FamilyMart

Annual Report 2014

もっと、家族になっていく。

Becoming a Social and Lifestyle Infrastructure Provider

Since opening its first store in 1973, FamilyMart Co., Ltd., has consistently modified its business model that spans products, store operations, and store development. Amid changes in Japan's social structure, FamilyMart will continue to address the increasingly diverse needs of its customers, develop and grow in its own right, and deliver value as a social and lifestyle infrastructure provider.

Store Network

February 2014

All 47 prefectures

February 2004

38 prefectures

Number of Stores
(Japan, includes stores under area franchisers)
February 2014
10,547 stores

February 2004
6,199 stores

Consistent evolution of our business model that spans products, store operations, and store development

Fiscal 2003
¥954 billion

Total Store Sales
(non-consolidated)
Fiscal 2013
¥1,722 billion

Fiscal 2003
about 5 million / day

Number of Customers
(Japan, includes stores under area franchisers)
Fiscal 2013
about 10 million / day

Becoming the World's No. 1 Convenience-Store Chain

Beginning with the opening of our pioneer store in Taiwan in 1988, we have worked aggressively to expand our overseas network. Amid a global market in which business conditions differ from region to region, we have steadily built up our knowledge and expertise in order to increase the probability of success through a process of trial and error. Moving forward, we will endeavor to link economic growth in prospective regions, centered on Asia, to opportunities for further expansion. In this manner, we will strive to become the world's No. 1 convenience-store chain.

First overseas store opened in 1988

Close-Knit Partnerships

Working closely with local companies

Global Branding

Sharing basic principles and strategies

Worldwide

8 markets

15,969 stores

(As of May 31, 2014)

Optimal Solutions

Optimizing successful Japanese models

Joint Ventures

Utilizing the expertise of partners

Point of Origin

Promoting open-ended overseas expansion

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

Editorial Policy

The Annual Report 2014 comprises important information selected from various information about FamilyMart's management strategies and business activities, performance results, and CSR activities in fiscal 2013, as well as about the Company's management organization, reported in an easy to understand and integrated fashion. Through this avenue of voluntary disclosure, we introduce detailed activities based on management strategies and present the opinions of managers in their own words in a way that would not be possible with compulsory disclosure. Regarding CSR, we have selected activities as a social and lifestyle infrastructure provider that we believe are of particular interest to stakeholders and that are of particular importance to FamilyMart.

Period and Scope of the Report

This annual report covers the fiscal year ended February 28, 2014 (fiscal 2013), and also includes some activities subsequent to February 28, 2013.
Environment-related data refers only to FamilyMart (non-consolidated).

もっと、家族になっていく。

To be more like family.

Together always, whether near or far.
Caring for each other like family.
Family Mart is there for you every day.
And we want this to show in everything we do.
In our flavor. In our quality. In our service.
Because today you're busier than ever, we'll be more like family.
Doing more for you, with convenience. That's Family Mart.

Contents

Consolidated Financial Highlights

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

	2014	2013	2012	2011
Results of operations:				
Total operating revenues (Note 1):	345,604	334,087	329,218	319,889
Commission from franchised stores	217,314	198,222	189,659	181,064
Other operating revenues	32,362	30,800	29,546	27,129
Net sales	95,928	105,065	110,013	111,696
Operating income	43,310	43,108	42,586	38,223
Net income	22,611	25,020	16,584	18,023
Net cash provided by (used in) operating activities	60,844	64,638	72,900	50,338
Net cash used in investing activities	(64,377)	(46,237)	(20,746)	(25,798)
Net cash (used in) provided by financing activities	(21,054)	(16,089)	(14,189)	(13,977)
Financial position:				
Total assets (Notes 2, 3)	588,137	526,758	472,822	436,034
Total equity (Note 4)	265,458	247,755	225,939	216,979
Per share of common stock (in yen and U.S. dollars):				
Total equity (Note 4)	2,686.4	2,515.6	2,299.1	2,207.5
Basic net income (Note 5)	238.2	263.6	174.7	189.7
Cash dividends applicable to the year (Note 5)	102.0	100.0	82.0	72.0
Ratios:				
Equity ratio (%)	43.4	45.3	46.2	48.1
ROE (return on equity) (%)	9.2	11.0	7.8	8.8
ROA (return on total assets) (%)	4.1	5.0	3.6	4.2
PER (price earnings ratio) (times)	19.0	14.8	18.1	16.3
Payout ratio (%)	42.8	37.9	46.9	37.9
Other data:				
Growth rate of average daily sales of existing stores (non-consolidated) (%)	(0.4)	(1.6)	4.4	(0.2)
Number of store openings (non-consolidated) (Note 6)	1,284	900	851	741
Number of total chain stores	23,622	22,181	20,079	17,598
Japan (including area franchised stores)	10,547	9,481	8,834	8,248
Overseas	13,075	12,700	11,245	9,350
Number of full-time employees	6,373	6,081	8,327	7,569
Number of shareholders	11,498	12,270	11,913	12,391

