Annual Report 2012

FamilyMart

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Smiling Together

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

Smiling Together

Living in the one community it is important
that we share in the pleasures of good times.
Helping and supporting one another,
we should aspire to those times
when we can all smile together.
Wherever we are and whatever we are doing,
we at FamilyMart are always in a circle of friends.
With bright smiling faces,
we can bring to each community
a more prosperous and rich environment.
With this in mind, FamilyMart is committed
to smiling together at all times.

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12 **Interview with the President**

A Year of Positioning Ourselves for Target Achievement

In fiscal 2011, the brand conversion of am/pm stores was completed, and FamilyMart opened its 20,000th store globally. We are now well on the way to becoming a global convenience-store chain. President Junji Ueda discusses the directions the Company will be heading in and outlines growth strategy in years ahead.

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20 **Special Feature**

1 Overseas Growth Strategy

Becoming No.1 in Asia: Our overseas growth challenge

Why are FamilyMart's overseas businesses flourishing? In Part 1, we analyze the reasons for success. In Part 2, Chairman Wei-Yin-Heng of FamilyMart China Holding Co., Ltd., the driver of future growth for the Group, gives a personal take on growth strategy and prospects.

2 Full Description of the Brand Integration

The story of a historic merger

Despite a string of difficulties, the conversion of 733 am/pm stores was completed within just two years. The story of this achievement is here told through the eyes of those actually involved.

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Editorial Policy

The Annual Report 2012 includes material from our Social and Environmental Reports published up to fiscal 2011. The aim is to produce an easy to understand report that covers all aspects of the Company's operations, spanning growth strategy, management organization and CSR activities.

In fiscal 2012, we grouped CSR activities under the seven core themes under the international ISO26000 standard (for all types of organization), and here submit a progress report (please see P.44–45). Matters of particular public concern and significance for FamilyMart have been selected and are presented here.

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

In line with this commitment to provide easy-to-understand disclosure materials, FamilyMart will continue to value its dialogue with the widest possible range of stakeholders and will keep them fully briefed of matters affecting the Company.

Period and scope of the Report

This Annual Report covers the fiscal year March 2011-February 2012 (and also includes some activities subsequent to February 2012). Environment-related data refers only to FamilyMart non-consolidated.

Related information

P.00–

Related information is indicated by the above icon, showing which page to turn to.

Cautionary Statement:

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

FamilyMart at a glance

Creating a global network

The FamilyMart convenience-store chain was launched in Japan in 1973.
Currently, the Company operates over 20,000 stores in seven markets (Japan, Taiwan, South Korea, Thailand, China, the United States and Vietnam).
Asia is the focus of our overseas expansion.

Japan

- 1973~

Stores: 8,834

Market position: No.3

China

- 2004~

Stores: 813

No.1 Japanese CVS chain

P.22,40

Network of 20,079 stores in 7 markets

Average number of customers visiting our stores per day, around the world 15 million

Taiwan
- 1988~

Stores: 2,809

Market position: No.2
Listed company

P.38

South Korea
- 1990~

Stores: 6,910

Market position: No.1

P.39

Thailand
- 1993~

Stores: 687

Market position: No.4

P.39

United States
- 2005~

Stores: 8

P.41

Vietnam
- 2009~

Stores: 18

P.41

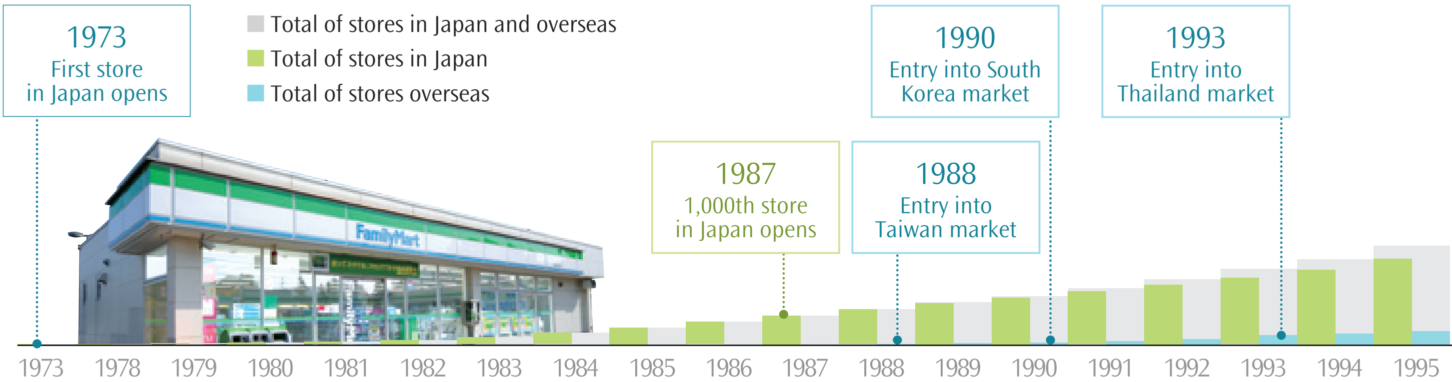
Indonesia
- 1st store-opening planned in fiscal 2012

Philippines
- 1st store-opening planned in fiscal 2012

As of February 29, 2012

FamilyMart History

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.
And then FamilyMart launched operations overseas, becoming the first Japanese-owned convenience-store chain in Japan to do so. After decades of effort we opened our 20,000th store globally in fiscal 2011. Stakeholders can expect this global expansion to continue.



Our Progress ▶ In Japan ▶ Overseas ● CSR

▶ 1981 Establishment of FamilyMart Co., Ltd.

▶ 1987 Listing on the Second Section of the Tokyo Stock Exchange

▶ 1988 First overseas store opened, in Taipei, in Taiwan

▶ 1989 Listing on the First Section of the Tokyo Stock Exchange
Introduction of Point-of-Sale System

Evolving from the corner shop to an indispensable

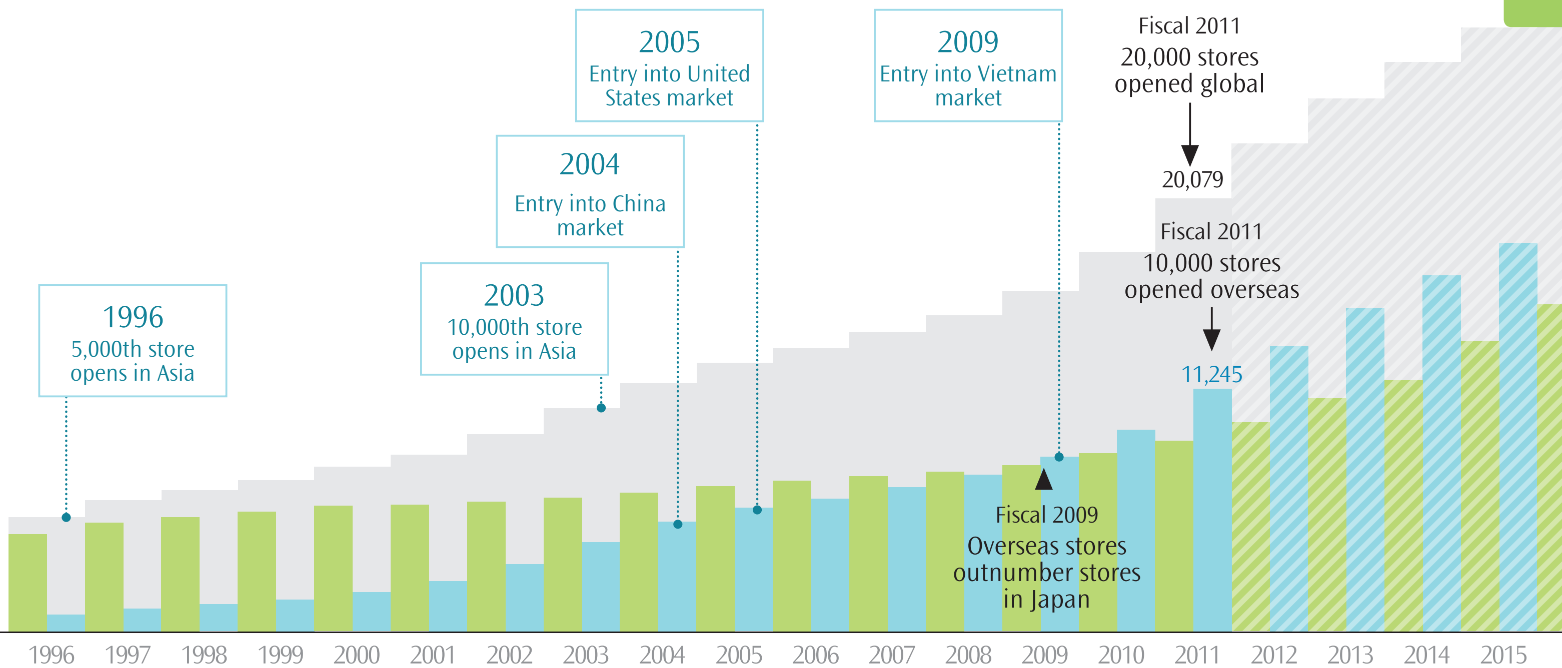
The first convenience store was opened in Japan around 35 years ago. Since then, they have gradually expanded their role, as customer needs broadened and greater convenience was sought. Now, convenience stores have become part of the must-have infrastructure of daily life for millions of people, providing not only merchandise but also financial services (hosting ATMs and handling payment of utility bills) and online services (ticket issuance through Famiport Multimedia Terminals). They even have a local “night watchman” role, offering sanctuary to women who feel unsafe at night and children who have lost their way, and a disaster relief role.

The store next door

In response to customer needs in local communities, FamilyMart ensures that its stock displays always contain a wide range of items from *bento* and beverages to non-food items, and stock the products our customers want to buy, when they want to buy them, in the right amounts.

Global network of 25,000 stores by fiscal 2015, and of 40,000 stores by fiscal 2020

Becoming No.1 in Asia



- 1998 ITOCHU Corp. becomes No. 1 shareholder
- 1999 Launch of ATM services
- 1999 Acquisition of ISO14001 environmental management certification
- 2000 Rollout begins of Famiport Multimedia Terminals
- 2005 Launch of the "FamilyMart Feel" campaign
- 2006 Establishment of FamilyMart Connecting Dreams Foundation
- 2006 Store network reaches last of Japan's 47 prefectures
- 2007 Launch of T-Point Loyalty Program
- 2009 Acquisition of am/pm
- 2010 Launch of the research unit "Otona-conveni Laboratory"
- 2011 Launch of the Global FamilyMart environmental project

part of the social infrastructure

Social infrastructure role
Provider of financial and other services

We provide a wide range of convenience-store services that support people's lifestyles.

- ATMs
- Utility and other bill payments
- Photocopying and faxing
- Ticket issuance
- Package-delivery agent
- Over-the-counter handling of merchandise ordered online
- E-money and credit-card settlements

Famiport Multimedia Terminals

ATMs

Local "safe area"

- "Night watchman" functions such as offering sanctuary to women who feel unsafe in the dark

1,702 cases in fiscal 2011

- Helping children who have lost their way

663 cases in fiscal 2011

Disaster relief functions

- Support for people stranded by disasters

Partnerships formed with 33 prefectures and nine cities

- Ensuring supplies get through in disasters

Partnership agreements with 43 prefectures and seven cities

Consolidated Financial Highlights

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

	Millions of yen			
	2012	2011	2010	2009
Results of operations:				
Total operating revenues (Note 1):	329,218	319,889	278,175	287,342
Commission from franchised stores	189,659	181,064	161,167	162,288
Other operating revenues	29,546	27,129	22,988	22,571
Net sales	110,013	111,696	94,020	102,483
Operating income	42,586	38,223	33,531	36,532
Net income	16,584	18,023	15,103	16,452
Net cash provided by (used in) operating activities	72,900	50,338	(6,575)	75,028
Net cash used in investing activities	(20,746)	(25,798)	(36,152)	(28,217)
Net cash (used in) provided by financing activities	(14,189)	(13,977)	(8,342)	(7,030)
Financial position:				
Total assets (Notes 2, 3)	472,822	436,034	424,209	398,126
Total equity (Note 4)	225,939	216,979	206,490	197,529
Per share of common stock (in yen and U.S. dollars):				
Total equity (Note 4)	2,299.1	2,207.5	2,096.4	2,001.5
Basic net income (Note 5)	174.7	189.7	158.5	172.6
Cash dividends applicable to the year (Note 5)	82.0	72.0	70.0	68.0
Ratio:				
Equity ratio (%)	46.2	48.1	47.1	47.9
ROE (return on equity) (%)	7.8	8.8	7.7	8.8
ROA (return on total assets (%)	3.6	4.2	3.7	4.4
PER (price earnings ratio) (times)	18.1	16.3	18.0	19.2
Payout ratio (%)	46.9	37.9	44.2	39.4
Other data:				
Growth rate of average daily sales of existing stores (non-consolidated) (%)	4.4	(0.2)	(2.4)	7.1
Number of store openings (non-consolidated) (Note 6)	851	741	545	542
Number of total chain stores	20,079	17,598	15,789	14,651
Japan (including area franchised stores)	8,834	8,248	7,688	7,404
Overseas	11,245	9,350	8,101	7,247
Number of full-time employees	8,327	7,569	7,204	6,950
Number of shareholders	11,913	12,391	13,274	12,293

Notes: 1. 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 a gross basis to a net basis.
2. Total assets as of the fiscal 2003 term-end include the amount for trade payables (¥37,883 million) and other payables (¥3,287 million) as the due date (February 29, 2004) fell on a bank holiday.
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.

Performance Highlights

(Fiscal Year Ended February 29, 2012)

Operating Income

¥42.6 billion

(Up 11.4% YoY)

Ordinary Income

¥44.8 billion

(Up 12.3% YoY)

FamilyMart achieved record high operating income and ordinary income with year-on-year double-digit percentage growth. This was largely attributable to expansion of its store network in Japan, robust existing store sales and improved overseas business earnings.

Net Income

¥16.6 billion

(Down 8.0% YoY)

Net income declined 8.0% year on year due mainly to the affect of adopting the accounting standard for asset retirement obligations and losses incurred as a result of the Great East Japan Earthquake.

Millions of yen							Thousands of U.S. dollars (Note 7)
2008	2007	2006	2005	2004	2003	2002	2012
319,439	297,849	276,443	252,901	228,977	217,468	195,605	4,064,420
150,351	142,294	138,636	132,864	127,164	122,738	116,478	2,341,469
21,232	21,049	19,256	16,438	14,730	13,778	11,305	364,766
147,856	134,506	118,551	103,599	87,083	80,952	67,822	1,358,185
31,214	29,609	32,662	30,869	29,093	27,921	23,756	525,753
16,438	14,969	14,195	12,623	13,788	12,880	8,549	204,741
49,375	35,093	42,778	1,428	73,593	32,694	34,219	900,000
(24,593)	(32,938)	(32,249)	(23,183)	(10,719)	(29,327)	(28,812)	(256,123)
3,956	(19,155)	(4,238)	(3,922)	(3,892)	(3,626)	(4,338)	(175,173)
351,271	315,256	314,121	286,771	309,315	250,609	242,517	5,837,309
191,281	171,155	168,233	156,931	147,524	137,636	130,510	2,789,370
1,921.6	1,771.3	1,736.2	1,619.5	1,522.3	1,421.0	1,347.2	28.38
173.5	158.8	145.7	129.5	141.5	133.0	88.3	2.16
60.0	46.0	43.0	38.0	38.0	38.0	38.0	1.01
52.2	51.9	53.6	54.7	47.7	54.9	53.8	
9.5	9.0	8.7	8.3	9.7	9.6	6.7	
4.9	4.8	4.7	4.2	4.9	5.2	3.7	
17.8	20.5	25.1	24.0	21.1	14.4	24.4	
34.6	29.0	29.5	29.4	26.8	28.6	43.1	
0.9	(1.4)	(1.6)	1.2	(2.9)	(0.5)	(1.2)	
520	586	606	532	456	501	515	
13,875	13,122	12,452	11,501	10,326	9,123	8,184	
7,187	6,974	6,734	6,424	6,199	6,013	5,856	
6,688	6,148	5,718	5,077	4,127	3,110	2,328	
6,647	6,735	6,048	5,458	4,675	4,466	4,205	
14,933	17,880	17,444	18,644	21,173	24,263	28,088	

Notes: 4. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in total equity.
5. Effective from the fiscal year ended February 2004, FamilyMart has applied the Accounting Standard for Earnings per Share (Accounting Standards Board of Japan (ASBJ) Statement No. 2) and the Guidance on the Accounting Standard for Earnings per Share (ASBJ Guidance No. 4).
6. Includes stores opened under the TOMONY format, and stores converted from the am/pm brand.
7. Conversion into U.S. dollars has been made at the exchange rate of ¥81= U.S. $1, the rate prevailing on February 29, 2012.

Fiscal Year Ending February 29, 2016 Targets

Stores in Japan and Overseas **25,000**

Consolidated Ordinary Income **¥60 billion**

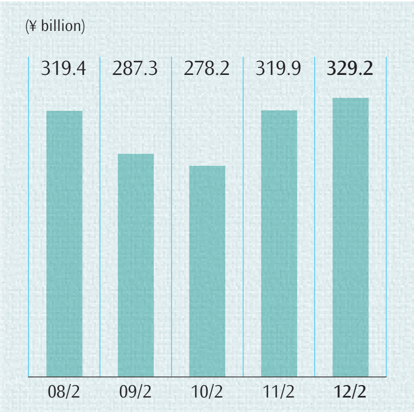
Overseas Contribution to Earnings (Ratio to total net income) **Approx. 20%**

Please refer to the "Interview with the President" on P.16 for details regarding progress in achieving medium-term management plan.

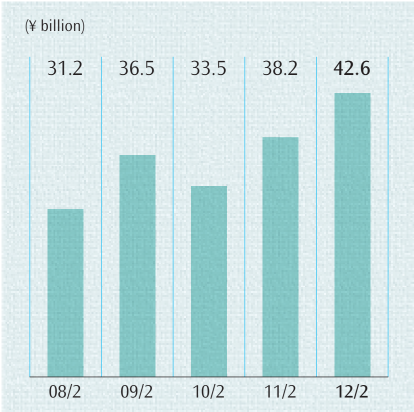
Performance Highlights

Financial Highlights (consolidated)

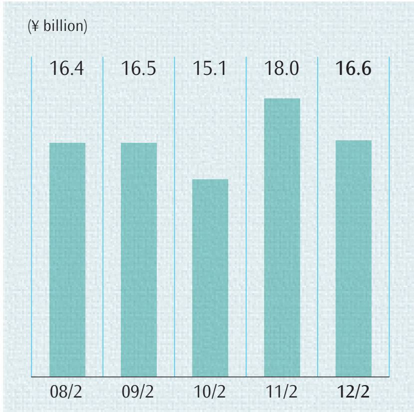
Total Operating Revenues



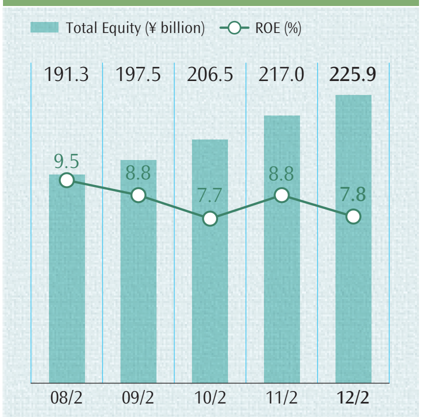
Operating Income



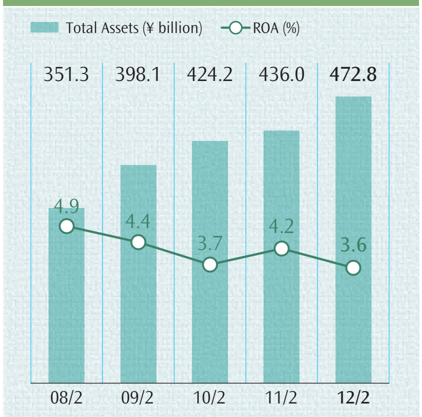
Net Income



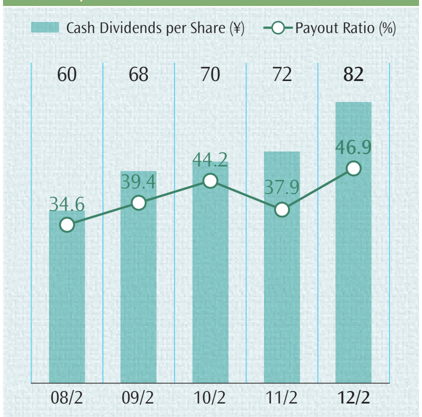
Total Equity and ROE



Total Assets and ROA



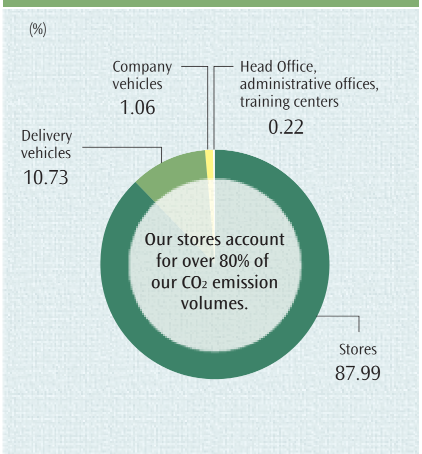
Cash Dividends per Share and Payout Ratio



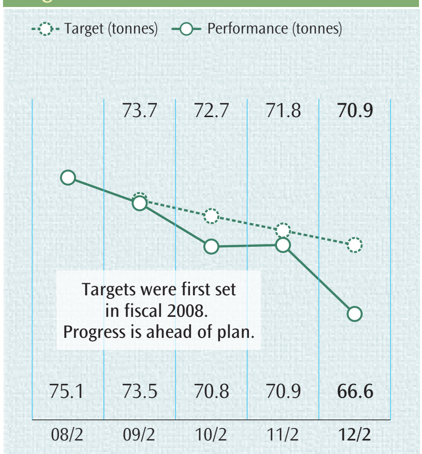
Environment-related Data (non-consolidated)

For more details, please see P.56

CO_2 emissions at All FamilyMart Stores



Cutting CO_2 emissions: Targets and Actual Performance



Food Recycling Rate

Our food recycling rate is above the 45.0% target set by the Japanese food-retailing industry for our category.

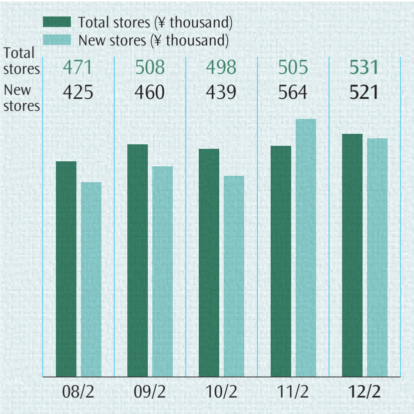
(Fiscal 2010)	45.7%
(Fiscal 2011)	47.8%

Business Performance (non-consolidated)

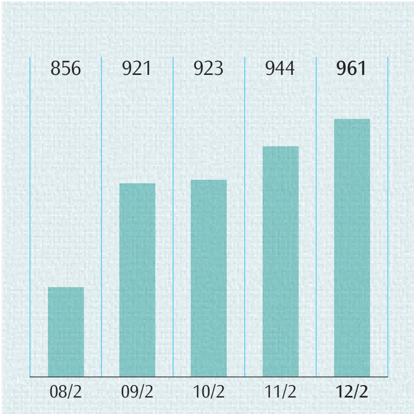
For more details, please see P.74

* The figures below do not reflect the performance results of TOMONY stores and am/pm stores before brand conversion.

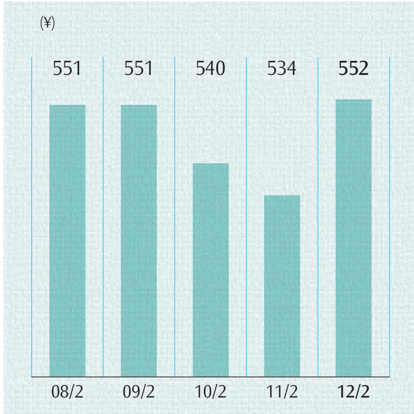
Average Daily Sales*



Number of Customers (total stores)*

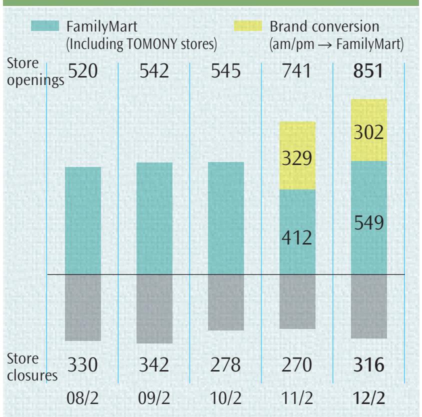


Spend per Customer (total stores)*

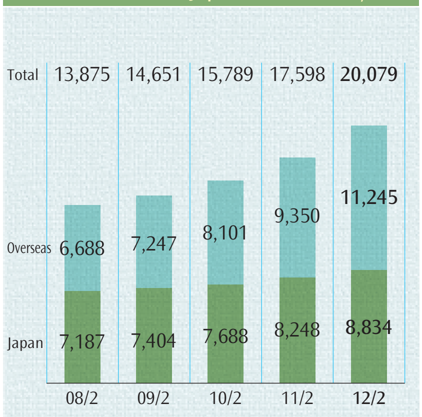


Growth Rate of Average Daily Sales of Existing Stores (%)*

Store Openings and Store Closures



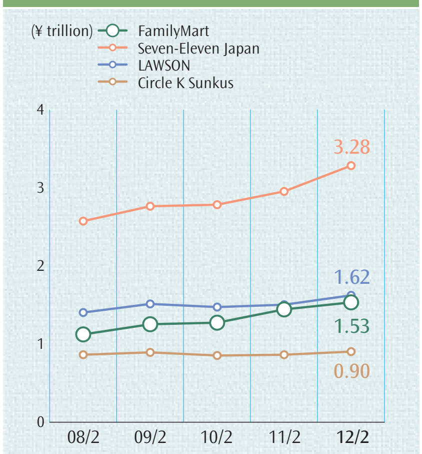
Number of Total Chain Stores (including area franchised stores in Japan and overseas)



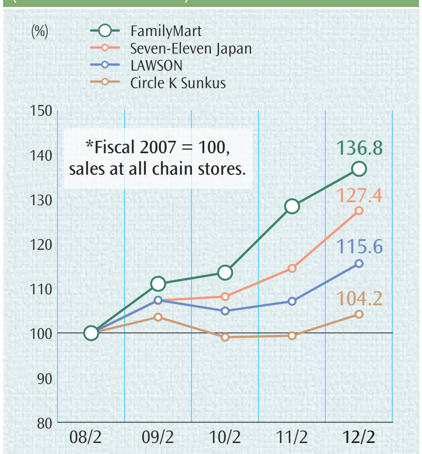
Principal Indicators of Convenience Store Industry

For more details, please see P.74

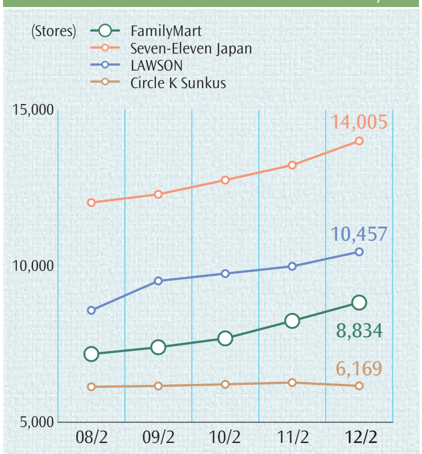
Total Store Sales (non-consolidated)



Total Store Sales Growth (non-consolidated)



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



Interview with the President

Targets for FY2015:

A global network of 25,000 stores

Consolidated ordinary income of ¥60 billion

A year of laying the groundwork

Junji Ueda
President and Chief Executive Officer

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Q1 Can you summarize fiscal 2011, and are you satisfied with earnings performance?

Record high operating and ordinary income on both consolidated and non-consolidated basis

To mark our 30th anniversary in fiscal 2011, we adopted the slogan "Everyone is Part of Our Family," to give meaning to our concept of creating Close Ties, with customers and local communities and with franchisees and Head Office.

The Great East Japan Earthquake disaster that occurred on March 11, 2011 caused enormous damage. But it was a year in which we did indeed forge closer ties, between franchisees — support for whom was the main management priority of the year — and Head Office, among employees, and between franchisees in Japan and overseas.

Against this background, we completed the integration of our own brand with am/pm Japan Co., Ltd. on schedule in December 2011, after two years of work. As a result, we were able to complete the conversion of 733 am/pm convenience stores in the Tokyo, Kansai and Kyushu areas, begun after our merger with am/pm in the spring of 2010.

Average daily sales since the conversion have increased by approximately 25% and operating income attributable to former am/pm stores was around ¥2 billion, far more than the initial estimate. Including these stores converted from the am/pm brand in fiscal 2011, we opened a record-high number of new stores, at 844 (of which 542 were conventional* FamilyMart stores, and another seven were TOMONY stores). Average daily sales at new stores were ¥521,000 (¥504,000 for conventional stores only). In addition, as a result of steady growth in our overseas store network, we achieved our target of operating 20,000 stores globally by the end of February 2012.

Turning to products, by strengthening our lines of higher value-added items, such as rice balls using *Kinmemai* premium brand rice (to suit the tastes of people over 50), and new IRODORI famima DELI brand delicatessen items and salads, we increased average spending per customer by about ¥20 (at existing stores).

In addition, as a result of five continuous years of growth in customer visits, average daily sales at existing stores grew by 4.4% over the full year, ahead of target, and higher year-on-year even after exclusion of tobacco sales (which were boosted by external factors: the fadeout of other retail channels and a cigarette price increase).

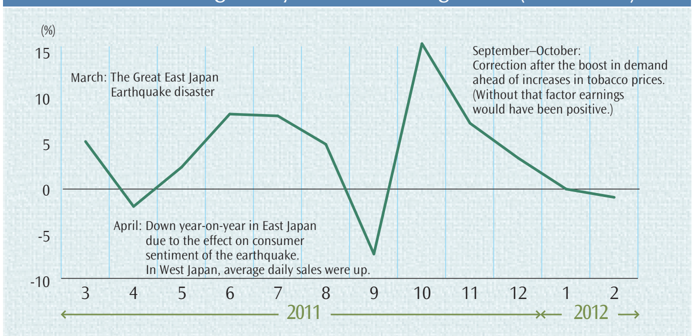
As a result, operating and ordinary income on a consolidated and non-consolidated basis both rose to their highest-ever levels on double-digit growth from the previous fiscal year.

* Conventional: Means stores newly opened by FamilyMart (non-consolidated; excluding stores opened by conversion of am/pm stores or by area franchising companies).

Consolidated Earnings Performance (Millions of yen)

	12/2	11/2	YoY change
Total operating revenues	329,218	319,889	2.9%
Operating income	42,586	38,223	11.4%
Ordinary income	44,810	39,907	12.3%
Net income	16,584	18,023	(8.0)%

Growth Rate of Average Daily Sales at Existing Stores (Fiscal 2011)



Q2 What prospects and issues do you see for operations in Japan?

800 new store openings to meet growing customer base

In recent years, the customer base for convenience stores has shown signs of gradually expanding in line with demographic and social change*, namely the falling birth rate and rising number of elderly, along with the increase in single-person households. In particular, since the earthquake disaster, people in later middle age and housewives, two groups that previously rarely used convenience stores, have become repeat customers. As a result, the proportion of FamilyMart customers in the 50-plus age group rose 4 percentage points year-on-year in the year under review to 29%, while the proportion of female customers has risen to 45%. We believe that this is the result of actual experience of the convenience of FamilyMart stores and the excellence of their stock, something they previously had no knowledge of.

We aim to further grow sales by leveraging this trend in our product development and store operation, and by adopting a strategy based on the Famima T Card to increase the number of loyal customers. (For more detail, please see Pages 30–34, Product Strategy, CRM Strategy and Store Operation.) We plan to add 800 new stores under our conventional format to expand network scale in Japan. Although there are some 45,000 convenience stores in Japan today, we believe there is still plenty of scope for new store openings due to changing commercial and residential patterns and the increase in people living in Japan's many remote areas, far away from mainstream shopping facilities. The store development capabilities we have built up over the last two years while opening around 800 stores, including am/pm conversions, also give us confidence that this target can be reached. (For more detail, please see Page 35, Store Opening Strategy in Japan.)

At the same time, in fiscal 2012, we plan to set up a profit structural reform committee to oversee an unprecedentedly far-reaching overhaul of operations across the FamilyMart Group. By revamping the entire supply chain from raw material procurement through plant management processes and locational rationalization of production and logistics bases, we aim to quickly achieve a gross profit ratio of 30%. (For more detail, please see Pages 30–32, Product Strategy.)

In light of demographic and social change, we also plan to aggressively expand our businesses into peripheral domains, becoming a "social and lifestyle-service infrastructure enterprise" based on the convenience-store business. As part of this drive, we converted SENIOR LIFE CREATE CO., LTD., which handles home delivery of *bento* for the elderly, into a subsidiary in April 2012. Through lifestyle-support businesses centered on meal delivery to towns and villages all over Japan with growing numbers of elderly residents, we aim to raise the profile of the FamilyMart brand to the point where it is indispensable to everyone's lives.

* For more detail, please see Pages P.28–29, Operating Environment.

Overseas operations

Q3 What can you tell us about overseas growth strategy?

Expanding the network based on China, and developing new markets

Since we entered the Taiwan market in 1988, we have steadily increased the number of FamilyMart stores all over Asia and beyond. As a result, the total network we operate in Japan and overseas has now reached 20,079 stores, as of February 29, 2012, ahead of our global target of 20,000. This means that we have further consolidated our position as the second-largest convenience-store chain in the world by number of outlets. In fiscal 2012, we plan to continue aggressively opening new stores in all our markets. Next February, we expect to have increased our overseas store network by 1,976 stores to 13,221, and our overall store total by 2,530 stores to 22,609. As a medium-term target, we aim to be operating 25,000 stores globally by fiscal 2015, and 40,000 by fiscal 2020.

The country with the most eye-catching growth potential is China, with its population of 1.3 billion people. By February 29, 2012, we had increased the number of stores in Shanghai by approximately 200 to 639. We have broken the 100-store barrier in Guangzhou, and have become the first Japanese convenience store operator to set up shop in Hangzhou. This means we now have 813 stores in China including Suzhou, and, during fiscal 2012, we plan to increase this network by some 50% to 1,200 stores. In 2011, we opened our first store in Chengdu, and plan to set up operations in Shenzhen in 2012. (For more detail, please see Pages 20–23, Special Feature 1, Overseas Growth Strategy.)

