FamilyMart

Annual Report

2010

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, and by ensuring a shopping experience characterized by convenience, friendliness and fun.

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, 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

Contents

Cautionary Statement:

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

P.00 >

The above mark denotes pages with related data and information. Please view as needed.

Consolidated Financial Highlights

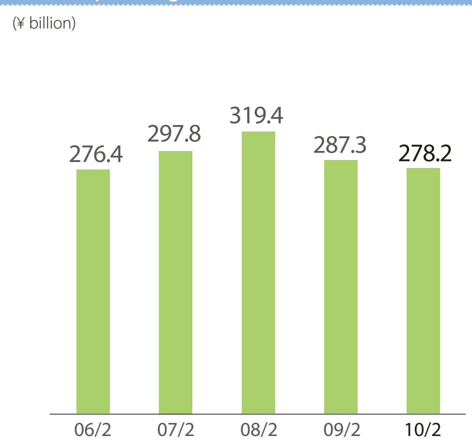
FamilyMart Co., Ltd. and Consolidated Subsidiaries   Years Ended the Last Day of February

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	2010
Results of operations						
Total operating revenues (Note 2)	278,175	287,342	319,439	297,849	276,443	3,125,562
Operating income	33,531	36,532	31,214	29,609	32,662	376,753
Net income	15,103	16,452	16,438	14,969	14,195	169,697
Financial position						
Total assets (Note 3)	424,209	398,126	351,271	315,256	314,121	4,766,393
Total equity (Note 4)	206,490	197,529	191,281	171,155	168,233	2,320,112
Cash flow						
Net cash provided by operating activities	(6,575)	75,028	49,375	35,093	42,778	(73,877)
Net cash used in investing activities	(36,152)	(28,217)	(24,593)	(32,938)	(32,249)	(406,202)
Net cash (used in) provided by financing activities	(8,342)	(7,030)	3,956	(19,155)	(4,238)	(93,730)
Cash and cash equivalents	85,161	135,888	98,844	69,551	86,189	956,865
Per share of common stock (in yen and U.S. dollars)						
Basic net income	158.5	172.6	173.5	158.8	145.7	1.78
Cash dividends applicable to the year	70.0	68.0	60.0	46.0	43.0	0.79
Total equity (Note 4)	2,096.4	2,001.5	1,921.6	1,771.3	1,736.2	23.56
Ratio						
Equity ratio (%)	47.1	47.9	52.2	51.9	53.6	
ROE (return on equity) (%)	7.7	8.8	9.5	9.0	8.7	
ROA (return on total assets) (%)	3.7	4.4	4.9	4.8	4.7	
PER (price earnings ratio) (times)	18.0	19.2	17.8	20.5	25.1	
Payout ratio (%)	44.2	39.4	34.6	29.0	29.5	
Other data						
Number of total chain stores	15,789	14,651	13,875	13,122	12,452	
Japan (including area franchised stores)	7,688	7,404	7,187	6,974	6,734	
Overseas	8,101	7,247	6,688	6,148	5,718	
Number of full-time employees	7,204	6,950	6,647	6,735	6,048	
Number of shareholders	13,274	12,293	14,933	17,880	17,444	
Issued number of shares (thousands)	97,683	97,683	97,683	97,683	97,683	

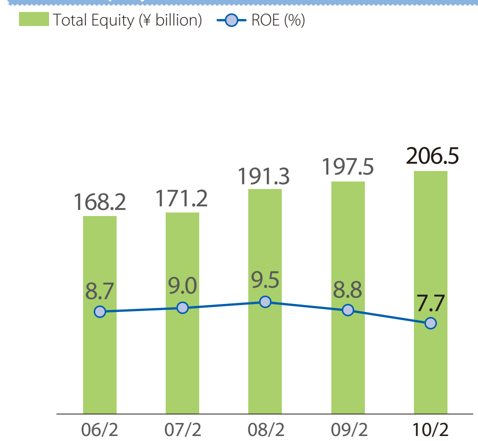
Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥89 = U.S.$1, the rate prevailing on February 28, 2010.
2. Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd. from gross basis to net basis.
3. Total assets as of the fiscal 2008 term end include the amount for trade payables (¥42,334 million) as the due date (February 28, 2009) fell on a bank holiday.
4. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in total equity.

Details of FamilyMart's business performance and convenience store industry data can be found in the Fact Sheets section on **pages 38 to 43**.
A summary of consolidated financial data over the past 10 years can be found on **pages 44 and 45**.

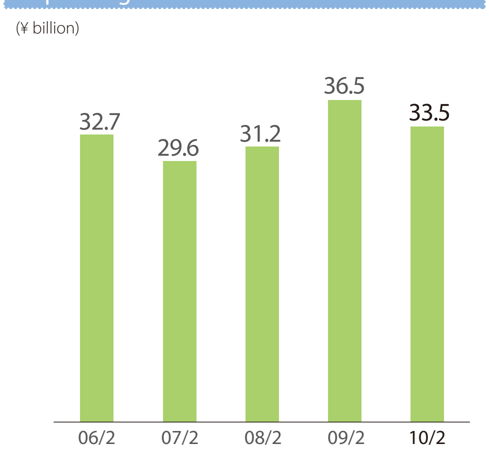
Total Operating Revenues



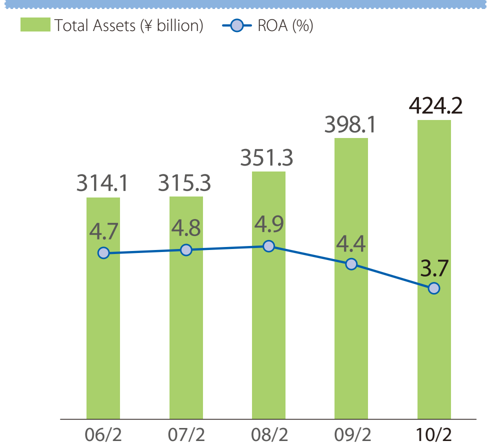
Total Equity and ROE



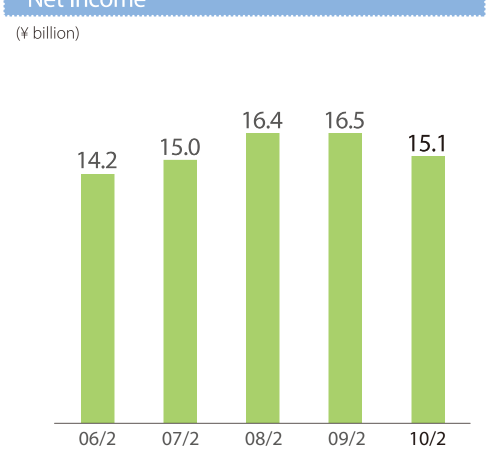
Operating Income



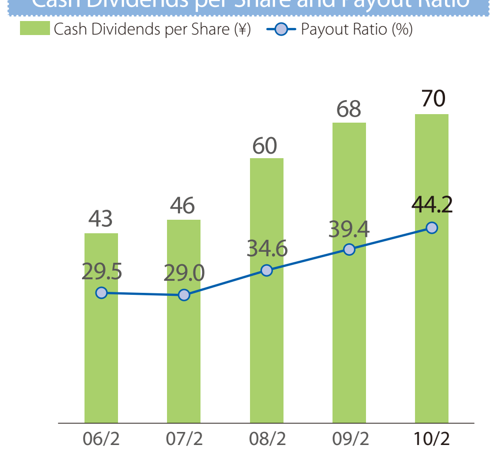
Total Assets and ROA



Net Income



Cash Dividends per Share and Payout Ratio



Japan's Retail and Convenience Store Industry

Trends in Japan's Retail Sector

Since peaking at approximately ¥148 trillion in fiscal 1996, total sales of Japan's retail sector have decreased continually. In recent years, performance has flat-lined against a background of falling birthrates and increased aging of the population. But the dramatic economic deterioration since September 2008, when the Lehman shock occurred, has triggered a slump in consumption. There is now a clear trend away from expenditure on luxury items and clothing. Amid these circumstances, supermarkets and department stores are fighting for survival, and both these retail categories are undergoing a rapid winnowing-out process due to fierce competition.

In contrast, the convenience store industry is still in good health. Following the opening of Japan's first convenience stores about 35 years ago, the industry grew strongly up to the 1990s by offering consumers the sort of convenient service that met their needs. The growth pace slowed somewhat after the turn of the century, but in fiscal 2008, buoyed by the *taspo* effect*, total sales of convenience store operators exceeded those of department stores, which are suffering from ever-declining market scale.

* In 2008, the use of a special age-verification system using smart cards (*taspo* IC cards) became mandatory for buying cigarettes at vending machines. But applying for the IC card was bothersome, and more people bought their cigarettes over the counter, typically at convenience stores. They often ended up buying other things too, resulting in a sales boost.

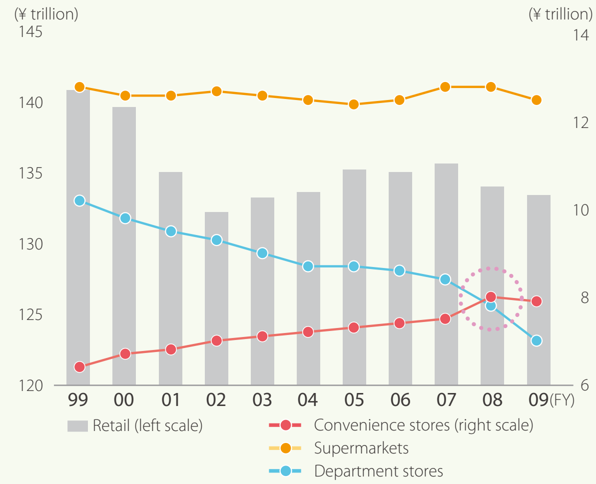
Trends in the Convenience Store Industry

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

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

FamilyMart in December 2009 became a pioneer in this realignment, taking over the seventh-largest convenience store chain operator in Japan, am/pm Japan Co., Ltd., with full management integration in March 2010. With competition significantly intensified, we expect the waves of restructuring to continue into the future.

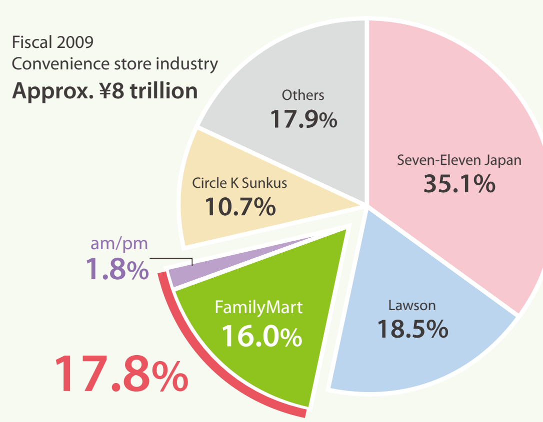
Retail Sales



Market Scale and Share

The scale of Japan's retail market in fiscal 2009 was approximately ¥134 trillion, of which the convenience store industry accounted for around ¥8 trillion, or 6%.

The top four convenience store operators account for roughly 80% of aggregate industry sales, and their grip on the market is increasing as the smaller operators are being squeezed out. FamilyMart is currently No. 3 in the industry. With the integration with am/pm Japan, which ranked seventh, we have greatly increased our share of this market.



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

The "FamilyMart Feel" Campaign

Strengthening brand identity through consistency and continuity in our business operations, based on FamilyMart Basic Principles, to remain the convenience store of natural choice.

The convenience store sector now faces a tough operating environment, with intensifying competition in the sector and demographic change (falling birthrate coupled with graying of society) making it more difficult to win customer loyalty merely on the basis of convenience, the traditional selling-point of the format. In our corporate activities, we aim to become the convenience store of natural choice through clear branding, and by offering a shopping experience with "Convenience, Friendliness and Fun."

Since launching the "FamilyMart Feel" campaign in 2005, we have continued to develop both inward-focused and outward-focused branding. Inward branding refers to invigoration of the chain by ensuring employees and franchise store staff fully understand our corporate vision, and outward branding refers to incorporating the "FamilyMart Feel" in all corporate activities.

The result is clear from rising average customer numbers for three consecutive years and overall customer support.

Customers

Products, services | Retail environments | Friendly service | Advertising | Social contribution

Through all of our corporate activities,
we offer
"Convenience, Friendliness and Fun."

Our employees and store staff
The core concept = Hospitality
Action Guidelines = Famimaship

The Value Provided by FamilyMart

Convenience	+ Friendliness and Fun
The basic value (function) of convenience stores *Convenient & easily accessible*	FamilyMart's added value (emotional value) *"Touching people's hearts"*

Activities over Five Years

FY 2005	Creation of project team, setting of policy blueprint
FY 2006	Revision of FamilyMart Basic Principles, and creation of "Famimaship," FamilyMart's Action Guidelines, by Company employees ⇒Inside front cover
FY 2007	Issued "*FamilyMart no Kokoro*" brand book, ensuring shared objectives
FY 2008	"FamilyMart Feel" Day, with workshops organized by Head Office employees
FY 2009	"FamilyMart Feel" workshops for franchises ⇒P.29

Creating a variety of products that completely capture the "FamilyMart Feel," through our lineups of pasta, fast food, desserts and chilled-cup drinks.

Advertising aims to send a friendly and uplifting message.

We are always mindful of our customers' comfort, for example, providing small shopping baskets for children, and moist paper napkins for hot days.

Aiming to Be the Natural Choice

In fiscal 2009, ended February 28, 2010, we faced an increasing sense of uncertainty about the future, mainly due to the impact of a prolonged slump in consumer spending and unseasonable weather during the summer months. For its part, FamilyMart opened a new chapter of its history with the revitalization of its existing stores, the acquisition of am/pm Japan Co., Ltd. and overseas expansion.

At the same time, I would like to emphasize that it was the "FamilyMart Feel" campaign begun in fiscal 2005 that served as the foundation for such moves. Based on the principle of "Convenience, Friendliness and Fun," every one of us, including franchisees, head office and our business partners, have worked to enhance the appeal of the FamilyMart chain. Steady achievements such as these have formed the driving force to support corporate growth.

It is precisely in these harsh times that, by continuing to pursue an ideal vision without compromising the essence of a convenience store, we become the store of choice for our customers. In the belief that this is the innovation at the heart of FamilyMart, we will push forward together with our franchisees.

President and Chief Executive Officer

Q1 Please summarize FamilyMart's achievements in fiscal 2009.

Growth in customer numbers despite a harsh environment

With weak demand for merchandise in the summer months due to unseasonable weather (long spells of rain and an unusually cool summer) and the prolonged slump in personal consumption on top of a correction after the "*taspo* effect*," fiscal 2009 was a year in which the whole industry found itself facing a murky future. It was amid these circumstances that FamilyMart, working as the headquarters of the chain, invested about ¥13.2 billion (a year-on-year increase of around ¥800 million) in franchisee support as it focused on their continual revitalization.

Famima T Card membership, which has made a significant contribution to increased customer footfall, reached 2.82 million, with a 22% utilization rate in February marking a 6 percentage-point jump in just one year. In response, from autumn 2009 we began the Loyal Customer Preferential Treatment System with an individual-based approach, based on the usage habits of card members. In addition, with the uncovering of potential customers through a reciprocal customer sharing campaign conducted among T Card participating companies and the introduction of the WAON e-money system, which is heavily used by housewives and rural residents, we have strived to expand our customer base. These initiatives have proven effective, with average customer footfall across all stores seeing a two-person year-on-year increase to 923 people despite the harsh competitive environment. This marks an improvement of almost 100 people compared with three years prior.

On the product front, sales were boosted on the back of the popular *Ajiwai* Famima Café (chilled-cup drinks) line, which recorded cumulative sales of 60 million beverages from April 2009 to the end of February 2010, as well as chilled *bento* products designed to make use of chilled temperature zones and broaden the utilization of fresh ingredients. Also, by enhancing the lineup of products specific to certain regions, sales of ready-to-eat items held up amid difficult circumstances. As a result, with a 2.4% dip in average daily sales at existing stores, we managed to deliver results that were largely as planned, excluding a greater-than-planned fall in tobacco sales.

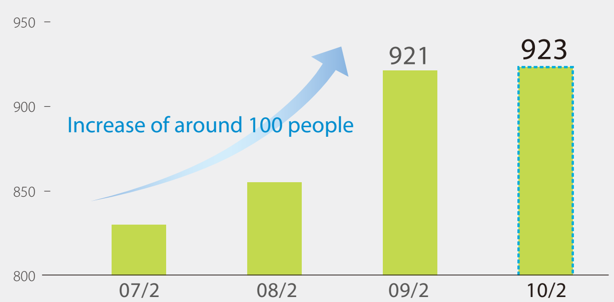
Due to these efforts, in terms of performance for fiscal 2009, on a consolidated basis we posted total operating revenues of ¥278.2 billion (down 3.2% compared with the previous fiscal year) and operating income of ¥33.5 billion (down 8.2%). Although results fell short of the previous year that saw record profits due to the "*taspo* effect," operating income ended at its second-highest level. In a harsh environment, we believe we have achieved some positive results.

* The increase in sales associated with cigarette buyers shifting from vending machine purchases to in-store purchases at convenience stores.

For detailed business results, please see Management's Discussion and Analysis P.46-50

Despite harsh conditions, customer footfall recorded a year-on-year rise to show an increase of nearly 100 people over three years

Average Customer Footfall (all stores)



Laying the groundwork for future growth

Additionally, we have made smooth progress in our expansion overseas, growing to 15,000 stores globally. In fiscal 2009, we laid the groundwork for future growth, achieving an industry-first for a convenience store originating in Japan when the number of overseas stores surpassed the number in Japan. We also undertook a business integration with am/pm Japan Co., Ltd., the seventh-largest convenience store chain in Japan.

Q2 In a changing environment, what are the priority issues for domestic operations?

Integration with am/pm: Improved market share and streamlined infrastructure in Tokyo

Firstly, to achieve continuous growth together with our business partners, the franchisees, it is essential that we build solid foundations. The number of convenience stores in Japan has surpassed 40,000. With dwindling opportunities to open new stores, capturing the established markets that remain is a key challenge. Among them, Tokyo is Japan's largest market, and leads the country in terms of per-store customer footfall and sales. Against this backdrop, the acquisition of am/pm Japan Co., Ltd., which enjoys a strong presence in inner-city areas, has not only resulted in economies of scale, but also allowed us to expand our inner-city market share.

Upon completion of the integration, we will make full use of a domestic network of over 8,700 stores and our dominance in the Tokyo metropolitan area in particular, at the same time seeking higher profits and lower costs through improvements to the purchasing and procurement structure as well as distribution. The advantages from integration achieved in this way will also be passed on to customers, leading to enhanced competitiveness on the part of each and every store.

To realize these benefits, in fiscal 2010 we will make the task of brand integration with am/pm our highest priority. Such integration undertaken at this scale is a first for the industry. While the herculean effort is ongoing, we are confident that when completed, we will have created a new page in the history of the convenience store. In addition to the "Welcome Workshop" (see page 29) attended by all 257 of the employees who came under FamilyMart as a result of the merger, about 50 fully-fledged FamilyMart employees joined the ampm Business Unification Division, giving a significant boost to overall motivation.

After engaging in sincere discussions with all franchisees on multiple occasions, we have largely finalized which stores will be converted to the FamilyMart brand and which stores will be closed, and selected the franchisees who will relocate. From April onwards, conversions to the FamilyMart brand will proceed at the pace of between 30 and 40 stores a month, with approximately 580 completed in the Tokyo metropolitan area by the end of fiscal 2011. The average daily sales one month later at stores which underwent brand conversion in March showed a 30-40% improvement compared with the previous six months. Even when making allowances for the effect of boosted sales immediately after store openings, the stores have shown levels of growth that far exceeded our expectations. Even based on a conservative assessment of these results, we are certain that average daily sales have improved by over 10%. While we initially expected to spend in the neighborhood of ¥8 billion in investment costs associated with store refurbishment and the like, we have negotiated those costs down with constructors, and now expect an investment of ¥6 billion to suffice.

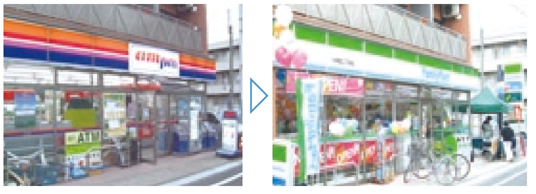
Towards attaining the No.1 share in Tokyo and a network of 8,700 stores nationwide

	Number of stores in Tokyo	Number of stores nationwide
FamilyMart	1,158	7,688
am/pm	563	1,104
Seven-Eleven Japan	1,676	12,753
Lawson	1,255	9,761
Circle K Sunkus	669	6,219

(as of the end of February 2010)

* Produced based on materials released by the respective companies.
* Figures for FamilyMart include area franchises.
* Figures for am/pm include area franchises.
* Figures for Lawson include Lawson Store 100 and SHOP99.
* Figures for Circle K Sunkus include area franchises, excluding 99 ICHIBA.

Improved average daily sales upwards of 10% are expected due to brand changeovers



- Brand unification (store refurbishment)
- Introduction of FamilyMart products
- Introduction of Famima T Card and e-money
- Introduction of Famiport Multimedia Terminals

Clarification of target customers: A focus on the middle-aged and elderly

Next, we are also strengthening our response to changes in social structure, such as the dwindling birth-rate and aging population as well as the increase in single-person households. Over the past several years, FamilyMart's main customer base has also undergone a shift from those in their 20s and 30s to those in their 30s and 40s. Growth in the 40s and over demographic is of particular note. We have considered that in order to lay down a medium-to-long-term growth scenario, it is necessary to solidify support from our present customer base while clearly defining which customers we should target based on their future potential. Given this, from fiscal 2010 we will establish three age groups, namely middle-aged and elderly customers, those in their 30s and children up to 15 years of age as our target customers, and develop approaches tailored to each group.