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 year-end include the amounts 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 year-end include the amount for trade payables (¥42,334 million) as the due date (February 28, 2009) fell on a bank holiday.

Key Points of Fiscal 2013 Results

Operating Income

¥ **43.3** billion

(Up **0.5**% YoY)

Ordinary Income

¥ **47.3** billion

(Up **4.2**% YoY)

Operating and ordinary income both reached record highs, largely due to the opening of more than 1,300 stores—an all-time high—to a total of 10,000 stores in Japan, and improved earnings in the Group's overseas operations, particularly in Taiwan and China.

Net Income

¥ **22.6** billion

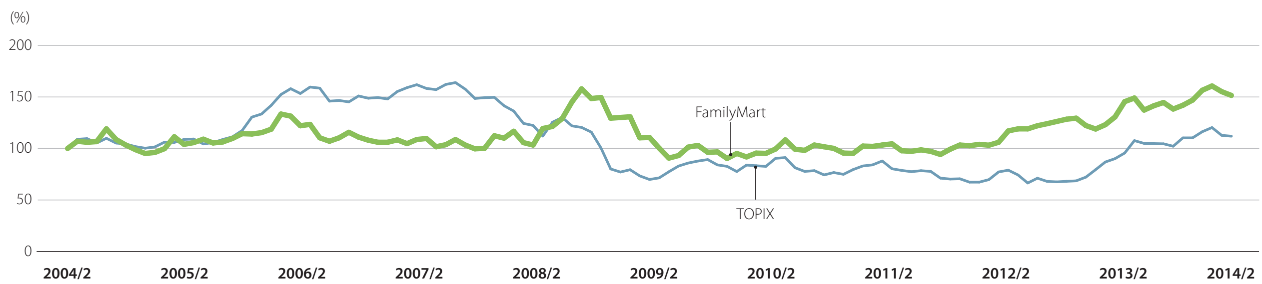
(Down **9.6**% YoY)

Net income declined year on year, mainly reflecting a decrease in gain on sales of investments in subsidiaries and associated companies stemming from overseas business restructuring initiatives in the previous fiscal year.

