Annual Report 2011

FamilyMart

Today and tomorrow, always part of the family

みんなとファミリー。
あなたと、コンビに、
FamilyMart
30周年

30th Anniversary

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

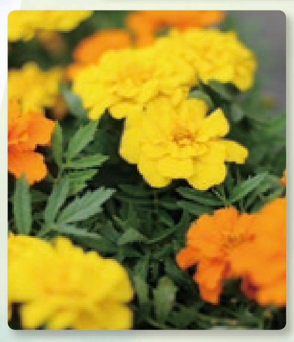
Cautionary Statement:

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.

みんなとファミリー。30周年

Today and tomorrow, always part of the family

On its 30th anniversary, FamilyMart says a big "Thank You"



th Anniversary

FamilyMart began life in the 1970s, when Japan was growing rapidly after its post-war boom, as a single, modest trial store designed to pioneer a new type of retail format. The choice of the name “FamilyMart” expressed the idea that the customer, the franchised stores and the head office would have a family relationship, and would develop together.

In 1981, the independent company FamilyMart Co., Ltd. came into being. With fewer than 100 stores at its inception, the Company has grown into a retailing giant with over 17,500 stores in Japan and overseas, supported by our many customers and business partners.

Over 30 years, what began with a small shop outside Tokyo has taken root in towns and cities all over Asia, playing a significant support role in the daily lives of many thousands of people.

FamilyMart's Growth and


Sept. 1973
The first trial store, in Saitama Prefecture

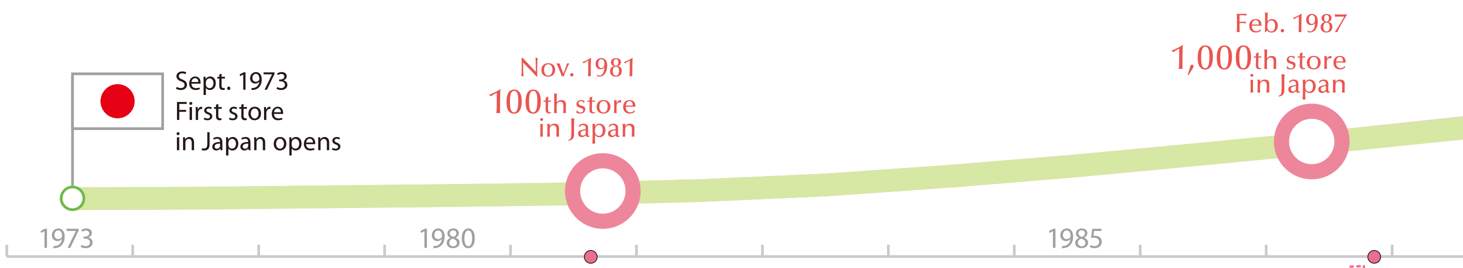
Adapt to changing times through ceaseless innovation.
The same warm hospitality, every day.

In this section we would like to look back over our 30-year history.

Launch of a made-in-Japan convenience store

The rise of supermarkets in the 1950s and 1960s had a significant impact on traditional retailers in Japan. The Small and Medium Enterprise Agency was watching convenience stores in the United States, which were clocking up fast growth. In 1972, it published its manual for convenience store operation in Japan. In response, The Seiyu Stores, Ltd. (currently Seiyu GK) began researching the convenience store business model based on a ministore concept developed in-house. Unlike other convenience store chains in Japan, which had based their operations on know-how from the United States, FamilyMart was set up using proprietary know-how and in close conformity with the Japanese approach to this business. Beginning in 1973, a string of trial stores were opened, the first links of the chain were forged, and the foundations for product development and an operational model were laid.

In 1978, a FamilyMart Department was set up by The Seiyu Stores and franchising operations began in earnest. In September 1981, the FamilyMart Department was spun off from The Seiyu Stores and formally began life as FamilyMart Co., Ltd., opening a new chapter in the story of the chain.



Sept. 1981
Establishment of FamilyMart Co., Ltd.

Dec. 1987
Listing on the Second Section of the Tokyo Stock Exchange

Aug. 1978
The first franchised store opens, after a public manager recruitment campaign

Aug. 1978
Creation of the FamilyMart logo

Sept. 1981
Establishment of a corporate identity with the launch of FamilyMart Co., Ltd.

Aug. 1978
First staff uniform introduced

Nov. 1982
Second staff uniform introduced

Path to Success

2006
The Three-Star Pasta series, which uses quality ingredients and offers an authentic Italian taste at a reasonable price

2001
Fried chicken becomes FamilyMart's flagship product

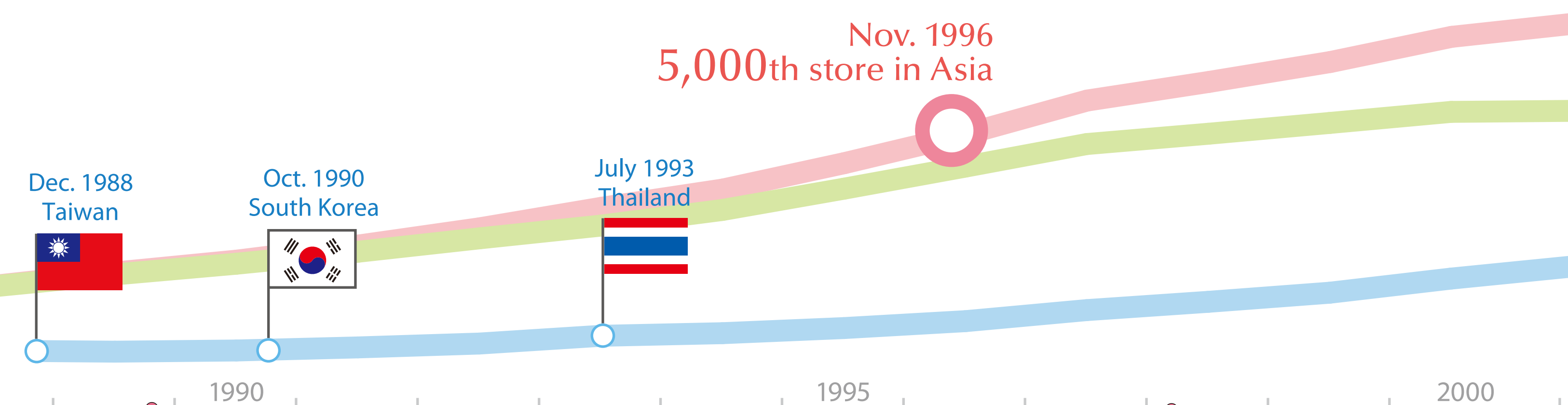
Product development: A commitment to exceeding customer expectations

By correctly identifying diversifying tastes and changing needs in our customers, FamilyMart developed a range of original proprietary products. In our determination to deliver true taste to the customer, we have strengthened our capabilities in daily product development.

FamilyMart has made a name for itself through its ranges of fried chicken, pasta and desserts that are unavailable at rivals, and its commitment to "genuine article" merchandise that overturns traditional images of convenience store stock.

"Delicious" is a word that has different meanings in different places. From an early stage, FamilyMart focused on local production for local consumption — using local ingredients and creating local flavors. Regional produce now accounts for one half of ingredients used in our ready-to-eat items.

We also ensure food safety and consumer peace of mind by clearly tracing produce from production through logistics and processing.



Aug. 1989
Listing on the First Section of the Tokyo Stock Exchange

Feb. 1998
ITOCHU Corporation becomes the major shareholder, replacing Seiyu

あなたと、コンビに、FamilyMart

Jan. 1989
Corporate slogan unveiled:
"FamilyMart, Where You Are One of the Family"

15th. Anniversary

Mar. 1996
New slogan unveiled:
"Chou yaru-ki" (Supercharged spirit)

July 1990
Third staff uniform introduced

Feb. 1992
Change to visual identity, based on use of green and blue in the logo

Feb. 1998
Pole signs converted to their current design

Providing infrastructure, becoming part of people's lives

FamilyMart is not merely a purveyor of products. It has systematically introduced innovative new services such as utility bill payment agency, ATM machines and ticket and other purchases through Famiport Multimedia Terminals, leveraging the convenience of a store format that can be found everywhere and is open all hours. Using our nationwide network, we are developing our role as a provider of "lifestyle infrastructure." In fiscal 2006, our network reached the last of Japan's 47 prefectures, and we invested approximately ¥35 billion in information technology to prepare for further expansion of services.

Oct. 1999
Launch of ATM services

Nov. 2007
Launch of T-POINT services
Introduction of Famima T Card

Oct. 2000
Rollout begins of
Famiport Multimedia Terminals

2012 (target)
Global network of 20,000 stores

July 2009
15,000th store (global)

2011(target)
10,000th
store overseas

Dec. 2003
10,000th store
in Asia

July 2004
Shanghai
(China)

July 2005
United States

Jan. 2007
Guangzhou
(China)

Sept. 2007
Suzhou
(China)

Dec. 2009
Vietnam

Dec. 2009
am/pm Japan Co., Ltd. becomes a subsidiary
(following absorption merger in March 2010)

July 2006
Store network reaches last of
Japan's 47 prefectures

Aug. 2009
Overseas stores outnumber stores
in Japan

WE'RE SUPPORTERS FamilyMart

Apr. 2001
Becomes official supporter of
the Japan team in the 2002 World Cup

2005

2010

2011

Sept. 2011
30th anniversary of FamilyMart's founding

Jan. 2000
Fourth staff uniform introduced

Mar. 2005
"FamilyMart, Where You Are One of the Family" slogan revived

Jun. 2005
Fifth staff uniform introduced

みんなとファミリー。
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2011
Slogan launched for 30th anniversary
Minnato Family (Everyone is part of our family)

Toward a global FamilyMart

Twenty years have passed since our overseas expansion began, in 1988. Since then FamilyMart, a convenience store chain originating in Japan, has seen its stores overseas grow in number to the point that they now exceed the total in Japan, making us a truly global chain.

Currently, FamilyMart operates over 17,500 stores in seven countries and regions (Japan, Taiwan, South Korea, Thailand, China, the United States, and Vietnam), supporting the daily lifestyles of millions of customers — always with a smile.

China

566 stores

South Korea

5,511 stores

Taiwan

2,637 stores

Japan

8,248 stores

Over 17,500 stores in seven overseas markets

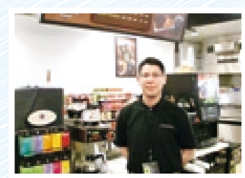
Thailand

622 stores

Vietnam

4 stores

United States



10 stores

(As of the end of February 2011)

30th Anniversary

FamilyMart has offered convenience and hospitality to its customers for 30 years. We will continue to evolve, to remain a valued retailer in the seven overseas markets we already operate in, and indeed throughout the world.

Part of the social infrastructure
Growing with the community

Currently, there are approximately 42,000 convenience stores throughout Japan, and the average daily number of store users is around 35 million.

Thanks to the reach of their networks and the sophistication of their logistics and information services, convenience stores now have expanded their role to include financial services such as hosting ATMs and handling payment of utility bills, neighborhood watch functions such as offering refuge to women who feel unsafe at night and helping children who have lost their way, and disaster relief support such as providing food and drink in emergencies. As they have become an indispensable part of local communities, their profile has steadily risen.

At the same time, social change affecting our operations has been very great. Human relationships have weakened, due to demographic change (the falling birth rate coupled with an increasingly aged population) and the increase in single-person households. A shared sense of anxiety has grown about economic and environmental prospects. There is a clearer public desire for safety and peace of mind. Amid all this change in people's attitudes, the Great East Japan Earthquake struck in March 2011, highlighting once more how important the bonds among people are.

Our vision for FamilyMart

We have always asked ourselves what we — our franchised stores, head office and business partners — can do as individuals to realize our commitment to "convenience, friendliness and fun," and have acted accordingly. Every little gesture, however small, will, repeated over the long term, lead to stronger bonds with customers and the revitalization of the overall chain.

So what is our vision for FamilyMart? In addition to continuing to deliver attractive products and services, we will fulfill our "hub" role of bringing together different customer groups, and customers and communities, by providing safety and peace of mind as part of the neighborhood infrastructure, and helping to allay public concerns while striking deep roots in the local community.

We are one family.

“Close Ties”: a concept for the times
Motivation, encouragement, and aspirations

For 2011, the 30th anniversary of our founding, FamilyMart has adopted the core concept of “Close Ties.” We are working to deepen ties between our stores and customers and the community.

Then, in March 2011, the Great East Japan Earthquake hit. Precisely at times like this, everybody in Japan feels the need for “Close Ties” and for motivation, encouragement and aspirations. These thoughts will always be with us as we grow our businesses. Examples are our proposals for safe, worry-free and tasty food and lifestyle services, and our support programs to foster the positive, healthy upbringing of our children, the next generation. We are committed to being true partners to our customers.

When you go into a FamilyMart store, we want you to feel you are in your comfort zone. We want to lift your spirits and brighten your outlook. That is what we want our customers to feel about us. That is our vision for the chain.

Putting a smile on everybody’s face.

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)
	2011	2010	2009	2008	2007	**2011**
Results of operations						
Total operating revenues (Note 2)	**319,889**	278,175	287,342	319,439	297,849	**3,901,085**
Operating income	**38,223**	33,531	36,532	31,214	29,609	**466,134**
Net income	**18,023**	15,103	16,452	16,438	14,969	**219,793**
Financial position						
Total assets (Note 3)	**436,034**	424,209	398,126	351,271	315,256	**5,317,488**
Total equity (Note 4)	**216,979**	206,490	197,529	191,281	171,155	**2,646,086**
Cash flow						
Net cash provided by (used in) operating activities	**50,338**	(6,575)	75,028	49,375	35,093	**613,878**
Net cash used in investing activities	**(25,798)**	(36,152)	(28,217)	(24,593)	(32,938)	**(314,610)**
Net cash (used in) provided by financing activities	**(13,977)**	(8,342)	(7,030)	3,956	(19,155)	**(170,451)**
Cash and cash equivalents	**95,486**	85,161	135,888	98,844	69,551	**1,164,463**
Per share of common stock (in yen and U.S. dollars)						
Basic net income	**189.7**	158.5	172.6	173.5	158.8	**2.31**
Cash dividends applicable to the year	**72.0**	70.0	68.0	60.0	46.0	**0.88**
Total equity (Note 4)	**2,207.5**	2,096.4	2,001.5	1,921.6	1,771.3	**26.92**
Ratio						
Equity ratio (%)	**48.1**	47.1	47.9	52.2	51.9	
ROE (return on equity) (%)	**8.8**	7.7	8.8	9.5	9.0	
ROA (return on total assets) (%)	**4.2**	3.7	4.4	4.9	4.8	
PER (price earnings ratio) (times)	**16.3**	18.0	19.2	17.8	20.5	
Payout ratio (%)	**37.9**	44.2	39.4	34.6	29.0	
Other data						
Growth rate of average daily sales of existing stores (non-consolidated) (%)	**(0.2)**	(2.4)	7.1	0.9	(1.4)	
Number of store openings (non-consolidated) (Note 5)	**741**	545	542	520	586	
Number of total chain stores	**17,598**	15,789	14,651	13,875	13,122	
Japan (including area franchised stores)	**8,248**	7,688	7,404	7,187	6,974	
Overseas	**9,350**	8,101	7,247	6,688	6,148	
Number of full-time employees	**7,569**	7,204	6,950	6,647	6,735	
Number of shareholders	**12,391**	13,274	12,293	14,933	17,880	
Issued number of shares (thousands)	**97,683**	97,683	97,683	97,683	97,683	

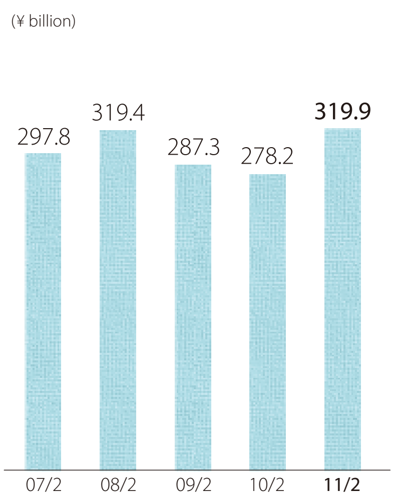
Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥82 = U.S.$1, the rate prevailing on February 28, 2011.
2. Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com 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.
5. Includes stores opened under the TOMONY format, and stores converted from the am/pm brand.

Performance Highlights (Fiscal Year Ended February 28, 2011)

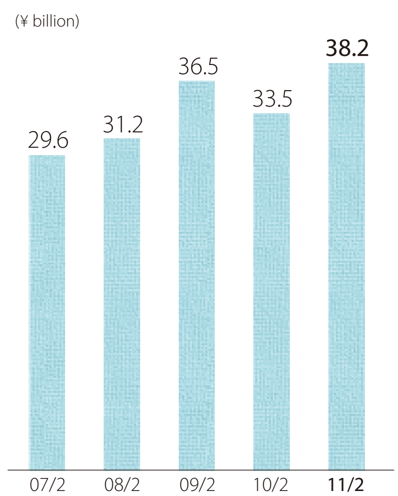
Record sales and earnings across the board

- Total operating revenues rise 15.0% year on year to ¥319.9 billion, on integration with am/pm Japan and strong summer sales amid soaring temperatures
- Operating income jumps 14.0% to ¥38.2 billion due to strong sales of premium ready-to-eat items with high profit margins
- Increase of 1,809 stores to 17,598, with networks expanded in both in Japan and overseas

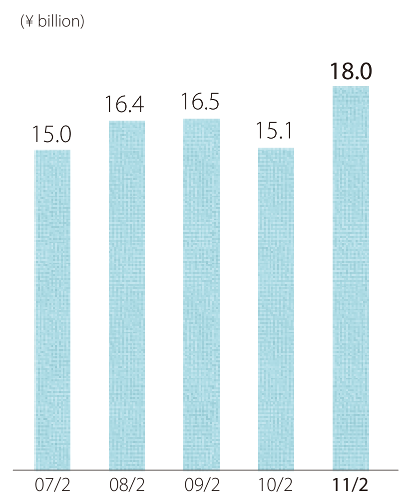
Total Operating Revenues



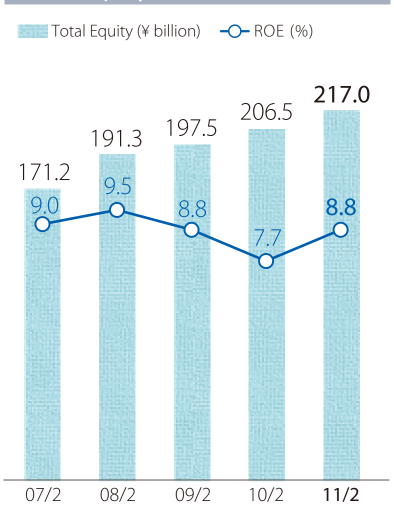
Operating Income



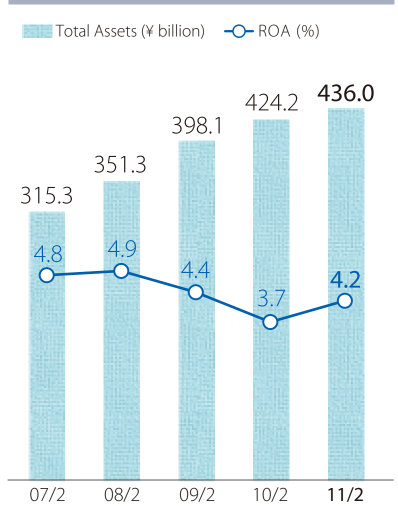
Net Income



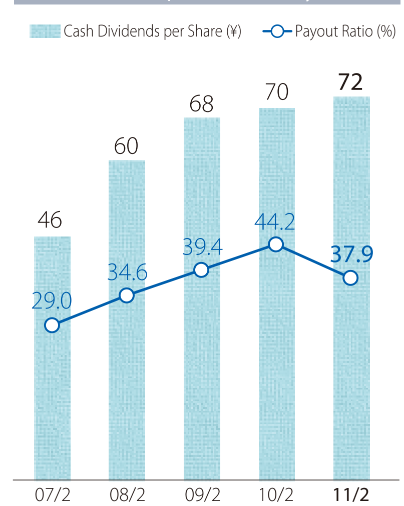
Total Equity and ROE



Total Assets and ROA



Cash Dividends per Share and Payout Ratio



Details of FamilyMart's business performance and convenience store industry data can be found in the Fact Sheets section on P.46-51

A summary of consolidated financial data over the past 11 years can be found on P.52-53

FamilyMart and the Retail Sector in Japan

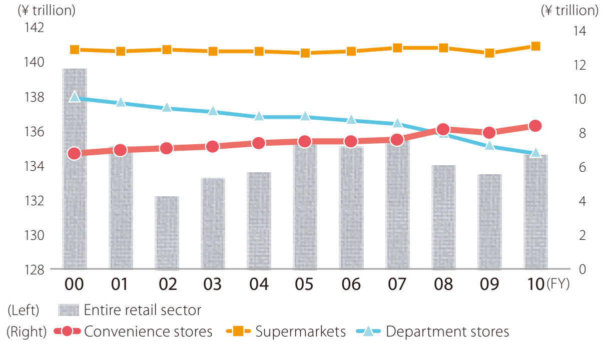
Our profile is rising as change sweeps the sector

The retail sector in Japan continued its gradual retrenchment after peaking at ¥148 trillion in fiscal 1996. Over the past few years, the scale of the market has remained steady at around ¥135 trillion. By category, department stores purveying mainly luxury items and clothing have seen their markets continue to shrink amid a flaccid economy, while convenience stores have continued to grow, on the back of the characteristic they are named for, coupled with their ability to develop products closely tailored to consumer needs. In fiscal 2008, sales at convenience stores overtook those of department stores. However, intensified competition from new store openings and competition with discount stores and other outlets operating under different formats, combined with increased IT system costs, are now putting convenience stores under pressure. Sector consolidation has gathered pace with smaller chains with few investment resources being absorbed.

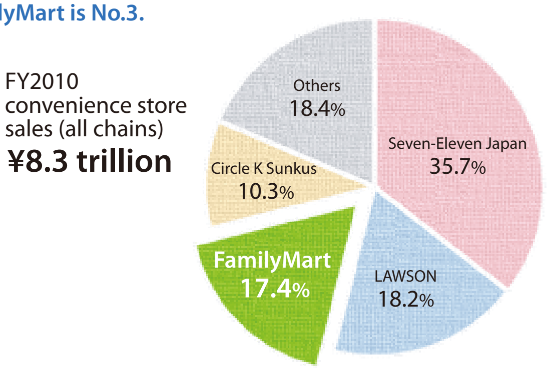
As an initial move, FamilyMart took over the seventh-largest convenience store chain operator in Japan, am/pm Japan Co., Ltd., in December 2009, with full management integration following in March 2010. Now the third-largest operator in Japan, FamilyMart is significantly expanding its market share through this merger. Furthermore, with the constellation of companies in the convenience store sector in Japan now more or less fixed, operations are being expanded into new growth markets, principally in Asia. For more than 20 years, FamilyMart, a chain originating in Japan (unlike its major rivals), has led the field in developing overseas markets, building up considerable expertise in the process. The number of overseas FamilyMart stores now exceeds the number in Japan, and we are nearing our goal of building a network of 20,000 stores globally. FamilyMart is becoming a serious player in overseas markets.