The main focus will fall on the middle-aged and elderly. FamilyMart is terming customers in this age group the "focus targets" —the largest future group of target customers. While this group accounts for a large slice of the population, has purchasing power and is viewed as playing a central role in future consumption, its current convenience store usage frequency is still low. To date, FamilyMart has worked to develop *bento* products and other foods geared specifically towards middle-aged and elderly customers as a form of generation marketing, with a track record of having created many popular products. We will step up these efforts moving forward in a bid to win over support from this age group through an approach that covers all aspects,

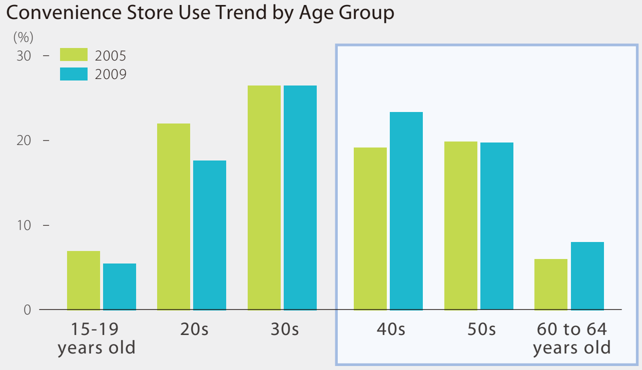
including products and sales promotions.

For the 30s age group, currently the largest group of convenience-store users, we will cultivate target customers with deep ties to FamilyMart with a "personalized" approach through web and mobile spaces or through initiatives which utilize the Famima T Card, such as the Loyal Customer Preferential Treatment System.

For children up to 15 years of age, we will work to build relationships of familiarity with FamilyMart through social contribution activities such as education and sports.

Over the past several years, the main customer base has shifted from those in their 20s and 30s to those in their 30s and 40s

Convenience Store Use Trend by Age Group



Ginger pork *bento*

As a part of generation marketing, which forms one of the pillars of the FamilyMart product policy, FamilyMart is engaged in the finely-tuned development of products tailored to each generation. The two-team system for developing products geared towards the middle-aged and elderly demographic consists of "Oyaji Team," made up of members in their 40s and 50s, and "Dankai Team," made up of members in their late 50s and early 60s (Oyaji refers to middle-aged males and Dankai means baby-boomers).

In corporate advertising, we are planning to use actors of the same generation as target customers to deliver messages. Such as, "FamilyMart—it makes sense to me."

Q3 The consumption environment has remained harsh. What measures are in place to strengthen profitability?

Comprehensive enhancement of product strength and stock displays

With no signs of a turnaround in the consumption environment, I think further severity will continue. However, we will continue to embrace the theme of "stocking the products our customers want to buy, when they want to buy them, in the right amounts," and seek to thoroughly implement this in individual stores' marketing areas.

First, in terms of products, we will continue to release products that feature the added value of the "FamilyMart Feel" and are differentiated in terms of qualities such as "wonder," "enjoyment" and "taste," at the same time focusing on the carrying of hit products whose availability encourages store visits. Specifically, we will work to make full use of the five temperature zones (frozen, chilled, constant temperature, room temperature and hot) and work to create new products and consumption scenarios.

In particular, frozen merchandise cannot only be provided in-store, but can also accommodate the stocking up of merchandise at offices and the demand for meals at home. Thanks to this characteristic, by purchasing, processing and storing the raw ingredients that make up frozen merchandise when they are at their cheapest, we can produce a competitive advantage in terms of price and also keep disposal to a minimum. This, combined with chilled *bento* products, leads to an enhanced range of products. The development of products that incorporate technologies for famous am/pm products is also underway, with a particular focus on the key middle-aged and elderly demographic.

Also, in chilled-zone Famima Fresh corners, *sashimi* is in demand as an evening meal or as a snack to accompany alcohol, and a rise in repeat patronage is seen the higher the age group. As such, we have sought to expand the customer base and encourage related purchases by increasing the number of stores offering *sashimi* to 1,000.

Moreover, to ensure that these products lead into expanded sales and revenues, it is clearly important that we develop product selections tailored to individual stores and attain the ideal product display for customers at each store. With this in mind, we will support franchisees with the introduction of new order terminals developed based on feedback from those working in the field. In addition, we will continue to hold workshops on the "FamilyMart Feel" for franchisees in the current fiscal year, and work together with franchisees as we embrace the theme of "true customer satisfaction worthy of the FamilyMart brand."

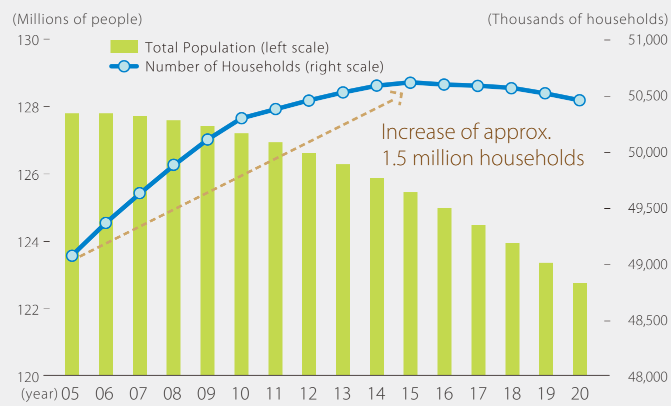
Through these efforts, in fiscal 2010 we plan to maintain average daily sales per store at previous year levels.

For details, please see Review of Operations (Store Operation, Products) P.21-23

Column: FamilyMart and the Changing Profile of Families

While Japan's total population has begun to decline, the number of households is expected to continue to increase until 2015. This is because of the growing number of households made up of a single working man or women or a married couple without children, due to the tendency to marry later and the aging population. The demand tendency of such people to regard buying what they want in smaller quantities to be comparatively cheaper represents a business opportunity for convenience stores. Beginning with offering fresh produce in small quantities, FamilyMart is enhancing its selection of products and services focused on the needs of single-person households and households with few members. FamilyMart also strives to develop its stores with the concept of hospitality in mind to make its customers feel like one of the family.

Future Estimate of Total Population and Number of Households



Source: National Institute of Population and Social Security Research

Q4 What is the state of business development in overseas markets?

Aiming to expand in size while improving profitability

Twenty years after FamilyMart's overseas expansion began with our entry into the Taiwan market in 1988, in August 2009 the number of stores overseas finally surpassed the number in Japan, standing at 8,101 stores as of the end of February 2010. For a convenience store chain originating in Japan, FamilyMart has the largest number of stores overseas.

While Taiwan and South Korea, which were in the first wave of expansion, are seeing continued growth, the up-and-coming convenience-store market of China is now entering a growth phase of infrastructure improvements and network expansion. In efforts to enter new markets, FamilyMart opened a store in fast-growing Vietnam during fiscal 2009.

The results of improved profitability are clear. In Thailand, operations had remained in the red for an extended period. A concentrated dispatch of young executives from Japan made progress reforming operating activities, bringing the business to profitability in fiscal 2009. From here on, we plan to speed up conversions into franchises based on stores that serve as models for profitable operation. In the United States, while we have rid ourselves of unprofitable stores, we are focusing on rebuilding existing stores with reviews of product and operational aspects, and will consider our next steps on the basis of those results.

Looking to the future, our plans call for the number of overseas stores to grow steadily to 10,000 stores in fiscal 2011, and 15,000 stores in fiscal 2015. We believe this will bring about contributions to earnings from each country in the medium-to-long term. Specifically, we expect the current overseas profit contribution of 7% (on an ordinary income basis) to grow to around 20% by fiscal 2015, with the recovery of prior investments amid expanded profit thereafter.

The achievement of simultaneous growth in our businesses in Japan and overseas will serve as a dual platform for growth into the future.

For details on overseas strategy, please see the Special Feature: Overseas Strategy P.14-19

Q5 What is the outlook for fiscal 2010 and beyond?

Securing increased profits in fiscal 2010

Although we expect to remain susceptible to the severe economic environment in fiscal 2010, through the solid execution of the measures described previously and thorough cost reductions, FamilyMart will absorb a ¥600 million (on an operating income basis) negative impact in the first fiscal year of our merger with am/pm Japan Co., Ltd. Increased revenue and profit on both a consolidated and non-consolidated basis will then become a must-achieve goal.

Performance Targets for Fiscal 2010

Consolidated (Millions of yen, %)

	Year ending February 2011 (Estimates)	Year ended February 2010 (Results)	YoY change
Total operating revenues	312,000	278,175	12.2%
Operating income	34,200	33,531	2.0%
Net income	16,400	15,103	8.6%

Non-consolidated (Millions of yen, %)

	Year ending February 2011 (Estimates)	Year ended February 2010 (Results)	YoY change
Total store sales	1,436,000	1,273,752	12.7%
Total operating revenues	264,400	233,024	13.5%
Operating income	30,300	30,246	0.2%
Net income	15,100	10,305	46.5%

Aiming for a structure of 25,000 stores in fiscal 2015

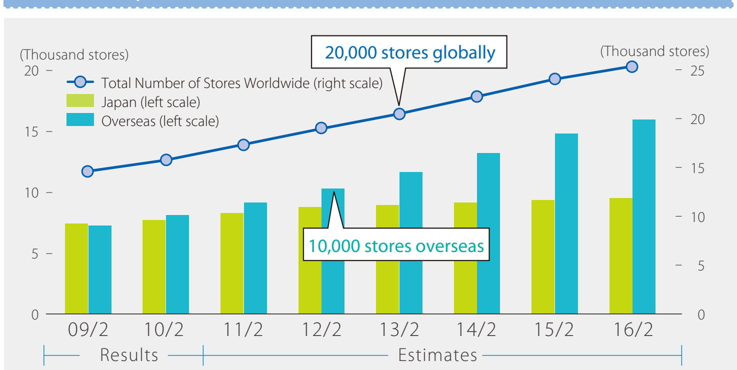
For fiscal 2011 and beyond, we see the effects of our integration with am/pm as contributing to income in the order of ¥1 billion in fiscal 2011, and around ¥3 billion in fiscal 2014.

Also, through the smooth expansion in the number of stores and areas with store openings in overseas markets, we plan to achieve a network of 20,000 stores globally in fiscal 2012, and of 25,000 stores by fiscal 2015.

As a result of initiatives aimed at reinforced infrastructure and improved earning power across our network of stores in Japan and overseas, we are looking to achieve consolidated ordinary income in the order of ¥60 billion along with an overseas profit contribution of about 20% in fiscal 2015.

Fiscal 2015 Target

Total number of stores worldwide: 25,000 stores
Consolidated ordinary income: ¥60 billion level
Overseas profit contribution: About 20% of total



Medium-Term Forecast for Store Numbers by Country

(Stores)

	Year ended February 2010	Year ending February 2011 (Estimates)	Year ending February 2016 (Forecast)
Japan	7,688	8,258	9,500
Taiwan	2,424	2,583	3,000
South Korea	4,743	5,263	7,000
Thailand	565	623	1,000
China	359	643	4,500*
(Shanghai)	(287)	(484)	—
(Guangzhou)	(46)	(108)	—
(Suzhou)	(26)	(51)	—
United States	9	13	—
Vietnam	1	5	—
Total Overseas	8,101	9,130	15,500
Total Worldwide	15,789	17,388	25,000

* Includes store openings in new regions.

Q6 What can you tell us about policy regarding return to shareholders and dividends?

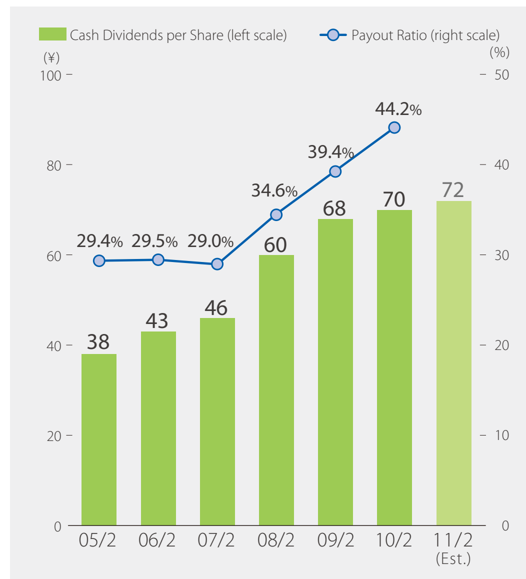
Raising the consolidated payout ratio to 40%

FamilyMart has positioned shareholder return as an important policy. Beginning in fiscal 2007, we raised our targeted payout ratio from 30% on a non-consolidated basis to 35% on a consolidated basis, and have paid dividends that adequately reflect our earnings performance. However, due to an expectation of sustained and stable growth in profits, we have further raised our target and are working towards a payout ratio of around 40% on a consolidated basis for the time being. Fiscal 2009 marks the fifth consecutive year of increased dividends, with dividend payments increasing ¥2 per share to total ¥70. In fiscal 2010 we expect to increase the dividend payment by another ¥2, for an annual dividend of ¥72 per share.

Retained earnings will be devoted to strengthening our financial standing, opening new stores, renovating existing stores and strategic investment in new areas as we seek to reinforce management and bring about further improvements in earnings performance.

We thank all our shareholders and investors for following FamilyMart's growth from a medium-to-long term perspective, and appreciate your continued support in the future.

Payment rewards made based on earnings growth



Special Feature: # Overseas Strategy

"We are transforming FamilyMart from a Japanese into a global brand—for faster growth, on a bigger stage"

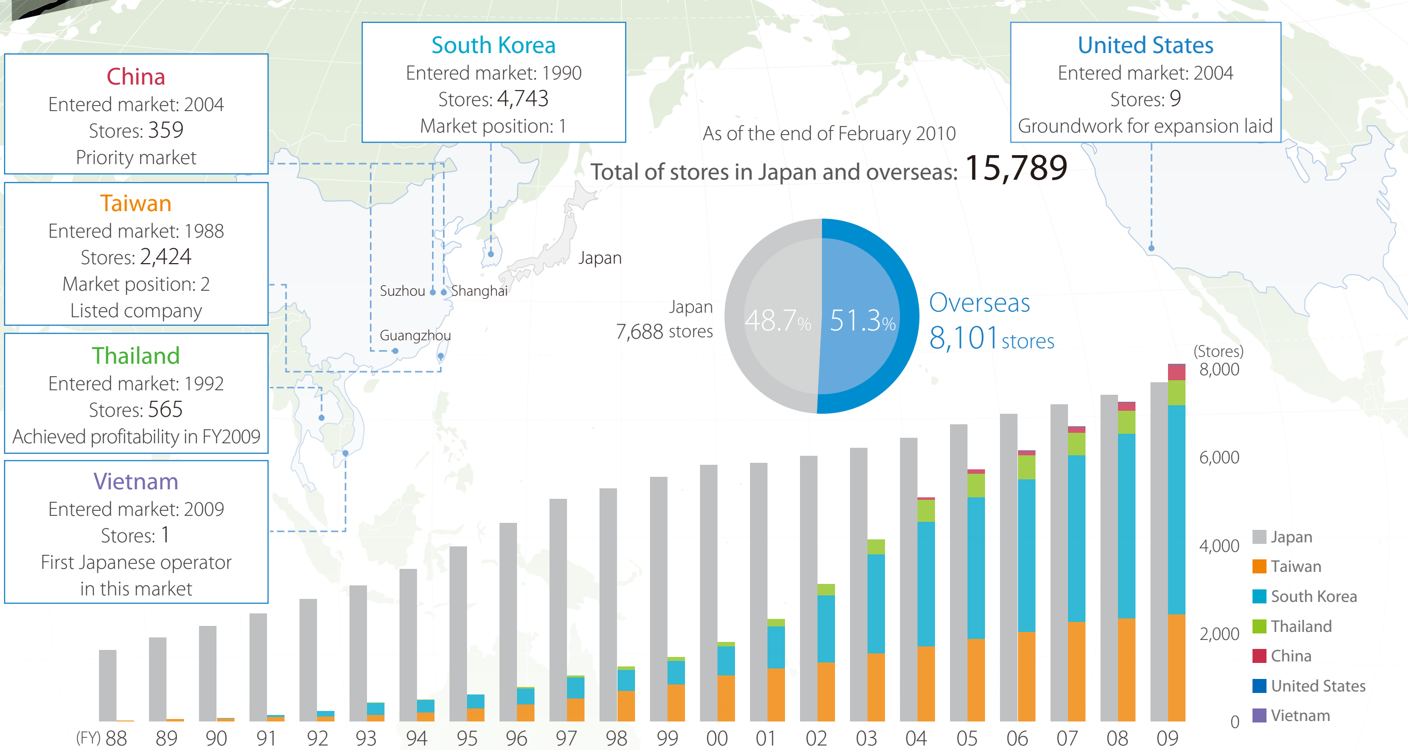
In the 20 years since FamilyMart opened its doors in Taiwan, the number of overseas stores has risen to more than 8,000, and now exceeds the total in Japan. We are now operating the largest number of stores overseas of any convenience store operator originating in Japan.

In this Special Feature, Managing Director and Managing Executive Officer Shiro Inoue discusses overseas strategy, with a focus on the China and Shanghai markets, which are expected to be future growth drivers, as well as Vietnam, where the Company has just opened its first store.

Shiro Inoue

Managing Director and
Managing Executive Officer
Head of Area Franchising Division

FamilyMart's Overseas Network



Q1 What role does overseas expansion play in FamilyMart's overall business plans?

A Overseas expansion will be the driver of our future growth. As everybody knows, the convenience store sector in Japan is approaching saturation. We are coping by expanding our customer base and other measures, and will continue to strengthen our business in years ahead, but the truth is, prospects for significant future growth are now dim in Japan.

In view of this fact, FamilyMart began developing overseas markets as a new driver of growth to replace Japan at an early date. Another way of expanding our business would have been moving into a different sector, but we decided to make overseas markets our main growth play. For us, with our roots in the Japanese market, there are no contractual obligations restricting our overseas potential, and we will aggressively leverage this advantage to expand.

Q2 You have set yourselves the target of operating 20,000 stores globally. What is the basic rationale for that plan?

A Based on our Pan-Pacific Plan, opening stores in the Pacific Rim area (Asia and the United States) will enable us to reach a total of 20,000 stores worldwide by fiscal 2012. We aim to increase that number to 25,000 stores by fiscal 2015.

A particular focus is the Asian region, where market scale can be expected to rise on the back of impressive economic and population growth, and where customers, particularly younger ones, admire and are receptive to Japanese culture and customs. However, because the Asian market too will become saturated one day, we set up operations in the United States too, in 2004, in the Los Angeles area, so as to create a business model outside Asia.

Developing a business in a foreign country takes time. You need reckon on five to 10 years to achieve real scale. Our businesses in Taiwan and South Korea took 10 years to really start growing. It took time to gain traction in Thailand as well. You cannot do it overnight. So I believe that it is important to keep on addressing challenges as they arise while developing new markets elsewhere.

Q3 Your basic tactic in developing business overseas is forming joint ventures with local partners. What is the reason for that?

A There are two reasons. Firstly, retailing is an intensely localized business. You cannot simply take the Japanese model and transplant it as it is. To win the support of the local community, I think, it is important to skillfully combine the insight and ideas of a joint-venture partner who thoroughly knows the local market, with the know-how, strengths and values that are unique to FamilyMart after years in this business in Japan. You have to create a localized business model. For example, when we first entered the Taiwan market, we tried to impose the layouts and dimensions of our stores in Japan, but this did not work. So we followed the advice of our partner and reduced the size of the stores by about half. After that, we were able to expand our network enormously.

Another important thing is to ensure that competitive strengths are shared by the entire chain. Instead of simply letting the local company handle everything under license, by participating in the business directly ourselves through our investment, we can strengthen partnerships within the Group, and ensure joint sales promotion, quality management and business planning. Looking ahead, we are also considering establishing cross-border service businesses in these areas.

Q4 What do you think is the key to successful overseas operations?

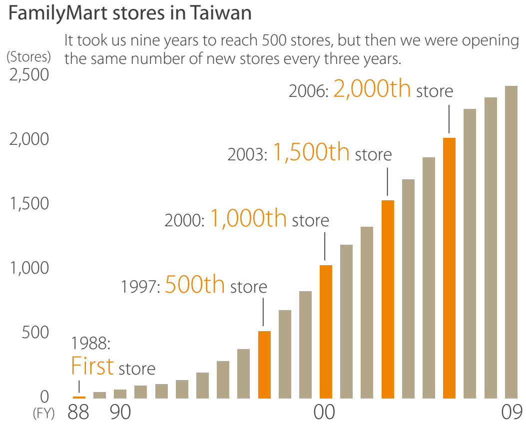
A The main means by which we differentiate ourselves from local chains is through the hospitality we extend to customers and store cleanliness. Another asset is our *bento*, sandwich and other ready-to-eat items.

However, in many areas overseas, the facilities,

logistics networks and other infrastructure for supplying ready-to-eat items are not available. Regarding functions and facilities that we could ask partner enterprises to provide in Japan, in overseas markets we have to decide whether to set these things up ourselves or develop new business partners to service such needs. And to ensure more profitable production and logistics operations, we have to achieve market dominance by encouraging multiple store management and cultivating franchise operators.

The first phase of overseas market penetration is difficult in many ways. But when things start going your way, you can really boost sales as your number of stores escalates. This was our experience in the Taiwan and South Korean markets. We built up expertise by dealing with problems one by one as they arose, creating a firm foundation for growth. We have now forged strong relations of trust with our business partner Taiwan FamilyMart Co., Ltd., with which we overcame a range of difficulties. It has become a key partner for us in developing the China market.

FamilyMart stores in Taiwan



Q5 After your success in Taiwan and South Korea, what other growth markets are there for you?

A Considering its high level of personal incomes, South Korea does not have many convenience stores. We see it as a place with good growth prospects, at least in the coming few years.

BOKWANG FAMILYMART CO., LTD. has built up an overwhelming lead in the sector in South Korea, with some 5,000 stores in fiscal 2010. In the coming three or four years, we plan to add 400 to 500 stores per year (net of closures) to make the most of this buoyant market.

In Taiwan, competition is getting tougher. We launched delicatessen bakery products at the request of our partner there, and adopted the "One Project," a Taiwan version of the "FamilyMart Feel" campaign, in our strategy for differentiating ourselves from rival chains. In 2007, we took over business rights of local convenience store operator Nikomart. We consider M&A as one of the alternative strategies open to us.

Q6 What do you see as future possible growth drivers?

A China. Currently we operate in the regions centered on the cities of Shanghai, Guangzhou and Suzhou. In Shanghai, where Expo 2010 Shanghai is being held, both gross city product figures and disposable income continue to post double-digit growth, and consumption demand has blossomed in line with rising living standards. These are positives that promise growth.