Millions of yen								Thousands of U.S. dollars (Note 7)
	2010	2009	2008	2007	2006	2005	2004	2014
	278,175	287,342	319,439	297,849	276,443	252,901	228,977	3,388,275
	161,167	162,288	150,351	142,294	138,636	132,864	127,164	2,130,529
	22,988	22,571	21,232	21,049	19,256	16,438	14,730	317,275
	94,020	102,483	147,856	134,506	118,551	103,599	87,083	940,471
	33,531	36,532	31,214	29,609	32,662	30,869	29,093	424,608
	15,103	16,452	16,438	14,969	14,195	12,623	13,788	221,676
	(6,575)	75,028	49,375	35,093	42,778	1,428	73,593	596,510
	(36,152)	(28,217)	(24,593)	(32,938)	(32,249)	(23,183)	(10,719)	(631,147)
	(8,342)	(7,030)	3,956	(19,155)	(4,238)	(3,922)	(3,892)	(206,412)
	424,209	398,126	351,271	315,256	314,121	286,771	309,315	5,766,049
	206,490	197,529	191,281	171,155	168,233	156,931	147,524	2,602,529
	2,096.4	2,001.5	1,921.6	1,771.3	1,736.2	1,619.5	1,522.3	26.34
	158.5	172.6	173.5	158.8	145.7	129.5	141.5	2.34
	70.0	68.0	60.0	46.0	43.0	38.0	38.0	1.00
	47.1	47.9	52.2	51.9	53.6	54.7	47.7	
	7.7	8.8	9.5	9.0	8.7	8.3	9.7	
	3.7	4.4	4.9	4.8	4.7	4.2	4.9	
	18.0	19.2	17.8	20.5	25.1	24.0	21.1	
	44.2	39.4	34.6	29.0	29.5	29.4	26.8	
	(2.4)	7.1	0.9	(1.4)	(1.6)	1.2	(2.9)	
	545	542	520	586	606	532	456	
	15,789	14,651	13,875	13,122	12,452	11,501	10,326	
	7,688	7,404	7,187	6,974	6,734	6,424	6,199	
	8,101	7,247	6,688	6,148	5,718	5,077	4,127	
	7,204	6,950	6,647	6,735	6,048	5,458	4,675	
	13,274	12,293	14,933	17,880	17,444	18,644	21,173	

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 ¥102 = US$1, the rate prevailing on February 28, 2014.

Share price (2004/2 = 100)

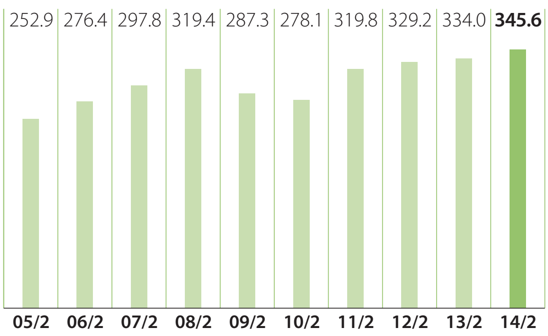


Performance Highlights

Financial Highlights (consolidated)

Total Operating Revenues

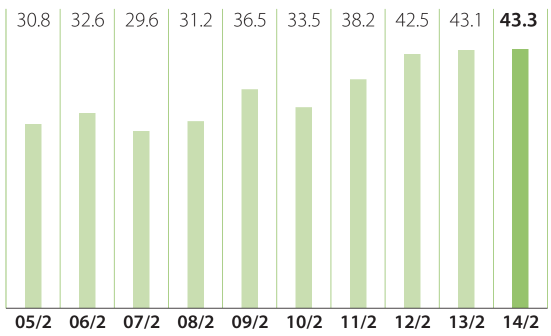
(¥ billion)



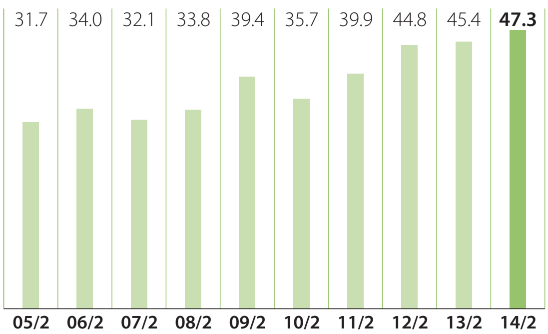
Note: Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd., from a gross basis to a net basis.