Turning to potential new markets, within the year we are considering launching operations in Indonesia and the Philippines. With rapid economic growth in coming years in the newly emerging Asian markets expected to boost personal spending, demand for convenience-store products and services is showing signs of steadily expanding. As markets, we see Indonesia and the Philippines showing the same trend as Vietnam, where we set up shop in 2009: namely, development of a consumption-centered lifestyle. In all of these countries, the population is young (by average age), creating a tremendously promising market for the convenience-store format. A word of caution, though: Apart from Taiwan, South Korea and Thailand, we are still in the initial investment phase in our Asian endeavors, and overseas businesses overall accounted for around 10% of consolidated net income in fiscal 2011. However, with our store network in Shanghai set to reach the profitability stage in fiscal 2012, we expect a much greater earnings contribution in years ahead. Furthermore, these store networks will enable us to globalize our in-house motivation campaigns, so they cover all our stores in Japan and overseas. By raising the profile of our brand overseas and expanding earnings on a global basis, we expect the overseas contribution to earnings to increase to 20% of consolidated net income by fiscal 2015.

Total of Stores in the FamilyMart Network

	February 28, 2013 (targets)	February 29, 2012	Difference
Japan	9,388	8,834	554
Taiwan	2,861	2,809	52
South Korea	8,310	6,910	1,400
Thailand	769	687	82
Shanghai, China	919	639	280
Guangzhou, China	191	121	70
Suzhou, China	92	48	44
Hangzhou, China	25	5	20
Subtotal for China	1,227	813	414
United States	9	8	1
Vietnam	45	18	27
Total overseas	13,221	11,245	1,976
Total	22,609	20,079	2,530

Q4 What progress has been made in the medium-term management plan? What remains to be done?

Strengthening fundamentals in Japan and growing earnings overseas, for early target achievement

We are now confident that our targets of a global network of 25,000 stores and consolidated ordinary income of ¥60 billion by fiscal 2015 are feasible, on the strength of steady progress in parent-company operations, spurred by integration of am/pm Japan Co., Ltd., and steady expansion in business scale in overseas markets.

Looking first at the market in Japan, we are improving management standards at existing stores, including former am/pm stores, to create further scope for increasing average daily sales. In addition, we are strengthening operational fundamentals in Japan through (1) better store designs and product development, to satisfy a wider range of age groups including the 50-plus group; (2) acceleration of store openings to create a higher-quality network; and (3) improvement of the gross profit ratio by reforming our earnings structure. In overseas markets, we are accelerating the pace of store openings in the top-priority China market, where growth potential is great, while expanding market share and earnings capability in markets where we already have established networks. In fiscal 2014, we expect our China operations as a whole to turn profitable, as we move into a new phase of rapid earnings growth on the back of expansion in scale. Looking ahead, China will be the main driver of earnings in overseas markets. As a result of the measures outlined above, we are confident that we can achieve the targets of the medium-term management plan.

Our Vision for FamilyMart

With roots in Japan, we aim to be No.1 in Asia

Convenience-store operations in Japan

- Sustained growth at existing stores (create scope for raising average daily sales)
- Create a high-quality network (expand market share by accelerating pace of store opening)
- Improve profitability (quickly achieve gross profit ratio of 30%)

Convenience-store operations overseas

Taiwan, South Korea, Thailand	Increase market share and profitability
China	Priority market: Accelerate pace of store opening
United States, Vietnam	Create business model enabling early localization
Indonesia, Philippines, etc	Explore entry into potential new markets

Convenience stores Affiliated businesses/ M&A

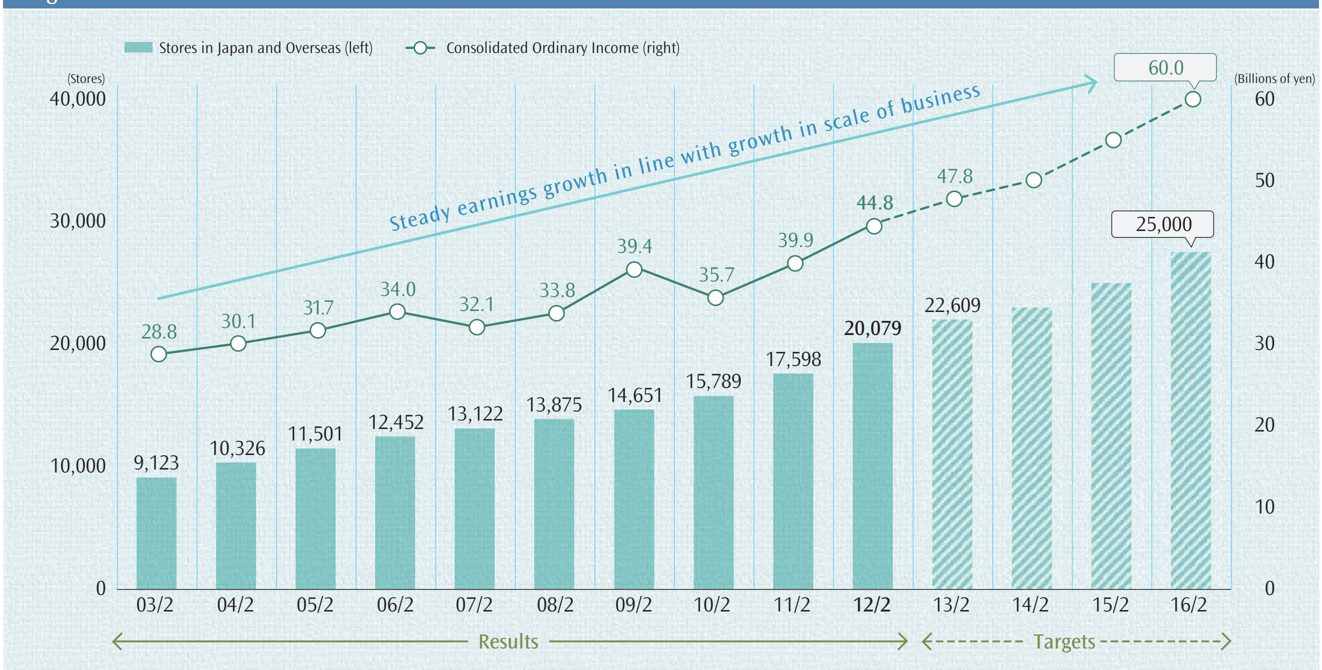
Aggressively develop peripheral businesses as a social and lifestyle-service infrastructure provider

Online shopping, food production, T Card, meal deliveries to the elderly and other businesses

Targets in the medium-term management plan

Fiscal 2015: 25,000 stores in Japan and overseas; Consolidated ordinary income: ¥60 billion; Overseas earnings contribution: 20% (Approximately)

Longer-Term Growth



Q5 What is FamilyMart's approach to corporate social responsibility?

Global CSR within our growth strategy

We believe that the most important aspect of corporate social responsibility (CSR) is to create firm relationships of trust with stakeholders. Our corporate slogan, "FamilyMart, Where You Are One of the Family," embodies our determination to prosper in partnership with all our stakeholders. In recent years, there has been growing public concern about the environment and the obligations of companies to the community, against a background of recurrent natural disasters, water shortages and other crises. We are determined to squarely face up to these issues, in the belief that fulfillment of responsibilities to society is an important criterion in measuring enterprise value.

Every year, we organize the FamilyMart "AFC Summit," at which senior managements of area franchising companies from around the world are brought together under one roof, to participate in lively discussions and exchanges of opinion on our upcoming global CSR activities and environmental projects.

At the Ninth Shanghai FamilyMart Summit 2011, participants set a joint target for 2015 of reducing per-store power consumption by 20% compared with 2010, across the global FamilyMart group. At the same time, a global fund was launched for promotion of such activities. A project was also launched to support children in cooperation with the community. In years ahead, Head Office and our franchisees, business partners and Group employees will continue to dedicate ourselves to our social and environmental programs, in a spirit of dedicated service to the community.

Final word: Shareholder returns

Q6 Could you outline your policies on shareholder returns and dividends?

Eight straight years of dividend growth

The Company regards the distribution of profits to shareholders, in the form of payment of dividends, as a matter of the highest priority.

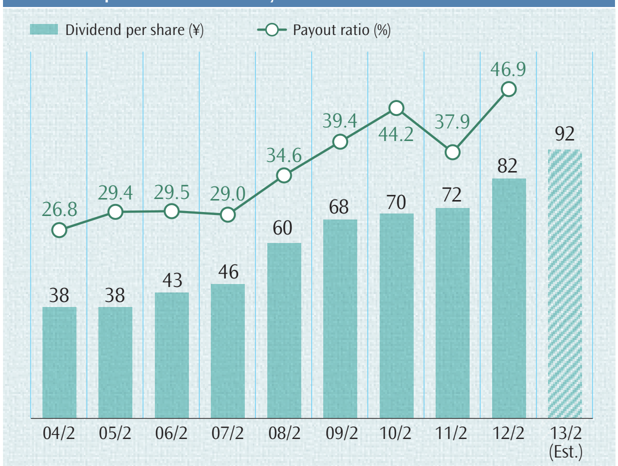
Since fiscal 2010, management has targeted a payout ratio of around 40% (consolidated basis).

The Company's fundamental policy is one of stable, long-term distribution of dividends to shareholders in line with the growth of operations.

Partly due to the damage caused by the Great East Japan Earthquake disaster, we had initially planned to keep the dividend for fiscal 2011 unchanged from fiscal 2010. However, in light of strong business growth during the term, we decided on a final dividend of ¥82 (US$1.01) per share, up ¥10, for a seventh consecutive year of dividend increase. In fiscal 2012, we plan another ¥10 increase, to ¥92, and aim to additionally reward shareholders through earnings per share growth.

Retained earnings will be devoted to strengthening our financial standing, opening new stores, renovating existing stores and making strategic investments in new areas as we seek to reinforce management and bring about further improvements in earnings performance. To ensure a flexible capital policy, we plan to retire stock to treasury from time to time as deemed necessary.

Dividend per Share and Payout Ratio



And lastly, do you have any message for stakeholders?

In years ahead, we expect increasingly intensified competition within the Japanese retailing industry, competition that ignores the traditional boundaries dividing formats. Because of these coming changes, we believe it is vital for us to consolidate our market position as a convenience-store chain. We will build enterprise value on a sustainable basis through a rigorous commitment to hospitality, service, quality, cleanliness and the other basics of retailing that need no further mention. As a convenience-store chain originating in Japan, we plan to steadily press on with our global growth trajectory, fully justifying the trust of all our stakeholders as we advance.

I would like to thank all our shareholders and investors for their continued support in this ambitious endeavor.


Special Feature 1

Overseas Growth Strategy

Becoming No.1 in Asia: Our overseas growth challenge

FamilyMart is stepping up its pace of growth on the global stage. As a result of an aggressive strategy pursued since our first overseas venture in 1988, into Taiwan, we opened our 10,000th overseas store in 2011. Part 1 of this special feature analyzes the competitive advantages that FamilyMart's overseas businesses have built up, while in Part 2, Chairman Wei-Yin-Heng of FamilyMart China Holding Co., Ltd., which is expected to be the future driver of overseas growth, discusses his company's growth strategy and business prospects.

Part: 1 **Why has FamilyMart been able to make such progress in Asia?**

Localized store formats are the key to the success in overseas businesses

A Japanese business model gone global

Ready-to-eat food plants making items like rice balls and *bento*, strict quality management, a small-lot delivery network with multiple logistics nodes and the know-how and IT systems needed to generate efficient product lineups that sell well in a limited display area — these are the strengths of convenience stores developed in Japan over many years. Originating in Japan, FamilyMart can go about expanding overseas operations without worrying about parent companies in other countries. By transplanting this business model into overseas markets, chiefly in Asia, we have continued to grow. In 2009, the number of overseas FamilyMart stores exceeded the number in Japan. Supported by this strength, we aim to continue to contribute to the modernization of the retail sector wherever we operate.

Cooperation with local partners is indispensable

Retailing is a localized business. Because customers, staff and suppliers are usually local, the key to the success of the business is a cooperative arrangement with a local partner company that really knows the lifestyle, dietary and business customs of the market.

When we first ventured into Taiwan, we tried to import our stores just as they were in Japan. But this was rejected by the customer. Later, after canvassing the opinions of local staff, we were able to turn that failure into today's success by ensuring that store layouts respected local preferences. Based on this experience, we usually form a joint-venture company with a local partner when we enter an overseas market.

When a convenience store chain moves abroad, there are three business models it can adopt: (1) Make no capital investment and just provide licensing; (2) Invest independently in new stores; and (3) Set up a joint venture with a local partner. Comparing these three options, at the moment we believe the best balance is struck with (3), setting up a joint venture. In doing this, we place priority on fusing the knowledge skills and ideas of the local company with our own expertise in convenience-store management, and on enabling shared management, to create a truly localized business model.

Working through joint ventures is one of the ways in which we as a convenience-store operator differentiate ourselves in the overseas market. This is likely to become a key strength as we continue to expand our network in years ahead.

Full support for the joint-venture company

The basic model we follow is creation of a framework of support for the joint-venture company in which roles are divided to best suit the strengths of FamilyMart and the local partner. (Figure 1) The local partner will take prime responsibility for the business and its development, while a team of experts sent out on secondment from Japan provides convenience-store know-how in areas such as products, store development and computer systems. Teaming up with the local partner in this way to create the kind of convenience store that best meets local needs is the key to the success of the business.

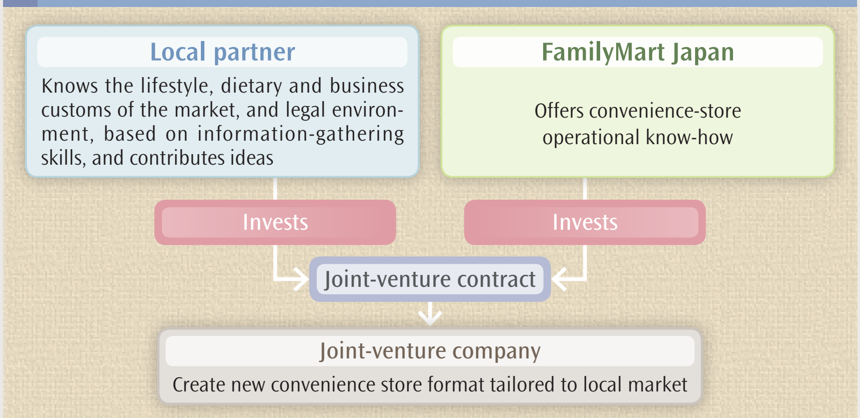
As the number of stores rises, so earnings and growth models take shape

Overseas businesses have three development stages: market entry, expansion and maturity. In the entry stage, initial investments are made in store infrastructure. When the number of stores reaches a certain level, a localized store business model takes shape, leading directly into the earnings growth phase. (Figure 2)

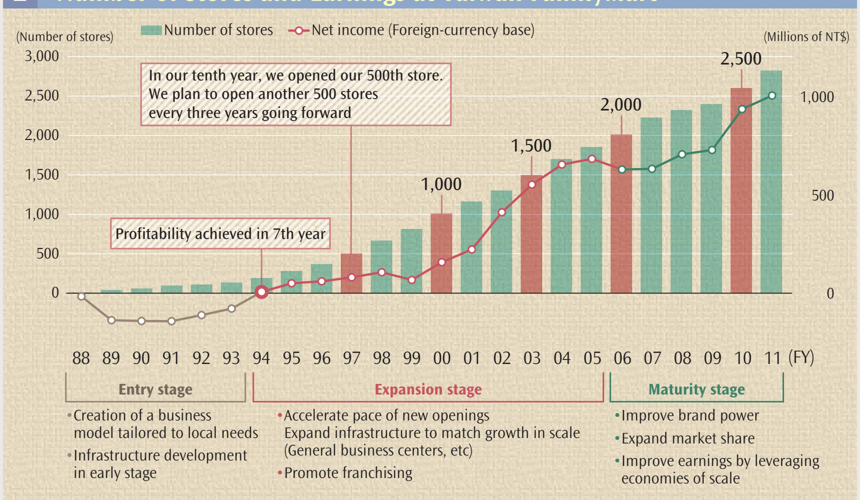
In the case of Taiwan, the first obstacle we ran into was the distribution structure and supplier relations. In Taiwan, there is no intermediate wholesale level in the distribution process. Because business is primarily conducted on the basis of direct transactions with the suppliers, it was necessary for us to build our own logistics infrastructure for convenience stores ourselves. In the early days, when the number of stores was small, the initial investment was significant, and we had years of red ink. But the operation turned profitable in the seventh year. Since then, we have steadily grown earnings through the franchise model.

When we entered China, we used the model developed in Taiwan, in which FamilyMart Co., Ltd. served as intermediary between FamilyMart Japan and the local partners, enabling us to launch the business efficiently. As a result, as of February 2012, we were already operating 800 stores all over China, a remarkable pace of growth.

1 Basic Business Model



2 Number of Stores and Earnings at Taiwan FamilyMart



Becoming No.1 in Asia by drawing on our experience

In more than 20 years, we have accumulated the corporate resources necessary for success in overseas operations, and have established relations of trust with all our local partners. This has given us an insuperable competitive advantage in the near term.

By steadily increasing the number of stores, and establishing the FamilyMart brand globally, we have made it easier for ourselves to move into new markets.

While maximizing our competitive edge in this way, we plan to continue aggressively opening stores, chiefly in Asia, to create a global network of 25,000 stores by fiscal 2015 and 40,000 stores by fiscal 2020.

Becoming No.1 in China by expanding into new regions and fostering a market for ready-to-eat meals

Wei-Yin-Heng *Chairman, China CVS (Cayman Islands) Holding Corp.*

Profile

Chairman of Ting Hsin Group, a major Chinese foods industry group operating restaurant chains and retailing businesses in China and Taiwan. In 2004, China CVS established Shanghai FamilyMart Co., Ltd. We have continued to expand the business, with store openings in Guangzhou, Suzhou, Hangzhou and Chengdu.

— What is the outlook for the market in China? And what business plans do you have there?

The population of China is 1.3 billion people. In Taiwan, the most fiercely competitive market, there are approximately 2,400 people per convenience store. Given that, a network of 500,000 stores in China is not out of the question. It's a huge market. On the other hand, China covers a vast area, and there is enormous diversity between the coastal areas and inland areas, and the cities and rural areas. You cannot generalize.

Against that backdrop, in 2004 we selected Shanghai in the coastal belt as the starting point for our business in China. Shanghai is China's largest commercial city, and a lot of people have high incomes, so it was a promising market for a convenience-store operator. Those were our reasons for setting up shop there, and today I still think the decision was correct.

Over the subsequent eight years, as a result of our focus on firmly grounding our Shanghai business in terms of store infrastructure and employee training, we have built up a lot of know-how and created a platform for expanding our network all over of China. Based on this groundwork, we will broaden the areas in which we have a presence. We have a longer-term vision of opening 4,500 stores in China by fiscal 2015 and 8,000 stores by fiscal 2020. First, we will enter the major cities in each region, and then spread out into neighboring cities from those bases, to build up a position of dominance.

— What issues do you face at the moment?

As we accelerate the pace of store openings, the major issue we are facing is staff training. In the building in which we are headquartered, we have established a training center equipped with POS-system teaching facilities, where we are training local employees. With a view to fostering management talent for the future, we also plan personnel exchanges among Group units in China, Taiwan and Japan, so as to ensure we have enough staff who are thoroughly familiar with the China business.

— What strategy do you have for growing sales?

At the moment, foreign-owned companies operating in China are forbidden from marketing tobacco products. To make up for those lost tobacco sales, we have come up with the "Everybody eat three times (a day) at FamilyMart" concept. The three meals we refer to are breakfast, lunch and the evening meal — the idea is that people can come into one of our stores for any of these meals, or several times a day.

The custom of dining at stall-type street outlets is deeply entrenched in China. So it is essential for us to wean people away from stalls and onto our ready-to-eat meals. We researched the lifestyle habits of our customers, to find out what products they like, in which time bands and at what price levels, to ensure our products would sell. In the process, we found we were able to sell items that until very recently could not

Plan for 4,500 stores by FY2015, 8,000 stores by FY2020

Region of China	Major city	First store opened
Eastern China	Shanghai	FY2004
	Suzhou	FY2007
	Hangzhou	FY2011
Southern China	Guangzhou	FY2007
	Shenzhen	FY2012 (planned)
Southwest	Chengdu	FY2012
Northern China	Beijing	FY2013 (or later)
Central China	Wuhan	FY2014 (or later)

FamilyMart in China


Busy eat-in area in a store


Ready-to-eat meals carefully displayed for ease of handling


Quanmin biandang (bento) — a priority product, offered in a broad range


Point-of-Purchase advertising display used to promote the FamilyMart slogan in China, "Everybody eat three times (a day) at FamilyMart"


Popular *Oden* ingredients; to uphold hygiene standards, store staff wear mask and gloves


A FamilyMart training center


Maintaining high customer service standards through training

Becoming a prestige brand in Shanghai

In a study of consumers living in Shanghai regarding brand recognition of 500 companies ("Brand China 2012" by Nikkei BP Consulting, Inc.), FamilyMart came third in the category "wholesale and retail sectors" and first in the "convenience store" category. This shows how strongly the chain is supported by customers.


Multimedia terminals offer movie ticketing and other services


There are about 50 stores in major Shanghai Metro stations


Sophisticated designs feature in store in the latest skyscrapers in China

find buyers in China. At the same time, by acclimatizing Chinese people to ready-to-eat meals, we are increasing the user value of convenience stores and numbers of store visitors.

— What specific initiatives have you launched?

We began selling breakfast set meals comprising drinks and steamed meat buns. In addition, we offer the *Quanmin biandang bento* set comprising three kinds of side dish to meet customer needs for reasonably priced lunchtime food. We provide this product at a strategic price of 7.8 yuan (about ¥100) lower than the market average for this kind of product. Since its launch, the *Quanmin biandang* has been a great success and now accounts for some 40% of ready-to-eat meals sold by FamilyMart in China.

We are also gearing store designs to the "Everybody eat three times (a day) at FamilyMart" concept. Chinese people have a deep-rooted preference for immediately consuming food that they have bought. And so we have set up eat-in areas in some of our stores. As a result of this, average daily sales improved significantly. We plan to include eat-in areas with 6–20 seats in new stores going forward.

Likewise, we would previously display our ready-to-eat meals in wall showcases in a corner of the store. However, we moved this stock to an island gondola display in the middle to give customers more space to physically touch the product. As a result of these measures, we have contributed to the growing acceptance of ready-to-eat meals in China.

— Finally, what hopes do you have for the future?

Of the global network of 25,000 stores envisaged for fiscal 2015 under FamilyMart's medium-term management plan, 4,500 will be in China. The China market is expected grow to far beyond that too. There is no doubt that it is a crucial market for FamilyMart now.

From the moment we established this business right up to the present day, we have received invaluable support from Group companies in Japan and Taiwan and from ITOCHU Corporation. Backed by such strong partners, we will leverage the experience we have acquired in Shanghai to advance to the point where we are the No.1 convenience-store chain in China in terms of both quality and volume.

Special Feature 2

Full Description of the Brand Integration

What we have gained through our bold M&A strategy

In December 2011, the last independent am/pm store closed its doors for the last time, and the integration of the chain into FamilyMart's was completed. In just under two years we have achieved an industry-first: the combining of two major brands into one, a feat said by people in the industry to be impossible. And we have emerged as a major player in the consolidation of the industry within Japan. In this Special Feature 2, we look back over the process of brand integration, explore the factors behind our success, and tell the story of what we achieved through this integration.

Steps leading up to the integration and the subsequent benefits

We achieved the fusion of cultures that determines the success or failure of M&As, and maximized synergy effects

The series of steps leading up to the integration

Nov. 2009	FamilyMart concludes a share transfer agreement with am/pm Japan Co., Ltd.
Dec. 2009	FamilyMart makes am/pm Japan Co., Ltd. a wholly owned subsidiary
Feb. 2010	Welcoming ceremony for am/pm employees
Mar. 2010	Merger with am/pm Japan Co., Ltd.
Mar. 2010	am/pm franchise stores and employees participate in The Famimaship Forum (a product exhibition)
Mar. 2010	Opening of the first former am/pm store converted into a FamilyMart store
July 2010	FamilyMart concludes a joint-area franchise agreement with JR KYUSHU RETAIL, INC.
Apr. 2011	Integration with am/pm Kansai Co., Ltd.
Dec. 2011	Completion of brand integration

Number of stores converted in two years

733 stores

We have converted 733 stores, 66% of am/pm's 1,107 stores (others were closed down or opted out)

Breakdown of the numbers of converted stores

Tokyo metropolitan area: **524** stores

Kansai area: **107** stores

Kyushu area: **102** stores*

(*Stores operated by JR KYUSHU RETAIL, INC.)

Average daily sales after the conversion

25 % increase

Average daily sales after the brand conversion showed high growth of approximately 25% compared to before the conversion

Integration effect (operating income)

Fiscal 2011: approximately **¥2.0** billion

An integration effect greater than in the initial plan

The number of customers has dramatically increased due to the brand conversion

"I have been running this shop for 15 years but now the number of customers has increased so much that I wonder, 'were there always this many customers in this neighborhood?' It is not just the number of customers either; the average spending per customer has also increased. All of this gives me a new appreciation of the power of the FamilyMart brand."

From am/pm to FamilyMart — Kiyoshi Hirai, the owner of the Kasukabe Fujitsuka Store (in Saitama Prefecture) which completed brand conversion on May 26, 2011, told us about the decision to accept the brand conversion, which caused him much worry.

The Kasukabe Fujitsuka Store is in the middle of a residential area one kilometer from the train station. For the am/pm store, older people were the main clientele, and the opening hours were from 6 o'clock in the morning to 11 o'clock at night. However, after converting the store to FamilyMart and beginning 24-hour operations, the number of young customers including women and families increased dramatically.

"A lot of new products were introduced, and the top-selling products changed substantially. In the beginning, I was confused, but after a while I realized that I was too much in the habit of doing things the former am/pm way and had become too emotionally dependent on the old approach."

Completing the largest retail-sector brand integration in Japanese history in two years

FamilyMart made am/pm Japan a wholly owned subsidiary in December 2009. In March 2010 we achieved full management integration with am/pm Japan, and over two years we have worked on our project to integrate all willing stores among the more than 1,100 am/pm stores nationwide into FamilyMart. We decided to close some poorly performing am/pm stores.

For the convenience-store industry in Japan, this was the first major M&A uniting two companies, each with over 1,000 stores, into one brand. President Junji Ueda set the unprecedented goal of achieving within two years a complete integration of the two companies, not only of capital base but also of business infrastructure such as product procurement, distribution and information systems, and even integration of the brand. He called it "the most important project in the history of FamilyMart," and made it his top priority.

Compared to M&As in general, the management integration of convenience stores is more difficult because it requires more than merely merging the respective headquarters of the chains. If we are unable to convince even one of the various interested parties, including the member stores that have concluded franchise agreements, shareholders who have invested in the area franchisers in the regions, and even the landowners of the store sites, then we will not be able to even change the signs on the stores.

Uniting hearts and minds to merge organizational cultures

After am/pm became our subsidiary, the executive responsible for directing the brand integration of the two companies, Senior Executive Officer Yoshihito Nakahira (then head of the am/pm Business Unification Division) said, "we started by disregarding all of the experiences and successes of FamilyMart." When Nakahira visited the am/pm headquarters for the first time on December 29, 2009, he gathered together all of the approximately 300 employees and spoke to them as follows. "I do not know anything about am/pm. I do not intend to pretend that I know it all. Therefore, I do not want you all to pretend that you know anything about FamilyMart. From now on, I will only eat am/pm products every day. I want you all to study FamilyMart with a diligent attitude as well."

After this, Nakahira repeatedly interviewed each and every one of the am/pm employees, and listened carefully to how the employees really felt. He took this meticulous approach of steeping himself in the perspective of the am/pm employees, because he knew that fusing the hearts and minds of the people who would carry out the integration with the organizational culture would be the key to the success of the integration.

Subsequently, in February 2010, the am/pm employees and FamilyMart employees jointly held an activity as a part of the "FamilyMart Feel" campaign (see P.42). An unprecedented "welcoming ceremony" was held. A series of events like this enabled the am/pm employees to gradually feel at home at the FamilyMart workplaces.

The scene at the welcoming ceremony

Through interviews with individuals, workshops, the holding of the welcoming ceremony and other measures, psychological bonds were deepened, and the organizational cultures of the two companies were fused together.

Special Feature

Gaining the understanding of the franchise stores

Meanwhile, we struggled much more to persuade the owners of the franchise stores to participate in the integration. Over a long period of time, store investment and support for the franchise stores had been insufficient. In addition, many of the experienced employees at the headquarters had retired from the company due to restructuring even before the integration, so communication with the owners of the franchise stores had been cut off.

Immediately after am/pm was made a subsidiary, Nakahira communicated the schedule up until the full merger to the franchise stores. Subsequently, he repeatedly sent letters under his own name detailing the corporate philosophy of FamilyMart, its attitude toward its franchise stores, business partners, and local communities, and other matters, and was quick to invite the franchise stores and employees of am/pm to The Famimaship Forum (a product exhibition) held in late March immediately after the integration. Nakahira reflected that "thanks to this exhibition, the concerns and emotional backlash have been completely turned around. Most importantly, you have understood the size of FamilyMart and the situation of the am/pm chain, and we have communicated FamilyMart's position, that we welcome all of the franchise stores and employees of am/pm."

More owners agreed to convert their stores every day

The first former am/pm store converted into a FamilyMart brand store opened on March 26, 2010. Stories of increased sales and customer numbers spread through word-of-mouth among the franchise network and the number of stores that wanted to convert increased every day.

The changes brought about by the brand integration covered all aspects of operations, from the store layout to the business terminology used and location of the small change in the register. Therefore, we focused all of our energies on passing on to the am/pm supervisors FamilyMart know-how, and providing support to the franchise stores undertaking brand integration. FamilyMart has been quick to respond to globalization, so our store operation manuals also rely on a lot of photographs rather than text. This was extremely useful for rapidly introducing our know-how into am/pm stores with a different terminology and culture.

Integration boost was stronger than anticipated

Sales in the converted stores after the brand integration rose by an average of 25%, and the operating income for the former am/pm part of our business in fiscal 2011 reached approximately ¥2.0 billion, much higher than we initially anticipated. The franchise stores have highly praised the operational know-how of FamilyMart, the convenience of the Famiport Multimedia Terminals, the fast food product ranges, and other features.

The many strengths of FamilyMart in the areas of operations, brand recognition, and other areas have had a tremendous effect on the integration, while am/pm has also brought advantages to FamilyMart.

These include a very strong position in central Tokyo due to the fact that more than half of the 733 integrated stores are inside the metropolitan area, and the network of stores under framework alliance agreements with railroad companies, an area where am/pm was strong. In particular, with the addition of the converted stores, we now have more than 1,600 stores inside the Tokyo metropolitan area, meaning that we have suddenly leapt to a leading position in the industry. Furthermore, we have inherited and introduced into FamilyMart the successful products of am/pm including frozen *bento*, and soups popular with young women.

Thoughts on completion of the business integration

Reflecting once again on the two-year period of integration, Nakahira concluded that, "A brand integration on this large a scale in such a short time was uncharted territory, and involved continuous trial and error, but through actions based on a spirit of friendliness, we were able to reach out to the employees and franchise stores. This is surely the ultimate expression of the "FamilyMart Feel" campaign that FamilyMart has been continuously promoting since 2005. The corporate attitude of FamilyMart — which urges "Let's grow together" — and our ability to skillfully fuse together organizational cultures with different origins and values were the keys to the success of the business integration."

This achievement of succeeding with the largest M&A in the history of our industry will surely lead to great opportunities for FamilyMart in a sector facing further consolidation in the future.

Yoshihito Nakahira (then head of the ampm Business Unification Division), who took the leading role in the management integration

Market Environment and Business Strategy

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The Operating Environment Facing FamilyMart

What the data tells us about the background to the expansion of the market and the prospects for our industry

The convenience store industry is growing at a much faster pace than other retail categories, and the position of the industry is expected to improve even more going forward. Here, we examine the background to these developments and likely future trends.

Disparities in growth potential among different retail categories

Over the past few years, the scale of the market for the overall retail sector in Japan has remained steady, at around ¥135 trillion. By category, department stores have seen their markets shrink greatly, while the convenience-store market has expanded from approximately ¥6.9 trillion in fiscal 2001 to approximately ¥9 trillion in fiscal 2011. These and other factors show that a clear difference in growth potential among different categories of retailing has emerged. (Figure 5)

Change in Japanese society

The background to these developments is the rapid change in the social structure of Japan.

■ **Increase in single-person households** (Figure 1): The number of single-person households has increased by approximately 1.7 times over the last 20 years, as the percentage of unmarried people rises and lifespans lengthen. In 2010, this category grew to 15.7 million households, 31.2% of all households, overtaking the formerly archetypal "households comprised of a husband and wife with children" (27.9%), to become the largest single category of household. This group is forecast to continue increasing in the future.

■ **Increase in double-income households** (Figure 2): Due to changes in the attitudes of working women and changes in economic conditions, an increasing number of women are continuing to work after getting married and having children. Since 1997, the number of double-income households has been higher than the number of households with full-time housewives.

■ **An aging population** (Figure 3): Forecasts show that one in three people in Japan will be at least 65 years old by 2030. We are approaching the so-called "super-aging society," something no other country has experienced.

Expand our market by turning such changes to our advantage

These changes represent a huge advantage for the convenience-store industry. For efficiency reasons, consumers are showing a greater preference for small-lot purchases at nearby stores on a daily basis, rather than driving out of town to stock up on everything at once. Demand for ready-to-eat items such as delicatessen items and *bento* is also increasing because consumers want to avoid wasting food ingredients and want to save the time and effort needed for cooking. In response to these trends, all of the leading convenience-store companies have enhanced their product ranges to include fresh foods such as vegetables and delicatessen items for dinner. As a result, they have succeeded in drawing out new demand, and the market itself has expanded.

Furthermore, pressures such as competition with large suburban stores and the problem of finding a successor have forced small, family-owned stores in particular into decline. As a result, (Figure 4) the value of convenience stores as social infrastructure in the regions has grown.