In Shanghai, there are 4,000 to 5,000 convenience stores operated by local companies, but their lineups of ready-to-eat items are generally limited and customer service standards are not very high. These are areas where FamilyMart is supported by our high product and service quality. We have opened six stores at and around Expo 2010 Shanghai, and I believe that one reason has been appreciation of the variety of our ready-to-eat item lineups and our high level of a customer service. During the period of the event, some 70 million people are expected to visit the Expo from all over the world, so it will be an unparalleled exposure opportunity for the FamilyMart brand.

We are stepping up the pace of store openings. In addition to the conventional street-facing store, we are targeting subway station interiors and catchment

Our store in Expo 2010 Shanghai

areas, based on strategic partnerships with Shanghai Metro operators. Another focus is off-street "new market" locations such as office buildings, hospitals and universities. To support this growth, we have built a new general business center combining our second ready-to-eat food plant and a logistics center capable of handling all temperature ranges.

What works in Shanghai will work in all of China, it is said. We see fiscal 2010 as a chance to strike while the iron is hot, and are adopting an aggressive policy of business expansion.

For more details, please see P.18

Q7 Why have you set up operations in Vietnam?

A

In addition to the economic boom and the growth in the population of young people and in personal incomes, a major reason is the fact that there is almost no competition. In terms of per capita GDP, other countries are also attractive, but in terms of investment efficiency, we need this "blue ocean" (virgin) market, and with the experience we have built up over the last 20 years, we consider ourselves fully equipped for this challenge.

Ho Chi Minh City is Vietnam's largest city, but still lags in terms of logistics infrastructure development and modernization of retailing. To resolve logistics problems, we have chosen as a partner the Vietnamese wholesaling and logistics major Phu Thai Group. And in a new initiative, we are attaching a food production facility to our pioneering store in Ho Chi Minh City, to produce and supply ready-to-eat items in-house.

For more details, please see P.19

Q8 What impact as the worldwide recession had on you?

A

Food is the main product sold by convenience stores, and prices per unit are low. As a result, business performance in most Asian countries has been steady. However, in the United States, where we adopted a premium-brand policy, targeting the upper middle class, we have taken a fairly severe hit. For the

moment, we will watch how the economy fares, and plan to tailor adjustments to store formats and pace of store openings to the urban redevelopment project currently underway in Los Angeles.

Q9 Finally, how has your enterprise value benefited from overseas expansion?

A

Through our overseas businesses, FamilyMart has grown stronger as an enterprise. In logistics, plant and other operations, we have made a considerable effort to internalize the wide-ranging expertise of partner companies in Japan. Furthermore, in the rapidly evolving and increasingly tough Asian markets, we are learning how to compete with, or link up with, increasingly high-profile retailing mega-conglomerates. Above all, through these endeavors, we are fostering talent rich in experience and expertise. This is not just for future business development in new overseas markets. It will surely help us manage change in the Japanese market too.

I believe our global advance will also contribute to the modernization of the retailing and logistics sectors in those countries where we set up operations, and also raise the profile of the Japanese retailing and service sector overall.

Based on the assets we have acquired through our overseas operations, we have set ourselves a near-term target of operating 20,000 stores around the world. While cultivating new markets, we aim to expand that to as many as 40,000.

A Big Push into the Booming Shanghai Market

This year, Shanghai is staging Expo 2010 Shanghai. A place of exotic attractions and burgeoning modernity, Shanghai has become not only a Chinese metropolis but also a world city.

Since 2004, FamilyMart has developed this market in a consortium with Ting Hsin Group, a major Chinese foodstuff industry grouping, our area franchiser Taiwan FamilyMart Co., Ltd., and major Japanese trading house ITOCHU Corporation. By combining the strengths of each partner, we have achieved significant growth by understanding customers' needs and gaining their support. The result has been increased store openings and higher average daily sales.

Rigorous training: The key to high-quality services

By following our manual and going through our training center, employees ensure a bright, spotless store interior and a welcome that makes customers feel relaxed. We invest a lot of time and effort in staff training. Based on our commitment to SQ&C (service, quality and cleanliness)—the basics of retailing—we ensure our employees understand the importance of greeting and thanking customers properly. In this, we benefit greatly from the intermediary role played by staff of Taiwan FamilyMart Co., Ltd., whose understanding of Chinese culture is, of course, instinctive.

Oden and bakery products hit the spot

In China, there is a strong preference for hot, fresh food, and fast food has become increasingly popular. By adapting Japanese *oden* (a kind of stew) to Chinese tastes and spitting the ingredients on skewers, we have made this product a staple. With introduction of Japanese production technology, we have also developed original moist, elastic bread and pastry products, which have become a big hit. In China, where bread is not a traditional staple, we have developed a new market.

Store openings in subway stations

To tap accelerating economic growth in China, we are opening stores not only facing the street but also in new, closed-off locations such as station interiors, office buildings, hospitals and universities. We have signed a strategic partnership contract with Shanghai Metro operators. In the future, we plan to increase store openings in Shanghai Metro stations (from a total of 280 at the end of April 2010), both inside the halls and in their catchment areas. By the end of fiscal 2010, we plan to have opened approximately 50 stores in these locations. That would raise the total of FamilyMart stores in the city from 287 in the end of fiscal 2009 to 484 a year later.

The ratio of stores in Shanghai operated under franchises now stands at around 47%, with most franchisees being ex-employees who have set up independently using our in-house fund-support system.

Better infrastructure through a new general business center

Construction has finished on a new general business center incorporating our second plant for ready-to-eat items (daily production capacity: 100,000 meals; total area: 8,600m^2) and a logistics center (total area: 25,000m^2) able to supply some 500 stores with daily food items in all temperature ranges. This facility came onstream in May 2010. Combined with our first ready-to-eat food plant in Shanghai, we are now positioned to service up to 1,000 stores, giving us a stable supply system and considerably improving our productivity.

Vietnam: An Attractive Market Full of Potential

About 86 million people live in Vietnam, a nation some 90% of the size of Japan. With 10% of them living in its largest city and economic hub Ho Chi Minh City (the capital is Hanoi), the population density here is on a par with that of the 23 wards of Tokyo. Over the last few years, Vietnam has posted high GDP growth, of 6.3% in fiscal 2008 and 5.3% in 2009. The driving force of this performance is the average age of the people: just 27 years. Streets bustle with motorbikes and honking cars, filling the city with energy.





Vietnam's first made-in-Japan convenience store

Even by Association of South-East Asian Nations standards, Vietnam is traditionally a nation of shopkeepers. Increased consumer safety awareness and government planning in recent years have raised the prospect of gradual modernization of its retail market. The domestic retail market was only thrown open to foreign companies in January 2009. A handful of stores operated by foreign companies and several dozen more by local firms now offer round-the-clock shopping in Ho Chi Minh City, but they have little in common with the Japanese convenience store model. It is fair to say there is almost no competition at the moment.

Our first store in Vietnam, opened in a central area with a particularly high population density, has proved very popular. During fiscal 2010, we will open a total of five directly operated stores with varying product lineups, display layouts and store size, and, depending on customer reaction, seek to optimize an operational model for the local market.

Japanese rice balls score a big hit with the young

The main feature of this store is the effort that has been put into ready-to-eat food—fast food items, rice balls and sandwiches. In this store, rice balls sell well. Vietnamese people eat a lot of *Pho* (rice noodles) and *Com tam* (combination dish of grilled pork, vegetables and pickles on rice), and we were sure that rice balls would do well. So we displayed them prominently on the shelves—and they have taken off. Children going home from school rush in for our rice balls, and I feel a real joy at seeing them disappear down their throats. Vietnamese people are very curious about eating, and very receptive of new ideas.

Junichi Yamashita
Head of Vietnam operations

Review of Operations

Review of Operations

Store Operation

Basic Strategy and Overview

Our aim is to become the convenience store of choice through rigorous attention to service, quality and cleanliness (SQ&C)—the basics of retailing—combined with FamilyMart hospitality. Based on a store support system comprising 21 "districts" directly under the President, we are strengthening the competitiveness of individual stores on a daily basis through the joint endeavors of franchised stores and our head office.

As a result of these initiatives, average customer visits (total store basis) have increased by approximately 100 people per day compared with three years ago.

Major Initiatives and Future Developments

Overhauling store displays through our new ordering system

In fiscal 2010, we will overhaul store displays, with three priorities: better layout, greater accuracy in ordering, and better store cleanliness.

The reform that most directly impacts sales is achieving greater accuracy in ordering. In fiscal 2010, we will introduce a new ordering system incorporating improvements prompted by opinions of front-line staff. By improving ease of operation and support functions (for example, enabling staff to easily identify products that sell well at other stores but are not available in their own store), we have enabled fine-tuning of display management. The new system is another step toward our goal of only stocking the products customers want to buy, when they want to buy them, and in the right amounts.

Strengthening store operation skills through our staff qualification program and better internal communication

Successful store operation depends ultimately on the operational skills of our staff. Our Store Staff Total (SST) system is our proprietary mechanism for fostering top-grade retail talent. Under this program, store staff acquire primary, intermediate and advanced grade certification as retail operatives. By fiscal 2008, nearly all FamilyMart staff had acquired primary grade certification (meaning they are able to perform simple, high-frequency operations). In fiscal 2009, we encouraged them to acquire intermediate grade certification (meaning they are able to handle all operations from ordering to display management). By having employees work together to acquire these qualifications, a sense of organizational belonging is fostered, and motivation is improved.

It is also very important strategically to ensure partner relations between franchised stores and head office. By creating unrestricted channels for dialog such as workshops and seminars for franchised stores, FamilyMart is strengthening the bonds between franchised stores and head office through a shared concept of business development.

For more information, please see The "FamilyMart Feel" Campaign P.29

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

S	Service	Giving the customer prompt, friendly and caring attention
Q	Quality	Ensuring our shelves always stock the products and lineups people want, when they want them
C	Cleanliness	Cleaning and sanitation management that reaches every corner

■ Store Staff Qualification System

Qualification		Tasks
Primary grade	★	Able to perform simple, high-frequency operations
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

Review of Operations

Products

Basic Strategy and Overview

For details of product sales and gross profit ratio, please see Fact Sheets P.39

To meet diversifying customer needs, FamilyMart is developing products tailored to specific purchaser categories, based on three marketing strategies under the keywords Generation, Price and Region.

In our mainstay ready-to-eat items, we have undertaken full-scale development of products seldom found in convenience store ranges, supported by technological innovation. We are deepening integration from development through display and advertising in our traditional strengths of pasta, fast food, desserts and chilled-cup drinks, which we have designated as a priority product category. This strategy has enabled us to create a string of hit products strongly differentiated from rival chains.

60 million cups

More than 60 million chilled-cup drinks sold

We have sold more than 60 million FamilyMart *Ajiwai* Famima Café chilled-cup drinks. *Ajiwai* Famima Café is our fourth priority product category. Dessert drinks using tapioca have proved very popular with customers, and sales are strong. In the space of just eleven months after launch in April 2009, we have sold a cumulative total of 60 million cups of *Ajiwai* Famima Café beverages. Overall, the chilled-cup drink category has posted year-on-year sales growth of 3%. We plan to strengthen this category, in which we have an overwhelming edge, through further aggressive product launches.

Sashimi

Delicatessen items

Chilled *bento*

Major Initiatives and Future Developments

Three Marketing Strategies

Generation

We are stepping up age-group based projects for product lineups and development, with campaigns designed and implemented by staff who are also members of the target age group. In fiscal 2010, the focus is on older (middle-aged and retired) customers.

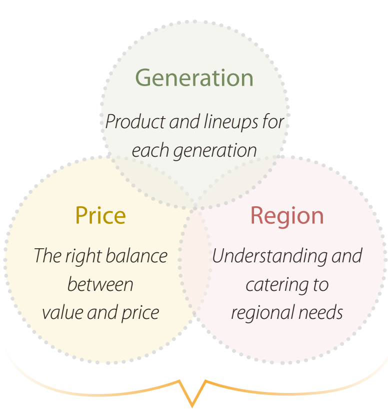
Price

Here the emphasis is on achieving a well-balanced range, with higher unit prices on each item and quality lineups at both ends of the pricing range, with a focus on providing value beyond the price tag.

Region

Working together with local producers and manufacturers, we ensure that our products use locally sourced materials and meet local needs. In fiscal 2009, 44% of priority ready-to-eat product categories (rice balls, *sushi* and *bento* delicatessen items, and cooked noodle dishes) as well as daily food items were sourced locally.

■ Three Marketing Strategies



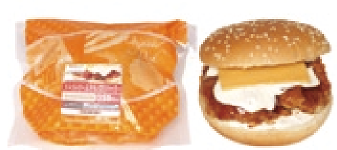
Strengthening the *bento* category with chilled-zone temperature management

We are strengthening our lineup of chilled *bento* products, which have a longer shelf-life and use a wider variety of ingredients than the conventional *bento*.

In fiscal 2009, we introduced at all of our stores* chilled *bento* kept at a constant 3°C-8°C. This fueled significant sales growth in our *bento* category.

*Excluding the area franchised stores.

Tartar cheese chicken cutlet burger (Tohoku area only)



Delicatessen "obanzai" bento (Kansai area only)

Localized products, available only in certain areas

We will develop foodstuffs with a local accent, adding value and cutting costs by using local farms and food plants.

Tapping the home-dining market by strengthening the fresh food and delicatessen lineup

We see the changes in consumption habits from the increase in single-person households and the rise in people eating at home, due to the economic slowdown, as an opportunity. To monetize it, we are developing product lineups not usually associated with convenience stores.

Famima Fresh corners for fresh food and prepared food kits have been introduced in around 1,200 stores. With their special cooling equipment, some 340 stores offer unusual food items for the sector such as tuna *sashimi* and roast beef. We have also begun to offer fish-based items such as *sanma-no-shioyaki* (salt-grilled Pacific saury) and *karei-no-teriyaki* (teriyaki flounder) to enrich our delicatessen range. In January 2010, we integrated and revamped a number of FamilyMart original delicatessen brands and relaunched them as the "home-made taste" series.

Looking ahead, we will continue to meet the needs of our customers by producing fresh items for the home-dining market and strengthening our delicatessen range.

Review of Operations

Services

Basic Strategy and Overview

Looking at the future role of convenience stores, FamilyMart sees itself not only as a provider of merchandise, but also as a key supplier of services for every aspect of daily life. While building a national chain of stores across Japan providing universal services, we are strengthening investment in store management systems, including e-money compatibility and other in-store services, and forming business alliances with other companies to strengthen our service infrastructure.

Major Initiatives and Future Developments

Famima T Card and T-POINT: Tools for building customer loyalty

FamilyMart's Famima T Card enables customers to use the services under the T-POINT Loyalty Program, which, with 34 million members and 66 alliance corporate members, is one of the largest jointly operated point-incentive programs in Japan. FamilyMart issues a free card (no enrolment or annual fee), enabling card-holding customers to enjoy exclusive discounts.

We will use the membership-based Loyal Customer Preferential Treatment System (launched October 2009) to strengthen marketing to our top-tier and future top-tier customers. We also plan promotional initiatives through the T-POINT alliance to develop measures to encourage store visits, specifically targeting members who have never used their cards, people with idle memberships and other categories of card-holder.

E-money: Making payment easier

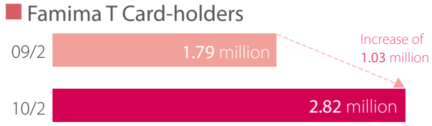
FamilyMart was a pioneer of e-money in Japan's retail industry, launching the "iD," "Edy" and "WAON" services at all its stores. The "Suica," "ICOCA," "Kitaca," and "SUGOCA" systems are available in certain areas.

Famiport Multimedia Terminals: One-stop universal services

We provide a wide range of services through Famiport Multimedia Terminals. In fiscal 2009, we upgraded our services to make them even more accessible to our customers, with the launch of e+ ticketing and charity donation services (the first time such services have been offered at convenience store multimedia terminals).

Famiport

Famima T Card-holders



T-POINT services (at the end of February 2010)

T Card-holders totaled 34.44 million.

T-POINT alliance corporate members totaled 66 companies (30,672 stores)

Convenient ATM services

We continued to install ATMs in our stores during fiscal 2009, and began offering ATM services in two more prefectures of Japan. As of the end of February 2010, the total number of in-store ATMs was 6,931 (excluding the area franchised stores).

ATM

famima.com: Enhancing the mail-order business

With famima.com, customers can order products using their PCs, cellphones and Famiport Multimedia Terminals, and pick up their orders without charge at a nearby FamilyMart store. This is doubly convenient as it alleviates the problem of space shortage in stores while bringing the customer the limitless product availability of mail-order channels.

famima.com

Review of Operations

Store Opening Strategy

Basic Strategy and Overview

Since 2006, FamilyMart's store network has covered every prefecture in Japan. Currently, we are further strengthening our presence in the three metropolitan areas of Japan (Tokyo, Osaka and Nagoya), which have high population concentrations, as well as in leading provincial cities. We are also opening outlets in new markets such as hospitals, colleges, office buildings, expressway service areas and stations.

During fiscal 2009, we achieved a net increase in stores over the year of 256 (534 openings and 278 closures)*. The store-opening target for fiscal 2010 is 450 stores. Our priority is opening high-quality stores and conversion of am/pm stores into the FamilyMart network. In fiscal 2010, we plan to convert 350 am/pm stores mainly in the Tokyo area, and aim to have completed the brand integration by February 2012.

* FamilyMart, non-consolidated (excluding TOMONY)

For more information on total store numbers and franchise contracts, please see Fact Sheets P.40-41

Major Initiatives and Future Developments

Attracting first-class store managers through our support networks

Encouraging multiple-store management not only helps ambitious franchisees realize their dreams but also bolsters FamilyMart's bottom line. We use incentive systems for multiple-store management, which are backed up by full support systems, from personnel training to store management. As of the end of February 2010, over 40% of our stores were under the multiple-store management format.

We have also launched a financial support program in which highly motivated franchisee candidates can access some of the funding they need at store-opening when their own resources are insufficient. This promotes franchising.

Steady growth in stores in new markets

FamilyMart operates stores under our new Famima!! concept brand for large office blocks and other commercial buildings. Sophisticated store designs that harmonize with the host amenities and attractive product lineups such as imported stationery have made these stores very popular, and we have received more requests to open stores with this format.

Another focus is store openings in new markets. We now have 50 outlets in expressway service and parking areas, making us the leader in this segment of the convenience store market. As of the end of February 2010, we operated 33 stores under the TOMONY format for shopping areas inside Seibu Railway station buildings, in a steadily growing joint business with this railway company.

■ Major support programs

Multiple-store promotion system (1FC contracts)*	Step-up program for franchisees on 2FC contracts*	Newly independent franchisee support system
This is an incentive-based support program to encourage franchisees operating one store to take on additional stores.	This is a program that enables franchisees on 2FC contracts to step up to 1FC-B or 1FC-C contracts after completing five years of management of a new store and fulfilling their contracts.	This system is for would-be franchisees who are not yet quite ready to take over management independently, giving them hands-on experience as a non-regular store manager before going it alone. Part of the contract fee is waived on signing the official franchise contract.

* Not applicable in the case of certain stores.

Review of Operations

Area Franchisers

The FamilyMart Group's store development operations in specific areas of Japan and in specific overseas markets are handled by our area franchisers. This enables us to tailor store layouts and product lineups to the particular requirements of each region, allowing the rapid expansion of a network of highly profitable stores. As of the end of February 2010, the Group included ten area franchisers operating a total of 8,631 stores. Our area franchisers in Japan and overseas act as powerful partners in our store network expansion initiative, and we look forward to continuing to work hand-in-hand with them.

Domestic Area Franchisers

Okinawa

Okinawa FamilyMart Co., Ltd. Established 1987

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

This area franchiser, established as a joint venture with the local retailer RYUBO CO., LTD., operates the largest convenience store chain in Okinawa Prefecture. The company tailors initiatives closely to its local market. These include sales contests for new ready-to-eat items and dessert products thought up by local college students as a part of practical internship programs. The company also sponsors futsal tournaments for students of elementary schools. Moreover, it puts effort into devising new food products that incorporate local produce. The company will continue to create a distinctive corporate image 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.

Kagoshima & Miyazaki

Minami Kyushu FamilyMart Co., Ltd. Established 1993

Food items using Kagoshima-sourced products, prepared under the supervision of Professor Etsuko Fukushiyama of Kagoshima Women's Junior College.

Established as a joint venture with Homboshoten Co., Ltd., a liquor wholesaler in Kagoshima Prefecture, this company is the leading convenience store operator in the Minami (South) Kyushu region, encompassing the prefectures of Kagoshima and Miyazaki. Through the Group's "FamilyMart Feel" campaign in Minami Kyushu FamilyMart tailors its business activities to the local area. In fiscal 2009, the company held open-air classes for children in the fields to give them a feel for the farming life, as well as the "Tanegashima Space Camp" on the theme of space, nature and human relations.

Hokkaido

Hokkaido FamilyMart Co., Ltd. Established 2006

Swiss roll made using Hokkaido-sourced wheat-flour and whipped cream, and topped with almonds.

This company, established in a joint venture with Hokkaido's largest foodstuffs wholesaler Seico Fresh Foods Co., Ltd., operated 40 stores as of the end of February 2010. Stores have been opened in new types of location such as hospitals and hotels, and a growing number of stores are being opened in high-profitability locations. In merchandising, the company is engaged in new product development using local ingredients, such as wine from local vineyards, rice balls and desserts, in a tie-up with "Sapporo Autumn Fest" sponsored by the City of Sapporo, Hokkaido. In fiscal 2010 too, we will continue this endeavor, to build up customer support for our products and stores.

Overseas Area Franchisers

Taiwan

Original delicatessen rolls developed with the help of Japanese baking technology. These rolls have a superior taste and texture in the mouth, making these shops very popular.

Fresh coffee brand *Let's Café*, created under a tie-up with a popular Taiwan coffee shop chain, Mr Brown Coffee. Advertising with a popular Taiwanese actor, Mark Chao, has ensured extensive media exposure and strong popularity.

