-6600

Incorporated

September 1, 1981

Paid-in Capital

¥16,659 million

Authorized Shares

250,000,000

Issued Shares

97,683,133

Number of Shareholders

18,644

Number of Full-Time Employees

2,351

Stock Exchange Listing

Tokyo Stock Exchange

Domestic Area Franchisers

Okinawa FamilyMart Co., Ltd.

Minami Kyushu FamilyMart Co., Ltd.

Overseas Area Franchisers

Taiwan FamilyMart Co., Ltd. (Taiwan)

Bokwang FamilyMart Co., Ltd. (South Korea)

Siam FamilyMart Co., Ltd. (Thailand)

Shanghai FamilyMart Co., Ltd. (China)

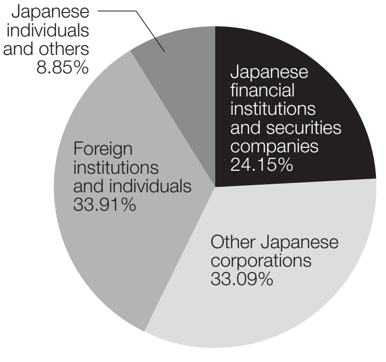
FAMIMA CORPORATION (United States)

Principal Shareholders

Family Corporation Inc.	30.65%
The Master Trust Bank of Japan, Ltd.	4.07%
Japan Trustee Services Bank Ltd.	3.40%
Nomura Securities Co., Ltd.	3.06%
State Street Bank and Trust Company	2.57%
Mizuho Bank, Ltd.	2.13%
State Street Bank and Trust Company	2.04%
State Street Bank and Trust Company	1.67%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1.52%
The Chase Manhattan Bank, N.A. London	1.41%

Note: Shareholding percentages are calculated by dividing the number of shares held by the number of issued shares.

Distribution of Shares*



* Excluding shares that do not comprise full trading units

(As of February 28, 2005)

FamilyMart

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