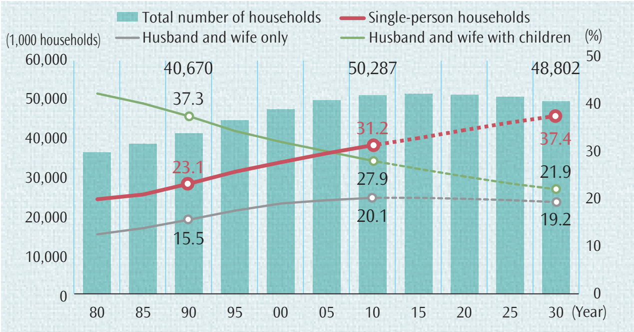
Given these trends, leading chains have actively made growth investments in product development and new-store openings. As a consequence, smaller operators are being squeezed out of the industry by the top four chains. (Figure 6) Sector consolidation has gathered pace, with smaller chains with few investment resources being absorbed. Furthermore, the number of convenience stores in Japan has exceeded 45,000. Each company is accelerating the opening of new stores with a view to capturing the remaining prime locations, (Figure 7) and they are mounting full-scale assaults on overseas markets. It is predicted that during fiscal 2012, the overseas stores of Japanese chains will exceed 50,000, overtaking the total of domestic stores. (Figure 8) We can conclude that the convenience store industry is approaching a major turning point, at which the companies possessing the ability to respond to change and to expand their business overseas will take the lead.

◆ FamilyMart's responses to changes in the operating environment

Expansion of our clientele	Strengthening of our fundamentals in Japan	Expanded development of overseas business
■ More products for older and female customers P.30– Product Strategy	■ Creating a high-class chain P.35– Store Opening Strategy in Japan	■ Development of over 20,000 stores in seven regions throughout the world
■ Optimize marketing policy for specific customer groups P.33– CRM Strategy	■ Implementation of M&A P.24– Full Description of the Brand Integration	■ Aggressively open stores, aiming to become No.1 in Asia P.20– Overseas Growth Strategy P.38– Expanding our Overseas Network
■ Strengthening of our sales displays P.34– Store Operation		

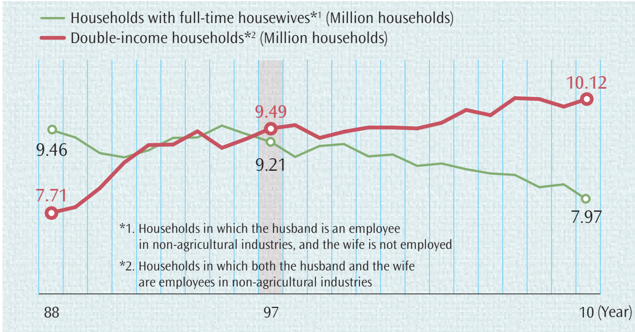
Macro Factors Supporting Stable Growth

1 Increase in single-person households



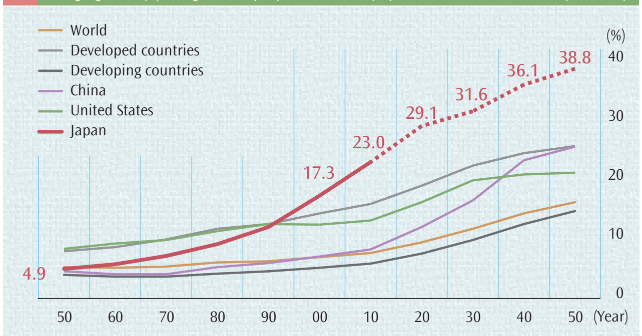
Source: National Institute of Population and Social Security Research

2 Increase in double-income households



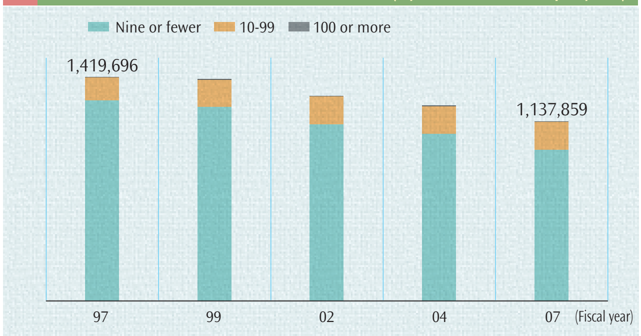
Source: The figures until and including 2001 are compiled from the Special Survey of the Labour Force Survey, Ministry of Internal Affairs and Communications and the figures for 2002 onwards are compiled from the Labour Force Survey (Detailed Tabulation), Ministry of Internal Affairs and Communications

3 An aging society (Change in the proportion of the population that is at least 65 years old)



Source: Change in the Age Composition of the World Population, Statistics Bureau, Ministry of Internal Affairs and Communications

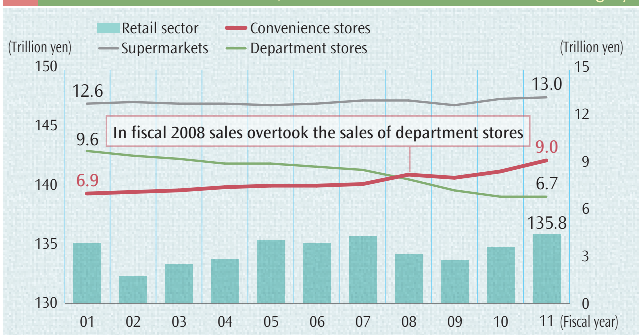
4 Decline in the number of retail stores (by number of employees)



Source: Commercial Statistics, Ministry of Economy, Trade and Industry

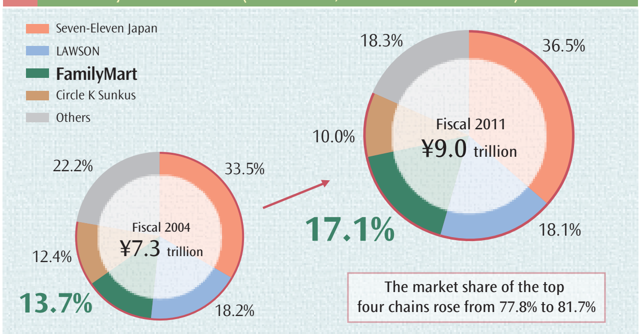
The Convenience Store Industry is Moving to the Next Stage

5 Size of the entire retail sector, and the markets for each business category



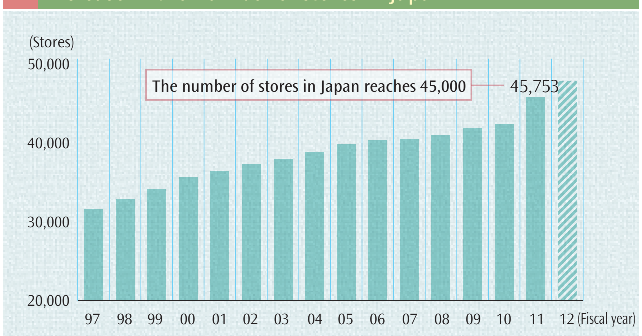
Source: Retail statistical yearbook, Ministry of Economy, Trade and Industry

6 Industry sales share (domestic, non-consolidated)



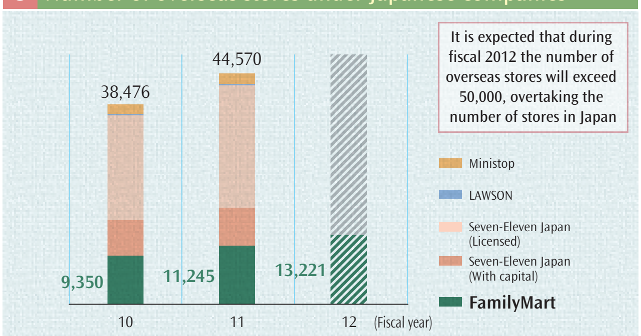
Source: Retail statistical yearbook, Ministry of Economy, Trade and Industry, and documents released by each company

7 Increase in the number of stores in Japan



Source: Retail statistical yearbook, Ministry of Economy, Trade and Industry

8 Number of overseas stores under Japanese companies



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

Product Strategy

Offering the products unique to FamilyMart

The products are the largest differentiating factor for convenience stores. The strengths and weaknesses of product development directly determine the ability of the chains to attract customers. Based on Innovation, the theme of the FamilyMart product policy, we are promoting three marketing strategies under the keywords Generation, Price and Region, and focusing our efforts on strengthening our organic value.

Identifying marketing strategies aimed at clientele expansion

Developing a product policy tailored to specific purchaser categories

We are working on product development and our product range from the three perspectives of Generation, Price, and Region, in order to meet the diversifying needs of our customers.

■ The key is meeting the needs of older people and women

[Generation-based marketing]

In order to develop medium- to long-term growth scenarios at a time when the birthrate is declining and the proportion of elderly is rising, we have divided our target markets into three generations and are working on identifying product ranges that meet the needs of the respective generations. We define the older people who will be the major consumers in the years ahead as "focus targets" and are taking measures to better serve them.

In fiscal 2012, we will continue to expand and improve our range of products that will satisfy older people, centered on the items being developed under the supervision of the "Otona-conveni Laboratory."

We will also do more for female customers, by expanding our product range in the F Series (original daily foods), particularly *natto* and *tofu*, and our lineups of vegetables, fruit and other fresh foods.

◆ Three Marketing Strategies

Identifying new customer needs through generation-based marketing

"Otona" generation that is 50 to 65 years old	Largest customer segment (people in their 30s)	Children up to 15 years (junior high school students)
[Principal drivers of consumption in the years ahead]	[The main customers currently]	[The customers of the future]
Focus targets	**Forging closer ties**	**Development targets**
◆ Expand range of products for target group ◆ Propose new dining styles	◆ Reinforce priority product categories and increase value-added in each category	◆ Make product lineups more appealing to store visitors ◆ Plan to ensure stores also appeal to parents, grandparents 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

Aggressive development of a strategy aimed at older people and centered

おとな
コンビニ
研究所

What is the Otona-conveni Laboratory?

Otona-conveni Laboratory is a research unit that develops ways of making convenience stores a greater part of the lives of the affluent, middle-aged "Otona" customer segment. It is aimed at people who are at least 50 years old and living an active lifestyle. We launched it in 2010 jointly with the lifestyle organization for active mature adults, "club willbe." We have launched an entirely new business model aimed at understanding "Otona" needs and are proposing new lifestyles to the new "Otona" generation from a diverse number of angles, including the development of products and services, and social initiatives.

Product development for "Otona" customers

The Otona-conveni Laboratory discussed at length concepts for products which would satisfy "Otona" needs. They derived the three keywords "high quality feeling," "care," and "feeling of security (feels properly manufactured)," and then stipulated the following four standards for connecting these keywords to specific product development.

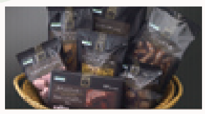
Four Standards for Product Development

Coloring and perceived quality	Extra effort/ skill
Carefully selected ingredients	Health/environmental considerations

To date we have launched over 400 products aimed at "Otona."

Kinmemai rice balls

These highly popular rice balls use carefully selected ingredients and are a cut above the rest.



Range of snacks for "Otona" – Otonano oyatsu

This is a premium line of confectionery made with special care for the ingredients and production methods. Over 1 million of these snacks were sold within approximately one month of going on sale!

■ **Our challenges are increasing the average spending per customer and the overall number of items sold per customer**

[Marketing based on pricing measures]

Responding to diverse price needs, we are carrying out product development which pursues value greater than price, from affordable products to high value-added products, in order to create a well-balanced product range.

One challenge has been the fall in average spending per customer due to the protracted consumption slowdown, but in fiscal 2011 we enhanced our high value-added products, in particular *bento* and rice balls, and as a result the average spending per customer across all our stores greatly increased by ¥18 from the previous year, reaching ¥552.

■ **Focusing on rolling out localized products**

[Region-based marketing]

Price sensitivity and tastes differ among regions. We have divided Japan into six zones, appointed an area supervisor for each zone, and are working on the development of products matched to the tastes of each region.

Furthermore, by the end of fiscal 2011 we had concluded comprehensive agreements with 35 prefectures throughout the country. We are promoting local production for local consumption and local production for consumption elsewhere, with the objective of revitalizing local economies.

IRODORI famima DELI

A broad product range which enhances the fun and satisfaction of meals, from the classic items to innovative new products.

Strengthening the organic value of FamilyMart with innovation

Creating a fifth brand

In September 2011, we launched a new brand, IRODORI famima DELI, which is centered on delicatessen items and salads.

In recent years, the decline in the birthrate, rise in the proportion of elderly, and stagnation of the economy have brought about changes in the dietary habits of the Japanese people. There has been a return to cooking at home, and a diversification of eating styles, and in response our products, packaging and stock displays have been refurbished. We have launched approximately 100 types of products including side dishes, snacks, soup, gratin, vegetable salads and packed delicatessen items, to strengthen our delicatessen and salad product range.

With these products as additions to the dinner table at home, or as meals for single people, we are bringing in new clientele such as older people and women, while aiming to bring out latent demand.

FamilyMart has already positioned Three-Star Pasta, Sweets+ (desserts), Famima Kitchen fast foods and *Ajiwai* Famima Café chilled-cup drinks as its four priority product categories and created unbeatable, overwhelmingly successful products. We will develop the IRODORI famima DELI range into the new face of FamilyMart, and aim to differentiate it as our fifth priority product category.

on the “Otona-conveni Laboratory”

The flagship store of the Otona-conveni Laboratory opens in Daikanyama!

In addition to fulfilling the basic functions of a convenience store, we offer a product range that stimulates the curiosity and tastebuds of older consumers, in a calm, comfortable store space.

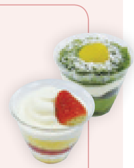
Of the approximately 2,600 items on display, approximately 700 are products handled only by the Daikanyama store. We have developed premium products in each category, and we have also enhanced the lineup of imported confectionery and liquors. At this store, we have accumulated know-how regarding product ranges which satisfy the “Otona” generation. FamilyMart is utilizing this know-how in product ranges at other stores as well.

We have created a calm store space that employs both LED lighting and indirect lighting within an interior making much of wood surfaces.

A bright, stylish eat-in area.

Example of a product range for the “Otona” generation

A dessert created with care for quality



We developed a dessert range with a greater focus on cream and toppings than in standard FamilyMart stores.

Wine: Enjoy the difference

For “Otona” customers, the theme of our wines is, “Enjoy the difference.” We do not focus on one producing region only. We handle wines from all over the world.

Fresh Frozen (frozen ready-to-eat items)

If you have a microwave oven you can enjoy that freshly-cooked taste any time.

Chilled cooked rice

Keeping products within a chilled temperature zone enables us to broaden the range of tasty items we can offer customers.

We have expanded and improved our product range with frozen ready-to-eat items and chilled cooked rice

One sector we intend to focus on going forward is frozen ready-to-eat items. Customers can take the products home still frozen, or they can get them heated up in the microwave oven in the store and eat them immediately. When we conducted trial sales in some stores, sales of all frozen food items rose. In fiscal 2012, we plan a full-scale expansion of cooked rice dish, noodle and light meal ranges.

One more sector we will focus on is chilled cooked rice. We will aim to improve the quality and extend the sell-by date using a new cooking method that utilizes the *umami* (savoriness) within the ingredients. Through these measures, we will develop a more varied product range, with a greater proportion of chilled cooked rice products in our stores, to expand our clientele and improve our ability to attract customers.

Improving profitability

Structural reforms

We have launched a profit structural reform committee, which has members from different units, to comprehensively review our product supply chains, locations of manufacturing sites and other matters. Both our manufacturers and the vendors are promoting structural reforms to eliminate excessive, wasteful and unreasonable processes, and to foster quality while raising profitability.

In the past few years, the gross profit ratio has been hovering at the 27–28% level due to the effect of the increase in the proportion of sales accounted for by tobacco, which has a low gross profit ratio, but the ratio excluding tobacco has been steadily improving. Going forward, we are aiming to quickly achieve a gross profit ratio of 30% by improving our trading terms and working to overhaul our manufacturing and logistics infrastructure.

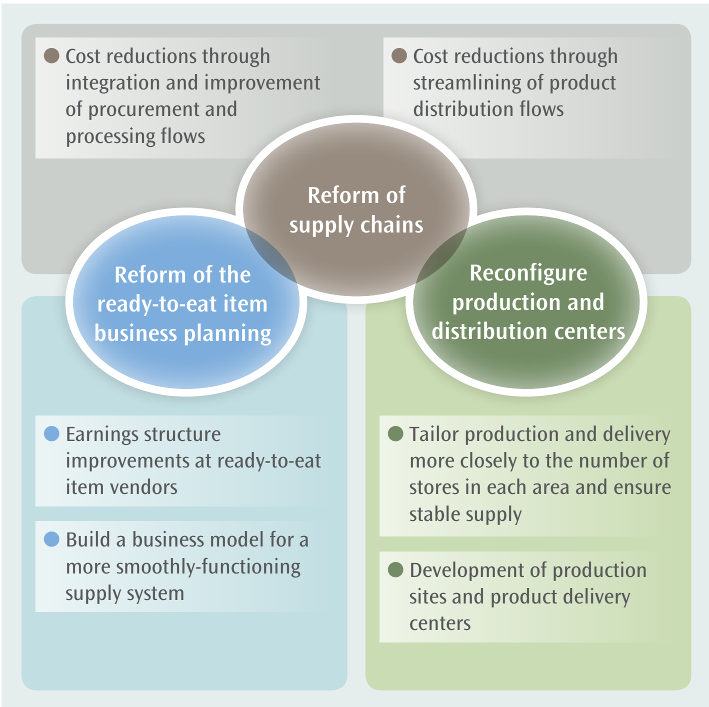
famima.com is expanding its product range

famima.com is utilizing its unique strengths as an online shopping service — limitless product ranges and no space restrictions — to roll out a wide range of products including gourmet foods, entertainment products and character-goods.

Furthermore, we run multi-faceted promotions that link online and store-based services, using Famiport content.

famima.com

Overview of structural reforms



Customer Relationship Management Strategy

Deepening ties with the customer through card programs and IT

Bringing more people into our stores and building customer loyalty, through an individualized approach based on analysis of Famima T Card data, and enabling product development and lineups that fully meet customer needs.

Fostering customer loyalty using the Famima T Card

Marketing at the individual level

In 2007, FamilyMart joined the T-POINT Loyalty Program, one of Japan's largest such programs, operated by Culture Convenience Club (CCC) Co., Ltd. The program covered 83 companies and 45,000 stores, with a membership of 39 million, as of February 29, 2012. This is the infrastructure through which we are building up customer loyalty. After categorizing individual members by number of store visits per month, sums spent and shopping preference based on purchasing histories, we are now able to tailor marketing methods to varying circumstances at the individual level. We use the Loyal Customer Preferential Treatment System, devised jointly with CCC — in which number of points allocated is pegged to individual memberships and discount entitlements can be printed on receipts. FamilyMart issues coupons only to loyal customers, to encourage repeat visits. We also uncover potential customers through a reciprocal customer-sharing campaign conducted among T Card participating companies. In fiscal 2012, we plan to launch a point-card program for the 50-and-over age group as part of measures to broaden the customer base going forward.

One in four of people visiting our stores uses the T Card, and this rate is rising.

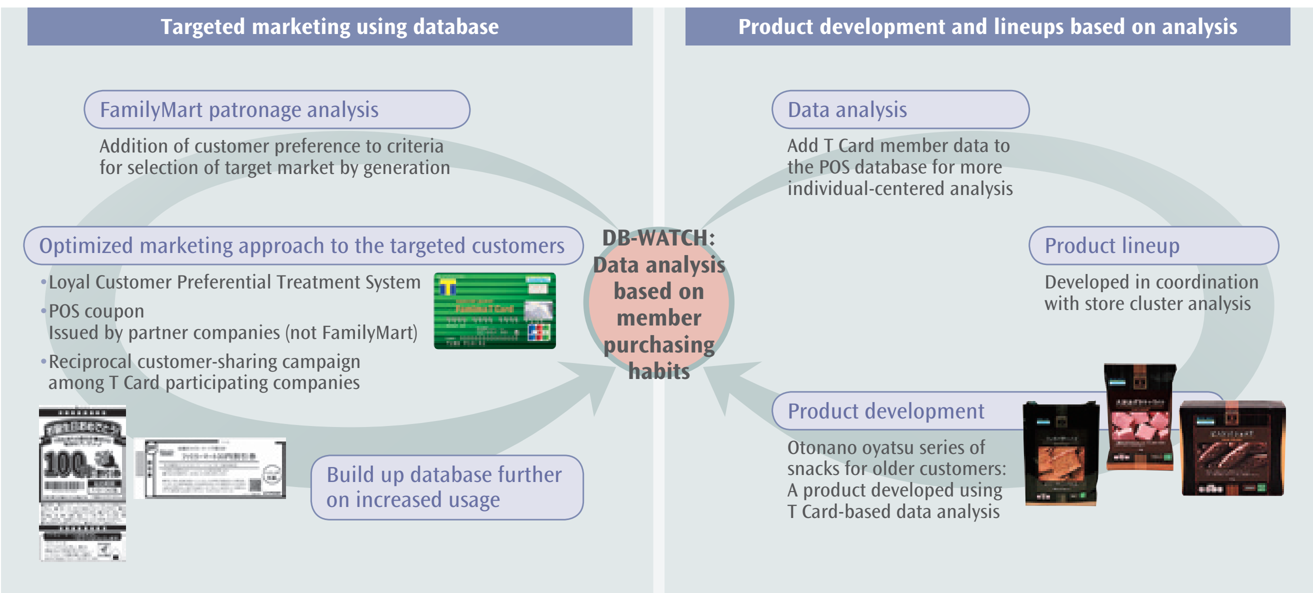
Based on customer preference data, discount and "birthday gift" entitlements were printed on receipts for 36 types of item in fiscal 2011.

Data analysis based on member purchasing habits

Enables accurate analysis

To match our products and stock displays with the preferences of individual customers, we began operating the DB-WATCH database for cardholder purchase data in 2011. By combining T card member data with existing POS data, we can build up a more accurate picture of the customer and his or her purchasing habits based on gender and age. In addition to the questions When, What and How many, we can also ask Who? This enables us to tailor product development and lineups more closely to customer preferences and so boost sales.

Customer relationship management strategy based on data analysis



Store Operation

Stock displays that really meet customer needs

By only stocking the products customers want to buy, when they want to buy them, and by also offering hospitality in everything we do and spotless store interiors, both franchisee and Head Office are stepping up our commitment to service, quality and cleanliness (SQ&C) to make our stores even more appealing to customers.

Getting the basics of retailing right

Better stock display management at individual stores

Our customer base continues to broaden amid ongoing demographic change (a falling birthrate coupled with rising numbers of elderly people) and an increase in single-person households. Since the Great East Japan Earthquake disaster, appreciation of convenience stores as a vital part of the neighborhood infrastructure has also grown, and a still wider range of customers now uses them. In addition to the rise in customers who now come in more often for everyday items such as tofu and bread, we have also seen an increase in households that buy small quantities of prepared food as side-dishes for their evening meal. The function of our stores in the community is changing. We have moved beyond conventional methods and now use cluster and trade area analysis to form a clearer idea of the characteristics and strengths of individual stores. This helps us identify customer needs, and uncover the latent potential of individual stores.

■ Creating better stock displays

Cluster analysis

In our cluster analysis, we have gone beyond conventional factors such as location (residential areas and railway station forecourts), and have looked at factors such as the time band in which a particular store is most patronized and what items sell well. This has enabled us to divide our stores into seven categories, telling us what strengths particular groups of stores have and enabling us to tailor stock displays to the individual store.

Trade Area Analysis

In trade area analysis, we look at the market served by a store in a given area in terms of major facilities and what we can learn about local competitors, in addition to the usual details of population and household number. Then we build up a hypothetical model of store patronage and create purchase scenarios. This enables us to reaffirm the position of our stores in the market and create "analysis sheets" laying down measures that need to be taken at individual stores.

Eliminating errors in ordering

Under our Store Staff Total (SST) system, our proprietary mechanism for fostering top-grade retail talent, store staff acquire primary, intermediate and advanced grade certification as retail operatives. This system is intended to support the operation of franchises. In fiscal 2011, the number of holders of intermediate and higher grade certification (meaning they are able to handle all operations from ordering to display management) had reached 16,000 nationwide (approximately 20% of all SST certified staff). In fiscal 2012, we aim to double the number of training sessions held across the country to generate employees capable of handling ordering operations. By bringing their number up to around 40,000, which would be some 50% of all SST certified employees, we aim to improve accuracy in ordering and further incentivize store staff.

◆ The basics of retailing (our SQ&C campaign)

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

Award system bolsters store management skills

As part of measures to improve the skills of store managers, FamilyMart regularly stages its SQ&C competition. In fiscal 2011, we also introduced the store staff excellence award, to improve the skills and motivation of key personnel involved in store management. Managers from stores across the country evaluated store staff and awarded Good Staff prizes to 13,502 of them, while 144 were awarded Excellent Staff prizes for "heartwarming episodes" in customer relations after a review by FamilyMart sales office staff. The "heartwarming episodes" were shared amongst all employees, so as to further boost staff morale. This award system will continue in the future.

Store Opening Strategy in Japan

Laying firm foundations for the chain

Against a backdrop of intensified competition over store openings within the convenience-store sector, FamilyMart booked record-high average daily sales at conventional* new stores in fiscal 2011, as a result of measures to raise quality levels while expanding the network. In fiscal 2012, we will continue to focus developments on the highly promising three metropolitan areas of Japan (Tokyo, Osaka and Nagoya) and leading provincial cities, supported by our strength in diversified outlet formats. Our goal is a network of 9,000 stores within Japan.

* Conventional: Stores newly opened by FamilyMart Co., Ltd (non-consolidated, and excluding stores opened by conversion of am/pm stores or by area franchisers).

Leveraging our diversified outlet formats

Reasons for stepping up store openings

There are over 45,000 convenience stores overall in Japan. While this means that the sector is approaching saturation in terms of outlet numbers, latent demand for convenience stores has actually increased, as a result of social change such as the increase in the number of single-person households, combined with the reemergence of convenience stores as key neighborhood infrastructure for both older people and housewives who previously seldom shopped at them — an indirect result of the earthquake disaster. Likewise, convenience stores are now doing more for Japan's many remote areas where it is not easy getting to the shops. They are introducing to such inaccessible locations the same kind of stores as were set up in temporary housing complexes and mobile sales vehicles used in the disaster relief effort. These background factors have raised the prospect of further store-opening potential in the sector.

Eight hundreds of new stores for the three metropolitan areas

FamilyMart, which is strongest in the big cities, has also benefited from the increasing concentration of the population in Tokyo and other major cities of Japan.

Given these trends, we plan to open a further 800 stores, chiefly in the three metropolitan areas and leading provincial cities in fiscal 2012, as earnings and customer-drawing potential are both good. That would give us a network of 9,000 stores within Japan. With all of the major convenience-store operators now aggressively opening new outlets, there is a battle on to bag the best locations as soon as possible, to lock in further growth opportunities.

Store openings inside railway stations and in other off-street locations

Store openings off the street — inside railway stations, service areas and parking areas of expressways, office buildings, hospitals and other institutions — have become a FamilyMart specialty. Standout performances have come from the TOMONY format for shopping areas in stations, a joint development with the Seibu Railway Co., Ltd., and deepened partnerships with railway companies through our acquisition of am/pm Japan Co., Ltd. These two ventures have enabled us to rapidly boost the number of store openings inside stations and other railway facilities.

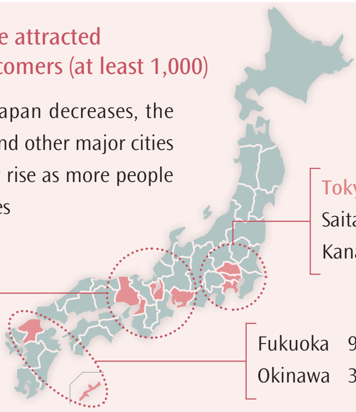
We plan to press ahead with further store development using the relatively small spaces within stations and in station neighborhoods, to deliver still more convenience to the customer.

FamilyMart Estacio store at a Nagoya Railroad station-affiliated hotel complex

Population concentration in the major cities

Prefectures that have attracted large numbers of incomers (at least 1,000)

As the population of Japan decreases, the populations of Tokyo and other major cities are set to paradoxically rise as more people head for the major cities



Source: Ministry of Internal Affairs and Communications, Report on Internal Migration in Japan Derived from the Basic Resident Registers, 2011

Tokyo	44,482
Saitama	12,143
Kanagawa	10,119
Aichi	6,379
Shiga	3,114
Osaka	4,903
Hyogo	1,234
Fukuoka	9,719
Okinawa	3,147

Partnerships with railway operators

Contracts signed with ten companies

Seibu Railway Co., Ltd.	45
Tobu Railway Co., Ltd.	17
The Keisei Electric Railway Co., Ltd.	19
JR Kyushu Railway Company	115
The Sagami Railway Co., Ltd.	11
Nagoya Railroad Co., Ltd.	7
Toei Subway	4
Kintetsu Corporation	6
Metropolitan Intercity Railway Company (Tsukuba Express)	9
Tokyo Tama Intercity Monorail Co., Ltd.	2
Total	**235**

(As of February 29, 2012)

More, better new stores — and faster

Focus on quality leads to record-high average daily sales at conventional-format new stores

We are taking various measures to ensure higher quality at new stores. In fiscal 2011, we achieved record-high average daily sales at new stores under our conventional format, of ¥504,000, as measures to strengthen new-store project screening and progress management and front-line support measures from the Regional Development Department began to bear fruit.

In fiscal 2012, we will significantly boost the number of store-development personnel in all regions of the country, in anticipation of opening a planned 800 new stores, and take measures to accelerate project decision-making by delegating such powers to district levels. This will enable a larger number of openings, at an accelerated pace.

Stores are opening within TOKYO SKY TREE TOWN®, hospitals, universities, expressway parking areas and office buildings

Multiple-store management by owners

In fiscal 2001, FamilyMart became the first convenience-store operator in the sector to introduce an incentive system under which franchisers who operate more than one store are given a fixed percentage of the gross margin of that store (the 1FC multiple-store promotion system; please see P.79). This mechanism was designed to encourage franchisers to take on management of additional stores.

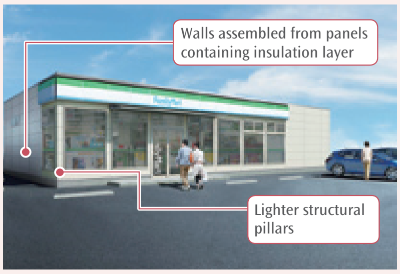
It was also a means of improving personnel skills at franchised stores and providing total operational support up to management level. By February 29, 2012, more than 50% of our store network in Japan was under multiple-store management arrangements.

Multiple-store management not only fosters expansion of local market share, since neighboring stores are under joint management, but also has the advantage of dispersal of management risk and improvement of efficiency for the franchise owner. We will continue to create systems for attracting ambitious store managers, through a wide range of support systems.

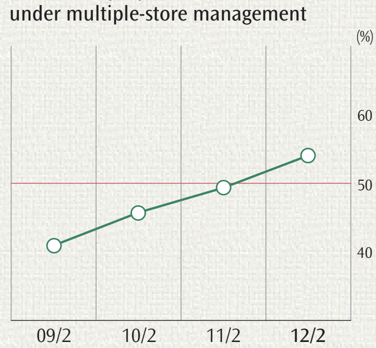
New building method saves time and cuts structure costs by 30%

When new stores are planned in residential areas or at roadside locations in suburban areas, construction costs are also an important factor in negotiations. In that connection, we have introduced a new construction method under which costs are cut, with the co-operation of the building or trading companies involved. By bulk-ordering materials to standardized specs, and by using sturdy panels to reduce the amount of steel framing needed for walls, we have shortened the conventional construction time by 5–10 days, to one month, and also reduced CO_2 emissions. A construction cost saving of approximately 30% or ¥10 million per store is also achieved in structural works. In fiscal 2012, we plan to switch over to the new method for construction of new stores.

New building method



Increase in proportion of stores under multiple-store management



Area Franchisers in Japan

Growing together

The FamilyMart Group's store development operations in certain areas of Japan are handled by our area franchisers. This enables us to tailor store layouts and product lineups to the particular requirements of each region, without compromising speed or quality of service, while expanding our network.

Okinawa — Established 1987
Okinawa FamilyMart Co., Ltd.

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.

Using local ingredients to create new products

This area franchiser, established as a joint venture with the department store and supermarket operator RYUBO CO., LTD., runs the largest convenience-store chain in Okinawa Prefecture. The company tailors initiatives closely to its local market. These include sales contests for new *bento* items and dessert products thought up by local university 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. Celebrating its 25th anniversary in fiscal 2012, this company carries out initiatives such as deploying mobile sales vehicles at events and in remote areas — following the Okinawan tradition of *yui*, or building harmonious relationships between people through mutual assistance, as we grow.

Kagoshima & Miyazaki — Established 1993
Minami Kyushu FamilyMart Co., Ltd.

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

Building a solid business base with 300 stores

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, for example by publicizing home-delivery services through a flyer campaign. In fiscal 2012 it plans to expand the store network to as many as 300 stores. It is raising product quality standards by diversifying menus, using new preparation methods, to meet customer expectations.

Hokkaido — Established 2006
Hokkaido FamilyMart Co., Ltd.

A whipped cream cake, using flour and milk from Hokkaido.

Local roots add appeal to stores

This company, established in a joint venture with Hokkaido's largest foodstuffs wholesaler Seico Fresh Foods Co., Ltd., operated 52 stores as of the end of February 2012, mainly in the interior of the island. In merchandising, the company is developing its own original products to meet local customers' needs, centered on *bento* and desserts. It also helps promote the prefecture through joint projects involving advertising characters used by Hokkaido. In fiscal 2012 Hokkaido FamilyMart aims to establish a network of 100 stores on Japan's northernmost island, with a focus on quality, and product innovation and store management with strong customer appeal.

Domestic Area Franchiser (Joint-Area Franchiser)

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

A FamilyMart store inside Futsukaichi Station, offering a wide range of local produce from nearby tourist areas.

Moving beyond the train station-store format

JR KYUSHU RETAIL, INC., which operates convenience store chains, kiosks, and UNIQLO outlets in Kyushu, operated 115 FamilyMart stores as of the end of February, 2012 under the terms of a joint-area franchise agreement signed with FamilyMart. While most of its stores follow the "Ekinaka" format (serving railway stations), stores are also being aggressively opened in the cities of Japan's southernmost main island. In fiscal 2012, JR KYUSHU RETAIL will continue to create attractive product lineups and offer hospitable service from the perspective of the customer, based on canvassing of customer opinion.