Operating Income

(¥ billion)

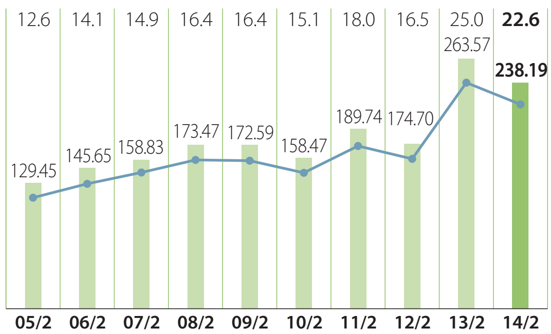


Ordinary Income



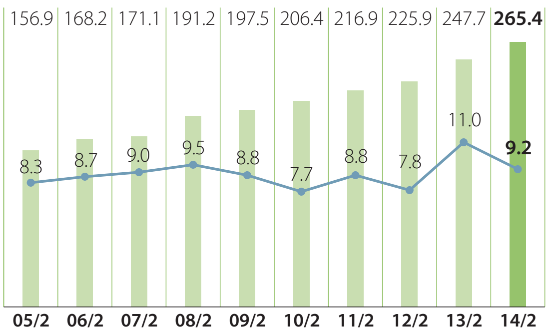
Net Income / EPS

Net Income (¥ billion) EPS (¥)



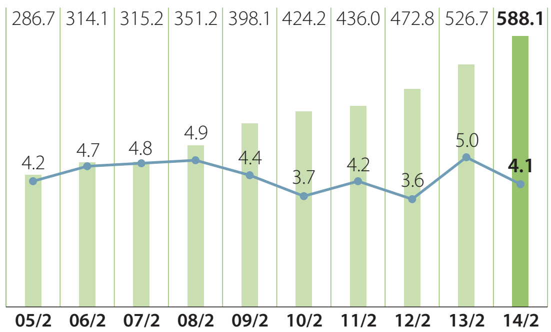
Total Equity / ROE

Total Equity (¥ billion) ROE (%)



Total Assets / ROA

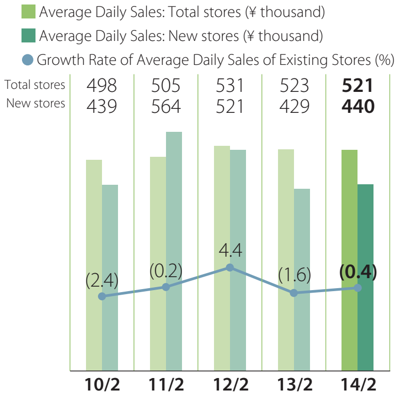
Total Assets (¥ billion) ROA (%)



Business Performance (non-consolidated)

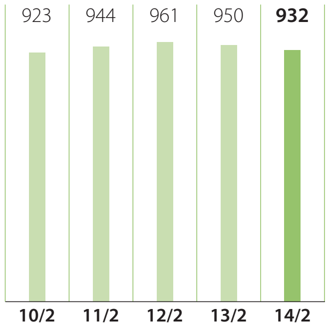
* The figures below do not reflect the performance results of TOMONY stores and am/pm stores before brand conversion.

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



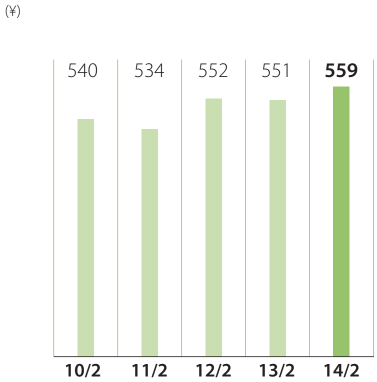
The growth rate of average daily sales of existing stores is showing signs of a recovery, largely due to the increasing strength of our products as well as efforts to enhance and expand product lineups.

Number of Customers*
(total stores)



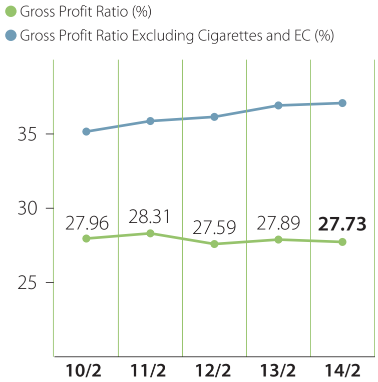
FamilyMart has positioned the number of customers as an important management indicator. The Company is promoting a host of measures aimed at increasing customer numbers.