Taiwan FamilyMart Co., Ltd. Established 1988

The company opened its first store in 1988 and reached the 2,000-store mark in December 2006. It is now one of the leading convenience store operators in Taiwan. In December 2007, Taiwan FamilyMart completed the acquisition of business rights for some 160 stores from Nikomart. The company has good prospects of further expansion thanks to its success in distinguishing itself from its rivals — in what is a fiercely competitive market — through the employment of the Japanese parent company's expertise in products and customer service, particularly in the field of ready-to-eat items. In fiscal 2010, our Taiwan stores will work hard to make shopping at FamilyMart a still more pleasant experience. New products and services will include launch of sales of an original bread and pastry product created using Japanese baking technology, and launch of the first High Speed Railway ticket-booking services in Taiwan's convenience store sector, using the multimedia terminals installed at all stores since February, in addition to our existing e-money services. We will continue to provide customer satisfaction through products and services tailored to local needs.

South Korea

Offering value beyond their price, rice balls, sandwiches and *bento* products launched in fiscal 2009 have proved hits with customers.

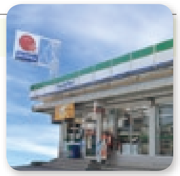
BOKWANG FAMILYMART CO., LTD. Established 1990

The company, which started business in 1990, is now South Korea's leading convenience store operator with nearly 5,000 outlets. In the South Korean convenience store sector, store openings are accelerating and mergers are changing the industry landscape. Amid such intensified competition, FamilyMart plans to differentiate itself through *bento* products, sandwiches and other ready-to-eat items, based on our rigorous commitment to service, quality and cleanliness. We are also taking measures to further differentiate our products and increase the gross profit ratio through the addition of private brand products in confectionery, instant noodle, bread/pastry and ice-cream lines, and plan to introduce in fiscal 2010 fast food products and fruit and vegetables at BOKWANG FAMILYMART stores. By ensuring that customers enjoy their shopping experience at our stores and will always want to come back, we will avoid resting on our laurels as market leader.

Thailand

Popular fast-food items such as sausage, hot dogs and other hot snacks, and FamilyMart original chilled *bento*.

Siam FamilyMart Co., Ltd. Established 1992



Siam FamilyMart opened its first store in 1993, and currently operates mainly in Bangkok, Pattaya, and Phuket. In an increasingly competitive market, the company focuses on offering its customers a pleasant place to shop through service that combines Japanese-style attention to detail with the friendly hospitality for which Thailand — "the Land of Smiles" — is justly famous. Being a tropical country, Thailand experiences only a relatively small change in climate throughout the year, giving retailers fewer opportunities to introduce season-related products. However, the company is leveraging Japanese know-how to develop unique, high-quality food products. It is distinguishing itself from competitors through the use of innovative store designs and product lineups with the goal of conveying the "FamilyMart Feel" to customers.

China

Shanghai FamilyMart Co., Ltd. Established 2004
Guangzhou FamilyMart Co., Ltd. Established 2006
Suzhou FamilyMart Co., Ltd. Established 2007

A traditional Chinese breakfast meal, featuring *kuromai* (black) rice and *mochigome* (glutinous) rice balls.

Soy milk with that just-made taste. Available in plain and black sesame flavors.

FamilyMart aggressively develops its business in China in a consortium with Ting Hsin Group, a major Chinese foodstuff industry grouping, our area franchiser Taiwan FamilyMart Co., Ltd., and major Japanese trading house ITOCHU Corporation. Starting with a pioneer store in Shanghai in 2004, store openings spread to the cities of Guangzhou in January 2007 and Suzhou in September 2007. Expansion is proceeding smoothly in China, whose economy continues to grow strongly, with over 350 new stores as of the end of February 2010.

We are opening new stores at Expo 2010 Shanghai and within the retail areas of the Shanghai subway.

Leveraging expertise developed in Japan, Taiwan and other markets, we are working to differentiate our brand in China by making FamilyMart stores a friendly, fun place to shop at, where customers find a temptingly wide range of products spanning ready-to-eat items such as *bento*, pastries and fast foods, all based on our rigorous commitment to service, quality and cleanliness.

United States

FAMIMA CORPORATION Established 2004

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.

The first store in the United States under the Famima!! brand name was opened in 2005. FAMIMA CORPORATION operates stylish stores with high-quality products, services and hospitality mainly in downtown Los Angeles. Among the many original, high-quality products on offer are fast foods, *sushi*, rice balls, Panini sandwiches, pasta dishes, and various desserts. This lineup, differentiating us from competitors, has earned us strong support from local customers.

Vietnam

Family Company Limited Established 2009

We are preparing to establish area franchise joint ventures in Vietnam to support our growth in that country.

Sandwiches using bread made by a famous Vietnamese bakery. They are highly appreciated by our customers for their authentically local production methods.

FamilyMart brought the Japanese convenience store experience to Vietnam in 2009, opening a store in Ho Chi Minh City, hub of this emerging economy. In a retail landscape dominated by sole operators, we are providing new shopping convenience and pleasure, based on our long-standing commitment to stocking the products customers want to buy, when they want to buy them.

Given that Vietnam currently has no suppliers of ready-to-eat items, our first store in that country includes a special facility for their manufacture. This ability to produce ready-to-eat items ourselves gives us a competitive edge over rival companies.

During fiscal 2010, we plan to open another four stores in Vietnam, and conduct a review prior to a full-scale rollout of FamilyMart stores.

Broader Deeper

Developing the "FamilyMart Feel"

Despite the difficult retail environment, we will continue to be the convenience store of choice by adhering to the basics of retailing and offering a friendly, fun shopping experience. We are undertaking a range of initiatives to ensure that all our employees and franchisees understand and work to realize the vision embodied in our "FamilyMart Feel" campaign, through discussion and reflection.

Generating understanding and empathy at the franchised store level

The "FamilyMart Feel" can only be extended to the customers if it is embraced by store staff themselves.

During fiscal 2009, we used a direct platform, franchisee workshops, to deepen understanding of the "FamilyMart Feel" among staff of franchised stores all over Japan. These workshops were arranged at business premises all over the country, and participants from stores who had never met each other before gathered and worked in groups. These sessions prompted participants to comments on themes like "Why I started working for FamilyMart" (on the topic of getting back to basics), and make remarks like "This was the best experience so far," (on recovering a sense of achievement); and "This is what I want to achieve through the 'FamilyMart Feel'" (on shared perspectives).

"Although we all work in different stores, we have the same approach to the customer," said one participant. "We drew confidence from the fact that we were not alone." "It gave me stimulus and courage," said another. Some staff were moved to tears in what was a very satisfying event for all.

Workshops in fiscal 2009 were attended by about 7,500 store managers and staff from some 6,100 stores.

In fiscal 2010, we plan further workshops with new themes, with the same emphasis on discussion and reflection through direct methods, focusing on "the importance of getting back to basics" and "future visions for FamilyMart."

Welcoming new friends

Before the integration with am/pm, we arranged a special event, the "Welcome Workshop," to ensure that new staff likewise embraced the "FamilyMart Feel," and to deepen emotional ties between the people of both chains.

Staff of FamilyMart and am/pm formed teams of three or four people, and interviewed each other on subjects such as the values important to them, and their best experiences on the job to date, to help build up a shared sense of commitment. In addition, "sensitivity" sessions were arranged in which participants tried to present a concrete vision of the "FamilyMart Feel" by using objects artistically. In the end, am/pm employees were presented by FamilyMart employees with the "brand book" *FamilyMart no Kokoro* (The Heart of FamilyMart).

The effect of these activities was a narrowing of the emotional distance between employees of both chains. Many participants said that although the chains were different, they had the same attitude towards the customer, and vowed to prioritize the customer, enabling both to continue to grow together after the integration.

Participants shared feelings and strengthened emotional ties.

We will continue to use the "FamilyMart Feel" campaigns to invigorate the organization and ensure shopping at FamilyMart is a friendly, fun experience for our customers.

Corporate Social Responsibility

FamilyMart ensures that the "FamilyMart Feel" is very much part of its CSR activities. Based on the FamilyMart Basic Principles, we pursue a wide-ranging CSR commitment through consideration for the environment, contributions to the local community, and a high degree of management transparency. In so doing, we aim to further raise our enterprise value and fulfill our responsibilities to all our stakeholders.

Environmental Preservation

In March 1999, FamilyMart received ISO 14001 certification for its environmental management system. Now, new environmental goals are set each year in the categories of products/services, product delivery, store facilities, store operation, and offices and Company vehicles. We are committed to continuous improvement as an organization, from the president of the Company and head office staff down to local office and all store staff.

We have a target of cutting CO_2 emissions per store by 7% (approx. 5.2 tons) from fiscal 2007 levels by fiscal 2012.

Major Initiatives in Fiscal 2009

- Opening of flagship eco-store ⇒ 1
- Carbon offset through plastic shopping bags ⇒ 2
- Closed-loop food-recycling system ⇒ 3
- Expanded use of environment-friendly packaging
- Use of no-rinse rice in all rice products

Looking Ahead

FamilyMart will continue to regard environment protection activities as a management priority. As priority initiatives for the future, we will pursue the twin goals of helping to foster a low carbon society by reducing greenhouse gas emissions, and expanding measures to bring about zero-waste society.

Children's Environmental Report
Sustainability Report

For more information on our CSR activities, please visit:

http://www.family.co.jp/english/investor_relations/results.html

Contributing to the Community

Because we consider local communities an important part of our "family," we contribute to the community in a wide range of ways, including placement of charity boxes at stores, provision of emergency disaster relief, and staff volunteering.

Major Initiatives in Fiscal 2009

- Various initiatives to support children, the theme for our community contribution in fiscal 2009. ⇒ 4
- In-store charity fundraising (FamilyMart Connecting Dreams Foundation, and emergency relief donations for areas hit by natural disasters).
- During fiscal 2009, we signed agreements with another 19 regional authorities on providing essential "lifeline" services after major disasters (as of the end of February 2010, agreements on merchandise supplies had been reached with 34 regional authorities, and, with regard to relief measures for disaster victims unable to return home, with 32 regional authorities).

Looking Ahead

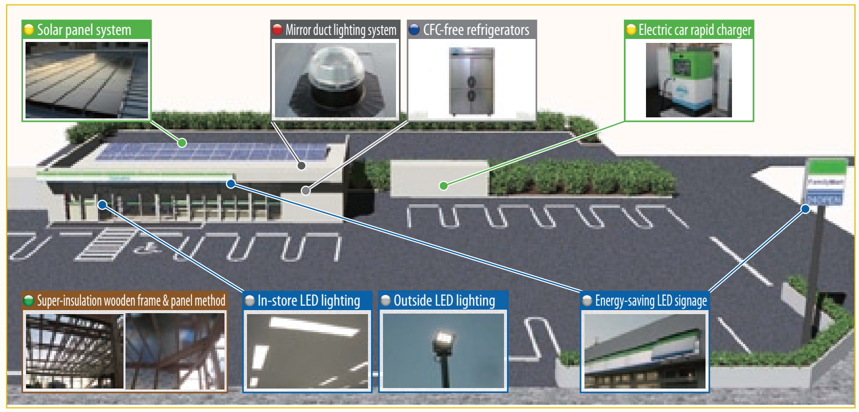
We will continue to extend our support to organizations that FamilyMart Connecting Dreams Foundation donates to, and to the Bellmark Campaign. We will also continue to contribute to regional revitalization through broad-based agreements with local authorities.

1 Opening of eco-friendly flagship store, featuring the latest environmental technologies

Over 85% of all CO_2 emissions from the entire FamilyMart group come from our stores. Through introduction of energy-saving equipment, we will ensure our stores have lower environmental load.

At the Toyotamanaka 3-Chome store, opened in January 2010 as our flagship eco-friendly store, we expect to achieve cuts of 20% in net CO_2 emissions compared with conventional stores, through introduction of the latest energy-saving facilities such as solar panel systems and CFC-free refrigerators. By installation of electronic panels that display electricity usage over two-day periods, store management staff can be made aware of the need for energy-saving on a daily basis.

Looking ahead, after checking power consumption over the year at this store and verifying the effectiveness of energy-saving systems, we will open other eco-friendly stores.



2 To help prevent global warming, we use 10 million plastic bags for carbon offsetting

We are taking measures to reduce the volume (weight) of plastic bags we use, based on thinner sheeting and by only giving out bags to customers who want them. Carbon offsetting is used for volumes that cannot be reduced.

Some 225 tons of CO_2, given off when plastic bags distributed by our stores are burnt, were balanced by carbon offsets used at a hydroelectric project in India. This project is authorized by the United Nations.

3 Letting nothing go to waste: 100% recycling of food waste

The most important problem in store management is how to dispose of waste food. In fiscal 2008, we introduced a food recycling system in which edible waste is collected from stores and ready-to-eat food plants and turned into liquefied feed for pig-raising. In May 2009, we began selling *bento* products using pork raised on such liquefied feed. In this way, we have achieved a closed-loop recycling system in our food operations, in which waste food is converted into liquefied feed and given to livestock. The livestock is then processed and the meat products are sold in the stores.

We are creating a new model for recycling by broadening the scope of stores and business partners involved in such initiatives.

4 FamilyMart supports children

FamilyMart Kids Exposition

We have set up a website enabling children to have fun familiarizing themselves with our CSR measures through such mediums as games and quizzes. For this site, we won the User Award in the fiscal 2009 Environmental Prize organized by the NTT group.

The website provides a forum through which social awareness can be raised through parent-child interaction.

http://www.family.co.jp/company/eco/expo

Thank You Letter Contest

We organized a writing competition in which elementary school children write thank you letters. The aim is to foster generosity of spirit and self-expression in children. Letters totaled 2,228.

Participation in the Bellmark Campaign

Since fiscal 2008 we have supported school education by ensuring all our rice-ball products carry the Bellmark logo on their packaging.

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 disclosure of corporate information.

Our Corporate Governance System

As of June 1, 2010, the Company's Board of Directors comprises 10 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 of decisions affecting operations, and their execution. 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 with 10 staff, which reports directly to the President of the Company. Taking a Companywide perspective, the 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 the FamilyMart Group.

FamilyMart has a contractual agreement with the auditing company Deloitte Touche Tohmatsu LLC to perform the auditing of the Company's accounts in line with the Corporate Law and Financial Instruments and Exchange Act. The accounting auditors, as an independent organization, examine the financial statements and other financial documents of the Company. Upon receiving the accounting auditors' reports, Company representatives discuss the findings with the accounting auditors.

Remuneration of Directors, Corporate Auditors and Independent Auditors

Amounts of remuneration, etc., to directors and corporate auditors

(Millions of yen)

Directors	287
Corporate auditors	66 (including ¥26 million for outside corporate auditors)

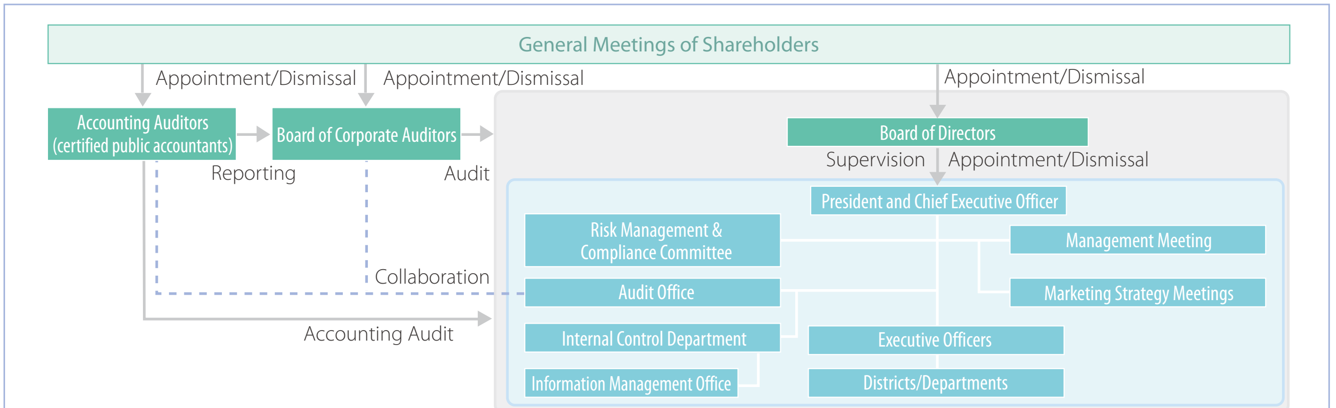
Notes:
1. The above amounts include payments to one Director who announced his retirement at the end of the 28th General Meeting of Shareholders held on May 28, 2009.
2. The above amounts do not include amounts corresponding to salaries and bonuses for Directors who concurrently serve as employees.
3. In addition to the above, ¥184 million in "Retirement benefits to directors and corporate auditors" was paid to one retired Director by resolution of the 28th General Meeting of Shareholders held on May 28, 2009. This amount includes a ¥31 million increase (for one Director) in liabilities for retirement benefits for directors, in relation to business years before the 27th period.

Amounts of remuneration to independent auditors

(Millions of yen)

Payment for audit certification	111
(Remuneration for the Company: 83; Remuneration for subsidiaries: 27)	

Corporate Governance System

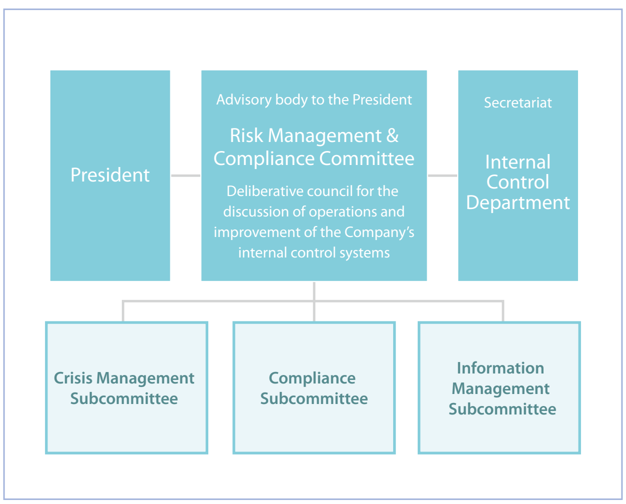


(As of June 1, 2010)

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. The Company set up the Internal Control Department to oversee the work of constructing a fully effective internal control system. At the same time, the Risk Management & Compliance Committee is responsible for reviewing 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 Specialist Subcommittees



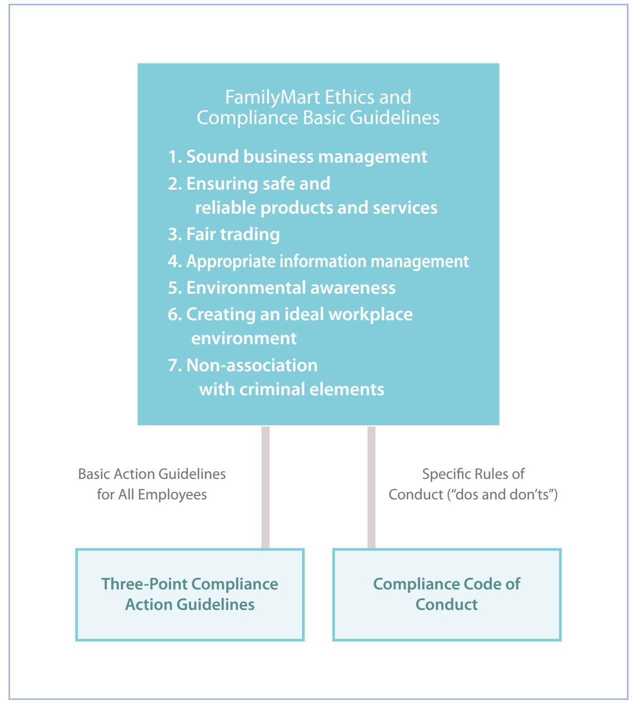
Ensuring the Adequacy of Internal Control Systems

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 compliance.

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. Based on the Financial Instruments and Exchange Act, in effect since fiscal 2009, reports on internal controls are presented on EDINET and our website.

Risk Management

To ensure due risk management on a Companywide basis, each unit of FamilyMart has compiled a "risk map" involving the 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 business information and confidential matters. 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 operator in Japan to be certified to use the Privacy Mark*. Permission to display the mark was extended to our e-commerce subsidiary famima.com Co., Ltd. in February 2007, to Famima Retail Service Co., Ltd. in December 2008 and to Famima Credit Corporation in November 2009.

Our aim is always to fully justify public trust in the FamilyMart brand. To that end, we will take further steps to strengthen management of personal and other sensitive information in the years ahead.

* Japan Information Processing Development Corporation issues the Privacy Mark, which indicates conformity with the JIS Q 15001 standards for personal information protection. The standards are more rigorous than legal requirements.

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Counter-Acquisition Policy

At a meeting of the Board of Directors held in April 2006, the Company adopted the Policy toward Large-Scale Purchases of FamilyMart Shares (hereinafter, “the counter-acquisition policy”).

Following changes in the Government’s policy on large-scale purchase of shares, which significantly reduced the meaning of the Company’s own counter-acquisition policy, the Company has given thought to the advisability of extending or discontinuing the counter-acquisition policy that was due to expire on April 30, 2009. After examination of the circumstances, at a meeting of the Board of Directors held in April 2009, a resolution was passed not to extend the application of the policy. This decision is based on our assessment that adequate measures are being taken by the Company with respect to: 1) taking active steps to enhance store competitiveness, strengthen merchandising, build a high-quality store network, and push ahead with the development of overseas store chains as a means of enhancing the profitability of the Company’s operations; 2) strengthening our corporate governance system; and 3) implementing steady profit distribution for all our shareholders. All these measures are aimed at raising the Company’s enterprise value and ensuring adequate protection of the common interests of shareholders.

With regard to this decision, the Company will, in the event of a takeover attempt, provide shareholders with the information and time needed for evaluation, after requiring rigorous disclosure by parties attempting a large-scale purchase of shares and making public the stance of the Board of Directors. If necessary, appropriate defensive measures will be taken within the scope of the relevant laws and regulations.

