FamilyMart
Annual Report 2007

Wholehearted **Hospitality**

In response to the changing business environment within the retail sector in Japan — particularly the convenience store industry in which FamilyMart operates — we took the opportunity of our 25th anniversary in fiscal 2006 to revise the FamilyMart Basic Principles for the first time in 15 years. It is our hope that this revised corporate philosophy will help FamilyMart achieve the changes needed to thrive in the operating environment that we will face in the future. We have also drawn up a set of action guidelines to enable all our employees and franchisees to share a common vision of the Company's future and to work together to realize this vision. We call the basic concept that lies behind these guidelines "Famimaship." In the pursuit of Famimaship, we will be simultaneously putting our efforts into the concrete realization of our new basic principles and into achieving an even higher level of enterprise value.

CONTENTS

Cautionary Statement:

This report contains forward-looking statements, including the Company's strategies, future business plans, and projections. Such forward-looking statements are not based on historical facts and involve known and unknown risks and uncertainties that relate to, but are not necessarily confined to, such areas as economic trends and consumer preferences in Japan and abrupt changes in the market environment. Accordingly, the actual business performance of the Company may substantially differ from the forward-looking statements in this report.

FamilyMart Basic Principles

Our Slogan

"FamilyMart, Where You Are One of the Family"

Our mission is to always be close to our customers' hearts,
and an indispensable part of their lives.

FamilyMart's Goal

We aim to make our customers' lives more comfortable and enjoyable, primarily by displaying hospitality in everything we do, so that customers will enjoy every moment they spend in our stores.

FamilyMart's Basic Management Policies

We will continue to provide innovative, high-quality products and services that make a positive, lasting impression on our customers and warm their hearts.

We are working to raise enterprise value through our business activities in line with the spirit of "Co-Growing," by which we mean realizing mutually beneficial relationships with our franchisees, business partners, and employees, and thereby fulfilling our responsibilities to all our stakeholders.

We aim to win the highest trust of the general public by observing all laws and ethical norms, raising the level of transparency in our business activities, and always upholding the principles of fair competition.

In consideration of the overriding need for environmental preservation, we will enthusiastically contribute to the welfare of the local communities in which we operate and society as a whole, providing reliable and safe products and sevices to help realize a future full of new possibilities.

We encourage our colleagues to create a vibrant corporate culture by keeping abreast of social trends and showing an interest in a wide range of subjects. In this way, we are confident that our staff will hit upon good ideas and then act on them.

FamilyMart's Action Guidelines

"Famimaship" is the spirit of hospitality that is indispensable to guarantee that our customers enjoy every moment they spend in our stores. We aim to ensure that this spirit is displayed not only in our stores, but also in all other interactions with the local community.

"Famimaship"

"Listen, Decide, Act"
"Wholehearted Hospitality"

These Action Guidelines have been drawn up to ensure that the Company's employees work to achieve the objectives described below:

These are the words we carry in our hearts. Each of us, as a representative of FamilyMart, pledges to carry out these tasks: "Listen, Decide, Act."

Exceeding customers' expectations

Always look for ways to increase customer satisfaction, and seek innovative ways to exceed your customers' expectations.

Acting with integrity

We are accountable to the communities in which we operate and to society as a whole, and have a responsibility to help preserve the environment. You must always act with integrity. When you make a judgment, never forget you are a member of society yourself.

Growing together, through mutual trust

Create warm and courteous relationships built on trust by listening carefully when others speak, praising their efforts, and using these experiences to nurture your own growth.

Enjoying new challenges

Rather than fearing or resisting change, you should welcome it. You should meet every challenge head-on, and your first thought should be not to find reasons why something is impossible, but how to best to accomplish the task at hand.

Cultivating esthetic sensitivity

Cultivate esthetic sensitivity and refined taste in your private lives so that your smiles reflect your inner reserves. Show interest in social trends and be on the alert for early indications of their emergence. FamilyMart staff should aim to offer imaginative products and services that surprise and delight our customers.

FamilyMart at a Glance

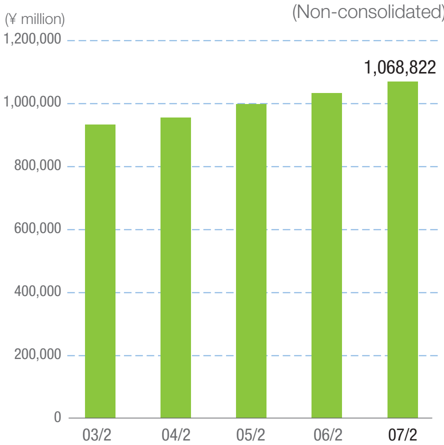
About FamilyMart

Based on our core business of convenience store operation through franchisees, the FamilyMart group is venturing into e-commerce and other related businesses.

(For more details see P45 and later.)

Sales at all stores in the chain

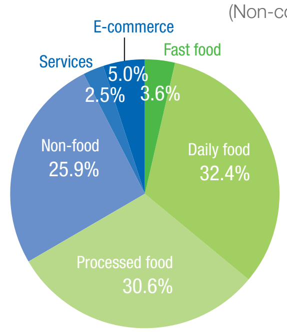
(Non-consolidated)



Sales at all stores in the chain broke through the ¥1 trillion mark in fiscal 2005.

Sales breakdown by product category

(Non-consolidated)



Year ended February 28, 2007

Food products account for approximately 70% of total sales.

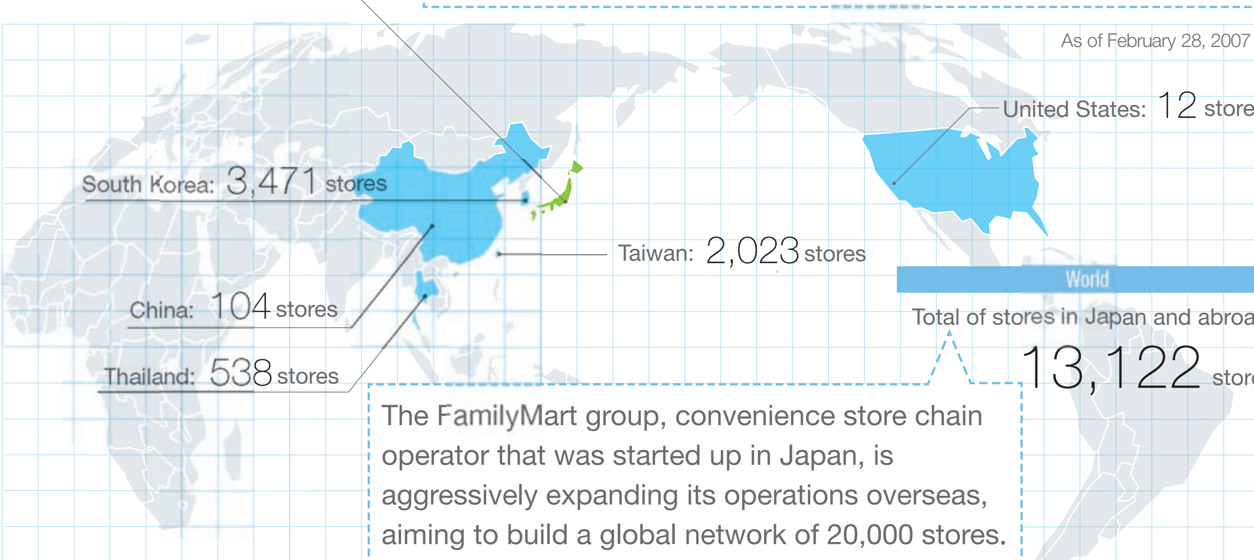
(Please refer to P54 for descriptions of the category.)

Japan

Japan: 6,974 Stores

With the opening of stores in Hokkaido in July 2006, we are now represented in all 47 prefectures of Japan and are truly a national convenience store chain.

As of February 28, 2007



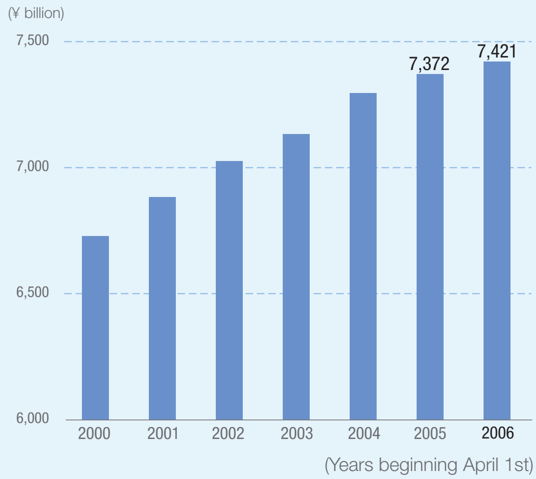
World

Total of stores in Japan and abroad: 13,122 stores

The FamilyMart group, convenience store chain operator that was started up in Japan, is aggressively expanding its operations overseas, aiming to build a global network of 20,000 stores.

The Japanese convenience store market and FamilyMart's position within it

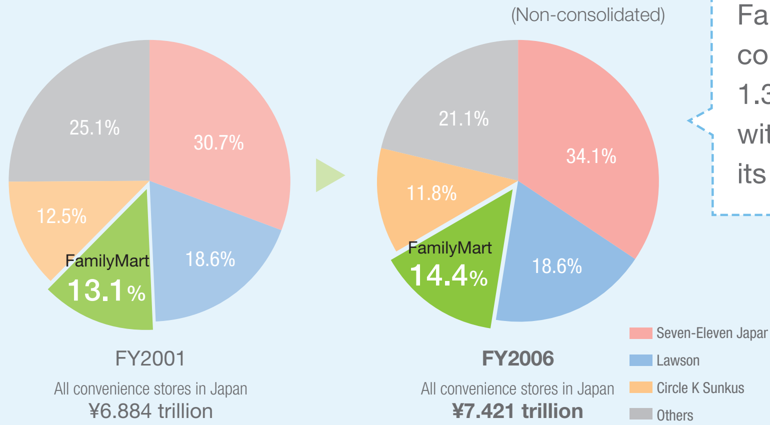
Annual sales at Japan's convenience stores



The Japanese retail market is worth approximately ¥130 trillion. The sector is still sluggish, having not yet fully emerged from the protracted slowdown in the Japanese economy, but convenience store annual sales are growing annually, and in 2002 broke through the ¥7 trillion mark.

Sales share of top four convenience store chains

(Non-consolidated)

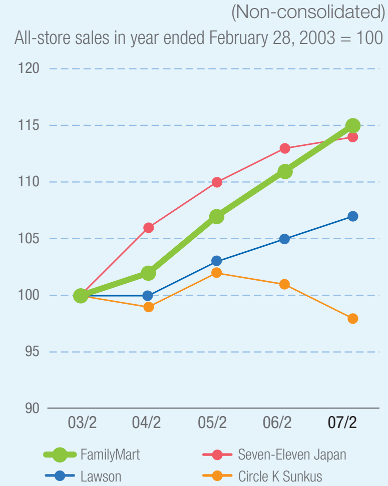


FamilyMart's share of the convenience store market has risen 1.3 percentage points compared with five years ago. In fiscal 2006, its share stood at 14.4%.

Growth in sales at all stores in the chain

(Non-consolidated)

All-store sales in year ended February 28, 2003 = 100



FamilyMart also enjoys a high growth rate across all its stores compared with other large convenience store chains.

Sources:
For all convenience stores: Retail statistical yearbook, Ministry of Economy, Trade and Industry
(One year from April 1st to March 31st)
For individual store operators: Documents released by company
(One year from March 1st to the last day of February)
Note: Circle K Sunkus was established through a merger of Circle K and Sunkus in September 2004. All figures on this page prior to the the year ended February 29, 2004 are the simple sum of the two founding companies.

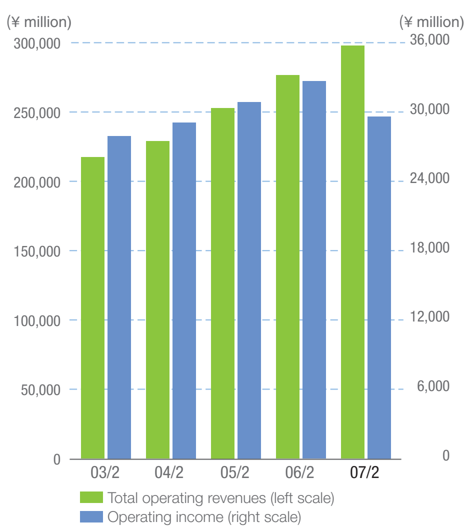
Consolidated Financial Highlights

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

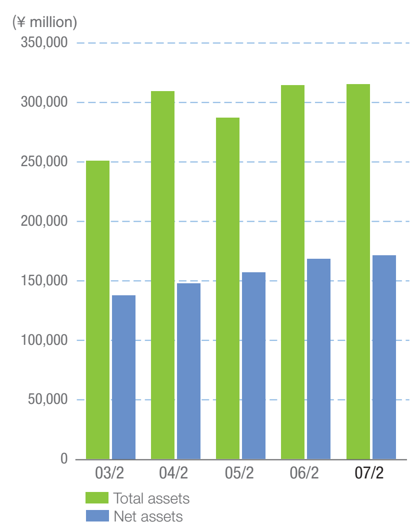
	Millions of yen			Thousands of U.S.dollars (Note)
	2007	2006	2005	2007
Results of operations				
Total operating revenues	297,849	276,443	252,901	2,524,144
Operating income	29,609	32,662	30,869	250,924
Net income	14,969	14,195	12,623	126,856
Financial position				
Total assets	315,256	314,121	286,771	2,671,661
Net assets (Note 2)	171,155	168,233	156,931	1,450,466
Cash flow				
Net cash provided by operating activities	35,093	42,778	1,428	297,398
Net cash used in investing activities	(32,938)	(32,249)	(23,183)	(279,136)
Net cash used in financing activities	(19,155)	(4,238)	(3,922)	(162,331)
Cash and cash equivalents	69,551	86,189	79,534	589,415
Per share of common stock (in yen and U.S. dollars)				
Basic net income	158.8	145.7	129.5	1.35
Cash dividends (non-consolidated)	46.0	43.0	38.0	0.39
Net assets (Note 2)	1,771.3	1,736.2	1,619.5	15.01

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥118 =U.S.$1, the rate prevailing on February 28, 2007.
2. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in net assets.

Total operating revenues and operating income

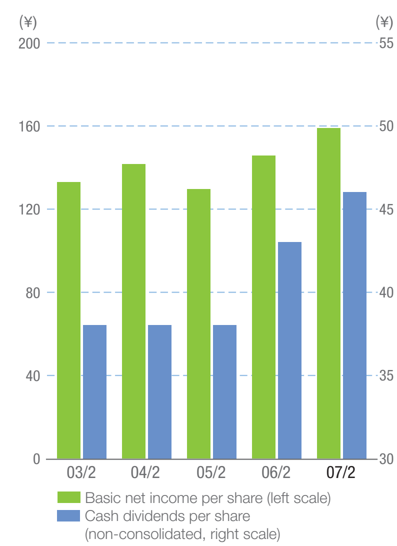


Total assets and net assets



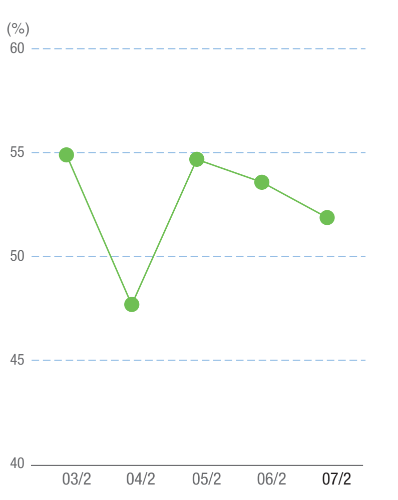
Note: The year-end date of February 29, 2004 was a bank holiday, and the unsettled payables, amounting to ¥41,170 million, are included in the amount of total assets as of February 29, 2004.

Basic net income and cash dividends per share

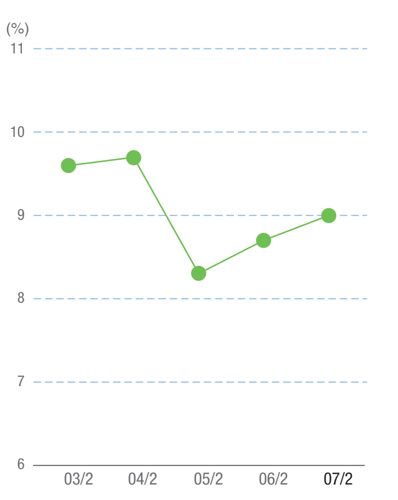


	2007	2006	2005
Ratio			
Equity ratio (%)	51.9	53.6	54.7
ROE (return on equity) (%)	9.0	8.7	8.3
ROA (return on total assets) (%)	4.8	4.7	4.2
PER (price earnings ratio) (times)	20.5	25.1	24.0
Payout ratio (non-consolidated) (%)	31.4	40.4	28.5
Other data			
Number of franchised stores and Company-owned stores (non-consolidated)	6,501	6,284	5,994
Number of area franchised stores (including overseas area franchised stores)	6,621	6,168	5,507
Number of stores	13,122	12,452	11,501
Number of full-time employees	6,735	6,048	5,458
Number of shareholders	17,880	17,444	18,644
Issued number of shares (thousands)	97,683	97,683	97,683

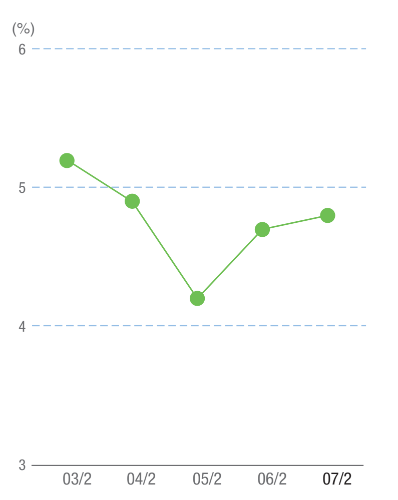
Equity ratio



ROE (return on equity)



ROA (return on total assets)



To Our Shareholders and other Stakeholders

Building an Organizational Structure that Ensures Growth in Revenues and Earnings

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

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

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

J. Ueda

President and Representative Director

Q1 Could you describe FamilyMart's basic strategy?

