

# FamilyMart

Annual Report 2008



great **Potential** for **Growth**

# 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 services 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”

“Listen, Decide, Act”

“Wholehearted Hospitality”

Exceeding customers' expectations

Growing together, through mutual trust

Cultivating esthetic sensitivity

Enjoying new challenges

Acting with integrity



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### 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.

# Consolidated Financial Highlights

FamilyMart Co., Ltd. and Consolidated Subsidiaries

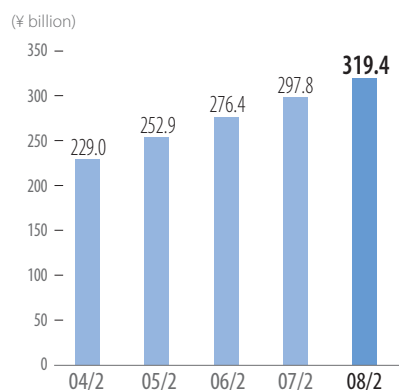
Years Ended the Last Day of February

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
<b>Results of operations</b>				
Total operating revenues	319,439	297,849	276,443	3,042,276
Operating income	31,214	29,609	32,662	297,276
Net income	16,438	14,969	14,195	156,552
<b>Financial position</b>				
Total assets	351,271	315,256	314,121	3,345,438
Total equity (Note 2)	191,281	171,155	168,233	1,821,724
<b>Cash flow</b>				
Net cash provided by operating activities	49,375	35,093	42,778	470,238
Net cash used in investing activities	(24,593)	(32,938)	(32,249)	(234,219)
Net cash provided by (used in) financing activities	3,956	(19,155)	(4,238)	37,676
Cash and cash equivalents	98,844	69,551	86,189	941,371
<b>Per share of common stock (in yen and U.S. dollars)</b>				
Basic net income	173.5	158.8	145.7	1.65
Cash dividends applicable to the year	60.0	46.0	43.0	0.57
Total equity (Note 2)	1,921.6	1,771.3	1,736.2	18.30

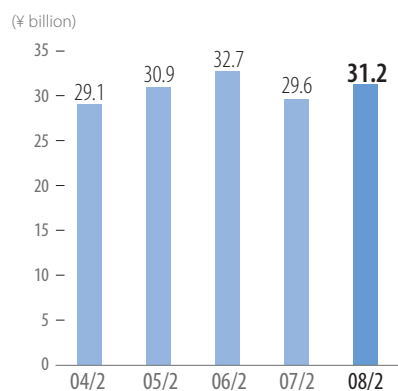
Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥105=U.S.\$1, the rate prevailing on February 29, 2008.

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

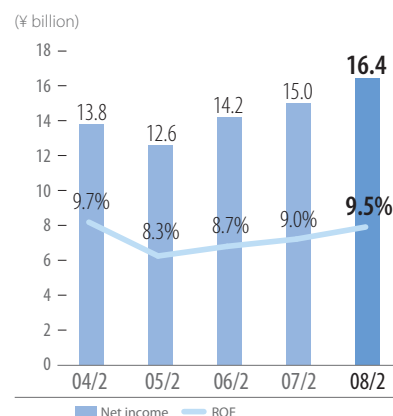
## Total Operating Revenues



## Operating Income

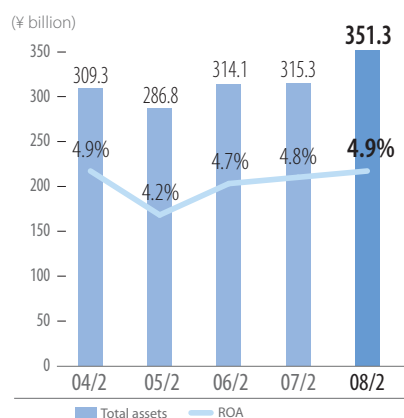


## Net Income and ROE

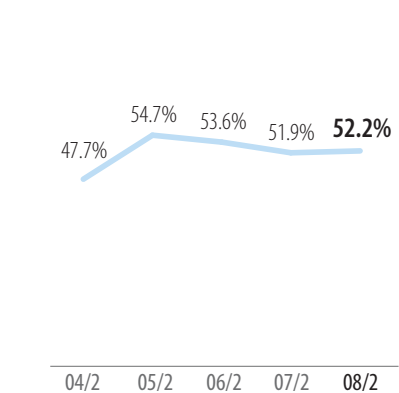


	2008	2007	2006
<b>Ratio</b>			
Equity ratio (%)	52.2	51.9	53.6
ROE (return on equity) (%)	9.5	9.0	8.7
ROA (return on total assets) (%)	4.9	4.8	4.7
PER (price earnings ratio) (times)	17.8	20.5	25.1
Payout ratio (%)	34.6	29.0	29.5
<b>Other data</b>			
Number of franchised stores and Company-owned stores (non-consolidated)	6,691	6,501	6,284
Number of area franchised stores (including overseas area franchised stores)	7,184	6,621	6,168
Number of stores	13,875	13,122	12,452
Number of full-time employees	6,647	6,735	6,048
Number of shareholders	14,933	17,880	17,444
Issued number of shares (thousands)	97,683	97,683	97,683

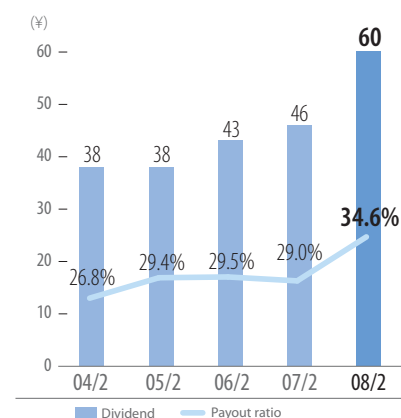
### Total Assets and ROA



### Equity Ratio



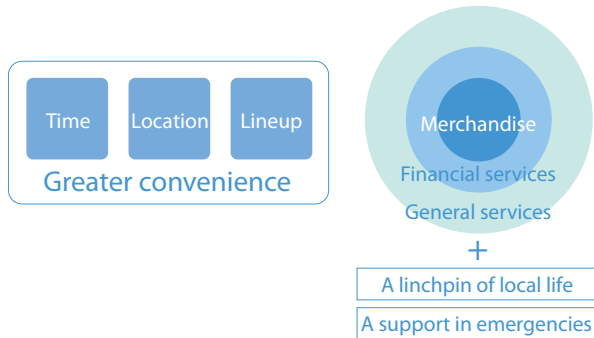
### Cash Dividends per Share and Payout Ratio



# FamilyMart at a Glance

## 1. The Convenience Store Sector

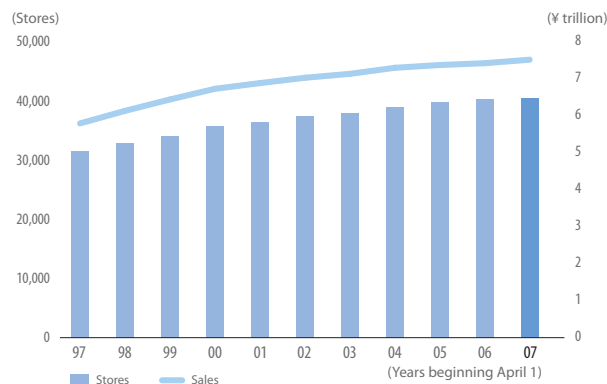
### The role of convenience stores



### Convenience Stores: An Everyday Necessity

Japan's first convenience store opened its doors some 35 years ago. Since then, we have helped to develop the format by responding to customers' needs for greater convenience. In addition to our traditional role of supplying merchandise, we offer financial services such as ATMs and utility payment receipt, and general services such as ticket printouts through multimedia terminals. These innovations have made us part of the framework of our customers' daily life.

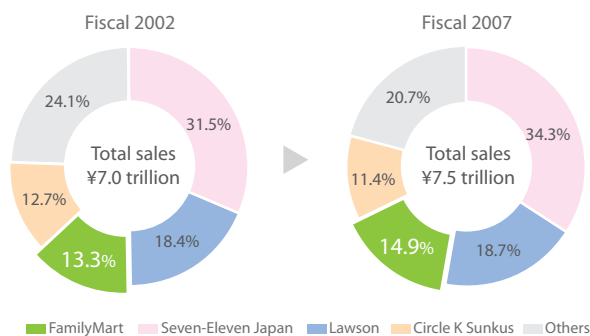
### Convenience stores: Total number of stores and sales



### Market Expansion and Maturity

The Japanese convenience store market grew rapidly from its start in the early seventies up until the 1990s. Today there are approximately 40,000 stores across the country, and the market is worth approximately ¥7.5 trillion. However, in recent years, this growth rate has slackened off amid intensified competition as operators open more stores and competition increases with non-sector operators such as supermarkets and discount stores.

### Sales share by operator (non-consolidated)



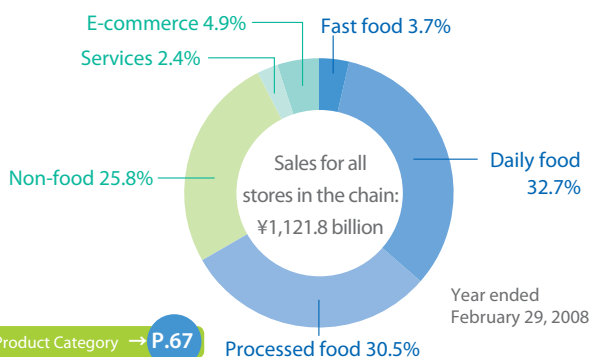
### Major Operators Dominating Market

In today's tough competitive environment, only the largest convenience store operators with a firm market footing will continue to grow. In fiscal 2007, the four largest operators increased their joint market share (sales) to 79.3%, up 3.4 points from five years previously. The market position of the major operators is clearly becoming more dominant. During that period, FamilyMart's market share rose 1.6 points to 14.9% in fiscal 2007.



## 2. Overview of FamilyMart

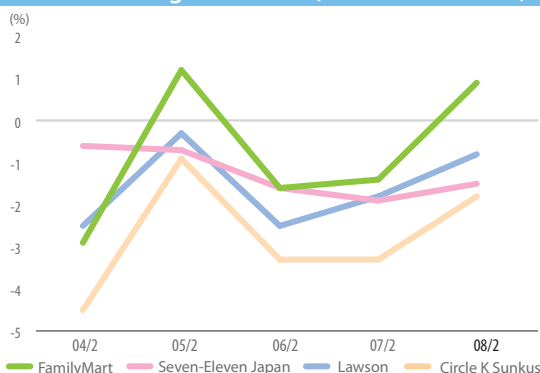
### Sales breakdown by product category (non-consolidated)



### Lineups Based on Food Products

The FamilyMart Group operates a chain of franchised convenience stores, as well as e-commerce and related businesses. In a typical store with a retail space of approximately 115 square meters, the product lineup includes approximately 2,600 items, with boxed lunches, drinks and other foods accounting for approximately 70% of all sales.

### Average daily sales per store on an existing store basis (non-consolidated)

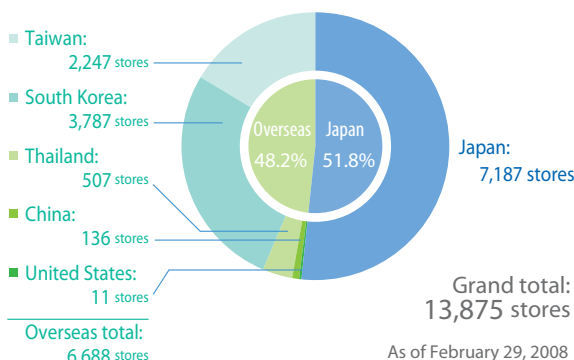


### Strong Performance by FamilyMart stores (existing store basis)

Due to intensified competition, average daily sales per store (on an existing store basis) of all convenience store operators have been trending steadily downwards year-on-year. Finding ways of revitalizing existing stores has become a major issue for all store chains.

Against this background, growth in daily sales per store at FamilyMart's stores on an existing store basis since fiscal 2004 has continued to outpace that of our rivals. With 0.9% growth in fiscal 2007, we were the only one of the four major Japanese convenience store operators to post positive growth for that year.

### Stores and locations (including area franchisers)



### Expansion at Home and Abroad

With store openings up to July 2006, we extended our network to all 47 prefectures of Japan, making us a truly national chain. In addition, while retaining our Japanese identity, we aggressively expanded operations overseas, as part of efforts to create a network of 20,000 FamilyMart stores overseas. Of our current total of 13,875 stores, approximately half are now abroad. We aim to further expand the ratio of overseas stores.

For more information:  
Please see The Pan-Pacific Plan → **P.63**

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 prior to the year ended February 29, 2004 are the simple sum of the two founding companies.

To Our Stakeholders

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**Junji Ueda**  
President and Chief Executive Officer



# Potential for Growth

Through renewed commitment to our basic principles, we are consolidating our position among the elite companies in the convenience store sector.

I am delighted to report to our stakeholders that FamilyMart's business is now on a firm footing. In fiscal 2007, a robust performance by existing stores lifted us to increased revenues and earnings on both a consolidated and non-consolidated basis. We had designated fiscal 2007 as the year for building a stronger business foundation, enabling us to join the elite in our sector in the near future. In this endeavor, we have focused on supporting franchisees by making investments in system infrastructure ahead of our rivals, while getting the retailing basics right through close collaboration between franchisees and headquarters to give real meaning at the store level to the concept of the "FamilyMart feel."

Our strong earnings performance for the term is the result of solid support from our customers after years of patient, steady effort to build up our business. This is not a flash in the pan, but reflects real change, and we at FamilyMart are now convinced that we can continue to grow. In this message, while looking back over our achievements to date, I would like analyze the underlying reasons and present some thoughts about the future of the Company.

■ Average Number of Customer Visits per Store per Day (total store basis)

Year ended February 29, 2008

856

Year ended February 28, 2007

831

# Reaping the Fruit of Years of Steady Effort

## Operating Environment and Basic Approaches

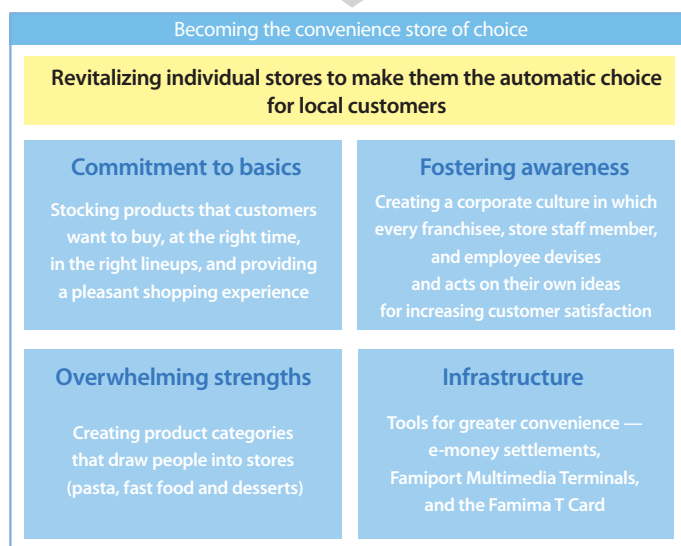
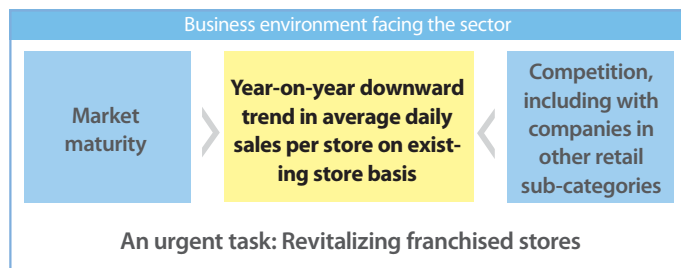
### Becoming the Convenience Store of Choice

Fiscal 2007 was another difficult year for the convenience store sector. In central Tokyo, there are a number of cases in which several convenience stores belonging to major chains can be found within the same 10,000 square-meter area, and competition is intensifying both within the sector and with companies outside the industry such as supermarkets and restaurants, both in central Tokyo and in provincial cities. With the total number of convenience stores in Japan now over 40,000, competition for remaining good locations is growing increasingly fierce.

Traditionally, the convenience store business has depended on new store openings for growth. But in recent years, I think that the main concern for chain operators has been finding ways of getting more customers into individual stores in each neighborhood.

To this end, operators are seeking out new business approaches. A major difficulty has been translating head office concepts and strategies into positives for the franchisees. In this light, our task as head office is to revitalize franchise stores one by one and make them the automatic store of choice in their neighborhoods. We have been focusing our management resources and energies on this endeavor.

#### Business Environment and Our Response



## Reaping the Benefits of Steady Effort (1)

# Commitment to Retailing Basics

What does “innovation” mean to FamilyMart? What our customers want is convenience in terms of proximity and opening hours. But even if a store offers this kind of convenience, it will not appeal to customers if the inside is dirty, staff are unfriendly or if it fails to stock the right products at the right time. Once customers are alienated in this way, they will probably go to another chain, or try another kind of store, even if it means a longer walk. We have concentrated on increasing the number of stores able to get the obvious things 100% right. We are going back to the basics.

Through rigorous attention to service, quality and cleanliness (SQ&C) and by offering our services in a spirit of hospitality, we aim to create retail spaces that our customers can really enjoy using. We need to make them feel that their well-being is what matters to us most.

## Reaping the Benefits of Steady Effort (2)

# From Awareness-Raising to Promoting the “FamilyMart Feel”

Although we are able to devise a clear vision and strategies on paper, it is not necessarily possible to put these ideas and strategies into practice without insistence on getting “back to basics.” To ensure a rigorous, sustained commitment to retailing basics, the most important thing is transforming the attitudes of executives, employees, franchisees and partners. By having them show this most careful attention to detail, we hope to make FamilyMart stores the friendliest.

I also believe that companies with smooth communications between the highest and lowest levels of the organization are best positioned to survive in the 21st century. Since becoming president, I have worked to strengthen direct communication with FamilyMart franchisees as well as with my own employees. I visit stores in person anytime of the day or night, without prior notification, and talk directly with managers and other senior staff of franchised stores. In addition, I have organized over 70 “Sessions with the President,” in which I talk directly with company staff primarily on the front line, who work with franchisees. During such meetings, no documents are prepared, or notes taken. Employees speak frankly to me about their problems and concerns. I listen to them, tell them my future ideas for the Company, and encourage individual employees to come up with ideas for making things better.

During these sessions, I have often heard employees ask what exactly is meant by “FamilyMart feel.” Here were the seeds of the “FamilyMart feel” campaign, launched on a Companywide basis in fiscal 2005, covering younger and mid-rank staff of all departments. The goal is to get individual employees to

think about what they can do to reinforce the characteristics and strengths of FamilyMart, and then act on those ideas. This policy enabled us to overcome an environment in which some employees felt they were being put upon and ordered around, without guidance or feedback, and provided opportunities for increasing their sense of fulfilment and achievement. I particularly urged managers not to get in the way or stand on the sidelines, but to pitch in. We offer full support. This Companywide initiative covers not only headquarters employees and franchisees, but also business partners and overseas operations such as those in Taiwan.