IR Activities

Under the firm leadership of its top management, FamilyMart is committed to ensuring that its investor relations activities respect its policy of simple and forthright disclosure characterized by accuracy, promptness and impartiality. In Japan, we hold semi-annual analysts’ meetings, at which the President discusses performance, management strategy and other matters in person. We also arrange specifically themed briefings for products and other matters, and around 200 separate meetings every year for our investors. Overseas, we also conduct investor relations activities in North America, Europe and the rest of Asia. To ensure fairest possible disclosure, we always keep our website updated and regularly publish financial reports and other materials.

Our investor relations activities have won praise from a large number of external institutions. We plan to further develop such activities in the future.

Plaudits

- Winner of the 11th Excellent IR Activity Award (JIRA IR Awards 2006) organized by Japan Investor Relations Association
- Sole recipient in retailing sector of certificate of merit for fiscal 2008, as a “company that maintains a consistently high level of disclosure” in the disclosure rankings by the Securities Analysts Association of Japan
- Only retailers to be commended in the 12th NIKKEI Annual Report Awards 2009 organized by Nikkei Inc.

The FTSE4Good

In September 2003 FamilyMart Co., Ltd. became a member 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


1.


2.


3.


4.


5.


6.


7.


8.


9.


10.

President and Chief Executive Officer

1. Junji Ueda

Senior Managing Directors and Senior Managing Executive Officers

2. Takayuki Yokota
3. Yoshiki Miyamoto

Managing Directors and Managing Executive Officers

4. Shiro Inoue
5. Masatsuna Seki
6. Yasuhiro Kobe

Directors and Managing Executive Officers

7. Toshio Kato
8. Motoo Takada
9. Masaaki Kosaka
10. Akinori Wada

Managing Executive Officers

Jin Tin Pan
Kazushige Ueno
Toshinori Honda

Senior Executive Officers

Katsuo Ito
Masataka Uesugi
Kimichika Iwakiri
Mitsuji Hirata

Executive Officers

Hisashi Suzuki
Masami Fujimori
Takehiko Kigure
Masanori Sugiura
Toru Ichikawa
Shigeyuki Ushimaru
Yoshihito Nakahira
Minoru Aoki
Shigehisa Kitaki
Masayoshi Masuko
Naomi Maruyama
Kiyoshi Kikuchi
Teruo Kuramata
Makoto Sugiura
Tadashi Hijikata
Hideki Miura

Standing Corporate Auditors

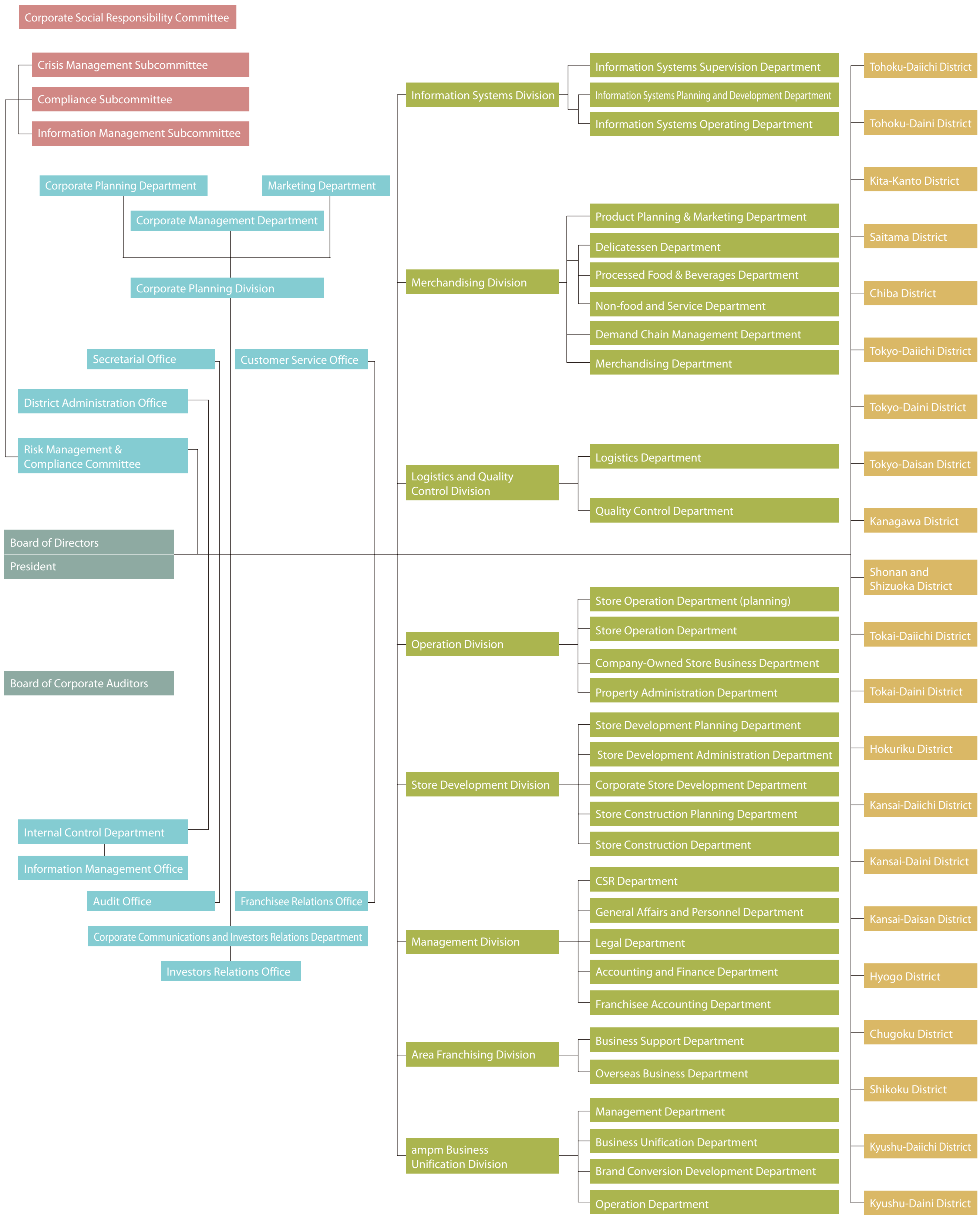
Shota Takahashi
Masaharu Ishiguro
Noriki Tanabe

Corporate Auditor

Takashi Endo

(As of June 1, 2010)

Organization

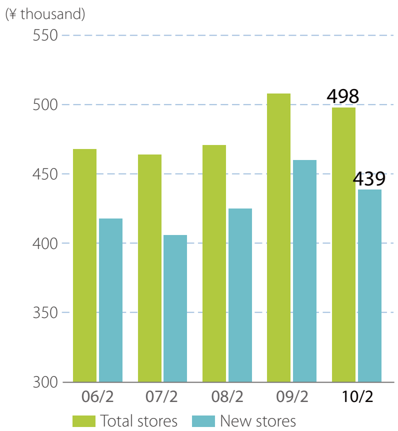


(As of June 1, 2010)

Data and Financial Section

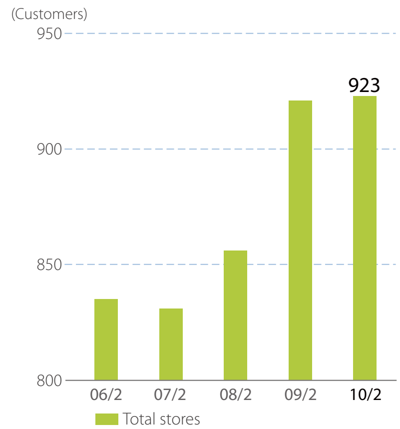
Business Performance (non-consolidated)

Average Daily Sales



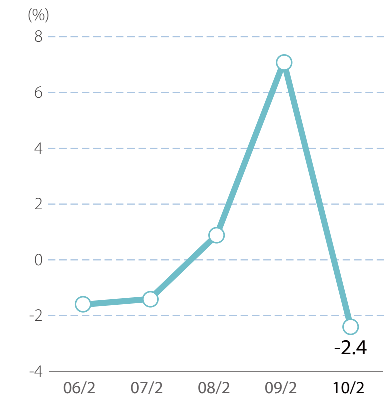
Note: The figures above do not reflect the performance results of the TOMONY stores.

Number of Customers



Note: The figures above do not reflect the performance results of the TOMONY stores.

Growth Rate of Average Daily Sales of Existing Stores



Note: The figures above do not reflect the performance results of the TOMONY stores.

Business Performance

		07/2		08/2		09/2		10/2		11/2 (Est.)	
			YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	464	(4)	471	7	508	37	498	(10)	505	7
	Existing stores	466	(5)	473	7	510	37	501	(9)	505	4
	New stores	406	(12)	425	19	460	35	439	(21)	500	61
Number of customers	Total stores	831	(4)	856	25	921	65	923	2	935	12
	Existing stores	834	(4)	858	24	922	64	926	4	935	9
Spend per customer (yen)	Total stores	558	(3)	551	(7)	551	—	540	(11)	540	—
	Existing stores	559	(3)	551	(8)	553	2	540	(13)	540	—
Growth rate of average daily sales of existing stores (%)		(1.4)		0.9		7.1		(2.4)		0.0	
Average inventory (thousands of yen)		5,460	86	5,505	45	5,753	248	5,669	(84)	5,675	6
Turnover of goods (times)		30.3	(0.2)	30.6	0.3	31.7	1.1	31.6	(0.1)	32.0	0.4

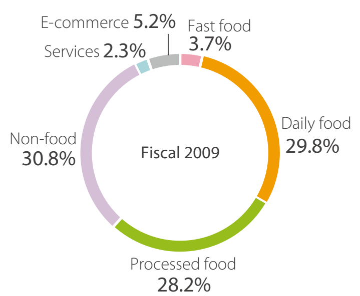
Note: The figures above do not reflect the performance results of the TOMONY stores.

Bill Settlement Service

	07/2		08/2		09/2		10/2	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Transaction volume (millions of yen)	1,048,380	15.7	1,198,266	14.3	1,332,213	11.2	1,442,621	8.3
Number of transactions (thousand)	114,641	12.0	131,061	14.3	147,956	12.9	154,956	4.7

Products (non-consolidated)

Sales by Product Category



Category	Products
Fast food	Fried chicken, steamed meat buns, *oden*, french fries and croquettes etc. made and sold over the counter
Daily food	*Bento* products, noodles, sandwiches, delicatessen, desserts etc.
Processed food	Beverages, liquor, 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

Breakdown of Sales by Product Category

(Millions of yen)

	07/2			08/2			09/2			10/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	38,502	12.3	3.6	41,286	7.2	3.7	46,951	13.7	3.8	46,585	(0.8)	3.7
Daily food	346,725	2.9	32.4	366,960	5.8	32.7	386,649	5.4	31.0	381,012	(1.5)	29.8
Processed food	327,043	1.8	30.6	342,502	4.7	30.5	360,012	5.1	28.9	358,576	(0.4)	28.2
Liquor (License goods)	60,842	(0.3)	5.7	63,259	4.0	5.6	65,477	3.5	5.3	64,142	(2.0)	5.0
Food sub-total	712,270	2.9	66.6	750,748	5.4	66.9	793,612	5.7	63.7	786,173	(0.9)	61.7
Non-food	276,656	5.6	25.9	289,239	4.5	25.8	369,074	27.6	29.6	391,829	6.2	30.8
Cigarettes (License goods)	166,315	11.0	15.6	180,933	8.8	16.1	261,246	44.4	21.0	284,502	8.9	22.3
Services	26,935	(21.1)	2.5	27,401	1.7	2.4	28,350	3.5	2.3	28,890	1.9	2.3
E-commerce	52,961	22.5	5.0	54,450	2.8	4.9	54,752	0.6	4.4	66,860	22.1	5.2
Total	1,068,822	3.6	100.0	1,121,838	5.0	100.0	1,245,788	11.0	100.0	1,273,752	2.2	100.0

Gross Profit Ratio

(%)

	07/2		08/2		09/2		10/2		11/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	50.52	0.77	50.52	—	50.61	0.09	50.96	0.35		
Daily food	34.65	0.57	34.93	0.28	35.03	0.10	35.23	0.20		
Processed food	34.17	0.43	34.71	0.54	35.17	0.46	35.68	0.51		
Liquor (License goods)	22.98	0.20	23.25	0.27	23.97	0.72	24.25	0.28		
Food sub-total	35.29	0.59	35.69	0.40	36.02	0.33	36.37	0.35		
Non-food	19.05	(0.48)	18.63	(0.42)	16.89	(1.74)	16.43	(0.46)		
Cigarettes (License goods)	10.56	0.08	10.49	(0.07)	10.49	—	10.49	—		
Services	13.59	2.36	13.16	(0.43)	12.48	(0.68)	11.74	(0.74)		
E-commerce	3.26	(0.40)	3.42	0.16	3.60	0.18	3.42	(0.18)		
Total	28.95	0.18	29.18	0.23	28.40	(0.78)	27.96	(0.44)	28.27	0.31

Notes: 1. The figures above do not reflect the performance results of the TOMONY stores.
2. The figures for 11/2 (Est.) include am/pm stores earmarked for conversion to FamilyMart stores.

Franchise Contracts

Types of FamilyMart Franchising Contracts

(Contract details differ according to area franchisers)
○ = Provided by franchisee

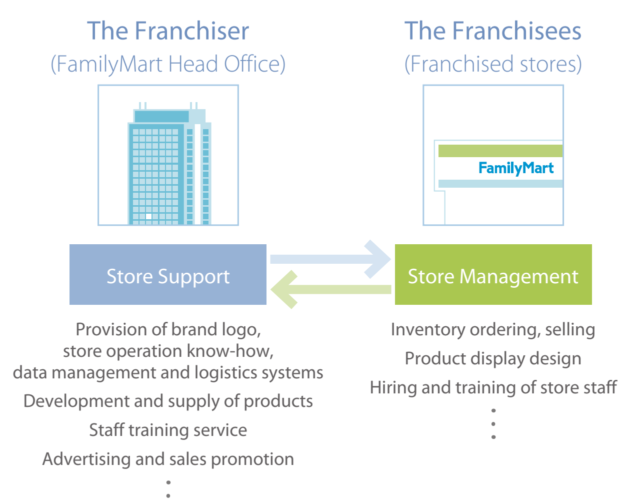
Contract type		1FC-A	1FC-B	1FC-C	2FC-N
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,075,000 at contract date (including ¥75,000 consumption tax) Affiliation fee: ¥525,000 Store preparation commission: ¥1,050,000 Initial stocking fee: ¥1,500,000 (including cash for 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 fund their own living expenses for 2 to 3 months)			
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

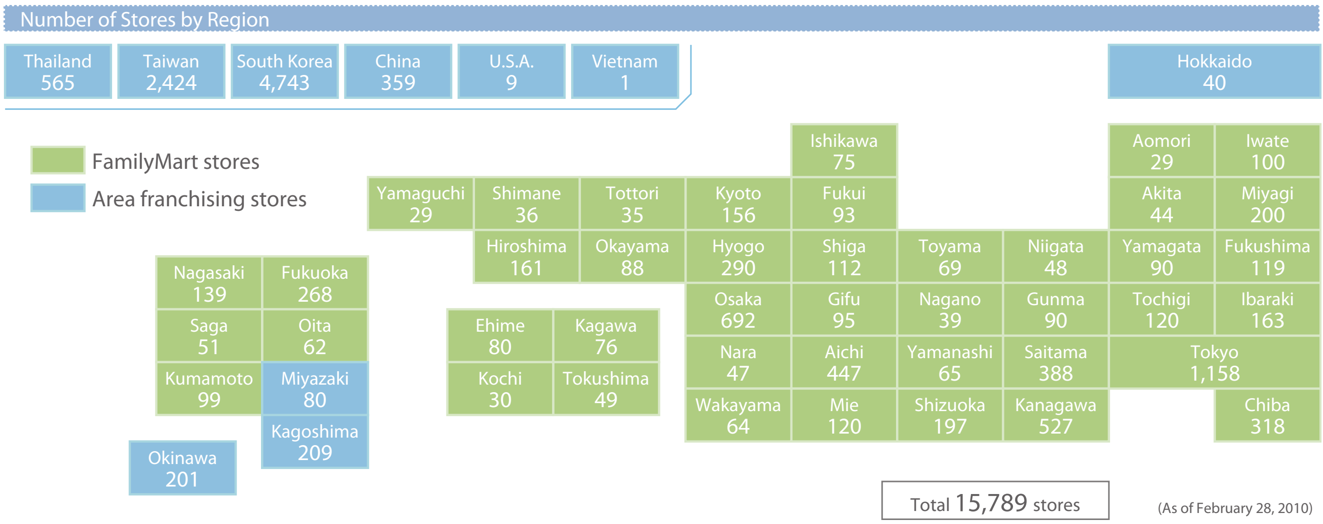
Notes: 1. In the case of rental store space, the franchisee shall pay the rent, a leasehold deposit, and guarantee money.
2. In the case of 2FC-N contracts, the franchisee shall pay up to ¥3.6 million for utilities.
3. A loan system is available for part of the franchisee's initial payments in the case of 2FC-N contracts.

FamilyMart's Franchise System

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



Stores



Number of Stores

	07/2		08/2		09/2		10/2		11/2 (Est.)	
	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores	358	16	460	102	469	9	434	(35)	434	—
Type 1	3,509	166	3,627	118	3,861	234	4,086	225		
(TOMONY)			5	5	22	17	33	11		
Type 2	2,634	35	2,604	(30)	2,561	(43)	2,638	77		
Franchised stores	6,143	201	6,231	88	6,422	191	6,724	302	7,274	550
FamilyMart stores	6,501	217	6,691	190	6,891	200	7,158	267	7,708	550
Okinawa FamilyMart Co., Ltd.	194	13	200	6	200	—	201	1		
Minami Kyushu FamilyMart Co., Ltd.	266	(3)	273	7	283	10	289	6		
Hokkaido FamilyMart Co., Ltd.	13	13	23	10	30	7	40	10		
Domestic area franchising stores	473	23	496	23	513	17	530	17	550	20
Domestic chain stores	6,974	240	7,187	213	7,404	217	7,688	284	8,258	570
Taiwan FamilyMart Co., Ltd.	2,023	154	2,247	224	2,336	89	2,424	88	2,583	159
BOKWANG FAMILYMART CO., LTD.	3,471	262	3,787	316	4,180	393	4,743	563	5,263	520
Siam FamilyMart Co., Ltd.	538	2	507	(31)	525	18	565	40	623	58
Shanghai FamilyMart Co., Ltd.	102	1	118	16	165	47	287	122	484	197
Guangzhou FamilyMart Co., Ltd.	2	2	11	9	17	6	46	29	108	62
Suzhou FamilyMart Co., Ltd.			7	7	12	5	26	14	51	25
China sub-total	104	3	136	32	194	58	359	165	643	284
FAMIMA CORPORATION	12	9	11	(1)	12	1	9	(3)	13	4
Vietnam							1	1	5	4
Overseas area franchising stores	6,148	430	6,688	540	7,247	559	8,101	854	9,130	1,029
Total area franchising stores	6,621	453	7,184	563	7,760	576	8,631	871	9,680	1,049
Total chain stores	13,122	670	13,875	753	14,651	776	15,789	1,138	17,388	1,599

Notes: 1. The figures for 11/2 (Est.) do not include the TOMONY stores.
2. The figures for 11/2 (Est.) include am/pm stores earmarked for conversion to FamilyMart stores.
3. The total of am/pm stores as of 10/2 is 1,104 (854 am/pm Japan stores and 250 area franchised stores).
4. We are preparing to establish area franchise joint ventures in Vietnam to support our growth in that country.

Number of Openings and Closures (non-consolidated)

	07/2			08/2			09/2			10/2			11/2 (Est.)		
	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase
FamilyMart	586	369	217	515	330	185	525	342	183	534	278	256	450	250	200
TOMONY				5	—	5	17	—	17	11	—	11			
Conversion am/pm ⟶ FamilyMart													350	—	350
Total	586	369	217	520	330	190	542	342	200	545	278	267	800	250	550

Consolidated Subsidiaries

Main Consolidated Subsidiaries

(Millions of yen)

	08/2			09/2			10/2		
	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income
Taiwan FamilyMart Co., Ltd.	29,253	2,994	2,270	26,732	2,850	2,307	22,512	2,709	2,061
Siam FamilyMart Co., Ltd.	20,335	(530)	(740)	19,131	(7)	(92)	18,085	66	3
FAMIMA CORPORATION	1,409	(939)	(1,548)	1,340	(910)	(1,223)	1,306	(721)	(1,669)
famima.com Co., Ltd.	61,499	1,081	896	5,363	1,219	712	5,127	1,287	757

Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

	08/2	09/2	10/2
	Net income	Net income	Net income
Okinawa FamilyMart Co., Ltd.	348	370	417
Minami Kyushu FamilyMart Co., Ltd.	165	252	207
Hokkaido FamilyMart Co., Ltd.	(44)	2	2
BOKWANG FAMILYMART CO., LTD.	4,235	4,052	3,612
Famima Credit Corporation	107	(306)	62

Capital Expenditure

Non-Consolidated

(Millions of yen)

	07/2		08/2		09/2		10/2		11/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Leasehold deposits	15,180	4.9	14,958	(1.5)	14,764	(1.3)	14,579	(1.3)	12,648	(13.2)
New stores	5,252	29.6	3,643	(30.6)	4,242	16.4	4,298	1.3	7,271	69.2
Existing stores	1,581	20.6	1,750	10.7	1,565	(10.6)	2,264	44.7	3,200	41.3
For stores	6,833	27.4	5,393	(21.1)	5,807	7.7	6,562	13.0	10,471	59.6
Head office investment	68	103.5	175	159.2	241	38.2	104	(57.3)	—	—
System investment	5,285	(13.9)	2,101	(60.2)	3,973	89.1	3,771	(5.1)	6,034	60.0
For head office	5,353	(13.3)	2,276	(57.5)	4,214	85.2	3,875	(8.1)	6,034	55.7
Lease	—	—	—	—	—	—	9,212	—	9,117	(1.0)
Total capital expenditure	27,366	5.3	22,627	(17.3)	24,785	9.5	34,228	38.1	38,270	11.8
Depreciation and amortization expense	8,044	(1.8)	6,043	(24.9)	6,059	0.3	7,343	21.2	10,110	37.7

Note: Due to adoption of the new lease accounting standards (Accounting Standard for Lease Transactions), capital expenditures and depreciation amounts from 10/2 included those for lease assets.