Expanding our Overseas Network

From Japan to the world

In 2009, for the first time, overseas stores accounted for more than 50% of our network. In 2011, their number passed the 10,000 mark, underlining the steady expansion of our overseas operations. Below is an outline of our strategy for each country we operate in and our initiatives in local markets.

Overview of our markets (2010–2011)

	Population*1 (millions)	Number of people per convenience store*2	Area of country*1 (km^2)	Nominal GDP per capita*1 ($)	GDP growth rate*1 (%)	Average age*3
Japan	128.06	Approx.2,800	377,950	45,920	(0.7)	44.8
Taiwan	23.16	Approx.2,400	36,191	20,101	4.0	37.6
South Korea	49.78	Approx.2,400	100,033	22,778	3.6	38.4
Thailand	63.88	Approx.6,500	513,115	5,394	0.1	34.2
China	1,339.72	—	9,600,000	5,414	9.2	35.5
United States	3.79 (only L.A.)	—	1,291 (only L.A.)	48,387	1.7	36.9
Vietnam	86.93	—	331,689	1,174	6.8	27.8

*1. Based on JETRO reports for individual countries and regions (2011)
*2. FamilyMart estimates
*3. CIA World Factbook (2011)
Note: Population and national area data in Japan are from Statistics Bureau, Ministry of Internal Affairs and Communications (FY2010)

* Company names and number of stores is as of February 29, 2012 Market share and proportion of franchise stores are as of December 31, 2011

Sales by product category (FY2011)

Fast food
Non-food products
Food products
Services

Taiwan

Taiwan FamilyMart Co., Ltd.

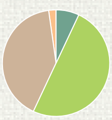
Established: 1988

Number of stores: 2,809

Market share: 29%
(No.2 in the sector)

Franchise stores: 89%

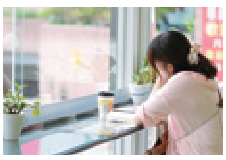
Sales by product category



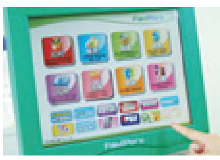
Increasing the number of stores with eat-in areas

Since opening our first store in Taiwan in 1988, FamilyMart has become a familiar name and leading convenience-store chain on the island, with more than 2,800 stores as of February 29, 2012. In a fiercely competitive market, Taiwan FamilyMart Co., Ltd. differentiates its products and services by selling a wide range of ready-to-eat items developed using know-how from the Japanese parent.

In fiscal 2012, we plan to deliver still further convenience in both products and services by expanding the number of stores with eat-in areas, making the taste and quality of our popular fast-food and ready-to-eat ranges even better and broadening the services offered by FamiPort Multimedia Terminals. These measures will add further to our local consumer appeal.



More and more stores now include an eat-in area. These additions have accompanied our measures to step up sales of fast-food and ready-to-eat items.



Famiport Multimedia Terminals provide a range of convenient services such as acceptance of utilities payments and ticketing sales.

Original bakery products and the fresh coffee brand Let's Café, created under a tie-up with a popular Taiwan coffee shop chain, MR BROWN COFFEE.

South Korea

BOKWANG FAMILYMART CO., LTD.

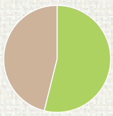
Established: 1990

Number of stores: 6,910

Market share: 33%
(No.1 in the sector)

Franchise stores: 98%

Sales by product category



Leading the convenience-store sector

Having opened its first store in 1990, we opened its 7,000th in March 2012, making it the market leader in this country.

As convenience-store chains in South Korea accelerate the pace of store openings, FamilyMart has taken the lead by differentiating itself through a commitment to the essential roles of convenience stores — providing products and services tailored to local customer needs and acting as a local community member through regular participation in community and other CSR activities. Looking ahead, we are committed to developing the convenience-store paradigm of the future by bringing the individual and the local community closer together.

Private brand products such as the *It's mama bento* range jointly developed with cookery research experts and a cup noodle range launched in partnership with a popular comedian have proved hits.

Thailand

Siam FamilyMart Co., Ltd.

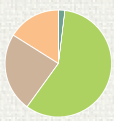
Established: 1992

Number of stores: 687

Market share: 7%
(No.4 in the sector)

Franchise stores: 16%

Sales by product category



A commitment to Japanese-style service, quality and cleanliness

Since setting up shop in Thailand in 1993, we have now opened over 700 stores there (as of April 2012), centered on the cities of Bangkok, Pattaya and Phuket. To counter competition that intensifies year by year, we provide the customer with as comfortable a shopping environment as possible, by ensuring that staff combine the meticulous rigor of Japanese-style service, quality and cleanliness with the hospitality that is the hallmark of the Land of Smiles. The customer base is now shifting toward younger people and women. To avoid being left behind by such changing trends, we are working to create unique new stock displays by developing high-quality, original products that incorporate know-how from the Japanese parent.

Through such measures to differentiate ourselves, we have now booked our third straight year of profitability.

In recent years, there has been a boom among young Thais for bakery products. Particularly popular items are original-taste croissants and premium sandwich products.

A fruit-in-jelly lineup jointly developed with a Japanese food company has become a hit dessert product.

Frozen *bento* products for microwaving are popular.

P.22 Please see Interview with our China CEO

* Company names and number of stores is as of February 29, 2012 Market share and proportion of franchise stores are as of December 31, 2011

Sales by product category (FY2011)

China

Number of stores across China: 813

Shanghai FamilyMart Co., Ltd.

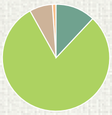
Established: 2004

Number of stores: 639

Market share: 14%
(No.4 in the sector)

Franchise stores: 32%

Sales by product category



Guangzhou FamilyMart Co., Ltd.

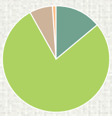
Established: 2006

Number of stores: 121

Market share: 18%
(No.3 in the sector)

Franchise stores: 8%

Sales by product category



Suzhou FamilyMart Co., Ltd.

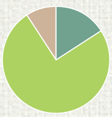
Established: 2007

Number of stores: 48

Market share: 14%
(No.3 in the sector)

Franchise stores: 15%

Sales by product category



Hangzhou FamilyMart Co., Ltd.

Established: 2011

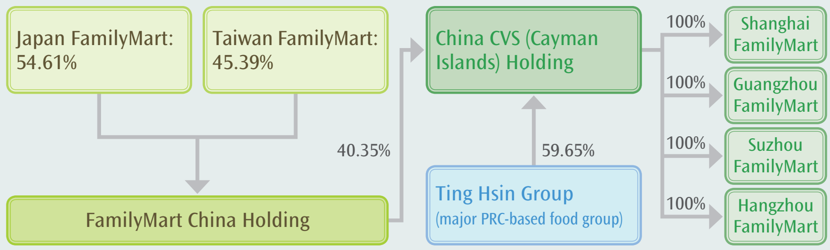
Number of stores: 5

Becoming No.1 in China

We are aggressively developing our operations in China in partnership with Ting Hsin Group, a major PRC-based foods group, and our area franchiser Taiwan FamilyMart Co., Ltd. Starting with a pioneer store in Shanghai in 2004, store openings spread to the cities of Guangzhou (January 2007) and Suzhou (September 2007), and in December 2011 reached Hangzhou. As a result of steady expansion of business, we had increased our network in the rapidly growing China market to over 800 stores by the end of February 2012. In this drive, we have stepped up efforts to open stores in off-street locations such as Shanghai Metro stations, airports and High-Speed Rail stations in Shanghai. Supported by FamilyMart's overwhelming advantages in store development expertise, we aim to increase the number of our stores throughout China to over 1,200 by the end of February 2013.

Having introduced eat-in areas in fiscal 2011, we are likewise increasing the number of stores using new formats to create a cosier space for customers, and are expanding original ranges such as *bento* and bakery products developed with the technological support of the Japanese parent. Geared for further business development in years ahead, we aim to become the leading convenience-store operator in China in both quality and quantity.

Business structure in China



Japan FamilyMart's stake: 30.00%

Our tasty and filling *Quanmin biandang bento* is a customer hit. Offered at a price that is 7.8 yuan (approximately ¥100) cheaper than the average for this kind of product, it has an unbeatable market advantage.

Launch of sales of Chojuku private brand bakery products. The fluffy texture in the mouth has made this range popular with customers.

Store in an off-street location (inside a Metro station)

An eat-in area of a store

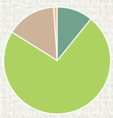
United States

FAMIMA CORPORATION

Established: 2004

Number of stores: 8

Sales by product category



Famima!! — Quality with style

The first store in the United States was opened under the Famima!! brand name in 2005. FAMIMA CORPORATION operates stylish stores with characteristically Japanese high-quality products, services and hospitality, mainly in downtown Los Angeles.

Among the many original, fresh, high-quality products on offer are fast foods, *sushi*, rice balls, sandwiches, pasta dishes, and various desserts. This lineup, differentiating us from competitors, has earned us strong support from local customers.

Famima!! handmade fresh *sushi* is a hit among customers.

Our satisfying Panini sandwiches use only quality ingredients. This is a popular product in America.

Vietnam

Family Company Limited

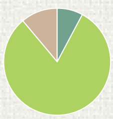
Established: 2009

VI NA FAMILYMART CO., LTD.

Established: 2011

Number of stores: 18

Sales by product category



Pioneering the market

We entered the still-growing Vietnam market in 2009, becoming the first Japan-based convenience-store chain to set up shop in Ho Chi Minh City. As of February 29, 2012, we operated 18 stores there. Until the middle of 2011, we opened outlets through our wholly-owned, locally based subsidiary Family Company Limited. In June 2011, after acquiring an official license, we established VI NA FAMILYMART CO., LTD., a joint venture set up with Phu Thai Group Joint Stock Company and ITOCHU Corporation, to serve this market. We have begun opening stores through this subsidiary. We plan to expand the network to 300 stores by fiscal 2015.

The key to differentiation in Vietnam is customer service. Store staff always greet visitors with a smile and a friendly word of welcome to ensure that shopping at FamilyMart is convenient and pleasant. Because Vietnam is a country where the convenience-store format is still in its infancy, we are able to act as a pioneer here, taking on various challenges and creating a superior image for this kind of outlet.

Local staff tailor product development to local tastes. For example, Vietnamese like their sauces to be packaged separately from their meals.

The “FamilyMart Feel” Campaign

Remaining the convenience store of natural choice

FamilyMart aims to be the indispensable neighborhood convenience store, closer to its customers in every sense. At time of fierce competition in the sector, the Company launched a branding campaign in fiscal 2005 to foster a sense of added value that only FamilyMart can deliver. This brand-building initiative mobilizes employees of all stores throughout the country.

Providing a clearer sense of value to the customer

Against a backdrop of intensified competition and demographic change, the operating environment for convenience stores is going through a time of upheaval. It is no longer enough for our stores to rely on their single main attraction, and the quality they are named for — their convenience. People today have an abundance of material things and enjoy material satisfaction. But uncertainty about the economy and social instability mean that many feel a greater need for psychological reassurance and other emotional value.

As our name implies, FamilyMart’s basic philosophy is to offer a shopping experience characterized by convenience, friendliness and fun by always regarding the customer as a member of the family, and so help people achieve more comfortable and enjoyable lifestyles. Convenience is no longer enough. Our aim is to form an emotional bond with the customer.

Basic Principles

Convenience

A rigorous attention to service quality and cleanliness — the basics of retailing

+

Friendliness and Fun

Emotional values (soothing atmosphere, relaxation, enjoyment, connections, close ties)

Initiatives

FY2005	Creation of project team, setting of policy blueprint
FY2006	Revision of FamilyMart Basic Principles, and creation of “Famimaship,” FamilyMart’s Action Guidelines, by Company employees
FY2007	Issue of FamilyMart no Kokoro (The Heart of FamilyMart) “brand book,” ensuring shared objectives
FY2008–	“FamilyMart Feel” Day, with workshops organized by Head Office employees
FY2009–	“FamilyMart Feel” workshops for franchisees
FY2010–	Global “FamilyMart Feel” workshops
FY2011	“FamilyMart Feel” Day event for the 30th anniversary of the Company

Our aim: To become the No.1 convenience store through Close Ties

The “FamilyMart Feel” campaign is now seven years old. First came the initial period, when we were crystallizing the concept. Then came the development period when it was instilled in our franchisees. Today, all our people are committed to the “FamilyMart Feel” campaign. Since fiscal 2012, we have been organizing activities at regional franchisees as part of efforts to deepen links with our customers in the “Close Ties” campaign, through franchise-based events with customer participation. On the global level too, we organize workshops to enable a shared understanding of the “FamilyMart Feel” concept and encourage overseas units to get involved in the brand-building process.

A franchisees’ workshop

To deepen ties with customers at the local level, we organized *uchimizu* water-scattering sessions outside stores (based on an old purification ritual).

A global workshop

Corporate Social Responsibility

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- 46 Global Corporate Social Responsibility

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- 52 Stakeholder Dialogue — 2012 Connecting Dreams Foundation
- 55 Restoration of Abandoned Farmland Movement

56 Environmental Preservation

62 For the Customer

- 63 Rice Ball Recipe Competition for Everyone

64 For a Better Working Environment

Strengthening CSR management using ISO26000

In fiscal 2011, the total number of FamilyMart stores in Japan and overseas surpassed the 20,000 mark. As globalization proceeds, we plan to adopt the ISO26000 social responsibility guidelines in our management to ensure our development in partnership with a wide range of stakeholders and in harmony with local communities. In fiscal 2011, we adopted an in-house checklist based on the seven core themes in ISO26000, and listed various issues that need attention after a revamp of in-house CSR activities and related monitoring and verification at supervisory units. Looking ahead, we plan to incorporate ISO26000 activities into the medium-term management plan, based on the plan, do, check, act (PDCA) cycle methodology.

Comment

Yoshiki Miyamoto

Senior Managing Director
Director of Management Division

Public concern about CSR matters has risen in response to intensification of competition among companies and changes in consumer behavior in line with economic globalization. Two years ago, the voluntary international social responsibility standard ISO26000 was issued by ISO. This has become a new benchmark for evaluation of corporate sustainable development activities. With overseas stores now outnumbering stores in Japan, and the network total now over 20,000 stores, meeting ISO26000 guidelines has become a necessity for FamilyMart too, enabling us to measure our track record using a global yardstick. We will address these issues as a globalized company that fully meets the expectations of a wide range of stakeholders.

Step 1 Analysis of current CSR performance

- Understand the objects and features of ISO26000
- Identify what needs to be done and to what extent
  - ▶ Organize ISO26000 workshops for representatives from supervisory units
- Create a localized FamilyMart version of the 271-point checklist
  - ▶ Create a checklist for FamilyMart based on 271 items in ISO26000
- Categorization of CSR issues for area franchisers
  - ▶ Categorization of CSR issues in fiscal 2011 Survey targeting companies connected with the convenience-store industry
  - ▶ Status of CSR measures to date (division into five categories: Completed, Partially completed, Requiring verification, No measures taken yet, Not applicable).

Step 2 Identifying the issues

- Group interviews with supervisory units
- Taking account of the mission of each department, select issues that stand in the way of achieving that vision
  - ▶ Hold discussions with heads of departments involved for each of the seven core themes, and then select issues for action
- Create a policy for grouping issues and development mechanisms to deal with them
  - ▶ Identification of potential risk at supervisory units

Comment

Rikiya Kato

Merchandising Division
Delicatessen Department
Group Manager

First of all, we should discuss what can and should be done from a CSR perspective with regard to business partners to whom we outsource production of original items, and then take such measures as are acceptable to the public without jeopardizing our growth.

The future

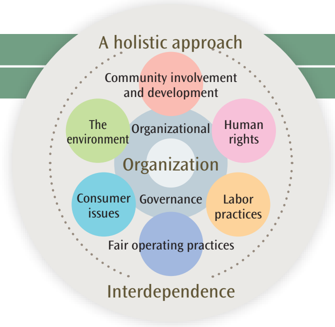
Step 3 Creating a PDCA system

- Ensure principles are fully understood throughout the Group
- Evaluation and continuous improvement

To ensure correct categorization of issues, we are ensuring that they are fully understood throughout the Group and creating a PDCA system to deal with them, based on a priority ranking.

What is ISO26000?

ISO26000 is a new international standard for corporate social responsibility issued on November 1, 2010 through a multi-stakeholder processes covering over 90 countries and territories of the world. It is not a management standard subject to third-party certification, but a set of guidelines comprising seven core themes. In May 2012, it was absorbed into the Japan Industrial Standards (JIS). As a globally expanding company, FamilyMart needs to be aware of social responsibility in terms of the impact of our operations and the need to engage with stakeholders. Our approach to such CSR matters is governed by ISO26000 guidelines.



Issues

Fumiaki Ohno
Management Division
CSR Department General Manager

After evaluating FamilyMart's performance against the checklist, certain CSR issues were identified at affiliated companies including those operating overseas, although there were many areas in which the parent company is responding appropriately overall. Of the seven core themes, respect for human rights ("due diligence") and community involvement were identified as areas where we came up a little short, and where remedial measures need to be taken. In addition, in interviews with supervisory units, individual issues were isolated. After providing pointers regarding awareness and improvements to the departments concerned, we will review response strategies while prioritizing issues jointly with other departments, and take measures to create a PDCA cycle.

Independent opinion

Mitsuo Ogawa
Craig Consulting Co., Ltd.
President

We helped with an analysis of the weaknesses and strengths of FamilyMart's CSR activities using the company's own checklist for fiscal 2012 based on the ISO26000 standard. The company is committed on a long-term basis to its "FamilyMart Feel" campaign. This is an asset in that it seeks prosperity in partnership with regional communities. At the same time, the company faces the issues of dealing with global risk management under its business plan for rapidly expanding its network of stores overseas. It is necessary to aggressively appraise developments, not only at the parent company but also at group companies, in particular those overseas. We hope to see a commitment to higher CSR standards in overseas operations, in parallel with the expansion of the store network, based on a prioritization process using ISO26000. Given the interest in higher CSR standards at Asian companies and the parent company's proactive stance, FamilyMart will be able to strengthen its brand as a company that really values the community.

ISO26000: Seven core themes and FamilyMart's response

In the following pages, we outline our endeavors in response to each of the seven core themes (as indicated by the hexagonal marks). These marks are also used on our website.

The seven core themes of ISO26000

P.67– Organizational governance

P.64 Human rights

P.64 Labor practices

P.56– The environment

P.67– Fair operating practices

P.62– FamilyMart and the customer (Consumer issues)

P.50– Contribution to the community and community development

Global Corporate Social Responsibility

Along with worry-free, reliable products and services, FamilyMart aims to offer the customer the same global perspective and a sense of something special whenever they enter one of our stores anywhere around the world. For that to happen, it is important for us to develop shared brands and CSR programs on a global basis. To ensure that our values are shared, we hold executive summit meetings and workshops attended by senior management of all Group companies, to create a global FamilyMart identity pervading the Company wherever it does business.

The Ninth Shanghai FamilyMart Summit 2011

On November 1, the Ninth FamilyMart Summit 2011 Shanghai was held. With the participation of approximately 80 speakers and observers, including 18 representatives of FamilyMart Group companies, this event in China's main commercial city featured lively discussions and exchanges of opinion on global-scale initiatives. At this forum, senior managers of FamilyMart Group companies were able to hammer out the detail of future CSR activities and environmental projects. A joint declaration was issued in the name of Group company managements.

Global FamilyMart CSR activities

Three action plans

- Establishment of a FamilyMart global fund
- Development of a reusable FamilyMart shopping bag
- "For Kids For Future" program for helping children

Global FamilyMart environmental project

The aim is to reduce the amount of power consumed by each store on a Groupwide basis by 20% by 2015, compared with fiscal 2010.

Global FamilyMart environmental project

Stores account for approximately 88% of the FamilyMart Group's CO_2 emissions. The Global FamilyMart environmental project, with joint targets, aims to reduce CO_2 emission volumes. Officers in all countries we operate in conduct regular progress checks and confirmation of measures, and reduction activities are undertaken based on case studies of shared successes.

FamilyMart Summit: Comments from heads of operations in Taiwan and China

Taiwan FamilyMart
Jin Tin Pan

Energy-saving supports CSR. In the future, I want Taiwan FamilyMart to consider joint, large-lot procurement in areas such as introduction of facilities and use of LEDs and solar-powered energy systems. I wonder if it would be possible to develop the *We Love Green* range (please see P.57) sold in Japan globally?

China FamilyMart
Wei-Yin-Heng

Energy-saving and environmental protection are very important themes. By reducing CO_2 emissions through power-saving measures, we are not only preventing global warming, but also raising consumer awareness of brand, our CSR work and of consumers.

One year after:
How we have helped in the disaster-hit areas

Over one year has passed since the unprecedented Great East Japan Earthquake disaster. At FamilyMart, various initiatives are underway aimed at getting northeast Japan back onto its feet as soon as possible. Here we would like to say something about ongoing recovery support activities carried out since that day in March, 2011.

In the aftermath, we delivered emergency supplies to devastated towns and villages. At the same time, we drew up measures to help affected franchisers get by on a daily basis, and have wrecked stores back up and running again as soon as possible. We saw our roles as rebuilding social infrastructure in the disaster-hit areas and helping broader recovery by revitalizing the local economy. We supplied products in these areas using temporary stores and mobile sales vehicles, and worked to deepen ties with afflicted communities by providing spaces in this way where displaced people could come together. We also raised relief donations through collection boxes placed on our counters and through Famiport Multimedia Terminals, and transferred them directly to Japanese Red Cross Society and local governments in the affected prefectures (Aomori, Iwate, Miyagi and Fukushima). We are also involved in ongoing measures to promote longer-term recovery.

Bringing a smile to children's faces

School meal delivery

At the request of the NGO Save the Children Japan, FamilyMart helped with the delivery of rice-balls, hamburgers and other items to school meal service centers for evacuated children directly after the earthquake. With deliveries made by truck from our ready-to-eat food plants, we were able to provide some 79,000 meals to 20,300 students of elementary, junior high and other schools in Miyagi and Iwate prefectures.

Feeding the children at Kamaishi, in Iwate Prefecture.

Support measures under the Bellmark program

As a participant in the Bellmark campaign, FamilyMart contributes to classroom equipment purchases based on points from Bellmark product labels (collected by PTAs). One Bellmark point can be converted into ¥1. Bellmark points collected from FamilyMart stores all over Japan were used in this way to help re-equip elementary schools in the Tohoku (northeastern) region.

All of FamilyMart's rice-ball products carry the Bellmark.

Special Report: Reopening the Shizugawa-Shizuhama store, in Miyagi Prefecture

On March 11, one franchiser lost both his store and home. In November, against all odds, a new temporary FamilyMart store opened at Shizugawa-Shizuhama

Rushing back to Minamisanriku-cho from Sendai after the earthquake disaster, store manager Kohei Kumagai was shocked to find both his store and home at Shizugawa-Shizuhama had disappeared from the face of the earth, leaving only rubble. Nothing at all was left standing. For several anxious days, he was unable to make contact with his store staff or the local sales office. Five days later, he was located by manager Yasunaga Ishikawa and supervisor Hirohei Yamada from the Ishinomaki sales office, staying with relatives. The pair had been going from the evacuation center to evacuation center, looking for Kumagai. The reunion was joyful.

They decided to reopen the store, and determined to "put out the FamilyMart sign again, at the same place, to be of help to local people." However, the young people had all fled down after the disaster, and it was impossible to recruit staff. They hung out help-wanted ads at local government offices and at temporary housing complexes. As a result, they found three staffers, and were able to reopen the store in November 2011. Opening hours are only from seven in the morning to eight in the evening, but customers expressed their gratitude that they were again able to go shopping.

All that was left of the store after the tsunami was the foundation.

Sales office manager Ishikawa, supervisor Yamada and the Kumagai family.

On November 9, a temporary store opened.

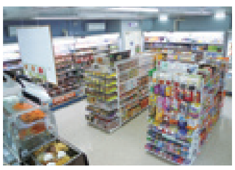
A water storage tank was installed outside as mains supplies had not yet been restored.

Supporting everyday life in the disaster areas

Store opens in temporary housing complex

In June 2011, to provide everyday livelihood support for people in the quake-hit area, we opened a FamilyMart store in Kawamata-cho in Fukushima Prefecture, in the grounds of a temporary housing complex.

In addition to selling *bento* and non-food items, the store lends out DVDs and books free of charge, and has introduced a fee-paying car rental service. A community space has been created that deepens exchange among local residents. Local hiring of the store manager and staff has also created employment in the area.



Unit-type prefabrication enables temporary stores to be built in a short time.

Famima-go mobile sales vehicles serve disaster-hit areas

In September 2011, *Famima-go* mobile sales vehicles began doing the rounds in Miyagi, Fukushima and Iwate prefectures and other areas hit by the disaster. Equipped to offer items in four temperature ranges (room temperature, low temperature, chilled and frozen), these shops-on-wheels carry approximately 300 product lines including *bento*, beverages, confectionery and non-food items. We plan to send them out to remote areas all over the disaster zone, to make life easier for all.

Famima-go mobile sales vehicles are equipped with handheld point of sales terminals, washing facilities, microwave ovens, and electric thermos flasks.

Voice

Kohei Kumagai

Store manager at the Shizugawa-Shizuhama FamilyMart store

This experience really brought home to me the importance of human relations. I'm thinking particularly of the visit by the sales office manager Ishikawa and supervisor Yamada. By valuing people around me, I think I can make a real contribution through FamilyMart.

The team at the new Shizugawa-Shizuhama FamilyMart store.

Voice

Yasuhisa Ishikawa

Manager of Ishinomaki sales office

Of the 43 stores under my office, only half survived the earthquake disaster. Some were reduced to rubble with a car park, others to metal frames, and others that stayed standing were full of shattered glass. Now, one year later, 41 stores are back in business. Only a little more work needs to be done (as of March 31, 2012) before we are back up to the pre-earthquake level. But it will take longer for full-scale recovery to take root in the disaster-hit areas. I was particularly moved by the comments of a volunteer helping in the recovery effort, who said that, "without FamilyMart, we could not be doing this work." FamilyMart and its franchisees are doing what they can to assist the victims of the disaster as they struggle to rebuild their homes, and the people involved in reconstruction work and volunteers.

Longer-term support

Spurring economic recovery in the Tohoku area through retailing

One way we are helping the region is by including Tohoku ingredients and recipes in product development, in what we call our "Tohoku recovery support program." In addition to selling a range of appealing products characteristic of the Tohoku area, part of the sales revenues from the products involved in this campaign are channeled back into the disaster-hit areas as extra recovery support. In addition, by selling products sourced in the disaster-hit areas, with the backing of the "securite disaster relief assistance fund*," we are contributing to the rebirth of quality manufacturing in the disaster-hit areas. The main reconstruction task here is still to come, though. By using our ability to encourage consumption through our nationwide network of some 8,800 stores, we at FamilyMart will continue to play our part in supporting revitalization of the economy of the Tohoku area.

The "Tohoku support gift;" for every application made for this gift-set comprising Tohoku produce, we send ¥100 to prefectural relief receipt organizations all over the quake-hit area.

* A micro-investment platform run by Music Securities Inc. Its purpose is to support rapid recovery at businesses severely damaged by the earthquake disaster.

Ongoing donation campaign using Famiport Multimedia Terminals

A very large number of people from all over Japan and throughout the world have supported fundraising activities to help the disaster-hit areas. As of June 10, 2012, the total amount FamilyMart has raised stands at around ¥1,285 million. We continue to collect donations under the "Famiport Bokin" program using Famiport Multimedia Terminals in our stores. Collection is still underway for the Japanese Red Cross Society, the Central Community Chest of Japan and the ASHINAGA fund. FamilyMart will continue with longer-term measures to support disaster recovery.

Famiport Multimedia Terminals can accept donations without any prior paperwork 24 hours a day.

Community Relations

FamilyMart has its roots in the local community, so involvement in the local community is important to us. Our social contribution activities revitalize the community and help us to forge closer links with local people. We also support initiatives by individual employees.

Social contribution activities

Social contribution policy

FamilyMart engages in a range of social contribution activities which benefit not only the local community but also the global community, as our contribution to making the world a better place.

FamilyMart Social Contribution Policy

1
As a company with international operations, we actively seek to help enrich the global community and support environmental protection.

2
To meet the expectations of local communities and win their trust, we take care to build links and prosper in harmony with them.

3
As part of our role in helping create safe, secure neighborhoods, we take various measures to help local parents keep their children out of trouble.

4
We support the individual efforts of our employees to get involved in social contribution activities.

Established: March 1, 2007

FamilyMart Connecting Dreams Foundation

As part of our 25th anniversary celebrations in April 2006, the FamilyMart Connecting Dreams Foundation was established to support a wide range of groups engaged in all manner of social and environmental activities. This foundation acts as a link between those people who make donations and the NPOs and NGOs who deliver the aid. The donations received are divided among three organizations whose aim is to “make a better future for children all over the world and the global environment” through a range of environmental and social activities both in Japan and overseas.

Donation Box

Emergency disaster relief

We have a system in place to provide immediate donations through the national network of FamilyMart stores in the event of a major disaster in Japan or overseas. In fiscal 2011, we raised money after disasters such as the Great East Japan Earthquake through donations made at checkouts and through Famiport terminals. Thanks to the generosity of our customers we were able to make a great contribution to the disaster-struck regions.

* Famiport has been used for collecting donations since October, 2009.

Delivering aid to Mie Prefecture following Typhoon No.12

List of disaster relief donations in fiscal 2011 (store donations only)

Disaster relief	Donation period (2011)	Total donations	To
Shimoedake eruption	Feb. 23 – Mar. 12	¥245,777	Kirishima City, Kagoshima Prefecture
Christchurch earthquake	Feb. 25 – Mar. 10	¥9,178,251	Japanese Red Cross Society
Great East Japan Earthquake	Mar. 13 – Aug. 31	¥678,674,032	Japanese Red Cross Society Aomori, Iwate, Miyagi and Fukushima prefectures
Typhoon No.12	Sep. 13 – Sep. 26	¥3,458,971	Mie, Nara, Wakayama prefectures
Thai flooding relief	Oct. 20 – Nov. 14	¥23,825,056	Thai Red Cross Society, Rajaprachanukroh Foundation under royal patronage

TABLE FOR TWO — Providing school lunches to children in developing countries

The TABLE FOR TWO initiative was set up with the aim of creating a healthier world; it seeks to address the global imbalance between developing countries where children suffer from hunger and malnutrition, and developed nations where children often overeat and have lifestyle diseases. By donating ¥20 per meal, those of us in the developed nations can provide another meal for a person in a developing country. This is why the name “TABLE FOR TWO” was coined.

The canteen at the FamilyMart Shonan Training Center has raised enough for the equivalent of 5,324 school lunches for children in Africa since May 2007.

A sum totaling 3% of sales of products sold under the program at all FamilyMart stores in Japan is also donated.

In October 2009 we launched a type of candy which has 36% fewer calories, and by the end of April 2012 had raised enough to pay for 66,000 school lunches.

In October 2010, we launched a second type of candy with 50% fewer calories. By the end of June 2011 we had donated the equivalent of 111,000 school lunches.

On October 25, 2011, we launched a third type of candy: reduced-calorie sore-throat candy and My Cube (frozen pink grapefruit). By the end of February 2012, we had donated the equivalent of 74,000 school lunches.

Reduced-calorie sore-throat candy and My Cube (frozen pink grapefruit)

Working with the community

Thank You Letter Contest

In 2009, we organized a national Thank You Letter Contest for elementary school children, to nurture a spirit of generosity in the young.

In 2011, this contest was held for the third time, and received around 31,800 heart-warming letters of thanks.

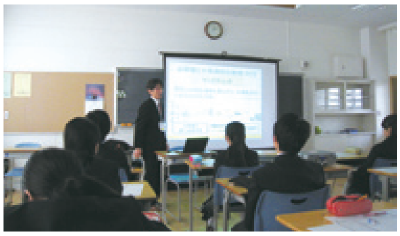
The judging panel was again chaired by the TV commentator Akira Ikegami. After stringent judging by the panel, 14 letters were awarded Best Letter prizes, 35 were awarded the Judges’ Incentive prize and seven schools were awarded the School Prize. Prize-giving ceremonies were held at the schools of the prize-winners all over Japan where they received a certificate of entry. This was a Company-wide initiative.

Prize-giving ceremony

School visits

We helped out with organization of the Shinagawa Terakoya project, in which students of Shinagawa Junior High School are taught the meaning and importance of work by representatives of various industries, and with lecture tours by our employees for junior and senior high schools.

FamilyMart members of staff took the opportunity to teach the pupils about the important role played by convenience stores in the infrastructure of society, and talked about what it is like to work at a convenience store. The pupils were also given the chance to visit a FamilyMart store and the Head Office to see behind the scenes.



During a talk

Voice

Akira Ikegami *Judging Panel Chair, TV commentator*

I was amazed at the response to the Thank You Letter Contest, which drew over 30,000 entries. This meant that the entries that made it to the final judging panel were of a very high standard, making judging even more difficult. Inevitably, the Great East Japan Earthquake had a massive impact. I was deeply touched by the number of letters expressing concern about missing family members and the value of the family, and expressing thanks to the many people who had given assistance. I was also impressed by the letters from the western areas of Japan expressing empathy with the disaster victims, saying how it had made them appreciate their own families. It was an honor to judge these letters from children full of gratitude towards their families and other people. (Review: 2011)

Stakeholder Dialogue — 2012 Connecting Dreams Foundation

We asked a number of the organizations (NPOs and NGOs) that benefited from the Connecting Dreams Foundation to tell us what they thought of the role of FamilyMart as a provider of social infrastructure, and how they thought that we could forge close ties to improve local communities. We are including a few of their ideas here, and look forward to putting them into action in the coming year. (Surnames only are given)

Date of Dialogue:
April 23, 2012

Forging closer community ties

A new-style convenience store as a place for communication

Shibusawa: Convenience stores played a vital role during the recent earthquake disaster. There were so many people in the disaster area who said that they felt comforted by their presence. It seems that people not only in the disaster areas but all over Japan want a "local village shop." Not just a place to buy things, but a place where local people linger over a cup of tea and a chat, a place that fulfils emotional needs as well. During the recent disaster, this role was fulfilled by the convenience stores. It is fair to say that convenience stores are being increasingly viewed as a place for human contact.

Ohno: In the aftermath, a number of stores set up community spaces. We are also considering introducing an eat-in space at stores in Southeast Asia. However, we have to consider things not only from our own point of view, but also ask whether or not there is a real need for such a facility. We want to create stores that have a real value for their community, and reflect its wishes, so we will work in consultation with the local people and NPOs.