This campaign has become the driving force of FamilyMart's business.

### Reaping the Benefits of Steady Effort (3)

## Building Product Dominance

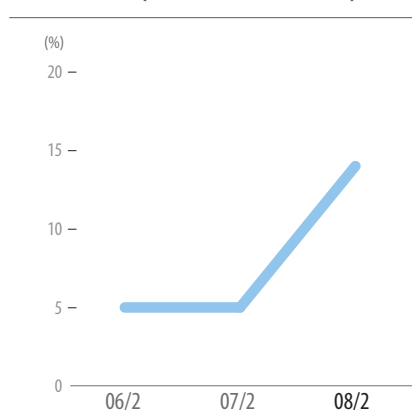
We go to great lengths to ensure that every aspect of our product range has the "FamilyMart feel." In the convenience store industry, we have played catch-up, growing by chasing the leaders. However, even though we have reached the highest levels ourselves by imitative methods, our customers' prejudices make them think our products are still inferior to those of leading chains.

For that reason, we are now developing product categories with the goal of building an overwhelming competitive advantage with a true FamilyMart feel, rather than relying on clichéd slogans to differentiate us from rivals. In this endeavour, we have focused on pasta, fast food and desserts, lines where we have a real edge compared with other chains, to develop hit products.

By working as a group to promote sales and raise the accuracy of our demand forecasts on an individual store basis, we are confident we have created a distinct public "face" for FamilyMart. There is no doubt that this is creating attractive products, and increasing customer numbers.

For example, our Three-Star Pasta has had a strong impact on sales trends for cooked noodles generally. Traditionally, pasta has not been regarded as a summer product in Japan. But by bolstering year-round sales of pasta products, we ended up increasing sales for the whole cooked noodle category in fiscal 2007 by approximately 15% year-on-year. By leveraging the knock-on effect on other ready-to-eat foods such as salads, sandwiches and pastries, ready-to-eat products have shown full-year growth of 1% year on year (on an existing store basis), despite fierce competition within the convenience store sector in this category.

■ Year-on-year Change in Sales of Noodles (non-consolidated)



## Reaping the Benefits of Steady Effort (4)

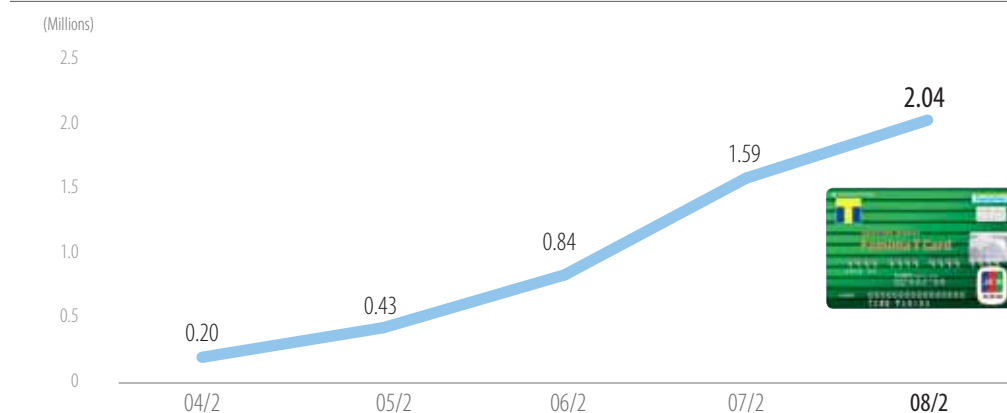
# Infrastructure for the Future

To create a stronger business foundation for the chain, we have made aggressive investments to help franchisees with such things as the installation of store equipment and sales promotion. These include approximately ¥31 billion for system infrastructure—overhauls of point-of-sale and Famiport Multimedia Terminal equipment, and introduction of optical fiber networks for future service businesses. We have also expanded the number of stores across Japan where it is possible to use e-money, stealing a march on our rivals in the sector. In this initiative, aimed at increasing customer convenience, we have formed alliances with operators of e-money systems that are already very widespread. Now the iD, Edy and Suica e-money systems can be used at FamilyMart stores, and all three are seeing usage rates climb month by month. We believe that this early commitment to e-money, compared with rival chains, will help increase customer visits.

At the same time, we developed the Famima Card as part of our strategy to consolidate our customer base. In November 2007, we joined the T-POINT program\* and launched the Famima T Card. We are already seeing the benefits in terms of greater custom, with increased customer awareness and increases in usage rates and cardholders.

\*This program is undertaken in partnership with core entity Culture Convenience Club Co., Ltd., which operates TSUTAYA video/music rental stores. For more information, please see page 62.

■ Number of Famima T Card Holders  
(including Famima Card holders and holders of cards without credit functions)



# To the Next Growth Stage

## FamilyMart's Edge

### Confidence in Growth Prospects

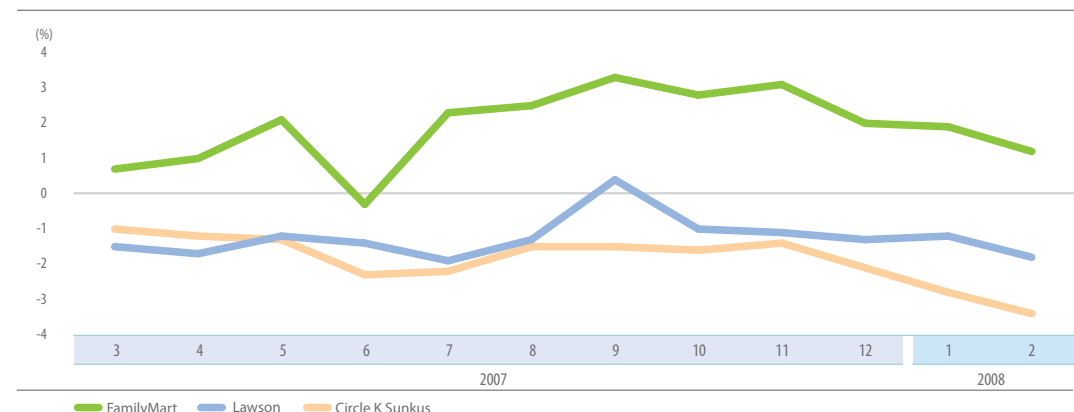
In the six years since I was appointed president, I believe the tide really has turned in our favor as we address the problems that remain, both great and small. In particular, fiscal 2007, when the fruits of our efforts over the years set in motion a virtuous circle, was a time in which the growth in customer numbers, and in average daily sales per store (existing store basis) became apparent in our numerical data. As a result of steady progress in fixing what obviously needed to be fixed, I am confident that we have at last created firm foundations for our business, and that we can continue to grow in the future.

I believe that FamilyMart has now gained two major advantages over its rivals. The first is the combined strength of franchisees and headquarters. Future growth will depend not only on headquarters drawing up and implementing strategies, but also on franchisees themselves fully understanding these strategies and putting them into practice: this is the key point.

Through our campaign to promote the "FamilyMart feel" we are further deepening the sense of unity between franchise stores and headquarters, and making our business stronger, store by store. These bonds cannot be created overnight, but I believe this unity will be one of our greatest strengths as we pursue future growth.

Secondly, regarding future prospects, we have already established a network of hubs for service businesses, typified by the Famiport Multimedia Terminals. I believe the main battleground for competition

#### ■ Year-on-year Change in Number of Customers on an Existing Store Basis (non-consolidated)







in the future will shift to service businesses. FamilyMart has already completed the groundwork for this, and I believe we now have a major advantage over rival chains.

### Issues to Be Addressed

## Measures to Maintain a Profitable Network

We recognize that many issues remain to be addressed. Competition over store-openings is no longer the most critical issue. The most serious problem facing the industry is a lack of franchisees. I believe that the decline in the number of stores will weaken their brand value and the network as a whole. I see this as a business opportunity for FamilyMart. By keeping store openings consistently ahead of closures under our scrap-and-build policy, we ensure a net increase in stores. Specifically, we have prepared packages aimed at helping franchisees realize their business expansion ambitions through measures such as the multiple-store promotion system and franchise contract “step-up” systems, to encourage store managers with real commitment to join us. We have also been early to roll out corporate franchise contracts. In future, by making further improvements to the terms of our franchise contracts, we hope to respond to change in our market, positioning us as a chain that can attract franchisees with the prospect of higher earnings.

Also raised as an issue last fiscal year was average daily sales per store of new stores. We have succeeded in boosting sales by ¥19,000 per day (year-on-year basis) to ¥425,000, but we are going to aim still higher. In fiscal 2008, through the Metropolitan-Area Development Department under the Store Development Division, we will strengthen our information-gathering mechanism for premises in the Tokyo area, and encourage large corporations to take on franchise contracts.

I believe that building up franchise numbers through soft membership terms and lower store-opening standards will only increase the number of low-quality stores, and drag down the overall chain. By supporting managers with real commitment, from the development stage to store-opening in locations with high earnings potential, FamilyMart is constructing a store network that generates excellent earnings.

## Medium-Term Vision and Plans for Fiscal 2008

# Consolidating our Position in the Sector and Preparing for the Next Stage

The convenience store sector in Japan has embarked on the next stage of its growth. We believe we will see dramatic changes in the competitive environment within the next five years. This will result from an inevitable screening out of weaker players rather than any realignment at the top of the industry. The victors will then enjoy a next phase of growth. To ensure that FamilyMart is one of them, we plan to draw on the strengths we have built up to realize average daily sales per store of ¥500,000 and a gross profit ratio of 30% within the next few years.

Hence we regard fiscal 2008 as the critical year for cementing our position as one of the leaders in our sector. We aim to thrive in fierce competition by ensuring a sustained, rigorous commitment to getting the basics of retailing right. Furthermore, in recent years, as the traditional concept of the family is eroded by demographic and social change, convenience stores are increasingly expected to share the

burden of providing infrastructure for daily living. In fiscal 2008, we aim to make convenience stores into mechanisms for supporting family life in all its forms, lending a helping hand to women who work, baby-boomers and senior citizens. This will position us for profit growth in fiscal 2008 and beyond, assuring sustained and stable growth in years ahead.

\* For more information, please see page 56~65, "Initiatives for Further Growth"

### ■ Medium-term Goals and Basic Strategy for Fiscal 2008

Medium-term goals
<b>Daily sales of ¥500,000, gross profit ratio of 30%</b>
Basic strategy for fiscal 2008
<b>A year that will position us as a sector leader</b>
<i>"Where You Are One of the Family"</i> A helping hand for the family

## The Next Growth Strategy

# Building a Network of 20,000 Stores Around the World

We intend to further consolidate our business footing in Japan and develop our next growth strategy, the Pan-Pacific Plan. This plan envisages a network of 8,000 stores in Japan and 12,000 stores overseas for a global total of 20,000 stores.

Although our China plans are pivotal to the Pan-Pacific Plan, and our China business is outperforming profit targets, we are developing the optimal business model for that country cautiously. Once we have identified the ideal format, the potential in the major cities alone means that several thousand stores can be opened. Our past experience suggests that, when a franchise business is launched in a new

territory, some 200 stores need to be up and running for the venture to turn a profit. In that light, we are still at the preliminary investment stage in both the China and the United States markets.

Two overseas markets that have moved beyond that stage, and are contributing steadily to the bottom line, are Taiwan and South Korea. The Taiwan market is reaching maturity, but we have managed to increase profits through rigorous attention to service, quality and cleanliness, as well as adaptation of our “FamilyMart feel” campaign to the Taiwan market, following similar success in Japan. In December 2007, we completed the acquisition of business rights for some 160 stores of Nikomart, and expect further positive benefits from this move in years ahead.

In the overseas markets in which we have set up operations, we expect South Korea to show particularly vigorous further growth. We are consolidating our leadership position in that market, where our results have been very strong.

At the same time, in Thailand, we have been steadily overhauling operations at Siam FamilyMart Co., Ltd., with progress more or less as planned.

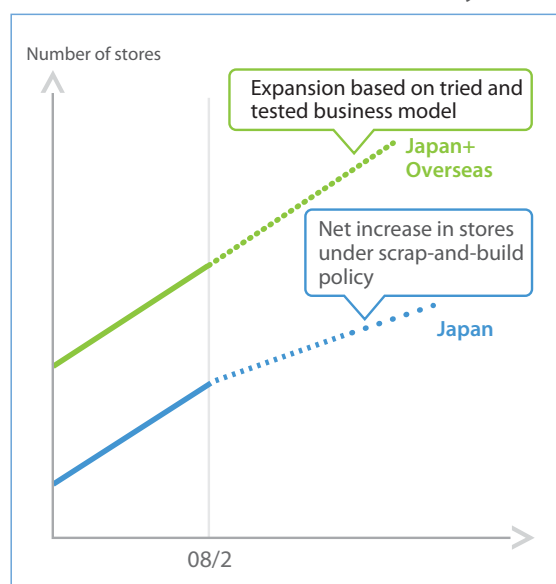
In fiscal 2008, which we have earmarked as a year for solving various problems in the different overseas markets we operate in, we have finally begun the expansion of our global network while consolidating our revenue base in Japan. As a result, in the year ending February 2009, we plan to increase the number of overseas stores by 640 to 7,328, bringing the total of stores in Japan and overseas to 14,740.

#### ■ FamilyMart Stores in Japan and Overseas (including area franchise stores)

	08/2	09/2* (Est.)	Increase of
Japan	7,187	7,412	225
Taiwan	2,247	2,359	112
South Korea	3,787	4,187	400
Thailand	507	571	64
China	136	198	62
United States	11	13	2
Total (overseas)	6,688	7,328	640
Total	13,875	14,740	865

\*The figures for 09/2 do not include the TOMONY stores.

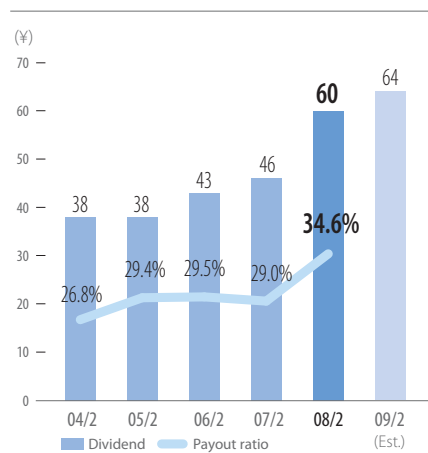
#### ■ Growth in Stores in Fiscal 2007 and Beyond



## Distribution of Profits to Shareholders and Capital Policies

# A Clear Stance on Distribution of Profits to Shareholders

■ Cash Dividends per Share and Payout Ratio



FamilyMart regards the distribution of profits to shareholders as a matter of highest priority. Our basic policy is one of making stable dividend payments, taking earnings performance into due consideration. Up to now, we have used the payout ratio on a non-consolidated basis as the benchmark, but with the increased profit contribution of overseas subsidiaries in particular, we foresaw further imbalance in the consolidated-to-parent ratio and in fiscal 2007 adopted the payout ratio on a consolidated basis as the benchmark. We have increased the target ratio from 30% to 35%. We plan to rethink our dividend payments on the basis of the new benchmark.

For fiscal 2007, the Company has decided to pay a dividend of ¥60 per share, up ¥14 over the previous term, for the third consecutive year of increase.

We plan to raise the annual dividend for fiscal 2008 by ¥4 per share to ¥64.

Regarding appropriation of retained earnings, we will adopt a positive stance on distribution of profits to shareholders, and will retain sufficient earnings to finance investment to promote overseas store-openings and business alliances, as well as to ensure an adequate level of reserves. Stock buybacks (acquisition of own shares) will be carried out when necessary to ensure prompt implementation of capital policy.

## Raising Enterprise Value

# Aiming for Sustainable Growth

We aim to maximize our enterprise value by consolidating our business footing, positioning ourselves for sustainable growth, and paying rigorous attention to the basics — resolving the obvious issues through the obvious solutions.

Another issue will be the increased pressure faced by all convenience stores to meet societal obligations in areas such as food safety and combating global warming and other environmental problems. Our goal is to become a company which is supported by all of its stakeholders, and which meets all its societal responsibilities, through an exemplary corporate commitment to better quality management systems, reduction of carbon dioxide emissions, and recycling of food products. I would like to thank our stakeholders for their continued support for our endeavours.

President and Chief Executive Officer

# Aiming for Sustainable Growth

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Our measures to strengthen the “FamilyMart Feel”



Keeping “Famimaship” close to my heart, I undertake corporate management with great enthusiasm. I want FamilyMart to be a place where individual staff members, through their work, can realize their dreams, and our entire chain of stores is full of vitality.

President and  
Chief Executive Officer



I deal with a wide range of legal issues. In devising solutions, I do my best to take into account the needs of both FamilyMart and our customers.

Legal affairs



I deliver temperature-controlled fresh produce. I put safety and product integrity first, while aiming to satisfy both the stores and our customers.

Product deliveries



I always greet customers warmly when they enter the store, because I want them to feel relaxed and “at home.”

Store staff

# Environmental Protection Activities

## Environmental Policy

In line with the FamilyMart Environmental Policy, we have a rolling program of global environmental protection activities.

### FamilyMart Environmental Policy (overview)

#### 1. Caring for the environment through our business activities

- Providing safe, worry-free products and services that are environment-friendly
- Environment-friendly product delivery
- Environment-friendly store facilities
- Store operating and waste management policies that respect the local and wider community
- Environment-friendly offices and Company vehicles

#### 2. Respecting environmental laws and regulations

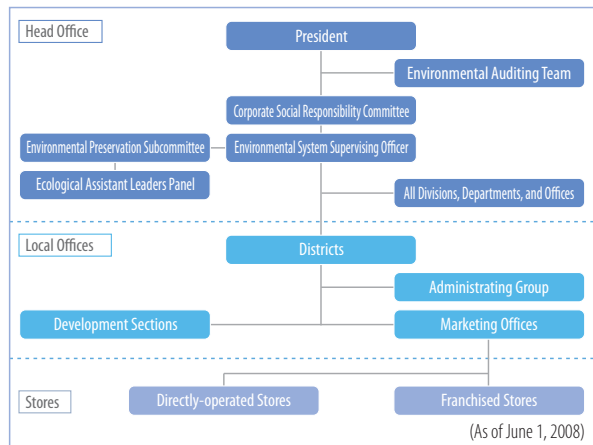
#### 3. Organizations and awareness-raising

#### 4. Publicizing our Environmental Policy

## 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.

### Environmental Management System Operating Organization



## Environment-conscious Corporate Activities

On the basis of the ISO 14001 environmental management systems certification that FamilyMart has obtained, new goals are set each year for all products, services and 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.