Please see P.51 for details of sales by chain and number of stores

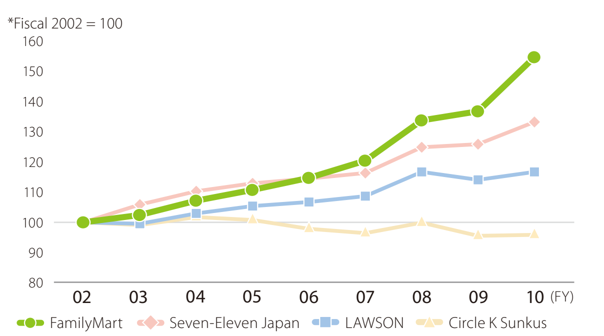
Japan's retail sector in fiscal 2010 was worth approximately ¥134.7 trillion, of which the convenience store industry accounted for around ¥8.3 trillion, or 6.1%.



The top four chains account for roughly 80% of industry sales, and smaller operators are being squeezed out. FamilyMart is No.3.



FamilyMart is growing its revenues at a consistently faster pace than its rivals. The integration with am/pm Japan was a major growth driver in fiscal 2010.



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

Building up our brand on the basis of consistency and continuity in our business activities, to ensure we remain the convenience store of natural choice

Change in the business environment in which we operate — intensified competition with other chains, a falling birthrate and increased aging of the population — mean that convenience stores today need to offer more than mere convenience, their trump card, to ensure customer loyalty. In these difficult times for our business, convenience stores are increasingly expected to focus not only on meeting people's material needs, through ample ranges of merchandise, but also on providing "emotional value" such as mental comfort at a time when economic and social security expectations are no longer as sure as they once were. As a company which knowingly includes the word "family" in its name, we at FamilyMart are committed to offering "convenience, friendliness and fun" in our stores by treating customers as members of the family. This is our core belief.

In addition to providing the functional value our retail format is named for, we aim to establish the "FamilyMart Feel" as a brand in itself, by consistently offering "convenience, friendliness and fun" in all of our businesses, and so continue to be the convenience store of natural choice. In the "FamilyMart Feel" campaign, which we launched in fiscal 2005, we have continued to develop both internal branding (revitalizing the organization by internally instilling and realizing the Company philosophy) and external branding (putting flesh on the "FamilyMart Feel" campaign). As well as extending these activities to cover approximately 150,000 staff at our franchise stores all over Japan, we have arranged global workshops, where we bring together staff responsible for branding from all over the world to develop the "FamilyMart Feel" campaign. Based on our concept of "Close Ties," developed to mark our 30th anniversary in 2011, we also plan to create opportunities for discussion and consideration of our operations, to raise our profile as part of the local community. In this way, the "FamilyMart Feel" campaign is the strategic basis of all that FamilyMart stands for. It has steadily produced tangible and intangible results, including four consecutive years of growth in customer numbers, and a greater responsiveness to customer needs.

Initiatives	
Fiscal 2005	Creation of project team, setting of policy blueprint
Fiscal 2006	Revision of FamilyMart Basic Principles, and creation of "Famimaship," FamilyMart's Action Guidelines, by Company employees >>>Please see inside of front cover
Fiscal 2007	Issue of "*FamilyMart no Kokoro*" brand book, ensuring shared objectives
Fiscal 2008	"FamilyMart Feel" Day, with workshops organized by Head Office employees
Fiscal 2009~	"FamilyMart Feel" workshops for franchisees >>>Please see P.27
Fiscal 2010~	Global "FamilyMart Feel" workshops

We will continue to arrange workshops at all our departments and franchisees, all over the world, to realize the goals of the "FamilyMart Feel" campaign and ensure our objectives are shared.

A lot of hit items were created on the basis of our lineups of pasta, fast food, desserts and chilled-cup drinks, which embody the "FamilyMart Feel" campaign.

To our Investors, Franchisees and Other Stakeholders

2011 marks the 30th anniversary of FamilyMart. Of course, our priority in this tragic year is helping the areas hit by the Great East Japan Earthquake, but over the term we will be adopting a mix of offensive and defensive strategies under a broad policy package for this 30th anniversary.

Junji Ueda
President and Chief Executive Officer

Q1 What impact did the Great East Japan Earthquake of March 11, 2011 have on FamilyMart, and what is your response?

First, let me respectfully extend my sympathy to everybody affected by this disaster. The many people who lost their lives on March 11 are in our prayers.

The impact on FamilyMart was as follows. Immediately after the disaster, we were forced to temporarily close down approximately 300 stores. We sent out support teams from Head Office, involving over 1,000 people, to help with recovery efforts. As a result, we were able to reopen all stores, except those washed away by the tsunami and located in areas within the Fukushima nuclear reactor exclusion zone.

In the days after the disaster, many of our stores were not able to ensure stable supplies due to disaster damage at some ready-to-eat meal production plants, logistics centers and other facilities in the Tohoku (north-eastern) and Kanto areas, as well as fuel shortages and rolling blackouts.

Our response was to stabilize supplies by sourcing some products from facilities in the Kansai and Hokuriku areas, a workaround carried out with the co-operation of our business partners, and by trimming some product ranges. We were able to get our supply system back on a pre-disaster footing in May, by restoring online ordering systems as reconstruction of plant and logistics centers progressed. We have decided to earmark up to ¥7 billion in fiscal 2011 for a Companywide endeavor to restore operations, to be spent principally on reestablishing the businesses of franchised stores, rebuilding and repairing earthquake-hit premises, and supporting franchisees. In addition, we have begun compiling a Business Continuity Plan based on this experience, to prepare us for the risk of similar disasters in future.

For more details of the impact of the disaster on our business results in fiscal 2011, please see P.18

For more details of our support activities in earthquake-hit areas, please see "Corporate Social Responsibility," P.37

Crisis meeting after the disaster

Q2

In fiscal 2010, you broke all previous earnings records. What were the reasons for this success?

Our priority in fiscal 2010 was the brand integration with am/pm Japan Co., Ltd., and we also renewed measures to revitalize existing stores. We are making steady progress on both fronts. In addition, we were able to improve our business performance overseas, with operations in Taiwan and South Korea increasing earnings, and operations in Thailand achieving their second year of profitability. As a result, in fiscal 2010 we beat our earnings targets in all categories on a consolidated basis, and posted our highest-ever earnings — a double-digit increase from the previous fiscal year.

Firstly, the brand integration with am/pm. We have completed brand conversion of 329 stores in the first year, as planned. At the converted stores, we are upgrading our product development capabilities, centered on ready-to-eat items such as *bento* and desserts. And we have maintained approximately 20% growth in average daily sales on the back of redoubled commitment by franchised store managers. In addition to improvements in the gross profit ratio, we believe reductions in refurbishment and other expenses have enabled us to more or less cover the ¥600 million operating loss we originally forecast for our am/pm stores in this first year. As a result of such smooth progress in the brand integration, we have been able to realize synergies beyond our expectations. This is one key reason for our strong performance.

We also opened 407 other new stores unconnected with the merger, in Japan's three major metropolitan areas and major regional cities, which continue to show strong growth potential. As a result, combined with the am/pm brand conversions, the total of new store openings for fiscal 2010 was 736. Average daily sales at all newly opened stores reached a record high of ¥564,000, a year-on-year increase of ¥125,000.* These new stores are expected to be significant contributors to earnings in future.

* Parent-only. The figures do not reflect the performance results of the TOMONY stores.

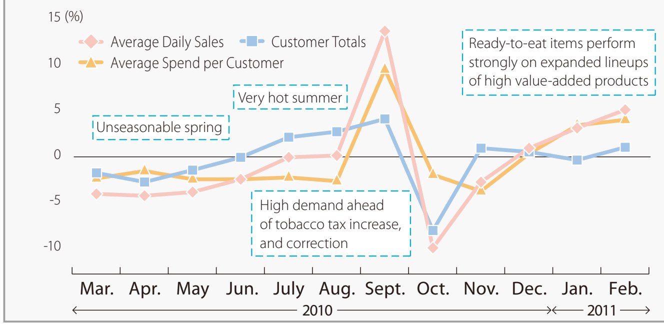
What issues remain to be dealt with?

A particular issue is average spending per customer. In the second half of fiscal 2010, we focused on improving this metric, by greatly increasing the proportion of high value-added products such as rice balls and *bento* in our displays. As a result, average spending per customer at existing stores showed growth momentum from December 2010. These measures also had an impact on the gross profit ratio, which increased by 0.35 percentage points year-on-year to 28.31%.

Consolidated Earnings Performance (Millions of Yen)

	11/2	10/2	YoY change
Total operating revenues	319,889	278,175	15.0%
Operating income	38,223	33,531	14.0%
Ordinary income	39,907	35,760	11.6%
Net income	18,023	15,103	19.3%

Performance of Existing Stores (Fiscal 2010)



• There were major changes in the operating environment, including the unseasonable weather at the start of spring 2010, the record-breaking heatwave in summer, and the increase in tobacco taxes in autumn, as well as the corrective movements following these jolts to prices.
• From the second half, average spending per customer showed recovery momentum.
• Growth rate of average daily sales at existing stores surpassed estimates at -0.2%.

“While keeping abreast of social change, it is important to be able to provide products and services offering value beyond the price.”

Q3 In this 30th anniversary year, what are your strategies for fiscal 2011?

In fiscal 2011, our priority will be swift recovery for our operations in the areas hit by the earthquake. At the same time, we are rigorously pursuing an “offensive” strategy. Based on the concept of “Close Ties” that we have chosen for this anniversary year, we are following a set of special policies for the full year. This is more than a matter of simple marketing campaigns. We aim to further improve our brand image and earnings performance through policies that clearly position the Company as a part of the social infrastructure linking customers and their communities. At the same time, we will continue helping out with the recovery effort in the disaster-hit areas of the north through measures such as donating a portion of sales revenues for each product sold.

The brand integration with am/pm has gone smoothly. How will you harmonize your store-opening strategy in Japan with the conversion of am/pm stores?

We are bringing forward our conversion plans, and will complete the conversion of the remaining 190 stores in the Tokyo metropolitan area during 2011. Following our integration with am/pm Kansai Co., Ltd., we also plan to complete conversion to the FamilyMart brand of approximately 100 stores in the Kansai area during fiscal 2011. With regard to JR KYUSHU RETAIL, INC., our joint-area franchisor for Kyushu, we had completed conversion of all 102 Kyushu stores by the end of March 2011, showing that progress is as smooth here as in the Tokyo metropolitan area.

This means we will be able to complete conversion of approximately 720 am/pm stores, including 329 stores converted in the first year, to the FamilyMart brand over two years.

In store-opening strategy in Japan, in fiscal 2011 we will continue to work toward our target of opening 500 stores in the three major metropolitan areas and major regional cities, which are still highly profitable. When we achieve our medium-term goal of a global network of 25,000 stores (by fiscal 2015), 9,500 or so of those stores will be in Japan. By establishing a Regional Development Department to support store development units at the district level and by further strengthening our property appraisal and store-opening management, we aim to boost average daily sales at new stores to ¥500,000 under the traditional FamilyMart format and to ¥514,000 including stores converted from the am/pm brand.

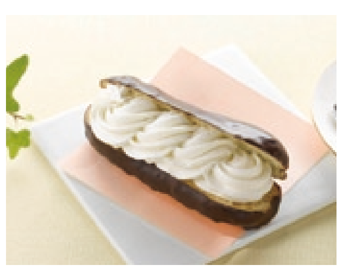
What progress has been made in your customer-targeting strategy launched in the previous fiscal year?

Given that no further major expansion is likely in the Japanese consumer market, it is important to attract new customer segments rather than just rely on the traditional mainstay of the convenience store business, young people. In that connection, we are trying to appeal to a wider range of customer age groups, through a tailored approach based on analysis of demographic trends in Japan. We have divided our customers into three age groups, 50-65 years, the leaders in consumption by wealth, customers in their 30s, the sector's mainstay clientele, and children up to 15 years, the customers of the future. We have positioned the older generation from 50 to 65 as our key target market. By strengthening our products and services for this age group, we increased the proportion of customers aged from 50 to 65 by 2% to 18% in fiscal 2010. Looking ahead, we plan to further raise that proportion to around 22%, the natural level within the overall population, on the strength of products and promotional activities developed by our "Otona-conveni Laboratory" (please see P.29 for more details), and proactive daily lifestyle advisory services.

There have been fears that the earthquake will dampen consumer confidence. Given this, how do you plan to differentiate your ready-to-eat ranges?

Even amid weak consumer spending, if you provide good value, the customer will buy the product, and our fiscal 2010 initiatives reflected that belief. For example, we have enjoyed buoyant sales for rice balls using *Kinmemai* premium brand rice and our original *Ajiwai* Famima Café brand in our chilled-cup drinks range, even though items in these ranges are about 50% more expensive than core products in these ranges. During fiscal 2010, we sold our 100 millionth beverage in the *Ajiwai* Famima Café line. We believe the key is how many successful items are developed.

We have developed our priority categories (Three-Star Pasta, Sweets+ (desserts), Famima Kitchen fast foods and *Ajiwai* Famima Café chilled-cup drinks) into original products with an unbeatable edge. In the first half of fiscal 2011, we plan to further strengthen the brand power in the Sweets+ (desserts) range. In the second half, we will add a new priority category, delicatessen items and salads, in response to the growing tendency of customers to dine at home, for which we will create flagship new products. We will always supply high-value products, to meet a diversifying range of customers needs regarding price.

For more information on product policy, please see "Review of Operations," P.28-29

Q4 How is your international growth strategy developing?

As a result of progress in our project to expand the number of stores overseas, chiefly in Asian countries, as of February 28, 2011, we operated a total of 17,598 stores in Japan and overseas (Taiwan, South Korea, Thailand, China, the United States, and Vietnam). For some time now, our goal has been to operate a global network of 20,000 stores, and in fiscal 2012, this will become a reality. We will further accelerate the pace of expansion. Our longer-term goals are 25,000 stores by fiscal 2015, and 40,000 stores by fiscal 2020.

In China, with its huge market of 1.3 billion people, we have signed agreements with a range of business partners for future strategy purposes. These include some changes to planned ownership structures of jointly operated businesses. We have allied ourselves more closely with the Ting Hsin group, China's largest producer of instant noodles and operator of approximately 150 restaurant and supermarket chains, and Taiwan FamilyMart Co., Ltd., a long-time business partner. Together we plan to open 4,500 stores all over China by fiscal 2015, and 8,000 by fiscal 2020.

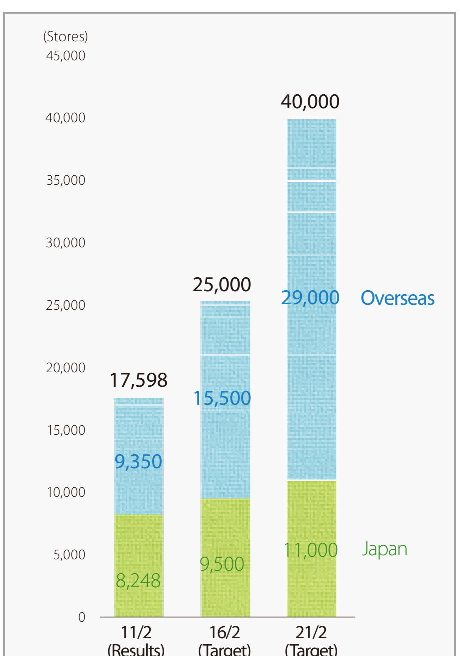
At the end of February 2011, we broke through the 500-store barrier in China (Shanghai, Guangzhou and Suzhou), giving FamilyMart the largest chain in China operated by a Japanese convenience store company. While continuing to increase market share in areas where we are already established and laying the groundwork for profitability at the store level, in the second half of fiscal 2011 we plan to advance into Chengdu, one of the promising inland areas of China, where infrastructure investment is fueling continuing growth, and Hangzhou, a large city inland from Shanghai. This business is the core of our global strategy. By not only building up scale but also improving profitability, we plan to bring our operations in Shanghai into profitability during fiscal 2012.

In Thailand, where we have succeeded in boosting operating income and securing basic profitability, we are accelerating the pace of store openings with a view to creating a network of 1,000 stores as soon as possible. In South Korea, we are opening 1,000 new stores for a second straight year in fiscal 2011, bringing the total of stores in that country to over 6,000, and making us the clear leader in the convenience store sector there.

In this way, we expect overseas stores to make an increasingly strong contribution to consolidated profits as overseas stores begin to make a profit and build up a revenue base. In fiscal 2010, overseas businesses only accounted for approximately 10% of our consolidated net income, but we plan to increase that figure to around 20% by fiscal 2015, as a medium-term target.

For more details about our business in China, please see "Special Feature," P.20-25

Overseas Growth



Overseas Growth Strategies by the Areas

<Taiwan> < South Korea> <Thailand>	<Existing area in China> (Shanghai, Guangzhou, Suzhou)
Building up market share in areas where we already have many stores	Accelerate pace of store openings in China, the biggest market
<United States> <Vietnam>	**<New areas in Asia> <New parts of China>**
Create business model enabling early localization	Growth strategy for the future Develop new markets with potential, for the future

Q5 What is the outlook for fiscal 2011 and beyond?

Because of the earthquake disaster, it is not clear which way the Japanese economy is headed now. Nonetheless, we aim to increase operating income year-on-year on a consolidated basis in fiscal 2011 by steadily implementing the aforementioned strategies.

On a non-consolidated basis, we expect total store sales to fall ¥22 billion short of our targets set before the Great East Japan Earthquake. This is a result of store closures due to the earthquake and *tsunami*, the cost of resuming operations at major producers of ready-to-eat items and logistics centers, and the erosion of consumer confidence in Japan since the disaster. Factoring in a decline in total store sales, we expect a ¥2.5 billion negative impact on operating income compared with earlier forecasts, and we have revised our estimates for growth rate of average daily sales at existing stores from 4.6% to 3.5%.

We expect to post an extraordinary disaster-related loss of between ¥4-7 billion, in costs of support for recovery at franchised stores. Separately, we also expect to post another extraordinary loss, of ¥7.8 billion on a consolidated basis, as a result of asset retirement obligations to be recognized as future store-closure expenses. We expect this to have an impact of approximately ¥5 billion on net income. Stripping out these factors, we forecast consolidated net income at ¥19.7 billion, but factoring in the disaster and impact of asset retirement obligations, this forecast declines to ¥10-12 billion.

We expect the pace of our growth in fiscal 2011 to dip slightly due to the earthquake disaster, but we have made no changes to our medium-term business plan announced in the previous fiscal year. We remain committed to completing a global network of 25,000 stores and posting ordinary income of ¥60 billion by fiscal 2015, and are united in our determination as a group to achieve these targets.

Initial target
Net income of ¥20 billion

▶

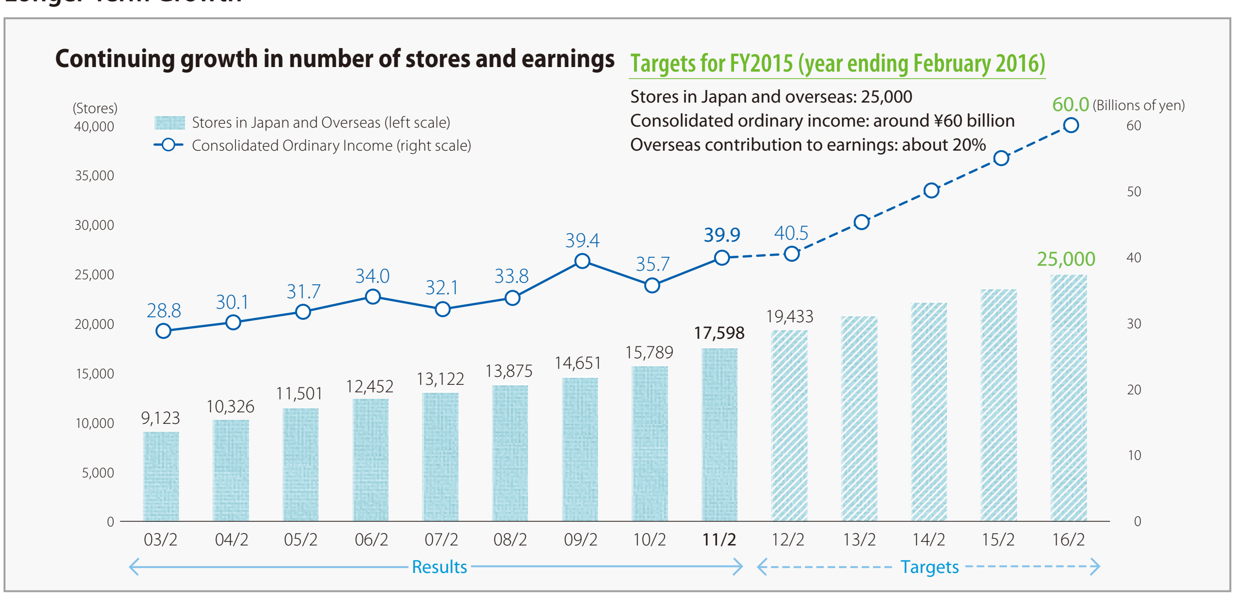
Great East Japan Earthquake
Asset retirement obligations

▶

Target after the earthquake
Net income of ¥10-12 billion

For more details of revisions to performance forecasts in light of the earthquake disaster, please see "Management's Discussion and Analysis," P.58

Longer-Term Growth



Q6 What comments do you have on shareholder returns and dividend policy?

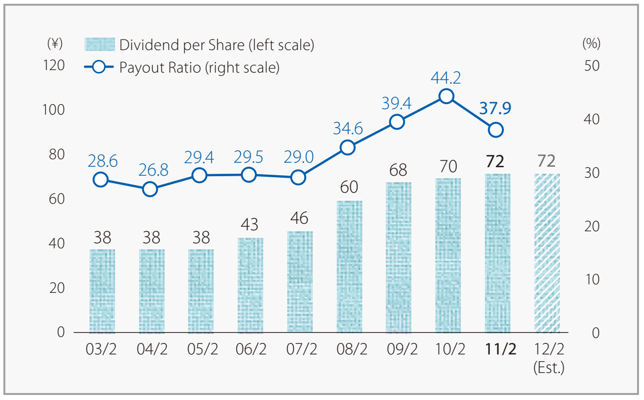
FamilyMart has positioned shareholder returns as an important policy. Beginning in fiscal 2007, we raised our targeted payout ratio from 30% on a non-consolidated basis to 35% on a consolidated basis, and have paid dividends that adequately reflected our earnings performance. Due to expectations of sustained stable growth in profits, we have further raised our target in fiscal 2010, and are targeting a payout ratio of around 40% on a consolidated basis. We have increased the dividend per share in fiscal 2010 by ¥2 to ¥72. This is the sixth consecutive year of increased dividends. In fiscal 2011, in light of the impact of the Great East Japan Earthquake, we plan to hold the dividend at ¥72 per share, as in fiscal 2010, and ensure greater rewards for our shareholders through growth in earnings 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 will carry out purchases of treasury stock as and when we deem appropriate to ensure flexibility of capital policy.

What final message do you have for shareholders and investors?

In our Japan operations, the key to significant future growth will be optimizing synergies from brand integration with am/pm Japan. Another key, I believe, will be accelerating the pace of store openings and strengthening the earnings base of overseas operations, which, in years ahead, will be the greatest growth driver for FamilyMart. By leveraging our expertise built up in these areas, we believe we can build sustainable long-term enterprise value. Our shareholders are justified in expecting growth from the FamilyMart Group. I would like to once more thank you all for your continued support in this endeavor.