Forging closer partnerships with the local community

Shibuya: In developing countries, we are putting local schools at the heart of things. What about opening a store which has a nursery school attached close to the local school? Children can be minded at the FamilyMart store, and this could become a place for informal discussions, I think the local people would be delighted.

Ohno: Opening a convenience store with a nursery school attached would be a good way for FamilyMart to contribute to the education of children in that country.

Shibuya: That's right. Thanks to technology, information spreads quickly in Japan and developing countries too. That's why you cannot run a business without good links to the local community. Not only that, South East Asia is prone to natural disasters, like flooding or earthquakes. It is vital to form partnerships with the local organizations and companies in order to be able to respond to such eventualities. It is not just about giving money, but setting up joint ventures. Our success is our partner's success so we need to work closely with them building up networks and getting ideas. There are a lot of innovative people in Asia; we don't want to waste that resource.

Linking CSR and business to give something back to the community

Ohno: We are looking at new ways to plough profits back into the community by making our business itself part of our CSR activities.

Stakeholder Dialogue Participants

Hitomi Yokote

Executive Officer
Japan Association for the World Food Programme

Hironobu Shibuya

Chief Executive Officer
Save the Children Japan

Masaatsu Aoki

General Director
National Land Afforestation Promotion Organization

Juichi Shibusawa

Vice chairman, Professor of Agriculture
Network for Coexistence with Nature

FamilyMart Participants

Yoshiki Miyamoto

Senior Managing Director
Director of Management Division

Fumiaki Ohno

Management Division
CSR Department General Manager

Akihiro Kayukawa

Management Division
CSR Department Manager

Aoki: Call it local production for local consumption, if you will, but I think a self-contained logistics network would be good within the regions. At present Japanese forests are suffering as they are not being thinned. But this issue is being addressed by an NPO in Kochi called "Tosa no Mori Kyuentai (Tosa Forest Saviors)"; they are thinning the forests themselves and selling the wood as firewood. They have set up a system whereby the wood is accepted as the equivalent of local currency. As well as helping to maintain the forests, it is a way of circulating money within the local community. FamilyMart already has stores constructed from wood, but in future, what about using locally sourced wood when you build a new store?

Miyamoto: This is an excellent way of linking the protection of local forests with the local economy. We will certainly consider it.

Kayukawa: Some FamilyMart stores in Yamanashi Prefecture sell rapeseed oil produced by local farmers as a local production for local consumption initiative. I'd like these kinds of initiatives to be adopted all over the country.

Sustainable Social Contribution

Making long term contributions through fun activities

Aoki: We organize a volunteer group called "Kigyo no mori-zukuri" (Corporate Forest Planting). A lot of families come to our events, and the children often say "That was fun, let's come again." The event staff go to a lot of trouble to make it fun for everyone. Unless people want to come back again, the group cannot keep going.

Kayukawa: It is obviously ideal if having fun and making a contribution to the local community can be linked like this. At FamilyMart, we are involved in a movement to revive rice fields that have been abandoned in Yamanashi Prefecture. Members of staff and their children are having fun growing crops. Even small things like this can have a big impact if they are kept going.

On-going activities make people feel good and change the world

Yokote: These social activities have to be sustainable. The WFP, which receives special support from FamilyMart, hosted our 9th Essay Contest this year. Last year we asked for entries under the broad topic of "Thinking about Eating." The top WFP Prize went to a junior high school pupil from Fukushima Prefecture. It was a courageous essay that touched the hearts of many people. Apparently, the winning pupil had been evacuated to Akita Prefecture and was living apart from the family. The family was reunited at the awards ceremony; it was very touching. It is FamilyMart's ongoing commitment to CSR that enabled such a joyful event to happen against the background of terrible disaster. I look forward to ongoing partnerships and support in many different ways in the future too.

Miyamoto: It is thanks to local communities that FamilyMart has been around for over 30 years, and we need to repay that debt of gratitude. We want to keep working even harder with our CSR initiatives. Thank you for all your help to get us this far and we look forward to working with you in the future.

Organizations supported by FamilyMart Connecting Dreams Foundation

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United Nations World Food Program — an NPO which is the Japanese arm of the United Nations' only food support organization.

©Save the Children

Save the Children is an NGO recognized by the United Nations. They have instigated a five-year plan to help the recovery program following the Great East Japan Earthquake.

National Land Afforestation Promotion Organization is an organization established to promote tree-planting as a national movement.

Network for Coexistence with Nature is an NPO established to form links between people and forests, arising out of the "Kikikaki Koshien" (Listening to the Forest, Writing about the Forest) movement.

Working with the government

Agreements with local authorities

FamilyMart is a nationwide company which operates a community-based convenience store chain. As such, we have formed agreements with local government bodies to support the local community. In fiscal 2011, we signed new agreements with 13 more prefectures and four cities.

So far, we have signed comprehensive agreements with 35 prefectures in support of "local production for local consumption" campaigns, community newsletters and regional disaster prevention services. We also have agreements with 43 prefectures and seven cities to secure relief supplies in the event of a disaster, and agreements to support those unable to get home in the aftermath of disasters with Tokyo, Hokkaido and 31 other prefectures as well as nine cities.

Comprehensive agreement with Akita Prefecture

Disaster cooperation agreement with Shizuoka City

Environmental Communication

Eco-Products 2011 Exhibition

We ran a booth at the Eco-Products 2011 exhibit at Tokyo Big Sight for three days from December 15, 2011. Our booth showcased our "Famimame project," in which green soybean cultivation supports the local community. The "Famimame project" has promoted reuse of abandoned farmland in Kamiobina-ku, Kofu, Yamanashi Prefecture, since 2011.

At the booth we used exhibits and a simple quiz to give information about the aims of the project and the benefits to the environment.


Eco-Products 2011

Marunouchi Kids Festa 2011

FamilyMart exhibited at the Marunouchi Kids Festa from August 15-17, 2011, held at the Tokyo International Forum and attended by over 110,000 people. This was a hands-on event where families could enjoy learning together.

In our booth, there was a fun panel quiz entitled "What is abandoned farmland? How is it brought back into use?" which highlighted matters such as the importance of working with the community and preserving biodiversity.


Marunouchi Kids Festa 2011

Old water-sprinkling tradition observed outside stores

As part of our "Green and Clean project" under our 30th anniversary celebration program, local people took part in "Water Sprinkling Days" at stores all over the country from the end of July to August 31, 2011. As it was the summer holiday, a lot of families with children took part.

The sprinkling of water to cool the ground during the summer months is a long-standing purification custom in Japan. Through this event, we were able to raise awareness of environmental issues and to forge closer links with the people in the local community.

Rainwater collected and saved by participants was scattered from used PET bottles all over store parking lots.


Local people at the water-sprinkling event

List of comprehensive agreements in 2011

Prefectural authority	Agreement on	Signed
Kyoto	Regional regeneration cooperation	April 27, 2011
Hiroshima	Regional regeneration cooperation	June 6, 2011
Osaka	Cooperation	July 19, 2011
Okayama	Cooperation and coordination	August 1, 2011
Akita	Cooperation and coordination	August 5, 2011
Yamanashi	Cooperation	November 7, 2011
Yamagata	Regional regeneration and cooperation	February 17, 2012
Toyama	Regional regeneration cooperation	February 24, 2012

Report of activities

Restoration of Abandoned Farmland movement – forging links with the community

Yamanashi Prefecture has the second-largest total area of abandoned farmland in Japan. Some of it lies in the region of Kamiobina-ku, Kofu, a region surrounded by mountains. FamilyMart staff helped to regenerate the abandoned fields by planting crops such as rape and green soybeans.

This activity is a joint initiative between the Obina Local Regeneration Committee in Kofu and FamilyMart, under the Corporate Farm Regeneration Agreement.

What is abandoned farmland?

This refers to land which has not been cultivated for over one year and has no prospect of future cultivation due to the aging of farmers or lack of people to work the land. The longer the land is left unused, the more difficult it becomes to bring it back into cultivation. There are also problems such as pests and diseases spreading to neighboring fields.

What are green soybeans?

This is an ancient type of soybean that has been cultivated for many years. There are many different types of soybean in Japan, depending on region.

FamilyMart staff and families try growing rape and green soybeans

When this event took place for the first time on May 7, 2011, over 20 staff and their family members took part.

Rape and green soybeans were cultivated on $100m^2$ of abandoned fields. Local farmers instructed everyone how to grow the crops the old-fashioned, environment-friendly way, without the use of chemicals.

As of November, more than 115 staff and their family members had taken part.

Deepening links in the community through farming

Over the course of half a year, the participants all helped with weeding and taking care of the crops. As they worked they chatted and enjoyed being in the open air, thereby creating deeper links within the community.

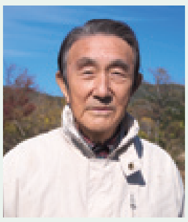
As well as helping regional regeneration, these events provided a valuable opportunity for everyone to experience the joy of harvesting crops and a sense of gratitude for the food we eat every day.

Further regional regeneration

In fiscal 2012, we will increase the area of cultivation, growing green soybeans and rape and also creating terraced fields.

In the future, we will also consider other ways in which to support the community — for example, by selling the produce in the FamilyMart stores.

A message from the mayor of Obina



Hideaki Sueki
Chairman of the Obina regional regeneration committee

The links between Obina and FamilyMart are growing stronger.

We felt very proud when the vegetables produced in our region went on sale at event stalls in Tokyo. We would like to keep this project going and continue to forge even closer links.

Environmental Preservation

FamilyMart regards protection of the environment as its social mission. Based on the ISO14001 international standard for environmental management systems, we will continuously improve our environmental record, through annual targets set in the categories of Products/Services, Product delivery, Store facilities, Store operation and Offices and Company vehicles.

Environmental management

Having acquired ISO14001 certification in March 1999, we created an environmental management system spanning all divisions of our business from the President down to the individual store. We monitor our progress in and improvement and implementation of measures using the plan, do, check, act (PDCA) cycle. With regard to priority initiatives, environmental targets are set for the office or department involved and policies are carried out. At the same time, the environmental impact of our operations is evaluated and continuously reduced. Approximately 88% of the CO_2 emitted by FamilyMart originates in power usage at our stores. In fiscal 2011, we set targets within our Global FamilyMart environmental project. (Please see P.46)

FamilyMart Environmental Policy (Overview)

1 Caring for the environment through our business activities

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

2 Respecting environmental laws and regulations

3 Organizations and awareness-raising

4 Publicizing our Environmental Policy

(Compiled November 1998, revised March 2007)

Environmental targets and progress in fiscal 2011, and targets in fiscal 2012

Based on evaluation of progress toward environmental targets in fiscal 2011, we are committed to continuous further improvement in fiscal 2012, to reduce significant environmental load in the areas of stores (power usage and waste), logistics (CO_2 emissions from delivery vehicles), products (recycling) and our offices (power usage, copier paper usage, gas usage by Company vehicles).

(Excerpted)

Targets for FY2011	Progress	Pass/Fail
Products/Services		
Reduce environmental impact by registering local produce for local consumption Target: 18 items every month	Achieved 329 items in the year	P
Use thinner shrink film for cooked noodles Target: 95% of FY2010 level	Achieved 85.0%	P
Waste reduction in production facilities (edible waste) Target: 90% of FY2010 level	Fell short 97.2%	F
Set standards for earning We Love Green product label	Standards remain to be set Fell short	F
Product delivery		
Improve fuel efficiency of delivery vehicles Target: 100.8% of FY2010 level	Achieved 101.3%	P
Reduce per-store CO_2 emissions from delivery vehicles Target: 99.2% of FY2010 level	Achieved 94.1%	P
Reduce power usage (W) per thousand yen of constant temperature center volumes handled Target: 99.0% of previous year's level	Achieved 84.3%	P
Store facilities		
Energy-saving by adoption of LED façade signage Target: 450 stores (from March)	Achieved 490 stores	P
Energy-saving by use of inverters for frozen storage of commercial-use products Target: 541 new and existing stores (from April)	Achieved 1,107 stores	P
Store operation		
Reduction in store power usage Target: 99% of FY2010 level	Achieved 93.9%	P
Food recycling Target: 33.6% recycling rate (not counting measures to prevent waste arising in the first place)	Achieved 34.0%	P
Reduce use of plastic shopping bags 35% compared to FY2000	Fell short 26.8%	F

Targets for FY2012
Products/Services
Improve the recycling rate in food production facilities Target: 80%
Set standards for earning We Love Green product label
Promote environmental awareness through product campaign
Product delivery
Reduction of per-store CO_2 emissions due to delivery Target: 99.6% of previous year's level
Reduce power usage (W) per thousand yen of constant and room temperature center volumes handled Target: 99.0% of previous year's level
Store facilities
Optional maintenance at franchisee's discretion Target: Total of 3,300 maintenance jobs
Save power by introducing energy-saving equipment (power-saving hand dryers) Target: 1,028 units
Store operation
Reduce store power usage Target: 99.0% of previous year's level
Reduce environmental load by improving sales

Products

We Love Green products

Since October 1999, FamilyMart has sold a line of products labeled We Love Green, an environment-friendly private brand. The label on such products indicates that measures have been taken to reduce environmental load at the raw material, production, use, and disposal stages in the life of the product.

We Love Green daily items

Carbon offset award for excellence

FamilyMart won the award for excellence in the first Carbon Offset Awards organized by Carbon Offset Network, Japan with Ministry of the Environment backing, for its We Love Green environment-friendly product range tailored to the needs of areas hit by the Great East Japan Earthquake. FamilyMart will continue to do what it can to help the environment in partnership with its customers.

Award ceremony

Logistics

Low-pollution and fuel-saving vehicles

We are taking measures to reduce pollution caused by vehicles that deliver our products to our stores. In 1998, these vehicles were converted to CNG, a fuel which is highly effective in reducing emissions. In 2004, we introduced the first hybrid vehicles in the convenience store sector in Japan. FamilyMart is also contributing to reduced emissions of CO_2 through the proactive introduction of diesel vehicles, which are fuel-efficient and meet the latest emissions standards.

Eco-drive control system

In fiscal 2009, FamilyMart installed the eco-drive control system in all of its 2,283 delivery vehicles. The eco-drive control software comprehensively monitors individual drivers' performance in terms of distance traveled, fuel use, speed, and suddenness of acceleration and braking. After crunching all these readings, the system can teach drivers how to drive more efficiently, reducing CO_2 emissions and promoting road safety.

The more leaves you get the more green your driving is with the eco-driving system dashboard display

Store facilities

Wood frame-and-panel construction method saves energy

To reduce the environmental load of our stores, we introduced the wood frame-and-panel construction method in September 2008.

With this new method, highly efficient insulation and energy-saving results can be achieved by including urethane insulating panels in the walls and ceilings. When stores are more air-tight and better insulated, power usage is reduced by some 10%. Compared with the conventional steel-frame construction method, significant reductions can also be achieved in CO_2 emissions at the processing stage. This method had been introduced at 81 stores as of February 2012.

Building using the frame-and-panel method (viewed from the entrance)

Ten energy-saving measures in running the store

Filters used in fittings in our stores are cleaned regularly. We our raising cost awareness among employees based on 10 power-saving measures such as this.

Filter cleaning

LED signage

In 2004, FamilyMart became the first convenience store in Japan to adopt LED facade signage. Since then, we have increased the number of stores using LED façade signage, and have launched technological development and trials aimed at further improving the energy-saving properties of this lighting system. We have also developed LED signage which enables an approximately 70% reduction in energy use compared with conventional fluorescent signs. In September 2010, this system was introduced as standard in new stores, and as of February 29, 2012, it was used in 701 of our stores. Looking ahead, we have ambitious plans to broaden our use of LED signage.

LED facade signage

Helping to build infrastructure for electric vehicles

To help usher in the low-carbon age, FamilyMart, Nissan Motor Company, and Saga Prefecture in April 2011 signed a partnership agreement aimed at encouraging the spread of electric vehicles. Under the "ubiquitous network" concept in the agreement, anybody should be able to charge an electric car 24 hours a day anywhere within the Kyushu prefecture.

Rapid-charging equipment

FamilyMart has installed rapid-charging equipment (80% charge within 30 minutes) at seven stores around Saga Prefecture. Even though the distance that can be travelled on one charge is comparatively short, electric vehicles are safe and charging facilities are place at frequent, regular intervals.

Bilateral Credit Offset Mechanism for Thailand and Vietnam

FamilyMart, Panasonic Corporation and NTT Data Institute Of Management Consulting, Inc. jointly began converting some FamilyMart stores in Thailand and Vietnam to more eco-friendly formats in July 2011 and are researching their CO_2 reduction potential. This project has been selected under the Global Warning Mitigation Technology Promotion Project for fiscal 2011 organized by New Energy Development Organization (NEDO). The aim is to contribute to prevention of global warming by creating a new kind of bilateral carbon-credit mechanism in which CO_2 savings achieved by converting stores to an eco-format are treated as equivalent to the same reduction in Japan.

Testing device

Eco-store in Thailand

Voice

In addition to sharing eco-information within the Department, we are developing facilities and equipment for ecologically sound store operation

Kazushi Nakajima (at left)
Store Development Division
Store Construction Planning Department

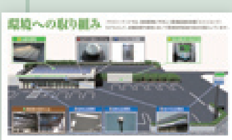
Masanao Iwata
Store Development Division
Store Construction Planning Department

Inspired by its belief that a correct understanding of current issues raises ecological awareness, the Store Construction Planning Department internally shares all ecological information gathered from each committee within the Department. In addition, we support store operation by developing facilities and equipment that make stores more ecologically sound. In 2012, we will introduce more eco-technology and carry out new natural energy trials and tests in FamilyMart stores. We will gather information about eco-technologies, which continue to forge ahead, and will share them with store construction units overseas.

Introductions of eco-technologies by the Store Construction Planning Department

January 2010

Trials and tests begun at our flagship Toyotamanaka 3-Chome eco-store



2011

Introduction of environmental technologies

- Wood frame-and-panel construction method (10% less power used)
  - ▶ Introduced at 81 stores
- LED facade signage (70% less power used)
  - ▶ Introduced at 701 stores
- Under-counter refrigerators (30% less power used)
  - ▶ Introduced at 980 stores
- Vertical refrigerators (25% less power used)
  - ▶ Introduced at some 1,100 stores

* Introduced as of Feb. 29, 2012

From 2012

Further initiatives

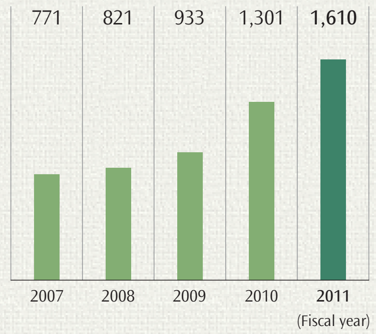
- Use LED in more store signage
- Use LED in more lighting for fittings
- Use natural energy

Store facilities

Recycling unsold ready-to-eat meals and reducing waste from chilled *bento* ranges

In fiscal 1999, we began gradually introducing an organic-waste recovery and recycling system using outside contractors. The aim was to recycle waste food from our stores into fertilizer and animal feed. As of fiscal 2011, having introduced this system at 1,610 stores, we had raised the waste-food recycling rate to 47.8% (not counting measures to prevent waste arising in the first place) — ahead of the food-retailing sector's self-set target of 45%. In addition, in 2007 we developed a kind of chilled *bento* product that can be kept within the constant temperature range of 3-8°C from plant to store shelf. We launched this system nationwide in fiscal 2009. Products can stay on display longer this way, contributing to lower organic waste levels.

Number of stores that collect and recycle organic waste



Recycling waste edible oil

Waste edible oil used for fried chicken, potato and other products sold at FamilyMart stores is now processed by accredited contractors and reused as raw materials for animal feed, paint, ink, detergent, hand-soap and other products under an oil recovery and recycling system launched in fiscal 1999. Currently, nearly all stores with frying equipment have been brought under this system.

In 2007, in a joint development with recycling companies and oil and fat processors, some of the raw materials from waste edible oil used in fried-food preparation are used in the development of a special kind of anti-bacterial hand-soap, now used in washrooms in FamilyMart stores across the country.

Recycling of waste into liquid animal feed

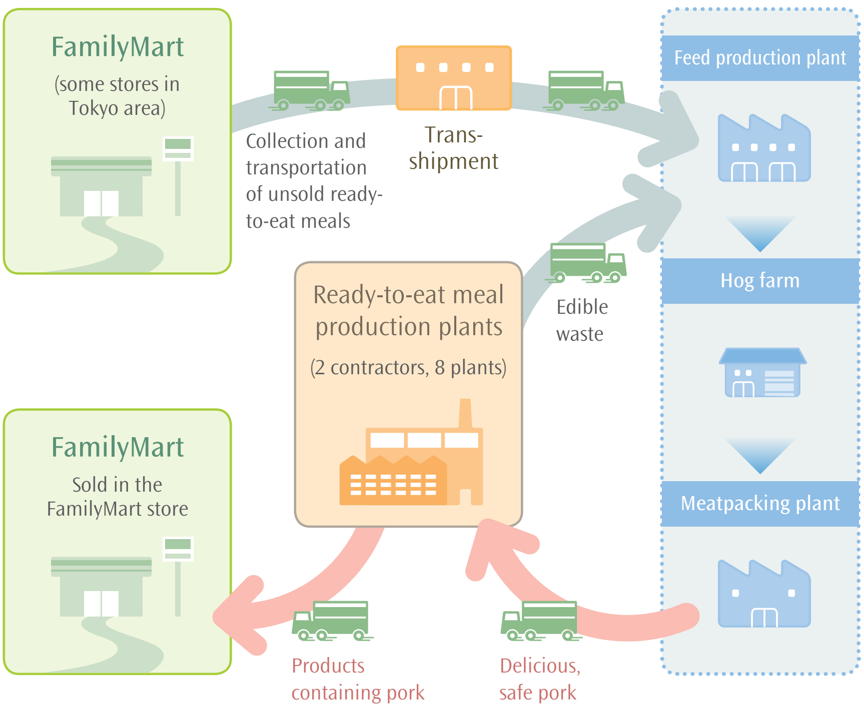
Since April 2008, we have been recycling food waste from some of our stores and our ready-to-eat food plants for the manufacture of liquid feed, for sale to pig-farms. Hogs reared on liquid feed grow up healthily and yield safe, worry-free pork.

In June 2011, bakery products containing this pork were marketed at some of our stores, creating a closed-loop food-recycling system. This initiative has been recognized under the Ministry of Agriculture, Forestry and Fisheries' recycling business plan certification system. This has triggered application of a special clause in the Waste Disposal and Public Cleansing Law enabling wide-area, single-trip collection and transportation of waste.

We plan to use this special provision to broaden the scope of our waste food collection and create a broader-based closed-loop recycling model, so as to further promote recycling and development of delicious, safe food products.

Bakery product using pork from the closed-loop recycling process

Closed-loop food-recycling system based on liquid feed



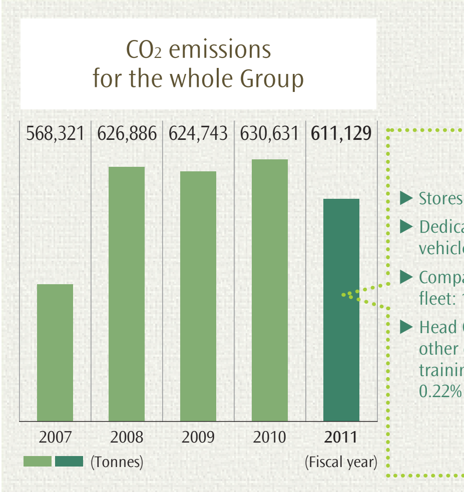
Centralized CO_2 emission controls

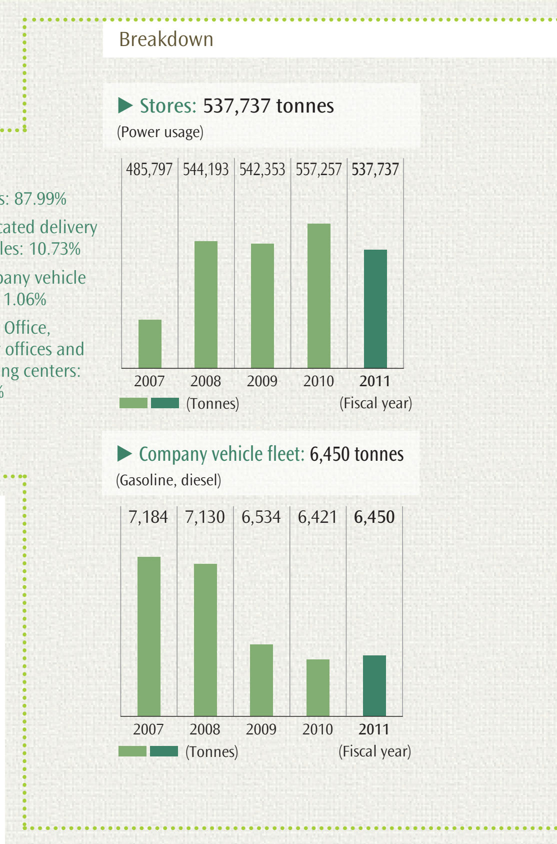
Following enactment of the amended Act on the Rational Use of Energy in April 2010, it has become mandatory for convenience store chains to monitor energy usage at all outlets and report results to the government. In April 2010, FamilyMart launched a system that monitors and measures CO_2 emissions from stores, logistics facilities, Head Office and other offices. This is an effective measure for prevention of global warming as monitoring covers CO_2 emissions not only from power usage but also from gas, gasoline and diesel and other fuel use.

CO_2 emissions

At FamilyMart, 88% of CO_2 emissions come from stores. So we are concentrating on controlling energy usage volumes and promoting energy-saving measures in stores, while at the same time reducing gasoline usage by Company vehicles and taking energy-saving measures at Head Office and other offices.

In fiscal 2011, the total number of stores in the Group increased due to our merger with am/pm Japan Co., Ltd., but we still managed to significantly reduce CO_2 emissions year-on-year, by 19,502 tonnes to 611,129 tonnes.

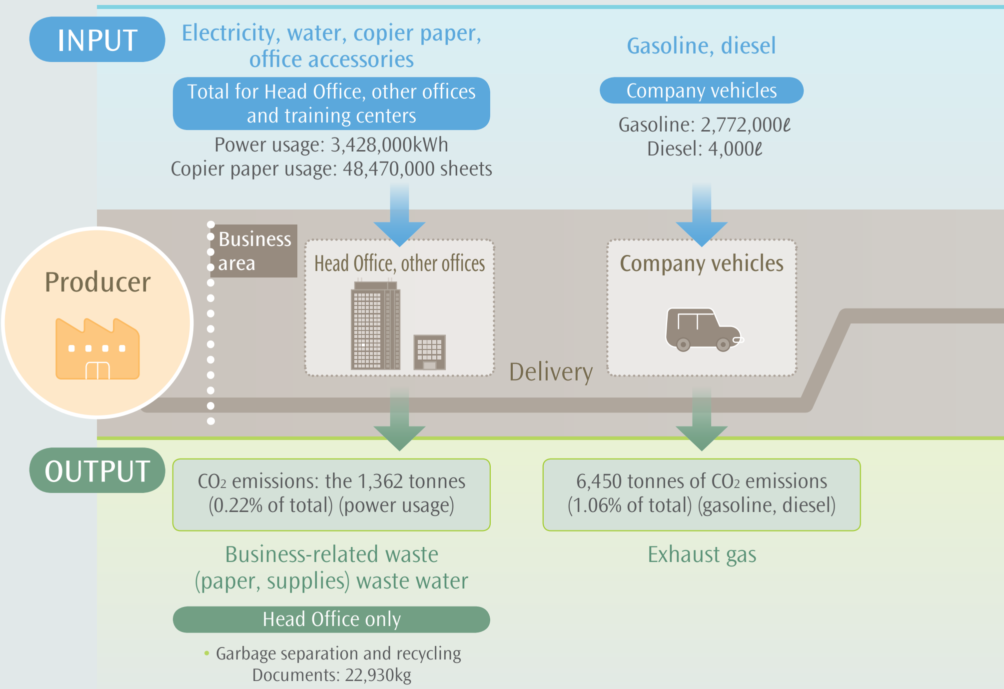




Toward a sustainable society

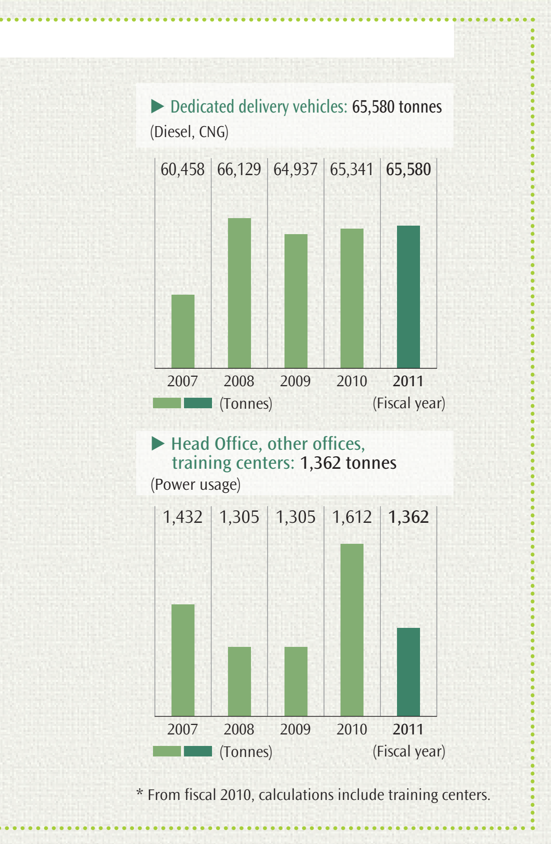
FamilyMart impacts the environment in various ways during the course of its business operations, such as through CO_2 emissions, and generation of waste and waste water.

By monitoring and reducing environmental load, we are contributing to creation of a sustainable society and the future development of our business.



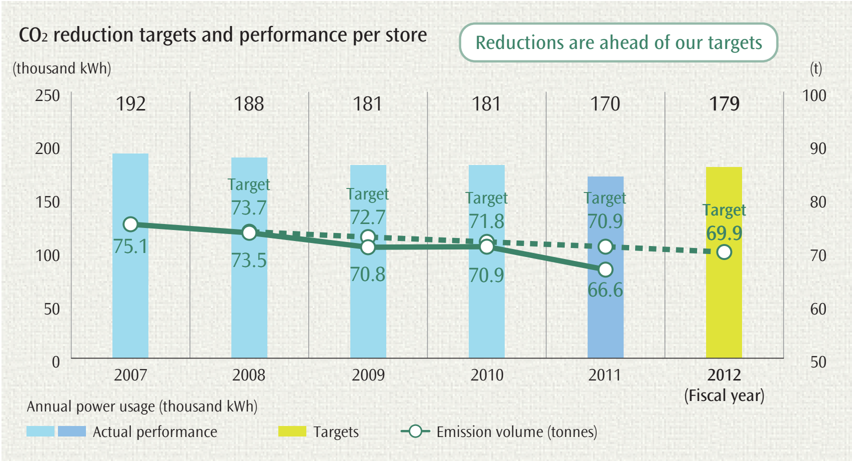
Note on calculation of emission volumes

Details of power usage at our stores are collated in the bills sent to the Company every month by our electricity providers. In cases where in-house transformers are used at leased premises, our figures and calculations are based on power usage volumes recorded in the owner's electricity bills, etc., but power usage at some stores is not always clear from these. In such cases, we have used average values. Delivery of products from logistics facilities to stores is outsourced. Hence, CO_2 emission volumes associated with diesel and CNG usage by dedicated delivery vehicles are based on data provided by the contractor companies.

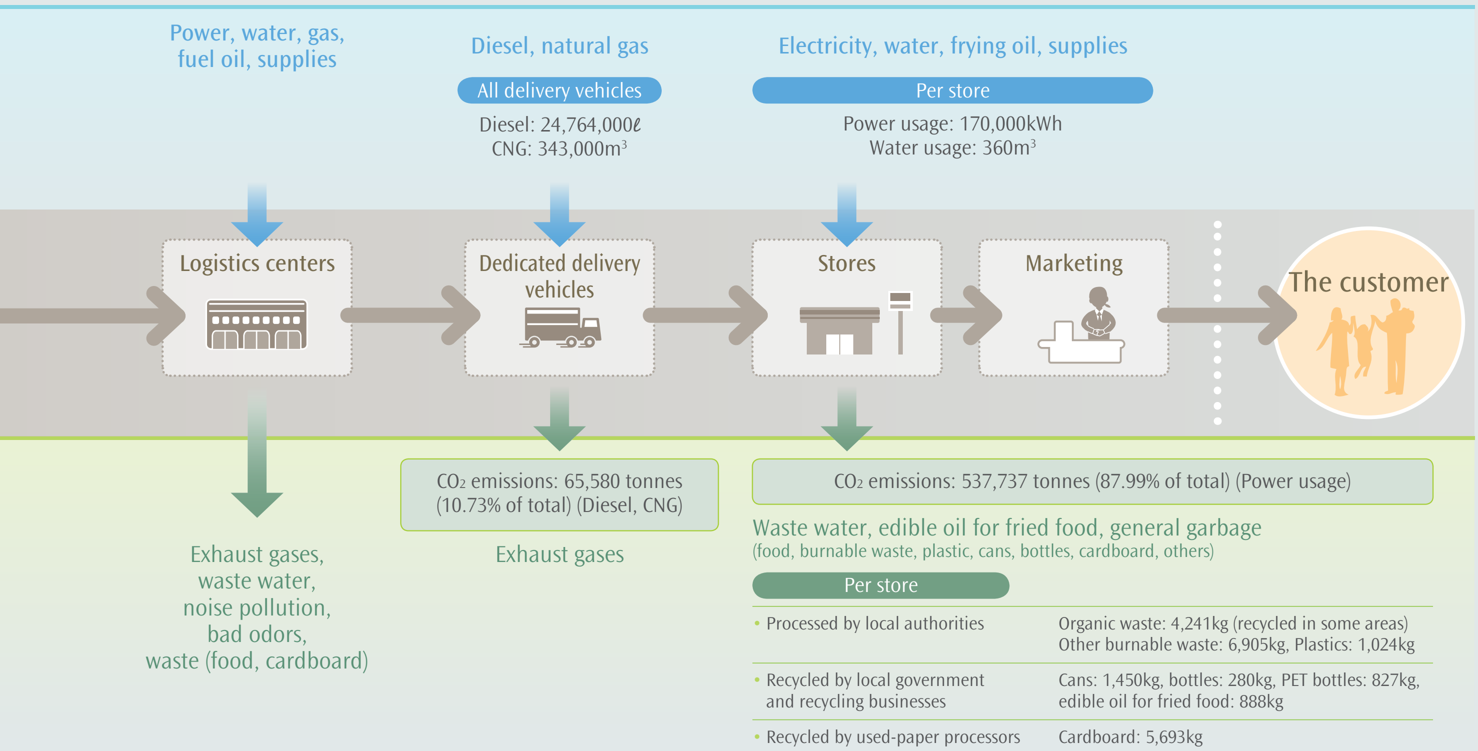


Per-store CO_2 reduction targets

By fiscal 2012, FamilyMart aims to reduce CO_2 emissions by 5.2 tonnes, or 7%, compared with fiscal 2007, by introducing energy-saving equipment at new and refurbished stores and streamlining operations at all stores. CO_2 emission volumes in fiscal 2011 have already been reduced to 66.6 tonnes per store, far ahead of the initial target of 70.9 tonnes, due partly to the impact of the nationwide power-saving campaign that followed the Great East Japan Earthquake.