Category	Principal Measures Implemented
Products and Services	<ul style="list-style-type: none"> <li>■ Redesigning products in the “We Love Green” environmentally-conscious private brand</li> <li>■ Promoting environment-friendly packaging materials (plastic from biomass) and paper packaging</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>■ Replacing our delivery vehicles with new models featuring lower harmful gas emissions</li> <li>■ Improving the fuel consumption efficiency of all vehicles used by our delivery centers by ensuring that they are driven at optimally fuel-efficient speeds</li> </ul>
Store Infrastructure	<ul style="list-style-type: none"> <li>■ As an energy-saving measure in our stores, introduction of integrated co-generation for air-conditioning, refrigerators and freezers, and of energy-saving equipment (for example, dessert display cases)</li> <li>■ Replacing existing store-façade signs with a new type using white LEDs</li> </ul>
Store Management	<ul style="list-style-type: none"> <li>■ 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</li> <li>■ Taking steps to reduce the number of plastic bags provided to customers</li> </ul>
Offices and Vehicles	<ul style="list-style-type: none"> <li>■ Reducing electric power consumption and the amount of copying paper used</li> <li>■ Ensuring that a large number of paper recycling boxes are placed in highly visible locations</li> <li>■ Gradually replacing existing fleet of company vehicles with low-pollution vehicles; ensuring that vehicles are driven at optimally fuel-efficient speeds</li> </ul>



## Environmental Measures

Convenience is the key to making our customers feel comfortable at FamilyMart stores. However, improving convenience necessarily entails environmental impact. In reducing such impact while offering the convenience that our customers expect, we take an incremental approach, doing what we can day by day. Below are outlines of some of our measures.

### Environment-friendly Packaging

Made mainly from corn, biomass plastic emits less CO<sub>2</sub> than plastics derived from petrochemicals, and at the same time conserves petrochemical resources. In June 2007 FamilyMart launched the use of biomass plastic in two kinds of salad container, and in November expanded its use to egg packaging. Biomass-based plastic helps us work with the customer in reducing the global-warming effect from everyday products.



### Recycling of Waste Materials

To make better use of waste food, we began phasing in our solid organic waste recycling system in 1999. In fiscal 2008, we plan to introduce recycling of waste into liquid animal feed at some of our Tokyo stores.

We also recycle frying oil, which can be used as a raw material for animal feed, soap and detergents. In fiscal 2007, in a new initiative, we added medicated hand soap made partly of waste edible oil materials to the list of items regularly supplied to stores.



### Environment-Friendly Product Delivery

Another measure to reduce environmental impact is the use of low-pollution vehicles for goods delivery to our stores. By the end of fiscal 2007, we had introduced 218 hybrid vehicles equipped with electric motors and diesel engines for this job. Year by year we have reduced the number of vehicles used as we develop ways of making deliveries at multiple temperature ranges, cutting down the number of trips needed. In fiscal 1990, a single FamilyMart store needed 22 delivery vehicle visits a day; in fiscal 2007, we had brought that figure down to eight. In addition, we ensure that our drivers run at optimally fuel-efficient speeds when making deliveries.



### Trial Introduction of LED Signs

Light-emitting diodes (LEDs) save electricity and are long-lasting. Compared with fluorescent lamps, they consume less electric power and need to be replaced less often, making them effective aids in combating global warming. New LED façade signage experimentally introduced in fiscal 2004 has achieved significant cuts, of some 30% to 50%, in power consumption compared with signs using conventional fluorescent lighting. We plan to continue trialing LED lighting, introducing the technology at new stores.



# Contributions to Society

## ■ Social Contribution Policy

Based on the FamilyMart Social Contribution Policy, the Company is involved in a range of activities aimed at bringing about a better society.

### FamilyMart Social Contribution Policy

Through this Policy, FamilyMart works for balanced development at the international and regional levels, and for greater spiritual affluence in society.

1. As a company with international operations, we actively seek to help enrich the global community and support environmental protection.
2. To meet the expectations of local communities and win their trust, we take care to build links and prosper in harmony with them.
3. As part of our role in helping create safe, secure neighborhoods, we take various measures to help local parents keep their children out of trouble.
4. We support the individual efforts of our employees to get involved in social contribution activities.

## ■ Collection of Donations at Our Counters

Through the FamilyMart Connecting Dreams Foundation, we collect charitable donations at our counters. We act as a channel for customer donations which go to NPOs and NGOs involved in initiatives to help children and create a better future for Japan and the world. Donations are distributed equally among four organizations: Japan Association for the United Nations World Food Program, Save the Children Japan, the National Land Afforestation Promotion Organization, and Environmental Restoration and Conservation Agency of Japan.



## ■ Emergency Relief Donations

We also have a system in place that enables the Company's management, in the event of a large-scale natural disaster, to e-mail all stores and order the immediate launch of collection of donations of money to be used for relief. In fiscal 2007, this emergency donation collection system went into action on two occasions, at the time of the Noto Peninsula and Niigata-Chuetsu earthquakes. Thanks to the generous support of our customers, we were able to send a significant sum of money to the affected areas.

## ■ A Lifeline in Disasters and Emergencies

As FamilyMart stores are located at neighborhood hubs, and as the majority of them are open for business around the clock, every day of the year, they naturally become part of local lifeline services in the event of a major earthquake or other disaster, ensuring steady supplies of daily necessities. They can also serve as support and liaison points for people unable to return home. In fiscal 2007 we signed agreements on this matter with six prefectures, Ehime, Ishikawa, Nagasaki, Akita, Osaka and Fukuoka. At the end of February 2008, we had signed agreements on merchandise supplies with 13 prefectures, and, with regard to relief measures for disaster victims unable to return home, agreements with nine prefectures and other local governments.

## Participation in the Bellmark Campaign

FamilyMart has become the first company in the retail sector to join the Bellmark campaign\*, operated by the Bellmark Foundation. Since April 2008, all of our rice-ball products have carried the Bellmark logo on their packaging. This program will help bring us still closer to the community through our store operations, enabling us to serve as a bridge between customers and neighborhood communities.

\*Bellmark: Participating companies contribute for classroom equipment purchases based on points on Bellmark product labels (collected by PTAs).



## Helping Developing Countries: The ¥20-Meal Movement

FamilyMart Shonan training center for regular employees and franchisees participates in the TABLE FOR TWO initiative. In this project, ¥20 is set aside each time a participant in a developed country eats a healthy meal, and then used to subsidize a meal eaten in a developing country. The donations, remitted by the TABLE FOR TWO secretariat, are used for school meals in developing countries.

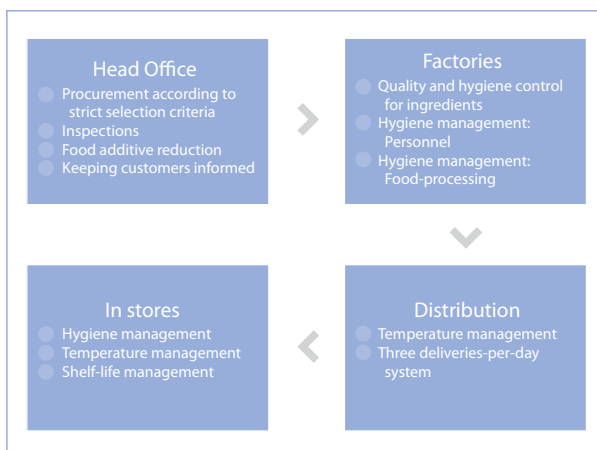
## Food Security and Safety

### Comprehensive Quality Control System

To ensure supplies of fresh, safe and worry-free products to our customers at all times, FamilyMart subjects ingredients in ready-to-eat meals\* to strict quality control standards in all processes from procurement through production, delivery and sale. At every stage, specialist external agencies carry out bacterial and laboratory inspections. We deliver to our customers products that meet not only legal standards but also our own still more rigorous quality control criteria.

\*Ready-to-eat meals: Fast food, rice balls, sushi, boxed lunches, cooked noodles, delicatessen items, salads, savory and sweet rolls and pastries, desserts and other food products.

#### Quality Control System



### Doing More to Ensure that Our Products are Safe and Worry-Free

Through its day-to-day food safety management meetings, FamilyMart encourages the representatives (presidents) of all our business partners that supply us with ready-to-eat meals to show greater commitment to food safety and security. To ensure the most rigorous quality control, we encourage all suppliers of ready-to-eat products to acquire ISO 9001 certification, and retain experts qualified in ISO 9001 inspection at our Head Office Quality Control Department to offer guidance at all plants. By the end of fiscal 2008, we target 100% acquisition of ISO 9001 at all suppliers of ready-to-eat products as we go about further raising quality control levels.

## Together with Franchisees and Employees

### Partnership with Franchisees

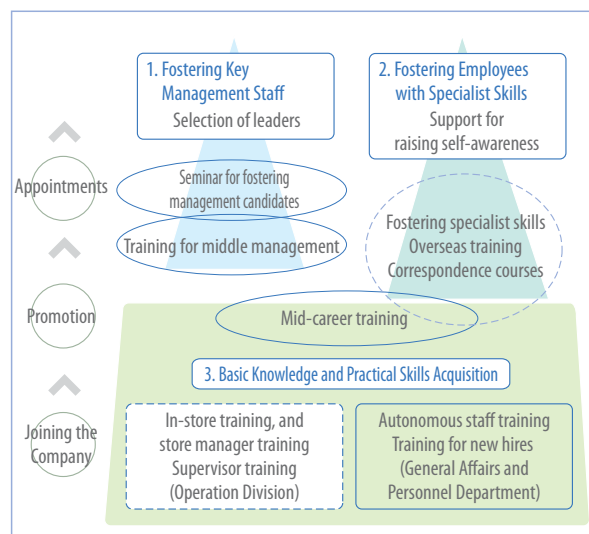
The franchise owners and the FamilyMart head office function as separate business entities (partners). They pursue growth goals in partnership.

At briefings held at the beginning of each fiscal year, upcoming business policies are explained to all franchisees. At the "Famimaship Forum," held twice a year, new product briefings are given for everybody, with showcasing of ideas for creating retail spaces with the "FamilyMart feel." We also run the Store Staff Total (SST) system (please see page 57) for training and skills development for store staff, who are the key to successful store management, and supervisor support systems. These are examples of our support for stable management and sales expansion at franchise stores.

### Staff Training and Skills Development Programs

In fiscal 2007, we launched the Famima Academy for fostering key management staff and employees with specialist skills. In this initiative, 80% of the training costs of those completing official correspondence courses incorporated into our career development support system are subsidized by the Company. By creating new opportunities for training through seminars and correspondence courses, we aim to help our employees to think and act more effectively on their own initiative.

#### Famima Academy



# 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

As of June 1, 2008, the Company's Board of Directors comprises 11 directors. Regular meetings of the Board are held once every month to decide on important matters affecting the Company's business operations, and to perform supervisory duties. FamilyMart has adopted the executive officer system, with transfer of substantial executive authority to executive officers, as part of efforts to speed up the taking and execution of decisions affecting operations. We have also set up a Risk Management & Compliance Committee to coordinate risk management systems and strengthen our mechanisms for observance of all laws and ethical norms, and an Internal Control Department to establish an internal control system and entrench corporate governance at FamilyMart.

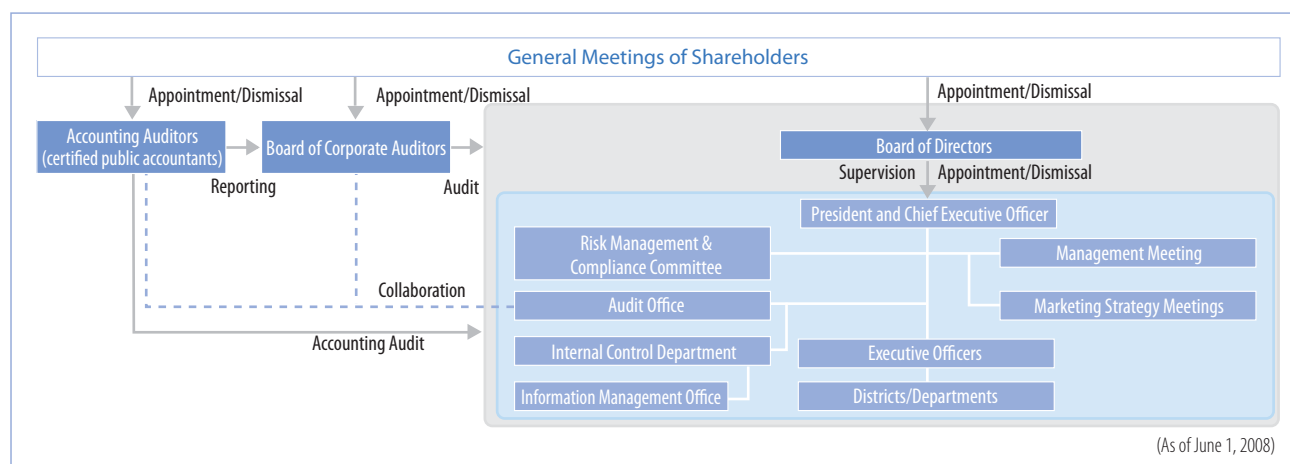
As an internal auditing unit, the Company's

organization includes the Audit Office, which reports directly to the President of the Company. Taking a Companywide perspective, Audit Office staff examine business operations in terms of efficiency of performance, risk management and compliance. They also conduct thorough checks on progress in implementation of Audit Office directives and proposals, exchange information and liaise with internal audit staff of other Group companies.

The Company's Board of Corporate Auditors consists of four members, of whom two are outside corporate auditors. The auditors sit in on meetings of the Board of Directors and other high-level managerial meetings, and inspect the state of the Company's business operations and financial position after reading documents on important management decisions. They also maintain close contact with the Audit Office and other related units, and hold regular liaison meetings with corporate auditors of Group companies to ensure a sound governance system throughout FamilyMart 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 Corporate Law and Financial Instruments and Exchange Law. The accounting auditors, as an independent organization, examines the financial statements and other financial documents of the Company. Upon receiving accounting auditors' reports, the Company exchanges opinions on the findings with the accounting auditors.

## Corporate Governance System



## ■ Remuneration of Directors, Corporate Auditors and Independent Auditors

Amounts of remuneration, etc., to directors and corporate auditors  
(Millions of yen)

Directors	245
Corporate auditors	57 (including ¥26 million for outside corporate auditors)

Notes:

1. The above amounts include an ¥88 million increase in the liability for retirement benefits for Directors and corporate auditors for the year (¥76 million for Directors, and ¥11 million for corporate auditors (including ¥5 million for outside corporate auditors)).
2. The above amounts do not include amounts corresponding to salaries and bonuses for Directors who concurrently serve as employees.

Amounts of remuneration to independent auditors

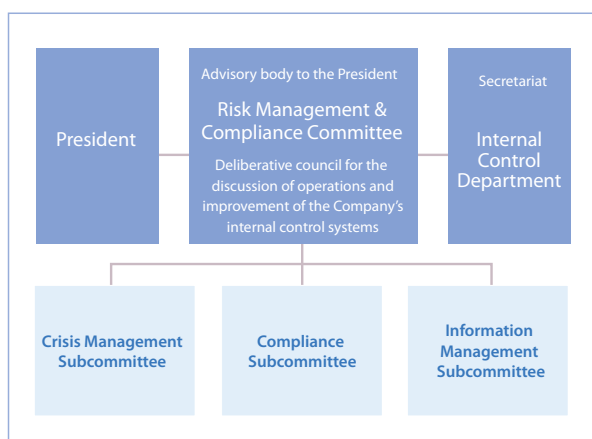
(Millions of yen)

Payment for audit certification	45
Other payments	3

## ■ Structure of Internal Control System

FamilyMart is taking measures to further develop internal controls, based on its Board-approved basic policy on the creation of a more effective internal control system. In December 2007 the Company set up the Internal Control Department, and expanded the role of the existing Risk Management & Compliance Committee to review the adequacy and operational status of internal controls. Under the auspices of this committee, the Company created special working groups for crisis management, compliance and information management. These measures are intended to ensure the best possible risk management, including legal observance in every sphere of operations.

### The Risk Management & Compliance Committee and Its Specialist Subcommittees



## ■ Ensuring the Adequacy of Internal Control Systems

The Internal Control Department undertakes the following measures in its capacity as Companywide coordinator for compliance, internal controls relating to financial reporting, and risk and information management.

### Compliance

The Company has established the FamilyMart Ethics and Compliance Basic Guidelines, the Three-Point Compliance Action Guidelines, and the Compliance Code of Conduct. These documents spell out the Company's compliance policy in specific terms. The introduction of an internal reporting system, through which ethical failures and legal violations may be flagged up, has enabled us to strengthen our ethical and legal observance.

### Compliance Policy



### Internal Controls Relating to Financial Reporting

We have established in-house regulations and reviewed our internal controls to improve the quality of our financial reporting (securities reports, etc). We are taking systematic measures to eliminate the risk of false data being recorded as significant information in our financial statements.

### Risk Management

To ensure due risk management on a Companywide basis, each unit of FamilyMart has compiled a “risk map” with review and categorization — in terms of frequency of occurrence, likely impact and other factors — of the various risk factors to which they are exposed. This will raise risk awareness. Based on the risk map, the Company is completing a set of regulations and a manual on systems and methods for minimizing the impact of risks considered the most serious.

### Information Management

To establish a Companywide system for information management, we have compiled a Basic Policy Document for Information Security for management of confidentiality of data and business operations. We have compiled a Personal Information Protection Policy and drawn up internal regulatory documents to appropriately safeguard personal information relating to major customers and franchisees.

### Acquisition of Privacy Mark

In November 2006, FamilyMart became the first convenience store chain operator in Japan to obtain permission to display the Privacy Mark.\* In February 2007, the same permission was also extended to our e-commerce subsidiary famima.com Co., Ltd.

Looking ahead, we aim to further strengthen our information management measures to win still deeper trust in the FamilyMart brand.

\*Privacy Mark: Indicates approval by Japan Information Processing Development Corporation as conforming with Japanese Industrial Standards JIS Q 15001 for businesses handling personal information.



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

In recent years, we have seen sudden, large-scale stock purchases without due consultation between buyers and the targeted companies, which have damaged the authority of the managements of these companies. To defend against such purchases, which could cause significant damage to the enterprise value of FamilyMart and the common interests of its shareholders, in fiscal 2006 we introduced the Policy (Action against Corporate Acquisition) toward Large-Scale Purchases of FamilyMart Shares. This policy is designed to ensure that shareholders are able to exercise due judgment with regard to any proposed share purchase of this kind, after provision of relevant information by the would-be buyers and allowance of a certain period for review. In May 2008, we received approval for the extension of this policy at the Ordinary General Meeting of Shareholders.

### Disclosure

FamilyMart's IR activities are principally characterized by accuracy, speed of disclosure, and impartiality. In November 2006 we received the Excellent IR Activity Award from the Japan Investor Relations Association. In fiscal 2007, we implemented a variety of IR activities under the firm leadership of our President. These activities include analysts' meetings to explain our interim and year-end business results, overseas IR activities, responses to individual requests for interviews, updating our website, and regularly publishing financial reports and other materials. In response to these efforts, the Security Analysts Association of Japan has ranked FamilyMart as No. 2 of 16 companies in the retail industry for its superior disclosure to securities analysts for the second year in a row. We will continue strengthening our IR activities in the future.