Dividend per Share and Payout Ratio



China Business Strategies

FamilyMart is gradually stepping up the pace of expansion overseas, aiming to create a global network of 25,000 stores by fiscal 2015 and 40,000 by fiscal 2020. As of February 28, 2011, we were operating 566 stores all over China, breaking through the 500 barrier six years after our first outlet opened in Shanghai. While continuing to build up our store network in the eastern coastal region (centered on Shanghai, Guangzhou and Suzhou), we plan to move into the Chinese interior during fiscal 2011. In this Special Feature, we would like to say more about our businesses in China, which are key to fulfillment of Group medium-term business plans.

TV commercial using popular "idol" stars in China, showcasing ready-to-eat items

Interview with the Head of China Operations

Masaaki Kosaka

Director and Managing Executive Officer
Head of Area Franchising Division
President of FamilyMart China Holding Co., Ltd.

[Profile] 1984: Joins the Company
2001: Head of Sales Planning Department, Sales Planning Division
2003: Head of Sales Planning Office, Corporate Planning Division
2005: Tokai-Daiichi District Manager
2007: Assistant manager, Merchandising Division, and head of Product Planning & Marketing Department
2009: Takes charge of all U.S businesses as President of FAMIMA CORPORATION (U.S.A.)
2011: Occupies current posts

Q1 What kind of business environment have you found in China?

FamilyMart has set itself a target of operating a total of 25,000 stores in Japan and overseas by fiscal 2015, and 40,000 by fiscal 2020. For us to achieve that target, the key is developing the China market. Without China, we cannot talk of a longer-term growth strategy for FamilyMart.

The time now is right. China has now surpassed Japan in terms of gross domestic product (GDP) to become the world's second-largest economy, and Expo 2010 Shanghai has ended successfully. Living standards have risen significantly, and consumer confidence is further strengthening. China is steadily evolving from the "workshop of the world" into the "world's largest consumer market."

The growth of the Shanghai market has been particularly arresting. We opened our first FamilyMart store in Shanghai in 2004. When I visited again after seven years, I found the change astonishing. The attractiveness and liveliness of the streets of Shanghai is beyond all comparison with 2004. I also really noticed how personal incomes have climbed.

In Chinese business circles it is said that what works in Shanghai will work in all of China. FamilyMart likewise has a policy of succeeding first in Shanghai, by accelerating the pace of store openings and strengthening profitability, so as to consolidate our business footing for opening new stores across the whole of the country.

Q2 How many new stores have you opened and how did they do in fiscal 2010?

We first moved into China six years ago, in 2004. By acting at a time of strong market growth and by opening stores rapidly, we have managed to bring the total of stores across China as of February 28 2011 to 566 (442 in Shanghai, 88 in Guangzhou and 36 in Suzhou).

In Shanghai, we have opened over 170 new stores, including off-street "new market" locations (such as Metro stations and airports). We opened six stores for the Expo 2010 Shanghai, including surrounding areas. As a result of building 30 stores within stations and along lines of the Shanghai Metro (which will be the world's longest subway network, ahead of the London tube), we have succeeded in dramatically raising awareness of the FamilyMart brand in Shanghai. Sales for fiscal 2010 almost doubled from the year before on the back of strong performances by ready-to-eat items and the broader economic boom in China.

In Guangzhou and Suzhou, we are still at the initial investment stage, but by covering our losses in Guangzhou and Suzhou with the revenues from Shanghai during the Expo period, we have been able to create a profitable model for the whole of our China business.

In particular, the gross profit ratio has been improving by 2-3% year-on-year, in line with growth in the number of stores and the improvement in trading conditions. This increased store profitability each year has made this a more or less independent business.

*In 2010, we signed to a strategic partnership with the Shanghai Metro operators. The Shanghai Metro will have 21 lines by 2020, over twice as many as it has now, and a total length of 980km.

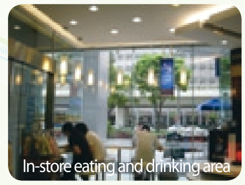

Outlet in the Shanghai Metro


Outlet in the Shanghai Metro (interior view)


Expo 2010 Shanghai

Store inside Pudong airport


A bread display


In-store eating and drinking area


Staff masks and gloves: Hygiene is key at FamilyMart

Q3 How do you explain the success of your ready-to-eat meals in China?

There have been rapid changes in lifestyle patterns among Shanghai consumers, due to economic growth, and the breakdown of the traditional extended family, coupled with the rise of the nuclear family. In a word, these changes are due to urbanization. And with the habit of eating *bento* and other fast-food meals now established in Shanghai office districts, demand for ready-to-eat items has exploded.

Our detailed research into consumer preferences has shown that ready-to-eat items using Japanese technology are highly regarded even in the highly competitive Chinese market.

Let me illustrate this with one example. Developed with production technology support from major Japanese baking companies, our original bakery products have really hit the spot with customers in China, and sales have exceeded our expectations.

In *oden* hodgepodge products too, we were able to create popular items by adding features to adapt them to Chinese tastes, such as spitting ingredients on skewers so that they can be eaten on the go, and curry-flavored or extra-spicy sauces. Likewise, in *bento* products, we have developed items with a broader range of side dishes, adapting these meals to Chinese tastes.

We are also developing new models for our stores, tailored to customer lifestyles, through features such as special in-store areas where customers can eat or drink.

As a result of these efforts, ready-to-eat items now account for over 35% of our sales in Shanghai. The gross profit ratio on this range is higher than in Japan. These are impressive figures, even compared with other Asian countries we operate in. We expect ready-to-eat items to become a profit driver going forward.

Q4 How have you approached customer hospitality?

FamilyMart is known for setting itself apart from its rivals through its service, quality and cleanliness (SQ&C) program. With incomes rising and customers seeking ever more added value (in China), we believe that these three strengths have become very important competitive assets.

Currently, Shanghai has about 4,000 to 5,000 convenience stores, more than anywhere else in China, but most local convenience store chains do not bother with extras such as greeting customers when they enter or leave stores. At the moment, not even department stores in China usually offer this level of customer care.

By opening area-specific training centers, and offering repeated on-the-job training programs, FamilyMart is taking measures to ensure a warm welcome for customers at all its stores. We have established a clear edge in customer hospitality, for example by recommending one more product customers might want to add to their basket as they check out.

Including what we have done with ready-to-eat items as I mentioned earlier, we have instilled this mentality in all local FamilyMart staff in China. I believe the excellence of the Japanese customer service model has been effectively communicated to local staff.

Q5 How do you find the business infrastructure in China, and what problems have you had?

To ensure smooth development, production and delivery of the kind of ready-to-eat items that convenience stores specialize in, we need sophisticated infrastructure on a par with that in Japan. As with product development and operations, we are using the expertise that we have built up in other overseas markets to create a localized infrastructure (production plants and logistics centers).

In preparation for accelerated future store openings, in May 2010, we established in Shanghai a new general business center comprising a ready-to-eat food plant and a logistics center capable of handling all temperature ranges. We also upgraded our delivery systems to get round traffic congestion in Shanghai. Conditions for logistics are different in China compared with Japan. In Shanghai, there is a general ban in principle on delivery trucks entering city centers during daylight hours, to relieve congestion. Schedule management and delivery and production of ready-to-eat items have to conform with these rules. Establishment of the general business center enables delivery of all products, including temperature-controlled products stored at constant temperatures, from a single supply base. This means we have been able to deliver twice a day to our stores since July 2010, in the eastern China region centered on Shanghai and Suzhou.

But these measures do not suffice. Today, as we gird for expansion of our China businesses, we have to build out our infrastructure in parallel with store openings. The cost of building infrastructure in China is high, and if investment falls behind the pace of store opening, logistics operations will be severely disrupted. I believe that the timing of infrastructure investment is extremely important.

Malu general business center, comprising a ready-to-eat food plant and a logistics center capable of handling all temperature ranges

Production capacity is 120,000 meals per day (for 1,000 stores) at Malu

Delivery capacity: 500 stores at normal temperatures, and 500 stores at constant temperatures

Q6 You are growing fast in China. What are the background factors enabling you to create a business model at such an early stage?

Retailers in new markets should only open new stores after gaining an understanding of local eating and lifestyle habits. We have learnt from past experience that we cannot simply apply the Japan model as it is. To expand an overseas business, you need to establish a joint venture with a partner who is familiar with local conditions. By fusing the expertise that we have made our own in the Japanese market with the ingenuity of our local partners, we have laid the foundations for a convenience store network rooted in the local market.

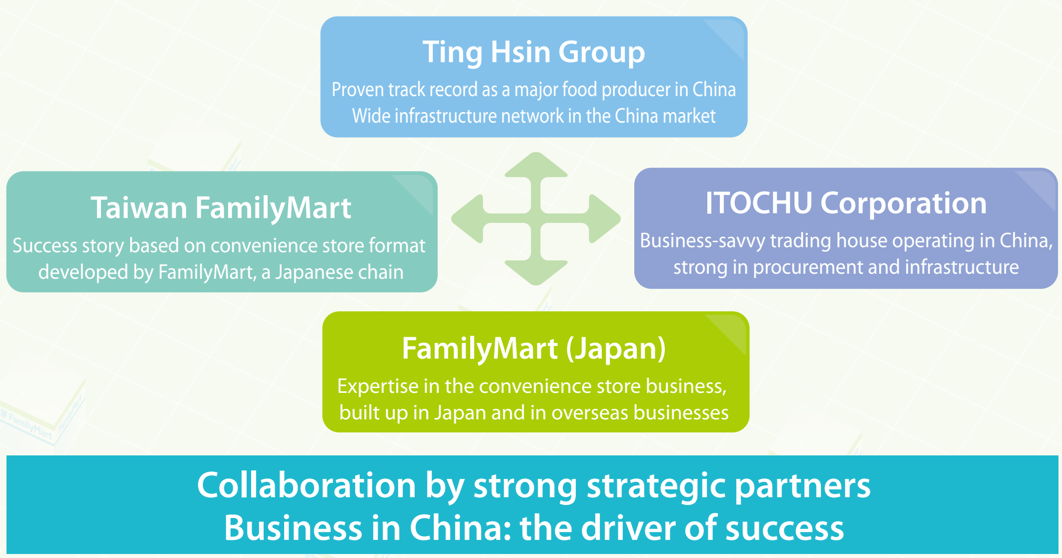
We have teamed up with three other companies — the Ting Hsin group, China's largest producer of instant noodles and operator of approximately 150 restaurant and supermarket chains, Taiwan FamilyMart Co., Ltd., which has over 20 years' experience in operating convenience stores in Taiwan, and major Japanese trading house ITOCHU Corporation. Together, we have established a joint venture company to develop our business in China.

Taiwan FamilyMart, which has an intermediary role as it is more familiar with the languages, cultures and business customs of China, has played an important role in this, drawing on its know-how.

At the instigation of the Ting Hsin group, we are focused on expanding sales of ready-to-eat items in the Chinese market. Ting Hsin has not only built a new ready-to-eat food plant and logistics center, but has also proved a very effective partner for us in areas such as joint development of ready-to-eat items with Japanese companies.

Localization is an absolute necessity for successful overseas expansion, in terms of both earnings growth and speed of business development. It is reputedly difficult to succeed in business in China, but we believe that we have been able to move rapidly to the localization stage by building strong relationships of trust with local partners and by leveraging mutual strengths. This alliance will probably also be a major asset when we venture into new regions of China.

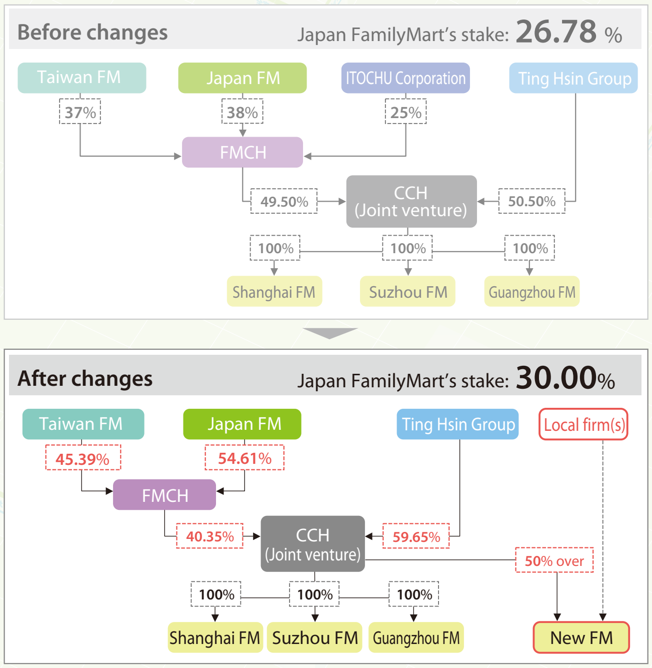
◆ **Partners in our China Businesses**



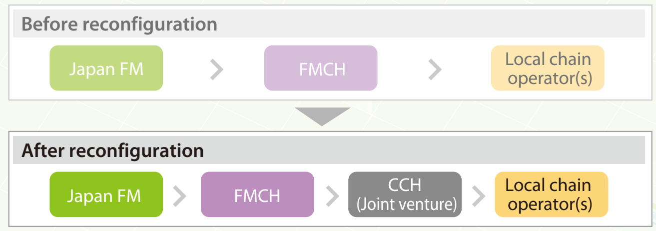
Major Changes to Business Operations in China

Creating clearer roles for our partners, for more efficient, faster growth

1. Changes to shareholdings in China businesses



2. Changes to area franchising arrangements all over China



FMCH: FamilyMart China Holding Co., Ltd.
CCH: China CVS (Cayman Islands) Holding Corp.

(From left) Masaaki Kosaka (Head of Area Franchising Division), Junji Ueda (Group President), Yin-Heng Wei (Chairman, Ting Hsin group), and Jin Tin Pan (Chairman, Taiwan FamilyMart)

Q7 What policies do you have for further expansion of business in China?

We are expanding business in China with a goal of operating 800 stores there by fiscal 2011, 4,500 stores by fiscal 2015 and 8,000 stores by fiscal 2020. Our ultimate goal is to become No. 1 convenience store operator first in China and then in all Asia including Japan.

This is an ambitious project. But we believe we cannot succeed in a market as fiercely competitive as China's without pressing ahead at the current breakneck pace of expansion.

To enable even faster, more flexible development, we have made some changes to our business configuration in China. This will result in clearer roles for our partners, and greater efficiency as we progress with expansion.

Q8 What are your detailed plans for expansion into China's interior?

Broadly, we are looking at seven regions. The focus in store opening so far has been on two coastal regions and three cities — Shanghai and Suzhou in eastern China, and Guangzhou in southern China. Now we want to simultaneously venture into the interior, which is benefiting from an infrastructure-building boom.

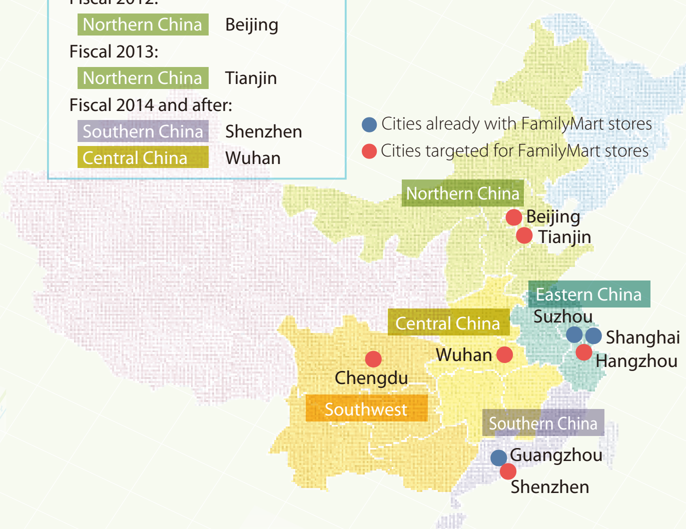
In particular, in fiscal 2011, we are looking at Chengdu (southwest) and Hangzhou, which is near Shanghai (eastern China). In fiscal 2012, we plan to expand store-openings to Beijing and then the following year to Tianjin (both northern China). In fiscal 2014 and after the target areas are Shenzhen (southern China) and Wuhan (central China). By fiscal 2020, we aim to have a presence in 24 cities in China's five major regions, with a total network of 8,000 stores. In particular, we plan to step up the pace of store openings in the eastern

Map of All Over China

(Regions FamilyMart is already present in and regions we are expanding into)

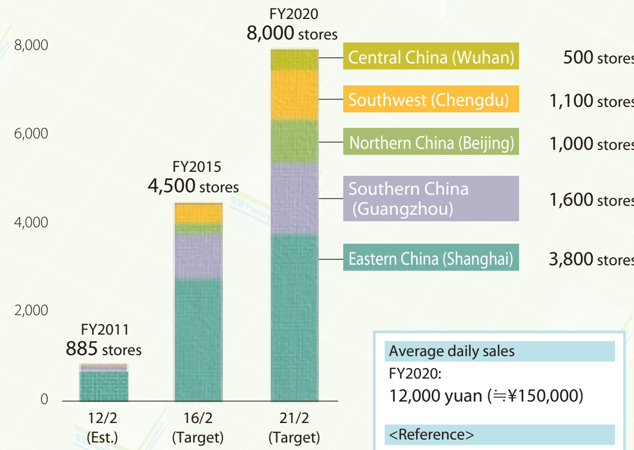
Full-scale expansion inland to begin from coastal areas
Establishment of Chengdu FamilyMart in the second half of fiscal 2011

Fiscal 2011:
Southwest — Chengdu
Eastern China — Hangzhou
Fiscal 2012:
Northern China — Beijing
Fiscal 2013:
Northern China — Tianjin
Fiscal 2014 and after:
Southern China — Shenzhen
Central China — Wuhan



Longer-Term Planning Up to Fiscal 2020

8,000 stores by fiscal 2020
24 cities in five major regions



Average daily sales
FY2020:
12,000 yuan (≒¥150,000)

<Reference>
FY2010:
8,000 yuan (≒¥100,000)
FY2015:
10,000 yuan (≒¥130,000)

FY 2020
Total sales in China: ¥450 billion

China area centered on Shanghai, increasing the total of stores to over 3,800.

Average daily sales in China currently stand at around 8,000 yuan (about ¥100,000), but we anticipate a 50% increase by fiscal 2020 to 12,000 yuan (about ¥150,000)*. As a result, we expect overall sales in fiscal 2020 of around ¥450 billion*.

* Calculated based on current price level.

Q9 What ambitions do you have for the China businesses?

The consumer market in China is currently about 400 million-strong. Five years down the line, this will grow by about 600 million to total 1 billion people. With the boost to market liberalization from membership in the World Trade Organization, growth will be further spurred, raising income levels still higher. We have built up considerable experience in Shanghai, the key to success in all China. A great strength in expanding business in China is our experience in developing products, brands and store operation methods for Shanghai consumers, who form a customer base with a relatively high income level and a very quality-conscious approach. In our China businesses, we have developed strong partnerships and store management methods. In fiscal 2011, our stores in Shanghai will turn profitable, and in fiscal 2012, we expect the overall China business to be profitable over the full year. We will work to further broaden our business base. Using China as our base, we will further build out our overseas businesses as we move to the next stage, becoming a global brand.

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.

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 continued to increase for four consecutive years.

Major Initiatives and Future Developments

Tailoring stock displays to individual stores

The key priority for a convenience store is to provide displays stocked with the products customers want to buy, when they want to buy them, in the right amounts. FamilyMart has acted to improve ordering accuracy and ensure that product lineups are optimized at the individual store level, by introducing a new type of order terminal at all stores in the first half of fiscal 2010, and, in the second half, launching our own system of cluster analysis. In our cluster analysis, we have looked beyond conventional factors such as locational difference (residential areas, railway station forecourts, office districts) and have taken into account factors such as the time-band in which a particular store is most patronized and what items sell well. This enabled us to divide our stores into seven categories. We review the results of such analysis every six months, and tailor product lineups and stock displays accordingly. In this way, we can improve earnings at franchise stores by developing new demand while maximizing the existing potential of individual stores.

Further progress in branding, in partnership with franchisees

As part of the "FamilyMart Feel" campaign, which aims at ensuring that shopping at FamilyMart is a friendly, fun experience, we launched a series of workshops all around Japan in fiscal 2009 as platforms for franchisees to discuss ways of helping the customer and develop a joint vision of what our stores should be. These workshops have now been held on 480 occasions, with the participation of a total 11,000 store managers and staff. Based on these events, we have been able to put into practice various ideas for exceeding our customers' expectations, at the individual-store level, in ways that go beyond the scope of our operating manuals. We are expanding these activities.

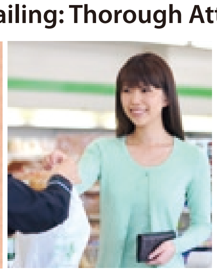
At the same time, under the theme of "Close Ties" which we have adopted to mark our 30th anniversary in 2011, we plan to launch a range of initiatives that deepen our links with the communities we serve, such as partnerships in the fields of urban beautification and store-greening activities. Looking ahead, we aim to make ourselves the community convenience store of choice through joint promotion by franchisees and head office of the "FamilyMart Feel" campaign.

For more details, please see "Corporate Social Responsibility," P.39

The Basics of Retailing: Thorough Attention to SQ&C

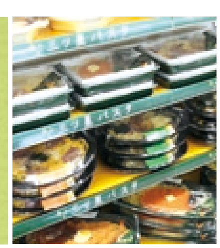
S Service

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

Products

Basic Strategy and Overview

To meet diversifying customer needs, FamilyMart is developing products tailored to specific purchaser categories using three marketing strategies under the keywords Generation, Price and Region, underpinning the concept of good manufacturing practice.

In our mainstay ready-to-eat items, we have undertaken full-scale development of products seldom found in convenience store ranges, supported by innovation in ingredient selection and in production methods. 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 those of rival chains.

For details of product sales and gross profit ratio, please see "Fact Sheets" P.47

Major Initiatives and Future Developments

Three Marketing Strategies

Generation

Japan now finds itself in a time of ongoing demographic change, with the birth rate declining while the proportion of elderly rises. To meet the needs created by these trends, we have divided customers into three target generations, and are working to best serve the needs of each. In particular, we are focusing on the middle-aged and elderly as the principal drivers of consumption in the years ahead. During fiscal 2011, we are planning to further expand our range of products specifically for this age band, and tailor overall stock displays to their preferences.

Price

As the protracted consumption slowdown takes its toll, raising the level of average spending per customer has become an urgent priority. We believe we can nudge our core price range upward a little by moving customers onto higher priced items. This can be done by expanding selections of high value-added products such as rice balls using *Kinmemai* premium brand rice, and by offering "value beyond pricing" through marketing innovation. We are also taking steps to increase average spending per customer, after dividing products into categories based on their particular selling points, using two strategies: increasing both the average unit price, and the overall number, of items sold per customer. Through these strategies, we hope to increase average spending per customer across all our stores by ¥24 year-on-year to ¥558.