Aiming to be No.1 in quality

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

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

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

Basic Strategy

Aiming to become the leading company in our industry in terms of quality

Displaying hospitality in everything we do,
so that customers will enjoy every moment they spend in our stores

- **Enhancing the Competitiveness of Individual Stores**
  Remaining strictly faithful to the basics of retailing, we are offering our customers stores that are attractive places to shop at
  - Rigorously enforcing SQ&C
  - More accurate ordering
- **Strengthening Merchandising**
  We are pursuing a distinct lineup of products and services that differentiate us from other chains
  - Three marketing strategies
  - More attractive merchandise

Realizing the Pan-Pacific Plan

- **Creating High-Quality Stores**
  We are opening high-quality stores, focusing on strengthening our regional dominance and further expanding our nationwide store network
  - Dominance strategy
  - Expansion of nationwide store network
- **Overseas Operations**
  As a convenience store chain that originated in Japan, we are proactively opening new stores
  - Taiwan
  - South Korea
  - Thailand
  - China
  - U.S.A.

For further details, please see P52-61.

Q2 Please tell the readers something about FamilyMart's achievements in fiscal 2006, and about any issues that emerged during the term.

Breakdown of Increase in Franchisee Support Expenses

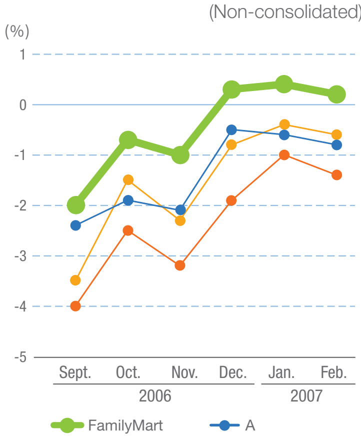
(Non-consolidated)

FY2006 ¥3.3 billion (results)

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

Number of Customers Visiting our Stores (existing store basis)

(Non-consolidated)



Review of Operations

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

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

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

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

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

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

Second-Phase Structural Reform (FY2006-)

Internal reform of store chain infrastructure

Remodeling sales displays and product lineups
- Famima Wonder Corners
- Famima Fresh Corners
- Renovation of MUJI brand displays

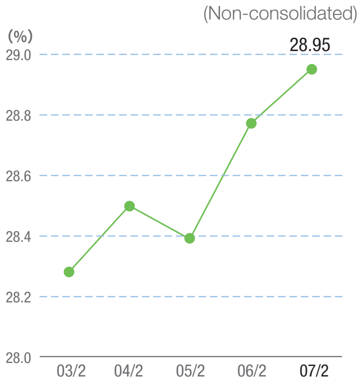
Strengthening earnings structure
- Raising gross profit ratio
- Efficient operation with new store management system

Improving cost structure
- Cost Structure Improvement Committee
- Internal Control Promote Project Office

Transforming corporate culture
- Promotion activities for establishing FamilyMart brand

MUJI brand displays totally changed since FY2006

Gross Profit ratio



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

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

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

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

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

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

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

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

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

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

Q3

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

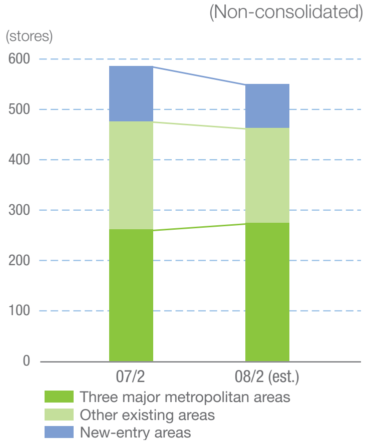
The Japanese retail sector as a whole is going through a period of intensive competition, amid a culling of the weaker performers. Against this broad background, we expect our operating environment to remain difficult in fiscal 2007. Some of the other major chain store operators have adopted the strategy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

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

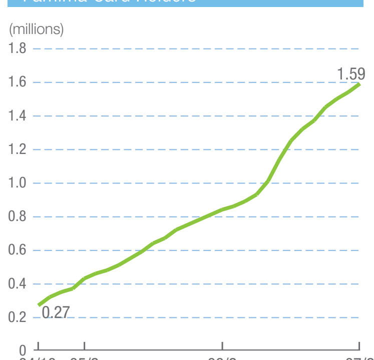
Expanding our store network and responding to customers' needs

Breakdown of Store Openings

(Non-consolidated)



Famima Card Holders



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

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

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

In 2004 we introduced the Famima Card, a combined credit card and cash card with an eye to CRM (customer relationship management), as it helps to cement customer loyalty and ensure a larger number of regular repeat visits to our stores. We are actively advertising the benefits of this payment system with the aim of increasing the number of cardholders. We had issued an aggregate total of 1.59 million cards as of the end of February 2007, and from fiscal 2007 we will be initiating a system in which the buying pattern of each cardholders is analyzed, enabling us to offer personalized marketing services. By signing tie-up agreements on card points sharing with other major corporations, we aim to secure customer loyalty even more effectively.

FY2007 Strategies and Outlook

FY2007 basic strategies

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

- Installation of new store management system
- Adoption of 2FC-N, new type of franchise contract
- Introduction of multiple store management incentives

Maintain various supports for franchisees

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

Continue Second-Phase Structural Reform

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

Enhancing store competitiveness

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

Strengthening merchandising

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

Creating high-quality stores

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

Overseas operation

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

FY2007 major policies

E-money

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

Famima Card

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

New store management system

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

Business Performance Plan (consolidated)

(\ million)

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

Operational Targets (non-consolidated)

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

Q4 Please tell the readers about your future vision for FamilyMart, beginning with your store-opening strategy.

Creating high-quality stores

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

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

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

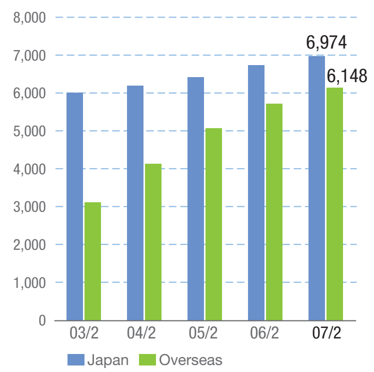
Could you give us your perspective on the reorganization of the convenience store industry?

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

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

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

Number of stores



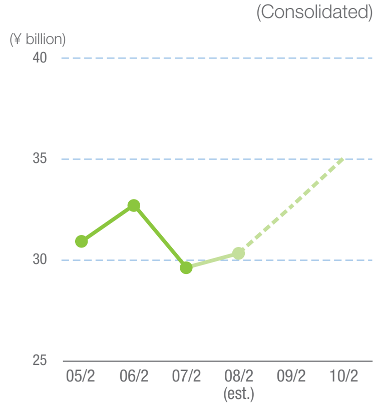
Regarding FamilyMart's overseas store development strategy, you have strongly put forward your Pan-Pacific Plan, under which you are aiming at the realization of a network of 20,000 stores. Could you provide more details of your overseas development plans?

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

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

Operating Income

(Consolidated)



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

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

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

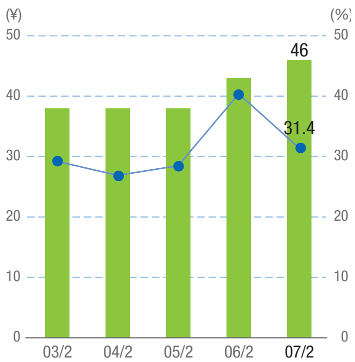
To sum up, we project a growth of 5% at the minimum in operating income for fiscal 2008 on a non-consolidated basis, while growth on a consolidated basis should be close to 10%.

Q5

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

Per-Share Dividends and Payout Ratio

(Non-consolidated)



Maximizing Shareholder Value

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

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

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

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

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

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

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

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

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

Establishing FamilyMart Brand

Fiscal 2005

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

Fiscal 2006

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

Fiscal 2007 (plan)

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

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

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

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

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

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

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

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

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

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

Under the FamilyMart Basic Principles, we commit ourselves to giving careful consideration to the needs of the environmental preservation, actively making contributions to the welfare of the local communities in which we operate, creating a disclosure system that ensures management transparency of the highest order, and manifesting our corporate social responsibility in various other specific ways. In so doing we aim to raise the enterprise value of FamilyMart still further and to fulfill our responsibilities to all our stakeholders.

Environmental Preservation

Environmental management system

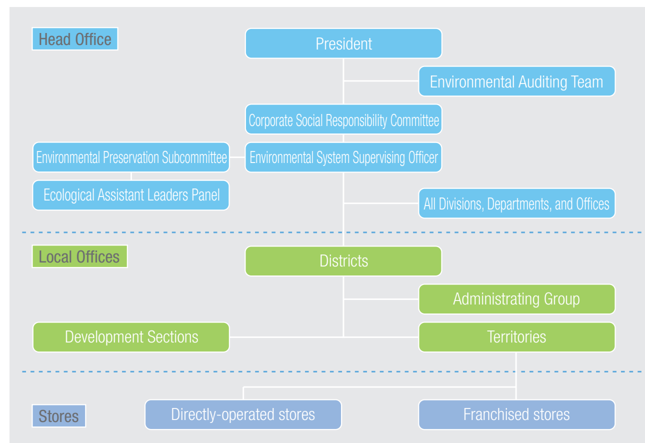
In March 1999 FamilyMart received ISO 14001 certification for its environmental management system. Since that time, the Company has been applying and constantly improving its environmental management system by utilizing the PDCA (Plan, Do, Check, Act) Cycle. This cycle is operated by an organization headed by the president of the Company and including staff at our head office as well as local offices and all our stores.

Environment-conscious corporate activities

The need to preserve the natural environment is an issue that faces everyone on Earth. FamilyMart ensures that all staff in its store chain share a common awareness of the importance of this issue, and environmental preservation activities are positioned as an integral part of our corporate social responsibility.

On the basis of the ISO 14001 environmental management systems certification that FamilyMart has obtained, new goals are set each year for all the physical infrastructure and activities of the Company and its group, the management of the stores, and our offices and vehicles. Regular monitoring is conducted to ensure that the appropriate steps have been taken and that a process of continuous improvement is underway.

Environmental management system operating organization



Products in the "We Love Green" environmentally-conscious private brand

This photo shows the underlying layer of white LEDs (at the left) used in a FamilyMart store-façade sign

Category	Principal Measures Implemented
Products and Services	Redesigning products in the "We Love Green" environmentally-conscious private brand Replacing materials used in original-brand products with more environmentally-conscious ones, including reducing weight Devising ways of improving the chain's waste recycling rate
Delivery	Replacing our delivery vehicles with new models featuring lower harmful gas emissions Improving the fuel consumption efficiency of all vehicles used by our delivery centers by ensuring that they are driven at optimally fuel-efficient speeds
Store Infrastructure	Installing co-generation systems encompassing each store's air-conditioning, refrigerators, and freezers so as to reduce energy consumption, as well as store lighting control systems Replacing existing store-façade signs with a new type using white LEDs
Store Management	Reducing the volume of waste generated by stores, and raising the proportion of waste recycled, through the use of a waste edible oil recycling system, a solid organic waste recycling system, and waste disposal units for each store Taking steps to reduce the number of plastic bags provided to customers
Offices and Vehicles	Reducing electric power consumption and the amount of copying paper used Ensuring that a large number of paper recycling boxes are placed in highly visible locations Gradually replacing existing fleet of company vehicles with low-pollution vehicles; ensuring that vehicles are driven at optimally fuel-efficient speeds

Contributions to Society

Fund-raising for charity at our stores

In April 2006, in conjunction with the 25th anniversary of the Company's foundation, we set up the "FamilyMart Connecting Dreams Foundation." The foundation acts as a bridge between our customers — who make donations at our stores — and NPOs and NGOs working to improve the lives of children all over the world and to secure a brighter future for the global environment. The donations collected are distributed equally among four organizations engaged in social and environmental activities in Japan and overseas (see the table below). In fiscal 2006, our customers donated approximately ¥169 million.

We also have a system in place that enables the Company's management, in the event of the occurrence of a large-scale natural disaster, to e-mail all stores and order the immediate start of collection of donations of money to be used for the relief of the victims. This emergency donation collection system went into action on two occasions in fiscal 2006. Thanks to the generosity of our customers, we were able to deliver a considerable amount of funds for the relief of those who had suffered in these disasters.

The FamilyMart Connecting Dreams Foundation

Our Customers

Collection of donations

FamilyMart Connecting Dreams Foundation (collection at stores)

Delivery of donated funds

Japan Association for the United Nations World Food Programme (WFP)

The WFP provides food aid to combat hunger, as well as assistance in achieving social and economic autonomy. In Japan, the association is a government-recognized NPO which acts as a contact point between the United Nations' food aid activities and the Japanese public and private-sector companies, engaging in the distribution of information concerning its activities and soliciting donations in aid.

Save the Children Japan

Save the Children is an international non-governmental organization (NGO) recognized by the United Nations, which is dedicated to protecting the rights of children all over the world, and to helping children suffering from poverty, disease, injustice, and violence.

The National Land Afforestation Promotion Organization

This organization is an NGO that works to gain public support for and participation in better forest and woodland management in Japan, and also makes donations for afforestation programs in other countries where excessive logging has reduced the forested area, with devastating consequences for the environment and for the human population, too.

The Environmental Restoration and Conservation Agency of Japan

This agency provides financial support for NPOs and NGOs engaged in environmental preservation activities. The agency's World Environmental Fund was set up in 1993 to provide a source of funding for private-sector initiatives aimed at retarding environmental degradation in Japan and overseas.

A lifeline at times of disasters and emergencies

As FamilyMart stores are located in places where people tend to congregate, and as the majority of them are open for business around the clock, every day of the year, they will naturally become part of the lifeline of their local communities in the event of a major earthquake or tsunami, thanks to their ability to supply the necessities of life. They will also serve as places of temporary refuge for people unable to return to their homes (or those whose homes have been destroyed), and as "contact points," providing earthquake victims with access to telephones. As of the end of February 2007, FamilyMart has concluded agreements on the supply of goods in emergencies with seven of Japan's prefectures, and agreements on the provision of support for persons unable to return home with eight prefectures and other local governments.

Clean-up initiatives conducted all over Japan

Twice each year, FamilyMart conducts activities as part of its program of Nationwide Environment Beautification. Staff from our stores, our Headquarters offices, and our business partners get together to carry out clean-ups of roads, sidewalks, parks and so on in communities all over Japan. FamilyMart intends to continue playing an active part in clean-up campaigns in all parts of the country, in line with its commitment to making a significant contribution to the society in which it operates. In this and other ways, the management of FamilyMart intend to strengthen the Company's communication with local communities.

Clean-up initiatives in fiscal 2006

Implementation periods	Number of participants
Approx. May 20 to June 10	5,151
Approx. Oct. 20 to Nov. 10	8,021

The FTSE4Good

In September 2003 FamilyMart Co., Ltd. became a constituent of the FTSE4Good Index Series. This is an equity index series created by the global index company FTSE Group, and is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards with respect to social, ethical, and environmental criteria. The index is targeted at investors who have a strong interest in supporting companies that contribute to the realization of a sustainable society.

FTSE4Good

Corporate Governance and Internal Control System

Our basic stance on corporate governance

Based on our belief that strong corporate governance builds enterprise value, we are working to establish a transparent and effective management system. To this end, we are working to establish a system to ensure legal compliance and the accurate performance of clerical work. In addition, to ensure proper corporate governance, it is essential to fulfill our duty of accountability through regular and sufficient disclosure of corporate information.

Our corporate governance system

In addition to a Board of Directors, the conventional statutory auditor system is also a central part of FamilyMart's corporate governance system.

As of June 1, 2007, the Company's Board of Directors comprises 11 directors. Regular meetings of the Board are held once every month, with extraordinary meetings convened whenever deemed necessary. The Board of Directors makes decisions on important matters relating to the execution of the Company's business operations, and also performs a vital oversight function with regard to the execution of their duties by individual directors. The Company has also adopted an executive officer system, under which the Board delegates considerable authority in relation to the day-to-day conduct of business to the Company' s executive officers. This separation of responsibilities for day-to-day operations makes possible greater speed in decision-making by the Board of Directors and in the execution of operations.

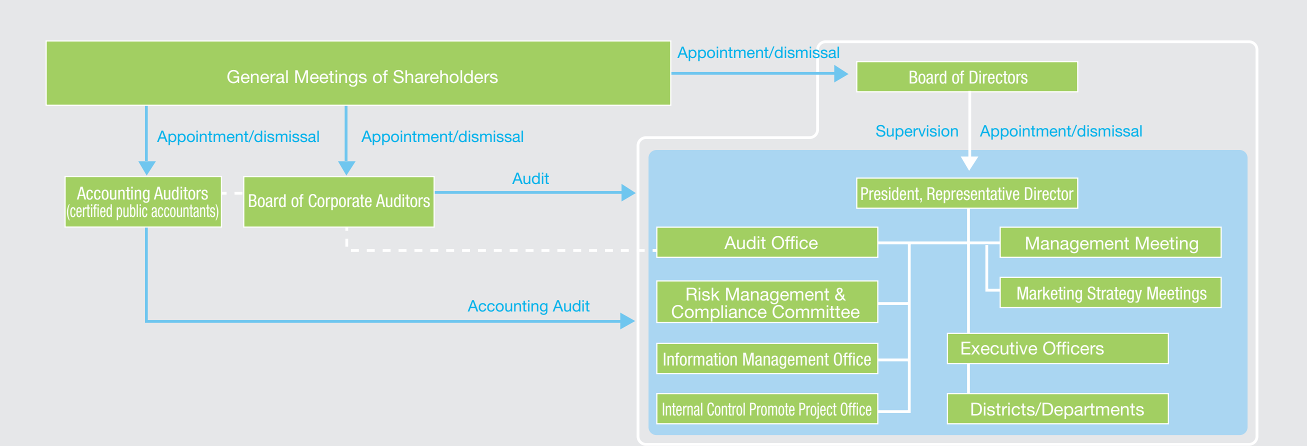
As an internal auditing unit, the Company's organization includes the Audit Office, which reports directly to the President of the Company. The staff of the Audit Office examine the business operations of the Company from the perspective of such important Companywide management issues as efficiency in carrying out duties, risk management, legal compliance, and so on. They also conduct thorough checks on the implementation of directives issued by the Audit Office or measures taken in response to proposals made by the office, to confirm that improvements have been, or are being, made. The Audit Office staff also liaise with the internal audit staff of other Group companies for the sharing of information and the exchange of opinions.

The Company's Board of Corporate Auditors consists of four members, of whom two are external auditors. The auditors also: 1) sit in on meetings of the Board of Directors and other high-level managerial meetings; 2) ensure, by means of the perusal of documents relating to important management decisions, that they are kept constantly up-to-date with the state of the Company's business operations and with its financial position; and 3) check that the Board of Directors performs its function as laid down in law as well as in the Company's own Articles of Incorporation.

In addition, the auditors maintain close and constant contact with the Audit Office and other relevant units of the Company to ensure that the information available to them is at all times up to date, accurate, and adequate in coverage. The Company's corporate auditors also hold regular meetings with the corporate auditors of other Group companies to ensure that the same degree of rigorous corporate governance is conducted throughout the Group.