Consolidated

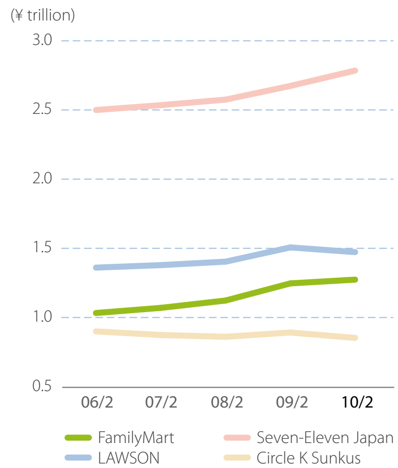
(Millions of yen)

	07/2		08/2		09/2		10/2		11/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Total capital expenditure	33,010	11.9	27,504	(16.7)	29,167	6.0	40,290	38.1	42,218	4.8
Depreciation and amortization expense	11,565	2.2	9,856	(14.8)	9,669	(1.9)	10,339	6.9	13,454	30.1

Principal Indicators of Convenience Store Industry

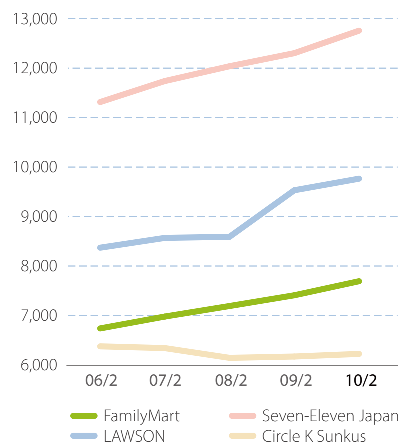
Total Store Sales

(Non-consolidated)



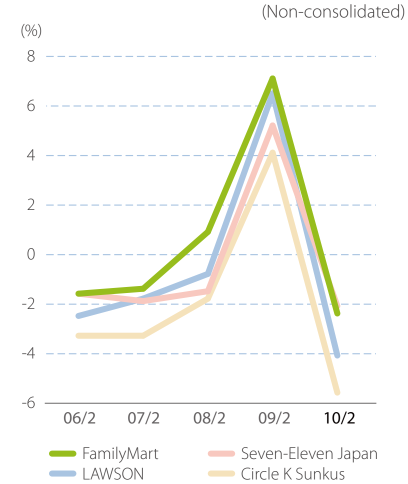
Number of Stores

(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	09/3	10/3
Total sales (billions of yen)	7,133	7,297	7,372	7,421	7,516	8,056	**7,938**
Number of stores	37,923	38,854	39,820	40,342	40,433	41,006	**41,895**

Total Store Sales (non-consolidated)

(Millions of yen)

	04/2	05/2	06/2	07/2	08/2	09/2	10/2
FamilyMart	954,445	998,491	1,031,736	1,068,822	1,121,838	1,245,788	1,273,752
Seven-Eleven Japan	2,343,177	2,440,853	2,498,754	2,533,534	2,574,306	2,762,557	2,784,997
LAWSON	1,285,018	1,329,077	1,360,495	1,377,842	1,402,786	1,506,312	1,472,415
Circle K Sunkus	883,894	907,407	898,741	872,844	860,041	890,856	852,154

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

	04/2	05/2	06/2	07/2	08/2	09/2	10/2
FamilyMart	6,199	6,424	6,734	6,974	7,187	7,404	7,688
Seven-Eleven Japan	10,303	10,826	11,310	11,735	12,034	12,298	12,753
LAWSON	7,821	8,077	8,366	8,564	8,587	9,527	9,761
Circle K Sunkus	6,152	6,339	6,372	6,336	6,139	6,166	6,219

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

(%)

	04/2	05/2	06/2	07/2	08/2	09/2	10/2
FamilyMart	(2.9)	1.2	(1.6)	(1.4)	0.9	7.1	(2.4)
Seven-Eleven Japan	(0.6)	(0.7)	(1.6)	(1.9)	(1.5)	5.2	(2.1)
LAWSON	(2.5)	(0.3)	(2.5)	(1.8)	(0.8)	6.5	(4.1)
Circle K Sunkus	(4.5)	(0.9)	(3.3)	(3.3)	(1.8)	4.1	(5.6)

Sources: Retail statistical yearbook, Ministry of Economy, Trade and Industry, and documents released by each company.

Notes: 1. Circle K Sunkus was established through a merger of Circle K and Sunkus in September 2004. Figures for 04/2 are the simple sum of the two founding companies.

2. The figures of FamilyMart for 10/2 do not include am/pm stores. The total of am/pm stores as of 10/2 is 1,104 (854 am/pm Japan stores and 250 area franchised stores).

Consolidated Ten-Year Summary

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

	Millions of yen		
	2010	2009	2008
Results of operations:			
Operating revenues:			
Commission from franchised stores	161,167	162,288	150,351
Net sales	94,020	102,483	147,856
Other operating revenues	22,988	22,571	21,232
Total operating revenues (Note 2)	278,175	287,342	319,439
Operating income	33,531	36,532	31,214
Net income	15,103	16,452	16,438
Net cash provided by operating activities	(6,575)	75,028	49,375
Net cash used in investing activities	(36,152)	(28,217)	(24,593)
Net cash (used in) provided by financing activities	(8,342)	(7,030)	3,956
Financial position:			
Total assets (Notes 3, 4)	424,209	398,126	351,271
Total equity (Note 5)	206,490	197,529	191,281
Per share of common stock (in yen and U.S. dollars):			
Total equity (Note 5)	2,096.4	2,001.5	1,921.6
Basic net income	158.5	172.6	173.5
Cash dividends applicable to the year	70.0	68.0	60.0
Ratio:			
Equity ratio (%)	47.1	47.9	52.2
Return on equity (%)	7.7	8.8	9.5
Return on total assets (%)	3.7	4.4	4.9
Other data:			
Number of total chain stores	15,789	14,651	13,875
Japan (including area franchised stores)	7,688	7,404	7,187
Overseas	8,101	7,247	6,688
Number of full-time employees	7,204	6,950	6,647
Number of shareholders	13,274	12,293	14,933
Weighted average number of shares (thousands)	95,306	95,320	94,425

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥89 = U.S.$1, the rate prevailing on February 28, 2010.
2. Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd. from gross basis to net basis.
3. Total assets as of the fiscal 2003 term end include the amount for trade payables (¥37,883 million) and unsettled amount for accrued expenses (¥3,287 million) as the due date (February 29, 2004) fell on a bank holiday.
4. Total assets as of the fiscal 2008 term end include the amount for trade payables (¥42,334 million) as the due date (February 28, 2009) fell on a bank holiday.
5. 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)
2007	2006	2005	2004	2003	2002	2001	2010
142,294	138,636	132,864	127,164	122,738	116,478	111,729	1,810,865
134,506	118,551	103,599	87,083	80,952	67,822	54,122	1,056,405
21,049	19,256	16,438	14,730	13,778	11,305	10,248	258,292
297,849	276,443	252,901	228,977	217,468	195,605	176,099	3,125,562
29,609	32,662	30,869	29,093	27,921	23,756	24,123	376,753
14,969	14,195	12,623	13,788	12,880	8,549	8,112	169,697
35,093	42,778	1,428	73,593	32,694	34,219	23,305	(73,877)
(32,938)	(32,249)	(23,183)	(10,719)	(29,327)	(28,812)	(30,980)	(406,202)
(19,155)	(4,238)	(3,922)	(3,892)	(3,626)	(4,338)	(6,160)	(93,730)
315,256	314,121	286,771	309,315	250,609	242,517	230,883	4,766,393
171,155	168,233	156,931	147,524	137,636	130,510	126,190	2,320,112
1,771.3	1,736.2	1,619.5	1,522.3	1,420.4	1,346.6	1,302.2	23.56
158.8	145.7	129.5	141.5	132.3	87.6	82.8	1.78
46.0	43.0	38.0	38.0	38.0	38.0	38.0	0.79
51.9	53.6	54.7	47.7	54.9	53.8	54.6	
9.0	8.7	8.3	9.7	9.6	6.7	6.5	
4.8	4.7	4.2	4.9	5.2	3.7	3.7	
13,122	12,452	11,501	10,326	9,123	8,184	7,616	
6,974	6,734	6,424	6,199	6,013	5,856	5,812	
6,148	5,718	5,077	4,127	3,110	2,328	1,804	
6,735	6,048	5,458	4,675	4,466	4,205	3,917	
17,880	17,444	18,644	21,173	24,263	28,088	31,429	
94,037	96,846	96,852	96,857	96,867	96,868	97,107	

FamilyMart Group

The FamilyMart Group comprises 30 companies including the parent company, FamilyMart Co., Ltd., 13 subsidiaries, and 16 equity-method affiliates. The Group is principally engaged in the operation of convenience stores and related services. Certain Group companies are engaged in the e-commerce business, as well as support services such as accounting work for the Group's convenience stores, which are classified as "other businesses."

am/pm Japan Co., Ltd. became a consolidated subsidiary of the Group on December 28, 2009, through acquisition of shares by FamilyMart. Because the date of acquisition of the shares was deemed to be at the end of the fiscal period under review, am/pm Japan appears as a consolidated subsidiary only in the Balance Sheets, and not in the earnings statements.

Business Environment and Trends in Japan's Retail Market

In the reporting term ended February 2010, there was little improvement in the employment and personal incomes picture in Japan, despite signs of recovery momentum in the Japanese economy as production and exports rose and the government's economic stimulus package took effect. In the retailing sector, the operating environment remained daunting, with the protracted slump in personal spending combining with the negative sales impact of unseasonably cool summer weather.

According to the Ministry of Economy, Trade and Industry, sales recorded by all categories of retailer nationwide in fiscal 2009 (April 2009 to March 2010) came to ¥133.5 trillion, a decline of 0.4% from the previous business term. Fiscal 2009 sales at supermarkets fell 2.4% to ¥12.5 trillion, and 5.1% on an existing store basis. In addition to poor sales of clothing, increased low-price competition had an adverse impact on selling prices. Sales at department stores fell 10.1% year-on-year to ¥7.0 trillion, and 8.6% year-on-year on an existing store basis, a record low level. In addition to the slump in the sales of clothing and luxury items, the overall market continued to shrink, with further store closures. Total sales in the convenience store sector were down 1.5% year-on-year at ¥7.9 trillion, and down 4.2% on an existing store basis. Sales were adversely affected by the absence of the *taspo* effect* of last year, the slump in seasonal-product sales due to the wet, cool summer and a decrease in average sales per customer because of consumer thriftiness.

These negatives combined to depress parent-only operating income at all leading convenience store chains in Japan in the period under review, resulting in difficult conditions even for a sector accustomed to high profit margins.

* The increase in sales associated with cigarette buyers shifting from vending machine purchases to in-store purchases at convenience stores.

Review of Operations

For information on FamilyMart's store operation, products, services, store opening strategy and area franchisers, please see pages 21 to 28.

Business Performance (non-consolidated)

For the fiscal 2009 reporting period, FamilyMart recorded an increase in average store visitors per day at existing stores to 926, four more people per day, for the third consecutive year of growth, despite the difficult operating environment. At the same time, average spending per customer at existing stores fell ¥13 year-on-year to ¥540, as consumer sentiment weakened. Average daily sales at existing stores decreased 2.4% year-on-year.

Business Performance (non-consolidated)

	08/2	09/2	10/2	YoY difference
Growth rate of average daily sales per existing stores (%)	0.9	7.1	(2.4)	
Average daily sales (existing stores; thousands of yen)	473	510	501	(9)
Number of customers (existing stores)	858	922	926	4
Spend per customer (existing stores; yen)	551	553	540	(13)

Note: The above figures do not include the performance results of TOMONY stores.

Breakdown of Sales by Product Category (non-consolidated)

We took steps to continue to build up our brand in fast foods, one of our priority product categories, focusing measures on fried food, especially fried chicken, *oden* (Japanese hodgepodge), and Chinese steamed meat buns. However, total fast-food sales dipped 0.8% year-on-year, with *oden* performing unimpressively despite strong fried food sales.

In the daily food category, sales were driven largely by two priority product categories, desserts and chilled-cup drinks under the *Ajiwai* Famima Café brand launched in the reporting term as a fourth priority category. However, daily food sales overall fell 1.5% year-on-year due to weak sales of cooked noodles amid unseasonable summer temperatures, and a muted performance by *sushi* and *bento* products.

In the processed food category, sales grew for confectionery, soft drinks and dried noodles, but ice-cream and alcoholic beverage sales were anemic. Total processed food sales fell 0.4% year-on-year.

Sales of tobacco products continued to grow on the back of the lingering *taspo* effect from the previous term, leading to full-year sales growth of 6.2% in the non-food category.

In the services category, we increased sales from handling of credit cards, and from photocopying and catalog gift services. Total sales in services rose 1.9%.

Thanks to increased sales of tickets online and transactions using Famiport Multimedia Terminals, sales in our electronic commerce business rose 22.1%.

As a result of the above factors, overall sales for the Company rose 2.2% year-on-year.

Breakdown of Sales by Product Category (non-consolidated) (Millions of yen)

	08/2	09/2	10/2	YoY change
Fast food	41,286	46,951	46,585	(0.8)%
Daily food	366,960	386,649	381,012	(1.5)%
Processed food	342,502	360,012	358,576	(0.4)%
Non-food	289,239	369,074	391,829	6.2%
Services	27,401	28,350	28,890	1.9%
E-commerce	54,450	54,752	66,860	22.1%
Total	1,121,838	1,245,788	1,273,752	2.2%

Gross Profit Ratio (non-consolidated)

The gross profit ratio declined by 0.44 percentage points from the previous term to 27.96%. Improvement in profit margins on individual items, mainly food products, was outweighed by the increased weighting of lower-margin cigarettes and weak sales of summer merchandise, which usually commands a high profit margin.

Gross Profit Ratio (non-consolidated)

	08/2	09/2	10/2	YoY difference
Gross profit ratio (%)	29.18	28.40	27.96	(0.44)

Note: The above figures do not include the performance results of TOMONY stores.

Store Development

During the reporting term, we opened 534 conventional FamilyMart stores and 11 stores in the TOMONY format, while 278 stores were closed. As a result, we operated a total of 7,158 stores in Japan as of the reporting term-end, an increase of 267 from the previous term-end. Average daily sales at new stores came to ¥439,000, a year-on-year decline of ¥21,000.

The number of stores operated in Japan by FamilyMart and its three domestic area franchisers as of the reporting term-end stood at 7,688. Overseas, we operate 8,101 stores via our area franchises in Taiwan, South Korea, Thailand, China and the United States, as well as Vietnam, where we opened our first store in December 2009. This represented steady overall year-on-year growth of 854 in stores in overseas markets. As a result, the total number of stores in the FamilyMart Group chain increased by 1,138 stores to 15,789 stores.

To expand our network of stores in the metropolitan area and leverage economies of scale, we made am/pm Japan Co., Ltd. a fully consolidated subsidiary of the Company in December 2009, and on March 1, 2010 absorbed it by merger. At the end of February 2010, the total number of am/pm Japan stores was 854, plus 250 area franchised stores, for a total of 1,104 stores. In March 2010, we began converting am/pm stores to the FamilyMart brand, at a rate of 30-40 stores a month from April. By February 29, 2012, we aim to complete conversion of approximately 580 stores in the Tokyo area.

Store Development Performance (non-consolidated)

	08/2	09/2	10/2	YoY difference
Store openings	515	525	534	9
Store closures	330	342	278	(64)
Scrap and build	67	75	80	5
Average daily sales per store (new stores; thousands of yen)	425	460	439	(21)

Note: The above figures do not include the performance results of TOMONY stores.

Number of Stores (including area franchised stores)

	08/2	09/2	10/2	YoY difference
Japan	7,187	7,404	7,688	284
Overseas	6,688	7,247	8,101	854
Total chain stores	13,875	14,651	15,789	1,138

Operating Results (on a consolidated basis)

Analysis of Revenues, Costs, and Expenses

Total operating revenues of the Group on a consolidated basis, comprising commissions from franchise stores, sales posted by directly-operated stores and other operating revenues, were down by ¥9,167 million, or 3.2%, at ¥278,175 million (US$3,126 million). In the convenience store business, sales fell due to a decline in the number of directly-operated stores. Revenues were further eroded at overseas subsidiaries by unfavorable foreign exchange rates on conversion from local currencies into Japanese yen. As a result, convenience store revenues overall declined by ¥9,192 million, or 3.3%, to ¥272,449 million. Operating revenues in other businesses rose ¥25 million, or 0.4%, to ¥5,726 million.

On the other side of the ledger, operating expenses decreased ¥6,166 million (2.5%) year-on-year to ¥244,644 million (US$2,749 million). This mainly reflected a decline in the cost of sales due to the reduced number of directly-operated stores in the convenience store business.

As a result of the above, operating income declined ¥3,001 million (8.2%) to ¥33,531 million (US$377 million). Of this total, convenience store operations saw operating income decline ¥3,027 million (7.5%) to ¥37,137 million, while other businesses posted a year-on-year increase of ¥109 million (7.4%) to ¥1,579 million.

"Other expenses—net" improved year-on-year by ¥1,350 million (20.4%) to ¥5,252 million (US$59 million), due to a reduced investment securities appraisal loss.

As a result of the foregoing, income before income taxes declined by ¥1,651 million (5.5%) to ¥28,279 million (US$318 million), and net income slipped by ¥1,349 million (8.2%) to ¥15,103 million (US$170 million). Earnings per share came to ¥158.5 (US$1.78).

Geographical Segments

Japan

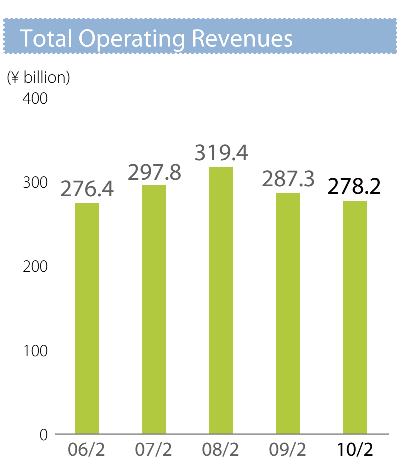
Total operating revenues of all domestic operations declined by 1.3% year-on-year to ¥238,056 million (US$2,675 million), and operating income by 7.8% to ¥36,992 million (US$416 million), due to weak consumer sentiment and a poor performance by seasonal merchandise amid protracted rainfall and low temperatures in the summer of 2009.

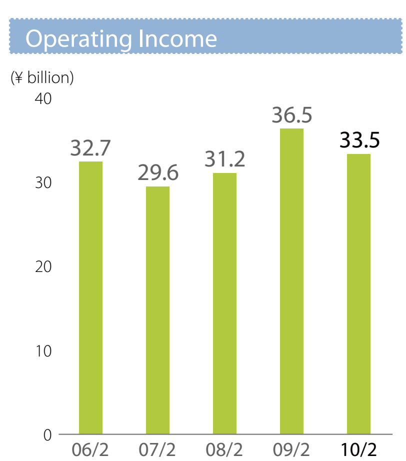
Asia

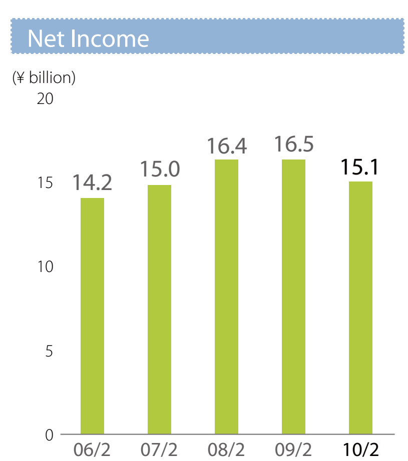
Operating revenues for Asian operations overall decreased by 13.4% to ¥38,813 million (US$436 million), and operating income slipped 0.6% to ¥2,444 million (US$27 million). This performance reflected the impact on both revenues and income of unfavorable exchange rates in yen conversions from local currencies, which more than offset sustained profit increases on a local currency basis in both Taiwan and South Korean operations. Thai operations also achieved their first profit in the year.

Other Area

Our American operations saw total operating revenues decline 2.5% year-on-year to ¥1,306 million (US$15 million), due chiefly







to expense-cutting measures such as closure of unprofitable stores. We booked an operating loss of ¥720 million (US$8 million), compared with a loss of ¥956 million in the previous fiscal year.

Business Performance Results by Geographical Segments (Millions of yen)

	08/2	09/2	10/2	YoY change
Total operating revenues	319,439	287,342	278,175	(3.2)%
Japan	268,442	241,167	238,056	(1.3)%
Asia	49,588	44,835	38,813	(13.4)%
Other area	1,409	1,340	1,306	(2.5)%
Operating income (loss)	31,214	36,532	33,531	(8.2)%
Japan	34,921	40,131	36,992	(7.8)%
Asia	2,370	2,459	2,444	(0.6)%
Other area	(1,004)	(956)	(720)	—
Eliminations/corporate	(5,073)	(5,102)	(5,185)	—

Financial Position

Total assets at the reporting term-end amounted to ¥424,209 million (US$4,766 million) for an increase of ¥26,083 million, or 6.6%, over the previous term-end. The main positive factor was addition of the assets of am/pm Japan Co., Ltd. after its inclusion in the scope of consolidation following acquisition of its shares by the Company in December 2009.

Current assets came in at ¥177,244 million (US$1,992 million), a decline of ¥27,162 million from the previous term-end. This was due chiefly to a decline in cash and cash equivalents and marketable securities, which outweighed an increase in due from franchised stores and receivables-other.

The value of property and store facilities at the term-end totaled ¥59,117 million (US$664 million), an increase of ¥10,780 million from the previous term-end, owing chiefly to application of new accounting standards for leases.

Investments and other assets rose ¥42,465 million to ¥187,848 million (US$2,111 million). This was chiefly attributable to recognition of goodwill from acquisition of am/pm Japan Co., Ltd. shares, as well as the goodwill from individual am/pm Japan stores. Other factors were increased leasehold deposits relating to store rentals as a result of inclusion of this company within the scope of consolidation.