Spend per Customer*
(total stores)



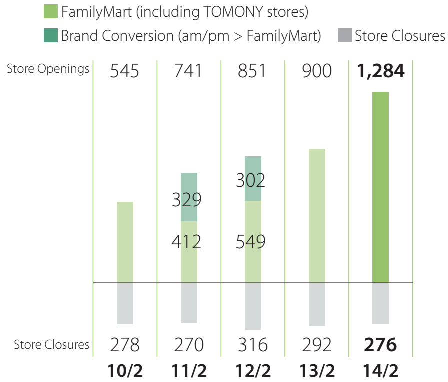
Average spending per customer increased, reflecting the popularity of FamilyMart's products and their ability to deliver value that exceeds price.

Gross Profit Ratio*



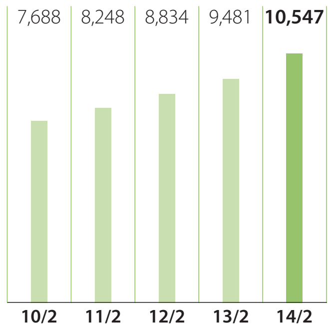
FamilyMart worked diligently to increase its gross profit ratio by streamlining and raising the efficiency of its production and logistics activities.

Store Openings and Store Closures



The Company surpassed its previous record high by opening more than 1,000 stores in fiscal 2013.

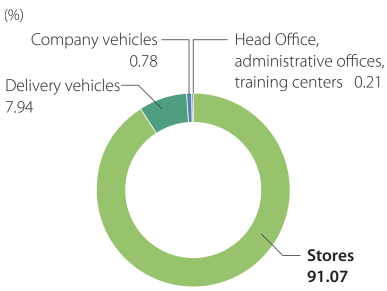
Number of Total Chain Stores
(Japan, includes stores under area franchisers)



In October 2013, FamilyMart reached another milestone with the opening of its 10,000th store in Japan.

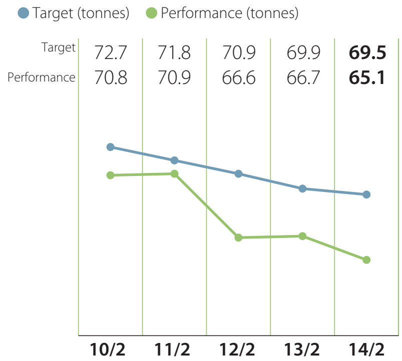
Environment-Related Data (non-consolidated)

CO_2 Emissions at All FamilyMart Stores



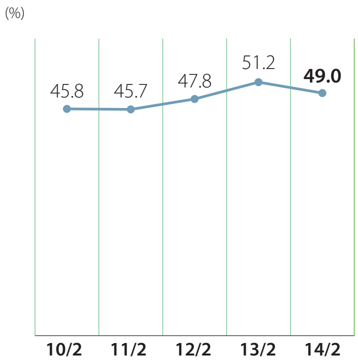
Our stores account for over 90% of our CO_2 emission volumes.

Cutting CO_2 Emissions: Targets and Actual Performance



Targets were first set in fiscal 2008. Progress is ahead of plan.

Food Recycling Rate



We have reached the target recycling rate of 45% set by the Japanese food-retailing industry (including resource saving).

To Our Stakeholders

Chairman and
Chief Executive Officer
Junji Ueda

President
Isamu Nakayama

Against the Backdrop of an Increasingly Competitive Convenience-Store Market, FamilyMart Will Continue to Pursue Success by Taking on Challenges as a Familiar and Trusted Name.

Laying a Foundation throughout Fiscal 2013 for the Next 10 Years

In fiscal 2013, ended February 28, 2014, the Japanese economy began to show promising signs of a turnaround due to the end of the global recession and the positive flow-on effects of the government's economic and monetary policies. With the number of convenience stores in Japan surpassing 50,000, rivalries among the nation's major convenience-store chains to open new stores are becoming increasingly fierce, with competition exceeding conventional industry boundaries.