FamilyMart has a contractual agreement with the auditing company Deloitte Touche Tohmatsu to perform the auditing of the Company's accounts in line with the stipulations of the Corporation Law and of the Securities and Exchange Law. The auditing company, as an independent organization, examines the financial statements and other financial documents of the Company. Upon receiving independent auditors' reports, the Company exchanges opinions on the auditing results to pinpoint issues that need to be addressed.

Corporate Governance System



(As of June 1, 2007)

Internal control system and risk management system

The basic concept underlying the FamilyMart Group's operations is "Co-Growing," by which we mean the building of mutually beneficial relationships with our customers, franchisees, business partners, shareholders, employees, and the local communities we serve. Through the pursuit of our co-growing ideal, we hope to conduct convenience store operations in a way that enables all our stakeholders to interact harmoniously. To this end, FamilyMart insists not only on the observance of all the normal rules of behavior, but also on the maintenance of high ethical standards. Our internal control system exists to ensure that all members of FamilyMart follow these rules at all times.

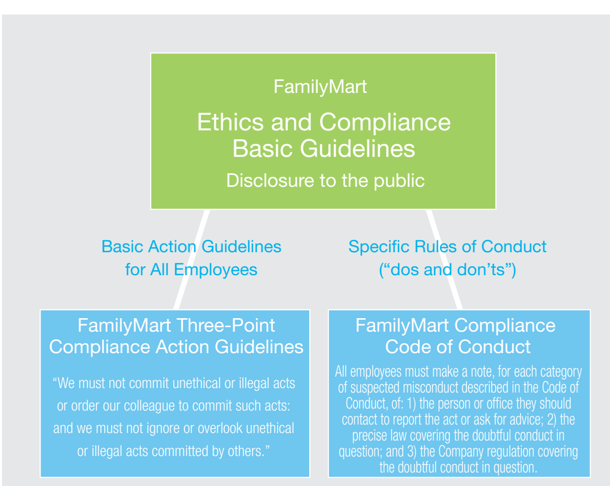
In March 2006 we established the Internal Control Promote Project Office (which reports directly to the President) to direct initiatives to reinforce the Company's internal control system and simultaneously push forward with reforms of our administrative processes on a Companywide scale. In May of 2006 we announced our basic policy on the creation of a more effective internal control system in response to the enactment of the Corporation Law, which requires companies to establish stricter in-house regulations with regard to their internal control systems. We will be regularly monitoring and assessing the effectiveness of our basic policy, and will be implementing such revisions as we deem necessary in the light of changes in our operating environment.

Since the establishment of the Compliance Committee (which also reports directly to the President) in September 2003, FamilyMart has taken a number of steps to ensure the observance of compliance, not only with the law, but also with generally accepted standards of ethical behavior. In 2004, we announced the FamilyMart Ethics and Compliance Basic Guidelines, together with our FamilyMart Three-Point Compliance Action Guidelines and FamilyMart Compliance Code of Conduct. These documents spelled out the Company's compliance policy in specific terms, and, to give practical effect to our declarations regarding compliance, we also set up an internal reporting system that further strengthens our system for legal and ethical compliance. In March 2005 we set up the Information Management Office to enhance our management of confidential data, including information of a personal nature.

In view of the obvious fact that the management of any company is subject to various risks, FamilyMart has from the beginning implemented a number of measures to minimize the likelihood of the materialization of such risks as damage suffered as a result of natural disasters and accidents resulting from human error, or the leakage of confidential information. In July 2006 the Compliance Committee was given the additional responsibility of serving as a central risk management body, and in line with this it was renamed the Risk Management & Compliance Committee. Finally, in March 2007 three subcommittees were created under the supervision of the Risk Management & Compliance Committee, namely: the Crisis Management Subcommittee, the Compliance Subcommittee, and the Information Management Subcommittee. Within their respective spheres of authority, each of these subcommittees seeks to raise the level of legal compliance of all FamilyMart employees.

As described above, the management of FamilyMart have taken a number of steps to enhance the effectiveness of the Company's internal control system and risk management system, and we will continue to take all actions required to ensure that the Company's corporate governance meets the prevailing standards.

Compliance Policy



The Risk Management & Compliance Committee and its specialist subcommittees

Amounts of remuneration to directors, corporate auditors and independent auditors

Amounts of remuneration to directors and corporate auditors

(Millions of yen)

Directors	230
Corporate auditors	55

Amounts of remuneration to independent auditors

(Millions of yen)

Payment for audit certification	38
Other payments	3

Notes:
1. The amounts for remuneration on the left include ¥48 million in bonuses.
2. An increase in the liability for retirement benefits for directors and corporate auditors for the year of ¥81 million is not included in the amounts in the table.
3. The amounts for remuneration on the left do not include the amounts that correspond to the salary and the bonus for directors who concurrently serve as employees.

Policy (Action against Corporate Acquisition) toward Large-Scale Purchases of FamilyMart Shares

By decision of the Board of Directors of FamilyMart Co., Ltd., in April 2006 the Company adopted a Policy (Action against Corporate Acquisition) toward Large-Scale Purchases of FamilyMart Shares and this policy was subsequently amended (also by resolution of the Board) in June 2006. Since then, the policy has been the subject of continual discussion and reappraisal, as a result of which the Board of Directors, by a resolution adopted in April 2007 decided to implement a major overhaul of the Company's anti-takeover measures through the replacement of the existing buyout prevention policy with a thoroughly redrafted policy. This decision was approved by the Company's shareholders at the Annual General Meeting of Shareholders held on May 30, 2007.

Disclosure

The Company's IR activities are principally characterized by accuracy, speed of disclosure, and impartiality. In our investor relations activities during fiscal 2006, we took care to treat all our stakeholders with strict impartiality, whether in terms of the provision of information to individual investors within Japan or overseas, or with regard to the holding of explanatory sessions for our interim and term-end accounts settlements. We ensured that important corporate information was made fully available in the literature provided to explain our accounts settlements, and that monthly sales data shown on our website was constantly updated. We also published and distributed a complete range of disclosure tools such as annual reports and sustainability reports, so as to extend an understanding of our activities as widely as possible. Our efforts were greatly appreciated, and in November 2006 we received the Excellent IR Activity Award from the Japan Investor Relations Association. This was the first time in nine years that the award went to a major retailer. In March 2007, with the goal of upgrading the level of importance we assign to investor relations, the name of the Corporate Communications Department (which reports directly to the President) was changed to the Corporate Communications and Investors Relations Department, within which a separate Investors Relations Office was established.

FamilyMart Obtains Permission to Display Privacy Mark

In November 2003 FamilyMart laid down and publicly announced a set of rules for the protection of personal information which made clear that we place great importance on the appropriate handling of personal information relating to all our stakeholders, particularly our customers, and that we will be taking all reasonable steps to ensure the confidentiality of such information in our possession. The Company does not merely comply fully with the stipulations of the Personal Information Protection Law and other legislation passed in Japan, but also takes steps to ensure that its franchisees and their staff are fully cognizant of the law and of the Company's privacy policy. In these ways, we are working to realize an even higher degree of protection for the privacy of our customers and other stakeholders across the entire Company. In recognition of our efforts in this respect, in November 2006 the Japan Information Processing Development Corporation (JIPDEC) gave the Company permission to use the Privacy Mark, which indicates conformity with the JIS Q 15001 standards for the establishment of a personal information protection system. This is the first instance of a convenience store chain operator being allowed to use the Privacy Mark.

Following this, in February 2007 our e-commerce subsidiary famima.com Co., Ltd. was also awarded permission to employ the Privacy Mark. We believe that over the next few years the Privacy Mark will rapidly assume considerable importance as an indicator of the trustworthiness of enterprises with regard to the protection of personal information. With this in mind, we are continuing our efforts to further enhance the protection of personal information, as well as data confidentiality in general.

Board of Directors, Executive Officers, and Corporate Auditors

Chairman
Michio Tanabe

President
and Representative Director
Junji Ueda

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

Managing Directors
and Managing Executive Officers
Shiro Inoue
Yasuhiko Uramoto
Takayuki Yokota

Directors
and Managing Executive Officers
Masatsuna Seki
Yasuhiro Kobe
Yoshiki Miyamoto
Toshio Kato

Managing Executive Officers
Masaaki Kosaka
Akinori Wada
Takeshi Takasugi
Jin Tin Pan
Motoo Takada

Executive Officers
Kazushige Ueno
Kimichika Iwakiri
Hisashi Suzuki
Masami Fujimori
Tomoyuki Kimura
Katsuo Ito
Masataka Uesugi
Mitsuji Hirata
Hidemitsu Ozawa
Takehiko Kigure
Masanori Sugiura

Standing Corporate Auditors
Noboru Nishioka
Masahiro Asano
Shota Takahashi

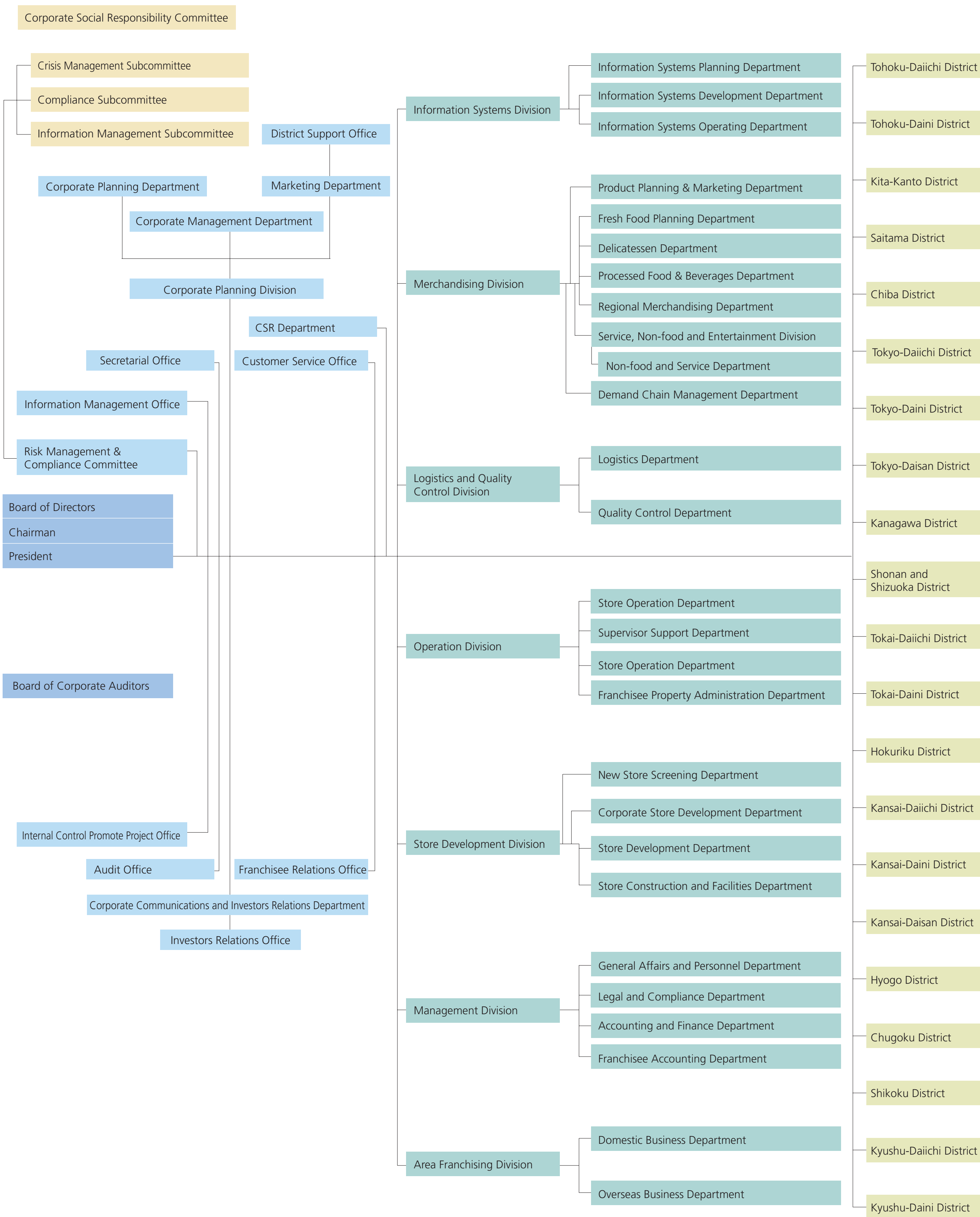
Corporate Auditor
Takashi Endo

Chairman
Michio Tanabe

President and Representative Director
Junji Ueda

(As of June 1, 2007)

Organization



(As of June 1, 2007)

Financial Section

Consolidated Six-Year Summary

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

	Millions of yen						Thousands of U.S. dollars (Note)
	2007	2006	2005	2004	2003	2002	2007
Results of operations:							
Operating revenues:							
Commission from franchised stores	¥142,294	¥138,636	¥132,864	¥127,164	¥122,738	¥116,478	$1,205,881
Net sales	134,506	118,551	103,599	87,083	80,952	67,822	1,139,882
Other operating revenues	21,049	19,256	16,438	14,730	13,778	11,305	178,381
Total operating revenues	297,849	276,443	252,901	228,977	217,468	195,605	2,524,144
Operating income	29,609	32,662	30,869	29,093	27,921	23,756	250,924
Net income	14,969	14,195	12,623	13,788	12,880	8,549	126,856
Net cash provided by operating activities	35,093	42,778	1,428	73,593	32,694	34,219	297,398
Net cash used in investing activities	(32,938)	(32,249)	(23,183)	(10,719)	(29,327)	(28,812)	(279,136)
Net cash used in financing activities	(19,155)	(4,238)	(3,922)	(3,892)	(3,626)	(4,338)	(162,331)
Financial position:							
Total assets	315,256	314,121	286,771	309,315	250,609	242,517	2,671,661
Net assets (Note 2)	171,155	168,233	156,931	147,524	137,636	130,510	1,450,466
Per share of common stock:							
Net assets (in yen and U.S. dollars) (Note 2)	1,771.3	1,736.2	1,619.5	1,522.3	1,420.4	1,346.6	15.01
Basic net income (in yen and U.S. dollars)	158.8	145.7	129.5	141.5	132.3	87.6	1.35
Cash dividends applicable to the year (in yen and U.S. dollars)	46.0	43.0	38.0	38.0	38.0	38.0	0.39
Ratio:							
Equity ratio (%)	51.9	53.6	54.7	47.7	54.9	53.8	
Return on equity (%)	9.0	8.7	8.3	9.7	9.6	6.7	
Return on total assets (%)	4.8	4.7	4.2	4.9	5.2	3.7	
Other data:							
Number of franchised stores and Company-owned stores	6,501	6,284	5,994	5,770	5,593	5,287	
Number of area franchised stores (including overseas area franchised stores)	6,621	6,168	5,507	4,556	3,530	2,897	
Number of stores	13,122	12,452	11,501	10,326	9,123	8,184	
Number of full-time employees	6,735	6,048	5,458	4,675	4,466	4,205	
Number of shareholders	17,880	17,444	18,644	21,173	24,263	28,088	
Weighted average number of shares (thousands)	94,037	96,846	96,852	96,857	96,867	96,868	

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥118 =U.S.$1, the rate prevailing on February 28, 2007.
2. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in net assets.

Operating Results
(Analysis of Revenues, Costs, and Expenses)

The FamilyMart Group, headed by FamilyMart Co., Ltd. ("the Company"), comprises 24 companies, consisting of 11 subsidiaries (7 consolidated subsidiaries and 3 non-consolidated subsidiaries accounted for by the equity method, and one non-consolidated subsidiary not accounted for by the equity method), and 12 affiliated companies, all of which are accounted for by the equity method. The Group's main business is the operation of convenience stores, and it has recently diversified into the operation of e-commerce and other related services.

On a consolidated basis, total operating revenues, consisting of commissions from franchised stores, net sales and other operating revenues, grew by ¥21,406 million, or 7.7%, to ¥297,849 million (US$2,524 million). Of this total, operating revenues from convenience store operations rose ¥15,236 million, or 6.7%, to ¥241,325 million. Operating revenues from the e-commerce business surged ¥5,830 million, or 11.7%, to ¥55,715 million, thanks to increased sales of prepaid services and other items via Famiport Multimedia Kiosks.

Total operating expenses rose ¥24,459 million, or 10.0%, to ¥268,240 million (US$2,273 million). This is mainly attributable to a growth in SG&A expenses (store-management system-related costs resulting from the increase in the number of stores), and a higher cost of sales accompanying a growth in sales for the e-commerce business, in addition to higher rents as a result of the expansion of the convenience store chain.

As a result, operating income decreased ¥3,053 million, or 9.3%, to ¥29,609 million (US$251 million). Of this total, operating income from convenience store operations declined ¥2,488 million, or 6.9%, to ¥33,700 million, while operating income from the e-commerce business fell ¥284 million, or 37.0%, to ¥482 million.

A net figure for "other expenses" of ¥2,859 million (US$24 million) was registered for the reporting period, a year-on-year decrease of ¥5,432 million, or 65.5%. This was mainly due to the recognition of expenses under the heading of "Losses on renewal of store management system," stemming from the Company's adoption of a new store management system for the previous term.

Consequently, income before income taxes and minority interests came to ¥26,750 million (US$227 million), up by ¥2,379 million, or 9.8%, from the previous business term. Net income rose ¥774 million, or 5.4%, to ¥14,969 million (US$127 million).

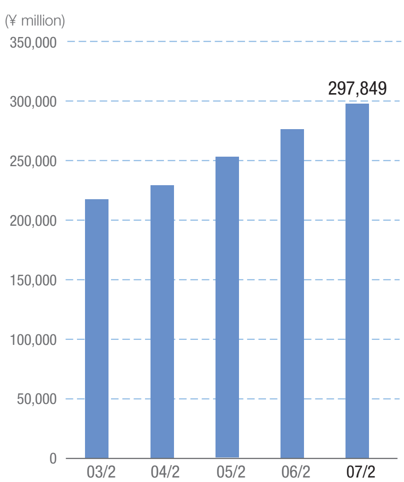
Net income per share amounted to ¥158.8 (US$1.35).

Financial Position

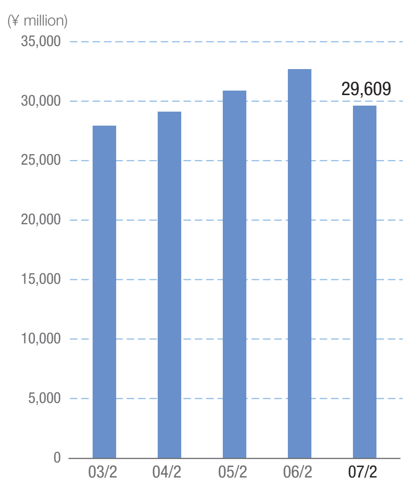
Total assets at the reporting term-end amounted to ¥315,256 million (US$2,672 million), an increase of ¥1,135 million, or 0.4%, over the previous term-end.