Total liabilities registered an increase of ¥17,122 million (8.5%) from the previous term-end, to ¥217,719 million (US$2,446 million).

Current liabilities grew by ¥5,822 million from the previous term-end, to ¥188,847 million (US$2,122 million). The main factors here were a reduction in accounts payable, which was outweighed by increases in trade accounts payable, deposits received and other items due to the inclusion of am/pm Japan in the scope of consolidation. Accounts payable decreased because the settlement date has been changed, despite the fact that the final day of the fiscal 2009 term fell on a non-business day.

Long-term liabilities increased by ¥11,300 million from the previous term-end to ¥28,872 million (US$324 million), due chiefly to recognition of lease obligations.

As a result, total equity at the term-end amounted to ¥206,490 million (US$2,320 million). The equity ratio declined from 47.9% at the previous term-end to 47.1%, and ROE slipped from 8.8% to 7.7%. Equity per share came to ¥2,096.4.

Cash Flows

The term-end balance of cash and cash equivalents amounted to ¥85,161 million (US$957 million), down ¥50,727 million, or 37.3%, from the previous term-end.

Net cash used in operating activities came to ¥6,575 million (US$74 million), compared with net cash provided in the amount of ¥75,028 million in the previous fiscal year. This resulted chiefly from the fact that the final day of the reporting term fell on a Sunday. An increase in settlements of trade notes and accounts payable from the end of the previous term was outweighed by a decrease in trade notes and accounts payable of ¥79,163 million, due to settlement during the reporting term.

Net cash used in investing activities rose by ¥7,935 million over the previous term to ¥36,152 million (US$406 million). Principal factors were an ¥83,679 million decrease in proceeds from sales and redemption at maturity of marketable and investment securities, and a ¥78,206 million decrease in purchases of marketable and investment securities, as well as an expense of ¥4,518 million due to purchase of investments in subsidiaries (with a change in scope of consolidation).

Net cash used in financing activities came to ¥8,342 million (US$94 million), a ¥1,312 million increase in outflows from the previous term. The main factors were a ¥510 million decline in contributions from minority interest shareholders and a ¥284 million increase in payment of dividends.

Dividend Policy

The Company regards the distribution of profits to shareholders, in the form of payment of dividends, as a matter of the highest priority. In accordance with the Company's fundamental policy of implementing stable distribution of dividends to shareholders in line with the growth of operations, the management has set a payout ratio of 40% (consolidated basis). For the reporting term, it has decided to pay an annual per-share dividend, including an interim dividend, of ¥70 (US$0.79), an increase of ¥2 per share over the previous term.

For the current term, ending February 2011, the Company plans to pay an annual dividend of ¥72 (US$0.81).

Outlook

There is little prospect of a swift recovery in the Japanese economy in the current fiscal year, as consumer spending remains constrained by deflationary and other pressures, despite an upturn in corporate earnings and recovery momentum in the broad economy. For this reason, we expect operating conditions in the convenience store sector to remain difficult. Additionally, we are seeing structural change sweeping the industry, with a rising dependency ratio (declining birthrate coupled with an aging population) and the rise in single-person households. FamilyMart will redouble its efforts to cope with these developments in our operating conditions. By ensuring we remain the convenience store of choice wherever we operate, we will target sustainable growth into the future. We will likewise continue to expand the number of stores in Japan and overseas, and strengthen our earnings base.

In the current term, we expect to increase average daily sales across our chain by ¥7,000 to ¥505,000 (non-consolidated basis). If we can achieve this, we see total operating revenues growing by 13.5% to ¥264.4 billion. We will continue to pare selling, general and administrative expenses, but we expect costs to rise by 17.2% to ¥179.7 billion due to the integration of am/pm Japan Co., Ltd. As a result, we forecast only a slight year-on-year rise in operating income, to ¥30.3 billion. Excluding the negative impact of approximately ¥600 million in various cost areas in the first fiscal year after the integration of am/pm Japan, we expect to grow operating income on a non-consolidated basis by 2.2% to ¥30.9 billion in the current term.

On a consolidated basis, we expect each of our businesses to perform a robustly overall and do not foresee significant impact from exchange-rate factors in the coming term. Consequently, we forecast total operating revenues of ¥312.0 billion (up 12.2% year-on-year), operating income of ¥34.2 billion (up 2.0%), and net income of ¥16.4 billion (up 8.6%).

Targets for Major Indicators (non-consolidated)

	10/2	11/2 (Est.)	YoY difference
Average daily sales (total stores; thousands of yen)	498	505	7
Growth rate of average daily sales per existing store (%)	(2.4)	0.0	
Gross profit ratio (%)	27.96	28.27	0.31
Average daily sales (new stores; thousands of yen)	439	500	61
Store openings	534	800	266
Store closures	278	250	(28)

Notes: 1. The above figures do not include the performance results of TOMONY stores.
2. 11/2 (Est.) include am/pm stores being converted to FamilyMart format (am/pm stores before conversion are excluded).
3. Number of planned store openings for 11/2 (Est.) is total of 350 to-be-converted am/pm stores plus 450 FamilyMart new stores.

Outlook for Business Performance (consolidated)

(Millions of yen)

	10/2	11/2 (Est.)	YoY change
Operating revenues	278,175	312,000	12.2%
Operating income	33,531	34,200	2.0%
Net income	15,103	16,400	8.6%

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.

The Company has established a comprehensive risk management system. After assessing and classifying risk exposure in terms of frequency of occurrence, severity of impact and other criteria, we have created an ongoing program of measures to minimize risk. These activities are also carried out at Group companies.

(1) Economic Trends

The FamilyMart Group is mainly engaged in the operation of convenience stores. The Group's business performance and financial position could be adversely affected by various factors including extreme weather, changing economic and consumption trends and competition with convenience stores and other retail formats, in its markets in Japan and overseas (Taiwan, South Korea, Thailand, China and the United States).

(2) Natural Disasters

The FamilyMart Group's business performance and financial position could be adversely affected by man-made disasters such as fires, acts of terror, and wars, and natural disasters such as earthquakes, epidemics, and extreme weather events, in Japan and overseas, leading to destruction of stores, supply stoppages and other circumstances disrupting the regular operation of FamilyMart stores.

(3) Franchise System

In its mainstay convenience store business, the Group engages franchisees to operate its stores under its proprietary "FamilyMart System." The Group's business performance and financial position could be adversely affected by any acts which disrupt operation of the FamilyMart System or by illegal or scandalous behavior involving franchisees and business partners that causes suspension of business transactions or undermines public confidence in the chain.

The FamilyMart Group's business performance and financial position could be adversely affected by mass termination of franchise contracts with franchisees following a breakdown in relations of trust between the Group and its franchisees.

(4) Food Safety

As an operator of convenience stores, the Group is mainly engaged in the marketing of food products to consumers. The FamilyMart Group's business performance and financial position could be adversely affected by any major food safety incident (poisoning, contamination, illegal mislabeling and so on) arising despite its best preventive efforts.

The Group is committed to supplying safe food products through rigorous quality management standards and an integrated quality management system from production to marketing created jointly with business partners.

(5) Legal and Regulatory Changes

As an operator of convenience stores in Japan and overseas, the Group is subject to legal and regulatory requirements, and has acquired official licensing, in areas such as food safety, fair trade and environmental protection. The Group's business performance and financial position could be adversely affected by unforeseen changes in legal and regulatory regimes or licensing requirements for operation of convenience stores, or by differences of opinion with regulators, leading to increased costs and operational restrictions.

(6) Handling of Personal Information

In its business processes, the FamilyMart Group collects and stores personal information relating to its customers. The Group's business performance and financial position could be adversely affected by any incidents of leakage of personal information, despite its best preventive efforts.

To ensure that no unauthorized access or leakage of personal information occurs, the Group conducts due compulsory supervision of employees who handle personal information, using organizational, human, physical and technological safety management resources of proven reliability. In November 2006, FamilyMart became the first convenience store operator in Japan to be permitted to use the Privacy Mark, awarded by Japan Information Processing Development Corporation.

(7) IT Systems

In its convenience store operations, the Group has set up IT systems linking the Group's member companies, business partners of the Group, and its franchised stores. The FamilyMart Group's business performance and financial position could be adversely affected by failure, misuse or other unauthorized use of IT systems, leading to disruption of services and operations such as the making and receiving of orders, delivery, marketing, and bill settlement service.

The Group has established various standards for IT systems, and has set up IT system safety mechanisms from planning to operation in partnership with specially engaged outside experts. In addition, we have taken measures such as duplication of all systems and data backup, to deal with unexpected problems.

Consolidated Balance Sheets

FamilyMart Co., Ltd. and Consolidated Subsidiaries February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
ASSETS			
Current assets:			
Cash and cash equivalents (Note 6)	¥ 85,161	¥135,888	$ 956,865
Time deposits	1,357		15,247
Marketable securities (Note 6)	3,779	607	42,461
Receivables:			
Due from franchised stores (Note 5)	27,494	16,550	308,921
Other	29,952	23,419	336,539
Allowance for doubtful receivables	(1,601)	(204)	(17,989)
Merchandise	7,023	7,018	78,910
Deferred tax assets (Note 12)	2,322	1,715	26,090
Prepaid expenses and other current assets	21,757	19,413	244,461
Total current assets	177,244	204,406	1,991,505
Property and store facilities (Note 7):			
Land	14,327	11,666	160,977
Buildings and structures	54,913	53,420	617,000
Machinery and equipment	4,420	3,440	49,663
Furniture and fixtures	41,720	32,022	468,764
Other	190	419	2,135
Total	115,570	100,967	1,298,539
Accumulated depreciation	(56,453)	(52,630)	(634,303)
Net property and store facilities	59,117	48,337	664,236
Investments and other assets:			
Investment securities (Note 6)	10,262	8,872	115,304
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3 and 18)	19,051	19,179	214,056
Software	8,413	7,081	94,528
Goodwill (Note 8)	25,060	1,705	281,573
Goodwill attributable to individual stores	4,674		52,517
Leasehold deposits	107,698	94,987	1,210,090
Deferred tax assets (Note 12)	3,208	4,066	36,045
Other assets (Note 7)	9,482	9,493	106,539
Total investments and other assets	187,848	145,383	2,110,652
Total	¥424,209	¥398,126	$4,766,393

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
LIABILITIES AND EQUITY			
Current liabilities:			
Payables:			
Trade notes	¥ 244	¥ 366	$ 2,742
Trade accounts for franchised and Company-owned stores (Note 18)	80,193	101,645	901,045
Due to franchised stores (Note 5)	2,843	1,021	31,944
Other (Note 18)	23,740	17,849	266,741
Current portion of long-term lease obligations (Note 9)	4,581		51,472
Income taxes payable (Note 12)	6,181	6,918	69,449
Deposit received (Note 5)	59,332	49,076	666,652
Accrued expenses	5,629	3,974	63,247
Other current liabilities	6,104	2,176	68,584
Total current liabilities	188,847	183,025	2,121,876
Long-term liabilities:			
Long-term lease obligations (Note 9)	7,994		89,820
Liability for retirement benefits (Note 10)	6,629	6,056	74,483
Leasehold deposits from franchised stores	10,645	9,746	119,607
Allowance for impairment loss on leased property (Notes 7 and 13)	1,408	1,157	15,821
Other long-term liabilities	2,196	613	24,674
Total long-term liabilities	28,872	17,572	324,405
Commitments and contingent liabilities (Notes 13, 15 and 18)			
Equity (Notes 11 and 17):			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	187,180
Capital surplus	17,389	17,388	195,382
Retained earnings	176,275	168,004	1,980,618
Unrealized gain on available-for-sale securities (Note 6)	133	21	1,494
Foreign currency translation adjustments	(2,996)	(3,653)	(33,663)
Treasury stock—at cost, 2,367,308 shares in 2010 and 2,376,899 shares in 2009	(7,637)	(7,664)	(85,809)
Total	199,823	190,755	2,245,202
Minority interests	6,667	6,774	74,910
Total equity	206,490	197,529	2,320,112
Total	¥424,209	¥398,126	$4,766,393

See notes to consolidated financial statements.

Consolidated Statements of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Operating revenues:			
Commission from franchised stores (Note 5)	¥161,167	¥162,288	$1,810,865
Net sales	94,020	102,483	1,056,405
Other operating revenues (Notes 3 and 5)	22,988	22,571	258,292
Total operating revenues	278,175	287,342	3,125,562
Operating expenses:			
Cost of sales (Note 18)	65,301	71,504	733,719
Selling, general and administrative expenses (Notes 8, 10, 13 and 18)	179,343	179,306	2,015,090
Total operating expenses	244,644	250,810	2,748,809
Operating income	33,531	36,532	376,753
Other income (expenses):			
Interest and dividend income	1,816	2,125	20,404
Equity in earnings of unconsolidated subsidiaries and associated companies	513	832	5,764
Gain on sales of marketable and investment securities—net		97	
Loss on devaluation of marketable and investment securities		(4,101)	
Loss on disposals/sales of property and store facilities—net	(1,973)	(1,744)	(22,169)
Loss on impairment of long-lived assets (Notes 7 and 13)	(2,494)	(2,079)	(28,022)
Loss on cancellations of land and building lease contracts	(1,592)	(920)	(17,888)
Other—net (Note 14)	(1,522)	(812)	(17,100)
Other expenses—net	(5,252)	(6,602)	(59,011)
Income before income taxes and minority interests	28,279	29,930	317,742
Income taxes (Note 12):			
Current	12,118	12,673	136,158
Deferred	268	(231)	3,011
Total income taxes	12,386	12,442	139,169
Minority interests in net income	790	1,036	8,876
Net income	¥ 15,103	¥ 16,452	$ 169,697

	Yen		U.S. dollars
Per share of common stock (Notes 2.q and 16):			
Basic net income	¥158.5	¥172.6	$1.78
Cash dividends applicable to the year	70.0	68.0	0.79

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2010 and 2009

	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
Balance, March 1, 2008	95,324	¥16,659	¥17,388	¥157,901	¥(1,062)	¥ (44)	¥(7,605)	¥183,237	¥8,044	¥191,281
Net income				16,452				16,452		16,452
Cash dividends, ¥66.0 per share				(6,291)				(6,291)		(6,291)
Bonuses to a foreign consolidated subsidiary's directors, corporate auditors and employees				(58)				(58)		(58)
Purchase of treasury stock	(6)						(28)	(28)		(28)
Disposal of treasury stock							1	1		1
Increase in treasury stock due to the acquisition of an associated company	(12)						(32)	(32)		(32)
Net change in the year					1,083	(3,609)		(2,526)	(1,270)	(3,796)
Balance, February 28, 2009	95,306	16,659	17,388	168,004	21	(3,653)	(7,664)	190,755	6,774	197,529
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)				(255)				(255)		(255)
Net income				15,103				15,103		15,103
Cash dividends, ¥69.0 per share				(6,577)				(6,577)		(6,577)
Purchase of treasury stock	(2)						(8)	(8)		(8)
Disposal of treasury stock							2	2		2
Increase in treasury stock due to the increasing the Company's ownership of an associated company							(1)	(1)		(1)
Disposal of treasury stock by an associated company	12		1				34	35		35
Net change in the year					112	657		769	(107)	662
Balance, February 28, 2010	95,316	¥16,659	¥17,389	¥176,275	¥ 133	¥(2,996)	¥(7,637)	¥199,823	¥6,667	¥206,490

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, February 28, 2009	$187,180	$195,371	$1,887,685	$ 236	$(41,045)	$(86,112)	$2,143,315	$76,112	$2,219,427
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)			(2,865)				(2,865)		(2,865)
Net income			169,697				169,697		169,697
Cash dividends, $0.78 per share			(73,899)				(73,899)		(73,899)
Purchase of treasury stock						(90)	(90)		(90)
Disposal of treasury stock						22	22		22
Increase in treasury stock due to the increasing the Company's ownership of an associated company						(11)	(11)		(11)
Disposal of treasury stock by an associated company		11				382	393		393
Net change in the year				1,258	7,382		8,640	(1,202)	7,438
Balance, February 28, 2010	$187,180	$195,382	$1,980,618	$1,494	$(33,663)	$(85,809)	$2,245,202	$74,910	$2,320,112

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Operating activities:			
Income before income taxes and minority interests	¥ 28,279	¥ 29,930	$ 317,742
Adjustments for:			
Income taxes—paid	(13,074)	(12,813)	(146,899)
Depreciation and amortization	10,796	10,395	121,303
Reversal of allowance for doubtful receivables	(17)	(120)	(191)
Equity in earnings of unconsolidated subsidiaries and associated companies	(513)	(832)	(5,764)
Loss on devaluation/sale of marketable and investment securities—net	3	4,003	34
Loss on disposals/sales of property and store facilities—net	1,973	1,744	22,169
Loss on cancellations of land and building lease contracts	1,592	920	17,888
Loss on impairment of long-lived assets	2,494	2,079	28,022
Bonuses to a foreign consolidated subsidiary's directors, corporate auditors and employees		(58)	
Changes in assets and liabilities:			
Increase in due from/to franchised stores—net	(7,970)	(10,102)	(89,551)
Decrease (increase) in merchandise and supplies	837	(844)	9,404
(Decrease) increase in payables—trade	(39,031)	40,132	(438,551)
Increase in deposit received	5,084	7,725	57,124
Increase in liability for retirement benefits	401	355	4,506
Other—net	2,571	2,514	28,887
Total adjustments	(34,854)	45,098	(391,619)
Net cash (used in) provided by operating activities	(6,575)	75,028	(73,877)
Investing activities:			
(Increase) decrease in time deposits—net	(1,346)	38	(15,123)
Purchases of marketable and investment securities	(21,621)	(99,827)	(242,932)
Purchases of investment in subsidiaries and associated companies	(774)	(1,801)	(8,696)
Proceeds from sales and redemption at maturity of marketable and investment securities	17,606	101,285	197,820
Payments for long-term loans	(2,240)	(1,699)	(25,169)
Purchases of property and store facilities, software and other intangible assets	(15,247)	(14,220)	(171,315)
Proceeds from sales of property and store facilities, software and other intangible assets	607	689	6,820
Payments of leasehold deposits	(15,544)	(15,381)	(174,652)
Refunds of leasehold deposits	3,144	2,604	35,326
Receipts of leasehold deposits from franchised stores	1,191	1,523	13,382
Refunds of leasehold deposits to franchised stores	(1,094)	(1,109)	(12,292)
Payments for acquisition of business		(265)	
Payment for acquisition of newly consolidated subsidiary	(4,518)		(50,764)
Other	3,684	(54)	41,393
Net cash used in investing activities	(36,152)	(28,217)	(406,202)
Financing activities:			
Purchases of treasury stock	(8)	(28)	(90)
Proceeds from sales of treasury stock	1	2	11
Contribution from minority interest shareholders	50	560	562
Dividends paid	(6,574)	(6,290)	(73,865)
Dividends paid to minority interest shareholders	(933)	(1,029)	(10,483)
Other	(878)	(245)	(9,865)
Net cash used in financing activities	(8,342)	(7,030)	(93,730)
Foreign currency translation adjustments on cash and cash equivalents	342	(2,737)	3,843
Net (decrease) increase in cash and cash equivalents	(50,727)	37,044	(569,966)
Cash and cash equivalents, beginning of year	135,888	98,844	1,526,831
Cash and cash equivalents, end of year	¥ 85,161	¥135,888	$ 956,865

See notes to consolidated financial statements.

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 Act 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 2009 financial statements to conform to the classifications used in 2010.

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 ¥89 to $1, the approximate rate of exchange at February 28, 2010. 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 eight significant (seven in 2009) 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. In December 2009, the Company acquired am/pm Japan Co., Ltd. ("am/pm") which became a 100% owned consolidated subsidiary. The Company's 2010 consolidated financial statements reflect the balance sheet of am/pm as of December 31, 2009.

Investments in 4 unconsolidated subsidiaries and 16 associated companies are accounted for by the equity method.

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

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries and associated companies at the date of 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. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 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 of America 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective March 1, 2009. The effect of this change was immaterial. In addition, the Company adjusted the beginning balance of retained earnings at March 1, 2009 as if this accounting standard had been retrospectively applied.

c. 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.

d. Merchandise—Prior to April 1, 2008, most merchandise was primarily valued at cost, determined by the retail method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that merchandise held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company applied this new accounting standard for measurement of inventories effective March 1, 2009.

The effect of this change was immaterial.

e. 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.

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.

f. 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 based on the estimated useful lives of the assets, while the straight-line method is applied to property and store facilities of consolidated foreign subsidiaries and leased assets. 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. The useful lives for leased assets are the terms of the respective leases.

g. 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 or asset group 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.

h. 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).

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

j. Goodwill attributable to individual stores—Goodwill attributable to individual stores is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives of stores (weighted average 12 years).

k. 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 Group accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date, except foreign consolidated subsidiaries which provide for the amount of retirement benefits required by local accounting standards in 2009.

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.

l. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 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.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were 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 to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective March 1, 2009. In addition, the Company accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change was immaterial.

All other leases are accounted for as operating leases.

m. 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.

n. 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.

o. 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 the 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 consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate.

p. 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.

q. 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.

r. New accounting pronouncements

Business combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of accounting policies applied to foreign associated companies for the equity method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset retirement obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3 Related Parties and Organization

The Company's main shareholder is ITOCHU Corporation, which owns 31.54% of the total outstanding shares of the Company.

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

The Company allows area franchised companies to be franchisers of "FamilyMart" stores in each area, including outside Japan. Area franchised companies are required to pay continuing royalty fees to the Company and the Company records this as "Other operating revenues." Area franchised companies as of February 28, 2010, are as follows:

Name of Area Franchiser	Area	The Company's Ownership in Area Franchiser
Subsidiaries:		
Taiwan FamilyMart Co., Ltd.	Taiwan	43.50%
Siam FamilyMart Co., Ltd.	Thailand	90.41
FAMIMA CORPORATION	The United States of America	65.23
Associated companies:		
Okinawa FamilyMart Co., Ltd.	Okinawa, Japan	48.98
Minami Kyushu FamilyMart Co., Ltd.	Kagoshima and Miyazaki, Japan	49.00
Hokkaido FamilyMart Co., Ltd.	Hokkaido, Japan	49.00
BOKWANG FAMILYMART CO., LTD.	Korea	23.48

FamilyMart China Holding Co., Ltd., 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., Guangzhou FamilyMart Co., Ltd. and Suzhou FamilyMart Co., Ltd. Shanghai FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Shanghai, China. Guangzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Guangzhou, China. Suzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Suzhou, China.