Under these circumstances, FamilyMart positioned fiscal 2013 as the year of challenge that would decide the next 10 years. Centered on the opening of a record-high number of stores in Japan, the Company took bold steps to implement aggressive measures. As one example, in our dealings with railway operators, with whom we hold an overwhelming market share, we established collaborative ties with 13 companies and expanded our network to 402 railway operator affiliated stores. Turning to our overseas operations, we increased earnings in existing markets, including Taiwan. Our efforts were particularly well rewarded in China, where we recorded a substantial improvement in profits. As a new initiative that draws on the strength of our domestic, 10,000-strong store network, we took steps to expand our delivery business while promoting collaborative ties with franchisees from other retail formats, including drugstores and dispensing pharmacies and supermarkets. Each of these initiatives is an important step that is expected to lead to future growth. We are confident that we have laid a solid foundation for a more robust earnings platform as we look to the decade that lies ahead.

Promoting Aggressive Measures in Earnest in Fiscal 2014

In fiscal 2014, we again plan to open a record number of stores in a bid to solidify our position within the convenience-store market. As part of efforts to service as many customers as possible, we will fine-tune every facet of our operations, including store conditions and merchandise as well as service, quality and cleanliness (SQ&C). From an overseas business perspective, we will focus on quickly generating earnings in regions where FamilyMart stores are already located while accelerating the pace at which we enter new markets. We will also leverage the potential of new businesses in Japan and foster them into a robust pillar of operations that will underpin future growth.

To Be More Like Family

As the only convenience-store chain to use the word "family" in both company and store names, FamilyMart will continue to instill in all customers, from the youngest child to the elderly, the sense that they are a member of a united family. In fiscal 2014, we will renew our focus on "to be more like family." We will ensure a coherent message throughout our business activities by positioning this sense of "family" as the core value of our products and services.

Confronted by rising prices as a result of the increase in Japan's consumption tax rate and continued weakness in the yen, as well as a variety of other factors, the retail sector cannot afford to be complacent. Working in unison, we will succeed by taking on the challenges that lie ahead. As we work toward achieving our established goals, we kindly request your continued support and understanding.

June 2014

Chairman and Chief Executive Officer

President

A Message from the President

FamilyMart—
Succeeding by Taking on Challenges

President

Isamu Nakayama

In fiscal 2014, the Company will be guided by the key phrase "FamilyMart—Succeeding by Taking on Challenges." We invite everyone to follow our continued progress in our goal to become the world's No. 1 convenience-store chain of Japanese origin.

Getting Off to a Flying Start in Fiscal 2013 in Our Pursuit of Success

It is now more than a year since I took on the responsibility of president in January 2013 from Junji Ueda, now the Company's Chairman and CEO. From the very beginning, fiscal 2013 was an important period, considered the year of challenge that would decide the next 10 years. In particular, the year was marked by the Company launching aggressive strategies and focusing all of its efforts on making FamilyMart the world's No. 1 convenience-store chain of Japanese origin.

Looking back, it appears that we are off to a flying start. We were able to open a record-high 1,355 stores* in Japan during the year, with our domestic store count topping the 10,000-store mark for the first time in October 2013.

In addition to placing an emphasis on the launch of attractive products, such as items in the "FAMIMA PREMIUM" series, FamilyMart worked to enhance the convenience of its stores by increasing the number of unique products under the "management by the number of features" campaign, thereby focusing its efforts on broadening its product lineups.

In overseas operations, we have leveraged the know-how we have cultivated as a Japan-based convenience-store chain to further promote Japanese-style quality. Moreover, with an eye on swiftly realizing profitability in areas into which we have expanded, we are focusing on rebuilding operating schemes in each area to optimum levels and strengthening our business base overseas.

FamilyMart also aims to deliver new value as a social and lifestyle infrastructure provider and, in this pursuit, has launched a variety of new businesses. In addition to stores integrated with drugstores and dispensing pharmacies, which the Company began promoting in fiscal 2012, FamilyMart has focused on the development of new store formats in collaboration with other businesses, including a supermarket-integrated store that opened in October 2013. We believe this allows us to appeal to a range of clientele above and beyond that of the traditional convenience-store format. In this regard, we remain enthusiastic about the numerous possibilities for our stores. As competition heats up, we remain focused on strategies that are designed to promote growth moving forward. From a profit perspective, FamilyMart reported record-high earnings at each major level of earnings on a consolidated basis in fiscal 2013, with the exception of net income, which was affected by overseas business restructuring during the previous fiscal year.