Current assets decreased ¥16,649 million to ¥130,929 million (US$1,110 million). This was due largely to the decline in cash and cash equivalents accompanying the acquisition of own shares.

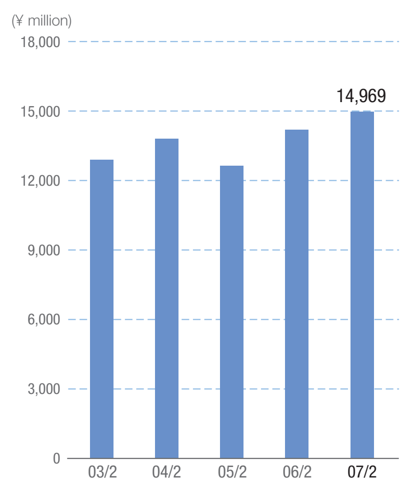
Total operating revenues



Operating income



Net income



The book value of property and store facilities rose ¥1,148 million to ¥55,258 million (US$468 million). This was due mainly to the increase in the number of buildings resulting from the opening of new stores.

Investments and other assets rose ¥16,637 million, to ¥129,069 million (US$1,094 million), owing principally to the increase in investment securities, investments in advances to associated companies, and store-related leasehold deposits.

Total liabilities grew ¥5,738 million, or 4.1%, to ¥144,101 million (US$1,221 million).

Current liabilities rose ¥4,806 million to ¥126,363 million (US$1,071 million). This is primarily the result of rises in utility payments received of the Company and its overseas subsidiaries, which more than offset a decline in income taxes payable.

Long-term liabilities grew ¥932 million to ¥17,738 million (US$150 million), mainly due to increased liabilities for retirement benefits and a rise in the amount of leasehold deposits resulting from the increase in the number of franchised stores.

As a result, net assets came to ¥171,155 million (US$1,450 million), while equity ratio declined slightly from 53.6% to 51.9%. Net assets per share amounted to ¥1,771.3.

Cash Flows

The term-end balance of cash and cash equivalents stood at ¥69,551 million (US$589 million), down ¥16,638 million, or 19.3%.

Net cash provided by operating activities came to ¥35,093 million (US$297 million), down ¥7,685 million. This is mainly attributable to a ¥1,499 million increase in inventory assets, and a cash inflow in the form of trade receivables that was ¥2,778 million less than the previous year's level, and a year-on-year decline of ¥2,461 million in the cash inflow from the leasehold deposits.

Net cash used in investing activities reached ¥32,938 million (US$279 million), up ¥689 million. This is primarily due to an ¥18,864 million increase in purchases of marketable and investment securities. A ¥21,887 million increase in the proceeds from the sale and the redemption at maturity of marketable and investment securities was insufficient to offset expenditures.

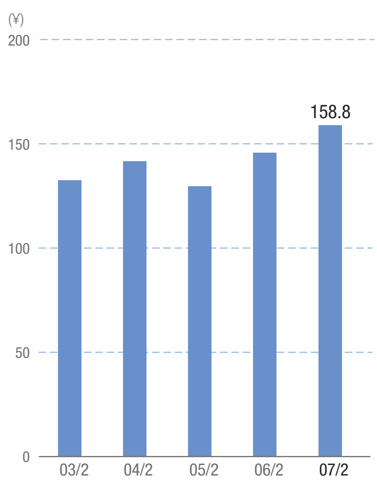
Net cash used in financing activities came to ¥19,155 million (US$162 million), an increase of ¥14,917 million, owing mainly to an expenditure of ¥16,463 million for the acquisition of own shares, which exceeded by a wide margin the ¥1,992 million in proceeds from sale of share in treasury.

Dividend Policy

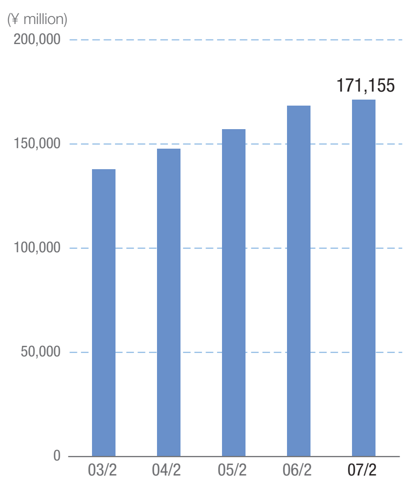
The Company regards the distribution of profits to shareholders, in the form of the payment of dividends, as a matter of highest priority. In accordance with the Company's fundamental policy of implementing a stable distribution of dividends to shareholders in line with the growth of operations, the Company's management have decided to pay an annual per-share dividend (including an interim dividend) of ¥46 (US$0.39) for the reporting term, representing an increase of ¥3.0 per share over the previous business term.

For the current term, ending February 2008, the Company plans to increase its annual per-share dividend to ¥56.0 (US$0.47).

Basic net income per share

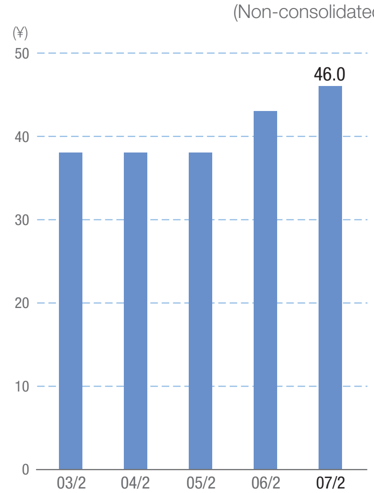


Net assets



Cash dividends per share

(Non-consolidated)



Operational and Other Risks

The following section outlines some of the main risks relating to the FamilyMart Group's operations that could potentially have a significant impact on investors' decisions.

Statements contained within this section that refer to matters in the future have been determined to the best of our knowledge as of the end of the reporting term.

(1) Impact of legislation

As part of its operations in Japan and other countries around the world, the FamilyMart Group is subject to laws, regulations and official authorization relating to matters such as food safety, fair trade and environmental protection.

Although the FamilyMart Group will make every effort to comply with such legislation, future developments such as unexpected changes to the relevant legislation or differences of opinion with the authorities could potentially have an impact on the FamilyMart Group's performance of its operations, results and financial position. Similarly, the FamilyMart Group's performance of its operations, results and financial position could also be affected by new, unforeseen costs arising as a result of compliance with the aforementioned legislation.

In overseas countries in particular, any significant deviation from the grounds upon which our business plans are based as a result of developments such as unexpected changes to legislation or political or economic factors could potentially have an impact on the FamilyMart Group's performance of its operations, results and financial position.

(2) Trends in demand

The FamilyMart Group primarily runs convenience store operations, an area in which demand is affected to a large extent by the climate and economic situation (business climates, consumer spending, etc.) in Japan and other countries in which we operate.

Furthermore, unforeseen natural or manmade disasters in Japan or other countries in which we operate, such as earthquakes, epidemics, fires, acts of terrorism, or war, could potentially delay or prevent product supplies to our stores or affect our ability to continue operations in the event of physical damage to stores or other such factors.

The above factors could all potentially have an impact on the FamilyMart Group's performance of its operations, results and financial position

(3) Food safety

As part of its convenience store operations, The FamilyMart Group provides consumers with items of food. In the unfortunate event of the provision of unqualified foods resulting in problems such as food poisoning, the FamilyMart Group's performance of its operations, results and financial position could potentially be affected due to factors such as a decline in sales due to reduced levels of consumer confidence or generation of costs for compensation of damages.

By setting out rigorous quality standards and establishing a consistent management system in conjunction with our suppliers covering everything from production to sale, the FamilyMart Group makes every possible effort to ensure adequate levels of hygiene.

(4) Handling personal data

Over the course of its operations, the FamilyMart Group collects and retains personal data principally on its customers. In the unfortunate event that personal data is leaked or any such similar event, the FamilyMart Group's performance of its operations, results and financial position could potentially be affected due to a loss of confidence from general public, damage to the company's reputation, a decline in sales or generation of costs for compensation of damages.

In order to prevent illegal access to personal data, leakages or any other such problems, the FamilyMart Group implements a range of organizational, human, physical and technical security control measures, all of which are widely recognized as being highly reliable, and adequately supervises all operators handling personal data as necessary. In November 2006, the FamilyMart Group became the first convenience store chain operator to be accredited for the use of Privacy Mark.

Consolidated Balance Sheets

FamilyMart Co., Ltd. and Consolidated Subsidiaries — February 28, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 69,551	¥ 86,189	$ 589,415
Time deposits	5	5	42
Marketable securities (Note 5)	5,980	9,853	50,678
Receivables:			
Due from franchised stores (Note 4)	8,949	8,359	75,839
Short-term loans	167	259	1,415
Other	19,116	18,430	162,000
Allowance for doubtful receivables	(1,274)	(1,094)	(10,796)
Merchandise and supplies	8,446	6,906	71,576
Deferred tax assets (Note 11)	2,342	3,548	19,847
Prepaid expenses and other current assets	17,647	15,123	149,552
Total current assets	130,929	147,578	1,109,568
Property and store facilities (Note 6):			
Land	12,587	13,004	106,669
Buildings and structures	54,028	51,700	457,864
Machinery and equipment	3,673	3,690	31,127
Furniture and fixtures	38,324	41,615	324,780
Construction in progress	1,084	182	9,187
Total	109,696	110,191	929,627
Accumulated depreciation	(54,438)	(56,080)	(461,339)
Net property and store facilities	55,258	54,111	468,288
Investments and other assets:			
Investment securities (Note 5)	10,709	6,735	90,754
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3 and 17)	16,178	10,943	137,102
Software (Note 6)	4,673	5,588	39,602
Goodwill (Notes 6 and 7)	786	1,029	6,661
Leasehold deposits	86,149	80,644	730,076
Deferred tax assets (Note 11)	3,292	2,750	27,898
Other assets	7,282	4,743	61,712
Total investments and other assets	129,069	112,432	1,093,805
Total	¥315,256	¥314,121	$2,671,661

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term bank loans (Note 8)	¥ 617	¥ 518	$ 5,229
Payables:			
Trade notes	784	744	6,644
Trade accounts for franchised and Company-owned stores	60,563	59,622	513,246
Due to franchised stores (Note 4)	2,839	2,835	24,059
Other	15,447	15,409	130,907
Income taxes payable (Note 11)	4,627	5,870	39,212
Deposit received (Note 4)	35,601	31,260	301,703
Accrued expenses	3,343	3,596	28,331
Allowance for impairment loss on leased property (Notes 6 and 12)	188	156	1,593
Other current liabilities	2,354	1,547	19,949
Total current liabilities	126,363	121,557	1,070,873
Long-term liabilities:			
Liability for retirement benefits (Note 9)	5,612	5,369	47,559
Leasehold deposits from franchised stores	10,555	10,449	89,449
Allowance for impairment loss on leased property (Notes 6 and 12)	747	659	6,331
Other long-term liabilities	824	329	6,983
Total long-term liabilities	17,738	16,806	150,322
Minority interests		7,525	
Commitments and contingent liabilities (Notes 12, 14 and 17)			
Equity (Notes 10 and 16):			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	141,178
Capital surplus	17,869	17,057	151,432
Retained earnings	146,273	135,576	1,239,602
Unrealized gain on available-for-sale securities (Note 5)	139	878	1,178
Foreign currency translation adjustments	(200)	(168)	(1,695)
Treasury stock—at cost, 5,284,600 shares in 2007 and 840,136 shares in 2006	(17,038)	(1,769)	(144,390)
Total	163,702	168,233	1,387,305
Minority interests	7,453		63,161
Total equity	171,155	168,233	1,450,466
Total	¥315,256	¥314,121	$2,671,661

See notes to consolidated financial statements.

Consolidated Statements of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Operating revenues:			
Commission from franchised stores (Note 4)	¥142,294	¥138,636	$1,205,881
Net sales	134,506	118,551	1,139,881
Other operating revenues (Notes 3 and 4)	21,049	19,256	178,382
Total operating revenues	297,849	276,443	2,524,144
Operating expenses:			
Cost of sales	108,839	96,634	922,364
Selling, general and administrative expenses (Notes 7, 9, 12 and 17)	159,401	147,147	1,350,856
Total operating expenses	268,240	243,781	2,273,220
Operating income	29,609	32,662	250,924
Other income (expenses):			
Interest and dividend income	1,239	835	10,500
Equity in earnings of unconsolidated subsidiaries and associated companies	204	29	1,729
Gain on sales of marketable and investment securities—net	180	164	1,525
Loss on sales of investment in a subsidiary and an associated company		(71)	
Loss on devaluation of marketable and investment securities	(1)	(95)	(8)
Loss on disposals/sales of property and store facilities—net	(2,441)	(1,923)	(20,686)
Loss on impairment of long-lived assets (Notes 6, 7 and 12)	(1,437)	(1,414)	(12,178)
Loss on renewal of store management system		(5,127)	
Loss on cancellations of lease contracts	(1,027)	(804)	(8,703)
Other—net (Note 13)	424	115	3,592
Other expenses—net	(2,859)	(8,291)	(24,229)
Income before income taxes and minority interests	26,750	24,371	226,695
Income taxes (Note 11):			
Current	9,843	11,024	83,415
Deferred	1,164	(1,877)	9,865
Total income taxes	11,007	9,147	93,280
Minority interests in net income	774	1,029	6,559
Net income	¥ 14,969	¥ 14,195	$ 126,856

	Yen		U.S. dollars
Per share of common stock:			
Basic net income (Note 15)	¥158.8	¥145.7	$1.35
Cash dividends applicable to the year	46.0	43.0	0.39

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2007 and 2006

	Thousands	Millions of yen								
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 1, 2005	96,849	¥16,659	¥17,057	¥125,366	¥415	¥(817)	¥ (1,749)	¥156,931		¥156,931
Net income				14,195				14,195		14,195
Cash dividends, ¥40.5 per share				(3,922)				(3,922)		(3,922)
Bonuses to directors and corporate auditors				(63)				(63)		(63)
Net increase in unrealized gain on available-for-sale securities					463			463		463
Net change in foreign currency translation adjustments						649		649		649
Purchase of treasury stock	(6)						(21)	(21)		(21)
Sales of treasury stock							1	1		1
Balance, February 28, 2006	96,843	16,659	17,057	135,576	878	(168)	(1,769)	168,233		168,233
Reclassified balance as of February 28, 2006 (Note 2.j)									¥7,525	7,525
Net income				14,969				14,969		14,969
Cash dividends, ¥44.5 per share				(4,208)				(4,208)		(4,208)
Bonuses to directors and corporate auditors				(64)				(64)		(64)
Purchase of treasury stock	(5,005)						(16,449)	(16,449)		(16,449)
Sales of treasury stock	561		812				1,180	1,992		1,992
Net change in the year					(739)	(32)		(771)	(72)	(843)
Balance, February 28, 2007	92,399	¥16,659	¥17,869	¥146,273	¥139	¥(200)	¥(17,038)	¥163,702	¥7,453	¥171,155

	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	Total	Minority interests	Total equity
Balance, February 28, 2006	$141,178	$144,551	$1,148,949	$7,441	$(1,424)	$ (14,992)	$1,425,703		$1,425,703
Reclassified balance as of February 28, 2006 (Note 2.j)								$63,771	63,771
Net income			126,856				126,856		126,856
Cash dividends, $0.38 per share			(35,661)				(35,661)		(35,661)
Bonuses to directors and corporate auditors			(542)				(542)		(542)
Purchase of treasury stock						(139,398)	(139,398)		(139,398)
Sales of treasury stock		6,881				10,000	16,881		16,881
Net change in the year				(6,263)	(271)		(6,534)	(610)	(7,144)
Balance, February 28, 2007	$141,178	$151,432	$1,239,602	$1,178	$(1,695)	$(144,390)	$1,387,305	$63,161	$1,450,466

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Operating activities:			
Income before income taxes and minority interests	¥ 26,750	¥ 24,371	$ 226,695
Adjustments for:			
Income taxes—paid	(11,085)	(12,222)	(93,941)
Depreciation and amortization	11,622	11,368	98,492
Reversal of allowance for doubtful receivables	159	(253)	1,347
Equity in earnings of unconsolidated subsidiaries and associated companies	(204)	(29)	(1,729)
Gain on devaluation/sale of marketable and investment securities—net	(200)	(69)	(1,695)
Loss on sale of investment in a subsidiary and an associated company		71	
Loss on disposals/sales of property and store facilities—net	2,441	1,923	20,686
Loss on cancellations of lease contracts	772	530	6,542
Loss on impairment of long-lived assets	1,437	1,414	12,178
Loss on renewal of store management system		5,127	
Bonuses to directors and corporate auditors	(64)	(63)	(542)
Changes in assets and liabilities:			
(Increase) decrease in due from/to franchised stores—net	(581)	564	(4,924)
(Increase) decrease in merchandise and supplies	(1,275)	224	(10,805)
Increase in payables—trade	447	3,225	3,788
Increase in deposit received	4,269	6,730	36,178
Increase in liability for retirement benefits	250	465	2,119
Other—net	355	(598)	3,009
Total adjustments	8,343	18,407	70,703
Net cash provided by operating activities	35,093	42,778	297,398
Investing activities:			
(Increase) decrease in time deposits—net	(1,076)	9	(9,119)
Purchases of marketable and investment securities	(139,657)	(120,793)	(1,183,534)
Purchases of investment in subsidiaries and associated companies	(930)	(479)	(7,881)
Proceeds from sales and redemption at maturity of marketable and investment securities	138,482	116,595	1,173,576
Decrease (increase) in receivables—short-term loans—net	143	(3,929)	1,212
Payments for long-term loans	(3,984)	(67)	(33,763)
Purchases of property and store facilities, software and other intangible assets	(17,804)	(14,296)	(150,881)
Proceeds from sales of property and store facilities, software and other intangible assets	4,653	1,996	39,432
Payments of leasehold deposits	(15,724)	(14,508)	(133,254)
Refunds of leasehold deposits	3,033	2,992	25,703
Receipts of leasehold deposits from franchised stores	1,427	791	12,093
Refunds of leasehold deposits from franchised stores	(1,205)	(625)	(10,212)
Payments for acquisition of business	(299)	(65)	(2,534)
Other	3	130	26
Net cash used in investing activities	(32,938)	(32,249)	(279,136)
Financing activities:			
Purchase of treasury stock	(16,463)	(21)	(139,517)
Proceeds from sales of treasury stock	1,992	1	16,881
Contribution from minority interest shareholders	99	544	839
Dividends paid	(4,209)	(3,925)	(35,669)
Dividends paid to minority interest shareholders	(957)	(812)	(8,110)
Other	383	(25)	3,245
Net cash used in financing activities	(19,155)	(4,238)	(162,331)
Foreign currency translation adjustments on cash and cash equivalents	362	364	3,068
Net (decrease) increase in cash and cash equivalents	(16,638)	6,655	(141,001)
Cash and cash equivalents, beginning of year	86,189	79,534	730,416
Cash and cash equivalents, end of year	¥ 69,551	¥ 86,189	$ 589,415

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FamilyMart Co., Ltd. and Consolidated Subsidiaries   Years Ended February 28, 2007 and 2006

1. Basis of presenting consolidated 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 generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the statement of changes in equity" in the current fiscal year.