* Excludes former am/pm stores



To meet our commitment to deliver delicious and worry-free products to our customers, we at FamilyMart have established independent quality management standards that are even more exacting than the statutory standards. We are always firmly guided by our motto “FamilyMart, Where You Are One of the Family” as we go about developing a network of convenience stores that understand exactly what our customers want.

Quality management framework

Quality management systems

For rice balls, *sushi*, *bento*, delicatessen items, salads, sandwiches and other ready-to-eat items, we follow strict quality and hygiene management standards and application guidelines in all processes from raw ingredient procurement through production, delivery and marketing. While regularly updating our quality management standards, we are also committed to delivering safe, worry-free products to our customers by ensuring rigorous quality and hygiene management at all ready-to-eat food production plants (outsourcers), logistics centers and stores.

Quality and hygiene management measures at FamilyMart

- Safe, worry-free raw material procurement
- Reduced use of food additives
- Rigorous quality and hygiene management and upgrading measures
- Quality standards

Ready-to-eat food plants (outsourced)

- Quality and hygiene management for food products and facilities
- Hygiene management in production processes
- Hygiene management for production operatives

Logistics Centers

- Temperature management in cold storage facilities for delivery vehicles
- Three trips per day
- Temperature management within logistics centers

Stores

- Product information displays
- Temperature management
- Hygiene management
- Shelf-life management

Detailed product information

We ensure our customers can choose our products in complete peace of mind. We have created our own proprietary labeling standards and gone further than the mandatory descriptions under the Japanese Agricultural Standard Law, Food Sanitation Act and Law for Promotion of Sorted Collection and Recycling of Containers and Packaging. For example, in addition to the seven food items requiring allergy warnings, we list 19 other “recommended” items. We provide all the information we feel the customer might want to know concerning the contents of *bento*, even to the extent of separately detailing the *okazu* items used with the rice. We also include details such as nutrients and estimated time needed for microwaving.

What we put on our labels

- Expiration date
- Packaging materials
- Nutritional information
  For *Makunouchi bento* we only give the calorie count; the rice and *okazu* item details are separately displayed
- Raw ingredients (including allergen substitutes)
- Additives
- Allergens (seven mandatory and 19 recommended items)
- Name
- Storage method
- Price
- Estimated time needed for microwaving
- Non-use of preservatives, artificial colorings and sweeteners
- Warnings from the producer (about sharp edges on packaging, etc)
- Producer contact address

Phasing out food additives

Since March 2002, FamilyMart has been reducing overall volumes of food additives used in its products. While remaining committed to high quality and fine taste, food additives are being phased out gradually. Since January 2005, we have stopped using artificial colorings, preservatives and sweeteners in the following ready-to-eat items.

Deducting the additives

	Delicatessen items, salads, sandwiches and cup and regular noodles	Rice balls, *sushi* and *bento*
Synthetic colorings	Use halted in March 2002	
Synthetic preservatives	Use halted in October 2002	
Synthetic sweeteners	Use halted in October 2002	
Natural preservatives	Use halted in March 2003	Use halted in September 2003
Natural sweeteners	Use halted in January 2005	

Rice ball recipe competition for everyone

\ Expanding Close Ties activities /

Product development with direct customer input through social media

Facebook twitter

FamilyMart is proud to announce the launch of four new rice-ball products based on direct customer suggestion

Following on from our similar, successful rice ball competition using Twitter, FamilyMart ran a Facebook campaign between November 1 and 21, 2011, in which customers were invited to help develop new types of rice-ball snack by contributing their own recipe ideas. We collected some 1,000 ideas as well as many other well-intentioned suggestions.

▼ Commercialization of the winning ideas

November 1–21	1,000 suggestions gathered on our Facebook site Preliminary review by FamilyMart panel	
November 22–December 8	Qualifying ideas posted on our website for voting	
Mid-December	Top four winning ideas announced, prior to commercialization	
February 14	Launch of first two items	Mushroom and mayonnaise Cheese and curry
February 28	Launch of items three and four	Kogashi-negi mayo *okaka* Buttered salmon

Invented and chosen by our customers: Four new types of rice-ball

A FamilyMart panel carried out a preliminary review of the ideas sent in by customers and narrowed the field down to 30 candidates. The 30 ideas were listed on the FamilyMart website, and customers were again asked to participate, this time by voting on which ones they liked best. Four were selected for commercialization. After trial product preparation and final reviewing in-house, they went on limited-period release on February 14, 2012.

No. 1 Mushroom and mayonnaise
Cooked *enoki* mushroom and mayonnaise combination

No. 2 Kogashi-negi mayo *okaka*
Charred leek with classic dried bonito flake rice-ball, with mayonnaise

No. 3 Cheese and curry
Toasted cheese and curry-flavored rice (a Japanese favorite)

No. 4 Buttered salmon
Delicious combination of richly buttered fresh salmon and soy sauce

Results released on Facebook page, eliciting many comments

The launch of rice-ball products inspired by our customers was announced officially on our Facebook page, drawing a large number of feedback comments and “Like” button clicks. Through programs such as this, we intend to further deepen our dialogue and our close ties with our customers. We will continue developing this concept in the future.

Corporate Social Responsibility

For a Better Working Environment

Human rights

Labor practices

FamilyMart aims to create a working environment which respects employees' independence and ambitions and makes their jobs easier. We are developing systems and mechanisms that enable individual employees to give free rein to their creativity and receptiveness to challenges, while drawing on their strengths and respecting their lifestyles.

Toward a better workplace

Creating a better work-life balance

To support employees with child-rearing and care obligations, we are creating frameworks for maternity and childcare leave, reduced working hours for childcare, and care leave. All 12 employees that give birth in fiscal 2011 took childcare leave.

Childcare leave in fiscal 2011
(among 410 female employees in a total workforce of 3,356)

Maternity and childcare leave	12
Reduced working hours for childcare	29
Care leave	3

Seminars and practical manuals for employees

Following the distribution of theoretical guidebooks in fiscal 2010, FamilyMart in fiscal 2011 issued to its employees at various workshops a work-life balance handbook and practical guide to developing more efficient working habits. The workshops encourage employees to set their own work-life targets, while the written material gives hints on measures that can be taken at the workplace, supplemented by case studies. Beginning in fiscal 2010 with what we call the *kizuki* (awareness) stage, we provided the necessary environment and tools for employees to progress to practical measures in fiscal 2011.

Employment of people with disabilities

FamilyMart has taken measures to steadily improve the retention rate for people with disabilities by prioritizing follow-up procedures after joining the company and by strengthening partnership arrangements with support groups. At the same time, we are expanding recruitment parameters and the range of workplaces where they can be deployed. In fiscal 2011, we took on 13 disabled people, bringing our disabled hiring rate up to 1.99% as of March 1, 2012 and clearing the statutory threshold.

Employment rate for people with disabilities

Year	
March 2010	1.80%
March 2011	1.83%
March 2012	1.99%

Re-employment of retirees

With numbers of retirees rising, amid the rapid aging of the population and the entry of the baby boomer generation into their twilight years, the Company in fiscal 2006 created a re-employment framework for older workers. Seven retirees were taken on again in fiscal 2011, bringing the total to 21.

Mental healthcare

In fiscal 2011, we created a framework for relaxed consultation for employees with mental health concerns, including introduction of consulting services at all our offices nationwide, and creation of more opportunities for interviews with occupational health care professionals for those needing such services or on leave due to personal issues.

Voice

Akiko Sakanakura

Merchandising Division
Regional Merchandising Department

I have two children, aged four and one. After taking childcare leave, I returned to the workplace when my younger child was six months old. At the moment, I work in support operations for the Regional Merchandising Department. Because time is limited, information is always shared with everybody in the department, and care is taken to ensure an effective working arrangement. Based on family and other support measures, working time and time at home can be precisely balanced, making for a more fulfilling day-to-day life.

Corporate Governance

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Outside Corporate Auditor Interview

We asked the auditor to tell us frankly what she thought of the governance structure and any issues for the future from the viewpoint of Outside Corporate Auditor as well as independent director.

Mika TAKAOKA

Outside Corporate Auditor
Professor at College of Business, Rikkyo University

* The Company has submitted an Independent Directors/Auditors Notification to the relevant stock exchanges of Prof. Takaoka's role as an independent director.

Profile:

Assistant professor at Institute of Economic Research, Osaka City University, and formerly associate professor at College of Business, Rikkyo University. Her fields of specialty are; changes in consumer behavior and logistics systems; franchise systems and business organization, systems and culture; creating sustainable companies and consumer communication. She also works as a committee member for the Ministry of Economy, Trade and Industry. She was appointed as Outside Corporate Auditor for FamilyMart in May 2011.

Question >>>

It is a year now since your appointment. Has your impression of FamilyMart changed?

My impression has changed a lot but in a good way. Before my appointment, as this is a retail company, I had the impression that it puts safety and reliability first. Now as an insider, I can see that it is not just a well-established player in the domestic convenience store business, which is nearing saturation point, but is also expanding rapidly overseas as well as entering the market and leveraging the synergy with industries in related areas to deliver social and lifestyle-service infrastructure in Japan. I was surprised at the speed of the transition and the decision-making process.

The discussions at the meetings of Board of Directors, which comprises members from many backgrounds, are very lively. I felt that everyone is able to speak freely putting forward a variety of points of view and that the balance was extremely good. I also felt that the flexibility of the Board of Directors where new blood is constantly joining was a strong point.

Question >>>

How did you evaluate FamilyMart's corporate governance structure?

For corporate governance to be effective, disclosure of information is vital, and I thought that the system is extremely good on the point of information sharing.

Last year, when I became Outside Corporate Auditor, there were a lot of things that I needed to understand to do my job, but each section within the company told me all I needed to know about their initiatives and issues on a quarterly basis. I was also given an agenda and details for the Board of Directors meetings well in advance, so I could check things prior to the meeting. Discussions at the Corporate Auditors' meetings were open and I was able to take part in Board of Directors meetings.

Apart from the monthly Corporate Auditors' meetings, there were a number of initiatives designed to increase the effectiveness of the auditing process of the whole Group such as the annual gathering of the FamilyMart Group auditors to share information about the status of Groupwide governance and any business issues, as well as ways of keeping the Group informed of Head Office's stance.

Question >>>

Are there any governance issues going forward?

Going forward, overseas expansion forms a cornerstone of the long-term growth strategy. In the overseas side of the business, where customs and values are different, a foundation of shared principles is beginning to emerge; a system of responsibility for business managers and an overseas check system are being put in place.

The company proactively engages on a global level by continuing to host the FamilyMart AFC Summit and Global Workshops which are attended by Company representatives from around the globe, but I feel that one of the issues going forward will be further increasing the level of communication.

Another is to constantly consider how the governance structure can be adapted to changing business formats. For example, an increasing number of the franchised store owners now oversee multiple stores, and in future, there is the possibility that social and lifestyle-service infrastructure will be added as new businesses. I would like to see support from Head Office for affiliated companies and franchised stores under contract in creating a governance system that garners greater public trust on a Groupwide basis.

Corporate Governance and Internal Control System

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.

Corporate Governance

Our Corporate Governance System

As of June 1, 2012, the Company's Board of Directors comprises 11 directors. Regular meetings of the Board are held once every month to decide on important matters affecting the Company's business operations, and to perform supervisory duties. FamilyMart has adopted the executive officer system, with transfer of substantial executive authority to executive officers, as part of efforts to speed up the taking 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, 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 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.

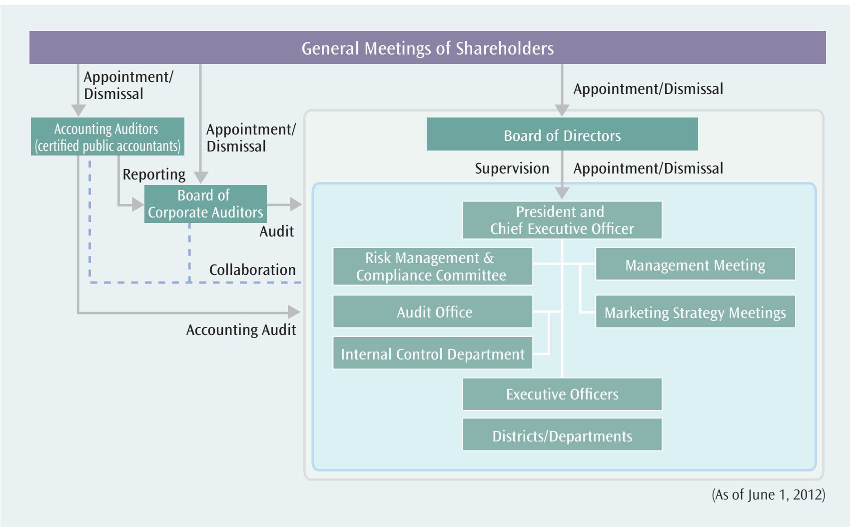
Reason for Selection of the Current System

We do not appoint outside directors but we believe that the supervisory functions performed by the Board of Directors and the monitoring functions performed by the directors are working effectively. Furthermore, the corporate auditors, including the outside corporate auditors, are responsible for performing the auditing of the execution of operations by the directors, and we believe that currently those functions are being sufficiently fulfilled.

● Overview of the Governance System

- **Organizational structure**
  Company with Auditors
- **Directors (number and term of office)**
  11, 1 year
- **Corporate auditors: 4**
  Outside corporate auditors: 3
  Number of outside corporate auditors designated independent executive officers: 1
- **Foreign ownership**
  32.57%
- **Introduction of anti-takeover measures**
  None

● Corporate Governance System



Remuneration for Directors, Corporate Auditors and Independent Auditors

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 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.

● Remuneration for Executives

	Total paid (¥ million)	Total paid in various different forms (¥ million)				No. of payment recipients
		Basic salary	Stock options	Bonuses	Retirement benefits	
Directors (except outside directors)	301	283	—	—	17	12
Corporate auditors (except outside corporate auditors)	31	29	—	—	1	2
Outside corporate auditors	35	34	—	—	1	3

Note: The above figures include two directors and one corporate auditor who announced their retirement at the end of the 30th Regular General Meeting of Shareholders held on May 26, 2011.

● Compensation for Corporate Auditors

	Fiscal 2010		Fiscal 2011	
	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)
FamilyMart	90	2	88	1
Consolidated subsidiaries	2	—	3	—
Total	92	2	91	1

Internal Control Initiatives

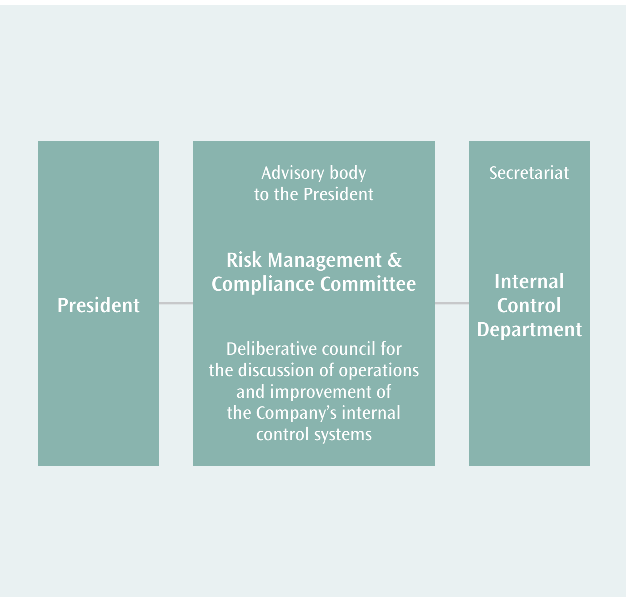
Structure of Internal Control System

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.

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.

● The Risk Management & Compliance Committee and Specialist Subcommittees



● FamilyMart Ethics and Compliance Basic Guidelines

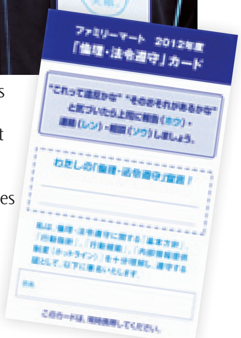
Compliance

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.

We are working on providing education on a companywide basis in order to raise the compliance awareness of our employees and franchise stores.

We issue an Ethics and Compliance/Social and Environmental Policy Card to all of our executive officers and employees, and make sure everyone is aware of the importance of compliance, personal information protection, and society and the environment. In addition, we promote understanding of these issues through e-learning programs and other methods. The franchise and chain headquarters is also working hard to ensure fair trading and safe and reliable products and services by providing employee education about and conducting store training and inspections about the Antimonopoly Act, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Tobacco Business Act, the Act Prohibiting Smoking and Drinking by Minors, the Labor Standards Act, and other applicable laws.

Employees serve customers wearing a badge that informs the customers that the store may ask them to verify their age if they purchase liquor or cigarettes



Ethics and Compliance Card

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.

Furthermore, in order to remind employees of the risks, we are sharing knowledge of the risks through lectures and workshops and fostering an awareness of risk.

Business Continuity Plan (BCP)

We developed this plan so that in the event of a major natural disaster or other emergency situation occurring, we will be able to fulfill our mission to the customers as a convenience store by continuing the convenience store business or at least restoring the operation of stores as quickly as possible.

With this plan we have defined the actions that must be taken when an emergency situation occurs and actions that must be taken during normal times in preparation for when an emergency situation occurs. The executive officers and employees will respond to major natural disasters and other emergency situations based on this plan, with the aims of minimizing damage and shortening the restoration time.

Information Management

To establish a Companywide system for information management, we have compiled a Basic Policy 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 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, and to Famima Retail Service Co., Ltd. in December 2008.

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.

Corporate Governance

IR Activities

Basic Guidelines for 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.

Proactive IR Activities

In Japan we hold a semi-annual meetings for analysts and institutional investors at which the President himself explains about our business performance, management strategies, and other matters. In addition we hold briefing sessions on product strategy, the overseas business and other themes and approximately 200 separate meetings per year. Furthermore, we conduct overseas IR activities in North America, Europe, and Asia, and actively participate in domestic and international conferences hosted by securities firms as well.

For individual investors we run seminars and other events aimed at the sales staff at securities firms and we are working hard to enhance our website.

Moreover, in order to make the voices of our shareholders and investors heard inside the company, we publish the IR Report for our employees every quarter and post it on the company's intranet system.

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

FamilyMart Wins IR Grand Prix

The Annual IR Grand Prix Awards presented by the Japan Investor Relations Association (JIRA) are a system for the selection and recognition of companies that have achieved outstanding results in the field of investor relations (IR), including a deep understanding of the purpose of IR, aggressive action to promote IR, and maintenance of the strong support of market participants. In fiscal 2011, 304 companies were screened, and the IR Grand Prix was awarded only to those companies that have won the Best IR Award three times. FamilyMart had already won the Best IR Award in fiscal 2006 and fiscal 2010 and the fiscal 2011 award is the third, so we were awarded the IR Grand Prix.

Only eight companies, including FamilyMart, have been awarded the IR Grand Prix to date, and we are the first company in the retailing sector to win it.

The FTSE4Good Index Series

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

Reasons why FamilyMart Won the Award

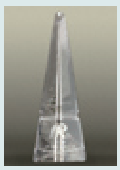
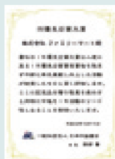
- IR activities are conducted on an ongoing basis by management, senior IR executives and the IR department, with the co-operation of business divisions.
- Disclosure is unaffected by changes in the operating environment or changes in earnings performance.
- Information regarding damage sustained in the Great East Japan Earthquake and recovery work was provided as quickly as feasible.

2011 IR Prime Business Award 優良企業大賞 member of Japan Investor Relations Association


The award ceremony

● Major External Appraisals

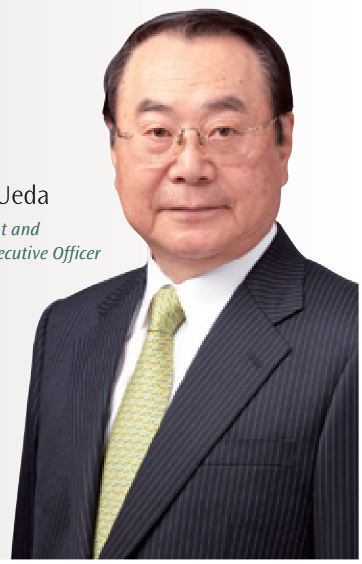
Japan Investor Relations Association	Fiscal 2006: 11th Best IR Award
	Fiscal 2010: 15th Best IR Award
	Fiscal 2011: 16th IR Grand Prix
Securities Analysts Association of Japan	Sole recipient in retailing sector of certificate of merit for fiscal 2008, as a "company that maintains a consistently high level of disclosure" in the disclosure rankings by the Securities Analysts Association of Japan
	FamilyMart came first among all 17 companies competing in the "Retailing" category in the Excellence in Corporate Disclosure Awards for fiscal 2011
NIKKEI Annual Report Awards organized by Nikkei Inc.	Fiscal 2009: Honorable mention
	Fiscal 2010: Awarded a prize
	Fiscal 2011: Honorable mention

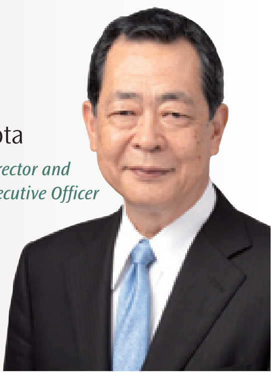
IR email service

FamilyMart offers an email service informing registered users about IR information and important news releases. To use the service, register at: http://www.family.co.jp/english/investor_relations/mail_service/index.html

Board of Directors, Executive Officers, and Corporate Auditors

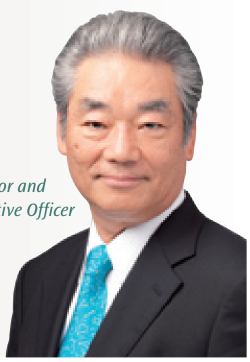


Junji Ueda
President and Chief Executive Officer



Takayuki Yokota
Senior Managing Director and Senior Managing Executive Officer

Yoshiki Miyamoto
Senior Managing Director and Senior Managing Executive Officer



Yasuhiro Kobe
Senior Managing Director and Senior Managing Executive Officer

Toshio Kato
Managing Director and Managing Executive Officer

Motoo Takada
Managing Director and Managing Executive Officer

Masaaki Kosaka
Managing Director and Managing Executive Officer

Akinori Wada
Managing Director and Managing Executive Officer

Yukihiko Komatsuzaki
Managing Director and Managing Executive Officer

Hiroaki Tamamaki
Managing Director and Managing Executive Officer

Noboru Takebayashi
Director and Managing Executive Officer

Managing Executive Officers

Jin Tin Pan
Kazushige Ueno
Toshinori Honda
Mitsuji Hirata
Yoshihito Nakahira

Senior Executive Officers

Katsuo Ito
Kimichika Iwakiri
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
Takashi Iizuka
Yoshiaki Uematsu
Yoshiki Sakazaki
Kenji Misawa
Junichi Yamashita

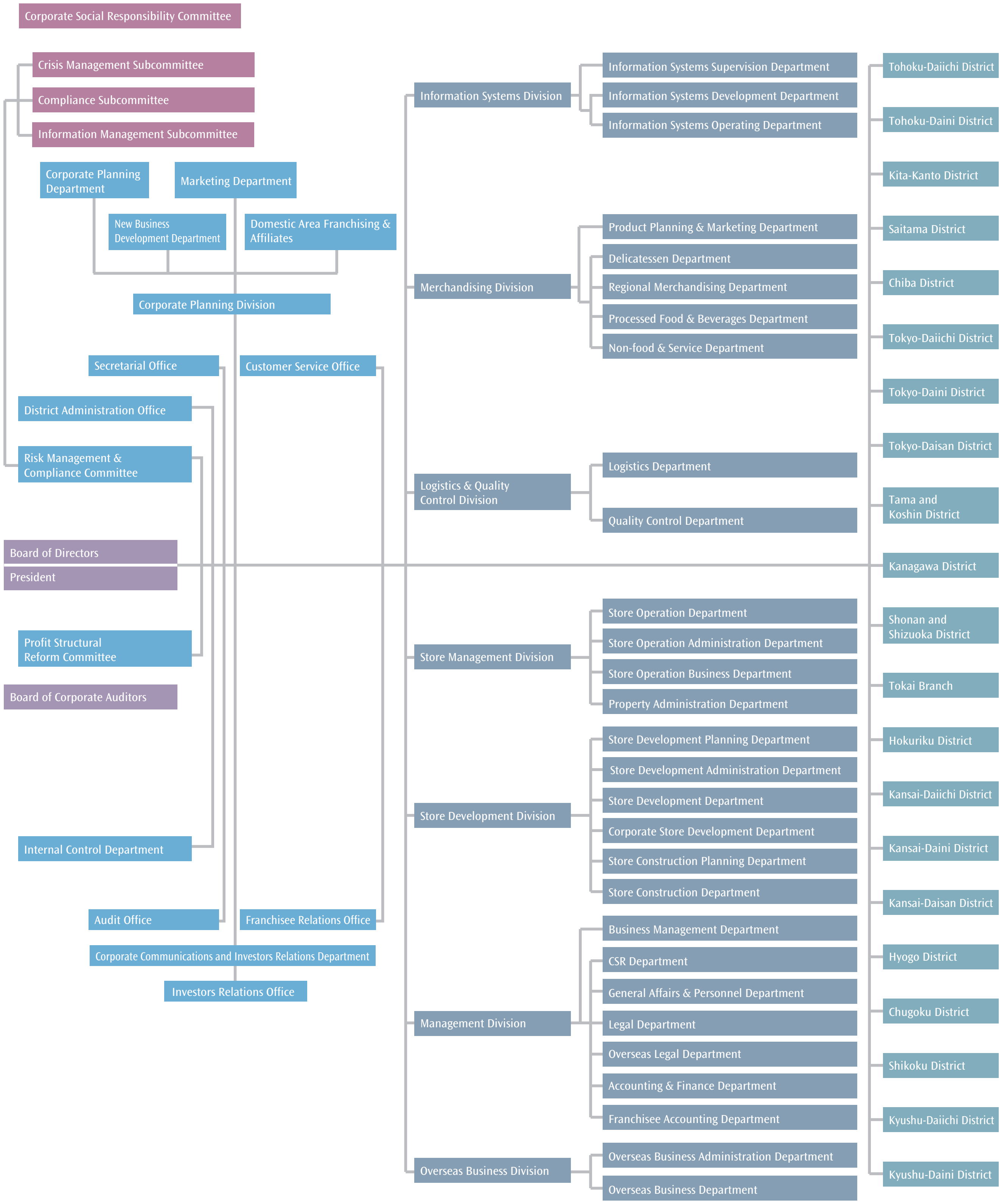
Standing Corporate Auditors

Noriki Tanabe
Shintaro Tateoka

Corporate Auditors

Takashi Endo
Mika Takaoka

Organization



(As of June 1, 2012)

Data and Financial Section

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Fact Sheets

Retail Sector Data

Sales of Retail Sector

(Billions of yen)

	06/3	07/3	08/3	09/3	10/3	11/3	12/3
Entire retail sector	135,250	135,055	135,674	134,142	133,555	134,665	135,763
Department stores	8,759	8,611	8,429	7,844	7,054	6,727	6,723
Supermarkets	12,499	12,564	12,824	12,815	12,513	12,852	12,978
Convenience stores	7,372	7,421	7,516	8,056	7,938	8,266	8,976

Principal Indicators of Convenience Store Industry

Aggregate Figures for All Convenience Stores in Japan

	06/3	07/3	08/3	09/3	10/3	11/3	12/3
Number of stores	39,820	40,342	40,433	41,006	41,895	42,412	45,753

Total Store Sales (non-consolidated)

(Billions of yen)

	06/2	07/2	08/2	09/2	10/2	11/2	12/2
FamilyMart	1,032	1,069	1,122	1,246	1,274	1,440	1,535
Seven-Eleven Japan	2,499	2,534	2,574	2,763	2,785	2,948	3,281
LAWSON	1,360	1,378	1,403	1,506	1,472	1,503	1,621
Circle K Sunkus	899	873	860	891	852	855	896

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

	06/2	07/2	08/2	09/2	10/2	11/2	12/2
FamilyMart	6,734	6,974	7,187	7,404	7,688	8,248	8,834
Seven-Eleven Japan	11,310	11,735	12,034	12,298	12,753	13,232	14,005
LAWSON	8,366	8,564	8,587	9,527	9,761	9,994	10,457
Circle K Sunkus	6,372	6,336	6,139	6,166	6,219	6,274	6,169

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

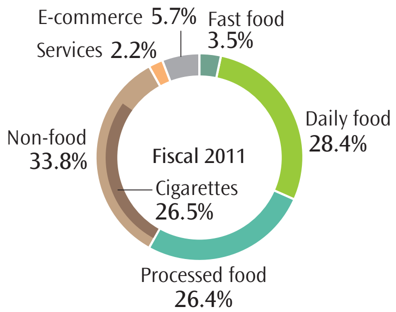
(%)

	06/2	07/2	08/2	09/2	10/2	11/2	12/2
FamilyMart	(1.6)	(1.4)	0.9	7.1	(2.4)	(0.2)	4.4
Seven-Eleven Japan	(1.6)	(1.9)	(1.5)	5.2	(2.1)	2.2	6.7
LAWSON	(2.5)	(1.8)	(0.8)	6.5	(4.1)	0.8	5.4
Circle K Sunkus	(3.3)	(3.3)	(1.8)	4.1	(5.6)	(1.4)	3.1

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

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	Ticket, sales by Famiport (multimedia terminals).