Region

We are gearing product lineups more closely to the regions. Our aim is to raise awareness of FamilyMart's role in improving lifestyle infrastructure, for example by developing products that use locally sourced ingredients, and by teaming up with local school administrations and tourist authorities to plan initiatives with public benefits. We are also pursuing framework agreements with each of Japan's 47 prefectures (27 were signed up as of February 28, 2011) to spread awareness at a national level of the fine taste of regional products and beauty of the regions. At the same time, we are creating marketing paradigms for inner-city consumers, following our integration of operations with am/pm Japan Co., Ltd., which increased the number of city center stores, and the expansion of our menu of soups, salads and other products for urban living.

Strengthening the organic value of FamilyMart

In fiscal 2011, we are adding to our traditional quartet of priority product

Three Marketing Strategies

Identifying new customer needs through generation-based marketing

Focus targets	Forging closer ties	Development targets
Men (50-65) Women in their 50s	Largest customer segment (people in their 30s)	Children up to 15 years
• Expand range of products for target group • Propose new dining styles	• Reinforce priority product categories and increase added value in each category	• Make product lineups more appealing to store visitors • Plan stores that also appeal to parents and other guardians

Improve average spending per customer by marketing based on pricing measures

- Innovate value beyond the price tag
- Take measures to improve average spending per customer

Prospering with the community through region-based marketing

- Ensure product ranges and planning are more firmly rooted in local communities
- Local produce for local consumption, and local produce for consumption elsewhere
- Urban style merchandising

おとなコンビニ研究所

“Otona” lineup strengthened

In September 2010, we established a research unit, “Otona-conveni Laboratory,” to develop ways of making convenience stores a greater part of the lives of the affluent middle-aged “Otona” customer segment. In partnership with the lifestyle organization for active mature adults, “club willbe,” we have launched an entirely new business model aimed at enabling better living after fifty. We are using the infrastructure of FamilyMart to promote events and social activities, as well as develop products and services, for this age group.

categories — pasta, fast food, desserts and chilled-cup drinks — a new fifth category, delicatessen items and salads.

In addition, we are developing tasty frozen ready-to-eat items (that is, in our frozen temperature zone) to attract new customers and expand sales. Several projects are underway, including improvements to taste and packaging. We have also launched an organizational overhaul to enable us to continuously develop this new category while leveraging the benefits of integration with am/pm Japan.

Measures to improve sales and earnings

A cross-organizational project team is being formed to oversee an overhaul of our earnings structure, through infrastructure upgrades including supply chain and cost structures. We are creating a supply system that enables individual stores to tailor their lineups more closely to local demand. For example, product availability is being extended through changes to ingredient procurement and quality management standards, and systemic changes to the order-preparation/production-marketing cycle at the store level. We expect these changes to enable us to increase the gross profit ratio to 28.67% in fiscal 2011 and later to 30.00%.

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 69 allied corporate members (35,569 stores), 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 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 use FamilyMart stores less frequently.

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 2010, we upgraded our services to make them even more accessible to our customers, with the launch of promotional coupon issue services (product exchange and discount vouchers) through the Famiport Coupon coupon issue service.

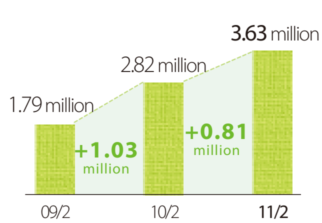
Convenient ATM services

We continued to install ATMs in our stores during fiscal 2010, and began offering ATM services in three more prefectures of Japan. As of the end of February 2011, the total number of in-store ATMs was 7,515 (excluding the area franchised stores).

famima.com: Enhancing the mail-order business

This is a specialty online store for products in the gourmet, fashion and character-goods, etc. marketplace. Such products can also be picked up free of charge at FamilyMart stores. 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 T Card-holders



T-POINT Services
(at the end of February 2011)

T Card-holders
36.8 million

T-POINT alliance corporate members
69 companies (35,569 stores)

Famiport

ATM

famima.com

Store Opening Strategy

We are now developing "new market" locations for stores, such as parking and service areas along expressways, university campuses and office buildings.

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 (Tokyo, Osaka and Nagoya), which have high population concentrations, as well as in leading provincial cities. In addition, we are following a scrap and build policy in anticipation of change in our markets. Another priority is completing the conversion of am/pm stores to the FamilyMart brand following our merger with am/pm Japan in March 2010.

During fiscal 2010, we achieved a net increase in stores over the year of 466 (407 openings, 329 stores converted to the FamilyMart brand, and 270 closures),* bringing the total to 7,629 on a parent-only basis at the end of the period under review. Our goal is a net increase of 490 stores in fiscal 2011 (200 FamilyMart stores (500 openings and 300 closures) and 290 am/pm store conversions).

* FamilyMart, non-consolidated (excluding 5 TOMONY stores)

Major Initiatives and Future Developments

Groupwide effort to complete the conversion of am/pm stores

We are taking Companywide measures to accelerate the pace of conversion of am/pm stores to the FamilyMart brand. We plan to bring forward the initial deadline for completion of such conversions, in the Tokyo metropolitan area, to the end of 2011.

At the same time, we are proceeding with brand conversion and negotiations with individual area franchisers in Kansai and Kyushu. In July 2010, we concluded a joint-area franchise agreement for development of FamilyMart stores in Kyushu, with JR KYUSHU RETAIL, INC. While continuing with conversion of am/pm Japan stores run by this company, we are also planning to bring stores yet to be opened by JR KYUSHU RETAIL under our brand.*

In April 2011, we took over am/pm Kansai Co., Ltd., the Kansai district am/pm store operator and area franchiser. Looking ahead, we plan to proceed with conversion of these Kansai am/pm stores to FamilyMart brand as well, with the consent of franchisees.

* The conversion of am/pm stores run by JR KYUSHU RETAIL was completed in March 2011.

Attracting first-class store managers through our support systems

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 2011, nearly half of our stores were under the multiple-store management format. We will continue to create systems for attracting ambitious store managers, by providing a wide range of different franchise options.

Major Support Programs

Multiple-store promotion system (1FC contracts)*

This is an incentive-based support program to encourage franchisees operating one store to take on additional stores.

Step-up program for franchisees on 2FC contracts*

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.

Newly independent franchisee support system

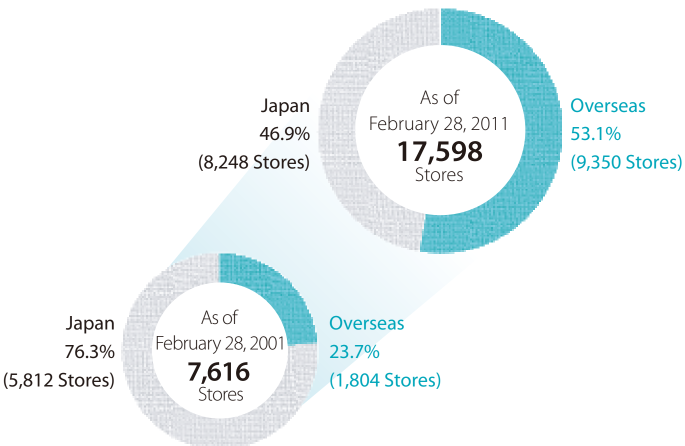
This system is for would-be franchisees who are not yet quite ready to take over management independently, giving them hands-on experience as a non-regular store manager before going it alone. Part of the contract fee is waived on signing the official franchise contract.

* Not applicable in the case of certain stores.

For more information on total store numbers and franchise contracts, please see "Fact Sheets" P.48-49

Overseas Strategy (The Pan-Pacific Plan)

Status of Overseas Network



Taiwan
Entered market: 1988
Stores: 2,637
Market position: 2
Listed company

South Korea
Entered market: 1990
Stores: 5,511
Market position: 1

Thailand
Entered market: 1992
Stores: 622
Achieved profitability
Conversions into franchises

China
Entered market: 2004
Stores: 566
Highest priority market

United States
Entered market: 2004
Stores: 10
Groundwork for expansion laid

Vietnam
Entered market: 2009
Stores: 4
First Japanese operator
in this market

Basic Strategy and Overview

Most convenience store chains in Japan were launched under license from companies in the United States. But FamilyMart is a home-grown operator, and so is able to expand overseas without contractual restrictions imposed by a parent company. Ability to expand freely into promising overseas markets is a strength of the Company. With the overall convenience store constellation in Japan now more or less fixed, FamilyMart in 2004 entered the Shanghai market in China, the biggest market of all, under its Pan-Pacific Plan. We plan to further develop operations in other Asian countries, which are expected to show fast growth.

Major Initiatives and Future Developments

Stepping up the pace of overseas growth

FamilyMart opened its first overseas store in Taiwan in 1988, followed by openings in South Korea, Thailand, China, the United States and Vietnam. Today it operates more stores in overseas markets than any other convenience store operator originating in Japan. The total number of FamilyMart stores as of February 28, 2011, stood at 17,598, of which 9,350 were outside Japan.

In South Korea, it is the top convenience store operator, with 5,000 stores. In China, we are the only Japanese-affiliated convenience store operator that has more than 500 stores. Looking ahead, we intend to further develop overseas markets. We target a total of 20,000 stores in Japan and overseas during fiscal 2012. The target for fiscal 2015 is 15,500 stores overseas and 25,000 stores altogether, with overseas stores contributing approximately 20% of earnings.

While developing store networks in the countries where we are already established, we plan to aggressively expand into attractive new markets with strong potential in terms of economic and population growth prospects.

Localizing Japanese retail expertise

Retailing is an intensely localized business. Our basic tactic in overseas development is forming joint ventures with local partners. We 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. These strengths are blended to yield optimized stock displays and product development. At the same time, our commitment to rapid localization enables us to broaden our appeal among local communities, both by fostering local talent as employees and by helping to modernize local retailing and logistics.

Preparing for our debut as a truly global chain

We are strengthening international links between FamilyMart operators through annual "AFC Summit" meetings, which bring together top managements from FamilyMart networks in different countries and promote a shared understanding of the Group philosophy. Also launched in fiscal 2010 were our campaigns to globalize the FamilyMart brand. We are likewise considering globalized product development, raw material procurement and other forms of collaboration. Looking ahead, we will strengthen our alliances and partnerships with local entities, to broaden our global store networks and generate new synergy with local companies.

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 2011, the Group included 11 area franchisers operating a total of 9,969 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

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.

Okinawa FamilyMart Co., Ltd. *Established 1987*

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

Amami Keihan chicken rice was marketed based on a favorite recipe of local singer Kousuke Atari, of Amami island, Kagoshima.

Minami Kyushu FamilyMart Co., Ltd. *Established 1993*

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 2010, the company made donations to victims of volcanic eruptions in South Kyushu and promoted activities to revitalize local communities, including a campaign to support baseball training camps held in Miyazaki.

Hokkaido

Vanilla pudding with Toyotomi milk produced in Sarobetsu Plain, Toyotomi Town, topped with egg-flavored cream and black-and-white stripped chocolate.

Hokkaido FamilyMart Co., Ltd. *Established 2006*

This company, established in a joint venture with Hokkaido's largest foodstuffs wholesaler Seico Fresh Foods Co., Ltd., operated 45 stores as of the end of February 2011. 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 developing its own original products to meet local customers' needs, centered on *bento* and desserts. In fiscal 2011, the company will continue to ensure products and store management to satisfy customers, under a policy of gearing store displays to daily needs and localizing operations.

Domestic Area Franchiser (Joint-Area Franchiser)

Kyushu

A FamilyMart store inside JR Futsukaichi Station building. Because it is near a tourist area, the store carries a broad range of souvenir items.

JR KYUSHU RETAIL, INC. *Signed joint-area franchise agreement in 2010*

JR KYUSHU RETAIL, INC., which operates convenience store chains, kiosks, and UNIQLO outlets in Kyushu, operated 87 stores as of the end of February, 2011 under the terms of a joint-area franchise agreement signed with FamilyMart. While most of its stores follow the "Ekinaka" format (serving railway stations), it opened its first store on the platform of a Shinkansen station in March 2011. The company aims to expand store operations in city shopping districts and roadside sites, with development tailored to specific locations or local characteristics.

Overseas Area Franchisers

Taiwan

Baked sweet potato, the chain's most popular item, using carefully selected potatoes and served hot from special ovens.

Oden hodgepodge and gravy using lots of healthy natural ingredients.

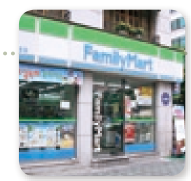
Taiwan FamilyMart Co., Ltd. *Established 1988*

The company opened its first store in 1988 and operated over 2,600 stores at the end of February 2011. It is now one of the leading convenience store operators in Taiwan. 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 2011, in addition to launching popular *oden* hodgepodge and baked sweet potato meals, the company is upgrading its rice ball lineups, launching a wide variety of services such as ticketing, and creating in-store spaces where customers can eat or drink. Taiwan FamilyMart will continue to provide customer satisfaction through products and services tailored to local needs.

South Korea

Iced coffee, with ice cubes coming with the cup for a tastier drink. Over 22 million cups were sold in fiscal 2010.

BOKWANG FAMILYMART CO., LTD. *Established 1990*

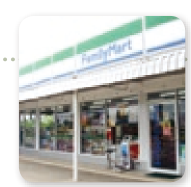


The company, which started business in 1990, is now South Korea's leading convenience store operator, opening its 5,000th outlet in fiscal 2010. In the South Korean convenience store sector, store openings are accelerating and mergers are changing the industry landscape. Amid such intensified competition, FamilyMart plans to differentiate itself through *bento* products, sandwiches, desserts 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 through the addition of private brand products. BOKWANG FAMILYMART has launched a wide range of social initiatives in cooperation with local authorities, such as school-lunch support and environmentally-friendly activities. It is committed to ensuring that customers enjoy their shopping experience and will always want to come back South Korea's leading convenience store.

Thailand

Siam FamilyMart's original steamed plump shrimp shumai, a specialty in Thailand, developed by local employees. Another new launch was "Quick Serve Gold" (frozen bento), a premium version of the popular "Frozen Bento" line.

Siam FamilyMart Co., Ltd. *Established 1992*



Siam FamilyMart opened its first store in 1993, and its 600th outlet in October 2010. Its stores are mainly in Bangkok, Pattaya and Phuket. In an increasingly competitive market, the company focuses on offering its customers a pleasant place to shop, through services that combine FamilyMart's Japanese-style service, quality and cleanliness program with the friendly hospitality for which the "Land of Smiles" is justly famous. As consumer demand patterns among younger people and women change each year in Thailand, the company is leveraging Japanese know-how to develop unique, high-quality food products that keep up with the latest trends. 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

Panini, using puffy bread with a wide range of fillings, and four popular sandwich lines for women who eat them as "brunch."

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

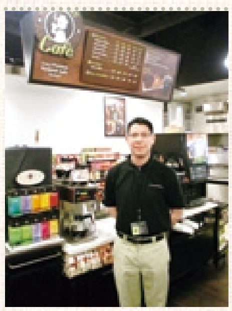
FamilyMart aggressively develops its business in China in a consortium with Ting Hsin group, a major Chinese foodstuff industry grouping, our area franchiser Taiwan FamilyMart Co., Ltd., and major Japanese trading house ITOCHU Corporation. Starting with a pioneer store in Shanghai in 2004, store openings 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 500 new stores opened as of the end of February 2011.

In China, FamilyMart is embarking on a new stage of growth. In fiscal 2011, we are proactively opening new stores in "New Market" locations (such as Metro stations and airports), offering ready-to-eat items like *bento* and bakery products, as well as private brand fast-food items, including *oden* hodgepodge, soymilk and coffee drinks.

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

Popular "Fresh Sushi" prepared in front of customers at one of our new Famima!! brand counters. This Japanese staple has become popular around the world.



FAMIMA CORPORATION *Established 2004*

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

Ready-to-eat items prepared by staff in the "central kitchen" are popular with students and other young people.

Family Company Limited *Established 2009*

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

FamilyMart brought the Japanese convenience store experience to Vietnam in 2009, opening a store in Ho Chi Minh City, hub of this emerging economy. We now operate five stores in Ho Chi Minh City (end of March 2011). Focusing most on the first of our trio of competitive assets — service, quality and cleanliness — we welcome customers at our outlets with a bright smile and cheerful greetings. 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.

Because convenience stores have not really spread much in Vietnam, we see ourselves as pioneers taking on the challenge of popularizing the format nationwide.

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.

Special Report

"Ganbarou FamilyMart!"

Great East Japan Earthquake Relief Initiatives

FamilyMart has launched a range of activities to support recovery in disaster-hit areas and the revitalization of Japan as a whole.

1) Delivery of emergency relief supplies

Based on emergency supply agreements, we have been delivering snacks and sweets, jelly drinks, bowl noodles and bottled water to prefectural governments beginning March 12, the day after the disaster. So far we have made 20 such deliveries.

2) Collecting relief donations

We have started collecting relief donations via collection boxes placed at check-out counters as well as via Famiport Multimedia Terminals within stores. Our overseas stores have also accepted donations.

Total amount of donations collected (as of May 31):	¥1,072,839,273
1) Collection boxes:	¥541,620,413
2) Famiport Multimedia Terminals:	¥469,109,500
3) Donations from overseas:	¥62,109,360

In addition to the above, the Company donated a total of ¥100 million to four Tohoku prefectures (Aomori, Iwate, Miyagi and Fukushima).

3) Marketing campaigns

We ran a series of special campaigns in which a portion of sales revenues from products and ready-to-eat items under a special discount program to promote support for disaster-hit areas are donated. We are also giving the Bellmark stamps collected at Familymart stores nationwide to elementary schools in the Tohoku region.

4) Convenience stores on wheels

In areas where our stores cannot operate normally due to tsunami damage, we have sent out special FamilyMart minivans to sell *bento* products and household items to local residents. And we have been serving hot fried chicken straight from the deep fryer using our special *Famichiki* van.

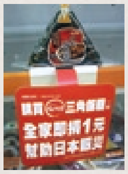
Scope of support activities broadens to cover all stores and offices, and overseas operations too

Our friends and partners worldwide have come up with their own voluntary aid activities, inspired by a wish to do whatever they can for people in the disaster zones.

For the people using the evacuation center inside Ajinomoto Stadium (Chofu-shi, Tokyo), managers and staff from nearby FamilyMart stores delivered messages of support from customers and staff, along with needed supplies.

We solicited donations using collection teams outside our stores. Some franchisees worked with local schools to raise money, further strengthening our "Close Ties" with the communities we serve.

We held charity bazaars and flea markets outside storefronts, and donated the revenues for disaster relief.



Taiwan FamilyMart Co., Ltd. launched a relief campaign in which 1NT$ for each rice ball sold at its stores was donated to Japan. It also collected donations from customers through Famiport Multimedia Terminals installed in its stores, and from its own employees. The total amount collected was nearly ¥50 million. Taiwan FamilyMart also sent batteries, disposable diapers and other daily necessities, as well as bottled water, to disaster-hit areas and evacuation centers in Japan.

Future activities

The recovery process in Tohoku is certain to last a long time. We also expect to see changes in people's lifestyles and consumption patterns due to power shortages throughout northern Japan.

We at FamilyMart will continue to support the recovery of disaster-hit areas and respond appropriately to changes in people's lifestyles, based on our appraisal of what we can do. That means developing and implementing initiatives tailored to people's circumstances through our core business of convenience store operation — while avoiding eye-catching, one-time gestures — and creating bonds and "Close Ties" with people and local communities through concrete measures rooted in our philosophy.

Environmental Preservation

FamilyMart set up a department with responsibility for environmental matters in 1991. After launching measures to reduce environmental load from our business activities, our Environmental Management System was established in 1999 covering the Head Office and all stores, and ISO 14001 certification was acquired in the same year. Head Office and franchisees now work hand in hand on a range of environmental initiatives.

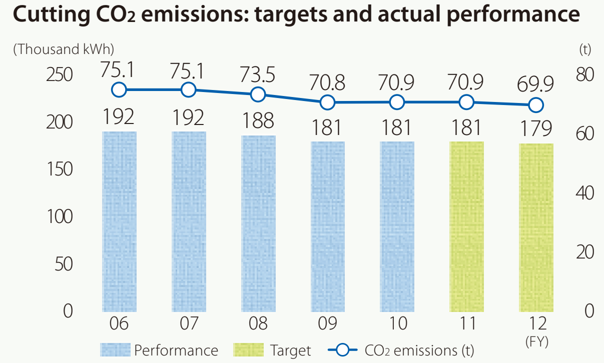
Protecting the environment in all we do

Based on the FamilyMart Environmental Policy, we set goals each year in five categories "Products/Services," "Product delivery," "Store facilities," "Store operation," and "Offices and Company vehicles." Under the leadership of President Junji Ueda, we pursue continuous environmental improvement at the Head Office, regional administrative offices and all our stores. With the April 2010 amendment of the Law Concerning the Rational Use of Energy, we launched monitoring systems enabling us to track CO_2 emission volumes from our stores, logistics centers, Head Office and administrative offices.

Stores

Our stores account for 88% of our CO_2 emission volumes. Through introduction of energy-saving equipment at new stores and stores undergoing refurbishment, and efficiency measures at all stores, we plan to reduce per-store CO_2 emissions by 7% (all stores; approximately 5.2 tonnes) by fiscal 2012, compared with fiscal 2007.

Cutting CO_2 emissions: targets and actual performance



In January 2010, we opened a flagship eco-friendly store, where we are trialing the facilities that can make FamilyMart a player in building the low carbon society. These include LED lighting, solar power systems and electric car rapid chargers. After carefully monitoring the benefits of such energy-saving systems installed at this store, we plan to lay the groundwork for their standardized introduction across our network. We began installing LED lighting as standard for façade signage from October 2010, and plan to introduce LEDs as standard features in parking area signage and pole signs.

Delivery vehicles

By introducing eco-drive control equipment in all vehicles, we are improving the fuel efficiency of delivery vehicles and reducing CO_2 emission volumes at each store.

Products

Other measures to reduce environmental load include our shift to non-rinse rice in ready-to-eat items, improvements to containers and packaging, and the increasing sales of "We Love Green" environment-friendly private brand daily items.

Product recycling for a zero-waste society

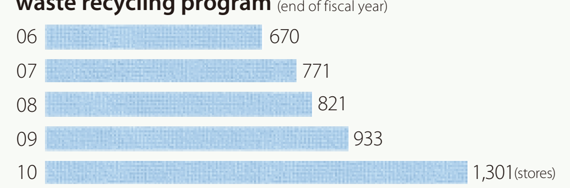
We are taking measures to reduce food waste, wherever possible, by recycling items such as expired *bento* and rice balls, and waste edible oil used for preparation of fried chicken meals and other hot snacks sold at the counter. In fiscal 2010, such recycling programs were in operation in 1,301 FamilyMart stores all over Japan, yielding a food recycling rate of 45.7% (includes the effect of measures to curb waste generation) — above 45.0%, our target for food retailing.

In 1999, we began introducing our solid organic waste recycling system, using outside waste disposal contractors. This enables us to recycle waste food from our stores into fertilizer and animal feed.

Likewise, in fiscal 2008, we introduced a food recycling system in which edible waste is collected from stores and ready-to-eat food plants in the Tokyo area and turned into liquefied feed for pig-raising. Pigs reared on liquefied feed grow well and yield safe, worry-free pork. In 2011, FamilyMart established a new closed-loop recycling program. This pork will be used in delicatessen bakery products sold in some stores.

In additional closed-loop recycling measures, we added medicated hand soap made partly of waste edible oil materials to the list of items regularly supplied to stores. By further expanding the number of stores involved in food recycling initiatives, in close collaboration with outside recycling firms and local governments, FamilyMart will continue to contribute to realization of the zero-waste society.