### 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.





# Board of Directors, Executive Officers, and Corporate Auditors



Chairman  
Michio Tanabe



President and Chief Executive Officer  
Junji Ueda

## Chairman

Michio Tanabe

## President and Chief Executive Officer

Junji Ueda

## Senior Managing Directors and Senior Managing Executive Officers

Shisaburo Ueda  
Shinichiro Harima  
Takayuki Yokota

## Managing Director and Managing Executive Officer

Shiro Inoue

## Directors and Managing Executive Officers

Masatsuna Seki  
Yasuhiro Kobe  
Yoshiki Miyamoto  
Toshio Kato  
Motoo Takada

## Managing Executive Officers

Masaaki Kosaka  
Akinori Wada  
Takeshi Takasugi  
Jin Tin Pan

## Senior Executive Officers

Kazushige Ueno  
Katsuo Ito  
Masataka Uesugi

## Executive Officers

Kimichika Iwakiri  
Hisashi Suzuki  
Masami Fujimori  
Tomoyuki Kimura  
Mitsuji Hirata  
Hidemitsu Ozawa  
Takehiko Kigure  
Masanori Sugiura  
Goichi Itokazu  
Toru Ichikawa  
Shigeyuki Ushimaru  
Yoshihito Nakahira

## Standing Corporate Auditors

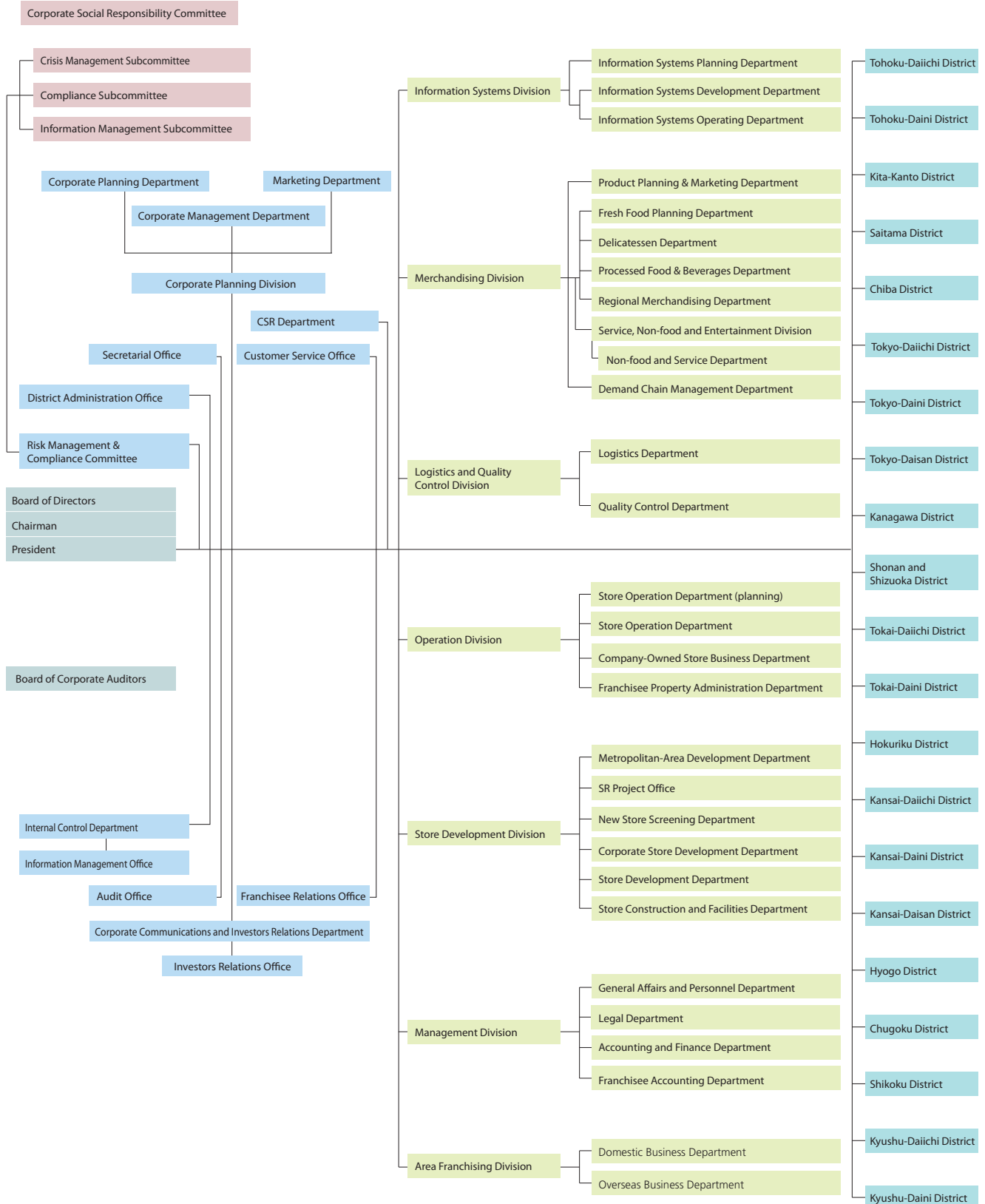
Noboru Nishioka  
Masahiro Asano  
Shota Takahashi

## Corporate Auditor

Takashi Endo

(As of June 1, 2008)

# Organization



(As of June 1, 2008)

## Financial Section

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Our measures to strengthen the "FamilyMart Feel"



Our computer system is key to maintaining customer loyalty. I am committed to developing a system that makes FamilyMart highly competitive through anticipation of customer needs.

System development



To me, the "FamilyMart Feel" means greeting the customers, delivering satisfaction. Each day, I aim to provide our customers with an even warmer and more friendly experience.

Store staff



My job is to devise consistent communication strategies that help mobilize the enthusiasm of franchisees and store staff to more speedily share successful initiatives.

Executive Officer,  
Marketing Department



In my supervisory work, I collaborate closely with franchisees to analyze and solve their problems, opening up bright prospects for their business expansion.

Supervisor

# Consolidated Eight-Year Summary

FamilyMart Co., Ltd. and Consolidated Subsidiaries

Years Ended the Last Day of February

	Millions of yen		
	2008	2007	2006
<b>Results of operations:</b>			
Operating revenues:			
Commission from franchised stores .....	150,351	142,294	138,636
Net sales .....	147,856	134,506	118,551
Other operating revenues .....	21,232	21,049	19,256
Total operating revenues .....	319,439	297,849	276,443
Operating income .....	31,214	29,609	32,662
Net income .....	16,438	14,969	14,195
Net cash provided by operating activities .....	49,375	35,093	42,778
Net cash used in investing activities .....	(24,593)	(32,938)	(32,249)
Net cash provided by (used in) financing activities .....	3,956	(19,155)	(4,238)
<b>Financial position:</b>			
Total assets .....	351,271	315,256	314,121
Total equity (Note 2) .....	191,281	171,155	168,233
<b>Per share of common stock:</b>			
Total equity (in yen and U.S. dollars) (Note 2) .....	1,921.6	1,771.3	1,736.2
Basic net income (in yen and U.S. dollars) .....	173.5	158.8	145.7
Cash dividends applicable to the year (in yen and U.S. dollars) .....	60.0	46.0	43.0
<b>Ratio:</b>			
Equity ratio (%) .....	52.2	51.9	53.6
Return on equity (%) .....	9.5	9.0	8.7
Return on total assets (%) .....	4.9	4.8	4.7
<b>Other data:</b>			
Number of franchised stores and Company-owned stores .....	6,691	6,501	6,284
Number of area franchised stores (including overseas area franchised stores) .....	7,184	6,621	6,168
Number of stores .....	13,875	13,122	12,452
Number of full-time employees .....	6,647	6,735	6,048
Number of shareholders .....	14,933	17,880	17,444
Weighted average number of shares (thousands) .....	94,425	94,037	96,846

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥105=U.S.\$1, the rate prevailing on February 29, 2008.

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

Millions of yen					Thousands of U.S. dollars (Note 1)
2005	2004	2003	2002	2001	2008
132,864	127,164	122,738	116,478	111,729	1,431,914
103,599	87,083	80,952	67,822	54,122	1,408,152
16,438	14,730	13,778	11,305	10,248	202,210
252,901	228,977	217,468	195,605	176,099	3,042,276
30,869	29,093	27,921	23,756	24,123	297,276
12,623	13,788	12,880	8,549	8,112	156,552
1,428	73,593	32,694	34,219	23,305	470,238
(23,183)	(10,719)	(29,327)	(28,812)	(30,980)	(234,219)
(3,922)	(3,892)	(3,626)	(4,338)	(6,160)	37,676
286,771	309,315	250,609	242,517	230,883	3,345,438
156,931	147,524	137,636	130,510	126,190	1,821,724
1,619.5	1,522.3	1,420.4	1,346.6	1,302.2	18.30
129.5	141.5	132.3	87.6	82.8	1.65
38.0	38.0	38.0	38.0	38.0	0.57
54.7	47.7	54.9	53.8	54.6	
8.3	9.7	9.6	6.7	6.5	
4.2	4.9	5.2	3.7	3.7	
5,994	5,770	5,593	5,287	5,275	
5,507	4,556	3,530	2,897	2,341	
11,501	10,326	9,123	8,184	7,616	
5,458	4,675	4,466	4,205	3,917	
18,644	21,173	24,263	28,088	31,429	
96,852	96,857	96,867	96,868	97,107	

# Management's Discussion and Analysis

## Business Environment

During the reporting term ended February 2008, the Japanese economy showed further signs of recovery, as indicated by improved corporate profits and increased private sector-capital investment. By the term-end, however, the economy was experiencing an overall deceleration triggered by soaring oil and raw materials prices, and a full-scale recovery in personal consumption also failed to materialize. The operating environment for convenience stores remained challenging, characterized by greater variation in consumer demand trends, a changing population structure, advances in IT, and intensified competition from players outside the industry.

## Business Performance (non-consolidated)

At a time when the majority of competitors were reporting year-on-year declines in daily sales on an existing store basis, the growth rate of FamilyMart's daily sales on an existing store basis came to 0.9%, marking a return to positive growth for the first time in three years. In recent years, the industry has seen a downward trend in daily sales on an existing store basis. At FamilyMart, we responded to this trend by getting back to the basics of retailing and enhancing our unique strengths – what we call the “FamilyMart Feel” – so as to create a stronger business foundation leading to healthy earnings in the future. In this way, we have worked to win customer loyalty, as evidenced by the continuous rising trend since December 2006 in the number of customers per store on an existing store basis (excluding June 2007, when a decline in cigarette sales was seen, in reaction to a one-time surge in anticipation of a tax hike).

### Business Performance (non-consolidated)

	07/2	08/2	YoY difference
Growth rate of average daily sales per existing stores (%)	(1.4)	0.9	2.3
Average daily sales (existing stores; thousands of yen)	466	473	7
Number of customers (existing stores)	834	858	24

\*The figures above do not reflect the performance results of the TOMONY stores.

## Breakdown of Sales by Product Category (non-consolidated)

A breakdown of sales shows an across-the-board rise in all categories.

In fast food categories, sales rose 7.2% as a result of our positioning this category as one of the priority categories. An especially strong performance was recorded in fried chicken, “Fami-chiki” boneless fried chicken, and *oden* (Japanese-style stewed hodgepodge).

In the daily food category, not only did our ready-to-eat “Three-Star Pasta” and other prepared noodle dishes post a strong growth in sales, but rice balls, bread and pastries, chilled beverages, and desserts also showed a substantial year-on-year increase in sales. To respond to the preferences of individual local markets, we have expanded the number of Famima Fresh corners, where we sell fresh vegetables and prepared food kits, to approximately 1,000 of our stores primarily in the three major metropolises of Tokyo, Osaka, and Nagoya. This, in turn, has led to a rise in sales of fresh produce and related items. Amid increasingly severe, industry-wide competition in boxed lunches, we were able to enhance the attractiveness of our offerings, which contributed to a turnaround in sales for these items. As a result, sales of daily food category rose 5.8% year-on-year.

In processed foods, sales rose 4.7% year-on-year, thanks to a strong performance by beverages, liquor, confectionery, and ice cream.

In the non-food category, selected items among our product lineup faced intensified competition from discount stores and other competitors from outside the industry. This decline was offset by an increase in sales of cigarettes, which led to a year-on-year rise of 4.5% in sales in this category. We expect this upward trend to continue in the current fiscal year, given that from July 2008 consumers will be required to use *taspo* IC cards for age verification when purchasing cigarettes from vending machines.

In services, revenue increased 1.7% year-on-year, supported by growth in sales of stamps, post cards, and express delivery services.

Sales in the e-commerce field also grew, up 2.8% over the previous year, attributable largely to a rise in online ticket sales.

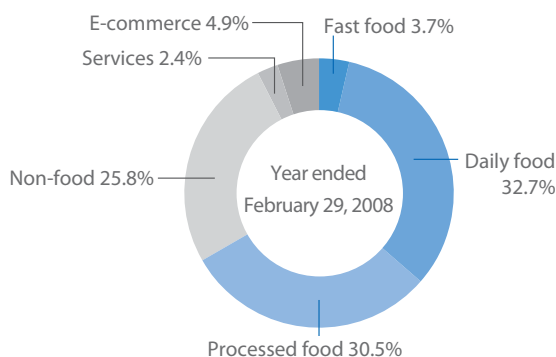


### Breakdown of Sales by Product Category (non-consolidated)

(Millions of yen)

	07/2	08/2	YoY change
Fast food	38,502	41,286	7.2%
Daily food	346,725	366,960	5.8%
Processed food	327,043	342,502	4.7%
Non-food	276,656	289,239	4.5%
Services	26,935	27,401	1.7%
E-commerce	52,961	54,450	2.8%
Total	1,068,822	1,121,838	5.0%

### Sales by Product Category (non-consolidated)



### Gross Profit Ratio (non-consolidated)

There was a rise in the contribution to sales ratio of cigarettes, which have a low profit ratio. Sales also grew for ready-to-eat foods, which have a high profit ratio. In addition, our efforts to improve gross profit ratios, particularly of food products, resulted in a gross profit ratio of 29.18%, up 0.23 of a percentage point from the previous year.

### Gross Profit Ratio (non-consolidated)

	07/2	08/2	YoY difference
Gross profit ratio (%)	28.95	29.18	0.23

\*The figures above do not reflect the performance results of the TOMONY stores.

### Store Development

We are continuing to open stores in new markets, such as expressway service areas and hospitals, with the aim of further

enhancing customer convenience and responding to unmet customer needs. Adopting a new retail format, in July 2007 we commenced joint development of the TOMONY store format for shopping areas inside station buildings operated by Seibu Railway in the Tokyo area. During the reporting term, we opened 515 new stores (excluding five newly opened TOMONY stores), and closed 330 stores (which includes 67 stores under the scrap and build category). As of the term-end, we had a total of 6,691 stores. This marks an increase of 190 stores over the previous fiscal year-end. Amid the implementation of more rigorous standards for new store openings, new store daily sales reached ¥425,000, a year-on-year rise of ¥19,000, primarily attributable to the strategy of concentrating new store openings in Japan's three major metropolises, where the level of daily sales is the highest.

As of the term-end, FamilyMart had a total of 7,187 stores operating in Japan, including stores operated under three domestic area franchisers. Regarding overseas expansion by area franchisers, a new store began operation in Suzhou, in China's Jiangsu Province, in September 2007. As a result, the number of stores operating in the overseas markets of Taiwan, South Korea, Thailand, China, and the United States totaled 6,688, bringing the grand total to 13,875 stores in the FamilyMart chain.

### Store Development Performance (non-consolidated)

	07/2	08/2	YoY difference
Store openings	586	515	(71)
Store closures	369	330	(39)
Scrap and build	53	67	14
Average daily sales per store (new stores; thousands of yen)	406	425	19

\*The figures above do not reflect the performance results of the TOMONY stores.

### Number of Stores (including area franchised stores)

	07/2	08/2	YoY difference
Japan	6,974	7,187	213
Overseas	6,148	6,688	540
Total chain stores	13,122	13,875	753

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

The FamilyMart Group, headed by FamilyMart Co., Ltd. ("the Company"), comprises 28 companies, consisting of 12 subsidiaries (7 consolidated subsidiaries and 4 unconsolidated subsidiaries accounted for by the equity method), and 15 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 been actively diversifying into the operation of e-commerce and other related services.

On a consolidated basis, total operating revenues, consisting of commissions from franchised stores, sales at directly-operated stores and other operating revenues, grew by ¥21,590 million, or 7.2%, to ¥319,439 million (US\$3,042 million). Of this total, operating revenues from convenience store operations rose ¥19,251 million, or 8.0%, to ¥260,576 million, owing to increases in commissions from franchise stores and sales at Company-owned stores. Operating revenues from the e-commerce business rose ¥2,055 million, or 3.7%, to ¥57,770 million, thanks to growth in revenues from the Famiport Multimedia Terminals, among others.

Total operating expenses increased ¥19,985 million, or 7.5%, to ¥288,225 million (US\$2,745 million). This is attributable to an increase in the expenses for the convenience store business, which more than cancelled out a decrease in SG&A expenses for the e-commerce business owing to initiatives to improve the earnings structure including the introduction of

new Famiport Multimedia Terminals. In the convenience store business, SG&A expenses rose, primarily due to expenditures for a store-management system for new stores, in addition to a rise in rents accompanying growth in the number of stores.

As a result, operating income rose ¥1,605 million, or 5.4%, to ¥31,214 million (US\$297 million) year on year. Of this total, operating income from convenience store operations increased ¥1,340 million, or 4.0%, to ¥35,040 million, while operating income from e-commerce grew ¥599 million, or 124.1%, to ¥1,081 million.

A net figure for "other expenses" of ¥2,382 million (US\$23 million) was registered for the reporting period, a year-on-year decrease of ¥477 million, or 16.7%. This was despite increases in interest received and gains on equity-method investments.

Consequently, income before income taxes and minority interests came to ¥28,832 million (US\$275 million), up ¥2,082 million, or 7.8%, from the previous business term. Net income rose ¥1,469 million, or 9.8%, to ¥16,438 million (US\$157 million).

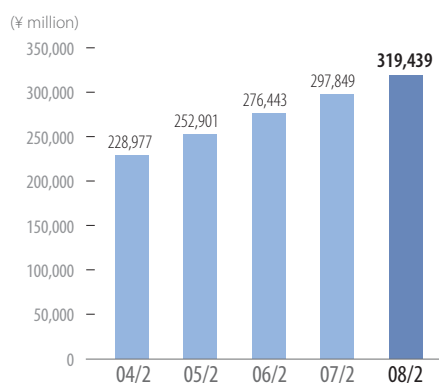
Earnings per share amounted to ¥173.5 (US\$1.65).