Breakdown of Sales by Product Category

(Millions of yen)

	09/2			10/2			11/2			12/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	46,951	13.7	3.8	46,585	(0.8)	3.7	47,939	2.9	3.5	52,939	10.4	3.5
Daily food	386,649	5.4	31.0	381,012	(1.5)	29.8	400,686	5.2	29.6	428,645	7.0	28.4
Processed food	360,012	5.1	28.9	358,576	(0.4)	28.2	377,633	5.3	28.0	399,341	5.7	26.4
Liquor (License goods)	65,477	3.5	5.3	64,142	(2.0)	5.0	64,506	0.6	4.8	65,413	1.4	4.3
Food sub-total	793,612	5.7	63.7	786,173	(0.9)	61.7	826,258	5.1	61.1	880,925	6.6	58.3
Non-food	369,074	27.6	29.6	391,829	6.2	30.8	423,276	8.0	31.3	511,627	20.9	33.8
Cigarettes (License goods)	261,246	44.4	21.0	284,502	8.9	22.3	315,683	11.0	23.4	400,197	26.8	26.5
Services	28,350	3.5	2.3	28,890	1.9	2.3	30,561	5.8	2.3	32,716	7.1	2.2
E-commerce	54,752	0.6	4.4	66,860	22.1	5.2	71,375	6.8	5.3	86,447	21.1	5.7
Total	1,245,788	11.0	100.0	1,273,752	2.2	100.0	1,351,470	6.1	100.0	1,511,715	11.9	100.0

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

Gross Profit Ratio

(%)

	09/2		10/2		11/2		12/2		13/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	50.61	0.09	50.96	0.35	51.92	0.96	52.25	0.33		
Daily food	35.03	0.10	35.23	0.20	35.80	0.57	36.19	0.39		
Processed food	35.17	0.46	35.68	0.51	36.63	0.95	37.29	0.66		
Liquor (License goods)	23.97	0.72	24.25	0.28	24.41	0.16	24.59	0.18		
Food sub-total	36.02	0.33	36.37	0.35	37.11	0.74	37.66	0.55		
Non-food	16.89	(1.74)	16.43	(0.46)	16.50	0.07	15.45	(1.05)		
Cigarettes (License goods)	10.49	—	10.49	—	11.07	0.58	10.48	(0.59)		
Services	12.48	(0.68)	11.74	(0.74)	11.16	(0.58)	9.89	(1.27)		
E-commerce	3.60	0.18	3.42	(0.18)	3.45	0.03	3.37	(0.08)		
Total	28.40	(0.78)	27.96	(0.44)	28.31	0.35	27.59	(0.72)	28.71	1.12

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

Business Performance (non-consolidated)

Business Performance

		09/2		10/2		11/2		12/2		13/2 (Est.)	
			YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	508	37	498	(10)	505	7	531	26	539	8
	Existing stores	510	37	501	(9)	502	1	531	29	540	9
	New stores	460	35	439	(21)	564	125	521	(43)	515	(6)
Number of customers	Total stores	921	65	923	2	944	21	961	17	975	14
	Existing stores	922	64	926	4	932	6	956	24	968	12
Spend per customer (yen)	Total stores	551	—	540	(11)	534	(6)	552	18	553	1
	Existing stores	553	2	540	(13)	539	(1)	556	17	558	2
Growth rate of average daily sales of existing stores (%)		7.1		(2.4)		(0.2)		4.4		1.0	
Average inventory (thousands of yen)		5,753	248	5,669	(84)	5,744	75	5.997	253	6,000	3
Turnover of goods (times)		31.7	1.1	31.6	(0.1)	31.3	(0.3)	31.4	0.1	31.9	0.5

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

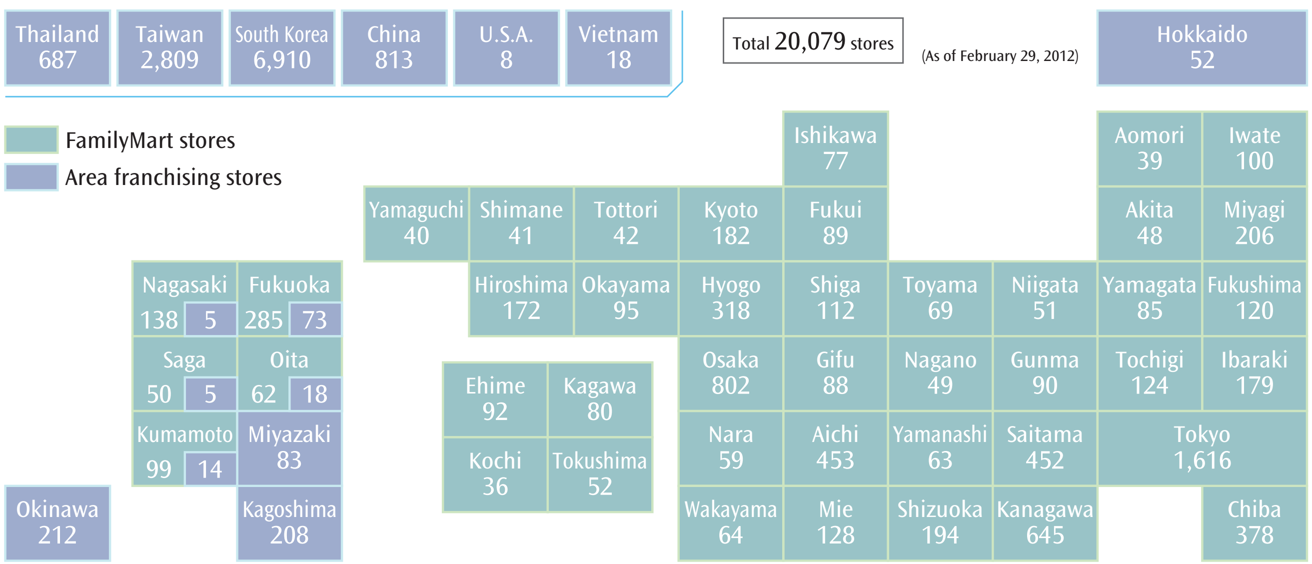
Bill Settlement Service

	09/2		10/2		11/2		12/2	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Transaction volume (millions of yen)	1,332,213	11.2	1,442,621	8.3	1,604,653	11.2	1,680,078	4.7
Number of transactions (thousand)	147,956	12.9	154,956	4.7	171,978	11.0	177,823	3.4

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

Stores

Number of Stores by Region



Number of Stores

	09/2		10/2		11/2		12/2		13/2 (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	469	9	434	(35)	437	3	**387**	**(50)**	350	(37)
Type 1	3,861	234	4,086	225	4,487	401	**5,013**	**526**		
(TOMONY)	22	17	33	11	38	5	**45**	**7**		
Type 2	2,561	(43)	2,638	77	2,705	67	**2,764**	**59**		
Franchised stores	6,422	191	6,724	302	7,192	468	**7,777**	**585**	8,314	537
FamilyMart stores	6,891	200	7,158	267	7,629	471	**8,164**	**535**	8,664	500
Okinawa FamilyMart Co., Ltd.	200	—	201	1	203	2	**212**	**9**		
Minami Kyushu FamilyMart Co., Ltd.	283	10	289	6	284	(5)	**291**	**7**		
Hokkaido FamilyMart Co., Ltd.	30	7	40	10	45	5	**52**	**7**		
JR KYUSHU RETAIL, INC.					87	87	**115**	**28**		
Domestic area franchising stores	513	17	530	17	619	89	**670**	**51**	724	54
Domestic chain stores	7,404	217	7,688	284	8,248	560	**8,834**	**586**	9,388	554
Taiwan FamilyMart Co., Ltd.	2,336	89	2,424	88	2,637	213	**2,809**	**172**	2,861	52
BOKWANG FAMILYMART CO., LTD.	4,180	393	4,743	563	5,511	768	**6,910**	**1,399**	8,310	1,400
Siam FamilyMart Co., Ltd.	525	18	565	40	622	57	**687**	**65**	769	82
Shanghai FamilyMart Co., Ltd.	165	47	287	122	442	155	**639**	**197**	919	280
Guangzhou FamilyMart Co., Ltd.	17	6	46	29	88	42	**121**	**33**	191	70
Suzhou FamilyMart Co., Ltd.	12	5	26	14	36	10	**48**	**12**	92	44
Hangzhou FamilyMart Co., Ltd.							**5**	**5**	25	20
China sub-total	194	58	359	165	566	207	**813**	**247**	1,227	414
FAMIMA CORPORATION	12	1	9	(3)	10	1	**8**	**(2)**	9	1
VI NA FAMILYMART/Family Company			1	1	4	3	**18**	**14**	45	27
Overseas area franchising stores	7,247	559	8,101	854	9,350	1,249	**11,245**	**1,895**	13,221	1,976
Total area franchising stores	7,760	576	8,631	871	9,969	1,338	**11,915**	**1,946**	13,945	2,030
Total chain stores	14,651	776	15,789	1,138	17,598	1,809	**20,079**	**2,481**	22,609	2,530

Notes: 1. The figures for 13/2 (Est.) do not include the TOMONY stores.
2. To ensure the smooth operation of our Vietnam business, we have formed two companies as an interim measure due to foreign investment restrictions.

Number of Store Openings and Closures (non-consolidated)

	09/2			10/2			11/2			12/2			13/2 (Est.)		
	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase	**Openings**	**Closures**	**Net increase**	Openings	Closures	Net increase
FamilyMart	525	342	183	534	278	256	407	270	137	**542**	**316**	**226**	800	300	500
TOMONY	17	—	17	11	—	11	5	—	5	**7**	**—**	**7**			
Conversion am/pm → FamilyMart							329	—	329	**302**	**—**	**302**			
Total	542	342	200	545	278	267	741	270	471	**851**	**316**	**535**	800	300	500

Capital Expenditure

Non-Consolidated

(Millions of yen)

	09/2		10/2		11/2		12/2		13/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Leasehold deposits	14,764	(1.3)	14,579	(1.3)	10,108	(30.7)	13,165	30.2	17,032	29.4
New stores	4,242	16.4	4,298	1.3	4,742	10.3	6,237	31.5	9,359	50.1
Existing stores	1,565	(10.6)	2,264	44.7	1,865	(17.6)	2,525	35.4	3,077	21.8
For stores	5,807	7.7	6,562	13.0	6,607	0.7	8,762	32.6	12,436	41.9
Head office investment	241	38.2	104	(57.3)	246	138.8	468	89.7	—	—
System investment	3,973	89.1	3,771	(5.1)	3,232	(14.3)	2,858	(11.6)	3,421	19.7
For head office	4,214	85.2	3,875	(8.1)	3,478	(10.2)	3,326	(4.4)	3,421	2.8
Lease	—	—	9,212	—	15,696	70.4	13,525	(13.8)	16,777	24.0
Total capital expenditure	24,785	9.5	34,228	38.1	35,889	4.9	38,778	8.0	49,666	28.1
Depreciation and amortization expense	6,059	0.3	7,343	21.2	9,711	32.2	13,016	34.0	14,800	13.7

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)

	09/2		10/2		11/2		12/2		13/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Total capital expenditure	29,167	6.0	40,290	38.1	40,303	0.0	46,324	14.9	58,756	26.8
Depreciation and amortization expense	9,669	(1.9)	10,339	6.9	12,582	21.7	16,190	28.7	18,815	16.2

Consolidated Subsidiaries

Main Consolidated Subsidiaries

(Millions of yen)

		10/2			11/2			12/2		
	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%	22,512	2,709	2,061	25,120	3,109	2,601	28,616	3,208	2,723
Siam FamilyMart Co., Ltd.	88.52%	18,085	66	3	21,041	217	15	23,216	291	233
famima. com Co., Ltd.	53.16%	5,127	1,287	757	4,991	1,298	767	5,403	1,083	634
FAMIMA CORPORATION	100.00%	1,306	(721)	(1,669)	1,057	(369)	(584)	1,061	(238)	(263)

Note: The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 29, 2012.

Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

		10/2	11/2	12/2
	Shares	Net income	Net income	Net income
Okinawa FamilyMart Co., Ltd.	48.98%	417	455	390
Minami Kyushu FamilyMart Co., Ltd.	49.00%	207	150	26
Hokkaido FamilyMart Co., Ltd.	49.00%	2	22	22
BOKWANG FAMILYMART CO., LTD.	23.48%	3,612	4,946	5,575
Shanghai FamilyMart Co., Ltd.	30.00%	(475)	(518)	(921)

Note: The figures for earnings contributions (shares) by affiliates and subsidiaries are as of February 29, 2012.

Franchise Contracts

Types of FamilyMart Franchising Contracts

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

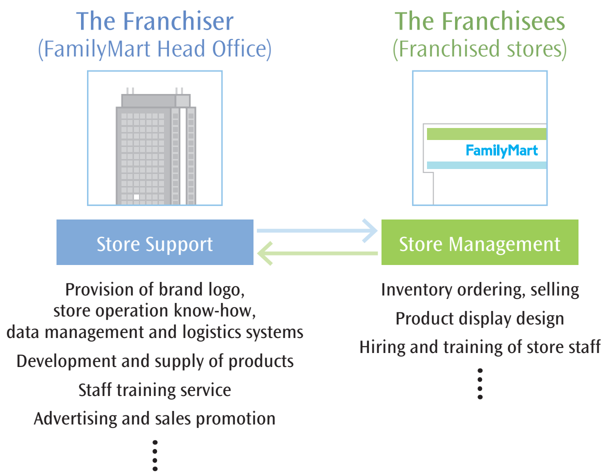
Contract type		1FC-A	1FC-B	1FC-C	2FC-N
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,075,000 at contract date (including ¥75,000 consumption tax) Affiliation fee: ¥525,000 Store preparation commission: ¥1,050,000 Initial stocking fee: ¥1,500,000 (including cash for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



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 an additional store.

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 to certain stores.

Management's Discussion and Analysis

FamilyMart Group

The FamilyMart Group comprises 39 companies including the parent company, FamilyMart Co., Ltd., 20 subsidiaries and 18 equity-method affiliates. The Group is principally engaged in the operation of convenience stores and related services. The mainstay convenience store business operates principally through the franchising model under the FamilyMart brand. The area franchising method, under which area franchising companies operate local FamilyMart chains under license in particular regions, is used in parts of Japan and in overseas markets.

Business Environment and Trends in Japan's Retail Market

During fiscal 2011, ended February 29, 2012, the Japanese economy was held back by a variety of factors. In addition to the temporary downturn in production, export and other related activities owing mainly to the impact of the Great East Japan Earthquake, domestic operating conditions were burdened by a slowdown in overseas economic growth rates on the back of the sovereign debt crisis in Europe. Buffeted at the same time by persistent appreciation in the value of the yen, the Japanese economy was also unable to overcome the strong sense of personal consumption stagnation. Under these circumstances, the retailing sector continued to face an extremely difficult operating environment.

Against this discouraging backdrop, sales at department stores decreased due to the impact of the earthquake disaster on consumer sentiment, and reduced operating hours amid official power-saving measures. However, food supermarkets and convenience stores showed healthy growth, lifted partly by disaster recovery demand. The convenience store sector in particular benefited from social change such as the ongoing decline in the birthrate coupled with rising numbers of elderly, and the increase in single-person households, which led to a significant increase in demand for delicatessen and ready-to-eat items such as *bento*. Leading convenience store operators including FamilyMart were also able to improve their business results through aggressive store-opening and resilient performances at existing stores. During the period under review, sales in the overall retail sector increased 0.8% year-on-year to ¥135.8 trillion. By format, sales increased by 7.6% to ¥9.0 trillion in the convenience store sector, and edged up 0.2% to ¥13.0 trillion at supermarkets. But they edged down 0.1% to ¥6.7 trillion in the department store sector, showing that performance varied widely among different retail formats.*

* Sources: Retail statistical yearbook, Ministry of Economy, Trade and Industry

Review of Operations

For information on the market environments and business strategy, please see P.27–42.

Year ended February 2012

During the year under review, the number of customers using our stores grew as convenience stores increasingly came to function as part of the social infrastructure, and growth was seen in new customer segments, particularly the middle-aged and elderly as well as women. This happened despite the negative impact of the Great East Japan Earthquake. In the year, we also completed the conversion of am/pm Japan Co., Ltd. stores to the FamilyMart brand, and beat our initial targets for the new stores. Turning to overseas subsidiaries and affiliates, FamilyMart stores in Taiwan and South Korea had a solid year, while operations in Thailand have now achieved stable profitability. In China, operations continue to progress steadily with stores in Shanghai anticipated to turn a profit soon.

As a result of the foregoing, operating income and the ordinary income on both a consolidated and non-consolidated basis posted double-digit year-on-year growth to record highs.

Business Performance (non-consolidated)

In the fiscal 2011 reporting period, FamilyMart recorded a year-on-year increase in average store visitors per day at existing stores to 956, up by 24 people for the fifth consecutive year of growth. This reflected our measures to develop new customer segments. Average spending per customer at existing stores rose to ¥556, up ¥17 year on year, due to expansion of our ranges of high value-added items. Average daily sales at existing stores increased 4.4%.

Business Performance (non-consolidated)

	10/2	11/2	12/2	YoY difference
Growth rate of average daily sales per existing stores (%)	(2.4)	(0.2)	4.4	
Average daily sales at existing stores (Thousands of yen)	501	502	531	29
Number of customers per day at existing store	926	932	956	24
Spend per customer at existing stores (¥)	540	539	556	17

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 measures to build up our brand in fast foods, one of our priority product categories. As a result of expanding lineups of Chinese steamed meat buns, fried snacks and *oden* (Japanese hodgepodge), this category booked sales growth of 10.4%.

In daily foods, we continued to develop original products in our mainstay ready-to-eat ranges, improved product quality and made ranges more distinctive. Standout performances came from our fresh and tasty-looking IRODORI famima DELI items, in the broad delicatessen and salad priority product categories launched in September 2011. With these ready-to-eat items as the sales driver, fast-food sales grew 7.0% year-on-year.

Sales of processed food products rose 5.7%, partly on strong beverage demand.

Non-food products posted a 20.9% sales increase on sales of tobacco products. In addition to a higher ratio of volumes handled as convenience stores replaced other cigarette sales channels, this upswing is attributable to the increase in prices.

Sales of services increased by 7.1% in the year on increased handling of stamps and postcards.

Sales in our electronic commerce business improved by 21.1% year-on-year on increased usage of ticket and prepaid-card services.

As a result of the foregoing, sales overall for the Company rose 11.9% year-on-year.

Breakdown of Sales by Product Category (non-consolidated)

(Millions of yen)

	10/2	11/2	12/2	YoY change
Fast food	46,585	47,939	52,939	10.4%
Daily food	381,012	400,686	428,645	7.0%
Processed food	358,576	377,633	399,341	5.7%
Non-food	391,829	423,276	511,627	20.9%
Services	28,890	30,561	32,716	7.1%
E-commerce	66,860	71,375	86,447	21.1%
Total	1,273,752	1,351,470	1,511,715	11.9%

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 on food sales increased by 0.55 percentage point to 37.66% from the previous term, on the improved profitability of individual products, particularly in the ready-to-eat ranges.

However, the overall gross profit ratio declined 0.72 percentage point to 27.59%, reflecting the prominence of low-margin tobacco sales among non-food items.

Gross Profit Ratio (non-consolidated)

	10/2	11/2	12/2	YoY difference
Gross profit ratio (%)	27.96	28.31	27.59	(0.72)
Gross profit ratio on food products (%)	36.37	37.11	37.66	0.55

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, FamilyMart opened 542 conventional* stores, and seven in the TOMONY format in Japan. Offsetting these against the 316 stores that were closed during the period, and adding in 302 former am/pm stores that were converted to the FamilyMart brand, the total of stores at the term-end stood at 8,164, an increase of 535 from the previous term-end. Average daily sales at new conventional FamilyMart stores hit a record high of ¥504,000, and this figure rose to ¥521,000 in combination with converted am/pm stores.

The number of stores operated in Japan by FamilyMart and its four domestic area franchisers as of the reporting term-end was 8,834, an increase of 586 stores compared with the previous period. Overseas, we now operate 11,245 stores, a year-on-year increase of 1,895 stores, following stepped-up store openings chiefly in Taiwan, South Korea, Thailand and China (with a much smaller contribution from the United States and Vietnam). As a result, the total number of stores in the chain has increased by 2,481 to 20,079.

* Conventional: Means stores newly opened by the FamilyMart Co., Ltd. (Non-consolidated; excluding stores opened through conversion of am/pm stores or by area franchising companies.)

Store Development Performance (non-consolidated)

	10/2	11/2	12/2	YoY difference
Store openings	534	407	542	135
Conversion am/pm → FamilyMart		329	302	(27)
Store Closures	278	270	316	46
Scrap and build	80	82	100	18
Average daily sales at new stores (Thousands of yen)	439	564	521	(43)

Note: The figures above do not take account of TOMONY stores and am/pm stores before brand conversion.

Number of Stores (including area franchised stores)

	10/2	11/2	12/2	YoY difference
Japan	7,688	8,248	8,834	586
Overseas	8,101	9,350	11,245	1,895
Total chain stores	15,789	17,598	20,079	2,481

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 ¥9,329 million (2.9%) year-on-year to ¥329,218 million (US$4,064 million). Despite a decrease in the number of directly operated stores, which cut into their sales, revenues from the franchise stores increased and business results also held up well at our subsidiaries in Taiwan and Thailand.

Operating expenses increased ¥4,966 million (1.8%) from the previous term to ¥286,632 million (US$3,539 million).

As a result of the above, operating income increased by ¥4,363 million (11.4%) to ¥42,586 million (US$526 million).

"Other expenses-net" posted a year-on-year increase of ¥7,456 million (93.8%) to ¥11,303 million (US$140 million).

As a result of the foregoing, income before income taxes decreased by ¥3,093 million (9.0%) to ¥31,283 million (US$386 million), and net income decreased by ¥1,439 million (8.0%) to ¥16,584 million (US$205 million).

Earnings per share came to ¥174.7 (US$2.16).

Geographical Segments

Japan

Total operating revenues of all domestic operations edged up 1.4% year on year to ¥279,964 million, and both operating and ordinary income increased, reflecting openings of high-potential new stores chiefly in the three metropolitan areas (Tokyo, Osaka and Nagoya) and leading provincial cities. However, segment profit declined by 6.8% to ¥16,189 million, due to the impact of application of accounting standards for asset retirement obligations.

Taiwan

As a result of growth of sales of fast food and ready-to-eat items following addition of a special dining space in stores to boost ready-to-eat items, total operating revenues increased 15.4% year on year to ¥27,667 million, while segment profit rose 4.6% to ¥1,042 million.

Thailand

Total operating revenues in Thailand increased 8.7% year-on-year to ¥20,334 million, and segment profit declined 24.9% to ¥114 million, for a third consecutive year of profitability. The performance was driven by renewed commitment to service, quality and cleanliness (including an overhaul of store displays and greater accuracy in ordering), as well as ongoing measures to bolster sales of ready-to-eat items. These positives offset the temporary suspension of operations at up to 100 stores due to the flooding disaster last year. All stores had reopened by January 31, 2012.

South Korea

Segment profit increased 10.2% year-on-year to ¥1,275 million in South Korea. Addition of 1,399 stores to the chain, chiefly in urban areas, bringing the total to 6,910 stores, enabled BOKWANG FAMILYMART CO., LTD. to consolidate its position as the leading convenience-store chain in the country.

Other businesses

In China, we continued to aggressively open stores in Shanghai, Guangzhou and Suzhou. Ahead of planned store openings in Hangzhou, we established Hangzhou FamilyMart Co., Ltd., and in December 2011 became the first Japanese convenience-store operator to open an outlet there. In the same month, we also opened our first store in Vietnam, through VI NA FAMILYMART CO.,LTD., a FamilyMart business operating joint venture we set up in partnership with Phu Thai Group Joint Stock Company and ITOCHU Corporation (licensed in June 2011).

Business Results by Segment (Millions of yen)

	11/2	12/2	YoY change
Total operating revenues	319,889	329,218	2.9%
Japan	276,019	279,964	1.4%
Taiwan	23,976	27,667	15.4%
Thailand	18,707	20,334	8.7%
South Korea	—	—	—
Other areas	1,187	1,253	5.6%
Segment profit	18,023	16,584	(8.0)%
Japan	17,362	16,189	(6.8)%
Taiwan	996	1,042	4.6%
Thailand	151	114	(24.5)%
South Korea	1,157	1,275	10.2%
Other areas	(734)	(932)	—
Eliminations/corporate	(909)	(1,104)	—

Note: South Korean businesses comprise equity-method affiliates and so are not included in Group total operating revenues.

Financial Position

Total assets at the term-end amounted to ¥472,822 million (US$5,837 million), an increase of ¥36,788 million from the previous term-end.

Current assets increased by ¥11,019 million to ¥217,353 million (US$2,683 million) over the year. A decline in deferred tax assets and receivables — other (short-term bank loans) was more than offset by an increase in cash and cash equivalents.

Property and store facilities at the term-end totaled ¥90,175 million (US$1,113 million), a year-on-year increase of ¥17,010 million. This was mainly due to increased investments in stores and application of accounting standards for asset retirement obligations.

Investments and other assets increased by ¥8,759 million to ¥165,294 million (US$2,041 million).

However, total liabilities increased ¥27,828 million year-on-year to ¥246,883 million (US$3,048 million).

Current liabilities increased by ¥8,222 million from the previous term-end to ¥185,723 million (US$2,293 million). The main factors were increases in trade accounts payable, deposits received and income taxes payable.

Long-term liabilities increased by ¥19,606 million from the previous term-end to ¥61,160 million (US$755 million). This was due chiefly to an increase in long-term lease obligations following stepped-up investment in store openings, as well as the booking of asset retirement obligations.

As a result, total equity at the end of the term stood at ¥225,939 million (US$2,789 million), and the equity ratio fell from 48.1% at the previous term-end to 46.2%, and ROE fell from 8.8% to 7.8%. Equity per share totaled ¥2,299.1 (US$28.38).

Cash Flows

Net cash provided by operating activities came to ¥72,900 million (US$900 million), an increase of ¥22,562 million from the previous term. This result largely reflected the impact of adopting the accounting standard for asset retirement obligations as well as the decrease in income taxes-paid.

Net cash used in investing activities shrank by ¥5,052 million from the previous term to ¥20,746 million (US$256 million). The principal factor here was the decrease in short-term loans following the collection of affiliated company loans.

Net cash used in financing activities came to ¥14,189 million (US$175 million), an increase of ¥212 million from the previous term.

As a result of these activities, the term-end balance of cash and cash equivalents increased to ¥133,157 million (US$1,644 million). In addition to the year-on-year upswing of ¥36,968 million, the increase of ¥703 million was attributable to the merger.

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 ¥82 (US$1.01), an increase of ¥10 per share over the previous term.

For the current term, ending February 2013, the Company plans to pay an annual dividend of ¥92 (US$1.14).

Outlook

In the current fiscal year, we expect operating conditions to remain difficult, due to setbacks in overseas economies, and concerns of a worsening in the employment and personal income picture in Japan. However, we expect to benefit from demand recovery following the Great East Japan Earthquake disaster and from expansion of the overall convenience-store customer base from ongoing demographic change and the increase in single-person households. As a corporate citizen providing social and lifestyle infrastructure, FamilyMart is fully aware of the roles and functions expected of it by the customer, and will continue to expand its store network in Japan and overseas and strengthen profitability.

In the current fiscal year, we expect our business at both subsidiaries and affiliates to continue growing steadily. We expect consolidated total operating revenues to rise 7.4% year-on-year to ¥353.7 billion, and forecast increases in operating income of 5.7% to ¥45.0 billion, in ordinary income of 6.7% to ¥47.8 billion and in net income of 29.0% to ¥21.4 billion — which would mean another year of record-high revenues and earnings.

Targets for Major Indicators (non-consolidated)

	12/2	13/2 (Est.)	YoY difference
Average daily sales at total stores (Thousands of yen)	531	539	8
Growth rate of average daily sales at existing stores (%)	4.4	1.0	
Gross profit ratio (%)	27.59	28.71	1.12
Average daily sales at new stores (Thousands of yen)	521	515	(6)
Store openings	542	800	258
Conversion am/pm → FamilyMart	302		
Total store openings	844	800	(44)
Store closures	316	300	(16)

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

Earnings Forecasts (consolidated)

(Millions of yen)

	12/2	13/2 (Est.)	YoY change
Total operating revenues	329,218	353,700	7.4%
Operating income	42,586	45,000	5.7%
Ordinary income	44,810	47,800	6.7%
Net income	16,584	21,400	29.0%

Operational and Other Risks

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

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

(1) 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, the United States, and Vietnam).

(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 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
ASSETS			
Current assets:			
Cash and cash equivalents (Note 16)	¥133,157	¥ 95,486	$1,643,914
Time deposits (Note 16)	1,153	2,546	14,234
Marketable securities (Notes 6 and 16)	2,829	1,523	34,926
Receivables:			
Due from franchised stores (Notes 5 and 16)	11,107	13,139	137,123
Other (Notes 16 and 23)	32,409	46,965	400,111
Allowance for doubtful receivables	(258)	(554)	(3,185)
Merchandise	7,914	7,785	97,704
Deferred tax assets (Note 13)	3,167	11,801	39,099
Prepaid expenses and other current assets (Note 20)	25,875	27,643	319,444
Total current assets	217,353	206,334	2,683,370
Property and store facilities (Notes 7, 11, 15 and 20):			
Land	13,996	14,124	172,790
Buildings and structures	65,707	56,045	811,198
Machinery and equipment	6,479	5,510	79,988
Furniture and fixtures	71,405	54,289	881,543
Other	681	307	8,407
Total	158,268	130,275	1,953,926
Accumulated depreciation	(68,093)	(57,110)	(840,654)
Net property and store facilities	90,175	73,165	1,113,272
Investments and other assets:			
Investment securities (Notes 6 and 16)	11,928	12,627	147,259
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3, 16 and 23)	15,008	10,662	185,284
Software	9,321	9,187	115,074
Goodwill (Note 8)	381	793	4,704
Goodwill attributable to individual stores (Note 4)	4,800	2,918	59,259
Leasehold deposits (Notes 16 and 20)	108,214	106,242	1,335,975
Deferred tax assets (Note 13)	6,340	3,727	78,272
Other assets (Note 7)	9,302	10,379	114,840
Total investments and other assets	165,294	156,535	2,040,667
Total	¥472,822	¥436,034	$5,837,309

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
LIABILITIES AND EQUITY			
Current liabilities:			
Payables:			
Trade accounts for franchised and Company-owned stores (Notes 16 and 23)	¥ 74,566	¥ 71,169	$ 920,568
Due to franchised stores (Notes 5 and 16)	4,790	5,929	59,136
Other (Notes 16 and 23)	20,218	21,945	249,605
Current portion of long-term lease obligations (Notes 9 and 16)	5,361	3,493	66,185
Income taxes payable (Notes 13 and 16)	5,066	1,304	62,543
Deposit received (Notes 5, 16 and 20)	67,242	63,967	830,148
Accrued expenses	5,628	5,053	69,482
Other current liabilities (Notes 11 and 20)	2,852	4,641	35,210
Total current liabilities	185,723	177,501	2,292,877
Long-term liabilities:			
Long-term lease obligations (Notes 9 and 16)	27,997	19,965	345,642
Liability for retirement benefits (Note 10)	7,514	6,847	92,765
Leasehold deposits from franchised stores (Note 16)	9,900	10,391	122,222
Asset retirement obligations (Note 11)	11,909		147,025
Other long-term liabilities (Notes 7, 15 and 20)	3,840	4,351	47,408
Total long-term liabilities	61,160	41,554	755,062
Commitments and contingent liabilities (Notes 15, 18 and 23)			
Equity (Notes 12 and 22)**:**			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	205,667
Capital surplus	17,389	17,389	214,679
Retained earnings	196,914	187,544	2,431,037
Treasury stock—at cost, 2,752,139 shares in 2012 and 2,750,744 shares in 2011	(8,744)	(8,739)	(107,951)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 6)	239	240	2,951
Foreign currency translation adjustments	(4,198)	(3,528)	(51,827)
Total	218,259	209,565	2,694,556
Minority interests	7,680	7,414	94,814
Total equity	225,939	216,979	2,789,370
Total	¥472,822	¥436,034	$5,837,309

P.92– See notes to consolidated financial statements.

Data and Financial Section

Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2012 and February 28, 2011

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating revenues:			
Commission from franchised stores (Note 5)	¥189,659	¥181,064	$2,341,469
Net sales	110,013	111,696	1,358,185
Other operating revenues (Notes 3 and 5)	29,546	27,129	364,766
Total operating revenues	329,218	319,889	4,064,420
Operating expenses:			
Cost of sales (Note 23)	77,062	77,713	951,383
Selling, general and administrative expenses (Notes 8, 10, 15 and 23)	209,570	203,953	2,587,284
Total operating expenses	286,632	281,666	3,538,667
Operating income	42,586	38,223	525,753
Other income (expenses):			
Interest and dividend income	1,567	1,678	19,346
Equity in earnings of unconsolidated subsidiaries and associated companies	793	263	9,790
Gain on sales of investments in associated companies	1,013		12,506
Gain on reversal of accounts payable—store closing	2,472		30,519
Loss on disposals/sales of property and store facilities—net	(1,447)	(1,619)	(17,864)
Loss on impairment of long-lived assets (Notes 7 and 15)	(2,590)	(2,165)	(31,975)
Loss on cancellations of land and building lease contracts	(1,415)	(1,241)	(17,469)
Loss on adjustment for application of accounting standard for asset retirement obligations	(7,445)		(91,914)
Loss from a natural disaster (Note 14)	(3,433)		(42,383)
Other—net (Note 17)	(818)	(763)	(10,099)
Other expenses—net	(11,303)	(3,847)	(139,543)
Income before income taxes and minority interests	31,283	34,376	386,210
Income taxes (Note 13):			
Current	5,680	1,775	70,123
Deferred	7,373	13,139	91,025
Total income taxes	13,053	14,914	161,148
Net income before minority interests	18,230	19,462	225,062
Minority interests in net income	1,646	1,439	20,321
Net income	¥ 16,584	¥ 18,023	$ 204,741

	Yen		U.S. dollars
	2012	2011	2012
Per share of common stock (Notes 2.t and 21):			
Basic net income	¥174.7	¥189.7	$2.16
Cash dividends applicable to the year	82.0	72.0	1.01

P.92– See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
Net income before minority interests	¥18,230	$225,062
Other comprehensive income (Note 19):		
Unrealized loss on available-for-sale securities	(6)	(74)
Foreign currency translation adjustments	(1,083)	(13,370)
Share of other comprehensive income in associates	(300)	(3,704)
Total other comprehensive income	(1,389)	(17,148)
Comprehensive income (Note 19)	¥16,841	$207,914
Total comprehensive income attributable to:		
Owners of the parent	¥15,913	$196,457
Minority interests	928	11,457

P.92– See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2012 and February 28, 2011

	Thousands	Millions of yen								
						Accumulated other comprehensive income				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, March 1, 2010	95,316	¥16,659	¥17,389	¥176,275	¥(7,637)	¥133	¥(2,996)	¥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	(8,739)	240	(3,528)	209,565	7,414	216,979
Net income				16,584				16,584		16,584
Cash dividends, ¥76.0 per share				(7,214)				(7,214)		(7,214)
Purchase of treasury stock	(1)				(5)			(5)		(5)
Net change in the year						(1)	(670)	(671)	266	(405)
Balance, February 29, 2012	94,931	¥16,659	¥17,389	¥196,914	¥(8,744)	¥239	¥(4,198)	¥218,259	¥7,680	¥225,939

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, February 28, 2011	$205,667	$214,679	$2,315,358	$(107,889)	$2,963	$(43,555)	$2,587,223	$91,531	$2,678,754
Net income			204,741				204,741		204,741
Cash dividends, $0.94 per share			(89,062)				(89,062)		(89,062)
Purchase of treasury stock				(62)			(62)		(62)
Net change in the year					(12)	(8,272)	(8,284)	3,283	(5,001)
Balance, February 29, 2012	$205,667	$214,679	$2,431,037	$(107,951)	$2,951	$(51,827)	$2,694,556	$94,814	$2,789,370

P.92– See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries　Years Ended February 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests	¥ 31,283	¥34,376	$ 386,210
Adjustments for:			
Income taxes—paid	(1,889)	(11,676)	(23,321)
Income taxes—refund	4,809		59,370
Loss on disaster paid	(2,872)		(35,457)
Depreciation and amortization	16,581	12,993	204,704
Reversal of allowance for doubtful receivables	(338)	(1,118)	(4,173)
Equity in earnings of unconsolidated subsidiaries and associated companies	(793)	(263)	(9,790)
Gain on sale/valuation of marketable and investment securities—net	(20)	(10)	(247)
Gain on sales of investments in associated companies	(1,013)		(12,506)
Loss on disposals/sales of property and store facilities—net	1,447	1,619	17,864
Loss on cancellations of land and building lease contracts	1,415	1,241	17,469
Loss on impairment of long-lived assets	2,590	2,165	31,975
Loss on adjustment for application of accounting standard for asset retirement obligations	7,445		91,913
Loss from a natural disaster	3,433		42,383
Changes in assets and liabilities:			
Decrease in due from/to franchised stores—net	699	17,454	8,630
Increase in merchandise and supplies	(597)	(844)	(7,370)
Increase (decrease) in payables—trade	4,454	(8,938)	54,988
Increase in deposit received	2,912	4,729	35,951
Increase in liability for retirement benefits	683	760	8,432
Other—net	2,671	(2,150)	32,975
Total adjustments	41,617	15,962	513,790
Net cash provided by operating activities	72,900	50,338	900,000
Investing activities:			
Decrease (increase) in time deposits—net	2,345	(222)	28,951
Purchases of marketable and investment securities	(12,465)	(2,488)	(153,889)
Purchases of investments in subsidiaries and associated companies	(4,518)	(3,468)	(55,779)
Proceeds from sales and redemption at maturity of marketable and investment securities	11,799	3,588	145,667
Proceeds from sales of investments in associated companies	2,641		32,605
Increase in short-term loans—net	9,168	143	113,185
Payments for long-term loans	(39)	(876)	(481)
Purchases of property and store facilities, software, and other intangible assets	(18,217)	(16,942)	(224,901)
Proceeds from sales of property and store facilities, software, and other intangible assets	613	484	7,568
Payments of leasehold deposits	(13,373)	(10,959)	(165,099)
Refunds of leasehold deposits	3,045	3,035	37,593
Receipts of leasehold deposits from franchised stores	1,510	1,447	18,642
Refunds of leasehold deposits to franchised stores	(1,593)	(1,428)	(19,667)
Payments for acquisition of newly consolidated subsidiary	(72)	(299)	(889)
Payments entailed by a merger	(1,907)		(23,543)
Other	317	2,187	3,914
Net cash used in investing activities	(20,746)	(25,798)	(256,123)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Financing activities:			
Decrease in short-term bank loans—net	(154)	(165)	(1,901)
Purchases of treasury stock	(5)	(1,102)	(62)
Purchase of treasury stock of a subsidiary	(1,224)		(15,111)
Contribution from minority interest shareholders	455	502	5,617
Dividends paid	(7,214)	(6,754)	(89,062)
Dividends paid to minority interest shareholders	(1,149)	(967)	(14,185)
Repayments for lease obligations	(4,658)	(5,395)	(57,506)
Other	(240)	(96)	(2,963)
Net cash used in financing activities	(14,189)	(13,977)	(175,173)
Foreign currency translation adjustments on cash and cash equivalents	(997)	(238)	(12,309)
Net increase in cash and cash equivalents	36,968	10,325	456,395
Increase in cash and cash equivalent due to merger	703		8,679
Cash and cash equivalents, beginning of year	95,486	85,161	1,178,840
Cash and cash equivalents, end of year	¥133,157	¥95,486	$1,643,914

P.92– See notes to consolidated financial statements.