* Including four area franchisers in Japan

Consolidated earnings performance

(¥ million)

	14/2	13/2	YoY change
Total operating revenues	345,604	334,087	3.4%
Operating income	43,310	43,108	0.5%
Ordinary income	47,315	45,410	4.2%
Net income	22,611	25,020	(9.6)%

A Message from the President

Putting It All on the Line for Success

When looking at the demographic structure of Japan, it appears that in 2015 the particularly heavily populated "second baby boomer" generation will be entering the 40-to-45 age bracket, which is often a period of peak personal consumption. Moreover, with Tokyo slated to host the 2020 Olympic and Paralympic Games, heightened expectations for a surge in capital spending appear likely to continue to bolster the Japanese economy, with consumer spending also improving as a result.

Although the population of Japan continues to decline, the number of single-person and two-person households is on the rise, and the labor force participation ratio for women is also increasing. Amid such an environment, we believe convenience stores offering a superior assortment of items and beneficial locations can expect robust growth. Factoring in the current business environment, we will be guided in fiscal 2014 by the key phrase "FamilyMart—Succeeding by Taking on Challenges" and will remain focused on maintaining an aggressive approach. We are confident in our ability to succeed and will not stop until success is achieved.

FamilyMart has the goal of being the industry leader in quality. To achieve this goal, we recognize that there are several areas that we, as both a company and a convenience-store chain, must continue to improve and refine. With a clear understanding that a challenger cannot win without facing tests and trials, we intend to face the coming year with a boldness that befits a true challenger.

Domestic Convenience-Store Business

Continuing to Aggressively Open Stores

The convenience-store business in Japan remains a growth area, with the scale of the overall market expected to expand going forward. By accurately addressing the needs of society, convenience stores will attract customers from other retail formats. On this basis, the scale of the market is projected to increase from about ¥10 trillion in fiscal 2013 to about ¥12 trillion over the medium term, with the number of stores expanding from 50,000 to 60,000. Amid this anticipated market growth of around 20%, FamilyMart is confident of securing a 30% market share.

Against this backdrop, FamilyMart aims to maintain an aggressive stance toward the opening of stores while maintaining a close eye on profitability. To surpass our performance in fiscal 2013, we expect to open a record 1,600 stores in fiscal 2014, including the four area franchisers in Japan.

Convenience stores hold an advantage in that they are actual stores situated in close proximity to customers, and therefore customers are not required to travel a substantial distance. Moreover, they offer a 24/7 service. As a part of the Company's resolve to fortify its role as a social and lifestyle infrastructure provider, as well as to contribute to enhanced convenience for an even greater number of customers, FamilyMart is strengthening its efforts to open stores in prefectures in which there are currently less than 100 stores and in locations where shopping is somewhat inconvenient.

At the same time, FamilyMart will continue to aggressively open stores in a variety of formats, an area of particular strength. Integrated stores show the promise of synergies with other businesses. Along with off-street stores, including those located within train stations, we are looking to open about 3,000 integrated stores over the next five years.

Enhancing Stores through Substantial Renovation of Sales Spaces

Conscious of the fact that increased customer traffic is the starting point of the virtuous circle benefitting today's retail sector, FamilyMart is focusing its efforts on welcoming customers of all ages to its stores. As part of our effort to enhance stores, we are investing more than ¥100 billion, mainly in capital expenditures for new and existing stores. In particular, we are investing the record amount of about ¥15 billion on existing store improvements to further strengthen the competitiveness of individual stores. Specifically, along with the enhancement of store layouts through "management by the number of features," FamilyMart is expanding the display space for products by adding gondola shelves and introducing new fixtures, including horizontal refrigerated display cases, to cater to the purchasing requirements of women, as well as those of middle-aged and elderly customers, whose needs continue to grow each year. Through such efforts, we are determined to complete an unprecedented overhaul of our sales spaces.