Stores participating in our solid organic waste recycling program (end of fiscal year)



Working for Society and the Community

In the belief that the local community is "family," FamilyMart is involved in a range of philanthropic activities such as collecting donations over the counter, providing emergency assistance in disasters and organizing volunteer activities. By fulfilling our role as part of the social infrastructure, we are helping build communities where the living is easy.

Hand in hand with local government

Convenience stores, which depend on a highly localized business model, are expected to serve as pillars of the social infrastructure. With stores in every prefecture of Japan, FamilyMart has signed agreements with many town halls through which it supports local prosperity and provides emergency relief in disasters. In fiscal 2010, we signed agreements with a further 19 local authorities. That means we have now signed comprehensive agreements on growth initiatives with 27 local authorities and on disaster relief with 47. We also have agreements with 41 local authorities on helping those stranded by disasters to get home (a major problem in the March 11 earthquake).

Looking ahead, we will continue to help raise safety standards and foster peace of mind at the community level, promptly and accurately meeting local needs in alliance with local authorities.

Comprehensive accords for reinvigorating local economies

We are cooperating with local communities through a wide range of business initiatives. We support regional economies by developing and marketing original products using local produce, and providing care support to senior citizens and training for children and teenagers.

Disaster relief

By agreement with local governments, we provide foods and other essential daily items in disasters.

Support for people stranded by disasters

Leveraging the characteristic advantages of convenience stores — the fact that they are open 24 hours a day, 365 days a year, and occupy key points in local communities — our stores also provide information on local traffic conditions, as well as access to toilets and a safe water supply for those stranded by disasters.

Supporting children, the next generation

FamilyMart is involved in various initiatives to support children, the next generation, as part of its commitment to contributing to community prosperity.

Thank You Letter Contest

With the aim of encouraging a generous spirit and self-expression in children, the Company organizes a Thank You Letter Contest for elementary school children. The second such competition, held in fiscal 2010, drew nearly twice as many entries, all heartwarming, as in the previous year, at 4,080.

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.

By leveraging our national network of stores, FamilyMart is committed to community support platforms such as the Bellmark movement, which brings together local people, parent-teacher associations and schools.

Providing venues for schools' extramural activities

FamilyMart is deepening its links with the local community by providing venues for work experience in partnership with local governments and schools, and a program enabling selected children to get a taste of being a store manager.

Green & Clean Project

Bringing people together

Our Green & Clean project, symbolizing the "Close Ties" theme of our 30th anniversary, will form another channel for community contribution in fiscal 2011.

"Green" initiatives

Flower boxes

We place flower boxes outside our stores to demonstrate our commitment to a greener society and forge closer links with community residents — building "Close Ties."

"Clean" initiatives

Beautification activities

By beautifying our surroundings, we are forming "Close Ties" with the local community and our customers.

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, 2011, 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 14 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.

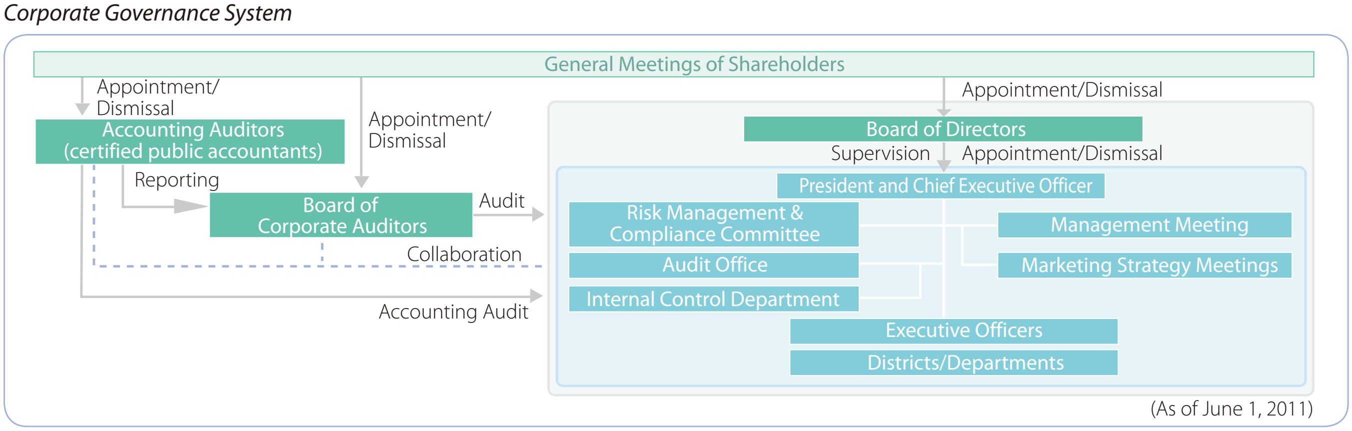
The Company's Board of Corporate Auditors consists of four members, of whom three are outside corporate auditors. The auditors sit in on meetings of the Board of Directors and other high-level managerial meetings, and inspect the state of the Company's business operations and financial position after 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 for Directors, Corporate Auditors and Independent Auditors

Details of Remuneration for Executives

Remuneration for directors and corporate auditors is approved at a General Meeting of Shareholders, within predetermined monetary limits. Remuneration for directors comprises two elements, a basic monthly salary and a fund-based cumulative payment made at the time of retirement. The basic monthly salary comprises a fixed sum and an element based on consolidated net earnings for the term in question-in other words, a performance-linked payment. Part of this is paid to executive employees under a management stock ownership plan. Remuneration for standing corporate auditors comprises a fixed monthly payment of a basic salary and a fund-based cumulative payment made at the time of retirement. Compensation for part-time corporate auditors

Corporate Governance System



is a fixed payment only, comprising the monthly basic salary. Remuneration for directors and corporate auditors during the fiscal year under review comprises basic salary along with retirement benefits.

	Total paid (¥ million)	Total paid in various different forms (¥ million)				No. of payment recipients
		Basic salary	Stock options	Bonuses	Retirement benefits	
Directors (except outside corporate auditors)	307	229	—	—	77	12
Corporate auditors (except outside corporate auditors)	47	39	—	—	7	3
Outside corporate auditors	31	26	—	—	5	3

*Note: The above figures include two directors and two corporate auditors who announced their retirement at the end of the 29th Regular General Meeting of Shareholders held on May 27, 2010.

Compensation for Corporate Auditors

	Fiscal 2010	
	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)
FamilyMart	90	2
Consolidated subsidiaries	2	—
Total	92	2

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

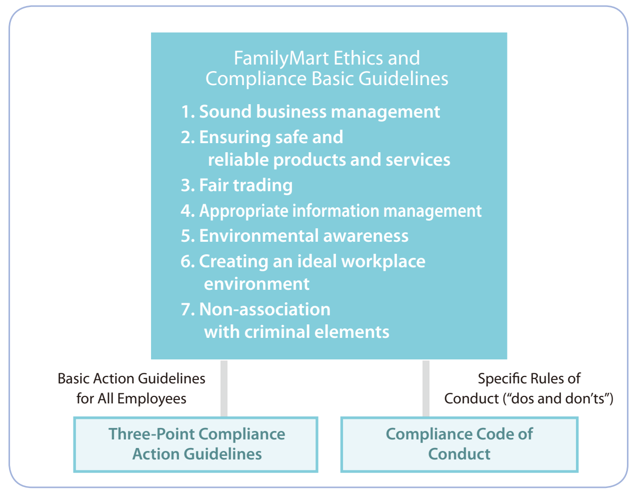
Ensuring the Adequacy of Internal Control Systems

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, 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 Institute for Promotion of Digital Economy and Community 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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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 semiannual 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 and 15th Excellent IR Activity Award (JIRA IR Awards 2006 and 2010) 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 and 13th NIKKEI Annual Report Awards (2009 and 2010), 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.

FTSE4Good

Message from the Outside Corporate Auditor

Mika Takaoka

Outside corporate auditor
Professor at Rikkyo University
May 2011
Outside corporate auditor for FamilyMart

To date, I have specialized in research on the theme of retail management and social responsibility. Based on this experience, I now want to take on the role of outside corporate auditor, from the current fiscal year. FamilyMart is a company that is acutely conscious of its social responsibilities. I believe FamilyMart is right to seek to offer "convenience, friendliness and fun" and develop products that contribute to environmental protection and community prosperity under the "FamilyMart Feel" campaign. Looking ahead, the priority will be ensuring profitability of mainstay retail operations while at the same time prospering jointly with society, the environment and the community. In this endeavor, I am committed to providing advice as an outside corporate auditor, and to fulfilling a governance role in place of shareholders. As the Company's first-ever female auditor, I believe I can help FamilyMart provide an agreeable workplace for employees through excellent training programs and a good work-life balance.

Board of Directors, Executive Officers, and Corporate Auditors

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. Yasuhiro Kobe
5. Toshio Kato

Directors and Managing Executive Officers

6. Motoo Takada
7. Masaaki Kosaka
8. Akinori Wada
9. Yukihiko Komatsuzaki
10. Hiroaki Tamamaki

Managing Executive Officers

Jin Tin Pan
Kazushige Ueno
Toshinori Honda
Mitsuji Hirata

Senior Executive Officers

Katsuo Ito
Kimichika Iwakiri
Yoshihito Nakahira
Masayoshi Masuko

Executive Officers

Hisashi Suzuki
Masami Fujimori
Takehiko Kigure
Masanori Sugiura
Toru Ichikawa
Minoru Aoki
Shigehisa Kitaki
Naomi Maruyama
Kiyoshi Kikuchi
Teruo Kuramata
Makoto Sugiura
Tadashi Hijikata
Hideki Miura
Yoshikazu Onozuka
Tomoaki Ikeda
Kazuo Suzuki
Noboru Takebayashi

Standing Corporate Auditors

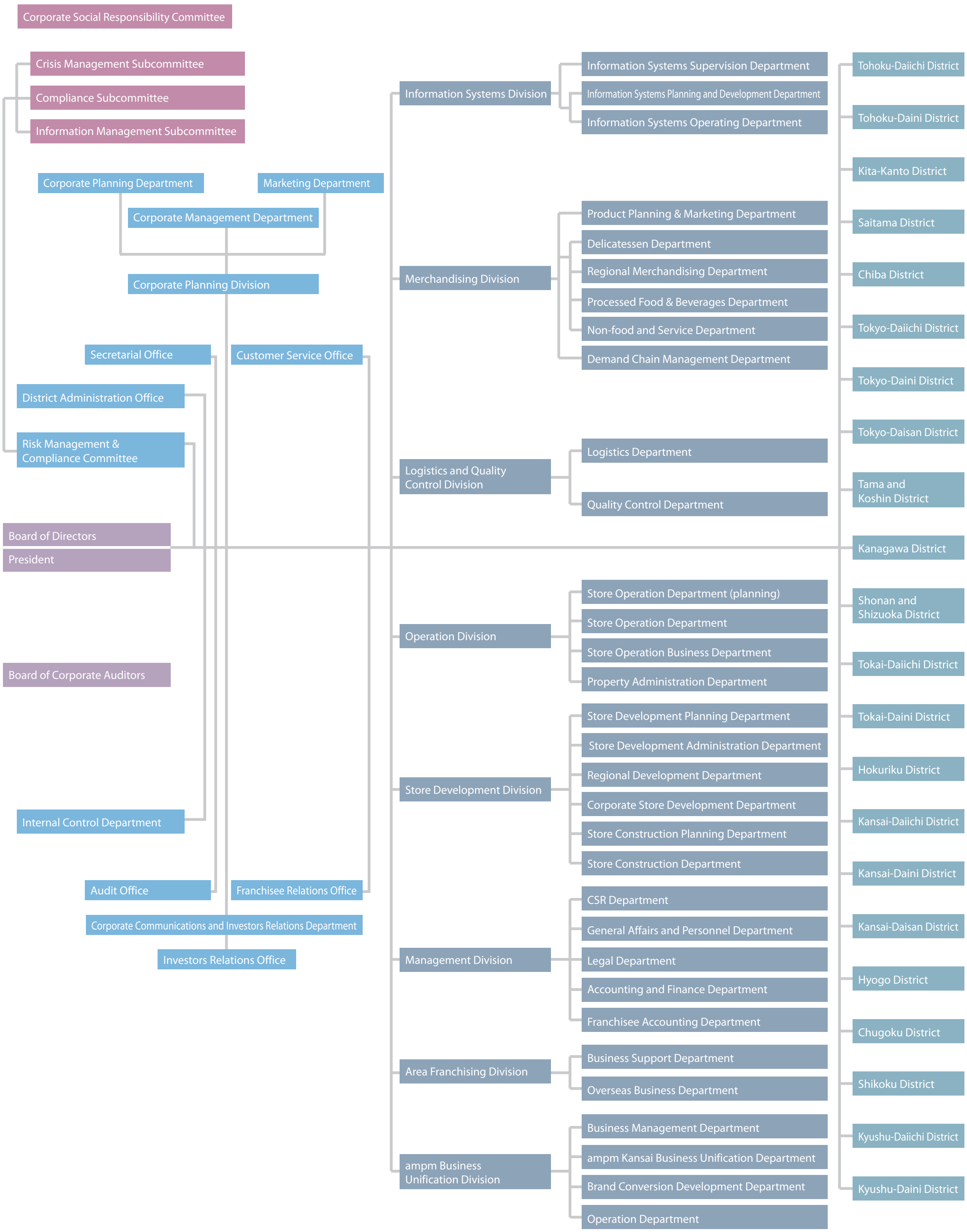
Masaharu Ishiguro
Noriki Tanabe

Corporate Auditors

Takashi Endo
Mika Takaoka

(As of June 1, 2011)

Organization



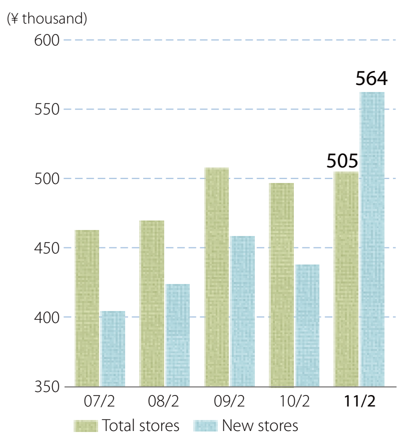
(As of June 1, 2011)

Data and Financial Section

Fact Sheets

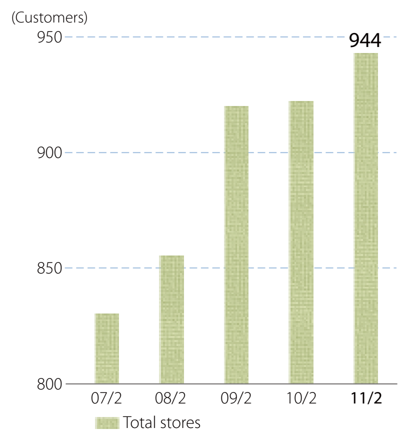
Business Performance (non-consolidated)

Average Daily Sales



Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Number of Customers



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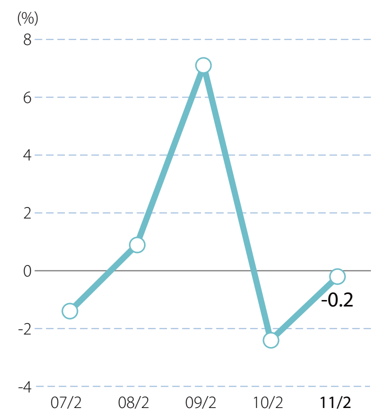
Growth Rate of Average Daily Sales of Existing Stores



Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Business Performance

		08/2		09/2		10/2		**11/2**		12/2 (Est.)	
			YoY difference		YoY difference		YoY difference		**YoY difference**		YoY difference
Average daily sales (thousands of yen)	Total stores	471	7	508	37	498	(10)	**505**	**7**	522	17
	Existing stores	473	7	510	37	501	(9)	**502**	**1**	522	20
	New stores	425	19	460	35	439	(21)	**564**	**125**	514	(50)
Number of customers	Total stores	856	25	921	65	923	2	**944**	**21**	935	(9)
	Existing stores	858	24	922	64	926	4	**932**	**6**	927	(5)
Spend per customer (yen)	Total stores	551	(7)	551	—	540	(11)	**534**	**(6)**	558	24
	Existing stores	551	(8)	553	2	540	(13)	**539**	**(1)**	563	24
Growth rate of average daily sales of existing stores (%)		0.9		7.1		(2.4)		**(0.2)**		3.5	
Average inventory (thousands of yen)		5,505	45	5,753	248	5,669	(84)	**5,744**	**75**	5,750	6
Turnover of goods (times)		30.6	0.3	31.7	1.1	31.6	(0.1)	**31.3**	**(0.3)**	32.4	1.1

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

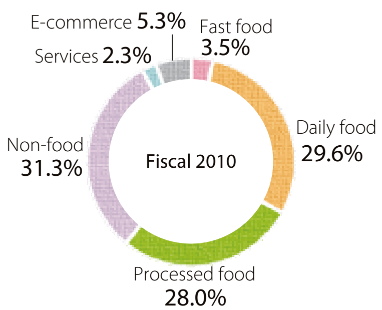
Bill Settlement Service

	08/2		09/2		10/2		**11/2**	
		YoY (%)		YoY (%)		YoY (%)		**YoY (%)**
Transaction volume (millions of yen)	1,198,266	14.3	1,332,213	11.2	1,442,621	8.3	**1,604,653**	**11.2**
Number of transactions (thousand)	131,061	14.3	147,956	12.9	154,956	4.7	**171,978**	**11.0**

Note: The figures above do not reflect the performance results of the am/pm stores before brand conversion.

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)

	08/2			09/2			10/2			11/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	41,286	7.2	3.7	46,951	13.7	3.8	46,585	(0.8)	3.7	**47,939**	**2.9**	**3.5**
Daily food	366,960	5.8	32.7	386,649	5.4	31.0	381,012	(1.5)	29.8	**400,686**	**5.2**	**29.6**
Processed food	342,502	4.7	30.5	360,012	5.1	28.9	358,576	(0.4)	28.2	**377,633**	**5.3**	**28.0**
Liquor (License goods)	63,259	4.0	5.6	65,477	3.5	5.3	64,142	(2.0)	5.0	**64,506**	**0.6**	**4.8**
Food sub-total	750,748	5.4	66.9	793,612	5.7	63.7	786,173	(0.9)	61.7	**826,258**	**5.1**	**61.1**
Non-food	289,239	4.5	25.8	369,074	27.6	29.6	391,829	6.2	30.8	**423,276**	**8.0**	**31.3**
Cigarettes (License goods)	180,933	8.8	16.1	261,246	44.4	21.0	284,502	8.9	22.3	**315,683**	**11.0**	**23.4**
Services	27,401	1.7	2.4	28,350	3.5	2.3	28,890	1.9	2.3	**30,561**	**5.8**	**2.3**
E-commerce	54,450	2.8	4.9	54,752	0.6	4.4	66,860	22.1	5.2	**71,375**	**6.8**	**5.3**
Total	1,121,838	5.0	100.0	1,245,788	11.0	100.0	1,273,752	2.2	100.0	**1,351,470**	**6.1**	**100.0**

Notes: The figures above do not reflect the performance results of the am/pm stores before brand conversion.

Gross Profit Ratio

(%)

	08/2		09/2		10/2		11/2		12/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	50.52	—	50.61	0.09	50.96	0.35	**51.92**	**0.96**		
Daily food	34.93	0.28	35.03	0.10	35.23	0.20	**35.80**	**0.57**		
Processed food	34.71	0.54	35.17	0.46	35.68	0.51	**36.63**	**0.95**		
Liquor (License goods)	23.25	0.27	23.97	0.72	24.25	0.28	**24.41**	**0.16**		
Food sub-total	35.69	0.40	36.02	0.33	36.37	0.35	**37.11**	**0.74**		
Non-food	18.63	(0.42)	16.89	(1.74)	16.43	(0.46)	**16.50**	**0.07**		
Cigarettes (License goods)	10.49	(0.07)	10.49	—	10.49	—	**11.07**	**0.58**		
Services	13.16	(0.43)	12.48	(0.68)	11.74	(0.74)	**11.16**	**(0.58)**		
E-commerce	3.42	0.16	3.60	0.18	3.42	(0.18)	**3.45**	**0.03**		
Total	29.18	0.23	28.40	(0.78)	27.96	(0.44)	**28.31**	**0.35**	28.67	0.36

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Franchise Contracts

Types of FamilyMart Franchising Contracts

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

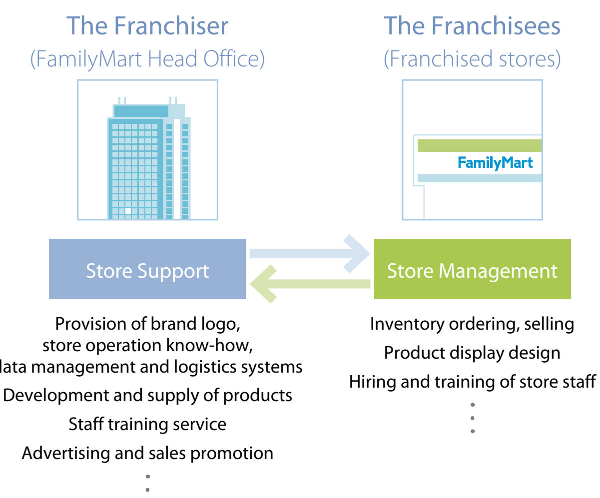
Contract type		1FC-A	1FC-B	1FC-C	2FC-N
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,075,000 at contract date (including ¥75,000 consumption tax) Affiliation fee: ¥525,000 Store preparation commission: ¥1,050,000 Initial stocking fee: ¥1,500,000 (including cash for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

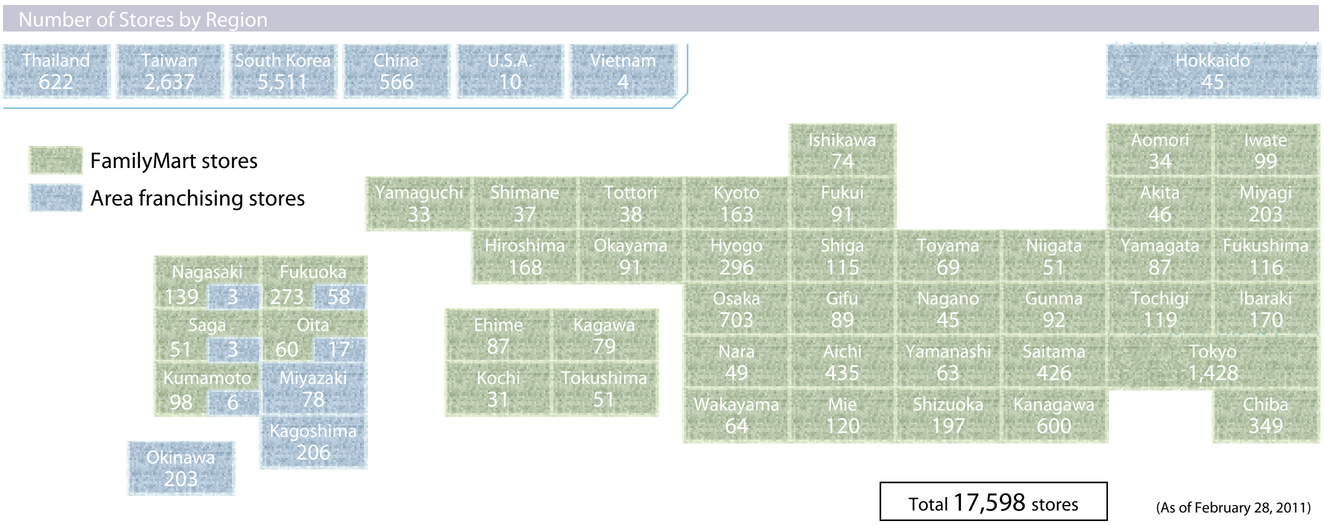
Notes: 1. In the case of rental store space, the franchisee shall pay the rent, a leasehold deposit, and guarantee money.
2. In the case of 2FC-N contracts, the franchisee shall pay up to ¥3.6 million for utilities.
3. A loan system is available for part of the franchisee's initial payments in the case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