## Financial Position

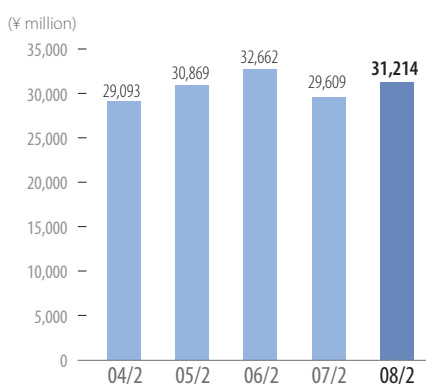
Total assets at the reporting term-end amounted to ¥351,271 million (US\$3,345 million), an increase of ¥36,015 million, or 11.4%, over the previous term-end.

Current assets came to ¥159,575 million (US\$1,520 million), up ¥28,646 million from the previous term-end. This was

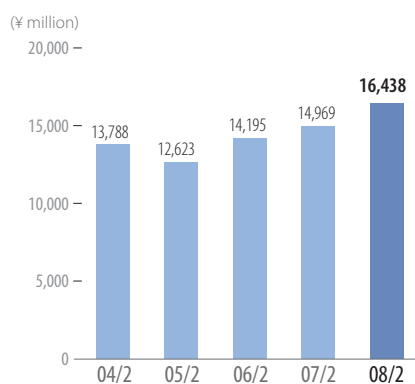
Operating Revenues



Operating Income



Net Income



due largely to an increase in retained earnings, as well as a rise in cash and cash equivalents and marketable and investment securities accompanying the sale of own shares.

The book value of property and store facilities fell ¥2,563 million to ¥52,695 million (US\$502 million). This decline is mainly attributable to the disposal of properties primarily due to store closure and renovation.

Investments and other assets rose ¥9,932 million, to ¥139,001 million (US\$1,324 million), principally owing to the increase in store-related leasehold deposits.

Total liabilities increased ¥15,889 million (11.0%) to ¥159,990 million (US\$1,524 million).

Current liabilities grew ¥15,566 million to ¥141,929 million (US\$1,352 million), due primarily to growth in trade payables and a rise in utility payments received from customers.

Long-term liabilities rose by ¥323 million to ¥18,061 million (US\$172 million). This is attributable primarily to the posting of higher losses on long-term lease assets under impairment accounting.

As a result, total equity came to ¥191,281 million (US\$1,822 million), while the equity ratio rose slightly, from 51.9% to 52.2%. Total equity per share amounted to ¥1,921.6.

## Cash Flows

The term-end balance of cash and cash equivalents stood at ¥98,844 million (US\$941 million), up ¥29,293 million, or 42.1% year-on-year.

Net cash provided by operating activities came to ¥49,375 million (US\$470 million), up ¥14,282 million. This is mainly attributable to a ¥2,082 million increase in income before income taxes, a ¥3,850 million rise in trade payables, and a ¥2,508 million increase in deposits received, as well as a ¥1,874 million decrease in income tax payments.

Net cash used in investing activities reached ¥24,593 million (US\$234 million), down ¥8,345 million. This is primarily due to a ¥19,083 million decrease in purchases of marketable and investment securities, and a ¥6,646 million decrease in purchases of property and store facilities, software and other

intangible assets. This more than offset a ¥15,725 million decline in proceeds from sales and redemption at maturity of marketable and investment securities.

Net cash provided by financing activities came to ¥3,956 million (US\$38 million), compared with an outflow of ¥19,155 million for the previous period, mainly owing to a ¥16,447 million decline in expenditures for the purchase of own shares, and a ¥6,976 million increase in proceeds from the sale of shares 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 management has decided to pay an annual per-share dividend (including an interim dividend) of ¥60 (US\$0.57) for the reporting term, up ¥14 over the previous period.

For the current term, ending February 2009, the Company plans to increase its annual per-share dividend to ¥64 (US\$0.61).

## Outlook

In the current term, the deceleration of the U.S. economy and the surge in the price of oil and raw materials is expected to have a dampening effect on Japan's economic growth. With a full-scale recovery in consumer spending unlikely, we expect our operating environment to become increasingly harsh.

Against this backdrop, FamilyMart will help all of its franchisees to achieve growth and improve their profitability, through further enhancement of our franchiser function. We are working to increase daily sales by strictly enforcing service, quality and cleanliness (SQ&C) with the aim of maximizing customer satisfaction, improving precision in the ordering of merchandise to prevent product shortages, and strengthening merchandising to raise the value of daily sales

per store. Efforts to improve merchandising include the use of five temperatures zones, ranging from frozen to hot, in the handling of products, enabling the creation of new product categories and the development of new products.

In addition, we will continue working to improve our universal services by expanding the menu of services offered utilizing our current telecommunications infrastructure, which includes an electronic money settlement service and our T-POINT program, so as to further enhance customer convenience.

With regard to store development, we again have many new store openings planned in the current term. Our goal is to maintain our dominance in selected areas of Japan's 47 prefectures, but especially in the three major metropolises, and simultaneously to expand our operations as well as enter new markets and attract corporate franchisees.

As a result, for the current term we estimate a 2.5% rise in daily sales on an existing store basis (with the introduction of *taspo*, accounting for a one percentage point rise in the daily sales total), a 0.08 of a percentage point improvement in the gross profit ratio to 29.26% (with the introduction of *taspo* expected to exert a downward effect of 0.19 of a percentage point on the gross profit ratio). We plan to open 550 new stores, and close 350 stores, and are targeting daily sales of ¥445,000 at new stores. With regard to our overseas operations, we plan to continue actively expanding in various markets in Asia and in the U.S.

In our e-commerce operations, which are being managed by the company famima.com. Co., Ltd., we have developed new contents for Famiport Multimedia Terminals, and have expanded our lineup of original products. The Famima Credit Corporation has formed an alliance with the Culture Convenience Club Group. The collaboration with the Culture Convenience Club Group not only allows for enhanced customer convenience through the mutual sharing of card points, but also will enable Famima Credit Corporation to strengthen its revenue base.

Our target for the current term, on a consolidated basis, is for an 11.4% decline in operating revenues to ¥282,900

million (US\$2,694 million), a 3.8% rise in operating income to ¥32,400 million (US\$309 million), and for net income of ¥16,600 million (US\$158 million), up 1.0% year on year.

With regard to revenue recognition of famima.com. Co., Ltd., commission revenues from consignment agreements which had previously been disclosed on a gross basis (i.e. with the posting of both gross commission revenues and corresponding expenses) are now being reported on a net basis (as net commission revenues) in line with the Accounting Standards Board of Japan statement No. 17 "Practical Solution on Revenue Recognition of Software Transactions" (released March 30, 2006). Our target for operating revenue takes this accounting change into consideration. We expect this change to have no material impact on our earnings results.

#### Operational Results (non-consolidated)

	08/2	09/2 (Est.)	YoY difference
Average daily sales (total stores; thousands of yen)	471	490	19
Growth rate of average daily sales per existing store (%)	0.9	2.5	1.6
Gross profit ratio (%)	29.18	29.26	0.08
Average daily sales (new stores; thousands of yen)	425	445	20
Store openings	515	550	35
Store closures	330	350	20

\*The figures above do not reflect the performance results of the TOMONY stores.

#### Business Performance Results (consolidated)

(Millions of yen)

	08/2	09/2 (Est.)	YoY change
Operating revenues	319,439	282,900	(11.4)%
Operating income	31,214	32,400	3.8%
Net income	16,438	16,600	1.0%

# 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 29, 2008 and February 28, 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 98,844	¥ 69,551	\$ 941,371
Time deposits .....	5	5	48
Marketable securities (Note 5) .....	3,771	5,980	35,914
Receivables:			
Due from franchised stores (Note 4).....	8,449	8,949	80,467
Other .....	19,654	19,283	187,181
Allowance for doubtful receivables.....	(289)	(1,274)	(2,752)
Merchandise and supplies.....	8,100	8,446	77,143
Deferred tax assets (Note 11) .....	2,551	2,342	24,295
Prepaid expenses and other current assets.....	18,490	17,647	176,095
Total current assets .....	159,575	130,929	1,519,762
<b>Property and store facilities (Note 6):</b>			
Land .....	11,850	12,587	112,857
Buildings and structures.....	54,736	54,028	521,295
Machinery and equipment.....	3,486	3,673	33,200
Furniture and fixtures.....	36,660	38,324	349,143
Construction in progress .....	939	1,084	8,943
Total .....	107,671	109,696	1,025,438
Accumulated depreciation.....	(54,976)	(54,438)	(523,581)
Net property and store facilities.....	52,695	55,258	501,857
<b>Investments and other assets:</b>			
Investment securities (Note 5) .....	8,544	10,709	81,371
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3 and 17).....	18,633	16,178	177,457
Software .....	5,168	4,673	49,219
Goodwill (Note 7) .....	2,602	786	24,781
Leasehold deposits .....	91,273	86,149	869,267
Deferred tax assets (Note 11) .....	3,775	3,292	35,953
Other assets .....	9,006	7,282	85,771
Total investments and other assets .....	139,001	129,069	1,323,819
<b>Total .....</b>	<b>¥351,271</b>	<b>¥315,256</b>	<b>\$3,345,438</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 8) .....	¥ 309	¥ 617	\$ 2,943
Payables:			
Trade notes .....	741	784	7,057
Trade accounts for franchised and Company-owned stores .....	64,763	60,563	616,790
Due to franchised stores (Note 4) .....	3,013	2,839	28,695
Other .....	17,281	15,447	164,581
Income taxes payable (Note 11) .....	7,135	4,627	67,952
Deposit received (Note 4) .....	42,230	35,601	402,190
Accrued expenses .....	3,980	3,343	37,905
Allowance for impairment loss on leased property (Notes 6 and 12) .....	225	188	2,143
Other current liabilities .....	2,252	2,354	21,448
Total current liabilities .....	141,929	126,363	1,351,704
<b>Long-term liabilities:</b>			
Liability for retirement benefits (Note 9) .....	5,734	5,612	54,610
Leasehold deposits from franchised stores .....	10,420	10,555	99,238
Allowance for impairment loss on leased property (Notes 6 and 12) .....	952	747	9,067
Other long-term liabilities .....	955	824	9,095
Total long-term liabilities .....	18,061	17,738	172,010
<b>Commitments and contingent liabilities (Notes 12, 14 and 17)</b>			
<b>Equity (Notes 10 and 16):</b>			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares ...	16,659	16,659	158,657
Capital surplus .....	17,388	17,869	165,600
Retained earnings .....	157,901	146,273	1,503,819
Unrealized gain (loss) on available-for-sale securities (Note 5) .....	(1,062)	139	(10,114)
Foreign currency translation adjustments .....	(44)	(200)	(419)
Treasury stock—at cost, 2,358,840 shares in 2008 and 5,284,600 shares in 2007...	(7,605)	(17,038)	(72,429)
Total .....	183,237	163,702	1,745,114
Minority interests .....	8,044	7,453	76,610
Total equity .....	191,281	171,155	1,821,724
<b>Total .....</b>	<b>¥351,271</b>	<b>¥315,256</b>	<b>\$3,345,438</b>

See notes to consolidated financial statements.



# Consolidated Statements of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2008 and February 28, 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Operating revenues:</b>			
Commission from franchised stores (Note 4) .....	¥150,351	¥142,294	\$1,431,914
Net sales.....	147,856	134,506	1,408,152
Other operating revenues (Notes 3 and 4) .....	21,232	21,049	202,210
Total operating revenues.....	319,439	297,849	3,042,276
<b>Operating expenses:</b>			
Cost of sales .....	118,292	108,839	1,126,590
Selling, general and administrative expenses (Notes 7, 9, 12 and 17) .....	169,933	159,401	1,618,410
Total operating expenses.....	288,225	268,240	2,745,000
Operating income.....	31,214	29,609	297,276
<b>Other income (expenses):</b>			
Interest and dividend income .....	1,870	1,239	17,810
Equity in earnings of unconsolidated subsidiaries and associated companies (Note 6) ....	767	204	7,305
Gain on sales of marketable and investment securities—net .....	86	180	819
Loss on devaluation of marketable and investment securities.....	(33)	(1)	(315)
Loss on disposals/sales of property and store facilities—net .....	(2,427)	(2,441)	(23,114)
Loss on impairment of long-lived assets (Notes 6 and 12).....	(1,966)	(1,437)	(18,724)
Loss on cancellations of lease contracts .....	(1,411)	(1,027)	(13,438)
Other—net (Note 13).....	732	424	6,971
Other expenses—net.....	(2,382)	(2,859)	(22,686)
Income before income taxes and minority interests .....	28,832	26,750	274,590
<b>Income taxes (Note 11):</b>			
Current .....	11,654	9,843	110,991
Deferred.....	113	1,164	1,076
Total income taxes.....	11,767	11,007	112,067
Minority interests in net income .....	627	774	5,971
Net income .....	¥ 16,438	¥ 14,969	\$ 156,552
	Yen		U.S. dollars
<b>Per share of common stock (Notes 2.p and 15):</b>			
Basic net income .....	¥173.5	¥158.8	\$1.65
Cash dividends applicable to the year .....	60.0	46.0	0.57

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2008 and February 28, 2007

	Thousands	Millions of yen								
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
<b>Balance, March 1, 2006</b> .....	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)
<b>Balance, February 28, 2007</b> .....	92,399	16,659	17,869	146,273	139	(200)	(17,038)	163,702	7,453	171,155
Net income .....				16,438				16,438		16,438
Cash dividends, ¥51.0 per share .....				(4,794)				(4,794)		(4,794)
Bonuses to a foreign consolidated subsidiary's directors and corporate auditors .....				(16)				(16)		(16)
Purchase of treasury stock.....	(5)						(16)	(16)		(16)
Sales of treasury stock.....	2,930		(481)				9,449	8,968		8,968
Net change in the year.....					(1,201)	156		(1,045)	591	(454)
<b>Balance, February 29, 2008</b> .....	<b>95,324</b>	<b>¥16,659</b>	<b>¥17,388</b>	<b>¥157,901</b>	<b>¥(1,062)</b>	<b>¥ (44)</b>	<b>¥ (7,605)</b>	<b>¥183,237</b>	<b>¥8,044</b>	<b>¥191,281</b>

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, February 28, 2007 .....	\$158,657	\$170,181	\$1,393,076	\$ 1,324	\$(1,905)	\$(162,267)	\$1,559,066	\$70,981	\$1,630,047
Net income .....			156,552				156,552		156,552
Cash dividends, \$0.49 per share .....			(45,657)				(45,657)		(45,657)
Bonuses to a foreign consolidated subsidiary's directors and corporate auditors .....			(152)				(152)		(152)
Purchase of treasury stock.....						(152)	(152)		(152)
Sales of treasury stock.....		(4,581)				89,990	85,409		85,409
Net change in the year .....				(11,438)	1,486		(9,952)	5,629	(4,323)
Balance, February 29, 2008 .....	\$158,657	\$165,600	\$1,503,819	\$(10,114)	\$ (419)	\$(72,429)	\$1,745,114	\$76,610	\$1,821,724

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2008 and February 28, 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Operating activities:</b>			
Income before income taxes and minority interests .....	¥ 28,832	¥ 26,750	\$ 274,590
Adjustments for:			
Income taxes—paid .....	(9,211)	(11,085)	(87,724)
Depreciation and amortization .....	10,373	11,622	98,790
Reversal of allowance for doubtful receivables .....	19	159	181
Equity in earnings of unconsolidated subsidiaries and associated companies....	(767)	(204)	(7,305)
Gain on devaluation/sale of marketable and investment securities—net.....	(77)	(200)	(733)
Loss on disposals/sales of property and store facilities—net.....	2,427	2,441	23,114
Loss on cancellations of lease contracts.....	970	772	9,238
Loss on impairment of long-lived assets .....	1,966	1,437	18,724
Bonuses to directors and corporate auditors.....	(16)	(64)	(152)
Changes in assets and liabilities:			
Decrease (increase) in due from/to franchised stores—net .....	678	(581)	6,457
Decrease (increase) in merchandise and supplies.....	324	(1,275)	3,086
Increase in payables—trade .....	4,297	447	40,924
Increase in deposit received .....	6,777	4,269	64,543
Increase in liability for retirement benefits.....	124	250	1,181
Other—net .....	2,659	355	25,324
Total adjustments .....	20,543	8,343	195,648
Net cash provided by operating activities.....	49,375	35,093	470,238
<b>Investing activities:</b>			
Increase in time deposits—net .....	(1,027)	(1,076)	(9,781)
Purchases of marketable and investment securities .....	(120,574)	(139,657)	(1,148,324)
Purchases of investment in subsidiaries and associated companies.....	(2,864)	(930)	(27,276)
Proceeds from sales and redemption at maturity of marketable and investment securities.....	122,757	138,482	1,169,114
Payments for long-term loans .....	(1)	(3,984)	(10)
Purchases of property and store facilities, software and other intangible assets...	(11,158)	(17,804)	(106,266)
Proceeds from sales of property and store facilities, software and other intangible assets .....	1,712	4,653	16,305
Payments of leasehold deposits.....	(15,222)	(15,724)	(144,971)
Refunds of leasehold deposits .....	2,979	3,033	28,371
Receipts of leasehold deposits from franchised stores .....	1,760	1,427	16,762
Refunds of leasehold deposits to franchised stores.....	(1,597)	(1,205)	(15,210)
Payments for acquisition of business.....	(1,255)	(299)	(11,952)
Other .....	(103)	146	(981)
Net cash used in investing activities.....	(24,593)	(32,938)	(234,219)
<b>Financing activities:</b>			
Decrease in short-term bank loans.....	(370)		(3,524)
Purchase of treasury stock.....	(16)	(16,463)	(152)
Proceeds from sales of treasury stock.....	8,968	1,992	85,409
Contribution from minority interest shareholders.....	1,435	99	13,667
Dividends paid .....	(4,794)	(4,209)	(45,657)
Dividends paid to minority interest shareholders.....	(1,059)	(957)	(10,086)
Other .....	(208)	383	(1,981)
Net cash provided by (used in) financing activities.....	3,956	(19,155)	37,676
Foreign currency translation adjustments on cash and cash equivalents .....	555	362	5,286
Net increase (decrease) in cash and cash equivalents .....	29,293	(16,638)	278,981
Cash and cash equivalents, beginning of year .....	69,551	86,189	662,390
Cash and cash equivalents, end of year .....	¥ 98,844	¥ 69,551	\$ 941,371

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2008 and February 28, 2007

## 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 Financial Instruments and Exchange Law (formerly, 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.

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 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which FamilyMart Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105 to \$1, the approximate rate of exchange at February 29, 2008. 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 include 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 4 (3 in 2007) unconsolidated subsidiaries and 15 (12 in 2007) associated companies are accounted for by the equity method, including Suzhou FamilyMart Co., Ltd., which was not included previously as an associated company accounted for by the equity method, because Suzhou FamilyMart Co., Ltd. was established in July 2007.

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 differences between the cost and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are included in goodwill and are amortized on a straight-line basis over 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, bond funds and short-term government securities, 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**—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 Accounting Standards Board of Japan (“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 balances of such items as of February 28, 2006 were classified as separate components of equity as of March 1, 2006 in the consolidated statement of changes in equity.

**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. 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.

#### Lessee

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 recognizing lease assets and lease obligations in the balance sheet.