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 2006 consolidated financial statements to conform to the classifications used in 2007.

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 ¥118 to $1, the approximate rate of exchange at February 28, 2007. 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 included the accounts of the Company and its seven significant subsidiaries (together, the "Group").

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 unconsolidated subsidiaries and 12 (11 in 2006) associated companies are accounted for by the equity method. Guangzhou FamilyMart Co., Ltd. was included in the consolidated financial statements using the equity method because of its establishment in September 2006.

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 and associated companies accounted for by the equity method 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 equity.

However, in a foreign consolidated subsidiary, the available-for-sale securities are reported at the fair value, with unrealized gains and losses charged to income.

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 ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were 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.

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. Presentation of equity—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of February 28, 2007 is presented in line with this new accounting standard.

k. Leases—All leases 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.

However, in certain foreign consolidated subsidiaries, leases are accounted for as capital leases.

l. 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.

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 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 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.

q. New accounting pronouncements

Lease accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions" which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements— Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Related parties and organization

The Company's main shareholder is Family Corporation Inc., which owns 32.46% 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, 2007, are as follows:

Name of area franchiser	Area	The Company's ownership in area franchiser
Subsidiaries:		
Taiwan FamilyMart Co., Ltd.	Taiwan	40.73%
Siam FamilyMart Co., Ltd.	Thailand	90.13
FAMIMA CORPORATION	The United States of America	59.50
Associated companies:		
Okinawa FamilyMart Co., Ltd.	Okinawa, Japan	48.98
Minami Kyushu FamilyMart Co., Ltd.	Kagoshima and Miyazaki, Japan	49.00
Hokkaido FamilyMart Co., Ltd.	Hokkaido, Japan	49.00
BOKWANG FAMILYMART CO., LTD.	Korea	21.45

FamilyMart China Holding, a 75.00% owned subsidiary, is a holding company of China CVS (Cayman Islands) Holding Corp. ("CCH"). CCH, a 49.50% owned associated company, is a holding company of Shanghai FamilyMart Co., Ltd. Shanghai FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Shanghai, China.

In addition, FamilyMart China Holding is a holding company of Guangzhou FamilyMart Co., Ltd. Guangzhou FamilyMart Co., Ltd., a 49.5% owned associated company, is an area franchiser in Guangzhou, China.

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

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

Famima.com Co., Ltd., a 50.50% owned subsidiary, supports E-commerce operations.

Famima Credit Corporation, a 35.39% owned associated company, provides financial services, such as credit card settlement and related services for its customers.

Kouyou Trading Co., Ltd., a wholly owned subsidiary, provides accounting and stocktaking services to "FamilyMart" stores in Japan. Kouyou Trading Co., Ltd. changed its company name to famima Retail Service Co., Ltd. on March 1, 2007.

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 ten 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 included in "Deposit 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, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current:			
Government and corporate bonds	¥1,000	¥1,000	$ 8,475
Trust fund investments	4,980	8,853	42,203
Total	¥5,980	¥9,853	$50,678

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Non-current:			
Marketable equity securities	¥ 6,269	¥2,198	$53,127
Government and corporate bonds	3,991	4,000	33,822
Non-marketable equity securities	449	537	3,805
Total	¥10,709	¥6,735	$90,754

The carrying amounts and aggregate fair values of marketable and investment securities at February 28, 2007 and 2006, were as follows:

	Millions of yen			
February 28, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,079	¥1,000	¥810	¥6,269
Debt securities	4,959	21		4,980
Held-to-maturity	4,991	9	36	4,964

	Millions of yen			
February 28, 2006	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 780	¥1,444	¥ 26	¥2,198
Debt securities	8,853			8,853
Held-to-maturity	5,000		128	4,872

	Thousands of U.S. dollars			
February 28, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$51,517	$8,474	$6,864	$53,127
Debt securities	42,025	178		42,203
Held-to-maturity	42,297	76	305	42,068

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2007 and 2006, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Available-for-sale—Equity securities	¥449	¥537	$3,805

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2007, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥1,000	$ 8,475
Due after one year through five years	3,991	33,822

6. Long-lived assets

The Group reviewed its long-lived assets for impairment as of the years ended February 28, 2007 and 2006 and, as a result, recognized an impairment loss of ¥1,437 million ($12,178 thousand) and ¥1,414 million as other expense for each store due mainly to a continuous operating losses. The carrying amount of those assets was written down to the recoverable amount.

The Group recognized impairment losses on the following fixed assets and leased property for the years ended February 28, 2007 and 2006:

Fixed assets and leased property	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Land	¥ 407	¥ 270	$ 3,450
Building	479	529	4,059
Leased property	378	413	3,203
Others	173	202	1,466
Total	¥1,437	¥1,414	$12,178

The recoverable amount of the stores which the Group plans to sale was measured by its net selling price at disposition. The recoverable amount of other stores was measured at their value in use and the discount rate used for computation of present value of future cash flows was 9.71% and 8.34% for the years ended February 28, 2007 and 2006, respectively.

In addition, some associated companies accounted for by equity method recognized impairment losses using the same methodology. The Group recognized ¥206 million ($1,746 thousand) and ¥141 million for the years ended February 28, 2007 and 2006, respectively, of losses on impairment of long-lived assets as "Equity in earnings of unconsolidated subsidiaries and associated companies."

7. Goodwill

Goodwill as of February 28, 2007 and 2006, consisted of the following:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Consolidation goodwill	¥109	¥ 167	$ 924
Acquisition goodwill	677	862	5,737
Total	¥786	¥1,029	$6,661

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2007 and 2006, was ¥473 million ($4,008 thousand) and ¥752 million, respectively.

Loss on impairment of goodwill, included in "Loss on impairment of long-lived assets," charged to other expense for the year ended February 28, 2006 was ¥19 million.

8. Short-term bank loans

Short-term bank loans as of February 28, 2007 and 2006, consisted of bank overdrafts. The annual interest rate applicable to the short-term bank loan was 6.4% and 5.6% at February 28, 2007 and 2006, respectively.

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, 2007 and 2006 is ¥494 million ($4,186 thousand) and ¥523 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, 2007 and 2006 consisted of the following:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Projected benefit obligation	¥14,871	¥13,978	$126,025
Fair value of plan assets	(7,843)	(6,895)	(66,466)
Unrecognized actuarial loss	(1,900)	(2,215)	(16,102)
Unrecognized transitional obligation	(10)	(22)	(84)
Net liability	¥ 5,118	¥ 4,846	$ 43,373

The components of net periodic benefit costs for the years ended February 28, 2007 and 2006, are as follows:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Service cost	¥1,087	¥ 997	$ 9,212
Interest cost	245	264	2,076
Expected return on plan assets	(36)	(6)	(305)
Recognized actuarial loss	188	254	1,593
Amortization of transitional obligation	4	4	34
Net periodic benefit costs	¥1,488	¥1,513	$12,610

Assumptions used for the years ended February 28, 2007 and 2006, are set forth as follows:

	2007	2006
Discount rate	Primarily 1.7%	Primarily 1.7%
Expected rate of return on plan assets	Primarily 0.9%	Primarily 0%
Recognition period of actuarial gain/loss	Primarily 15 years	Primarily 15 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.

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, 2007 and 2006 were ¥122 million ($1,034 thousand) and ¥126 million, respectively.

10. Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate

Law that affect financial and accounting matters are summarized below:

a. Dividends—Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus—The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights—The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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 41% for the years ended February 28, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2007 and 2006, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Provision for doubtful receivables	¥ 467	¥ 320	$ 3,958
Accrued bonuses	440	428	3,729
Provision for retirement benefits—employees	2,056	1,947	17,424
Provision for retirement benefits—directors and corporate auditors	201	213	1,703
Depreciation	70	62	593
Loss on disposals of property and store facilities and cancellations of lease contracts	432	271	3,661
Loss on impairment of long-lived assets	1,674	1,589	14,186
Loss on renewal of store management system	463	1,827	3,924
Enterprise tax payable	362	448	3,068
Tax loss carryforwards	2,056	1,749	17,424
Other	431	342	3,652
Less valuation allowance	(2,351)	(1,800)	(19,924)
Total	6,301	7,396	53,398
Deferred tax liabilities:			
Special reserve for tax purpose depreciation	31	61	263
Undistributed earnings of associated companies	563	465	4,771
Unrealized gain on available-for-sale securities	73	572	619
Total	667	1,098	5,653
Net deferred tax assets	¥5,634	¥6,298	$47,745

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended February 28, 2007 is not material, and that for the year ended February 28, 2006 is as follows:

	2006
Normal effective statutory tax rate	41%
Inhabitants taxes	1
Tax benefits not recognized on operating losses of subsidiaries	1
Tax credit	(3)
Lower income tax rates applicable to income in certain foreign countries	(2)
Actual effective tax rate	38%

As of February 28, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,269 million ($53,127 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
2008	¥1,177	$ 9,975
2009	573	4,856
2010	970	8,220
2011	1,256	10,644
2012 and thereafter	2,293	19,432
Total	¥6,269	$53,127

12. Leases

As Lessee

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

Total rental expenses including lease payments for the years ended February 28, 2007 and 2006, were ¥11,203 million ($94,941 thousand) and ¥11,962 million, respectively.

The Group recorded impairment losses of ¥378 million ($3,203 thousand) and ¥413 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property for the years ended February 28, 2007 and 2006, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense, interest expense and other information 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, 2007 and 2006, was as follows:

	Millions of yen		
	2007		
	Furniture and fixtures	Software	Total
Acquisition cost	¥70,616	¥3,314	¥73,930
Accumulated depreciation	(25,305)	(180)	(25,485)
Accumulated impairment loss	(1,222)		(1,222)
Net leased property	¥44,089	¥3,134	¥47,223

	Millions of yen		
	2006		
	Furniture and fixtures	Software	Total
Acquisition cost	¥64,990	¥806	¥65,796
Accumulated depreciation	(36,549)	(608)	(37,157)
Accumulated impairment loss	(940)		(940)
Net leased property	¥27,501	¥198	¥27,699

	Thousands of U.S. dollars		
	2007		
	Furniture and fixtures	Software	Total
Acquisition cost	$598,441	$28,085	$626,526
Accumulated depreciation	(214,449)	(1,526)	(215,975)
Accumulated impairment loss	(10,356)		(10,356)
Net leased property	$373,636	$26,559	$400,195

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 9,994	¥ 7,876	$ 84,695
Due after one year	41,366	23,727	350,559
Total	¥51,360	¥31,603	$435,254

Allowance for impairment loss on leased property of ¥935 million ($7,924 thousand) and ¥815 million as of February 28, 2007 and 2006 was 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 other information under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Depreciation expense	¥8,899	¥ 9,904	$75,415
Interest expense	909	799	7,703
Total	¥9,808	¥10,703	$83,118
Reversal of allowance for impairment loss on leased property	¥ 259	¥ 199	$ 2,195
Impairment loss	378	413	3,203

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, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥1,035	¥ 458	$ 8,771
Due after one year	5,619	3,061	47,619
Total	¥6,654	¥3,519	$56,390

As Lessor

The Group subleases certain lands and buildings. The subleases are the finance leases that do not transfer ownership of leased buildings to the lessee. Receivable under such finance leases as of February 28, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 238	¥ 241	$ 2,017
Due after one year	1,964	2,229	16,644
Total	¥2,202	¥2,470	$18,661

The minimum rental commitments under noncancelable operating subleases as of February 28, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 303	¥ 307	$ 2,568
Due after one year	2,456	2,795	20,814
Total	¥2,759	¥3,102	$23,382

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. 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, 2007 and 2006.

14. Contingent liabilities

As of February 28, 2007, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantee of financial institution loan, borrowed by Hokkaido FamilyMart Co., Ltd.	¥ 88	$ 746
Guarantee of financial institution loan, borrowed by Famima Credit Corporation	4,475	37,924
Guarantee of financial institution loan, borrowed by SIAM DCM CO., LTD.	108	915

SIAM DCM CO., LTD., an associated company, distributes merchandise and supplies for "FamilyMart" stores in Thailand.

The reassured portion of the guarantees was not included in the above.

15. Net income per share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2007 and 2006 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 28, 2007	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥14,969			
Bonuses to director and corporate auditors	(33)			
Net income available to common shareholders	¥14,936	94,037	¥158.8	$1.35

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 28, 2006	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥14,195			
Bonuses to director and corporate auditors	(89)			
Net income available to common shareholders	¥14,106	96,846	¥145.7	

16. Subsequent events

(1) On May 28, 2007, the Board of Directors of the Company made a resolution to sell 2,930,500 shares of its treasury stock to NTT DoCoMo, Inc. at ¥3,060 ($25.93) per share, in the aggregate of ¥8,967 million ($75,992 thousand). This sale was conducted in order to strengthen the relationship with NTT DoCoMo, Inc. The Company plans to buy the common stock of NTT DoCoMo, Inc. with the cash generated from the sale of treasury stock. With the cash generated from the sale of treasury stock, the Company plans to mainly invest in the store facilities in order to strengthen the collaborative framework between the Company and NTT DoCoMo, Inc.

(2) On April 19, 2007, the following appropriation of retained earnings at February 28, 2007 was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥23.0 ($0.19) per share	¥2,125	$18,008

17. Related party transactions

Transactions of the Company with related parties for the years ended February 28, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
ITOCHU Corporation—Average short-term deposit balance to ITOCHU Corporation under cash management program	¥12,822	¥16,671	$108,661
Tadashi Endo (corporate auditor and attorney)—Attorney's fee	29	27	246
Famima Credit Corporation (associated company):			
Receivable—long-term loans (included investments in and advances to unconsolidated subsidiaries and associated companies)	10,000	6,050	84,746
Guarantee of financial institution loan	4,475	3,795	37,924

ITOCHU Corporation guaranteed ¥5,188 million ($43,966 thousand) and ¥3,162 million of the above long-term loans as of February 28, 2007 and 2006, 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, accounting services, 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, 2007 and 2006, was as follows:

(1) Industry Segments

The industry segments of the Company and its subsidiaries for the years ended February 28, 2007 and 2006, are summarized as follows:

a. Operating revenues and operating income

	Millions of yen				
	2007				
	Convenience store business	E-commerce business	Other businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥241,325	¥55,715	¥ 809		¥297,849
Intersegment operating revenues	179	7,061	1,138	¥(8,378)	
Total operating revenues	241,504	62,776	1,947	(8,378)	297,849
Operating expenses	207,804	62,294	1,816	(3,674)	268,240
Operating income	¥ 33,700	¥ 482	¥ 131	¥(4,704)	¥ 29,609

b. Total assets, depreciation, loss on impairment of long-lived assets and capital expenditures

	Millions of yen				
	2007				
	Convenience store business	E-commerce business	Other businesses	Eliminations/ Corporate	Consolidated
Total assets	¥230,580	¥6,506	¥11,215	¥66,955	¥315,256
Depreciation	11,486	7	72		11,565
Loss on impairment of long-lived assets	1,434		3		1,437
Capital expenditures	32,934	25	51		33,010

a. Operating revenues and operating income

	Thousands of U.S. dollars				
	2007				
	Convenience store business	E-commerce business	Other businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	$2,045,127	$472,161	$ 6,856		$2,524,144
Intersegment operating revenues	1,517	59,839	9,644	$(71,000)	
Total operating revenues	2,046,644	532,000	16,500	(71,000)	2,524,144
Operating expenses	1,761,051	527,915	15,390	(31,136)	2,273,220
Operating income	$ 285,593	$ 4,085	$ 1,110	$(39,864)	$ 250,924

b. Total assets, depreciation, loss on impairment of long-lived assets and capital expenditures

	Thousands of U.S. dollars				
	2007				
	Convenience store business	E-commerce business	Other businesses	Eliminations/ Corporate	Consolidated
Total assets	$1,954,068	$55,136	$95,042	$567,415	$2,671,661
Depreciation	97,339	59	610		98,008
Loss on impairment of long-lived assets	12,153		25		12,178
Capital expenditures	279,102	212	432		279,746

a. Operating revenues and operating income

	Millions of yen				
	2006				
	Convenience store business	E-commerce business	Other businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥226,089	¥49,885	¥ 469		¥276,443
Intersegment operating revenues	71	5,364	1,861	¥(7,296)	
Total operating revenues	226,160	55,249	2,330	(7,296)	276,443
Operating expenses	189,972	54,483	2,134	(2,808)	243,781
Operating income	¥ 36,188	¥ 766	¥ 196	¥(4,488)	¥ 32,662

b. Total assets, depreciation, loss on impairment of long-lived assets and capital expenditures

	Millions of yen				
	2006				
	Convenience store business	E-commerce business	Other businesses	Eliminations/ Corporate	Consolidated
Total assets	¥220,207	¥4,754	¥7,192	¥81,968	¥314,121
Depreciation	11,214	3	94		11,311
Loss on impairment of long-lived assets	1,414				1,414
Capital expenditures	29,453	2	36		29,491

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended February 28, 2007 and 2006, are summarized as follows:

	Millions of yen				
	2007				
	Japan	Asia	Other area	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥249,958	¥47,233	¥ 658		¥297,849
Interarea transfers	540	47		¥ (587)	
Total operating revenues	250,498	47,280	658	(587)	297,849
Operating expenses	217,631	45,148	1,344	4,117	268,240
Operating income (loss)	¥ 32,867	¥ 2,132	¥ (686)	¥ (4,704)	¥ 29,609
Total assets	¥198,593	¥43,260	¥2,089	¥71,314	¥315,256

	Thousands of U.S. dollars				
	2007				
	Japan	Asia	Other area	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	$2,118,288	$400,280	$ 5,576		$2,524,144
Interarea transfers	4,576	398		$ (4,974)	
Total operating revenues	2,122,864	400,678	5,576	(4,974)	2,524,144
Operating expenses	1,844,330	382,610	11,390	34,890	2,273,220
Operating income (loss)	$ 278,534	$ 18,068	$ (5,814)	$ (39,864)	$ 250,924
Total assets	$1,682,992	$366,610	$17,703	$604,356	$2,671,661

	Millions of yen				
	2006				
	Japan	Asia	Other area	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥233,826	¥42,555	¥ 62		¥276,443
Interarea transfers	530	22		¥ (552)	
Total operating revenues	234,356	42,577	62	(552)	276,443
Operating expenses	199,158	40,317	363	3,943	243,781
Operating income (loss)	¥ 35,198	¥ 2,260	¥ (301)	¥ (4,495)	¥ 32,662
Total assets	¥185,694	¥41,806	¥1,415	¥85,206	¥314,121

(3) Operating Revenues from Foreign Customers

Operating revenues from foreign customers for the years ended February 28, 2007 and 2006, amounted to ¥48,404 million ($410,203 thousand) and ¥42,944 million, respectively.