	08/2		09/2		10/2		**11/2**		12/2 (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	460	102	469	9	434	(35)	**437**	**3**	360	(77)
Type 1	3,627	118	3,861	234	4,086	225	**4,487**	**401**		
(TOMONY)	5	5	22	17	33	11	**38**	**5**		
Type 2	2,604	(30)	2,561	(43)	2,638	77	**2,705**	**67**		
Franchised stores	6,231	88	6,422	191	6,724	302	**7,192**	**468**	7,759	567
FamilyMart stores	6,691	190	6,891	200	7,158	267	**7,629**	**471**	8,119	490
Okinawa FamilyMart Co., Ltd.	200	6	200	—	201	1	**203**	**2**		
Minami Kyushu FamilyMart Co., Ltd.	273	7	283	10	289	6	**284**	**(5)**		
Hokkaido FamilyMart Co., Ltd.	23	10	30	7	40	10	**45**	**5**		
JR KYUSHU RETAIL, INC.							**87**	**87**		
Domestic area franchising stores	496	23	513	17	530	17	**619**	**89**	640	21
Domestic chain stores	7,187	213	7,404	217	7,688	284	**8,248**	**560**	8,759	511
Taiwan FamilyMart Co., Ltd.	2,247	224	2,336	89	2,424	88	**2,637**	**213**	2,856	219
BOKWANG FAMILYMART CO., LTD.	3,787	316	4,180	393	4,743	563	**5,511**	**768**	6,231	720
Siam FamilyMart Co., Ltd.	507	(31)	525	18	565	40	**622**	**57**	676	54
Shanghai FamilyMart Co., Ltd.	118	16	165	47	287	122	**442**	**155**	672	230
Guangzhou FamilyMart Co., Ltd.	11	9	17	6	46	29	**88**	**42**	148	60
Suzhou FamilyMart Co., Ltd.	7	7	12	5	26	14	**36**	**10**	65	29
China sub-total	136	32	194	58	359	165	**566**	**207**	885	319
FAMIMA CORPORATION	11	(1)	12	1	9	(3)	**10**	**1**	10	—
Vietnam					1	1	**4**	**3**	16	12
Overseas area franchising stores	6,688	540	7,247	559	8,101	854	**9,350**	**1,249**	10,674	1,324
Total area franchising stores	7,184	563	7,760	576	8,631	871	**9,969**	**1,338**	11,314	1,345
Total chain stores	13,875	753	14,651	776	15,789	1,138	**17,598**	**1,809**	19,433	1,835

Notes: 1. The figures for 12/2 (Est.) do not include the TOMONY stores and JR KYUSHU RETAIL.
2. The figures for 12/2 (Est.) include am/pm stores earmarked for conversion to FamilyMart stores.
3. The total of am/pm stores as of 11/2 is 469 (335 am/pm Japan stores and 134 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)

	08/2			09/2			10/2			**11/2**			12/2 (Est.)		
	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase	**Openings**	**Closures**	**Net increase**	Openings	Closures	Net increase
FamilyMart	515	330	185	525	342	183	534	278	256	**407**	**270**	**137**	500	300	200
TOMONY	5	—	5	17	—	17	11	—	11	**5**	**—**	**5**			
Conversion am/pm→FamilyMart										**329**	**—**	**329**	290	—	290
Total	520	330	190	542	342	200	545	278	267	**741**	**270**	**471**	790	300	490

Consolidated Subsidiaries

Main Consolidated Subsidiaries

(Millions of yen)

		09/2			10/2			11/2		
	Shares	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income
Taiwan FamilyMart Co., Ltd.	43.50%	26,732	2,850	2,307	22,512	2,709	2,061	25,120	3,109	2,601
Siam FamilyMart Co., Ltd.	88.52%	19,131	(7)	(92)	18,085	66	3	21,041	217	15
famima. com Co., Ltd.	53.16%	5,363	1,219	712	5,127	1,287	757	4,991	1,298	767
FAMIMA CORPORATION	67.47%	1,340	(910)	(1,223)	1,306	(721)	(1,669)	1,057	(369)	(584)

Note: The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 28, 2011.

Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

		09/2	10/2	11/2
	Shares	Net income	Net income	Net income
Okinawa FamilyMart Co., Ltd.	48.98%	370	417	455
Minami Kyushu FamilyMart Co., Ltd.	49.00%	252	207	150
Hokkaido FamilyMart Co., Ltd.	49.00%	2	2	22
BOKWANG FAMILYMART CO., LTD.	23.48%	4,052	3,612	4,946
Famima Credit Corporation	30.10%	(306)	62	237
Shanghai FamilyMart Co., Ltd.	26.78%	(264)	(475)	(518)

Note: The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 28, 2011.

Capital Expenditure

Non-Consolidated

(Millions of yen)

	08/2		09/2		10/2		11/2		12/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Leasehold deposits	14,958	(1.5)	14,764	(1.3)	14,579	(1.3)	10,108	(30.7)	13,149	30.1
New stores	3,643	(30.6)	4,242	16.4	4,298	1.3	4,742	10.3	5,121	8.0
Existing stores	1,750	10.7	1,565	(10.6)	2,264	44.7	1,865	(17.6)	3,559	90.8
For stores	5,393	(21.1)	5,807	7.7	6,562	13.0	6,607	0.7	8,680	31.4
Head office investment	175	159.2	241	38.2	104	(57.3)	246	138.8	—	—
System investment	2,101	(60.2)	3,973	89.1	3,771	(5.1)	3,232	(14.3)	3,724	15.2
For head office	2,276	(57.5)	4,214	85.2	3,875	(8.1)	3,478	(10.2)	3,724	7.1
Lease	—	—	—	—	9,212	—	15,696	70.4	11,452	(27.0)
Total capital expenditure	22,627	(17.3)	24,785	9.5	34,228	38.1	35,889	4.9	37,005	3.1
Depreciation and amortization expense	6,043	(24.9)	6,059	0.3	7,343	21.2	9,711	32.2	14,050	44.7

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.

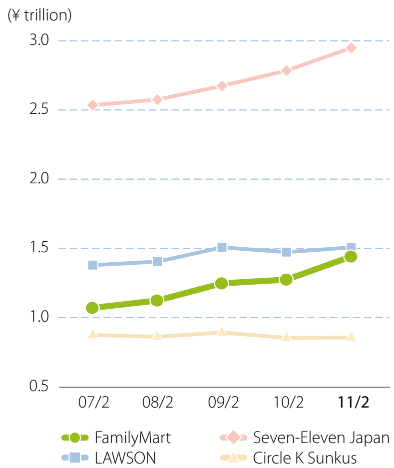
Consolidated

(Millions of yen)

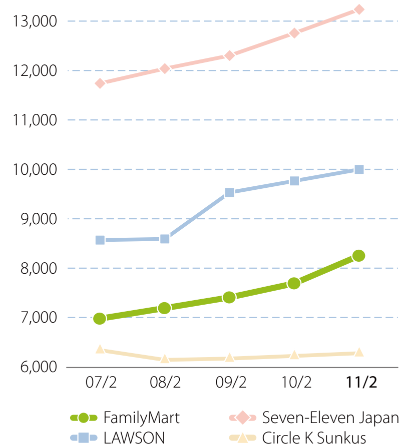
	08/2		09/2		10/2		11/2		12/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Total capital expenditure	27,504	(16.7)	29,167	6.0	40,290	38.1	40,303	0.0	41,670	3.4
Depreciation and amortization expense	9,856	(14.8)	9,669	(1.9)	10,339	6.9	12,582	21.7	17,474	38.9

Principal Indicators of Convenience Store Industry

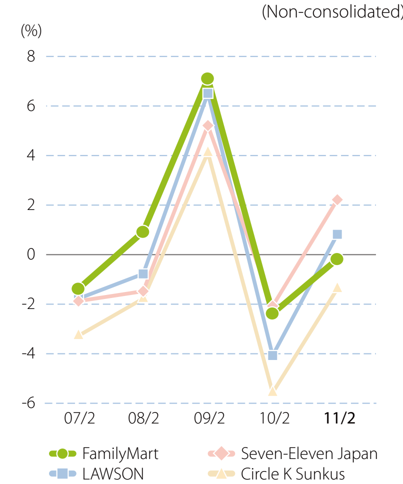
Total Store Sales
(Non-consolidated)



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

	05/3	06/3	07/3	08/3	09/3	10/3	11/3
Total sales (billions of yen)	7,297	7,372	7,421	7,516	8,056	7,938	**8,265**
Number of stores	38,854	39,820	40,342	40,433	41,006	41,895	**42,412**

Total Store Sales (non-consolidated)

(Billions of yen)

	05/2	06/2	07/2	08/2	09/2	10/2	11/2
FamilyMart	**998**	**1,032**	**1,069**	**1,122**	**1,246**	**1,274**	**1,440**
Seven-Eleven Japan	2,441	2,499	2,534	2,574	2,763	2,785	2,948
LAWSON	1,329	1,360	1,378	1,403	1,506	1,472	1,503
Circle K Sunkus	907	899	873	860	891	852	855

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

	05/2	06/2	07/2	08/2	09/2	10/2	11/2
FamilyMart	**6,424**	**6,734**	**6,974**	**7,187**	**7,404**	**7,688**	**8,248**
Seven-Eleven Japan	10,826	11,310	11,735	12,034	12,298	12,753	13,232
LAWSON	8,077	8,366	8,564	8,587	9,527	9,761	9,994
Circle K Sunkus	6,339	6,372	6,336	6,139	6,166	6,219	6,274

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

(%)

	05/2	06/2	07/2	08/2	09/2	10/2	11/2
FamilyMart	**1.2**	**(1.6)**	**(1.4)**	**0.9**	**7.1**	**(2.4)**	**(0.2)**
Seven-Eleven Japan	(0.7)	(1.6)	(1.9)	(1.5)	5.2	(2.1)	2.2
LAWSON	(0.3)	(2.5)	(1.8)	(0.8)	6.5	(4.1)	0.8
Circle K Sunkus	(0.9)	(3.3)	(3.3)	(1.8)	4.1	(5.6)	(1.4)

Sources: Retail statistical yearbook, Ministry of Economy, Trade and Industry, and documents released by each company.
Note: The figures of FamilyMart for 11/2 do not include am/pm stores. The total of am/pm stores as of 11/2 is 469 (335 am/pm Japan stores and 134 area franchised stores).

Consolidated Eleven-Year Summary

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

	Millions of yen			
	2011	2010	2009	2008
Results of operations:				
Operating revenues:				
Commission from franchised stores	**181,064**	161,167	162,288	150,351
Net sales	**111,696**	94,020	102,483	147,856
Other operating revenues	**27,129**	22,988	22,571	21,232
Total operating revenues (Note 2)	**319,889**	278,175	287,342	319,439
Operating income	**38,223**	33,531	36,532	31,214
Net income	**18,023**	15,103	16,452	16,438
Net cash provided by (used in) operating activities	**50,338**	(6,575)	75,028	49,375
Net cash used in investing activities	**(25,798)**	(36,152)	(28,217)	(24,593)
Net cash (used in) provided by financing activities	**(13,977)**	(8,342)	(7,030)	3,956
Financial position:				
Total assets (Notes 3, 4)	**436,034**	424,209	398,126	351,271
Total equity (Note 5)	**216,979**	206,490	197,529	191,281
Per share of common stock (in yen and U.S. dollars):				
Total equity (Note 5)	**2,207.5**	2,096.4	2,001.5	1,921.6
Basic net income	**189.7**	158.5	172.6	173.5
Cash dividends applicable to the year	**72.0**	70.0	68.0	60.0
Ratio:				
Equity ratio (%)	**48.1**	47.1	47.9	52.2
Return on equity (%)	**8.8**	7.7	8.8	9.5
Return on total assets (%)	**4.2**	3.7	4.4	4.9
Other data:				
Growth rate of average daily sales of existing stores (non-consolidated) (%)	**(0.2)**	(2.4)	7.1	0.9
Number of store openings (non-consolidated) (Note 6)	**741**	545	542	520
Number of total chain stores	**17,598**	15,789	14,651	13,875
Japan (including area franchised stores)	**8,248**	7,688	7,404	7,187
Overseas	**9,350**	8,101	7,247	6,688
Number of full-time employees	**7,569**	7,204	6,950	6,647
Number of shareholders	**12,391**	13,274	12,293	14,933
Weighted average number of shares (thousands)	**94,992**	95,306	95,320	94,425

Notes: 1. Conversion into U.S. dollars has been made at the exchange rate of ¥82 = U.S.$1, the rate prevailing on February 28, 2011.
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 an 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.
6. Includes stores opened under the TOMONY format, and stores converted from the am/pm brand.

Millions of yen							Thousands of U.S. dollars (Note 1)
2007	2006	2005	2004	2003	2002	2001	2011
142,294	138,636	132,864	127,164	122,738	116,478	111,729	2,208,098
134,506	118,551	103,599	87,083	80,952	67,822	54,122	1,362,146
21,049	19,256	16,438	14,730	13,778	11,305	10,248	330,841
297,849	276,443	252,901	228,977	217,468	195,605	176,099	3,901,085
29,609	32,662	30,869	29,093	27,921	23,756	24,123	466,134
14,969	14,195	12,623	13,788	12,880	8,549	8,112	219,793
35,093	42,778	1,428	73,593	32,694	34,219	23,305	613,878
(32,938)	(32,249)	(23,183)	(10,719)	(29,327)	(28,812)	(30,980)	(314,610)
(19,155)	(4,238)	(3,922)	(3,892)	(3,626)	(4,338)	(6,160)	(170,451)
315,256	314,121	286,771	309,315	250,609	242,517	230,883	5,317,488
171,155	168,233	156,931	147,524	137,636	130,510	126,190	2,646,086
1,771.3	1,736.2	1,619.5	1,522.3	1,420.4	1,346.6	1,302.2	26.92
158.8	145.7	129.5	141.5	132.3	87.6	82.8	2.31
46.0	43.0	38.0	38.0	38.0	38.0	38.0	0.88
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	
(1.4)	(1.6)	1.2	(2.9)	(0.5)	(1.2)	(0.4)	
586	606	532	456	501	515	440	
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	

Management's Discussion and Analysis

FamilyMart Group

The FamilyMart Group comprises 32 companies including the parent company, FamilyMart Co., Ltd., 16 subsidiaries, and 15 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."

Please note that the Group completed full management integration with am/pm Japan Co., Ltd. on March 1, 2010, after making this convenience store chain a consolidated subsidiary in December 2009.

Business Environment and Trends in Japan's Retail Market

During fiscal 2010, ended February 28, 2011, the retailing sector continued to face difficult operating conditions. Despite signs of recovery in Japan in corporate earnings and capital investment, there was no significant improvement in the employment picture or personal incomes.

According to the Ministry of Economy, Trade and Industry, sales recorded by all categories of retailer nationwide in fiscal 2010 (April 2010 to March 2011) came to ¥134.7 trillion, the first increase in three years, of 0.8%, from the previous business term. Fiscal 2010 sales at supermarkets rose 0.3% to ¥12.9 trillion, but fell 1.4% on an existing store basis. Food products performed steadily, but clothing sales were slack, due to competition with specialty stores and other factors. Sales at department stores fell 4.6% year-on-year to ¥6.7 trillion, and decreased 3.1% on an existing store basis. Despite signs of a bottoming out lasting into the second half of 2010, the impact of the slump in consumer spending that followed the Great East Japan Earthquake in March 2011 had significant repercussions. Total sales in the convenience store sector were up 4.1% year-on-year to ¥8.3 trillion, and increased 1.5% on an existing store basis. Overall, convenience stores had a good year. The impact of unseasonably cold weather in early spring was outweighed by strong sales of summer merchandise as mid-year temperatures soared, as well as increased cigarette sales ahead of the October increase in tobacco taxes.

Some parts of the retailing sector were hit more badly than others by the earthquake disaster. At supermarkets, convenience stores and other outlets handling daily items, consumption demand basically held up. However, sales fell steeply at department stores, which stock many expensive non-essential items. As a result of the foregoing, in the year ended March 2011, department stores saw sales fall by 15.4%. At supermarkets, the decline was only 1.2%, and convenience stores enjoyed a sales increase of 9.1%.

Review of Operations

For information on FamilyMart's store operation, products, services, store opening strategy, overseas strategy and area franchisers, please see pages 27 to 35.

Business Performance (non-consolidated)

In the fiscal 2010 reporting period, FamilyMart recorded an increase in average store visitors per day at existing stores to 932, an increase of six people per day, for the fourth consecutive year of growth. Average spending per customer continued to slip, but as a result of efforts to promote sales of high value-added items, signs of recovery were evident from the second half. Over the full year, average spend remained at ¥539, down ¥1 year-on-year, and average daily sales at existing stores dipped 0.2%.

Business Performance (non-consolidated)

	09/2	10/2	11/2	YoY difference
Growth rate of average daily sales per existing store (%)	7.1	(2.4)	**(0.2)**	
Average daily sales (existing stores; thousands of yen)	510	501	**502**	**1**
Number of customers (existing stores)	922	926	**932**	**6**
Spend per customer (existing stores; yen)	553	540	**539**	**(1)**

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Breakdown of Sales by Product Category (non-consolidated)

We continued steps to build up our brand in fast foods, one of our priority product categories, focusing measures on fried chicken and other fried items, *oden* (Japanese hodgepodge) and Chinese steamed meat buns. As a result of expanded marketing, fast food sales increased 2.9% year-on-year.

In daily foods, we continued to develop original products in our mainstay ready-to-eat ranges, and improved quality while making ranges more distinctive. In particular, our rice balls using

Kinmemai premium brand rice and other high value-added products proved very popular due to their use of a wider range of premium ingredients. Likewise, in the priority category Sweets+ (desserts), we had a major hit product with *Ore-no Eclair*, a new item in the *Ore-no Sweets* range targeting male customers with a sweet tooth. This gave a boost to the whole desserts category. As a result of the foregoing, overall sales of daily foods increased 5.2% year-on-year.

Sales of processed food products increased 5.3% year-on-year on the strength of strong sales growth across the board, particularly for beverages and ice creams.

Non-food products posted an 8.0% sales rise on significantly higher sales of tobacco products.

Services rose 5.8% year-on-year on increased handling of credit cards and stamps/postcards.

Sales in our electronic commerce business rose 6.8% year-on-year on increased transactions using our Famiport Multimedia Terminals, including e-money services.

As a result of the foregoing, sales overall for the Company rose 6.1% year-on-year.

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

	09/2	10/2	11/2	YoY change
Fast food	46,951	46,585	**47,939**	2.9%
Daily food	386,649	381,012	**400,686**	5.2%
Processed food	360,012	358,576	**377,633**	5.3%
Non-food	369,074	391,829	**423,276**	8.0%
Services	28,350	28,890	**30,561**	5.8%
E-commerce	54,752	66,860	**71,375**	6.8%
Total	1,245,788	1,273,752	**1,351,470**	6.1%

Note: The figures above do not reflect the performance results of am/pm stores before brand conversion.

Gross Profit Ratio (non-consolidated)

The gross profit ratio increased by 0.35 percentage point from the previous term to 28.31%. This improvement was due to stronger profit margins on individual items, mainly food products, and, during Japan's very hot summer of 2010, strong sales of seasonal merchandise, which usually commands a high profit margin.

Gross Profit Ratio (non-consolidated)

	09/2	10/2	11/2	YoY difference
Gross profit ratio (%)	28.40	27.96	**28.31**	0.35

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Store Development

During the reporting term, we opened 407 conventional FamilyMart stores and five stores in the TOMONY format, while 270 stores were closed. Including 329 stores converted from the am/pm Japan brand, we operated a total of 7,629 stores in Japan as of the reporting term-end — an increase of 471 from the previous term-end. Average daily sales at news stores increased by ¥125,000 to a record high of ¥564,000, on new store openings in the three major metropolitan areas and major regional cities of Japan, as well as good progress in our scrap-and-build policy.

The number of stores operated in Japan by FamilyMart and its four domestic area franchisers as of the reporting term-end was 8,248, a year-on-year increase of 560 stores.

Overseas, we now operate 9,350 stores, a year-on-year increase of 1,249, following our steady expansion of business operations in Taiwan, South Korea, Thailand, China, the United States and Vietnam. As a result, the total number of stores in the FamilyMart Group chain has increased by 1,809 stores to 17,598.

Store Development Performance (non-consolidated)

	09/2	10/2	11/2	YoY difference
Store openings	525	534	**407**	(127)
Conversion am/pm → FamilyMart			**329**	
Store closures	342	278	**270**	(8)
Scrap and build	75	80	**82**	2
Average daily sales per store (new stores; thousands of yen)	460	439	**564**	125

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Number of Stores (including area franchised stores)

	09/2	10/2	11/2	YoY difference
Japan	7,404	7,688	**8,248**	560
Overseas	7,247	8,101	**9,350**	1,249
Total chain stores	14,651	15,789	**17,598**	1,809

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 franchised stores, sales and other operating revenues, increased by ¥41,714 million (15.0%) year-on-year to ¥319,889 million (US$3,901 million). In the convenience store business, overall revenues increased ¥41,358 million (15.2%) to ¥313,807 million. This performance was underpinned by an increase in revenues from franchise stores following the acquisition of am/pm Japan Co., Ltd. (which appears as a consolidated subsidiary only in the Balance Sheets in the previous term), combined with increased sales at directly operated stores as well as a strong performance by subsidiaries in Taiwan and Thailand. Operating revenues in other businesses increased ¥356 million (6.2%) year-on-year to ¥6,082 million.

Operating expenses increased ¥37,022 million (15.1%) from the previous term to ¥281,666 million (US$3,435 million).

As a result of the above, operating income increased ¥4,692 million (14.0%) year-on-year to ¥38,223 million (US$466 million). Of this total, operating income at convenience stores increased ¥4,810 million (13.0%) to ¥41,947 million, while other businesses posted a year-on-year increase of ¥86 million (5.4%) to ¥1,665 million.

"Other expenses-net" posted a year-on-year decline of ¥1,405 million (26.7%) to ¥3,847 million (US$47 million).

As a result of the foregoing, income before income taxes increased by ¥6,097 million (21.6%) to ¥34,376 million (US$ 419 million), and net income by ¥2,920 million (19.3%) to ¥18,023 million (US$220 million). Earnings per share came to ¥189.7 (US$2.31).

Geographical Segments

Japan

Total operating revenues of all domestic operations increased 16.0% year-on-year to ¥276,149 million, and operating income rose by 10.3% to ¥40,784 million.

Asia

Operating revenues for Asian operations increased 10.0% year-on-year to ¥42,684 million on the back of a strong performance in Taiwan and improved earnings at our operations in Thailand, which became profitable on a single-year basis in the previous reporting period. Operating income in Asian operations increased 30.8% year-on-year to ¥3,197 million.