**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 31.46% 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 29, 2008, are as follows:

Name of area franchiser	Area	The Company’s ownership in area franchiser
<b>Subsidiaries:</b>		
Taiwan FamilyMart Co., Ltd. ....	Taiwan	43.37%
Siam FamilyMart Co., Ltd. ....	Thailand	90.41
FAMIMA CORPORATION.....	The United States of America	63.52
<b>Associated companies:</b>		
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 Co., Ltd. ("FMCH"), 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. and Suzhou FamilyMart Co., Ltd. Shanghai FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Shanghai, China and Suzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Suzhou, China.

In addition, FMCH is a holding company of Guangzhou FamilyMart Co., Ltd. Guangzhou FamilyMart Co., Ltd., a 49.50% owned associated company, is an area franchiser in Guangzhou, China.

SFM Holding Co., Ltd., a 96.17% 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 30.10% owned associated company, provides financial services, such as credit card settlement and related services for its customers.

famima Retail Service Co., Ltd., a wholly owned subsidiary, provides accounting and stocktaking services to "FamilyMart" stores in Japan.

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

## 4. Transactions with franchised stores

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

The term of a franchise agreement is generally for 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 29, 2008 and February 28, 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Current:</b>			
Government and corporate bonds.....		¥1,000	
Trust fund investments.....	¥3,771	4,980	\$35,914
Total .....	¥3,771	¥5,980	\$35,914



	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Non-current:</b>			
Marketable equity securities.....	¥4,243	¥ 6,269	\$40,410
Government and corporate bonds.....	3,994	3,991	38,038
Non-marketable equity securities.....	307	449	2,923
Total .....	¥8,544	¥10,709	\$81,371

The carrying amounts and aggregate fair values of marketable and investment securities at February 29, 2008 and February 28, 2007, were as follows:

February 29, 2008	Millions of yen			Fair value
	Cost	Unrealized gains	Unrealized losses	
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	¥6,046	¥419	¥2,222	¥4,243
Debt securities .....	3,771			3,771
Held-to-maturity .....	3,994	36		4,030

February 28, 2007	Millions of yen			Fair value
	Cost	Unrealized gains	Unrealized losses	
<b>Securities classified as:</b>				
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

February 29, 2008	Thousands of U.S. dollars			Fair value
	Cost	Unrealized gains	Unrealized losses	
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	\$57,581	\$3,991	\$21,162	\$40,410
Debt securities .....	35,914			35,914
Held-to-maturity .....	38,038	343		38,381

The carrying amounts of held-to-maturity debt securities included in cash and cash equivalents in the consolidated balance sheet were ¥13,988 million (\$133,219 thousand) at February 29, 2008.

Available-for-sale securities whose fair value is not readily determinable as of February 29, 2008 and February 28, 2007, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Available-for-sale—Equity securities.....	¥307	¥449	\$2.923

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 29, 2008, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due after one year through five years .....	¥3,994	\$38,038

## 6. Long-lived assets

The Group reviewed its long-lived assets for impairment as of the years ended February 29, 2008 and February 28, 2007 and, as a result, recognized an impairment loss of ¥1,966 million (\$18,724

thousand) and ¥1,437 million as other expense for each store due mainly to 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 29, 2008 and February 28, 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Fixed assets and leased property			
Land.....	¥ 196	¥ 407	\$ 1,867
Building .....	963	479	9,171
Leased property .....	542	378	5,162
Others .....	265	173	2,524
Total .....	¥1,966	¥1,437	\$18,724

The recoverable amount of the stores which the Group plans to sell 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 7.31% and 9.71% for the years ended February 29, 2008 and February 28, 2007, respectively.

In addition, some associated companies accounted for by equity method recognized impairment losses using the same methodology. The Group recognized ¥124 million (\$1,181 thousand) and ¥206 million for the years ended February 29, 2008 and February 28, 2007, 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 29, 2008 and February 28, 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Consolidation goodwill.....	¥ 995	¥109	\$ 9,476
Acquisition goodwill .....	1,607	677	15,305
Total .....	¥2,602	¥786	\$24,781

Amortization charged to selling, general and administrative expenses for the years ended February 29, 2008 and February

28, 2007, was ¥516 million (\$4,914 thousand) and ¥473 million, respectively.

## 8. Short-term bank loans

Short-term bank loans as of February 29, 2008 and February 28, 2007, consisted of bank overdrafts. The annual interest rate appli-

cable to the short-term bank loan was 4.3% and 6.4% at February 29, 2008 and February 28, 2007, 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 29, 2008 and February 28, 2007 is ¥535 million (\$5,095 thousand) and ¥494 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 29, 2008 and February 28, 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation .....	¥15,493	¥14,871	\$147,552
Fair value of plan assets.....	(7,572)	(7,843)	(72,114)
Unrecognized actuarial loss .....	(2,707)	(1,900)	(25,781)
Unrecognized transitional obligation .....	(15)	(10)	(142)
Net liability .....	¥ 5,199	¥ 5,118	\$ 49,515

The components of net periodic benefit costs for the years ended February 29, 2008 and February 28, 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost.....	¥1,144	¥1,087	\$10,895
Interest cost .....	262	245	2,495
Expected return on plan assets .....	(293)	(36)	(2,790)
Recognized actuarial loss .....	178	188	1,695
Amortization of transitional obligation.....	4	4	38
Net periodic benefit costs .....	¥1,295	¥1,488	\$12,333

Assumptions used for the years ended February 29, 2008 and February 28, 2007, are set forth as follows:

	2008	2007
Discount rate.....	Primarily 1.7%	Primarily 1.7%
Expected rate of return on plan assets.....	Primarily 2.8%	Primarily 0.9%
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 29, 2008 and February 28, 2007 were ¥115 million (\$1,095 thousand) and ¥122 million, respectively.

## 10. Equity

Since May 1, 2006, Japanese companies have been subject to the 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 provisions 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 29, 2008 and February 28, 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 29, 2008 and February 28, 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Deferred tax assets:</b>			
Provision for doubtful receivables.....	¥ 619	¥ 467	\$ 5,895
Accrued bonuses .....	486	440	4,629
Provision for retirement benefits—employees.....	2,071	2,056	19,724
Provision for retirement benefits—directors and corporate auditors.....	218	201	2,076
Depreciation .....	60	70	571
Loss on disposals of property and store facilities and cancellations of lease contracts .....	433	432	4,124
Loss on impairment of long-lived assets .....	1,411	1,674	13,438
Loss on renewal of store management system .....		463	
Enterprise tax payable .....	593	362	5,648
Unrealized loss on available for sale securities .....	734		6,990
Tax loss carryforwards .....	2,307	2,056	21,971
Other .....	492	431	4,687
Less valuation allowance .....	(2,445)	(2,351)	(23,286)
Total .....	6,979	6,301	66,467
<b>Deferred tax liabilities:</b>			
Special reserve for tax purpose depreciation.....	2	31	19
Undistributed earnings of associated companies.....	651	563	6,200
Unrealized gain on available-for-sale securities.....		73	
Total .....	653	667	6,219
Net deferred tax assets.....	¥6,326	¥5,634	\$60,248

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 29, 2008 and February 28, 2007 is not material.

As of February 29, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,939 million (\$66,086 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
2009.....	¥ 624	\$ 5,944
2010.....	1,091	10,390
2011.....	1,414	13,467
2012.....	986	9,390
2013 and thereafter .....	2,824	26,895
Total .....	¥6,939	\$66,086

## 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 29, 2008 and February 28, 2007, were ¥13,096 million (\$124,724 thousand) and ¥11,203 million, respectively.

The Group recorded impairment losses of ¥542 million (\$5,162 thousand) and ¥378 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 29, 2008 and February 28, 2007, 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 29, 2008 and February 28, 2007, was as follows:

	Millions of yen					
	2008			2007		
	Furniture and fixtures	Software	Total	Furniture and fixtures	Software	Total
Acquisition cost .....	¥76,640	¥4,170	¥80,810	¥70,616	¥3,314	¥73,930
Accumulated depreciation .....	(29,523)	(846)	(30,369)	(25,305)	(180)	(25,485)
Accumulated impairment loss .....	(1,663)		(1,663)	(1,222)		(1,222)
Net leased property .....	¥45,454	¥3,324	¥48,778	¥44,089	¥3,134	¥47,223

	Thousands of U.S. dollars		
	2008		
	Furniture and fixtures	Software	Total
Acquisition cost .....	\$729,905	\$39,714	\$769,619
Accumulated depreciation .....	(281,172)	(8,057)	(289,229)
Accumulated impairment loss .....	(15,838)		(15,838)
Net leased property .....	\$432,895	\$31,657	\$464,552

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year .....	¥11,028	¥ 9,994	\$105,029
Due after one year .....	42,182	41,366	401,733
Total .....	¥53,210	¥51,360	\$506,762

Allowance for impairment loss on leased property of ¥1,177 million (\$11,210 thousand) and ¥935 million as of February 29, 2008 and February 28, 2007 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
	2008	2007	2008
Depreciation expense .....	¥10,990	¥8,899	\$104,667
Interest expense .....	1,407	909	13,400
Total .....	¥12,397	¥9,808	\$118,067
Reversal of allowance for impairment loss on leased property .....	¥ 299	¥ 259	\$ 2,848
Impairment loss .....	542	378	5,162

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 29, 2008 and February 28, 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year .....	¥1,102	¥1,035	\$10,495
Due after one year .....	5,113	5,619	48,695
Total .....	¥6,215	¥6,654	\$59,190

#### As Lessor

The Group subleases certain land and buildings. The subleases are finance leases that do not transfer ownership of leased buildings to the lessee. Receivables under such finance leases as of February 29, 2008 and February 28, 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year .....	¥ 203	¥ 238	\$ 1,933
Due after one year .....	1,520	1,964	14,477
Total .....	¥1,723	¥2,202	\$16,410

The minimum rental commitments under noncancelable operating subleases as of February 29, 2008 and February 28, 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year .....	¥ 250	¥ 303	\$ 2,381
Due after one year .....	1,875	2,456	17,857
Total .....	¥2,125	¥2,759	\$20,238

## 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 29, 2008 and February 28, 2007.

## 14. Contingent liabilities

As of February 29, 2008, 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. ...	¥ 118	\$ 1,124
Guarantee of financial institution loan, borrowed by Famima Credit Corporation .....	3,994	38,038
Guarantee of financial institution loan, borrowed by CCH .....	8	76

## 15. Net income per share

Basis of computation of basic net income per share ("EPS") for the years ended February 29, 2008 and February 28, 2007 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 29, 2008	Net income	Weighted-average shares		EPS
EPS:				
Net income .....	¥16,438			
Bonuses to a foreign consolidated subsidiary's director and corporate auditors.....	(58)			
Net income available to common shareholders.....	¥16,380	94,425	¥173.5	\$1.65
Year ended February 28, 2007				
EPS:				
Net income .....	¥14,969			
Bonuses to a foreign consolidated subsidiary's director and corporate auditors.....	(33)			
Net income available to common shareholders.....	¥14,936	94,037	¥158.8	

## 16. Subsequent event

On April 18, 2008, the following appropriation of retained earnings at February 29, 2008 was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥32.0 (\$0.30) per share .....	¥3,050	\$29,048

## 17. Related party transactions

Transactions of the Company with related parties for the years ended February 29, 2008 and February 28, 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
ITOCHU Corporation—Average short-term deposit balance to ITOCHU Corporation under cash management program .....		¥12,822	
Tadashi Endo (corporate auditor and attorney)—Attorney's fee .....	¥ 31	29	\$ 295
Famima Credit Corporation (associated company):			
Receivable—long-term loans (included investments in and advances to unconsolidated subsidiaries and associated companies) .....	10,000	10,000	95,238
Guarantee of financial institution loan.....	3,994	4,475	38,038

ITOCHU Corporation guaranteed ¥3,168 million (\$30,171 thousand) and ¥5,188 million of the above long-term loans as of February 29, 2008 and February 28, 2007, 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 29, 2008 and February 28, 2007, was as follows:

### (1) Industry Segments

The industry segments of the Company and its subsidiaries for the years ended February 29, 2008 and February 28, 2007, are summarized as follows:

#### a. Operating revenues and operating income

	Millions of yen				
	2008				
	Convenience store business	E-commerce business	Other businesses	Eliminations/Corporate	Consolidated
Operating revenues from outside the Group .....	¥260,576	¥57,770	¥1,093		¥319,439
Intersegment operating revenues.....	183	3,729	1,065	¥(4,977)	
Total operating revenues.....	260,759	61,499	2,158	(4,977)	319,439
Operating expenses .....	225,719	60,418	1,992	96	288,225
Operating income .....	¥ 35,040	¥ 1,081	¥ 166	¥(5,073)	¥ 31,214

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

	Millions of yen				
	2008				
	Convenience store business	E-commerce business	Other businesses	Eliminations/Corporate	Consolidated
Total assets .....	¥239,790	¥6,119	¥11,573	¥93,789	¥351,271
Depreciation .....	9,796	7	53		9,856
Loss on impairment of long-lived assets .....	1,965		1		1,966
Capital expenditures.....	27,390	1	41		27,432

#### a. Operating revenues and operating income

	Thousands of U.S. dollars				
	2008				
	Convenience store business	E-commerce business	Other businesses	Eliminations/Corporate	Consolidated
Operating revenues from outside the Group .....	\$2,481,676	\$550,190	\$10,410		\$3,042,276
Intersegment operating revenues.....	1,743	35,515	10,142	\$(47,400)	
Total operating revenues.....	2,483,419	585,705	20,552	(47,400)	3,042,276
Operating expenses .....	2,149,705	575,410	18,971	914	2,745,000
Operating income .....	\$ 333,714	\$ 10,295	\$ 1,581	\$(48,314)	\$ 297,276

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

	Thousands of U.S. dollars				
	2008				
	Convenience store business	E-commerce business	Other businesses	Eliminations/Corporate	Consolidated
Total assets .....	\$2,283,714	\$58,276	\$110,219	\$893,229	\$3,345,438
Depreciation .....	93,295	67	505		93,867
Loss on impairment of long-lived assets .....	18,714		10		18,724
Capital expenditures.....	260,857	10	390		261,257

**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

**(2) Geographical Segments**

The geographical segments of the Company and its subsidiaries for the years ended February 29, 2008 and February 28, 2007, are summarized as follows:

	Millions of yen				
	2008				
	Japan	Asia	Other area	Eliminations/Corporate	Consolidated
Operating revenues from outside the Group .....	¥268,442	¥49,588	¥ 1,409		¥319,439
Interarea transfers.....	609			¥ (609)	
Total operating revenues.....	269,051	49,588	1,409	(609)	319,439
Operating expenses .....	234,130	47,218	2,413	4,464	288,225
Operating income (loss) .....	¥ 34,921	¥ 2,370	¥(1,004)	¥ (5,073)	¥ 31,214
Total assets .....	¥203,150	¥48,226	¥ 1,638	¥98,257	¥351,271

	Thousands of U.S. dollars				
	2008				
	Japan	Asia	Other area	Eliminations/Corporate	Consolidated
Operating revenues from outside the Group .....	\$2,556,590	\$472,267	\$13,419		\$3,042,276
Interarea transfers.....	5,800			\$ (5,800)	
Total operating revenues.....	2,562,390	472,267	13,419	(5,800)	3,042,276
Operating expenses .....	2,229,810	449,696	22,981	42,513	2,745,000
Operating income (loss) .....	\$ 332,580	\$ 22,571	\$ (9,562)	\$ (48,313)	\$ 297,276
Total assets .....	\$1,934,762	\$459,295	\$15,600	\$935,781	\$3,345,438

	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

**(3) Operating Revenues from Foreign Customers**

Operating revenues from foreign customers for the years ended February 29, 2008 and February 28, 2007, amounted to ¥51,428 million (\$489,790 thousand) and ¥48,404 million, respectively.

## 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 29, 2008 and February 28, 2007, 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 29, 2008 and February 28, 2007, 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.

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 29, 2008

# Corporate Data

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Our measures to strengthen the “FamilyMart Feel”



The “FamilyMart Feel” to me means giving that little bit more consideration to the customer — looking at things from our customers’ perspective, and satisfying their needs one by one.

Store staff



I work on the further development of our Three-Star Pasta series, which has earned FamilyMart a reputation for excellent pasta dishes, uniquely for a convenience store.

Product planning



In line with our action guideline — “exceeding customers’ expectations” — I am principally concerned with ensuring that landowners, franchisees, and all other business partners are fully satisfied.

Store development



FamilyMart is expanding overseas. I warmly welcome visitors to Japan, including area franchise candidates, business partners and clients. In this way, I hope to win new FamilyMart fans worldwide, one person at a time.

Overseas operations



# Store Operation

Our aim for our stores: Hospitality in everything we do



## The Basics of Retailing: Thorough Attention to SQ&C

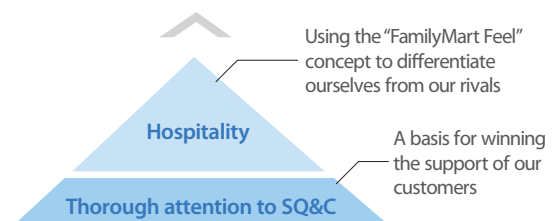
To provide a more enjoyable shopping experience, we prioritize our core commitments.

Thorough attention to service, quality and cleanliness (SQ&C) is the key to creating stores that are popular with our customers. To ensure our stores always offer products and services true to the FamilyMart name and commitment to hospitality, we focus first and foremost on SQ&C, the basis of all we do.

By realizing the concept of the “FamilyMart Feel” at each of our stores, we aim for a higher level of customer satisfaction, ensuring a welcome that makes people feel at home at all our stores.



Being the store of choice for our customers



### Service

Giving the customer prompt, friendly and caring attention

Store staff qualification system: encouraging staff to pass the primary grade

### Quality

A worry-free place to do your shopping, with the products and lineups you want, when you want them

Placing orders based on more accurate demand forecasts, by following the recommendations of the Store System User Committee

### Cleanliness

Cleaning and sanitation management that reaches every corner

Four major cleanliness improvements

- Storefronts
- Counter areas
- Toilets
- Floors

## Training of Store Staff

**We aim to improve service standards by encouraging staff to pass our in-house qualifications.**

Store staff are key to successful store management. We ensure the highest standards through the store Staff Total (SST) system, a proprietary human resources development system created by FamilyMart.

In March 2008 we made changes to our store staff qualification system to make it more effective in practice. As of the end of February 2008, of the approximately 100,000 personnel working at FamilyMart stores around Japan, approximately 50,000 have already passed our primary grade. Data show the higher the number of staff at our stores who have this qualification, the higher are the service levels and the more satisfied are our customers. In fiscal 2008, we aim to have all our store staff acquire our primary grade qualification, to create firmer underpinnings for our overall store operation.