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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 as of February 28, 2007 and 2006, and the related consolidated statements of income, changes in 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, 2007 and 2006, 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 16(1) to the consolidated financial statements, the Board of Directors of the Company made a resolution to sell its treasury stock on May 28, 2007.

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 30, 2007

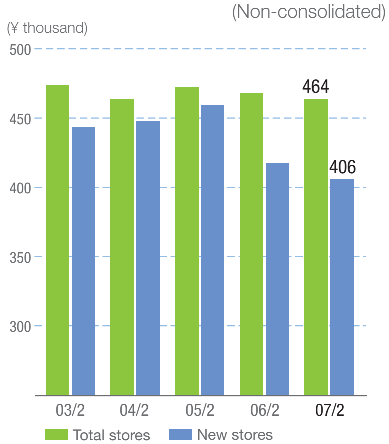
Member of
Deloitte Touche Tohmatsu

Corporate Data

Sales

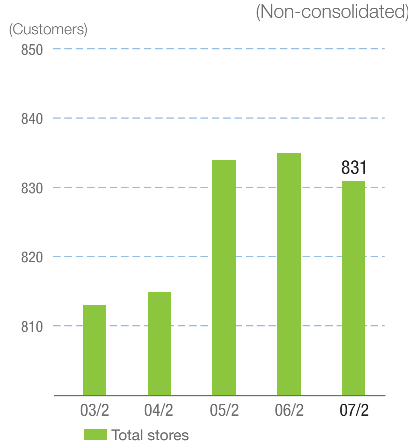
Average Daily Sales

(Non-consolidated)



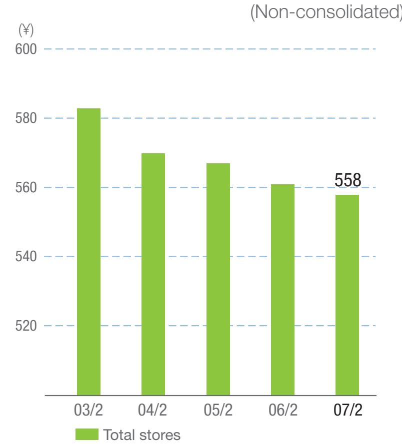
Number of Customers

(Non-consolidated)



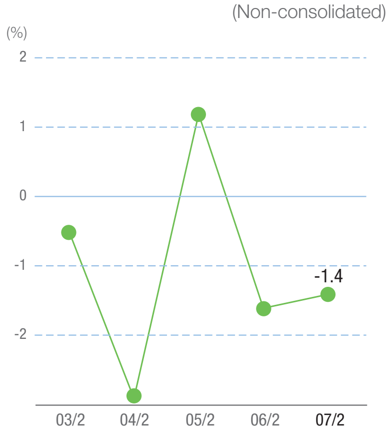
Spend per Customer

(Non-consolidated)



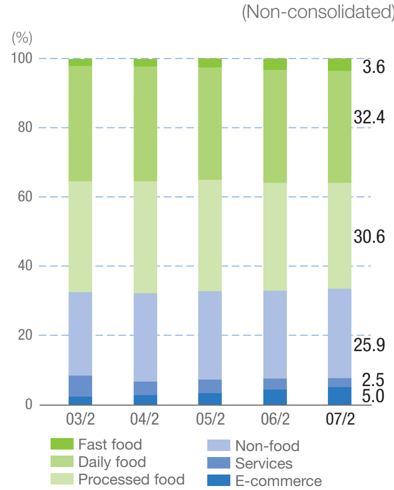
Growth Rate of Average Daily Sales of Existing Stores

(Non-consolidated)



Breakdown of Sales by Merchandise Category

(Non-consolidated)



Gross Profit Ratio

(Non-consolidated)

Business Performance (non-consolidated)

		05/2		06/2		07/2		08/2 (Forecast)	
			YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	473	9	468	(5)	464	(4)	471	7
	Existing stores	474	9	471	(3)	466	(5)	473	7
	New stores	460	12	418	(42)	406	(12)	430	24
Number of customers	Total stores	834	19	835	1	831	(4)	844	13
	Existing stores	834	19	838	4	834	(4)	846	12
Spend per customer (yen)	Total stores	567	(3)	561	(6)	558	(3)	558	—
	Existing stores	568	(2)	562	(6)	559	(3)	559	—
Growth rate of average daily sales of existing stores (%)		1.2	4.1	(1.6)	(2.8)	(1.4)	0.2	0.2	1.6
Average inventory (thousands of yen)		5,323	(354)	5,374	51	5,460	86	5,450	(10)
Turnover of goods (times)		31.3	3.0	30.5	(0.8)	30.3	(0.2)	30.9	0.6

Breakdown of Sales by Product Category (non-consolidated)

(Millions of yen)

	05/2			06/2			07/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	26,353	18.5	2.6	34,282	30.1	3.3	38,502	12.3	3.6
Daily food	325,485	3.0	32.6	336,902	3.5	32.7	346,725	2.9	32.4
Processed food	320,080	3.4	32.1	321,274	0.4	31.1	327,043	1.8	30.6
Liquor (License goods)	60,735	6.2	6.1	61,028	0.5	5.9	60,842	(0.3)	5.7
Food sub-total	671,918	3.7	67.3	692,458	3.1	67.1	712,270	2.9	66.6
Non-food	254,845	4.8	25.6	261,914	2.8	25.4	276,656	5.6	25.9
Cigarette (License goods)	140,064	11.0	14.0	149,866	7.0	14.5	166,315	11.0	15.6
Services	39,322	1.9	3.9	34,139	(13.2)	3.3	26,935	(21.1)	2.5
E-commerce	32,406	31.6	3.2	43,225	33.4	4.2	52,961	22.5	5.0
Total net sales of FM stores	998,491	4.6	100.0	1,031,736	3.3	100.0	1,068,822	3.6	100.0

The main description of each merchandise category as follows:
Fast food: Fried chickens, steamed meat buns, oden, french fries and croquettes etc. made and sold over the counter.
Daily food: Lunch boxes, noodles, sandwiches, delicatessen, desserts etc.
Processed food: Beverages, alcoholic beverages, instant noodles, confectionery, seasonings etc.
Non-food: Magazines, CDs, daily goods, cigarette etc.
Services: Highway cards (until Sep-05), copy service, express service etc.
E-commerce: Sales by Famiport Multimedia Terminal and internet shopping.

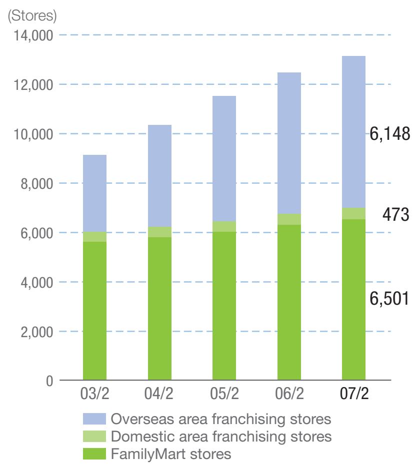
Gross Profit Ratio (non-consolidated)

(%)

	05/2		06/2		07/2		08/2 (Forecast)	
		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	48.84	5.26	49.75	0.91	50.52	0.77		
Daily food	33.65	0.01	34.08	0.43	34.65	0.57		
Processed food	33.03	0.44	33.74	0.71	34.17	0.43		
Liquor (License goods)	21.91	1.29	22.78	0.87	22.98	0.20		
Food sub-total	33.95	0.47	34.70	0.75	35.29	0.59		
Non-food	19.72	(0.82)	19.53	(0.19)	19.05	(0.48)		
Cigarette (License goods)	10.46	(0.08)	10.48	0.02	10.56	0.08		
Services	9.93	(1.00)	11.23	1.30	13.59	2.36		
E-commerce	3.81	0.18	3.66	(0.15)	3.26	(0.40)		
Total net sales of FM stores	28.39	(0.11)	28.77	0.38	28.95	0.18	29.40	0.45

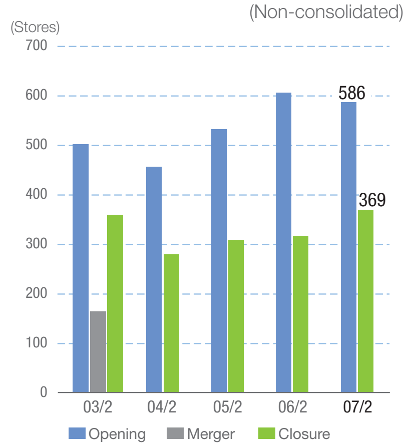
Stores

Number of Stores



Number of Store Opening and Closure

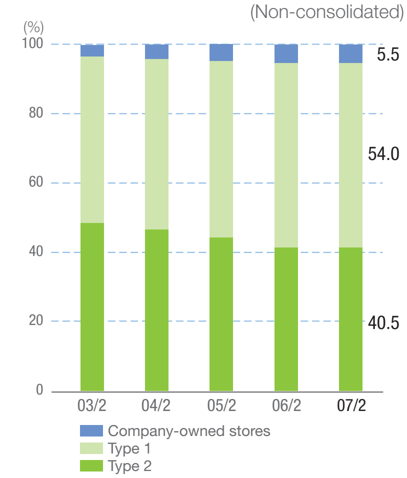
(Non-consolidated)



Note: FamilyMart merged with Matsuhaya FamilyMart on September 1st, 2002.

Breakdown of Contract Type

(Non-consolidated)



Number of Stores

	05/2		06/2		07/2		08/2 (Forecast)	
	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores	286	44	342	56	358	16	350	(8)
Type 1	3,061	223	3,343	282	3,509	166		
Type 2	2,647	(43)	2,599	(48)	2,634	35		
Franchised stores	5,708	180	5,942	234	6,143	201	6,351	208
FamilyMart stores	5,994	224	6,284	290	6,501	217	6,701	200
Okinawa FamilyMart Co., Ltd.	162	1	181	19	194	13		
Minami Kyushu FamilyMart Co., Ltd.	268	—	269	1	266	(3)		
Hokkaido FamilyMart Co., Ltd.					13	13		
Domestic area franchising stores	430	1	450	20	473	23	509	36
Domestic chain stores	6,424	225	6,734	310	6,974	240	7,210	236
Taiwan FamilyMart Co., Ltd.	1,701	162	1,869	168	2,023	154	2,102	79
BOKWANG FAMILYMART CO., LTD.	2,817	566	3,209	392	3,471	262	3,871	400
Siam FamilyMart Co., Ltd.	509	172	536	27	538	2	458	(80)
Shanghai FamilyMart Co., Ltd.	50	50	101	51	102	1	116	14
FAMIMA CORPORATION			3	3	12	9	19	7
Guangzhou FamilyMart Co., Ltd.					2	2	17	15
Overseas area franchising stores	5,077	950	5,718	641	6,148	430	6,583	435
Total area franchising stores	5,507	951	6,168	661	6,621	453	7,092	471
Total chain stores	11,501	1,175	12,452	951	13,122	670	13,793	671

Number of Store Opening and Closure (non-consolidated)

05/2			06/2			07/2			08/2 (Forecast)		
Opening	Closure	Net Increase	Opening	Closure	Net Increase	Opening	Closure	Net Increase	Opening	Closure	Net Increase
532	308	224	606	316	290	586	369	217	550	350	200

Types of FamilyMart Franchising Contracts

(Contract details differ according to area franchisers)

Contract type		1FC-A	1FC-B	1FC-C	2FC-N
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	○	○	Provided by FamilyMart	Provided by FamilyMart
	Interior facility construction expense	○	○ FamilyMart funds part of expense	○	Provided by FamilyMart
	Sales fixtures Information devices	○ (In principle, FamilyMart funds necessary expenses)			Provided by FamilyMart
	Staff hiring Application for approval	About ¥500,000 (In the case of 2FC-N contracts, franchisees are required to provide funds for 2 to 3 months' living expenses.)			
Franchise commission		35% of gross margin*	38% of gross margin*	48% of gross margin*	48%~65% of gross margin*
Minimum operating revenue guaranteed (for stores open 24 hrs/day)		¥20 million per year			
Incentive for opening 24 hrs/day		¥1.2 million per year			
Rent		Note 1		Provided by FamilyMart	Provided by FamilyMart
Utilities		○	○	○	○ Note 2

* Net sales less cost of sales

Notes: 1. In the case of rental store space, the franchisee shall pay the rent, a leasehold deposit, and guarantee money.
2. In the case of 2FC-N contracts, the franchisee shall pay up to ¥3.6 million for utilities.
3. ○ = Provided by franchisee.

Number of Stores by Region

FamilyMart stores
Area franchising stores

Thailand	538
Taiwan	2,023
South Korea	3,471
China	104
U.S.A.	12
Hokkaido	13
Ishikawa	67
Aomori	15
Iwate	90
Yamaguchi	11
Shimane	20
Tottori	19
Kyoto	141
Fukui	86
Akita	20
Miyagi	194
Hiroshima	141
Okayama	81
Hyogo	277
Shiga	108
Toyama	65
Niigata	21
Yamagata	90
Fukushima	132
Nagasaki	136
Fukuoka	250
Osaka	634
Gifu	93
Nagano	21
Gunma	84
Tochigi	109
Ibaraki	134
Saga	49
Oita	66
Ehime	57
Kagawa	60
Nara	49
Aichi	438
Yamanashi	66
Saitama	367
Tokyo	1,025
Kumamoto	93
Miyazaki	74
Kochi	17
Tokushima	37
Wakayama	63
Mie	117
Shizuoka	201
Kanagawa	494
Chiba	263
Kagoshima	192
Okinawa	194

Total 13,122 stores

(As of February 28, 2007)

Consolidated Subsidiaries

The Main Consolidated Subsidiaries

(Millions of yen)

	06/2			07/2		
	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income
Taiwan FamilyMart Co., Ltd.	26,334	3,212	2,356	28,565	2,900	2,253
Siam FamilyMart Co., Ltd.	16,243	(896)	(1,091)	18,715	(703)	(1,910)
FAMIMA CORPORATION	62	(290)	(297)	658	(687)	(713)
famima.com Co., Ltd.	55,249	766	744	62,776	482	451

The Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

	06/2	07/2
	Net income	Net income
Okinawa FamilyMart Co., Ltd.	191	240
Minami Kyushu FamilyMart Co., Ltd.	41	242
Hokkaido FamilyMart Co., Ltd.		(128)
BOKWANG FAMILYMART CO., LTD.	3,042	3,554
Famima Credit Corporation	(901)	(662)

Capital Expenditure

Non-Consolidated

(Millions of yen)

	05/2		06/2		07/2		08/2 (Forecast)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Leasehold deposits	12,001	17.4	14,464	20.5	15,180	4.9	13,250	(12.7)
New stores	3,586	20.5	4,054	13.1	5,252	29.6	5,102	(2.9)
Existing stores	1,738	0.1	1,311	(24.6)	1,581	20.6	2,279	44.1
For stores	5,324	13.0	5,365	0.8	6,833	27.4	7,381	8.0
Head office investment	176	6.0	33	(81.2)	68	103.5	—	—
System investment (Note)	3,464	14.8	6,138	77.2	5,285	(13.9)	—	—
For head office	3,640	14.3	6,171	69.5	5,353	(13.3)	—	—
Total capital expenditure	20,965	15.7	26,000	24.0	27,366	5.3	20,631	(24.6)
Depreciation and Amortization expense	9,336	(2.0)	8,191	(12.3)	8,044	(1.8)	7,280	(9.5)

Note: Investments made in a new store management system in the term ended February 28, 2007 and all investments scheduled to be made in the term ending February 29, 2008 or after shall be accounted for under finance lease transactions.

	05/2	YoY (%)	06/2	YoY (%)	07/2	YoY (%)	08/2 (Forecast)	YoY (%)
Lease					20,292		12,261	(39.6)

Consolidated

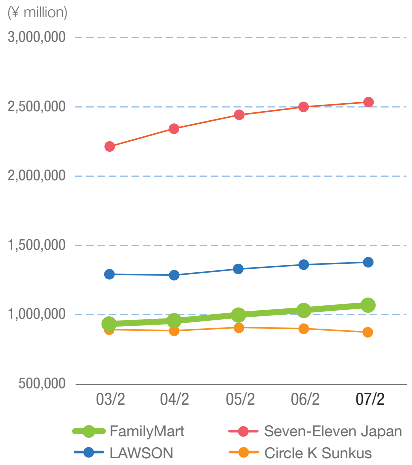
(Millions of yen)

	05/2		06/2		07/2		08/2 (Forecast)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Total capital expenditure	26,623	14.2	29,491	10.8	33,010	11.9	26,302	(20.3)
Depreciation and Amortization expense	11,960	2.3	11,311	(5.4)	11,565	2.2	11,276	(2.5)

Principal Indicators of Convenience Store Industry

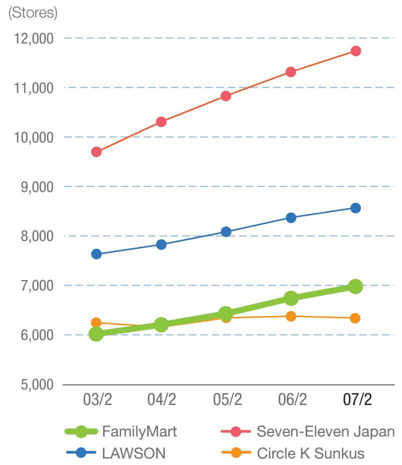
Total store sales

(Non-consolidated)



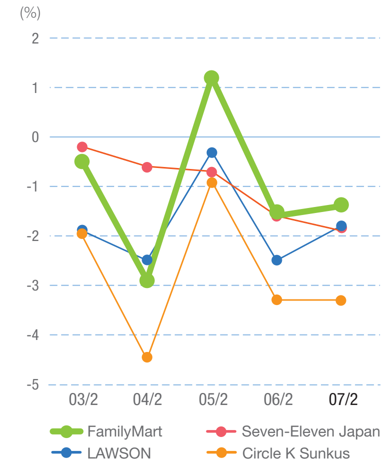
Number of stores

(Only in Japan, includes stores under area franchisers)



Growth rate of average daily sales of existing stores

(Non-consolidated)



Aggregate figures for all convenience stores in Japan

	03/3	04/3	05/3	06/3	07/3
Total sales (billions of yen)	7,028	7,133	7,297	7,372	7,421
Number of stores (stores)	37,324	37,923	38,854	39,820	40,342

Total store sales (non-consolidated)

(Millions of yen)

	03/2	04/2	05/2	06/2	07/2
FamilyMart	931,808	954,445	998,491	1,031,736	1,068,822
Seven-Eleven Japan	2,213,298	2,343,177	2,440,853	2,498,754	2,533,534
LAWSON	1,291,030	1,285,018	1,329,077	1,360,495	1,377,842
Circle K Sunkus	891,889	883,894	907,407	898,741	872,844

Number of stores (only in Japan, includes stores under area franchisers)

(Stores)

	03/2	04/2	05/2	06/2	07/2
FamilyMart	6,013	6,199	6,424	6,734	6,974
Seven-Eleven Japan	9,690	10,303	10,826	11,310	11,735
LAWSON	7,625	7,821	8,077	8,366	8,564
Circle K Sunkus	6,241	6,152	6,339	6,372	6,336

Growth rate of average daily sales of existing stores (non-consolidated)

(%)

	03/2	04/2	05/2	06/2	07/2
FamilyMart	(0.5)	(2.9)	1.2	(1.6)	(1.4)
Seven-Eleven Japan	(0.2)	(0.6)	(0.7)	(1.6)	(1.9)
LAWSON	(1.9)	(2.5)	(0.3)	(2.5)	(1.8)
Circle K Sunkus	(2.0)	(4.5)	(0.9)	(3.3)	(3.3)

Sources: Retail statistical yearbook, Ministry of Economy, Trade and Industry and Documents released by Company.