Other Area

Our American operations saw total operating revenues decline 19.1% year-on-year to ¥1,056 million, due chiefly to closure of unprofitable stores. However, American operations posted an operating loss of ¥369 million (an improvement from the operating loss of ¥720 million in the previous term) because of these expense-cutting measures.

Business Performance Results by Geographical Segments (Millions of yen)

	09/2	10/2	11/2	YoY change
Total operating revenues	287,342	278,175	**319,889**	**15,0%**
Japan	241,167	238,056	**276,149**	**16.0%**
Asia	44,835	38,813	**42,684**	**10.0%**
Other area	1,340	1,306	**1,056**	**(19.1)%**
Operating income (loss)	36,532	33,531	**38,223**	**14.0%**
Japan	40,131	36,992	**40,784**	**10.3%**
Asia	2,459	2,444	**3,197**	**30.8%**
Other area	(956)	(720)	**(369)**	—
Eliminations/corporate	(5,102)	(5,185)	**(5,389)**	—

Financial Position

Total assets at the term-end amounted to ¥436,034 million (US$5,317 million), an increase of ¥11,825 million over the previous term-end, due in part to an increase in cash and cash equivalents from our expansion of operations.

Current assets increased ¥29,090 million year-on-year to ¥206,334 million (US$2,516 million), due to increases in cash and cash equivalents, deferred tax assets and receivables-other (short-term loans).

The value of property and store facilities at the term-end totaled ¥73,165 million (US$892 million), a year-on-year increase of ¥14,048 million. This was mainly due to increased investments in stores as we expanded our network through new openings.

Investments and other assets declined by ¥31,313 million to ¥156,535 million (US$1,909 million). This was chiefly due to recognition of goodwill, following our acquisition of am/pm Japan Co., Ltd., as deferred tax assets in current assets, and of long-term loans to affiliates as receivables-other (short-term loans) in current assets.

At the same time, total liabilities increased ¥1,336 million year-on-year to ¥219,055 million (US$2,671 million).

Current liabilities declined by ¥11,346 million from the previous term-end to ¥177,501 million (US$2,165 million).

The main factors were decreases in trade accounts payable and income taxes payable, which outweighed an increase in deposits received due to increased handling of customer utility payments.

Long-term liabilities increased ¥12,682 million from the previous term-end to ¥41,554 million (US$507 million). This was due chiefly to an increase in lease obligations following adoption of new lease accounting standards.

As a result, total equity at the end of the term stood at ¥216,979 million (US$2,646 million). The equity ratio rose from 47.1% at the previous term-end to 48.1%, and ROE rose from 7.7% to 8.8%. Equity per share totaled ¥2,207.5 (US$26.92).

Cash Flows

The term-end balance of cash and cash equivalents amounted to ¥95,486 million (US$1,164 million), up ¥10,325 million, or 12.1%, from the previous term-end.

Net cash provided by operating activities came to ¥50,338 million (US$614 million), compared with ¥6,575 million in net cash used in the previous term. This resulted chiefly from the fact that the final day of the previous term was a non-business day, causing an ¥25,424 million increase in trade accounts for franchised and Company-owned stores, combined with a ¥30,093 million increase in trade notes and accounts payable.

Net cash used in investing activities increased by ¥10,354 million over the previous term to ¥25,798 million (US$315 million). The principal factors here were ¥4,585 million in payments for leasehold deposits, and a payment of ¥4,219 million for acquisition of a newly consolidated subsidiary.

Net cash used in financing activities came to ¥13,977 million (US$170 million), an increase of ¥5,635 million in outflows. The main factors were a ¥4,544 million increase in repayments of lease obligations following adoption of new lease accounting standards.

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 ¥72 (US$0.88), an increase of ¥2 per share over the previous term.

For the current term, in light of the impact of the Great East Japan Earthquake, the Company plans to hold an annual dividend at ¥72 (US$0.88).

Outlook

The impact of the Great East Japan Earthquake of March 11, 2011 on our Group operations is as follows.

Tohoku area and Ibaraki Prefecture

- Of a total of 756 FamilyMart stores in the Tohoku (northeastern) area and Ibaraki Prefecture, some 300 suspended operations after the earthquake. As of April 8, 33 stores had been washed away or destroyed beyond repair, and operations could not be resumed. A further eight stores have suspended business as they are within the evacuation zone around the stricken Fukushima nuclear plant.
- Damage to our production and logistics centers in the Tohoku area has had significant impact on product supply chains. We are taking measures to source supplies from the nearby Hokuriku and Kanto regions.

Tokyo metropolitan area

- Some damage sustained at production and logistics centers
- Irregularity in order and delivery systems due to shortages of gasoline and rolling blackouts

In addition to this direct damage, we expect a negative impact of some $22 billion on total store sales (non-consolidated) due to the general dampening of consumer sentiment after the disaster, and a resulting stay-at-home tendency. We have reduced our initial growth target for average daily sales at existing stores (non-consolidated) by 1.1 percentage point, to 3.5%.

We expect to post an extraordinary loss on a consolidated basis of ¥4-7 billion in costs of repairs and countermeasures following the disaster. This could translate into a negative impact on net income of ¥4-6 billion.

We also expect an extraordinary loss of ¥7.8 billion (consolidated basis) as a result of asset retirement obligations, and an impact of approximately ¥5 billion on net income.

As a result, we expect total operating revenues to fall 0.3%

year-on-year to ¥3,189 billion. But operating income is likely to increase 0.7% year-on-year to ¥38.5 billion, and ordinary income 1.5% to ¥40.5 billion. We expect net income to fall by between a third (33.4%) and nearly a half (44.5%) to ¥10-12 billion. Our earnings projection is a range rather than a single figure in light of the fact that we are still confirming and calculating the exact costs of the earthquake disaster (rebuilding stores and support for affected franchisees, etc.).

We aim to keep growing operating income, offsetting the impact of the disaster through better product development and operational management.

Targets for Major Indicators (non-consolidated)

	11/2	12/2 (Est.)	YoY difference
Average daily sales (total stores; thousands of yen)	505	522	17
Growth rate of average daily sales per existing store (%)	(0.2)	3.5	
Gross profit ratio (%)	28.31	28.67	0.36
Average daily sales (new stores; thousands of yen)	564	514	(50)
Store openings	407	500	93
Conversion am/pm → FamilyMart	329	290	(39)
Total store openings	736	790	54
Store closures	270	300	30

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

Outlook for Business Performance (non-consolidated)

(Millions of yen)

	11/2	12/2 (Est.) [a] Before the earthquake	12/2 (Est.) [b] After the earthquake (revised)	12/2 (Est.) [b]–[a]	12/2 (Est.) YoY change
Total store sales	1,440,457	1,513,000	1,491,000	(22,000)	3.5%
Operating income	33,741	36,800	34,300	(2,500)	1.7%
Growth rate of average daily sales per existing store	(0.2)%	4.6%	3.5%	(1.1)	

Outlook for Business Performance (consolidated)

(Millions of yen)

	11/2	12/2 (Est.) [a] Before the earthquake	12/2 (Est.) [b] After the earthquake (revised)	12/2 (Est.) [b]–[a]	12/2 (Est.) YoY change
Operating revenues	319,889	322,500	318,900	(3,600)	(0.3)%
Operating income	38,223	41,000	38,500	(2,500)	0.7 %
Ordinary income	39,907	43,000	40,500	(2,500)	1.5 %
Extraordinary loss	(6,752)	(14,000)	(21,000) ~(18,000)	(7,000) ~(4,000)	211.0 % ~166.6 %
(Excluding ¥8 billion in asset retirement obligations)		(6,200)			
Net income	18,023	16,000	10,000 ~12,000	(6,000) ~(4,000)	(44.5)% ~(33.4)%
(Excluding a ¥5 billion impact from asset retirement obligations)		19,700			

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 6 and 14)	¥ 95,486	¥ 85,161	$1,164,463
Time deposits (Note 14)	2,546	1,357	31,049
Marketable securities (Notes 6 and 14)	1,523	3,779	18,573
Receivables:			
Due from franchised stores (Notes 5 and 14)	13,139	27,494	160,232
Other (Notes 14 and 19)	46,965	29,952	572,744
Allowance for doubtful receivables	(554)	(1,601)	(6,756)
Merchandise	7,785	7,023	94,939
Deferred tax assets (Note 12)	11,801	2,322	143,915
Prepaid expenses and other current assets	27,643	21,757	337,109
Total current assets	206,334	177,244	2,516,268
Property and store facilities (Note 7):			
Land	14,124	14,327	172,244
Buildings and structures	56,045	54,913	683,476
Machinery and equipment	5,510	4,420	67,195
Furniture and fixtures	54,289	41,720	662,061
Other	307	190	3,744
Total	130,275	115,570	1,588,720
Accumulated depreciation	(57,110)	(56,453)	(696,464)
Net property and store facilities	73,165	59,117	892,256
Investments and other assets:			
Investment securities (Notes 6 and 14)	12,627	10,262	153,988
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3 and 19)	10,662	19,051	130,024
Software	9,187	8,413	112,037
Goodwill (Note 8)	793	25,060	9,671
Goodwill attributable to individual stores	2,918	4,674	35,585
Leasehold deposits (Note 14)	106,242	107,698	1,295,634
Deferred tax assets (Note 12)	3,727	3,208	45,451
Other assets (Note 7)	10,379	9,482	126,574
Total investments and other assets	156,535	187,848	1,908,964
Total	¥436,034	¥424,209	$5,317,488

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
LIABILITIES AND EQUITY			
Current liabilities:			
Payables:			
Trade notes (Note 14)	¥ 192	¥ 244	$ 2,341
Trade accounts for franchised and Company-owned stores (Notes 14 and 19)	70,977	80,193	865,573
Due to franchised stores (Notes 5 and 14)	5,929	2,843	72,305
Other (Notes 14 and 19)	21,945	23,740	267,622
Current portion of long-term lease obligations (Note 9)	3,493	4,581	42,598
Income taxes payable (Note 12)	1,304	6,181	15,902
Deposit received (Notes 5 and 14)	63,967	59,332	780,085
Accrued expenses	5,053	5,629	61,622
Other current liabilities	4,641	6,104	56,598
Total current liabilities	177,501	188,847	2,164,646
Long-term liabilities:			
Long-term lease obligations (Notes 9 and 14)	19,965	7,994	243,476
Liability for retirement benefits (Note 10)	7,353	6,629	89,671
Leasehold deposits from franchised stores (Note 14)	10,391	10,645	126,720
Allowance for impairment loss on leased property (Notes 7 and 13)	1,526	1,408	18,610
Other long-term liabilities	2,319	2,196	28,279
Total long-term liabilities	41,554	28,872	506,756
Commitments and contingent liabilities (Notes 13, 16 and 19)			
Equity (Notes 11 and 18)**:**			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	203,159
Capital surplus	17,389	17,389	212,061
Retained earnings	187,544	176,275	2,287,122
Unrealized gain on available-for-sale securities (Note 6)	240	133	2,927
Foreign currency translation adjustments	(3,528)	(2,996)	(43,024)
Treasury stock—at cost, 2,750,744 shares in 2011 and 2,367,308 shares in 2010	(8,739)	(7,637)	(106,574)
Total	209,565	199,823	2,555,671
Minority interests	7,414	6,667	90,415
Total equity	216,979	206,490	2,646,086
Total	¥436,034	¥424,209	$5,317,488

See notes to consolidated financial statements.

Consolidated Statements of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries   Years Ended February 28, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Operating revenues:			
Commission from franchised stores (Note 5)	¥181,064	¥161,167	$2,208,098
Net sales	111,696	94,020	1,362,146
Other operating revenues (Notes 3 and 5)	27,129	22,988	330,841
Total operating revenues	319,889	278,175	3,901,085
Operating expenses:			
Cost of sales (Note 19)	77,713	65,301	947,720
Selling, general and administrative expenses (Notes 8, 10, 13 and 19)	203,953	179,343	2,487,231
Total operating expenses	281,666	244,644	3,434,951
Operating income	38,223	33,531	466,134
Other income (expenses):			
Interest and dividend income	1,678	1,816	20,463
Equity in earnings of unconsolidated subsidiaries and associated companies	263	513	3,207
Loss on disposals/sales of property and store facilities—net	(1,619)	(1,973)	(19,744)
Loss on impairment of long-lived assets (Notes 7 and 13)	(2,165)	(2,494)	(26,402)
Loss on cancellations of land and building lease contracts	(1,241)	(1,592)	(15,134)
Other—net (Note 15)	(763)	(1,522)	(9,304)
Other expenses—net	(3,847)	(5,252)	(46,914)
Income before income taxes and minority interests	34,376	28,279	419,220
Income taxes (Note 12):			
Current	1,775	12,118	21,646
Deferred	13,139	268	160,232
Total income taxes	14,914	12,386	181,878
Minority interests in net income	1,439	790	17,549
Net income	¥ 18,023	¥ 15,103	$ 219,793

	Yen		U.S. dollars
	2011	2010	2011
Per share of common stock (Notes 2.q and 17):			
Basic net income	¥189.7	¥158.5	$2.31
Cash dividends applicable to the year	72.0	70.0	0.88

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 28, 2011 and 2010

	Thousands	Millions of yen								
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 1, 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
Net income				18,023				18,023		18,023
Cash dividends, ¥71.0 per share				(6,754)				(6,754)		(6,754)
Purchase of treasury stock	(384)						(1,102)	(1,102)		(1,102)
Net change in the year					107	(532)		(425)	747	322
Balance, February 28, 2011	94,932	¥16,659	¥17,389	¥187,544	¥240	¥(3,528)	¥(8,739)	¥209,565	¥7,414	¥216,979

	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, 2010	$203,159	$212,061	$2,149,695	$1,622	$(36,536)	$ (93,135)	$2,436,866	$81,305	$2,518,171
Net income			219,793				219,793		219,793
Cash dividends, $0.87 per share			(82,366)				(82,366)		(82,366)
Purchase of treasury stock						(13,439)	(13,439)		(13,439)
Net change in the year				1,305	(6,488)		(5,183)	9,110	3,927
Balance, February 28, 2011	$203,159	$212,061	$2,287,122	$2,927	$(43,024)	$(106,574)	$2,555,671	$90,415	$2,646,086

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries   Years Ended February 28, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Operating activities:			
Income before income taxes and minority interests	¥34,376	¥ 28,279	$ 419,220
Adjustments for:			
Income taxes—paid	(11,676)	(13,074)	(142,390)
Depreciation and amortization	12,993	10,796	158,451
Reversal of allowance for doubtful receivables	(1,118)	(17)	(13,634)
Equity in earnings of unconsolidated subsidiaries and associated companies	(263)	(513)	(3,207)
(Gain) loss on devaluation/sale of marketable and investment securities—net	(10)	3	(122)
Loss on disposals/sales of property and store facilities—net	1,619	1,973	19,744
Loss on cancellations of land and building lease contracts	1,241	1,592	15,134
Loss on impairment of long-lived assets	2,165	2,494	26,402
Changes in assets and liabilities:			
Decrease (Increase) in due from/to franchised stores—net	17,454	(7,970)	212,854
(Increase) decrease in merchandise and supplies	(844)	837	(10,293)
Decrease in payables—trade	(8,938)	(39,031)	(109,000)
Increase in deposit received	4,729	5,084	57,671
Increase in liability for retirement benefits	728	401	8,878
Other—net	(2,118)	2,571	(25,830)
Total adjustments	15,962	(34,854)	194,658
Net cash provided by (used in) operating activities	50,338	(6,575)	613,878
Investing activities:			
Increase in time deposits—net	(222)	(1,346)	(2,707)
Purchases of marketable and investment securities	(2,488)	(21,621)	(30,341)
Purchases of investment in subsidiaries and associated companies	(3,468)	(774)	(42,293)
Proceeds from sales and redemption at maturity of marketable and investment securities	3,588	17,606	43,756
Payments for long-term loans	(876)	(2,240)	(10,683)
Purchases of property and store facilities, software and other intangible assets	(16,942)	(15,247)	(206,610)
Proceeds from sales of property and store facilities, software and other intangible assets	484	607	5,902
Payments of leasehold deposits	(10,959)	(15,544)	(133,646)
Refunds of leasehold deposits	3,035	3,144	37,012
Receipts of leasehold deposits from franchised stores	1,447	1,191	17,646
Refunds of leasehold deposits to franchised stores	(1,428)	(1,094)	(17,415)
Payments for acquisition of newly consolidated subsidiary	(299)	(4,518)	(3,646)
Other	2,330	3,684	28,415
Net cash used in investing activities	(25,798)	(36,152)	(314,610)
Financing activities:			
Decrease in short-term bank loans-net	(165)		(2,012)
Purchases of treasury stock	(1,102)	(8)	(13,439)
Proceeds from sales of treasury stock		1	
Contribution from minority interest shareholders	502	50	6,122
Dividends paid	(6,756)	(6,574)	(82,390)
Dividends paid to minority interest shareholders	(967)	(933)	(11,793)
Repayments for lease obligations	(5,395)	(851)	(65,793)
Other	(94)	(27)	(1,146)
Net cash used in financing activities	(13,977)	(8,342)	(170,451)
Foreign currency translation adjustments on cash and cash equivalents	(238)	342	(2,902)
Net increase (decrease) in cash and cash equivalents	10,325	(50,727)	125,915
Cash and cash equivalents, beginning of year	85,161	135,888	1,038,548
Cash and cash equivalents, end of year	¥95,486	¥ 85,161	$1,164,463

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FamilyMart Co., Ltd. and Consolidated Subsidiaries   Years Ended February 28, 2011 and 2010

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 accounting principles generally accepted 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 2010 financial statements to conform to the classifications used in 2011.

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 ¥82 to $1, the approximate rate of exchange at February 28, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements as of February 28, 2011 include the accounts of the Company and its 7 (8 in 2010) significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. 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. On March 1, 2010, the Company merged with am/pm.

Investments in 8 (4 in 2010) unconsolidated subsidiaries and 15 (16 in 2010) 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 is included in goodwill and is 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.

The Company applied this accounting standard effective March 1, 2009. 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—Most merchandise is stated at the lower of cost, mostly determined by the retail method or net selling value.

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 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.

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 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.

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—In December 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 its foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16 "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 fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset retirement obligations—In March 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 was 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.

Accounting changes and error corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment information disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3 Related Parties and Organization

The Company's primary shareholder is ITOCHU Corporation, which owns 31.66% 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, 2011, 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 96.24% owned subsidiary, is a holding company of Siam FamilyMart Co., Ltd.

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

famima.com Co., Ltd., a 53.16% 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.

ASAHI FOOD PROCESSING CO., LTD., a 39.00% owned associated company, produces and distributes cooked noodles to "FamilyMart" stores in Japan.

4 Business Combinations

Year Ended February 28, 2011

On March 1, 2010, the Company merged with am/pm, which had been accounted for as a wholly owned consolidated subsidiary following the acquisition of 100% of the common stock on December 28, 2009. All the assets and liabilities of am/pm were transferred to the Company as the surviving company and am/pm was subsequently liquidated after the merger. am/pm, which was an absorbed company, had owned and operated convenience stores mainly through its am/pm stores, managed franchised stores and provided consulting on store development. This merger 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. This merger was accounted for as a combination of entities under common control in accordance with "Accounting Standard for Business Combination" issued by the Business Accounting Council on October 31, 2003 and ASBJ Guidance No. 10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" issued by the ASBJ on November 15, 2007.

Year Ended February 28, 2010

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 had owned and operated convenience stores mainly through its am/pm stores, managed franchised stores and provided consulting on store development. This acquisition aimed 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 were not included in the Company's consolidated statements of income for the year ended February 28, 2010 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, in cash in accordance with the Asset Purchase Agreement dated November 13, 2009 and so on.

The total cost of acquisition was 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 and ¥4,674 million, 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
Current assets	¥15,120
Other assets	8,645
Goodwill attributable to individual stores	4,674
Goodwill	23,835
Total assets acquired	¥52,274
Total liabilities assumed	¥39,117
Net assets acquired	¥13,157

When am/pm was merged with the Company on March 1, 2010, deferred tax assets were recorded. As a result, the goodwill recognized as of February 28, 2010 was fully allocated to deferred tax assets and subsequently had 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 10 years and may be extended or renewed upon expiration subject to renegotiation of contract terms between the Company and the franchisee. The franchise agreement currently in use provides that, at the commencement of the agreement, the franchisee shall make a cash payment to the Company in the amount of ¥1,500,000 which is credited to income of the Company as "Other operating revenues" for the lump-sum franchise fee and which shall be spent for services such as research, training and preparations of store opening provided by the Company. In addition, the franchisee shall advance another ¥1,500,000 to the Company as a deposit for purchases and it is credited to "Payables—Due to franchised stores," accordingly.

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

Each franchised store shall make a remittance of cash from sales to the Company on a daily basis. Furthermore, the franchised stores collect utility payments from customers on behalf of utility service providers, such as electric power companies and telecommunication companies, which are remitted to the Company on a daily basis. The receipts of such charges are recorded as a liability due to utility service suppliers and 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, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current:			
Government and corporate bonds	¥1,000	¥3,000	$12,195
Trust fund investments	523	779	6,378
Total	¥1,523	¥3,779	$18,573

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Non-current:			
Marketable equity securities	¥ 4,164	¥ 3,982	$ 50,780
Government and corporate bonds	7,701	6,000	93,915
Non-marketable equity securities	762	280	9,293
Total	¥12,627	¥10,262	$153,988

The cost and aggregate fair values of marketable and investment securities at February 28, 2011 and 2010, were as follows:

	Millions of yen			
February 28, 2011	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,751	¥501	¥88	¥4,164
Debt securities	523			523
Held-to-maturity	8,701	49		8,750

	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

	Thousands of U.S. dollars			
February 28, 2011	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 45,744	$6,110	$1,074	$ 50,780
Debt securities	6,378			6,378
Held-to-maturity	106,110	597		106,707

The cost of held-to-maturity debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥3,000 million ($36,585 thousand) and ¥2,996 million at February 28, 2011 and 2010, respectively.

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2011 and 2010, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Available-for-sale—Equity securities	¥762	¥280	$9,293

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2011, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥1,000	$12,195
Due after one year through five years	7,701	93,915

7 Long-lived Assets

The Group reviewed its long-lived assets for impairment as of February 28, 2011 and 2010 and, as a result, recognized impairment losses of ¥2,165 million ($26,402 thousand) and ¥2,494 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, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
Fixed assets and leased property	2011	2010	2011
Land	¥ 102	¥ 194	$ 1,244
Building	1,002	1,172	12,220
Leased property	673	756	8,207
Others	388	372	4,731
Total	¥2,165	¥2,494	$26,402

The recoverable amount from 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 were 4.64% and 4.62% for the years ended February 28, 2011 and 2010, respectively.

In addition, some associated companies accounted for by the equity method recognized impairment losses using the same methodology. The Group recognized ¥4 million ($49 thousand) and ¥115 million for the years ended February 28, 2011 and 2010, 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, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Consolidation goodwill	¥377	¥24,400	$4,598
Acquisition goodwill	416	660	5,073
Total	¥793	¥25,060	$9,671

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2011 and 2010, was ¥417 million ($5,085 thousand) and ¥458 million, respectively.