### Store Staff Total (SST) System

SST			
Recruitment, interview, employment, training	Store staff qualification system: appraisal, pay raise and promotion	Raise motivation	Pooling of information

Store staff qualification system	
Qualification	Tasks
Primary grade	Able to perform simple, high-frequency operations (appearance is most important)
Intermediate grade	Able to handle low-frequency, high-difficulty operations
Staff trainer	Able to give training to other staff
Advanced grade	Able to handle emergency situations in name of store manager

### 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.



## Increased Accuracy of Ordering

**We aim to raise the accuracy of ordering to create an optimal merchandise mix.**

Under our SQ&C concept, raising the accuracy of ordering is essential to improving product line-ups. Through the Store System User Committee launched in fiscal 2007, we have been tackling various issues in ordering on an individual store basis, aiming to make the most effective use of our new store management system.

To realize our goal of supplying the products and lineups customers want, when they want them, beginning with fiscal 2008 we are working on the development of an order decision system more closely linked to the number of customer visits and an ordering system that utilizes a single set of standards.

## Creating the “FamilyMart Feel” in our stores

We are steadily expanding our “FamilyMart Feel” activities from store to store. We are already taking a range of measures to ensure maximum hospitality in each of our stores, and creating paradigms for adoption by all our franchisees using our intranet.

### Measures

- Supporting the elderly and customers with young children by carrying their baskets.
- The Best Customer Service Contest, in which customers vote on which staff member in a store is the most helpful. The aim is to improve dialog with the customer, motivate store staff and ensure a better customer welcome.
- To make customers feel welcome, staff decorate their stores with flowers.



# Products

## Product development true to the FamilyMart name



### Three Marketing Strategies

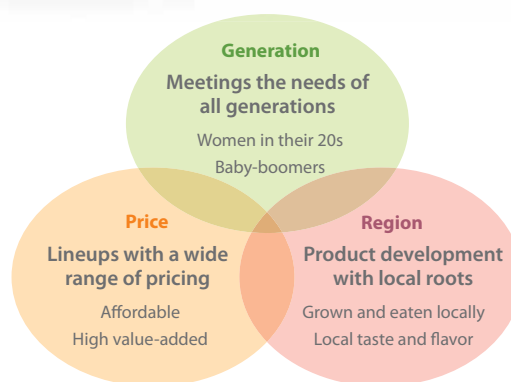
We are developing new products based on three marketing approaches under the **More Changes!** concept.

#### ■ Generation

Our products are tailored to the needs both of our traditional core customers — young men in their 20s and 30s — and of working women and members of the baby-boom generation.

#### ■ Price

As customer preferences diversify, our aim is to achieve a good balance of products at a wide range of prices, from high-quality, low-cost items to high value-added products.



#### ■ Region

We are developing products tailored to local markets. In fiscal 2007, such items accounted for approximately 47% of our sales of priority ready-to-eat foods (rice balls, sushi, boxed lunches, delicatessen items and cooked noodles).



## Six Strategies

Six main strategies for fiscal 2008.

### 1. Strategy for Priority Categories

FamilyMart is working to further widen its lead in its traditional strengths such as pasta, fast food and desserts to achieve complete dominance.



### 2. Cross-Category Brand Strategy

We are creating new brands with universal values such as environment-friendliness and health promotion — going beyond conventional category boundaries.

### 3. Five-Band Temperature Strategy

Using a five-band temperature-zone spectrum from frozen to piping hot, we are using new ingredients and offering customers new dining and taste experiences.

### 4. Regional Strategy

We are developing closer local links in product development, and overhauling our food procurement systems in Japan and overseas, and realizing better product development and promotion through global networks.

### 5. Online Sales Strategy

We plan to create new ways of inducing customers to harness the limitless possibilities of Internet shopping.

### 6. Corporate Social Responsibility Strategy

We participate in the Bellmark campaign as part of our society contribution policy.

(See page 20 for more information)

## Better Lineups in Individual Stores

We aim to revitalize the shelves at existing stores by introducing new product line-ups.

### Famima Wonder Corners

We are overhauling all standardized displays of daily products in our stores in Japan. Franchisees and supervisors are putting forward ideas for displays that surprise and delight customers, and help them feel relaxed. We are creating retail spaces that reinvent the convenience store concept.



### Famima Fresh Corners

At our Famima Fresh corners, we offer fresh foods including vegetables, fruit, meat, fish and prepared-food kits enabling customers to quickly create their own meals. At the end of February 2008, approximately 1,000 stores had introduced this feature.



## Oyaji Project

Employees of FamilyMart and its business partners set up the Oyaji Project in fiscal 2003 (*oyaji* is an affectionate term used for middle-aged men). The project was aimed at developing products for middle-aged male customers. From fiscal 2007 we have operated the project using two teams, one consisting of members in their 40s and 50s and one with members in their late 50s and early 60s. These teams focus on coming up with products closely tailored to the needs of these age groups.

■ Kodawari Saika Gozen boxed meal developed by the Babyboomers team  
¥690



# Store Opening Strategy

## Consolidating our network of stores and exploring new possibilities



### Consolidating Our Network

#### We are systematically creating a framework for a high-quality store network.

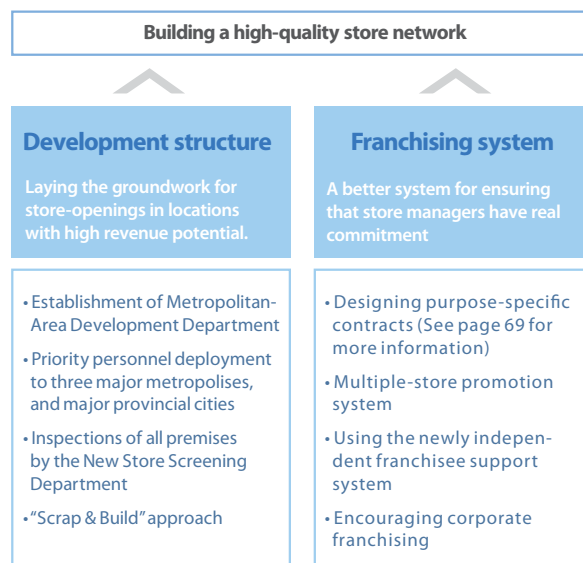
FamilyMart manages its store-opening program under a model in which the management of operations is divided into Districts (regional organizations under the direct control of top management). The Store Development Division and the Districts work together to create a high-quality store network.

In July 2006, we completed extension of our network to all 47 prefectures of Japan. Now we are working to strengthen our dominance in the three major metropolises of Tokyo, Osaka, and Nagoya, as well as in major provincial cities. In fiscal 2008, we established a Metropolitan-Area Development Department within the Store Development Division. We are stepping up information-gathering activities in the Tokyo area, encouraging major companies to become franchisees and offering support at the District level.

Also essential for attracting store managers with real commitment is improvement of the franchising

system. To promote multiple-store operation, we give franchisees under 1FC contracts incentive payments based on performance of their stores other than the first one (Multiple-store promotion system). We have also developed franchising contracts tailored to corporate partners.

\*Multiple-store promotion system: Franchisees must meet certain screening standards established by FamilyMart to apply the system.



## Developing New Markets

### Building a presence in a wider range of markets.

For FamilyMart, new markets means locations traditionally neglected by convenience store operators. To enhance customer convenience, we are aggressively developing such areas. Up to now, we have concentrated on service areas alongside expressways and hotels for opening new outlets, using store designs and product lineups tailored to local conditions to appeal to as many customers as possible.

Airports	Railway stations	Expressways
Office buildings	Shopping facilities	Hotels
Universities	Hospitals	Local government offices
Markets	Factories	Underground shopping centers

## Partnerships in Other Business Sectors

### Exploring new possibilities.

In July 2007, we launched joint development of the TOMONY store format for shopping areas inside station buildings operated by Seibu Railway in the Tokyo area. As of the end of February 2008, we had opened five stores under the project, and plan to steadily convert other existing station retail outlets to the TOMONY format.

We are opening multi-function stores jointly with video rental company TSUTAYA. As both companies have a youth-centered customer base, this arrangement enables mutual utilization of the other partner's core customer base.

This is an example of our pursuit of new business opportunities through partnerships with players in other sectors.



TOMONY



Multi-function store

## Making daily shopping fun: Famima!!

Convenience stores in special facilities such as large office buildings need to offer not only convenience but also an enjoyable experience for customers, who will tend to shop there day after day.

Our flexibly designed Famima!! stores are intended to meet these needs. As of the end of February 2008, 14 of these new-concept stores had been opened.

Thanks to designs that harmonize with the building, Famima!! stores provide customers with a space where they can shop while feeling totally at ease.

We differentiate these outlets from conventional convenience stores by the use of innovative product lineups such as imported stationery and miscellaneous goods, as well as gourmet soups and sandwiches.



Store design for more relaxed shopping



Innovative product lineups



Eat-in corners

# Services

In the future, stores in our sector will be expected to offer customers greater convenience through both merchandise sales and service provision — acting as part of the local social infrastructure. To meet these needs, we are outpacing our rivals in introducing new store management system and building alliances with other companies. Using these infrastructure advantages, we are raising convenience levels and boosting the number of customer visits and sales at our stores.

## Joint point program

### T-POINT service

In November 2007, we joined the T-POINT program of the Culture Convenience Club Group, and launched our T-POINT service, whereby customers who make purchases at FamilyMart can accumulate points by showing their T Card. The points can then be used at stores and sales outlets of other member organizations. One consumer in five in Japan has a T Card, and this alliance is intended to draw more of them into our stores.

(As of the end of February 29, 2008, 43 companies, representing 62 brands, had joined the T-POINT alliance. Cardholders totaled 26.51 million out of the total Japanese population of 127.76 million.)



## E-money settlements

iD

Edy

Suica

iD and Edy can be used for electronic settlements at all of our stores. Suica is accepted at some 2,600 stores in the Tokyo area and the Sendai and Niigata areas.

iD: An electronic settlement service using NTT DoCoMo's mobile phones as credit cards.

Edy: A prepaid e-money system operated by Bitwallet

Suica: A prepaid e-money system operated by JR East



## ATM services

### E-net

Installation of ATM terminals continues.

(There were 5,500 ATMs in our stores as of the end of February 29, 2008, excluding area franchisers.)



## Internet shopping

### famima.com. Co., Ltd.

Customers can shop at FamilyMart from the comfort of their own homes with our online shopping services. They may request home delivery or pick up the goods at a specified store, in which case there are no handling charges.



## Point card system

### Famima T Card (credit card type/non-credit-card type)

In November 2007, FamilyMart began issuing the Famima T Card, which combines the benefits of the Famima Card with those of the T Card, including cardholder-only (both cards) discounts. There is no enrolment or annual fee for this card, which is designed to increase footfall at our stores.

(As of end of February 29, 2008, cardholders totaled 2.04 million, including Famima Card holders and holders of cards without credit functions)



## Multimedia terminals

### Famiport Multimedia Terminals

Easy to operate, Famiport Multimedia Terminals can be used by customers to order products and services, as well as for ticket printouts. FamilyMart has made a name for itself as the first convenience store operator to offer services such as domestic help and rental property searches. We plan to develop a much wider range of services available at Famiport Multimedia Terminals in the future.



## Catalog shopping

### Famima.com MAGAZINE

This is a shopping catalog available free of charge at our stores.



©SOTSU・SUNRISE



# The Pan-Pacific Plan

As of the end of February 2008, the FamilyMart Group operated a combined total of 13,875 stores in Japan and its overseas markets of Taiwan, South Korea, Thailand, China, and the United States. During fiscal 2008, 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.



## Japan

### Okinawa FamilyMart Co., Ltd.

Established 1987

This area franchiser is the largest convenience store chain in Okinawa Prefecture. The company has earned a high level of 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 sales, and it is aiming to boost sales figures still further through the development of products using local ingredients.



This is an original Okinawa specialty featuring pork and eggs, served with rice. This product is 50% larger than an ordinary rice ball.

### Minami Kyushu FamilyMart Co., Ltd.

Established 1993

Fiscal 2008 marked the 15th anniversary of the founding of this company, which has become the number one convenience store chain in terms of total outlets in southern Kyushu (Kagoshima and Miyazaki prefectures). It has been active from the start in developing food products using local farm produce, as well as incorporating area characteristics into store development strategies. For example, it is known for imaginative initiatives, including bread freshly baked in the store and sales of ramen from leading local noodle stores.



Launched in fiscal 2007, Mont Blanc cakes are extremely popular items that use the local *suki* chestnut.

### Hokkaido FamilyMart Co., Ltd.

Established 2006

Hokkaido FamilyMart aims to quickly achieve a substantial market presence centered on Sapporo, by opening high-quality stores. In a difficult competitive environment, it is focusing aggressively on product differentiation — using fast food, handmade desserts and MUJI brand items — to stay ahead of rival chains. Future plans envisage further development of original Hokkaido products.



This is an original product from Hokkaido: "White chocolate roll – A Gift from the North."

## Taiwan

### Taiwan FamilyMart Co., Ltd.

Established 1988



Taiwan FamilyMart opened its first store in 1988. By December 2006 the company had built up a chain of 2,000 stores all over the island, and in December 2007 it completed the acquisition of business rights for some 160 stores from Nikomart of Taiwan. It is now the number two convenience store chain operator in Taiwan. To differentiate itself in an extremely competitive business environment, the company has actively introduced ready-to-eat foods and many other products and services based on FamilyMart's extensive know-how in Japan.



This dish is part of our chilled noodle line named after famous shops. These noodle dishes, developed through the first-ever collaboration between a convenience store chain and famous noodle shops, are very popular in Taiwan.



This product is part of our railway boxed lunch line. These boxed lunches feature the dark meat of chicken thighs and legs prepared with local spices and flavorings.

## South Korea

### BOKWANG FAMILYMART CO., LTD.

Established 1990



At the end of February 2008, this area franchiser had 3,787 stores, positioning it among South Korea's leading convenience store operators. It plans a net increase of 400 stores in fiscal 2008. BOKWANG FAMILYMART is developing dishes using organically grown produce, and introducing higher-end food items such as rice balls made with the finest quality rice and nori (dried seaweed), to build up a differentiated range of original products and service menus.



This is a Korean-style sushi roll. We have sold more than 30 million of this popular fast-food item.



This is unique style of bibimbap, found only at FamilyMarts in Korea – with vegetables and meat, egg and other toppings.

## 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. To differentiate the chain, the management is focusing on raising the level of SQ&C and promoting fast-food such as grilled sausages, hamburgers and *oden* (Japanese-style stewed hodgepodge).



We offer *oden*, which is originally a Japanese stew hodgepodge with two types of broth – the original flavor and a Tom Yam Kung variety adapted to local tastes.



These are small desserts. Ours are chilled, unlike those served by street vendors.

## China

## Shanghai FamilyMart Co., Ltd.

Established 2004



## Suzhou FamilyMart Co., Ltd.

Established 2007



## Guangzhou FamilyMart Co., Ltd.

Established 2006



Shanghai FamilyMart opened its first store in 2004. In January 2007 Guangzhou FamilyMart became the first Japanese convenience store chain to open an outlet in Guangdong Province. In September 2007, the first store in Suzhou (a major city in Jiangsu Province) opened its doors, and further business expansion is planned within China. Differentiation will be led by products such as rice balls, *oden*, lunch boxes, bread and so on, as well as hearty service.



We introduced a chewy kind of bread previously unknown in the Chinese market, developed through technical cooperation with Japan. This product is now a big hit in Shanghai.



"Om Rice" – curry-flavored fried rice wrapped in an omelet – is one of the fastest-selling items at the Shanghai FamilyMart.



This *oden* (a hot stew hodgepodge) features curry-flavored balls made of fish paste, and is sold in unique containers specially designed to keep the stew hot. This item is an all-time local favorite.



## United States

## FAMIMA CORPORATION

Established 2004



Since becoming the first Japanese convenience store chain to open a store in the United States in 2005, this company has developed its business under the Famima!! brand, featuring new standards of product quality, service and hospitality. Popular main products are panini grilled in-store, fast-food items, sushi, pasta and desserts.



Panini is the leading product of the Famima!! brand. What makes this product so popular is that we take the time to grill it right in the store.



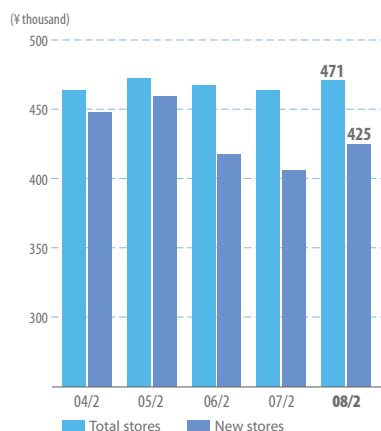
A standard Famima!! item is our spaghetti bolognese. This product has proven popular since the opening of our very first store.



# Fact Sheets

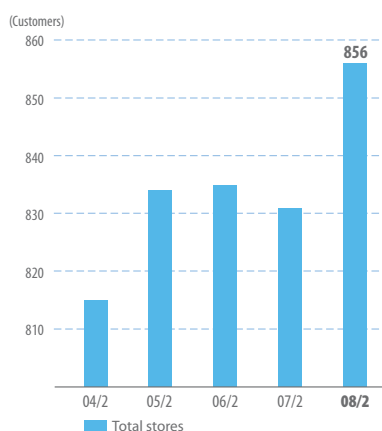
## Business Performance (non-consolidated)

Average Daily Sales



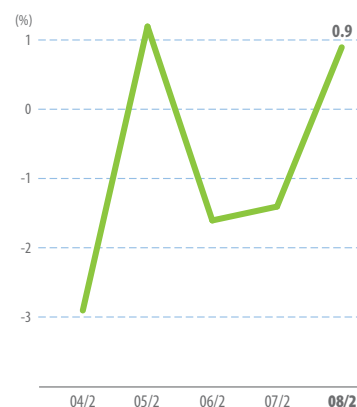
\*The figures above do not reflect the performance results of the TOMONY stores.

Number of Customers



\*The figures above do not reflect the performance results of the TOMONY stores.

Growth Rate of Average Daily Sales of Existing Stores



\*The figures above do not reflect the performance results of the TOMONY stores.

## Business Performance

		06/2		07/2		08/2		09/2 (Est.)	
			YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	468	(5)	464	(4)	471	7	490	19
	Existing stores	471	(3)	466	(5)	473	7	492	19
	New stores	418	(42)	406	(12)	425	19	445	20
Number of customers	Total stores	835	1	831	(4)	856	25	889	33
	Existing stores	838	4	834	(4)	858	24	893	35
Spend per customer (yen)	Total stores	561	(6)	558	(3)	551	(7)	551	—
	Existing stores	562	(6)	559	(3)	551	(8)	551	—
Growth rate of average daily sales of existing stores (%)		(1.6)	(2.8)	(1.4)	0.2	0.9	2.3	2.5	1.6
Average inventory (thousands of yen)		5,374	51	5,460	86	5,505	45	5,500	(5)
Turnover of goods (times)		30.5	(0.8)	30.3	(0.2)	30.6	0.3	30.9	0.3

\*The figures above do not reflect the performance results of the TOMONY stores.