Note: Circle K Sunkus was established through a merger of Circle K and Sunkus in September 2004. All figures on this page prior to the year ended February 29, 2004 are the simple sum of the two founding companies.

Store Operation

FamilyMart's focus on SQ&C (service, quality and cleanliness) and accuracy of ordering is designed to make shopping at our stores a truly enjoyable experience every time. The driving forces for the creation of the right shopping environment are our Store Staff Total (SST) system for staff training, and our "new store management system."

Keystone of FamilyMart store operation

Thorough attention to SQ&C

The SQ&C credo for FamilyMart store operation underpins the creation of shopping spaces that support our customers: At FamilyMart, franchisees, store staff and employees of the Company work together to ensure rigorous fulfilment of SQ&C requirements, to make our stores as welcoming as possible.

Service

Giving the customer prompt, friendly and caring attention

Quality

Creating attractive merchandise displays and ensuring product quality

Cleanliness

Cleaning down to the last speck of dirt

SQ&C: 13-point checklist

S	1.	Always greet the customer when he/she enters or leaves
S	2.	Greet the customer at the till ☆ Ask if the customer has a Famima Card
S	3.	Attend to the customer promptly
S	4.	Hand over the change and receipt
Q	5.	Arrange products neatly
Q	6.	Make sure product packages are displayed front-first
Q	7.	Keep magazines and gondola displays tidy
Q	8.	Ensure sell-by dates are kept
C	9.	Keep the store entrance and forecourt (incl. parking space) clean
C	10.	Clean out bins and dispose of garbage
C	11.	Clean the floor
C	12.	Clean gondola shelving and products
C	13.	Tidy and clean up around the counter

Increased accuracy of ordering

The most important thing in convenience store operation is stocking products that customers want to buy and ensuring the lineup of the best-selling products is complete. We aim to minimize the ratio of defective items and lost sales opportunities through rigorous management of individual items and appropriate apportionment of order placement tasks.

Item-by-item management

We do not manage products by category, but order items one by one, so we can fully understand and manage sales trends.

Apportionment of order placement tasks

Order placement tasks are allocated not only by store managers and other senior staff but also ordinary store staff.

Our proprietary training system for building store staff skills

To make our convenience stores welcoming places to shop at, it is essential that our store staff have the right abilities. At FamilyMart, we use a proprietary training system to raise the productivity of store staff.

Store Staff Total (SST) system

This concept is based on four principles: recruiting, training, rewarding, and providing an enjoyable experience. Through SST, we expect to raise SQ&C standards, appropriately apportion order placement tasks and boost store staff motivation.

Store staff qualification system

Fiscal 2003 saw the full-fledged launch of our store staff qualification system. Primary grade covers basic attendance to customer needs, while store staff at intermediate grade can allot order placement tasks and give training to those at primary grade. Advanced-grade employees are those with equivalent skills to managers, and they are given preferential treatment if they want to become franchisees themselves. At the moment, of some 150,000 people working at FamilyMart stores around Japan, some 40,000 have reached primary grade.

As of the end of February 2007

Apportionment of order placement tasks using SST

*SAT: In-store portable terminals for product ordering

SST	Qualification	Tasks	Ordering
Recruitment, interview, employment, training	Primary grade	Able to perform simple, high-frequency operations (appearance is most important)	Able to operate SAT equipment
Store staff qualification system: appraisal, pay raise and promotion	Intermediate grade	Able to handle low-frequency, high-difficulty operations	Able to make supplementary orders using SAT
Raise motivation	Staff trainer	Able to give training to other staff	Able to make orders using SAT based on sales trend analysis
Pooling of information	Advanced grade	Able to handle emergency situations in name of store manager	Able to order cooked rice products using SAT based on sales trend analysis

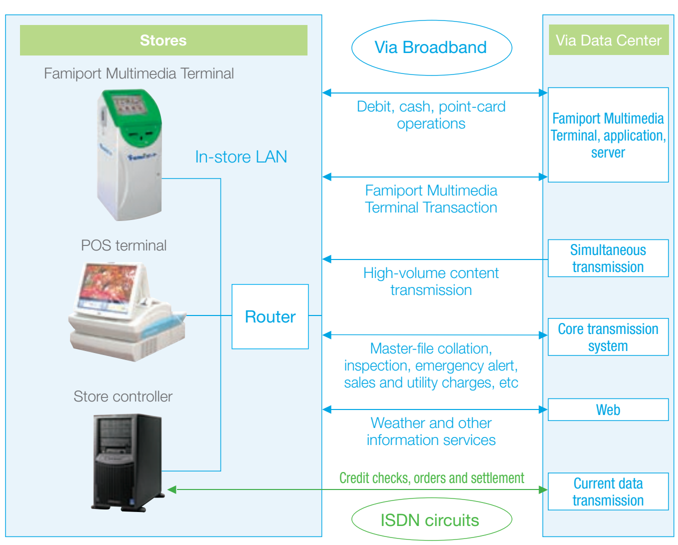
SQ&C training vehicle

The SQ&C training vehicle is used for franchise stores in remote locations. It is able to accommodate eight trainees at a time, and serves approximately 500 stores each year.

New store management system: Supporting greater operational efficiency

Under the three-year business plan launched in fiscal 2006, we are investing a total of ¥31 billion to complete our new store management system. In the first fiscal year of the plan, fiscal 2006, we upgraded our point-of-sale systems, store controllers, MAT (product inspection terminals), and our “Famiport Multimedia Terminals,” based on high-speed high-capacity fiber-optic broadband networks. This has laid the groundwork for streamlining store administration and achieving greater accuracy in ordering, and will help us cut costs and create more potential for new services.

The key feature is conversion to broadband. By recording the store-operation manual on the server at head office, for example, we can make available the latest version electronically for consultation at any time, paperlessly. It also helps us accept electronic and other cashless payment formats, and, being easy to use and fast, it helps position new store staff better for their duties.



Products & Services

Our reputation rests on the attractive products and services we provide. Focusing on merchandise that can only be found at FamilyMart, and services that only FamilyMart can provide, to fulfill our customers' expectations, is considered the most efficient way to compete successfully with our rivals.

Breakdown of Sales by Product Category (%)

Category	Products
Fast food	Fried chickens, steamed meat buns, oden, french fries and croquettes etc. made and sold over the counter.
Daily food	Lunch boxes, noodles, sandwiches, delicatessen, desserts etc.
Processed food	Beverages, alcoholic beverages, instant noodles, confectionery, seasonings etc.
Non-food	Magazines, CDs, daily goods, cigarette etc.
Services	Copy service, express service etc.
E-commerce	Sales by Famiport Multimedia Terminal and internet shopping.

* Items shown in the photos are FamilyMart's original goods

Basic Product Policy

Three marketing strategies

FamilyMart employs as its basic product policy a three-pronged marketing strategy that focuses on generation, price and region. We have created a large number of attractive products by incorporating these focal points into their development. In fiscal 2007, we will further move ahead by putting more efforts into the areas where two or more of these focuses overlap.

Generation

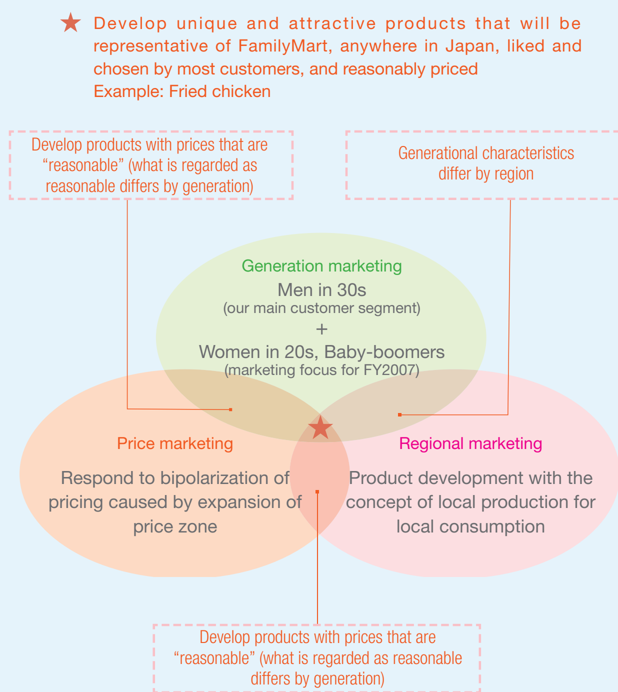
We have grouped all the customers who visit our stores into segments according to gender and age. We then develop products which specifically address each segment's needs. We are actively pursuing a variety of strategies targeting working women and the baby-boomer generation, who will account for a growing proportion of all customers in the near future.

Price

We have developed a wide range of products, ranging from reasonably priced products to value-added goods. We not only compare our product lineups with those of our rivals, but also check regularly to ensure that each product category is generating sufficient sales and shows adequate profitability. In these ways, we make further advances in product development with a competitive edge.

Region

We develop and offer products that specifically match local characteristics and needs. We have divided Japan into seven regions and developed products that match the particular preferences of consumers in certain local areas: these products are then marketed solely in these limited areas. In fiscal 2006, the proportion of local-area-only products exceeded 40% of priority ready-to-eat food (rice balls, sushi, boxed lunches, delicatessen and cooked noodles) products.



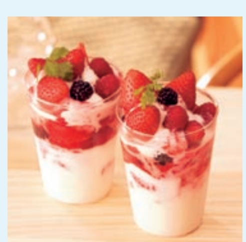
Strategy for priority categories

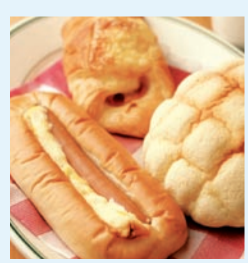
We have set five categories that are chosen as FamilyMart's priority categories by virtue of the fact that they both contribute to sales and set FamilyMart apart from its rivals. Our strategy is that these categories should be expanded and made known to our customers through product development as well as sales promotion, advertising, appropriate ordering and display.

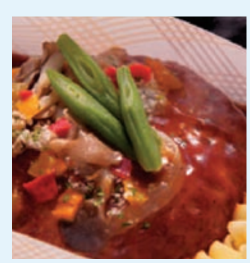
Five prioritized categories


Three-Star Pasta


Ready-made "Famima Kitchen"


Sweets+


Quality bakery


Tsutsumi jitate-en papillote boxed lunches

FamilyMart's unique and attractive products that differentiate it from its rivals			High contribution to sales	
Pasta	Fast food	Desserts	Savory and sweet rolls & pastries	Rice-based dishes

Promoting merchandise selection on a store-by-store basis

With the diversification of customers' tastes and intensifying competition with retail outlets other than convenience stores, including grocery stores, we need different product lineups for individual franchised stores. Against this backdrop, other chains have aggressively moved to open new-style stores that focus on selling perishable items such as vegetables, meat and fish. At FamilyMart, however, we have rejected this approach. By incorporating original ideas into existing stores, it is our aim to revitalize our stores to attract more customers.

Famima Wonder Corners

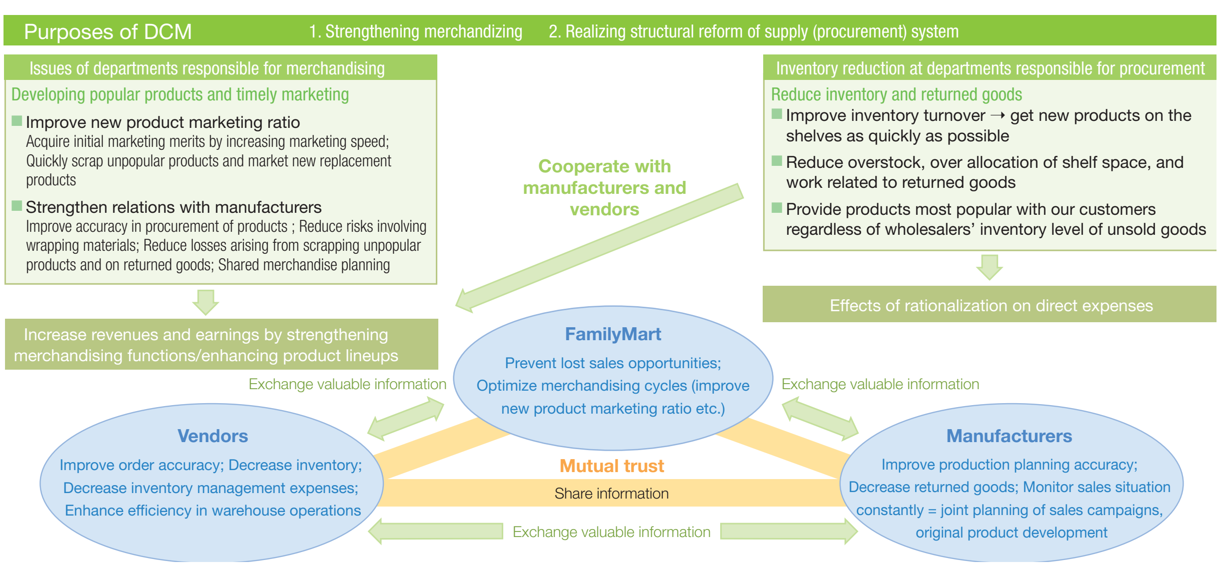
We have reviewed our nationwide standardized lineups, mainly in sundry items, and have made space for two existing gondolas available for the display of product ranges of individual stores. Franchisees and supervisors together to put forward ideas for displays that surprise and delight customers, and help them feel relaxed.

Famima Fresh Corners

We offer fresh foods including vegetables, fruit, meat and fish in our newly established Famima Fresh corners at our existing stores, giving customers the convenience of being able to buy fresh foods at their neighboring convenience store. We not only offer unprocessed food, but also sell prepared food kits whose ingredients are already cut and sliced (with seasoning included), to simplify cooking. As of the end of February 2007, 500 stores in Tokyo area have such corners. Our plan is to expand by the end of February 2008 to 1,000 stores in the nation's three metropolises, where we can expect growth in sales of these products.

Demand chain management (DCM) systems

Unlike supply chain management (SCM), which involves the inventory and delivery process from the supplier's viewpoint, DCM is a customer-oriented information system that provides the product flow from manufacturer to vendor (wholesaler) to retailer to consumer. By grasping customer needs, we intend to optimize the entire sales channel from procurement of materials to processing, delivery and sale. Specifically, we aim to streamline and rationalize the product flow by centering on shared information with food processors and vendors via the Internet, as well as to maximize the added value of our products by developing attractive and popular new items.



Services

From a place that only sells products to one that provides services covering most aspects of daily life — This is FamilyMart's forecast of the future of convenience stores. We are now preparing to offer a wide variety of services specifically targeted at customers in each store's local area, leveraging our store network covering all 47 Japanese prefectures, and aided by the launch of our new store management system.

Point card system

The Famima Card (credit card type/non-credit card type)

The Famima Card is full of bonuses for cardholders, including a system of accumulating discount points according to purchases made, cardholder-only discounts on Tuesdays and Saturdays, and special prices for special products. There is no enrollment or annual fee for this card system. In FY2006, we recorded 750,000 new cardholders, and as of the end of February 2007 the cumulative total of cards issued was 1,590,000 (including holders of non-credit cards). In April 2007, we concluded an agreement with Culture Convenience Club (CCC) Co., Ltd. group to enter into a comprehensive alliance. We plan to join CCC's T-Point Loyalty Program in November.

Electronic money payment services

iD | Edy | Suica

All FamilyMart stores will soon accept "iD" and "Edy" which are currently accepted only at a limited number of stores. iD is an electronic settlement service utilizing NTT DoCoMo's *Mobile Wallet*® mobile phones as credit cards. Edy is a prepaid E-money system operated by Bitwallet. We have also moved ahead of other companies in accepting use of JR East's non-contact IC card Suica. In July 2007, we will expand its use to about 2,600 stores throughout the Tokyo area and in the city of Sendai (and the surrounding area) in northern Japan.

*Mobile Wallet® is NTT DoCoMo's registered trade mark.

ATM services

E-net

Through an ATM terminal in one of our stores, a customer can withdraw cash using bank cards issued by almost any financial institution, as well as take out a loan using a Famima card or other credit card. The service is available year-round, and depending on the financial institution involved, customers can use it 24 hours of the day. Extra services include deposits by cash and fund transfers by card to some bank accounts.

Multimedia terminals

Famiport

Our multimedia terminals provide a wide variety of easily operated services, including the printing out of various tickets, ordering entertainment goods, prepaid services for mobile phones and e-money, and payment for airline tickets. By installing new Famiport terminals with a dramatically faster operating speed to cope with the introduction of our new store management system, we are conserving energy while providing a convenient service. Our Famiport terminals are the key to FamilyMart's strategy of turning its stores into local bases for the provision of essential services for the local community.

Online shopping / Mobile phone shopping

famima.com

FamilyMart offers a virtual shopping site where our customers can shop easily from home or anywhere else, using mobile phones or PCs. Nearly 480,000 items are available, ranging from character goods to CDs, DVDs and games – as well as limited goods not available in store – and currently ultra-popular products. The system also makes it easy to order products listed in our famima.com MAGAZINE catalog and make ticket reservations. The products ordered can be received and paid for at the store counter of the customer's choice, and in this case there will be no delivery charge. The Famima Card's points will be automatically accumulated as well.