Data and Financial Section

Notes to Consolidated Financial Statements

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended February 29, 2012 and February 28, 2011

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended February 29, 2012 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheets and the consolidated statements of changes in equity. In addition, "net income before minority interests" is disclosed in the consolidated statement of income for the year ended February 29, 2012.

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 2011 financial statements to conform to the classifications used in 2012.

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 ¥81 to $1, the approximate rate of exchange at February 29, 2012. 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 29, 2012 include the accounts of the Company and its 11 (7 in 2011) significant subsidiaries (together, the "Group").

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

Investments in 8 (8 in 2011) unconsolidated subsidiaries and 18 (15 in 2011) 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.

c. Unification of accounting policies applied to foreign associated companies for the equity method—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 of America 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 was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010. The Company applied this accounting standard effective March 1, 2011.

d. Business combination—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

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 revised standard requires accounting for business combinations only by the purchase method. As a result, 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, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was 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.

The Company merged with am/pm Kansai Co., Ltd., on April 1, 2011 and accounted for it by the purchase method of accounting.

e. 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.

f. Merchandise—Most merchandise is stated at the lower of cost, mostly determined by the retail method or net selling value.

g. Marketable and investment securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) 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 (3) available-for-sale securities, which are not classified as either of the aforementioned securities, 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.

h. 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.

i. 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.

j. 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).

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

l. 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).

m. 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.

On April 14, 2011, the Company decided to abolish the internal rule on retirement benefits to directors and corporate auditors and at the general shareholders' meeting held on May 26, 2011, it was resolved to pay out retirement benefits to the directors and corporate auditors as of that date upon their retirement depending on the service period. Consequently, such amount of retirement benefits of ¥318 million ($3,926 thousand) is included under other long-term liabilities. Retirement benefits to executive officers of the Company and directors and corporate auditors of domestic consolidated subsidiaries are also included in other long-term liabilities.

n. Asset retirement obligations—In March 2008, the ASBJ published the 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.

The Company applied this accounting standard effective March 1, 2011. The effect of this change was to decrease operating income by ¥705 million ($8,704 thousand) and income before income taxes and minority interests by ¥8,392 million ($10,605 thousand).

o. 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were 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 be capitalized to recognize lease assets and lease obligations in the consolidated balance sheets. 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 continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective March 1, 2009. In addition, the Company continues to account 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.

p. 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.

Following the promulgation on December 2, 2011, of the "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), effective from the fiscal year beginning on and after April 1, 2012, the corporate tax rate will be reduced and a special recovery tax will be imposed.

In accordance with this reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, will be reduced to 38.01% from 40.69% for temporary differences that are expected to be eliminated during the period from the fiscal year beginning on March 1, 2013, to the fiscal year beginning on March 1, 2015, and to 35.64% from 40.69% for temporary differences that are expected to be eliminated during and after the fiscal year beginning on March 1, 2016. Taking into account the anticipated changes in the effective statutory tax rate above, net deferred tax assets (the amount after deducting deferred tax liabilities) decreased by ¥690 million ($8,519 thousand) and income taxes—deferred (debit side) increased by ¥709 million ($8,753 thousand) for the year under review from the corresponding figures in the previous calculation method.

q. 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.

r. 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.

s. 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.

t. 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.

u. New accounting pronouncements

Accounting changes and error corrections—In December 2009, the 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, the 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.

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 29, 2012, 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	100.00
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
VI NA FAMILYMART CO., LTD.	Vietnam	44.00

FamilyMart China Holding Co., Ltd., a 100.00% owned subsidiary, is a holding company of China CVS (Cayman Islands) Holding Corp. ("CCH"). CCH, a 40.35% owned associated company, is a holding company of Shanghai FamilyMart Co., Ltd., Guangzhou FamilyMart Co., Ltd., Suzhou FamilyMart Co., Ltd. and Hangzhou 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. Hangzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Hangzhou, 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.

POCKET CARD CO., LTD., a 15.02% 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 29, 2012

On April 1, 2011, the Company merged with am/pm Kansai Co., Ltd., which had operated convenience stores and managed franchised stores.

This merger 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 merger cost was ¥1,907 million ($23,543 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 merger costs have 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 ¥2,441 million ($30,136 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	¥1,735	$21,420
Other assets	2,779	34,308
Goodwill attributable to individual stores	2,441	30,136
Total assets acquired	¥6,955	$85,864
Total liabilities assumed	¥5,048	$62,321
Net assets acquired	¥1,907	$23,543

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).

Year ended February 28, 2011

On March 1, 2010, the Company merged with am/pm Japan Co., Ltd., 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 Japan Co., Ltd. were transferred to the Company as the surviving company and am/pm Japan Co., Ltd. was subsequently liquidated after the merger. am/pm Japan Co., Ltd., 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.

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 29, 2012 and February 28, 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current:			
Government and corporate bonds	¥2,700	¥1,000	$33,333
Trust fund investments	129	523	1,593
Total	¥2,829	¥1,523	$34,926

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Non-current:			
Marketable equity securities	¥ 4,118	¥ 4,164	$ 50,840
Government and corporate bonds	7,000	7,701	86,419
Non-marketable equity securities	810	762	10,000
Total	¥11,928	¥12,627	$147,259

The cost and aggregate fair values of marketable and investment securities at February 29, 2012 and February 28, 2011, were as follows:

	Millions of yen			
February 29, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 129
Available-for-sale —equity securities	¥3,751	¥454	¥87	4,118
Held-to-maturity	9,700	63		9,763

	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

	Thousands of U.S. dollars			
February 29, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				$ 1,593
Available-for-sale —equity securities	$ 46,309	$5,605	$1,074	50,840
Held-to-maturity	119,753	778		120,531

Available-for-sale securities whose fair value is not readily determinable as of February 29, 2012 and February 28, 2011, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Available-for-sale—equity securities	¥810	¥762	$10,000

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 29, 2012, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥2,700	$33,333
Due after one year through five years	7,000	86,420

7 Long-lived Assets

The Group reviewed its long-lived assets for impairment as of February 29, 2012 and February 28, 2011 and, as a result, recognized impairment losses of ¥2,590 million ($31,975 thousand) and ¥2,165 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 29, 2012 and February 28, 2011:

	Millions of yen		Thousands of U.S. dollars
Fixed assets and leased property	2012	2011	2012
Land	¥ 50	¥ 102	$ 617
Building	1,211	1,002	14,951
Furniture and fixtures	808	142	9,975
Others	521	919	6,432
Total	¥2,590	¥2,165	$31,975

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 rates used for computation of present value of future cash flows were 4.06% and 4.64% for the years ended February 29, 2012 and February 28, 2011, respectively.

In addition, some associated companies accounted for by the equity method recognized impairment losses using the same methodology. The Group recognized ¥386 million ($4,765 thousand) and ¥4 million for the years ended February 29, 2012 and February 28, 2011, 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 29, 2012 and February 28, 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Consolidation goodwill	¥189	¥377	$2,333
Acquisition goodwill	192	416	2,371
Total	¥381	¥793	$4,704

Amortization charged to selling, general and administrative expenses for the years ended February 29, 2012 and February 28, 2011, was ¥391 million ($4,827 thousand) and ¥417 million, respectively.

9 Lease Obligations

Annual maturities of lease obligations at February 29, 2012, were as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2013	¥ 5,361	$ 66,185
2014	5,326	65,753
2015	5,432	67,062
2016	5,423	66,950
2017	5,158	63,679
2018 and thereafter	6,658	82,198
Total	¥33,358	$411,827

10 Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees.

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 employees' retirement benefits as of February 29, 2012 and February 28, 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥18,568	¥18,512	$229,234
Fair value of plan assets	(8,966)	(8,530)	(110,691)
Unrecognized actuarial loss	(3,548)	(3,266)	(43,803)
Unrecognized prior service cost	1,460	134	18,025
Unrecognized transitional obligation		(3)	
Net liability	¥ 7,514	¥ 6,847	$ 92,765

The components of net periodic benefit costs for the years ended February 29, 2012 and February 28, 2011, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥1,286	¥1,226	$15,877
Interest cost	314	299	3,876
Expected return on plan assets	(94)	(7)	(1,161)
Recognized actuarial loss	424	456	5,235
Amortization of prior service cost	(15)	(19)	(185)
Amortization of transitional obligation	3	3	37
Net periodic benefit costs	¥1,918	¥1,958	$23,679

Assumptions used for the years ended February 29, 2012 and February 28, 2011, are set forth as follows:

	2012	2011
Discount rate	Primarily 1.7%	Primarily 1.7%
Expected rate of return on plan assets	Primarily 0.0%	Primarily 0.0%
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

11 Asset Retirement Obligations

The changes in asset retirement obligations for the year ended February 29, 2012, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Balance at beginning of year	¥11,256	$138,963
Additional provisions associated with the acquisition of property and store facilities	1,277	15,766
Reconciliation associated with passage of time	168	2,074
Reduction associated with settlement of asset retirement obligations	(685)	(8,457)
Other	4	49
Balance at end of year	¥12,020	$148,395

12 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.

13 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended February 29, 2012 and February 28, 2011.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 29, 2012 and February 28, 2011, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Provision for doubtful receivables	¥ 1,127	¥ 1,480	$ 13,914
Accrued bonuses	669	589	8,259
Provision for retirement benefits	2,159	2,631	26,654
Depreciation	128	86	1,580
Loss on disposals of property and store facilities and cancellations of lease contracts	203	964	2,506
Loss on devaluation of investments in securities	449	83	5,543
Loss on impairment of long-lived assets	2,628	4,579	32,445
Enterprise tax payable	470	200	5,802
Tax loss carryforwards	1,945	8,321	24,012
Accounts payable	238	1,079	2,938
Unearned revenue	59	231	728
Asset retirement obligations	4,188		51,704
Asset adjustment account	1,004		12,395
Other	1,203	627	14,852
Less valuation allowance	(3,303)	(3,391)	(40,777)
Total	13,167	17,479	162,555
Deferred tax liabilities:			
Undistributed earnings of associated companies	1,882	1,784	23,235
Unrealized gain on available-for-sale securities	131	167	1,617
Asset retirement obligations related expenses	1,546		19,086
Other	101		1,247
Total	3,660	1,951	45,185
Net deferred tax assets	¥ 9,507	¥15,528	$117,370

Note: As discussed in Note 2.p, the normal effective statutory tax rate in computing above deferred tax assets and liabilities as of February 29, 2012 is reduced from 40.69% to 38.01%, which is applied to temporary differences expected to be recoverable or deductible in the fiscal year beginning on March 1, 2013 and 35.64%, which is applied to temporary differences expected to be recoverable or deductible in the fiscal years beginning on or after March 1, 2016.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended February 28, 2011, is as follows:

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

For the year ended February 29, 2012, it is omitted since the difference is less than 5% of normal effective tax rate.

As of February 29, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥4,867 million ($60,086 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2013	¥ 37	$ 457
2014	111	1,370
2017 and thereafter	4,719	58,259
Total	¥4,867	$60,086

14 Loss from a Natural Disaster

The Group recorded a loss from a natural disaster caused by the Great East Japan Earthquake on March 11, 2011.

The total amount of the loss resulting from the disaster was ¥3,433 million ($42,383 thousand), composed of ¥471 million ($5,815 thousand) for loss on impairment of long-lived assets, withdrawal costs, restoration costs, etc., ¥2,427 million ($29,963 thousand) for supporting costs for restoration of the franchisees, etc. and ¥535 million ($6,605 thousand) for others.

15 Leases

As Lessee

The Group leases certain furniture and fixtures and software.

Total rental expenses, including lease payments for the years ended February 29, 2012 and February 28, 2011, were ¥10,538 million ($130,099 thousand) and ¥12,177 million, respectively.

The Group recorded impairment losses of ¥229 million ($2,827 thousand) and ¥673 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property for the years ended February 29, 2012 and February 28, 2011, 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 consolidated balance sheets.

However, 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 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		
2012	Furniture and fixtures	Software	Total
Acquisition cost	¥56,741	¥4,198	¥60,939
Accumulated depreciation	(40,955)	(3,638)	(44,593)
Accumulated impairment loss	(3,107)		(3,107)
Net leased property	¥12,679	¥560	¥13,239

	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

	Thousands of U.S. dollars		
2012	Furniture and fixtures	Software	Total
Acquisition cost	$700,506	$51,827	$752,333
Accumulated depreciation	(505,617)	(44,914)	(550,531)
Accumulated impairment loss	(38,358)		(38,358)
Net leased property	$156,531	$ 6,913	$163,444

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 7,949	¥ 9,777	$ 98,136
Due after one year	8,966	17,046	110,691
Total	¥16,915	¥26,823	$208,827

Allowance for impairment loss on leased property of ¥1,611 million ($19,889 thousand) and ¥1,926 million as of February 29, 2012 and February 28, 2011 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
	2012	2011	2012
Depreciation expense	¥8,603	¥ 9,836	$106,210
Interest expense	561	859	6,926
Total	¥9,164	¥10,695	$113,136
Lease payments	¥9,578	¥11,079	$118,247
Reversal of allowance for impairment loss on leased property	¥ 544	¥ 505	$ 6,716
Impairment loss	229	673	2,827

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

The minimum rental commitments under noncancelable operating leases as of February 29, 2012 and February 28, 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥1,894	¥1,758	$23,383
Due after one year	4,330	4,485	53,457
Total	¥6,224	¥6,243	$76,840

As Lessor

The Group subleases certain land and buildings. The subleases are finance leases that do not transfer ownership of leased buildings to the lessee. Receivables under such finance leases as of February 29, 2012 and February 28, 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 206	¥ 178	$ 2,543
Due after one year	1,027	972	12,679
Total	¥1,233	¥1,150	$15,222

The minimum rental commitments under noncancelable operating subleases as of February 29, 2012 and February 28, 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 253	¥ 220	$ 3,123
Due after one year	1,257	1,198	15,519
Total	¥1,510	¥1,418	$18,642

16 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 were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the 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 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 17 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 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 carrying amount, fair value, and net unrealized gains/losses as of February 29, 2012 and February 28, 2011, are summarized as follows:

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 29, 2012	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥133,157	¥133,155	¥ (2)
Time deposits	1,153	1,153	
Receivables:			
Due from franchised stores	11,107	11,107	
Other	32,409	32,409	
Marketable and investment securities:			
Trading securities	129	129	
Held-to-maturity securities	9,700	9,763	63
Available-for-sale securities	4,118	4,118	
Investments in and advances to unconsolidated subsidiaries and associated companies	3,873	3,322	(551)
Leasehold deposits	108,214		
Allowance for doubtful receivables*	(459)		
	107,755	103,066	(4,689)
Total assets	¥303,401	¥298,222	¥(5,179)
Payables:			
Trade accounts for franchised and Company-owned stores	¥ 74,566	¥ 74,566	
Due to franchised stores	4,790	4,790	
Other	20,218	20,218	
Current portion of long-term lease obligations	5,361	5,361	
Income taxes payable	5,066	5,066	
Deposit received	67,242	67,242	
Long-term lease obligations	27,997	28,749	¥ 752
Leasehold deposits from franchised stores	9,900	9,593	(307)
Total liabilities	¥215,140	¥215,585	¥ 445

	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 accounts for franchised and Company-owned stores	¥ 71,169	¥ 71,169	
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)

	Thousands of U.S. dollars		
February 29, 2012	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	**$1,643,914**	**$1,643,889**	**$ (25)**
Time deposits	**14,234**	**14,234**	
Receivables:			
Due from franchised stores	**137,123**	**137,123**	
Other	**400,111**	**400,111**	
Marketable and investment securities:			
Trading securities	**1,593**	**1,593**	
Held-to-maturity securities	**119,753**	**120,531**	**778**
Available-for-sale securities	**50,840**	**50,840**	
Investments in and advances to unconsolidated subsidiaries and associated companies	**47,815**	**41,013**	**(6,802)**
Leasehold deposits	**1,335,975**		
Allowance for doubtful receivables*	**(5,666)**		
	1,330,309	**1,272,420**	**(57,889)**
Total assets	**$3,745,692**	**$3,681,754**	**$(63,938)**
Payables:			
Trade accounts for franchised and Company-owned stores	**$ 920,568**	**$ 920,568**	
Due to franchised stores	**59,136**	**59,136**	
Other	**249,605**	**249,605**	
Current portion of long-term lease obligations	**66,185**	**66,185**	
Income taxes payable	**62,543**	**62,543**	
Deposit received	**830,148**	**830,148**	
Long-term lease obligations	**345,642**	**354,926**	**$ 9,284**
Leasehold deposits from franchised stores	**122,222**	**118,432**	**(3,790)**
Total liabilities	**$2,656,049**	**$2,661,543**	**$ 5,494**

* 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 leasehold 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 accounts for franchised and company-owned stores, due to franchised stores and other, current portion of long-term lease obligations, income taxes payable, and deposit received

The fair values of payables—trade accounts for franchised stores and Company-owned stores, due to franchised stores and other, current portion of long-term lease obligations, income taxes payable, 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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market	**¥11,946**	¥11,424	**$147,481**

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

February 29, 2012	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	¥133,157			
Time deposits	1,153			
Receivables:				
Due from franchised stores	11,107			
Other	32,409			
Marketable and investment securities—held-to-maturity securities	2,700	¥ 7,000		
Leasehold deposits	2,999	28,963	¥31,642	¥44,610
Total	¥183,525	¥35,963	¥31,642	¥44,610

February 29, 2012	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	$1,643,914			
Time deposits	14,234			
Receivables:				
Due from franchised stores	137,123			
Other	400,111			
Marketable and investment securities—held-to-maturity securities	33,333	$ 86,420		
Leasehold deposits	37,025	357,568	$390,642	$550,740
Total	$2,265,740	$443,988	$390,642	$550,740

d. Maturity analysis for lease obligations

Please see Note 9 for annual maturities of lease obligations.

17 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 29, 2012 and February 28, 2011.

18 Contingent Liabilities

As of February 29, 2012, 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.	¥ 78	$ 963
Shanghai FamilyMart Co., Ltd.	2	25
China CVS (Cayman Islands) Holding Corp.	107	1,321
Famima Credit Corporation	18,821	232,358
Total	¥19,008	$234,667

19 Comprehensive Income

For the Year Ended February 28, 2011

Total comprehensive income for the year ended February 28, 2011, was the following:

	Millions of yen
Total comprehensive income attributable to:	
Owners of the parent	¥17,599
Minority interests	1,298
Total comprehensive income	¥18,897

Other comprehensive income for the year ended February 28, 2011, consisted of the following:

	Millions of yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 107
Foreign currency translation adjustments	(231)
Share of other comprehensive income in associates	(441)
Total other comprehensive income	¥(565)

20 Assets Pledged as Collateral

The carrying amounts of assets pledged as collateral and the collateralized liabilities at February 29, 2012, were as follows:

	Millions of yen	Thousands of U.S. dollars
Pledged assets:		
Prepaid expenses and other current assets	¥ 56	$ 691
Land	109	1,346
Buildings and structures	1,086	13,407
Property and store facilities—other	34	420
Total	¥1,285	$15,864
Collateralized liabilities:		
Deposits received	¥1,828	$22,568
Other current liabilities	119	1,469
Other long-term liabilities	160	1,975
Total	¥2,107	$26,012

21 Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 29, 2012 and February 28, 2011, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 29, 2012	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥16,584			
Net income available to common shareholders	¥16,584	94,932	¥174.7	$2.16

	Millions of yen	Thousands of shares	Yen
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

Data and Financial Section

22 Subsequent Events

Cash Dividends

On April 17, 2012, the following appropriation of retained earnings at February 29, 2012 was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥42.0 ($0.52) per share	¥3,987	$49,222

23 Related Party Transactions

Transactions of the Company with related parties for the years ended February 29, 2012 and February 28, 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Takashi Endo (corporate auditor and attorney):			
Attorney's fee	¥ 80	¥ 56	$ 988
Accounts payable—other	25		309
Famima Credit Corporation (subsidiary company of an associated company):			
Receivable—short-term loans (included receivable—other)		9,077	
Guarantee of financial institution loan	18,821	15,149	232,358
NIPPON ACCESS, INC. (fellow subsidiary):			
Purchase	12,997	11,779	160,457
Trade accounts payable for franchised and Company-owned store	15,771	14,293	194,704
Taiwan Distribution Center Co., Ltd. (associated company of a subsidiary company):			
Purchase	5,838	4,263	72,074
Trade accounts payable for franchised and Company-owned store	9,006	7,495	111,185

24 Segment Information

For the years ended February 29, 2012 and February 28, 2011

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.

The segment information for the year ended February 28, 2011 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The principal business of the Group is convenience store business. The Company and domestic and foreign area franchisers are developing largely "FamilyMart" chain stores. Each area franchiser is an independent management unit, designing comprehensive strategies on the respective area authorized to develop chain stores by the area franchise system and deploying operating activities.

Accordingly, the Group consists of area segments based on business development system for convenience store businesses and its related business (logistics, food production, etc.), which are "Japan" business, "Taiwan" business, "Thailand" business and "South Korea" business as the reportable segments.

(2) Methods of measurement for the amounts of operating revenues, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those described in Note 2, "Summary of Significant Accounting Policies."

Segment profit corresponds to the figure based on the net income.

Intersegment operating revenues or transfers consist of principally royalty income from foreign area franchisers.

(3) Information about operating revenues, profit (loss), assets and other items for the years ended February 29, 2012 and February 28, 2011, is as follows:

	Millions of yen								
	2012								
	Reportable segment								
	Japan	Taiwan	Thailand	South Korea (Note 1)	Total	Other (Note 2)	Total	Reconciliations (Note 3)	Consolidated (Note 4)
Operating revenues from outside the Group	¥279,964	¥27,667	¥20,334		¥327,965	¥1,253	¥329,218		¥329,218
Intersegment operating revenues or transfers	808	20			828		828	¥ (828)	
Total	¥280,772	¥27,687	¥20,334		¥328,793	¥1,253	¥330,046	¥ (828)	¥329,218
Segment profit (loss)	¥ 16,189	¥ 1,042	¥ 114	¥1,275	¥ 18,620	¥ (932)	¥ 17,688	¥ (1,104)	¥ 16,584
Segment assets	445,695	41,475	6,013	4,138	497,321	1,908	499,229	(26,407)	472,822
Other:									
Depreciation and amortization	13,133	2,420	610		16,163	27	16,190		16,190
Equity in earnings of unconsolidated subsidiaries and associated companies	43	248	2	1,275	1,568	(775)	793		793
Gain on reversal of accounts payable—store closing	2,472				2,472		2,472		2,472
Loss on impairment of long-lived assets	2,578		9		2,587	3	2,590		2,590
Loss on adjustment for application of accounting standard for asset retirement obligations	7,301		144		7,445		7,445		7,445
Loss from a natural disaster	3,433				3,433		3,433		3,433
Income taxes	12,381	638			13,019	34	13,053		13,053
Minority interests in net income	295	1,559	15		1,869	(223)	1,646		1,646
Investments in associated companies accounted for by the equity method	8,238	3,524	44	4,138	15,944	574	16,518	(1,510)	15,008
Increase in property and store facilities and intangible assets	25,611	6,473	745		32,829	19	32,848		32,848

	Millions of yen								
	2011								
	Reportable segment								
	Japan	Taiwan	Thailand	South Korea (Note 1)	Total	Other (Note 2)	Total	Reconciliations (Note 3)	Consolidated (Note 4)
Operating revenues from outside the Group	¥276,019	¥23,976	¥18,707		¥318,702	¥1,187	¥319,889		¥319,889
Intersegment operating revenues or transfers	639	16			655		655	¥ (655)	
Total	¥276,658	¥23,992	¥18,707		¥319,357	¥1,187	¥320,544	¥ (655)	¥319,889
Segment profit (loss)	¥ 17,362	¥ 996	¥ 151	¥1,157	¥ 19,666	¥ (734)	¥ 18,932	¥ (909)	¥ 18,023
Segment assets	411,345	39,357	5,707	3,399	459,808	1,625	461,433	(25,399)	436,034
Other:									
Depreciation and amortization	9,807	2,116	596		12,519	63	12,582		12,582
Equity in earnings of unconsolidated subsidiaries and associated companies	(524)	209	(11)	1,157	831	(568)	263		263
Loss on impairment of long-lived assets	1,933	67	6		2,006	159	2,165		2,165
Income taxes	14,207	693			14,900	14	14,914		14,914
Minority interests in net income	365	1,505	20		1,890	(451)	1,439		1,439
Investments in associated companies accounted for by the equity method	4,392	3,297	47	3,399	11,135	1,037	12,172	(1,510)	10,662
Increase in property and store facilities and intangible assets	27,716	3,448	634		31,798	65	31,863		31,863

	Thousands of U.S. dollars								
	2012								
	Reportable segment								
	Japan	Taiwan	Thailand	South Korea (Note 1)	Total	Other (Note 2)	Total	Reconciliations (Note 3)	Consolidated (Note 4)
Operating revenues from outside the Group	$3,456,346	$341,568	$251,037		$4,048,951	$15,469	$4,064,420		$4,064,420
Intersegment operating revenues or transfers	9,975	247			10,222		10,222	$ (10,222)	
Total	$3,466,321	$341,815	$251,037		$4,059,173	$15,469	$4,074,642	$ (10,222)	$4,064,420
Segment profit (loss)	$ 199,864	$ 12,864	$ 1,408	$15,741	$ 229,877	(11,506)	$ 218,371	$ (13,630)	$ 204,741
Segment assets	5,502,407	512,037	74,235	51,086	6,139,765	23,556	6,163,321	(326,012)	5,837,309
Other:									
Depreciation and amortization	162,136	29,876	7,531		199,543	334	199,877		199,877
Equity in earnings of unconsolidated subsidiaries and associated companies	531	3,062	24	15,741	19,358	(9,568)	9,790		9,790
Gain on reversal of accounts payable—store closing	30,519				30,519		30,519		30,519
Loss on impairment of long-lived assets	31,827		111		31,938	37	31,975		31,975
Loss on adjustment for application of accounting standard for asset retirement obligations	90,136		1,778		91,914		91,914		91,914
Loss from a natural disaster	42,383				42,383		42,383		42,383
Income taxes	152,852	7,876			160,728	420	161,148		161,148
Minority interests in net income	3,642	19,247	185		23,074	(2,753)	20,321		20,321
Investments in associated companies accounted for by the equity method	101,704	43,506	543	51,087	196,840	7,086	203,926	(18,642)	185,284
Increase in property and store facilities and intangible assets	316,185	79,913	9,198		405,296	235	405,531		405,531

Notes: 1. "South Korea" business segment represents the business of an associated company accounted for by the equity method.

2. "Other" is a business segment, which is not included in any reportable segment and includes operating activities in the United States of America, China, and Vietnam.

3. The nature of "Reconciliations" is as follows:

(1) "Reconciliations" of "Intersegment operating revenues or transfers" of ¥(828) million ($(10,222) thousand) and ¥(655) million and "Segment profit" of ¥(1,104) million ($(13,630) thousand) and ¥(909) million represent elimination of intersegment transactions for the years ended February 29, 2012 and February 28, 2011, respectively.

(2) "Reconciliations" of "Segment assets" of ¥(26,407) million ($(326,012) thousand) and ¥(25,399) million consist of the elimination of intersegment transactions of ¥(24,435) million ($(301,667) thousand) and ¥(23,399) million and other reconciliations of ¥(1,972) million ($(24,345) thousand) and ¥(2,000) million for the years ended February 29, 2012 and February 28, 2011, respectively.

(3) "Reconciliations" of "Investments in associated companies accounted for by the equity method of ¥(1,510) million ($(18,642) thousand) and ¥(1,510) million represent the elimination of intersegment transactions for the years ended February 29, 2012 and February 28, 2011, respectively.

4. Segment profit (loss) is reconciled with net income on the consolidated statements of income.

For the year ended February 28, 2011

Information about industry segments, geographical segments, and operating revenues from foreign customers of the Company and its subsidiaries for the year ended February 28, 2011 was as follows:

(1) Industry segments

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.

The industry segments of the Company and its subsidiaries for the year ended February 28, 2011, 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

(2) Geographical segments

The geographical segments of the Company and its subsidiaries for the year ended February 28, 2011, 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

(3) Operating revenues from foreign customers

Operating revenues from foreign customers for the year ended February 28, 2011, amounted to ¥44,141 million.

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 as of February 29, 2012 and February 28, 2011, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended February 29, 2012, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FamilyMart Co., Ltd. and consolidated subsidiaries as of February 29, 2012 and February 28, 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.n to the consolidated financial statements, effective March 1, 2011, the consolidated financial statements have been prepared in accordance with the new accounting standard for asset retirement obligations.

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 24, 2012

Member of
Deloitte Touche Tohmatsu Limited

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.
	Jun.	FamilyMart jointly establishes VI NA FAMILYMART CO., LTD. (Vietnam) in cooperation with two partners — Phu Thai Group Joint Stock Company (Hanoi, Vietnam) and ITOCHU Corporation.
	Nov.	FamilyMart jointly establishes Hangzhou FamilyMart Co., Ltd. (China) in Hangzhou City, China in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corporation and Taiwan FamilyMart Co., Ltd.
2012	Feb.	FamilyMart achieves a global network of 20,000 stores.

Investor Information

Corporate Data (non-consolidated)

(As of February 29, 2012)

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:	3,356
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,752,139 shares)
Number of shareholders:	11,913
Stock exchange listing:	Tokyo Stock Exchange, First Section
Securities code:	8028
Trading unit of shares:	100 shares
Transfer agent:	Sumitomo Mitsui Trust Bank, Limited.
Independent auditors:	Deloitte Touche Tohmatsu
Ordinary general meeting of shareholders:	May each year

Principal Shareholders

(As of February 29, 2012)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	29,941	30.7
Japan Trustee Services Bank, Ltd. (Trust account)	4,180	4.3
NTT DoCoMo, Inc.	2,931	3.0
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,386	2.4
The Master Trust Bank of Japan, Ltd. (Trust account)	2,340	2.4
Mizuho Bank, Ltd.	2,085	2.1
Nippon Life Insurance Company	1,964	2.0
Deutsche Securities Inc.	1,673	1.7
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,421	1.5
GOLDMAN, SACHS & Co. REG	1,303	1.3
Total	50,225	51.4

Notes: 1. In addition to the above, the Company also holds 2,752 thousand shares in treasury.
2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

Domestic Area Franchisers

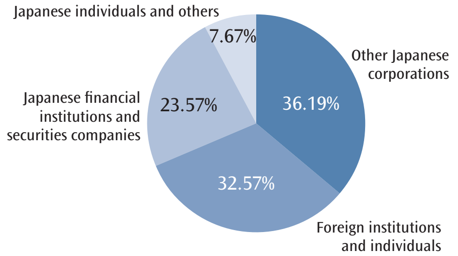
Okinawa FamilyMart Co., Ltd.
Minami Kyushu FamilyMart Co., Ltd.
Hokkaido FamilyMart Co., Ltd.
JR KYUSHU RETAIL, INC.

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)
VI NA FAMILYMART CO., LTD. (Vietnam)
Hangzhou FamilyMart Co., Ltd. (China)

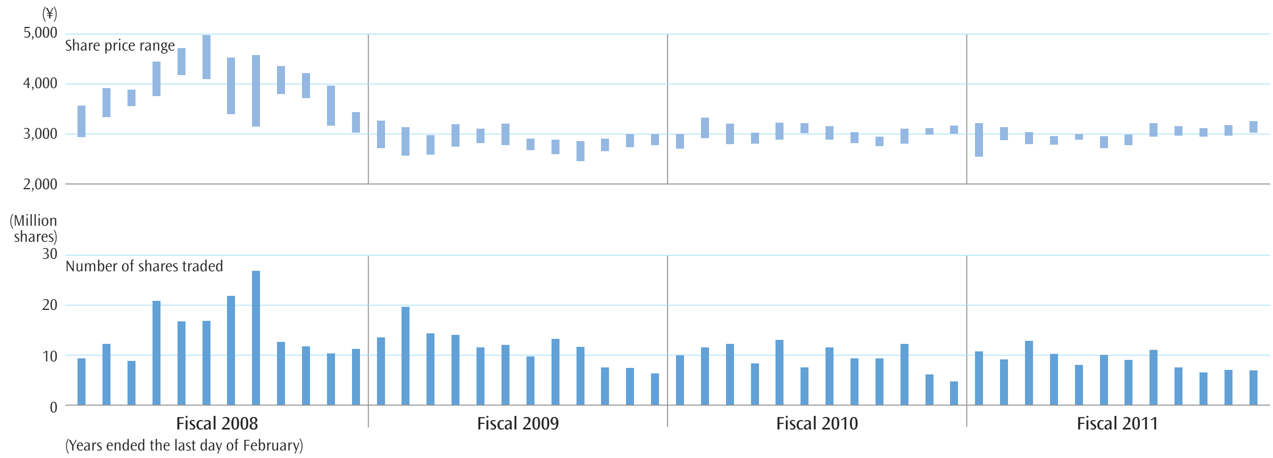
Distribution of the Shares

(As of February 29, 2012)



* 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.

FamilyMart

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