## Bill Settlement Service

	06/2		07/2		08/2	
		YoY (%)		YoY (%)		YoY (%)
Transaction volume (millions of yen)	906,192	15.6	1,048,380	15.7	1,198,266	14.3
Number of Transactions (thousand)	102,314	13.5	114,641	12.0	131,061	14.3

## Products (non-consolidated)

### Breakdown of Sales by Product Category

(Millions of yen)

	06/2			07/2			08/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	34,282	30.1	3.3	38,502	12.3	3.6	41,286	7.2	3.7
Daily food	336,902	3.5	32.7	346,725	2.9	32.4	366,960	5.8	32.7
Processed food	321,274	0.4	31.1	327,043	1.8	30.6	342,502	4.7	30.5
Liquor (License goods)	61,028	0.5	5.9	60,842	(0.3)	5.7	63,259	4.0	5.6
Food sub-total	692,458	3.1	67.1	712,270	2.9	66.6	750,748	5.4	66.9
Non-food	261,914	2.8	25.4	276,656	5.6	25.9	289,239	4.5	25.8
Cigarettes (License goods)	149,866	7.0	14.5	166,315	11.0	15.6	180,933	8.8	16.1
Services	34,139	(13.2)	3.3	26,935	(21.1)	2.5	27,401	1.7	2.4
E-commerce	43,225	33.4	4.2	52,961	22.5	5.0	54,450	2.8	4.9
Total	1,031,736	3.3	100.0	1,068,822	3.6	100.0	1,121,838	5.0	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, daily goods, cigarettes etc.  
Services: Copy service, express service etc.  
E-commerce: Sales by Famiport Multimedia Terminal and internet shopping

### Gross Profit Ratio

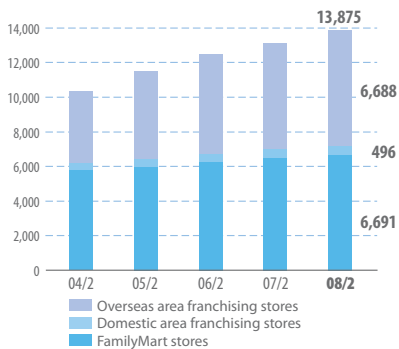
(%)

	06/2		07/2		08/2		09/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	49.75	0.91	50.52	0.77	50.52	—		
Daily food	34.08	0.43	34.65	0.57	34.93	0.28		
Processed food	33.74	0.71	34.17	0.43	34.71	0.54		
Liquor (License goods)	22.78	0.87	22.98	0.20	23.25	0.27		
Food sub-total	34.70	0.75	35.29	0.59	35.69	0.40		
Non-food	19.53	(0.19)	19.05	(0.48)	18.63	(0.42)		
Cigarettes (License goods)	10.48	0.02	10.56	0.08	10.49	(0.07)		
Services	11.23	1.30	13.59	2.36	13.16	(0.43)		
E-commerce	3.66	(0.15)	3.26	(0.40)	3.42	0.16		
Total	28.77	0.38	28.95	0.18	29.18	0.23	29.26	0.08

\*The figures above do not reflect the performance results of the TOMONY stores.

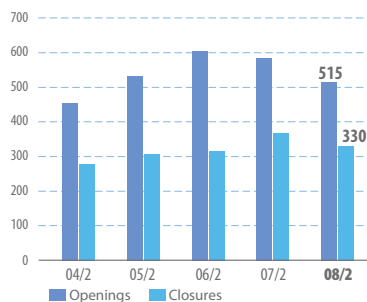
# Stores

Number of Stores



Number of Openings and Closures

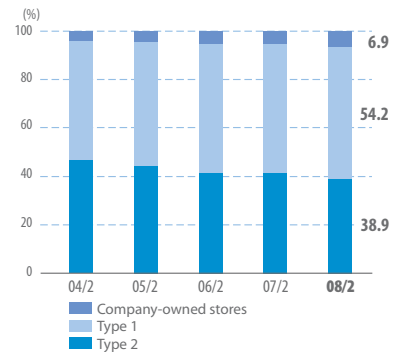
(Non-consolidated)



\*The figures above do not reflect the performance results of the TOMONY stores.

Breakdown of Contract Type

(Non-consolidated)



## Number of Stores

	06/2		07/2		08/2		09/2 (Est.)*	
	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores	342	56	358	16	460	102	450	(10)
Type 1 (TOMONY)	3,343	282	3,509	166	3,627	118		
Type 2	2,599	(48)	2,634	35	2,604	(30)		
Franchised stores	5,942	234	6,143	201	6,231	88	6,441	210
FamilyMart stores	6,284	290	6,501	217	6,691	190	6,891	200
Okinawa FamilyMart Co., Ltd.	181	19	194	13	200	6		
Minami Kyushu FamilyMart Co., Ltd.	269	1	266	(3)	273	7		
Hokkaido FamilyMart Co., Ltd.			13	13	23	10		
Domestic area franchising stores	450	20	473	23	496	23	521	25
Domestic chain stores	6,734	310	6,974	240	7,187	213	7,412	225
Taiwan FamilyMart Co., Ltd.	1,869	168	2,023	154	2,247	224	2,359	112
BOKWANG FAMILYMART CO., LTD.	3,209	392	3,471	262	3,787	316	4,187	400
Siam FamilyMart Co., Ltd.	536	27	538	2	507	(31)	571	64
Shanghai FamilyMart Co., Ltd.	101	51	102	1	118	16	151	33
FAMIMA CORPORATION	3	3	12	9	11	(1)	13	2
Guangzhou FamilyMart Co., Ltd.			2	2	11	9	29	18
Suzhou FamilyMart Co., Ltd.					7	7	18	11
Overseas area franchising stores	5,718	641	6,148	430	6,688	540	7,328	640
Total area franchising stores	6,168	661	6,621	453	7,184	563	7,849	665
Total chain stores	12,452	951	13,122	670	13,875	753	14,740	865

\*The figures for 09/2 do not include the TOMONY stores.

## Number of Openings and Closures (non-consolidated)

	06/2			07/2			08/2			09/2 (Est.)		
	Openings	Closures	Net Increase	Openings	Closures	Net Increase	Openings	Closures	Net Increase	Openings	Closures	Net Increase
FamilyMart	606	316	290	586	369	217	515	330	185	550	350	200
TOMONY							5	—	5			
Total	606	316	290	586	369	217	520	330	190	550	350	200

## Types of FamilyMart Franchising Contracts

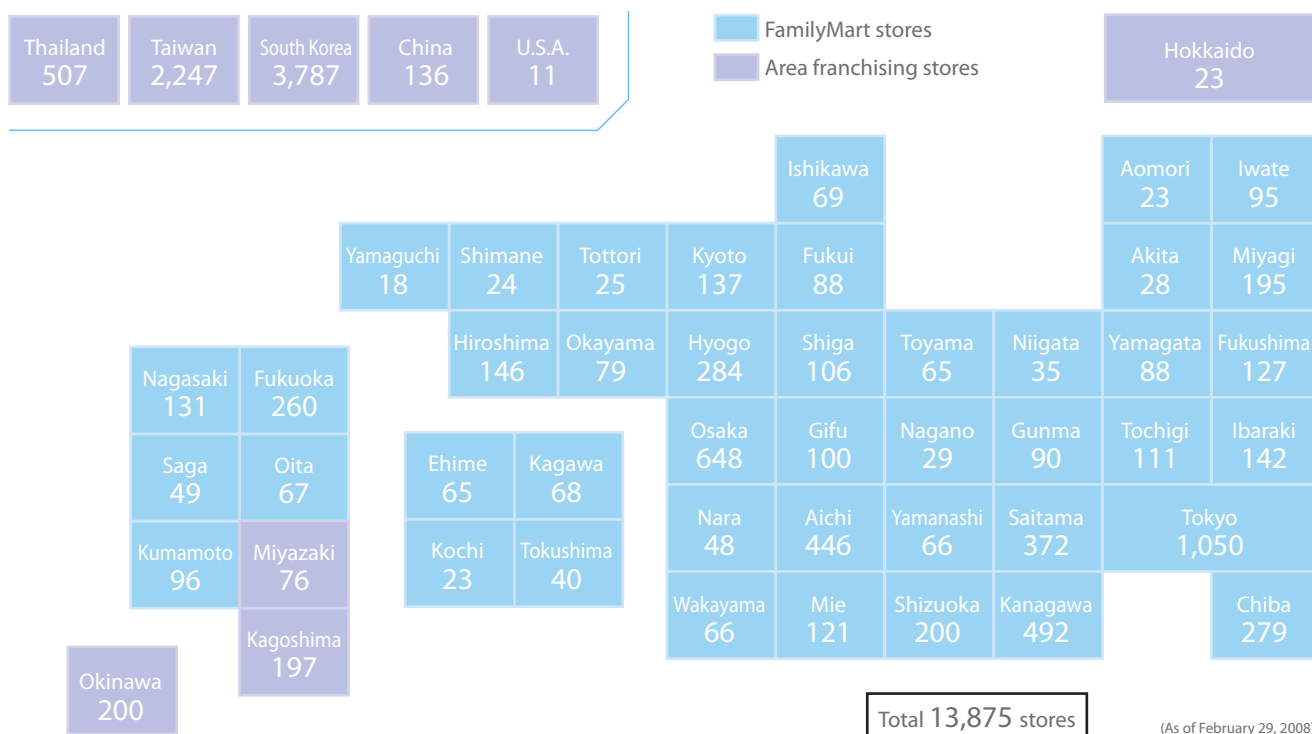
(Contract details differ according to area franchisers)

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



## Consolidated Subsidiaries

### The Main Consolidated Subsidiaries

(Millions of yen)

	07/2			08/2		
	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income
Taiwan FamilyMart Co., Ltd.	28,565	2,900	2,253	29,253	2,994	2,270
Siam FamilyMart Co., Ltd.	18,715	(703)	(1,910)	20,335	(530)	(740)
FAMIMA CORPORATION	658	(687)	(713)	1,409	(939)	(1,548)
famima.com Co., Ltd.	62,776	482	451	61,499	1,081	896

### The Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

	07/2	08/2
	Net income	Net income
Okinawa FamilyMart Co., Ltd.	240	348
Minami Kyushu FamilyMart Co., Ltd.	242	165
Hokkaido FamilyMart Co., Ltd.	(128)	(44)
BOKWANG FAMILYMART CO., LTD.	3,554	4,235
Famima Credit Corporation	(662)	107

## Capital Expenditure

### Non-Consolidated

(Millions of yen)

	06/2		07/2		08/2		09/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Leasehold deposits	14,464	20.5	15,180	4.9	14,958	(1.5)	14,073	(5.9)
New stores	4,054	13.1	5,252	29.6	3,643	(30.6)	3,605	(1.0)
Existing stores	1,311	(24.6)	1,581	20.6	1,750	10.7	1,889	7.9
For stores	5,365	0.8	6,833	27.4	5,393	(21.1)	5,494	1.9
Head office investment	33	(81.2)	68	103.5	175	159.2	—	—
System investment	6,138	77.2	5,285	(13.9)	2,101	(60.2)	5,243	149.5
For head office	6,171	69.5	5,353	(13.3)	2,276	(57.5)	5,243	130.4
Total capital expenditure	26,000	24.0	27,366	5.3	22,627	(17.3)	24,810	9.6
Depreciation and amortization expense	8,191	(12.3)	8,044	(1.8)	6,043	(24.9)	6,470	7.1

Lease			20,292		6,508		5,543	
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### Consolidated

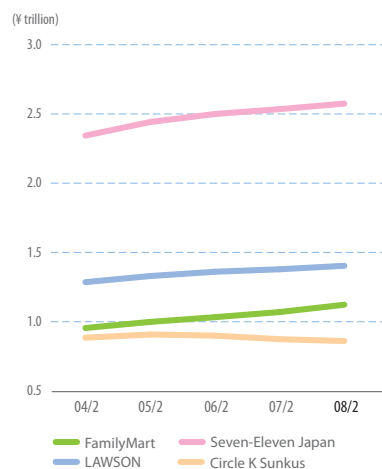
(Millions of yen)

	06/2		07/2		08/2		09/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Total capital expenditure	29,491	10.8	33,010	11.9	27,504	(16.7)	29,820	8.4
Depreciation and amortization expense	11,311	(5.4)	11,565	2.2	9,856	(14.8)	10,874	10.3

## Principal Indicators of Convenience Store Industry

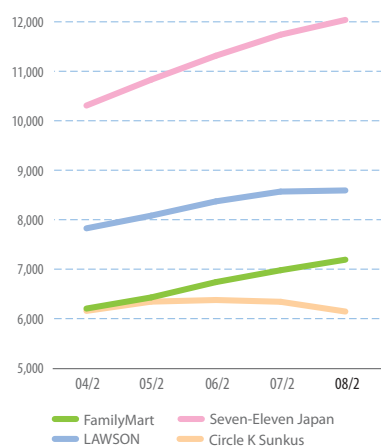
### Total Store Sales

(Non-consolidated)



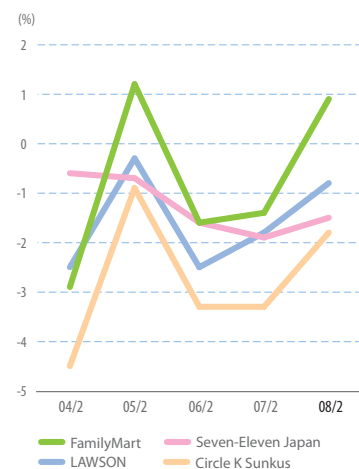
### Number of Stores

(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

	04/3	05/3	06/3	07/3	08/3
Total sales (billions of yen)	7,133	7,297	7,372	7,421	7,516
Number of stores	37,923	38,854	39,820	40,342	40,433

## Total Store Sales (non-consolidated)

(Millions of yen)

	04/2	05/2	06/2	07/2	08/2
FamilyMart	954,445	998,491	1,031,736	1,068,822	1,121,838
Seven-Eleven Japan	2,343,177	2,440,853	2,498,754	2,533,534	2,574,306
LAWSON	1,285,018	1,329,077	1,360,495	1,377,842	1,402,786
Circle K Sunkus	883,894	907,407	898,741	872,844	860,041

## Number of Stores at Year-end (only in Japan, includes stores under area franchisers)

	04/2	05/2	06/2	07/2	08/2
FamilyMart	6,199	6,424	6,734	6,974	7,187
Seven-Eleven Japan	10,303	10,826	11,310	11,735	12,034
LAWSON	7,821	8,077	8,366	8,564	8,587
Circle K Sunkus	6,152	6,339	6,372	6,336	6,139

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

(%)

	04/2	05/2	06/2	07/2	08/2
FamilyMart	(2.9)	1.2	(1.6)	(1.4)	0.9
Seven-Eleven Japan	(0.6)	(0.7)	(1.6)	(1.9)	(1.5)
LAWSON	(2.5)	(0.3)	(2.5)	(1.8)	(0.8)
Circle K Sunkus	(4.5)	(0.9)	(3.3)	(3.3)	(1.8)

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 prior to the year ended February 29, 2004 are the simple sum of the two founding companies.

# 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 Terminals 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—Tinghsin (Cayman Islands) Holding Corporation; Taiwan FamilyMart Co., Ltd.; ITOCHU 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.
2007	July	FamilyMart jointly establishes Suzhou FamilyMart Co., Ltd. (China), in cooperation with three partners — Ting Chuan (Cayman Islands) Holding Corp., Taiwan FamilyMart Co., Ltd., and ITOCHU Corporation.
	Nov.	FamilyMart introduces its Famima T Card.



# Investor Information

## Corporate Data (non-consolidated)

(As of February 29, 2008)

Corporate name:	FamilyMart Co., Ltd.
Head office:	1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6017, 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:	2,850
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,358,840 shares)
Number of shareholders:	14,933
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)  
Suzhou FamilyMart Co., Ltd. (China)

## Principal Shareholders

(As of February 29, 2008)

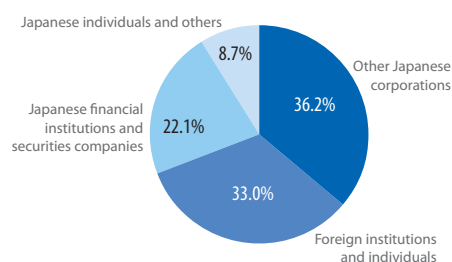
Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
Family Corporation Inc.	29,941	30.7
Mellon Bank, N.A. Treaty Clients Omnibus	6,540	6.7
The Master Trust Bank of Japan, Ltd. (Trust account)	4,113	4.2
NTT DoCoMo, Inc.	2,931	3.0
Japan Trustee Services Bank, Ltd. (Trust account)	2,835	2.9
Nomura Securities Co., Ltd.	2,199	2.3
Mizuho Bank, Ltd.	2,085	2.1
Nippon Life Insurance Company	1,964	2.0
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,476	1.5
Dresdner Kleinwort (Japan) Limited, Tokyo Branch	1,421	1.4
Total	55,505	56.8

Notes: 1. In addition to the above, the Company also holds 2,358,840 shares in treasury.

2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

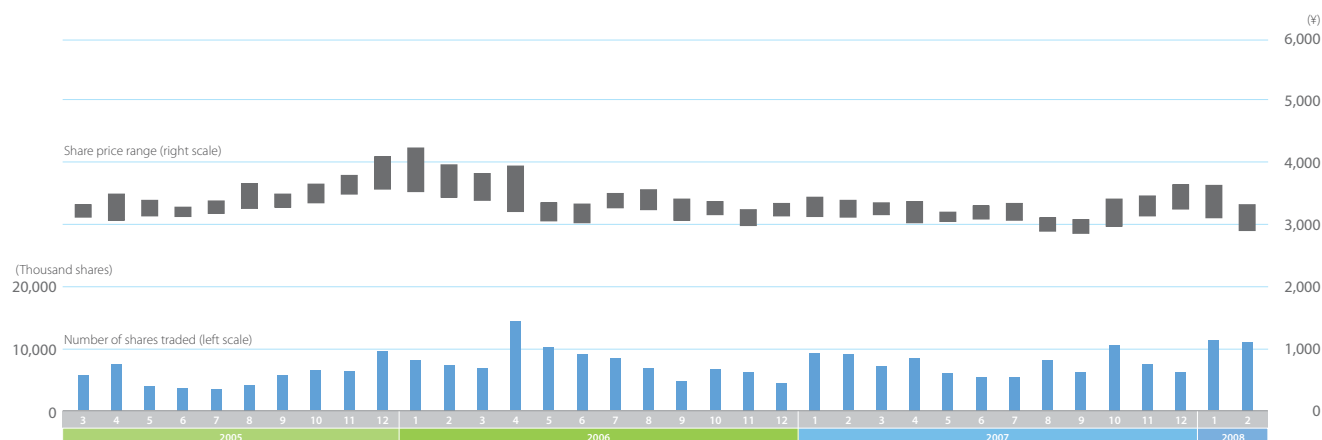
## Distribution of the Shares

(As of February 29, 2008)



\*Excluding shares of less than one trading unit

## Share Price Range and Number of Shares Traded



# FamilyMart

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