Catalog shopping

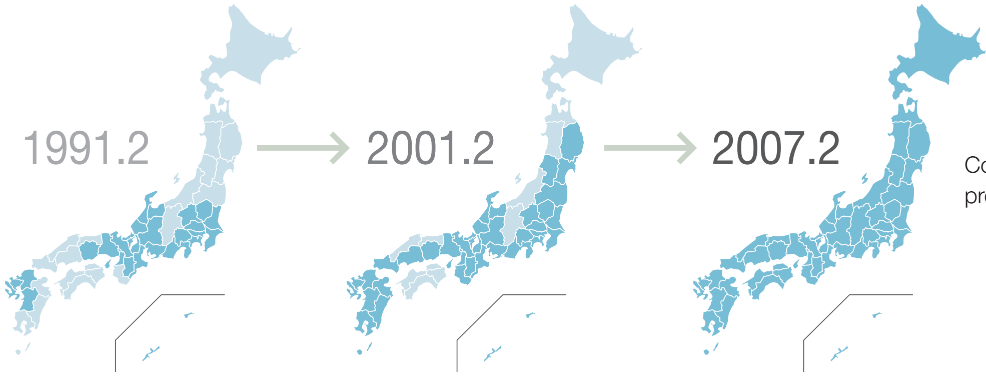
Famima.com MAGAZINE

A catalog (distributed free of charge at FamilyMart stores every month) introduces popular products and character goods that are the talk of the town, as well as sports – and entertainment-related goods, plus information on movies and music. The items listed can be purchased through our Famiport terminals, via the Internet over mobile phones and PCs, and by telephone.

Store Opening Strategy

In July 2006, Hokkaido FamilyMart Co., Ltd. (an area franchiser jointly established with Maruyo Nishio Co., Ltd.) opened our first store in Hokkaido, giving us a store network covering all 47 prefectures in Japan. By demonstrating our predominance as a national chain, we are proactively tackling the challenge of cultivating new opportunities to develop new markets, and collaborating with business operators in other industries.

With the growing importance to the convenience store industry of the provision of services — as opposed to the sale of products only — our nationwide store network is concrete proof of our potential strength. We will work to further expand our dominance in all 47 prefectures in Japan, centering on the country's three major metropolitan areas.



Covering all 47 Japanese prefectures

Development structure

To efficiently establish area dominance in each market where we have strength, each District Office (the regional organization under the direct control of top management) is responsible for its own store-opening policy. The staff of the Store Development Division and the officers responsible for each district work together to expand the store network and strengthen support for existing stores.

In fiscal 2007, we assigned two-thirds of all the development staff to the three major metropolitan areas, especially the Tokyo area (which accounts for half of all development staff), to further strengthen our area dominance. A dedicated section for screening proposals for new stores was estabished in the Store Development Division. We now have more specialized and swift decision-making functions for store network development. The staff of this new department have many years of experience in operating and developing stores, giving us a solid structure to comprehensively support each store's operations. In addition to appraising the potential of candidate store sites, the new department gives advice to help create highly competitive stores.

Franchising system

FamilyMart has four kinds of franchising contracts to cater to the differing conditions of new franchisees. We also provide them with a wide range of support systems.

Contract types

(For details, please see P49)

FamilyMart offers four types of contracts, depending on who provides the land and building for the store, and who pays for the interior facility construction expenses. Our 2FC-N type contract enables a married couple with funds of approximately ¥4 million to open a new store. Furthermore, we have a system for the reduction of royalties starting from the 6th year after the opening of the store.*

* The headquarters screening criteria for application of the system must be fulfilled.

Multiple-store promotion system

We aim not only to gain more profits for ourselves, but also to help our franchisees realize their dreams. At FamilyMart, to promote multiple-store operations, we provide franchisees with 1FC contracts with incentive payments that are calculated based on gross margin (net sales less cost of sales) levels of their stores other than the first one.

Developing new markets

Universities

Hospitals

Expressway parking
and service areas

Wholesale markets

To maximize the convenience of our services to our customers, FamilyMart is cultivating opportunities to develop new markets where no rival convenience store chains have yet established outlets. So far, we have opened stores within hotels, office buildings, hospitals and universities, as well as in transportation facilities such as airports, stations and the service areas of expressways, as well as wholesale markets and factories. The store designs and the product lineups are carefully selected to meet the unique demands of the customers at each location.

As a way of developing new markets, we have opened new-concept Famima!! stores in large office buildings and commercial facilities. We aim to differentiate these outlets from conventional convenience stores with exterior designs that blend in harmoniously with the buildings, and by the use of innovative product lineups such as imported stationery. We have expanded the opportunities to open in large-scale office buildings with our Famima!! Stores (as of the end of May 2007, 11 Famima!! Stores are in operation).

Airports

Stations

Famima!!

Franchising with corporations

JA Izumo

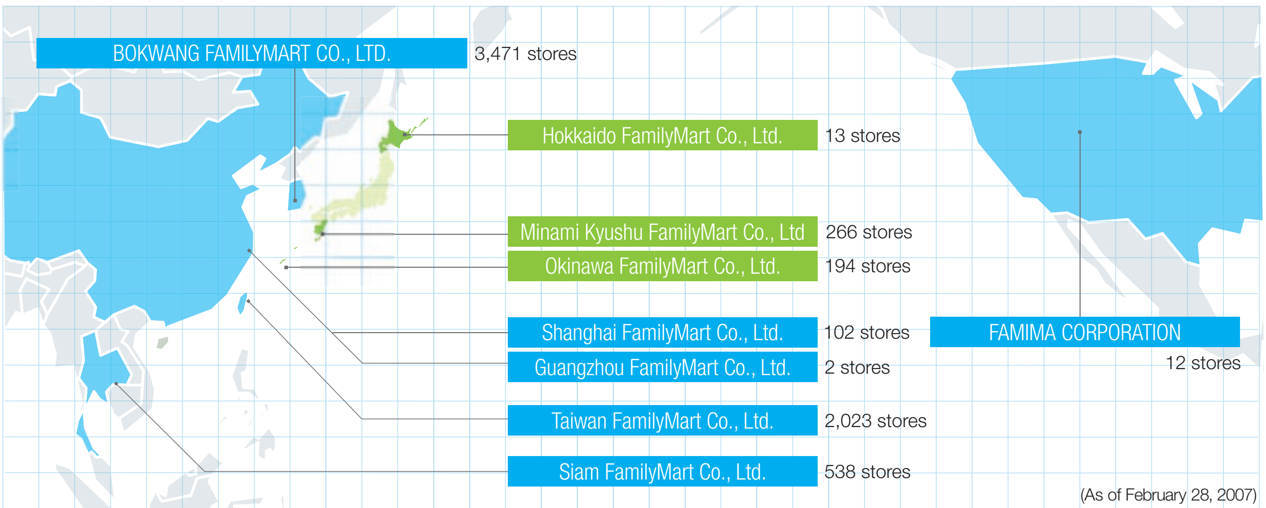
Franchising with corporations is an efficient and dependable way to achieve area dominance from an early stage. We have two contract types — 1FC-S-5 and 1FC-S-10 — for franchising with corporations. The contracts involve a store opening plan for a set period of time, 5 store openings for S-5 and 10 store openings for S-10 contracts. We make incentive payments to all the stores on a multiple-store contract basis. As of the end of February 2007, we had 10 corporate partners with 1FC-S contracts.

In fiscal 2007, we aim to further strengthen franchising with corporations so to develop FC packages where we can open new stores anywhere a potential market exists.

The Pan-Pacific Plan

As of the end of February 2007, the FamilyMart Group operated a combined total of 13,122 stores in Japan and its overseas markets of Taiwan, South Korea, Thailand, China, and the United States. During fiscal 2007, we are aggressively expanding our store network in pursuit of our goal of establishing a global network of 20,000 stores.

Our area franchisers in Japan and overseas are acting as powerful partners in this store network expansion initiative, and we look forward to continuing to work hand-in-hand with them.



Domestic Area Franchisers

Okinawa

Okinawa FamilyMart Co., Ltd. (established 1987)

This area franchiser, established as a joint venture with the local department store Ryubo, operates the largest convenience store chain in Okinawa Prefecture. It celebrated its 20th term of operations in fiscal 2007. The company has built up strong public trust through local community activities carried out at the individual store level — following the Okinawan tradition of *yui*, or building harmonious relationships between people through mutual assistance — and its stores enjoy excellent daily sales figures. It is aiming to achieve even stronger sales through the development of products using local ingredients.

Awamori, the local liquor, sold only in Okinawa FamilyMart

Kagoshima • Miyazaki

Minami Kyushu FamilyMart Co., Ltd. (established 1993)

Established as a joint venture with Homboshoten Co., Ltd., a liquor wholesaler in the city of Kagoshima, this company is the leading convenience store operator in the Minami (South) Kyushu region, encompassing the prefectures of Kagoshima and Miyazaki. This area franchiser has been active from the start in developing food products using local farm produce, as well as in incorporating analysis of local marketing area characteristics into its store-opening strategies. Minami Kyushu FamilyMart is noted for its imaginative initiatives, including its Famima Bakery breads and cakes freshly baked in the store.

Local famous dish of chicken and rice in soup

Hokkaido

Hokkaido FamilyMart Co., Ltd. (established 2006)

A joint venture with Maruyo Nishio Co., Ltd., Hokkaido's largest foodstuff wholesaler, this area franchiser opened its first store in July 2006. As of the end of February 2007, it operated a total of 13 stores. The company is focusing its efforts on opening high-quality stores, mainly in Sapporo and the surrounding area, and aims to expand to a network of 50 outlets within its first three years of operation. Over the near future, another priority initiative of this company will be the development of original food products using Hokkaido produce and with a unique local taste.

Zangi Bento, fried chicken Hokkaido style

Overseas Area Franchisers

Taiwan

Taiwan FamilyMart Co., Ltd. (established 1988)

Taiwan FamilyMart opened its first store in 1988, and in December 2006 it held a ceremony to mark the opening of its 2,000th store, making it the second-largest chain operator in Taiwan. In an extremely competitive business environment, it has actively introduced many aspects of the parent company's know-how in the field of ready-to-eat foods and adapted them to local tastes. Examples include its Japanese-style chilled noodles with sesame seeds and home-made-type desserts. These products are helping to differentiate the company's stores from its competitors.

Japanese-style chilled noodles with sesame seeds

South Korea

BOKWANG FAMILYMART CO., LTD. (established 1990)

Opening its first store in 1990, by the end of February 2007 this South Korean area franchiser's chain had grown to account for roughly 40% of all convenience stores, making it one of Korea's leading convenience store operators. It plans to maintain its vigorous pace of store development, and in its product lineup it aims to focus on organically grown produce, and to introduce higher-end food items such as rice balls made with the finest quality rice and *nori* (dried seaweed). It plans to promote each of its stores as the essential supplier of foods and other daily necessities in the local community, and to develop a range of unique and innovative products.

Odari noodles, tie-up products with a popular noodle shop

Thailand

Siam FamilyMart Co., Ltd. (established 1992)

Siam FamilyMart opened its first store in 1993, and currently operates stores mainly in Bangkok, Pattaya, and Phuket. The company's management is particularly keen on raising the level of SQ&C and promoting the sale of fast food, to which end it has supplemented its long-popular lines of grilled sausages, hamburgers, and Chinese-style steamed buns with Japanese-style fast food items such as *oden* (stewed hotchpotch).

Oden, Japanese-style stewed hotchpotch

China

Shanghai FamilyMart Co., Ltd. (established 2004) Guangzhou FamilyMart Co., Ltd. (established 2006)

Shanghai FamilyMart opened its first store in 2004. In January 2007 our subsidiary Guangzhou FamilyMart opened the first Japan-developed convenience store in the province of Guangdong, and is now busy developing a network of stores in this fast-growing southern Chinese region. In Shanghai, our area franchiser's extra-large *omusubi* Japanese-style rice balls have proven very popular, and the company is also posting growing sales of its lineup of house-brand products, including *oden* and boxed lunches.

Original products from Shanghai and Guangzhou FamilyMart

United States

FAMIMA CORPORATION (established 2004)

The United States is the country that invented the concept of convenience stores, but in 2005 FamilyMart brought to the U.S. a new type of convenience store nurtured in Japan, featuring new standards of product quality, service and hospitality. Among the stores' unique and popular attractions are its range of fast food, including panini grilled in-store, Japanese food items like *sushi* and *boxed lunches*, ready-to-eat breads and pastries, and desserts.

Sushi

Investor Information

Corporate data (non-consolidated)

(As of February 28, 2007)

Corporate name:	FamilyMart Co., Ltd.
Head office:	26-10, Higashi-Ikebukuro 4-chome, Toshima-ku, Tokyo 170-8404, Japan Telephone: (81) 3-3989-6600
Incorporated:	September 1, 1981
Paid-in capital:	¥16,659 million
Fiscal year:	March 1st to the last day of February
Number of full-time employees:	2,717
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 5,284,600 shares)
Number of shareholders:	17,880
Stock exchange listing:	Tokyo Stock Exchange, First Section
Securities code:	8028
Trading unit of shares:	100 shares
Transfer agent:	The Sumitomo Trust & Banking Co., Ltd.
Independent auditors:	Deloitte Touche Tohmatsu
Ordinary general meeting of shareholders:	May each year

Domestic area franchisers

Okinawa FamilyMart Co., Ltd.
Minami Kyushu FamilyMart Co., Ltd.
Hokkaido 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 (U.S.A.)
Guangzhou FamilyMart Co., Ltd. (China)

Principal shareholders

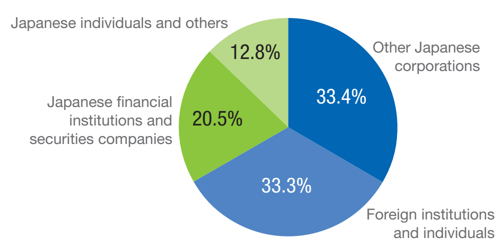
(As of February 28, 2007)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
Family Corporation Inc.	29,941	30.7
The Master Trust Bank of Japan, Ltd.(Trust account)	3,158	3.2
Japan Trustee Services Bank, Ltd.(Trust account)	2,400	2.5
BNP Paribas Securities Services Luxembourg Jasdec Securities	2,300	2.4
Mizuho Bank, Ltd.	2,085	2.1
Nomura Securities Co., Ltd.	2,061	2.1
Nippon Life Insurance Company	1,831	1.9
Dresdner Kleinwort (Japan) Limited, Tokyo Branch	1,742	1.8
Japan Trustee Services Bank, Ltd.(Trust account 4)	1,688	1.7
Bank of New York GCM Client Accounts E ISG	1,616	1.6
Total	48,822	50.0

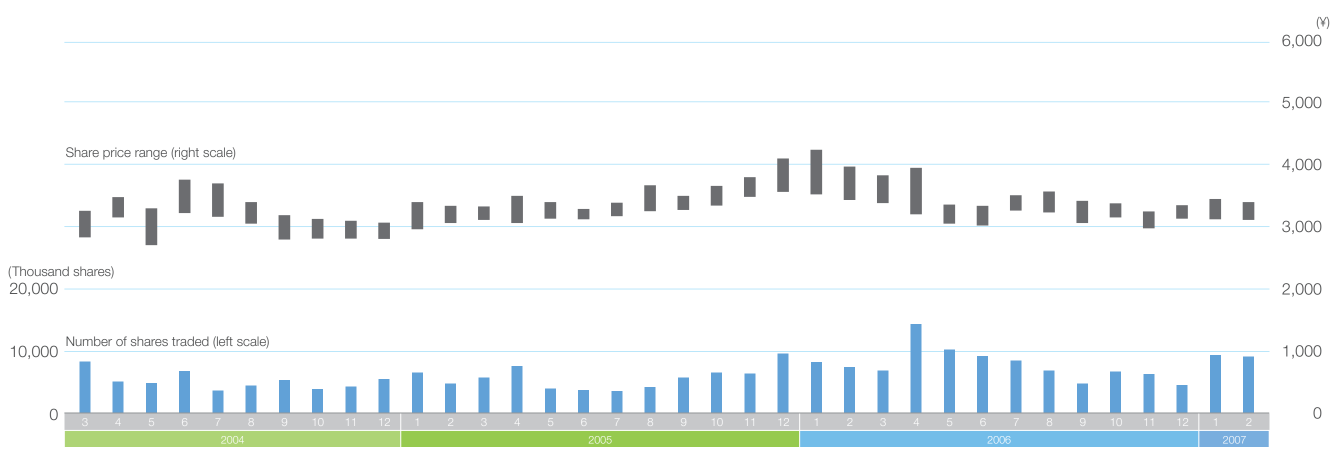
Notes: 1. In addition to the above,the Company also holds 5,284,600 shares in treasury.
2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

Distribution of the shares

(As of February 28, 2007)



Share price range and number of shares traded



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	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 Homboshoten Co., Ltd., in Kagoshima jointly establish Minami Kyushu FamilyMart Co., Ltd.
1998	Feb.	The ITOCHU Group buys the stock of FamilyMart from The Seiyu, Ltd., and other companies, becoming the largest shareholder.
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).
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.
	May	FamilyMart introduces an IC card (JUPI card).
2003	Dec.	FamilyMart becomes the first convenience store chain of Japanese origin to reach 10,000 stores in Asia.
2004	May	FamilyMart jointly establishes Shanghai FamilyMart Co., Ltd. (China), in cooperation with four partners—ITOCHU Corporation; Taiwan FamilyMart Co., Ltd.; Tinghsin (Cayman Islands) Holding Corporation; and CITIC Trust & Investment Co., Ltd.
	Oct.	FamilyMart introduces its Famima Card.
	Oct.	FamilyMart jointly establishes FAMIMA CORPORATION (U.S.A.) in cooperation with two partners—ITOCHU Corporation and ITOCHU International Inc. (U.S.A.).
2005	Sept.	Number of stores accepting Suica e-money successively increases in the Tokyo and Sendai areas.
2006	Feb.	FamilyMart and Sapporo-based company Maruyo Nishio Co., Ltd. Jointly establish Hokkaido FamilyMart Co., Ltd.
	July	Hokkaido FamilyMart Co., Ltd. begins the development of FamilyMart stores in Hokkaido. With this, FamilyMart finally extends its store network to every one of Japan's 47 prefectures.
	Sept.	FamilyMart's 25th anniversary of establishment with drafting of new Basic Principles.
	Sept.	FamilyMart jointly establishes Guangzhou FamilyMart Co., Ltd. (China), in cooperation with three partners — Ting Chuan (Cayman Islands) Holding Corp., Taiwan FamilyMart Co., Ltd., and ITOCHU Corporation.

FamilyMart

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