SFM Holding Co., Ltd., a 96.17% owned subsidiary, is a holding company of Siam FamilyMart Co., Ltd.

am/pm, a wholly owned subsidiary, owns and operates convenience stores mainly through its am/pm stores, manages franchised stores and provides consulting on store development. The Company acquired 100% of the common stock of am/pm on December 28, 2009 and merged with am/pm on March 1, 2010.

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.

4 Business Combinations

On December 28, 2009, the Company acquired 100% of the common stock of am/pm which was subsequently accounted for as a wholly owned consolidated subsidiary. am/pm owns and operates convenience stores mainly through its am/pm stores, manages franchised stores and provides consulting on store development. This acquisition aims to increase the Company's business value through creating greater economies of scale with an extended store network especially in the Tokyo metropolitan area and by improving efficiency and integration of business foundations. The results of operations for am/pm are not included in the Company's consolidated statements of income due to the acquisition taking place at the end of the consolidated accounting period.

The Company accounted for this business combination by the purchase method of accounting. The acquisition cost was ¥13,157 million ($147,831 thousand), in cash in accordance with the Asset Purchase Agreement dated November 13, 2009 and so on.

The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill and goodwill attributable to individual stores recorded in connection with the acquisition totaled ¥23,835 million ($267,809 thousand) and ¥4,674 million ($52,517 thousand), respectively.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

December 28, 2009	Millions of yen	Thousands of U.S. dollars
Current assets	¥15,120	$169,888
Other assets	8,645	97,134
Goodwill attributable to individual stores	4,674	52,517
Goodwill	23,835	267,809
Total assets acquired	¥52,274	$587,348
Total liabilities assumed	¥39,117	$439,517
Net assets acquired	¥13,157	$147,831

When am/pm is merged with the Company on March 1, 2010, deferred tax assets will be recorded. As a result, the goodwill currently recognized as of February 28, 2010 will be fully allocated to deferred tax assets and subsequently have a value of zero on March 1, 2010.

Goodwill attributable to individual stores is stated at cost less accumulated amortization, which is calculated over the estimated useful lives of the stores (weighted average 12 years).

5 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.

6 Marketable and Investment Securities

Marketable and investment securities as of February 28, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current:			
Government and corporate bonds	¥3,000		$33,708
Trust fund investments	779	¥607	8,753
Total	¥3,779	¥607	$42,461

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-current:			
Marketable equity securities	¥ 3,982	¥3,791	$ 44,742
Government and corporate bonds	6,000	4,799	67,416
Non-marketable equity securities	280	282	3,146
Total	¥10,262	¥8,872	$115,304

The carrying amounts and aggregate fair values of marketable and investment securities at February 28, 2010 and 2009, were as follows:

	Millions of yen			
February 28, 2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,751	¥335	¥104	¥3,982
Debt securities	779			779
Held-to-maturity	9,000	87	1	9,086

	Millions of yen			
February 28, 2009	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,749	¥119	¥77	¥3,791
Debt securities	607			607
Held-to-maturity	4,799	47		4,846

	Thousands of U.S. dollars			
February 28, 2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 42,146	$3,764	$1,168	$ 44,742
Debt securities	8,753			8,753
Held-to-maturity	101,124	977	11	102,090

The carrying amounts of held-to-maturity debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥2,996 million ($33,663 thousand) and ¥35,994 million at February 28, 2010 and 2009, respectively.

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2010 and 2009, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Available-for-sale—Equity securities	¥280	¥282	$3,146

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2010, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥3,000	$33,708
Due after one year through five years	6,000	67,416

7 Long-lived Assets

The Group reviewed its long-lived assets for impairment as of February 28, 2010 and 2009 and, as a result, recognized an impairment loss of ¥2,494 million ($28,022 thousand) and ¥2,079 million, respectively, 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 28, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
Fixed assets and leased property	2010	2009	2010
Land	¥ 194	¥ 32	$ 2,180
Building	1,172	1,017	13,168
Leased property	756	631	8,494
Others	372	399	4,180
Total	¥2,494	¥2,079	$28,022

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 4.62% and 7.07% for the years ended February 28, 2010 and 2009, respectively.

In addition, some associated companies accounted for by the equity method recognized impairment losses using the same methodology. The Group recognized ¥115 million ($1,292 thousand) and ¥71 million for the years ended February 28, 2010 and 2009, respectively, of losses on impairment of long-lived assets as "Equity in earnings of unconsolidated subsidiaries and associated companies."

8 Goodwill

Goodwill as of February 28, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Consolidation goodwill	¥24,400	¥ 779	$274,157
Acquisition goodwill	660	926	7,416
Total	¥25,060	¥1,705	$281,573

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2010 and 2009, was ¥458 million ($5,146 thousand) and ¥726 million, respectively.

9 Lease Obligations

Annual maturities of lease obligations at February 28, 2010, were as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2011	¥ 4,581	$ 51,472
2012	1,265	14,213
2013	1,289	14,483
2014	1,315	14,775
2015	1,344	15,101
2016 and thereafter	2,781	31,248
Total	¥12,575	$141,292

10 Retirement and Pension Plans

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits for directors and corporate auditors at February 28, 2010 and 2009 was ¥538 million ($6,045 thousand) and ¥598 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits as of February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥17,269	¥15,887	$194,034
Fair value of plan assets	(7,359)	(5,949)	(82,685)
Unrecognized actuarial loss	(4,080)	(4,762)	(45,844)
Unrecognized prior service cost	267	291	3,000
Unrecognized transitional obligation	(6)	(9)	(67)
Net liability	¥ 6,091	¥ 5,458	$ 68,438

The components of net periodic benefit costs for the years ended February 28, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,113	¥1,122	$12,506
Interest cost	273	263	3,067
Expected return on plan assets	(213)	(272)	(2,393)
Recognized actuarial loss	478	301	5,371
Amortization of prior service cost	(24)	(22)	(270)
Amortization of transitional obligation	3	3	34
Net periodic benefit costs	¥1,630	¥1,395	$18,315

Assumptions used for the years ended February 28, 2010 and 2009, are set forth as follows:

	2010	2009
Discount rate	Primarily 1.7%	Primarily 1.7%
Expected rate of return on plan assets	Primarily 3.5%	Primarily 3.5%
Recognition period of actuarial gain/loss	Primarily 13 years	Primarily 13 years
Amortization period of prior service cost	13 years	13 years
Amortization period of transitional obligation	Foreign consolidated subsidiary—15 years	Foreign consolidated subsidiary—15 years

Retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders.

The Company recorded a liability for its unfunded retirement benefits plan covering all of its directors and corporate auditors. The annual provisions for retirement benefits for directors and corporate auditors for the years ended February 28, 2010 and 2009 were ¥119 million ($1,337 thousand) and ¥107 million, respectively.

11 Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends—Under the Companies Act, 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 Companies Act 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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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.

12 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended February 28, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Provision for doubtful receivables	¥ 1,673	¥ 602	$ 18,798
Accrued bonuses	543	524	6,101
Provision for retirement benefits—employees	2,371	2,138	26,640
Provision for retirement benefits—directors and corporate auditors	219	243	2,461
Depreciation	55	67	618
Loss on disposals of property and store facilities and cancellations of lease contracts	1,330	209	14,944
Loss on impairment of long-lived assets	8,375	1,753	94,101
Enterprise tax payable	525	580	5,899
Tax loss carryforwards	15,379	1,803	172,798
Accounts payable	2,582		29,011
Unearned revenue	356		4,000
Other	1,516	422	17,034
Less valuation allowance	(27,826)	(2,054)	(312,652)
Total	7,098	6,287	79,753
Deferred tax liabilities:			
Undistributed earnings of associated companies	1,475	492	16,573
Unrealized gain on available-for-sale securities	93	14	1,045
Total	1,568	506	17,618
Net deferred tax assets	¥ 5,530	¥5,781	$ 62,135

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended February 28, 2010 is as follows, and that for the year ended February 28, 2009 is not material:

	2010
Normal effective statutory tax rate	41%
Inhabitants taxes	1
Tax benefits not recognized on operating losses of subsidiaries	3
Lower income tax rates applicable to income in certain foreign countries	(2)
Other—net	1
Actual effective tax rate	44%

As of February 28, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥38,272 million ($430,022 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
2011	¥ 3,989	$ 44,820
2012	6,569	73,809
2013	2,721	30,573
2014	11,535	129,607
2015 and thereafter	13,458	151,213
Total	¥38,272	$430,022

13 Leases

As Lessee

The Group leases certain furniture and fixtures and software.

Total rental expenses including lease payments for the years ended February 28, 2010 and 2009, were ¥13,048 million ($146,607 thousand) and ¥13,382 million, respectively.

The Group recorded impairment losses of ¥756 million ($8,494 thousand) and ¥631 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property for the years ended February 28, 2010 and 2009, respectively.

As discussed in Note 2.l, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 28, 2010 and 2009, was as follows:

	Millions of yen		
2010	Furniture and fixtures	Software	Total
Acquisition cost	¥72,501	¥4,222	¥76,723
Accumulated depreciation	(38,171)	(2,248)	(40,419)
Accumulated impairment loss	(2,513)		(2,513)
Net leased property	¥31,817	¥1,974	¥33,791

	Millions of yen		
2009	Furniture and fixtures	Software	Total
Acquisition cost	¥79,292	¥4,222	¥83,514
Accumulated depreciation	(33,839)	(1,544)	(35,383)
Accumulated impairment loss	(2,098)		(2,098)
Net leased property	¥43,355	¥2,678	¥46,033

	Thousands of U.S. dollars		
2010	Furniture and fixtures	Software	Total
Acquisition cost	$814,618	$47,438	$862,056
Accumulated depreciation	(428,888)	(25,258)	(454,146)
Accumulated impairment loss	(28,236)		(28,236)
Net leased property	$357,494	$22,180	$379,674

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥10,822	¥11,465	$121,595
Due after one year	27,657	38,788	310,753
Total	¥38,479	¥50,253	$432,348

Allowance for impairment loss on leased property of ¥1,757 million ($19,742 thousand) and ¥1,443 million as of February 28, 2010 and 2009 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
	2010	2009	2010
Depreciation expense	¥10,883	¥11,304	$122,281
Interest expense	1,171	1,357	13,157
Total	¥12,054	¥12,661	$135,438
Reversal of allowance for impairment loss on leased property	¥ 442	¥ 366	$ 4,966
Impairment loss	756	631	8,494

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

The minimum rental commitments under noncancelable operating leases as of February 28, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥1,456	¥1,387	$16,360
Due after one year	4,577	5,581	51,427
Total	¥6,033	¥6,968	$67,787

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 28, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥ 211	¥ 205	$ 2,371
Due after one year	1,152	1,324	12,944
Total	¥1,363	¥1,529	$15,315

The minimum rental commitments under noncancelable operating subleases as of February 28, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥ 259	¥ 253	$ 2,910
Due after one year	1,421	1,633	15,966
Total	¥1,680	¥1,886	$18,876

14 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's internal regulation.

The Company had no derivative contracts outstanding as of February 28, 2010 and 2009.

15 Contingent Liabilities

As of February 28, 2010, 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.	¥ 103	$ 1,157
Guarantee of financial institution loan, borrowed by Famima Credit Corporation	9,920	111,461
Guarantee of financial institution loan, borrowed by SIAM DCM CO., LTD.	215	2,416

16 Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2010 and 2009 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 28, 2010	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥15,103			
Net income available to common shareholders	¥15,103	95,306	¥158.5	$1.78

	Millions of yen	Thousands of shares	Yen
Year ended February 28, 2009	Net income	Weighted-average shares	EPS
EPS:			
Net income	¥16,452		
Net income available to common shareholders	¥16,452	95,320	¥172.6

17 Subsequent Event

On April 16, 2010, the following appropriation of retained earnings at February 28, 2010 was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥35.0 ($0.39) per share	¥3,336	$37,483

18 Related Party Transactions

Transactions of the Company with related parties for the years ended February 28, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Tadashi Endo (corporate auditor and attorney):			
Attorney's fee	¥ 26	¥ 24	$ 292
Accounts payable—other	3		34
Famima Credit Corporation (associated company):			
Receivable—long-term loans (included investments in and advances to unconsolidated subsidiaries and associated companies)	10,287	11,699	115,584
Guarantee of financial institution loan	9,920	2,935	111,461
NIPPON ACCESS, INC. (fellow subsidiary):			
Purchase	4,594		51,618
Trade accounts payable for franchised and Company-owned store	12,843		144,303
Taiwan Distribution Center Co., Ltd. (associated company of subsidiary company):			
Purchase	3,493		39,247
Trade accounts payable for franchised and Company-owned store	6,900		77,528

19 Segment Information

The Group operates in the following industries:

Convenience store business: Developing "FamilyMart" chain stores by franchise system and area franchise system

Other businesses: E-commerce business, leases, accounting services, financial services, etc.

Information about industry segments, geographical segments and operating revenues from foreign customers of the Company and its subsidiaries for the years ended February 28, 2010 and 2009, was as follows:

(1) Industry Segments

The industry segments of the Company and its subsidiaries for the years ended February 28, 2010 and 2009, are summarized as follows:

a. Operating revenues and operating income

	Millions of yen			
	2010			
	Convenience store business	Other businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥272,449	¥5,726		¥278,175
Intersegment operating revenues	201	2,387	¥(2,588)	
Total operating revenues	272,650	8,113	(2,588)	278,175
Operating expenses	235,513	6,534	2,597	244,644
Operating income	¥ 37,137	¥1,579	¥(5,185)	¥ 33,531

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

	Millions of yen			
	2010			
	Convenience store business	Other businesses	Eliminations/ Corporate	Consolidated
Total assets	¥333,963	¥23,497	¥66,749	¥424,209
Depreciation	10,277	62		10,339
Loss on impairment of long-lived assets	2,494			2,494
Capital expenditures	39,972	100		40,072

a. Operating revenues and operating income

	Thousands of U.S. dollars			
	2010			
	Convenience store business	Other businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	$3,061,225	$64,337		$3,125,562
Intersegment operating revenues	2,259	26,820	$(29,079)	
Total operating revenues	3,063,484	91,157	(29,079)	3,125,562
Operating expenses	2,646,213	73,416	29,180	2,748,809
Operating income	$ 417,271	$17,741	$(58,259)	$ 376,753

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

	Thousands of U.S. dollars			
	2010			
	Convenience store business	Other businesses	Eliminations/ Corporate	Consolidated
Total assets	$3,752,393	$264,011	$749,989	$4,766,393
Depreciation	115,472	697		116,169
Loss on impairment of long-lived assets	28,022			28,022
Capital expenditures	449,123	1,124		450,247

a. Operating revenues and operating income

	Millions of yen			
	2009			
	Convenience store business	Other businesses	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥281,641	¥5,701		¥287,342
Intersegment operating revenues	177	2,232	¥(2,409)	
Total operating revenues	281,818	7,933	(2,409)	287,342
Operating expenses	241,654	6,463	2,693	250,810
Operating income	¥ 40,164	¥1,470	¥(5,102)	¥ 36,532

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

	Millions of yen			
	2009			
	Convenience store business	Other businesses	Eliminations/ Corporate	Consolidated
Total assets	¥249,682	¥23,832	¥124,612	¥398,126
Depreciation	9,604	65		9,669
Loss on impairment of long-lived assets	2,061	18		2,079
Capital expenditures	29,059	150		29,209

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended February 28, 2010 and 2009, are summarized as follows:

	Millions of yen				
	2010				
	Japan	Asia	Other area	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥238,056	¥38,813	¥1,306		¥278,175
Interarea transfers	527	16		¥ (543)	
Total operating revenues	238,583	38,829	1,306	(543)	278,175
Operating expenses	201,591	36,385	2,026	4,642	244,644
Operating income (loss)	¥ 36,992	¥ 2,444	¥ (720)	¥ (5,185)	¥ 33,531
Total assets	¥305,513	¥45,100	¥ 978	¥72,618	¥424,209

	Thousands of U.S. dollars				
	2010				
	Japan	Asia	Other area	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	$2,674,787	$436,101	$14,674		$3,125,562
Interarea transfers	5,921	180		$ (6,101)	
Total operating revenues	2,680,708	436,281	14,674	(6,101)	3,125,562
Operating expenses	2,265,068	408,820	22,764	52,157	2,748,809
Operating income (loss)	$ 415,640	$ 27,461	$ (8,090)	$ (58,258)	$ 376,753
Total assets	$3,432,730	$506,741	$10,989	$815,933	$4,766,393

	Millions of yen				
	2009				
	Japan	Asia	Other area	Eliminations/ Corporate	Consolidated
Operating revenues from outside the Group	¥241,167	¥44,835	¥1,340		¥287,342
Interarea transfers	518	27		¥ (545)	
Total operating revenues	241,685	44,862	1,340	(545)	287,342
Operating expenses	201,554	42,403	2,296	4,557	250,810
Operating income (loss)	¥ 40,131	¥ 2,459	¥ (956)	¥ (5,102)	¥ 36,532
Total assets	¥225,772	¥41,278	¥1,259	¥129,817	¥398,126

(3) Operating Revenues from Foreign Customers

Operating revenues from foreign customers for the years ended February 28, 2010 and 2009, amounted to ¥40,449 million ($454,483 thousand) and ¥46,528 million, respectively.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of FamilyMart Co., Ltd. (the "Company") and consolidated subsidiaries as of February 28, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FamilyMart Co., Ltd. and consolidated subsidiaries as of February 28, 2010 and 2009, 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 LLC

May 27, 2010

Member of
Deloitte Touche Tohmatsu

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.).
2006	Feb.	FamilyMart and Sapporo-based company Maruyo Nishio Co., Ltd. (currently Seico Fresh Foods 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.
2009	Aug.	FamilyMart becomes the first convenience store chain of Japanese origin to have more stores overseas than it has in Japan.
	Dec.	FamilyMart acquires am/pm Japan Co., Ltd. and makes it a wholly owned subsidiary.
2010	Mar.	am/pm Japan Co., Ltd. merges with FamilyMart.

Investor Information

Corporate Data (non-consolidated)

(As of February 28, 2010)

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:	3,065
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,367,308 shares)
Number of shareholders:	13,274
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

Principal Shareholders

(As of February 28, 2010)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	29,941	30.7
MELLON BANK, N.A. TREATY CLIENT OMNIBUS	5,356	5.5
Japan Trustee Services Bank, Ltd. (Trust account)	2,939	3.0
NTT DoCoMo, Inc.	2,931	3.0
The Master Trust Bank of Japan, Ltd. (Trust account)	2,879	3.0
Mizuho Bank, Ltd.	2,085	2.1
Nippon Life Insurance Company	1,964	2.0
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,798	1.8
State Street Bank and Trust Company 505223	1,689	1.7
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,314	1.3
Total	52,895	54.2

Notes: 1. In addition to the above, the Company also holds 2,367 thousand shares in treasury.
2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

Domestic Area Franchisers

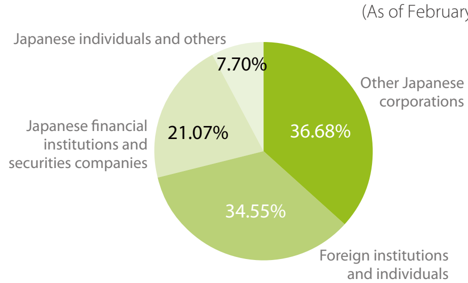
Okinawa FamilyMart Co., Ltd.
Minami Kyushu FamilyMart Co., Ltd.
Hokkaido FamilyMart Co., Ltd.

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)

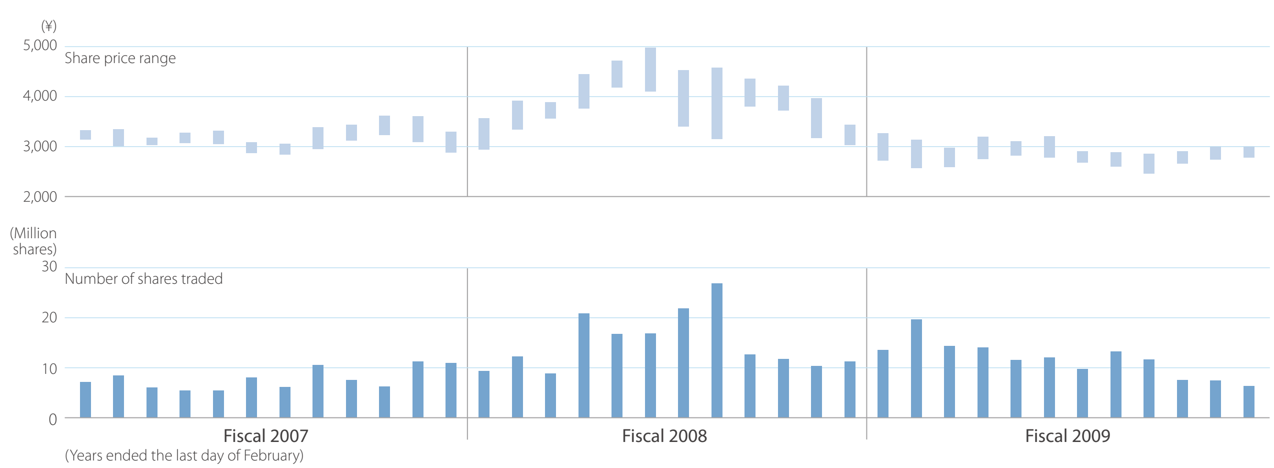
Distribution of the Shares

(As of February 28, 2010)



* Excluding shares of less than one trading unit

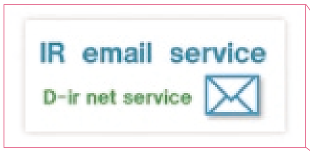
Share Price Range and Number of Shares Traded



Please visit the FamilyMart Website!

On our website, we make available a variety of Company information, including a Message from the President, financial summaries, and monthly business performance data, as well as news releases and other information of interest to investors.

http://www.family.co.jp/english



We provide an IR email service, through which we inform subscribers of matters of interest to investors.

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