9 Lease Obligations

Annual maturities of lease obligations at February 28, 2011, were as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2012	¥ 3,493	$ 42,598
2013	3,452	42,098
2014	3,524	42,976
2015	3,592	43,805
2016	3,548	43,268
2017 and thereafter	5,849	71,329
Total	¥23,458	$286,074

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, 2011 and 2010 was ¥506 million ($6,171 thousand) and ¥538 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥18,512	¥17,269	$225,756
Fair value of plan assets	(8,530)	(7,359)	(104,024)
Unrecognized actuarial loss	(3,266)	(4,080)	(39,829)
Unrecognized prior service cost	134	267	1,634
Unrecognized transitional obligation	(3)	(6)	(37)
Net liability	¥ 6,847	¥ 6,091	$ 83,500

The components of net periodic benefit costs for the years ended February 28, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥1,226	¥1,113	$14,951
Interest cost	299	273	3,646
Expected return on plan assets	(7)	(213)	(85)
Recognized actuarial loss	456	478	5,561
Amortization of prior service cost	(19)	(24)	(232)
Amortization of transitional obligation	3	3	37
Net periodic benefit costs	¥1,958	¥1,630	$23,878

Assumptions used for the years ended February 28, 2011 and 2010, are set forth as follows:

	2011	2010
Discount rate	Primarily 1.7%	Primarily 1.7%
Expected rate of return on plan assets	Primarily 0.0%	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, 2011 and 2010 were ¥119 million ($1,451 thousand) and ¥119 million, respectively.

11 Equity

Japanese companies are 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, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Provision for doubtful receivables	¥ 1,480	¥ 1,673	$ 18,049
Accrued bonuses	589	543	7,183
Provision for retirement benefits—employees	2,631	2,371	32,085
Provision for retirement benefits—directors and corporate auditors	206	219	2,512
Depreciation	86	55	1,049
Loss on disposals of property and store facilities and cancellations of lease contracts	964	1,330	11,756
Loss on impairment of long-lived assets	4,579	8,375	55,841
Enterprise tax payable	200	525	2,439
Tax loss carryforwards	8,321	15,379	101,476
Accounts payable	1,079	2,582	13,159
Unearned revenue	231	356	2,817
Other	504	1,516	6,147
Less valuation allowance	(3,391)	(27,826)	(41,354)
Total	17,479	7,098	213,159
Deferred tax liabilities:			
Undistributed earnings of associated companies	1,784	1,475	21,756
Unrealized gain on available-for-sale securities	167	93	2,037
Total	1,951	1,568	23,793
Net deferred tax assets	¥15,528	¥ 5,530	$189,366

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 years ended February 28, 2011 and 2010 is as follows:

	2011	2010
Normal effective statutory tax rate	41%	41%
Inhabitants taxes	1	1
Tax benefits not recognized on operating losses of subsidiaries	2	3
Lower income tax rates applicable to income in certain foreign countries	(2)	(2)
Other—net	1	1
Actual effective tax rate	43%	44%

As of February 28, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥20,806 million ($253,732 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
2012	¥ 562	$ 6,854
2013	690	8,415
2014	5,242	63,927
2015	2,570	31,341
2016 and thereafter	11,742	143,195
Total	¥20,806	$253,732

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, 2011 and 2010, were ¥12,177 million ($148,500 thousand) and ¥13,048 million, respectively.

The Group recorded impairment losses of ¥673 million ($8,207 thousand) and ¥756 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, 2011 and 2010, respectively.

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the ASBJ Statement No. 13 effective March 1, 2009 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before February 28, 2009 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, 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 was as follows:

	Millions of yen		
2011	Furniture and fixtures	Software	Total
Acquisition cost	¥63,972	¥4,202	¥68,174
Accumulated depreciation	(39,932)	(2,941)	(42,873)
Accumulated impairment loss	(2,891)		(2,891)
Net leased property	¥21,149	¥1,261	¥22,410

	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

	Thousands of U.S. dollars		
2011	Furniture and fixtures	Software	Total
Acquisition cost	$780,146	$51,244	$831,390
Accumulated depreciation	(486,975)	(35,866)	(522,841)
Accumulated impairment loss	(35,256)		(35,256)
Net leased property	$257,915	$15,378	$273,293

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 9,777	¥10,822	$119,232
Due after one year	17,046	27,657	207,878
Total	¥26,823	¥38,479	$327,110

Allowance for impairment loss on leased property of ¥1,926 million ($23,488 thousand) and ¥1,757 million as of February 28, 2011 and 2010 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
	2011	2010	2011
Depreciation expense	¥ 9,836	¥10,883	$119,951
Interest expense	859	1,171	10,476
Total	¥10,695	¥12,054	$130,427
Lease payments	¥11,079	¥12,083	$135,110
Reversal of allowance for impairment loss on leased property	¥ 505	¥ 442	$ 6,159
Impairment loss	673	756	8,207

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, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥1,758	¥1,456	$21,439
Due after one year	4,485	4,577	54,695
Total	¥6,243	¥6,033	$76,134

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, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 178	¥ 211	$ 2,171
Due after one year	972	1,152	11,853
Total	¥1,150	¥1,363	$14,024

The minimum rental commitments under noncancelable operating subleases as of February 28, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 220	¥ 259	$ 2,683
Due after one year	1,198	1,421	14,610
Total	¥1,418	¥1,680	$17,293

14 Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective February 28, 2011.

a. Status of financial instruments

(a) Group policy for financial instruments

The Group invests its cash surplus only in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

(b) Nature and extent of risks arising from financial instruments

Receivables such as receivables—due from franchised stores and other are exposed to customer credit risk.

Debt securities included in marketable and investment securities mainly consist of held-to-maturity securities rated over certain level. The Group monitored their market values and financial positions of the issuers on a regular basis. So, credit risk is limited to minimum. Equity securities included in investment securities, mainly equity instruments of customers and suppliers of the Group, are partially exposed to the risk of market price fluctuations.

Leasehold deposits, mainly related to rent agreements on stores, are exposed to counterparty credit risk.

Payment terms of payables, such as trade notes, trade accounts for franchised and Company-owned stores, due to franchised stores and other, and deposit received, are less than one year.

Maturities of lease obligations related to finance lease transactions, mainly for the purpose of financing capital investments of stores, are less than eight years after the balance sheet date and these interest rates are all fixed.

Leasehold deposits from franchised stores are mainly related to sublease arrangements of stores to the franchisees.

Derivatives mainly include forward foreign currency contracts which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables. Please see Note 15 for more detail about derivatives.

(c) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms.

The Group manages its credit risk from receivables by monitoring payment terms and balances of major customers and identifying the default risk of counterparties in early stage.

For leasehold deposits, the Group is scrutinizing the collectability by identifying the credit situations of counterparties at the time of concluding the rental agreements and also identifying the default risk of counterparties in early stage by collecting the information about the counterparties by the Property Administration Department.

Market Risk Management

(Foreign Exchange Risk and Interest Rate Risk)

Foreign currency receivables due from affiliates are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis and securities other than held-to-maturity debt securities are managed by reviewing the holding status continuously by taking into consideration the relationship with the counterparties.

Derivative transactions are executed and controlled based on the internal guidelines which prescribe the authority and the limit for each transaction by the Accounting and Finance Department obtaining authorization by the responsible management.

Liquidity Risk Management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates.

The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with preparing and updating the financial plan by each Group company.

(d) Supplementary information on fair values

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, it may change depending on the different assumptions.

b. Fair values of financial instruments

The following table summarizes the carrying amount, fair value and net unrealized gains/losses as of February 28, 2011:

Note that the following table does not include financial instruments for which fair values are extremely difficult to determine (see Note (2) below).

	Millions of yen		
February 28, 2011	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥ 95,486	¥ 95,486	
Time deposits	2,546	2,546	
Receivables:			
Due from franchised stores	13,139	13,139	
Other	46,965	46,965	
Marketable and investment securities:			
Held-to-maturity securities	8,701	8,750	¥ 49
Available-for-sale securities	4,687	4,687	
Leasehold deposits	106,242		
Allowance for doubtful receivables*	(504)		
	105,738	99,595	(6,143)
Total assets	¥277,262	¥271,168	¥(6,094)
Payables:			
Trade notes	¥ 192	¥ 192	
Trade accounts for franchised and Company-owned stores	70,977	70,977	
Due to franchised stores	5,929	5,929	
Other	21,945	21,945	
Deposit received	63,967	63,967	
Long-term lease obligations	19,965	18,574	¥(1,391)
Leasehold deposits from franchised stores	10,391	9,960	(431)
Total liabilities	¥193,366	¥191,544	¥(1,822)

February 28, 2011	Thousands of U.S. dollars Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	$1,164,463	$1,164,463	
Time deposits	31,049	31,049	
Receivables:			
Due from franchised stores	160,232	160,232	
Other	572,744	572,744	
Marketable and investment securities:			
Held-to-maturity securities	106,110	106,707	$ 597
Available-for-sale securities	57,159	57,159	
Leasehold deposits	1,295,634		
Allowance for doubtful receivables*	(6,147)		
	1,289,487	1,214,573	(74,914)
Total assets	$3,381,244	$3,306,927	$(74,317)
Payables:			
Trade notes	$ 2,341	$ 2,341	
Trade accounts for franchised and Company-owned stores	865,573	865,573	
Due to franchised stores	72,305	72,305	
Other	267,622	267,622	
Deposit received	780,085	780,085	
Long-term lease obligations	243,476	226,513	$(16,963)
Leasehold deposits from franchised stores	126,720	121,463	(5,257)
Total liabilities	$2,358,122	$2,335,902	$(22,220)

*Allowance for doubtful receivables on leasehold deposits is excluded.

Notes: (1) Measurement method of fair values of financial instruments

Assets

Cash and Cash Equivalents and Receivables—Due from Franchised Stores and Other

The fair values of cash and cash equivalents and receivables—due from franchised stores and other approximate their carrying amounts because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity securities and at the quoted price obtained from financial institutions for debt securities. Information on the fair value of the marketable and investment securities by classification is included in Note 6.

Leasehold Deposits

The fair values of lease deposits are measured at the discounted present value of reasonably expected future cash flows using the yields of national government bonds corresponding to the remaining period.

Liabilities

Payables—Trade Notes, Trade Accounts for Franchised and Company-Owned Stores, Due to Franchised Stores and Other, and Deposit Received

The fair values of payables—trade notes, trade accounts for franchised stores and Company-owned stores, due to franchised stores and other, and deposit received approximate their carrying amounts because of their short maturities.

Long-term Lease Obligations

The fair values of long-term lease obligations are measured at the discounted present value of aggregated amounts of principal and interest payables using the interest rate that would be applied to a similar lease transaction to be arranged currently.

Leasehold Deposits from Franchised Stores

The fair values of leasehold deposits from franchised stores are measured at the discounted present value of reasonably expected future cash flows using the yields of national government bonds corresponding to the remaining period.

(2) Financial instruments whose fair value cannot be reliably determined

February 28, 2011	Carrying amount Millions of yen	Thousands of U.S. dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥11,424	$139,317

c. Maturity analysis for financial assets and securities with contractual maturities

February 28, 2011	Millions of yen Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 95,486			
Time deposits	2,546			
Receivables:				
Due from franchised stores	13,139			
Other	46,965			
Marketable and investment securities—Held-to-maturity securities	1,000	¥ 7,701		
Leasehold deposits	4,045	28,043	¥32,279	¥41,875
Total	¥163,181	¥35,744	¥32,279	¥41,875

February 28, 2011	Thousands of U.S. dollars Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$1,164,463			
Time deposits	31,049			
Receivables:				
Due from franchised stores	160,232			
Other	572,744			
Marketable and investment securities—Held-to-maturity securities	12,195	$ 93,915		
Leasehold deposits	49,329	341,988	$393,646	$510,671
Total	$1,990,012	$435,903	$393,646	$510,671

d. Maturity analysis for lease obligations

Please see Note 9 for annual maturities of lease obligations.

15 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, 2011 and 2010.

16 Contingent Liabilities

As of February 28, 2011, 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.	¥ 91	$ 1,110
Guarantee of financial institution loan, borrowed by Famima Credit Corporation	15,149	184,744

17 Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2011 and 2010 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 28, 2011	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥18,023			
Net income available to common shareholders	¥18,023	94,992	¥189.7	$2.31

	Millions of yen	Thousands of shares	Yen
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

18 Subsequent Events

Great East Japan Earthquake

Certain of the Group's stores and branches located in part of Tohoku and Kanto regions have suffered damages as a result of the Great East Japan Earthquake on March 11, 2011. Immediately after the earthquake, about 300 stores suffered damaged and temporarily closed. Most of these stores, excluding those listed below, have resumed full operation after making every effort. In addition we have almost restored our supply chain, including damaged rice meal processing factories and distribution centers have been restored:

- Completely or partially destroyed stores due to the earthquake and tsunami:
  29 stores (4 stores in Iwate Prefecture, 21 stores in Miyagi Prefecture, 2 stores in Fukushima Prefecture, and 2 stores in Ibaraki Prefecture)
- Stores located around the caution area due to the accident of the Fukushima nuclear power plant:
  8 stores in Fukushima Prefecture

The amount of losses resulting from the disaster is estimated at approximately ¥3,710 million ($45,244 thousand), comprised primarily of ¥1,637 million ($19,963 thousand) for loss on impairment of long-lived assets, withdrawal costs, restoration costs, etc. and ¥1,198 million ($14,610 thousand) for supporting costs for restoration of the franchisees, etc.

The estimated amount of the losses as a result of the disaster is determined based on the available information about the status of devastation currently identified. The details of the devastated stores are under investigation, and accordingly, such amount may be changed according to the changes in the estimates.

Business Combination

On April 1, 2011, the Company acquired am/pm Kansai Co., Ltd., which had operated convenience stores and managed franchised stores by merger with the Company as the surviving entity.

This acquisition aims to increase the Company's business value through creating greater economies of scale with an extended store network especially in the Kansai area and by improving efficiency and integration of business foundations.

The acquisition cost was ¥1,907 million ($23,256 thousand) in cash in accordance with the Business Transfer Agreement dated February 24, 2011.

The Company took over am/pm Kansai Co., Ltd. with full management integration (absorption-type merger). The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill attributable to individual stores recorded in connection with the acquisition totaled ¥2,241 million ($27,329 thousand).

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

April 1, 2011	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,186	$26,659
Other assets	2,276	27,756
Goodwill attributable to individual stores	2,241	27,329
Total assets acquired	¥6,703	$81,744
Total liabilities assumed	¥4,796	$58,488
Net assets acquired	¥1,907	$23,256

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 11 years):

Cash Dividends

On April 14, 2011, the following appropriation of retained earnings at February 28, 2011 was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥36.0 ($0.44) per share	¥3,418	$41,683

19 Related Party Transactions

Transactions of the Company with related parties for the years ended February 28, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Takashi Endo (corporate auditor and attorney):			
Attorney's fee	¥ 56	¥ 26	$ 683
Accounts payable—other		3	
Famima Credit Corporation (associated company):			
Receivable—short-term loans (included receivable—other)	9,077		110,695
Receivable—long-term loans (included investments in and advances to unconsolidated subsidiaries and associated companies)		10,287	
Guarantee of financial institution loan	15,149	9,920	184,744
NIPPON ACCESS, INC. (fellow subsidiary):			
Purchase	11,779	4,594	143,646
Trade accounts payable for franchised and Company-owned store	14,293	12,843	174,305
Taiwan Distribution Center Co., Ltd. (associated company of subsidiary company):			
Purchase	4,263	3,493	51,988
Trade accounts payable for franchised and Company-owned store	7,495	6,900	91,402

20 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, 2011 and 2010, was as follows:

(1) Industry Segments

The industry segments of the Company and its subsidiaries for the years ended February 28, 2011 and 2010, are summarized as follows:

a. Operating revenues and operating income

	Millions of yen			
	2011			
	Convenience store business	Other businesses	Eliminations/ corporate	Consolidated
Operating revenues from outside the Group	¥313,807	¥6,082		¥319,889
Intersegment operating revenues	243	2,339	¥(2,582)	
Total operating revenues	314,050	8,421	(2,582)	319,889
Operating expenses	272,103	6,756	2,807	281,666
Operating income	¥ 41,947	¥1,665	¥(5,389)	¥ 38,223

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

	Millions of yen			
	2011			
	Convenience store business	Other businesses	Eliminations/ corporate	Consolidated
Total assets	¥323,239	¥22,152	¥90,643	¥436,034
Depreciation	12,487	95		12,582
Loss on impairment of long-lived assets	2,165			2,165
Capital expenditures	39,953	248		40,201

a. Operating revenues and operating income

	Thousands of U.S. dollars			
	2011			
	Convenience store business	Other businesses	Eliminations/ corporate	Consolidated
Operating revenues from outside the Group	$3,826,915	$ 74,170		$3,901,085
Intersegment operating revenues	2,963	28,525	$(31,488)	
Total operating revenues	3,829,878	102,695	(31,488)	3,901,085
Operating expenses	3,318,329	82,390	34,232	3,434,951
Operating income	$ 511,549	$ 20,305	$(65,720)	$ 466,134

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

	Thousands of U.S. dollars			
	2011			
	Convenience store business	Other businesses	Eliminations/ corporate	Consolidated
Total assets	$3,941,939	$270,147	$1,105,402	$5,317,488
Depreciation	152,280	1,159		153,439
Loss on impairment of long-lived assets	26,402			26,402
Capital expenditures	487,232	3,024		490,256

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

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended February 28, 2011 and 2010, are summarized as follows:

	Millions of yen				
	2011				
	Japan	Asia	Other area	Eliminations/ corporate	Consolidated
Operating revenues from outside the Group	**¥276,149**	**¥42,684**	**¥1,056**		**¥319,889**
Interarea transfers	**569**	**16**		**¥ (585)**	
Total operating revenues	**276,718**	**42,700**	**1,056**	**(585)**	**319,889**
Operating expenses	**235,934**	**39,503**	**1,425**	**4,804**	**281,666**
Operating income (loss)	**¥ 40,784**	**¥ 3,197**	**¥ (369)**	**¥ (5,389)**	**¥ 38,223**
Total assets	**¥287,271**	**¥51,011**	**¥ 387**	**¥97,365**	**¥436,034**

	Thousands of U.S. dollars				
	2011				
	Japan	Asia	Other area	Eliminations/ corporate	Consolidated
Operating revenues from outside the Group	**$3,367,671**	**$520,537**	**$12,877**		**$3,901,085**
Interarea transfers	**6,939**	**195**		**$ (7,134)**	
Total operating revenues	**3,374,610**	**520,732**	**12,877**	**(7,134)**	**3,901,085**
Operating expenses	**2,877,244**	**481,744**	**17,378**	**58,585**	**3,434,951**
Operating income (loss)	**$ 497,366**	**$ 38,988**	**$ (4,501)**	**$ (65,719)**	**$ 466,134**
Total assets	**$3,503,305**	**$622,085**	**$ 4,720**	**$1,187,378**	**$5,317,488**

	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

(3) Operating Revenues from Foreign Customers

Operating revenues from foreign customers for the years ended February 28, 2011 and 2010, amounted to ¥44,141 million ($538,305 thousand) and ¥40,449 million, respectively.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of FamilyMart Co., Ltd. (the "Company") and consolidated subsidiaries (the "Group") as of February 28, 2011 and 2010, 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 18 to the consolidated financial statements, the Group has suffered damages as a result of the Great East Japan Earthquake on March 11, 2011.

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 26, 2011

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 stock 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 stock 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, 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.	Integration with am/pm Japan Co., Ltd. completed.
	July	FamilyMart concludes a joint-area franchise agreement with JR KYUSHU RETAIL, INC.
2011	Apr.	Integration with am/pm Kansai Co., Ltd. completed.

Investor Information

Corporate Data (non-consolidated)

(As of February 28, 2011)

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:	3,358
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,750,744 shares)
Number of shareholders:	12,391
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, 2011)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	29,941	30.7
Japan Trustee Services Bank, Ltd. (Trust account)	6,348	6.5
The Master Trust Bank of Japan, Ltd. (Trust account)	3,332	3.4
NTT DoCoMo, Inc.	2,931	3.0
Mizuho Bank, Ltd.	2,085	2.1
Nippon Life Insurance Company	1,964	2.0
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,530	1.6
State Street Bank and Trust Company 505223	1,412	1.5
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,261	1.3
Deutsche Securities Inc.	1,089	1.1
Total	51,894	53.1

Notes: 1. In addition to the above, the Company also holds 2,750,744 shares in treasury.
2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

Domestic Area Franchisers

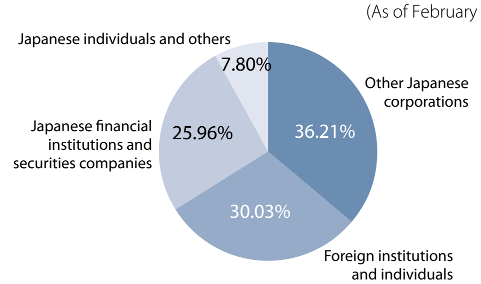
Okinawa FamilyMart Co., Ltd.
Minami Kyushu FamilyMart Co., Ltd.
Hokkaido FamilyMart Co., Ltd.
JR KYUSHU RETAIL, INC.

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)

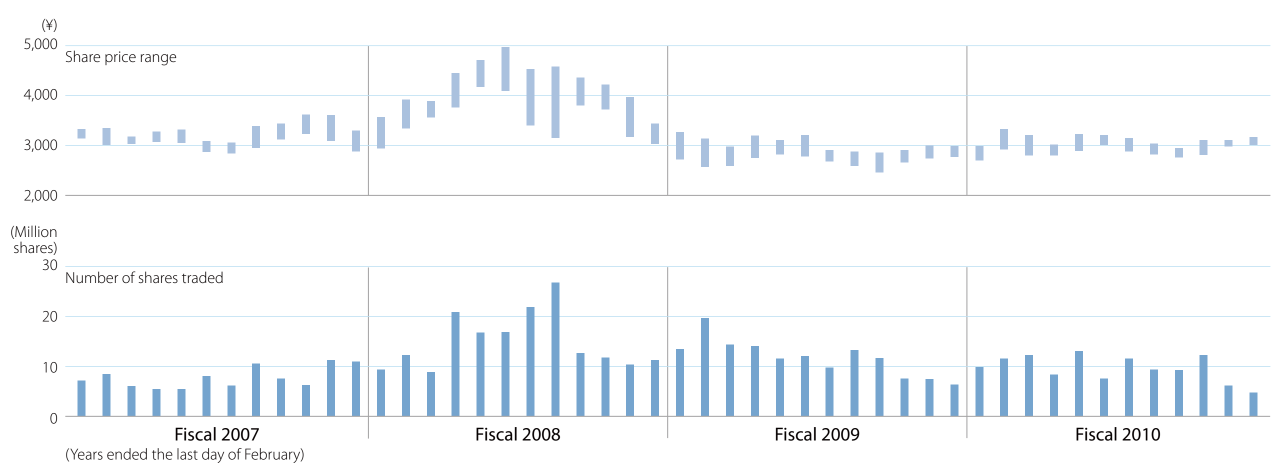
Distribution of the Shares

(As of February 28, 2011)



* Excluding shares of less than one trading unit

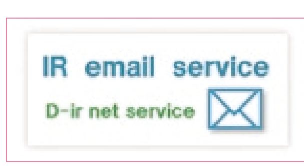
Share Price Range and Number of Shares Traded



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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