Store Opening Strategy in Japan >>> P28

Expanding Product Lineups and Bolstering Product Strength

We also plan to expand our product lineups and promote the development of products designed for use by an even wider range of customers. Under the "your nearest specialist store" concept, the FAMIMA PREMIUM series of products goes a step further in our commitment to achieving optimal materials, preparation, and presentation. With items strategically designed to win new customers from specialty stores and restaurants, we will continue to expand this series while maintaining a firm commitment to quality. As part of our commitment to support women active in the workplace, we are developing products designed to lighten the workload at home and products for the health conscious. In addition, we are working to increase the fundamental base value of these products.

In regard to the Company's private brand "FamilyMart collection," we are increasing our product lineup from 520 items to 650 items as we continue in our efforts to achieve product lineups that can cater to the needs of all ages and genders.

In working to expand its store network and product lineups, FamilyMart has established the Ready-To-Eat Products Structural Reform Committee and the Logistics Structural Reform Committee, both under my direct control, in an effort to enact sweeping structural reforms across its organization to produce high-quality products more efficiently. By using these committees to promote streamlining and efficiency improvements in logistics, as well as the reorganization of production facilities, FamilyMart aims to improve the gross profit ratio in line with the strengthening of its products.

Product Strategy >>> P32

Strengthening Sales

To speed up the implementation and bolster the thoroughness of these various strategies, FamilyMart is also devoting management resources in the current fiscal year to the area of sales. The first goal is the implementation of SQ&C initiatives. We believe responding to the day-to-day changes in customer needs, making decisions, and acting swiftly to move from a hypothetical situation to a solution is the most important key in differentiating the Company from its competitors.

We have accordingly devised a system that divides our operations in Japan into three blocks—East Japan, Central Japan, and West Japan—with a significant amount of authority delegated to the local leader of each block (the assistant general manager of sales). Accordingly, the business strategies of the Head Office can be swiftly implemented and, with a more local perspective, special attention can be paid to specific details. In this way, FamilyMart aims to be the No. 1 convenience-store chain in terms of quality.

FamilyMart is also undertaking a comprehensive review of the Famima T Card. While the Famima T Card has to date been reserved as a credit card for members over the age of 18, we have revised the rules for joining to allow members to select point system cards with or without credit card features. The point system card can be issued immediately at each store, making it much easier to acquire. A point ranking system has also been introduced, under which the shopping point rate for the month following purchases changes according to the level of spending during the month. Accordingly, we expect the card to be increasingly viewed as the FamilyMart "house card," which we believe could lead to increased sales and customer traffic. In other areas, we plan on investing more than ¥30 billion over the three years from fiscal 2014 to introduce next-generation store IT systems alongside a revamping of the Famiport Multimedia Terminals.

"We intend to face the coming year with a boldness that befits a true challenger."

A Message from the President

Overseas Businesses: Becoming the True No. 1 Convenience-Store Chain

The key themes for our overseas businesses in fiscal 2014 include advances into new markets and the acceleration of profit plans in areas with existing stores. FamilyMart will continue to accelerate the development of its overseas businesses, with a particular emphasis on Asia.

After launching operations in Shanghai in fiscal 2004, the Company has continued to steadily expand its Chinese operations. In fiscal 2013, FamilyMart made strong progress toward drastically improving earnings in China, and it is now laying a foundation for firm earnings growth in that country going forward. We are using the success of the business in Shanghai as an example for the development of operations in other regions, and we expect earnings in China as a whole to turn a profit in fiscal 2014.

In South Korea, equity-method affiliate BGFretail Co., Ltd., launched an IPO in May 2014, and FamilyMart sold all of its shares in the company for ¥25.1 billion. We will use the cash from the sale to accelerate earnings growth in both the domestic and overseas businesses.

FamilyMart's overseas businesses are founded on partnerships with leading local companies, and the Company follows a basic policy of effectively combining its operational know-how with the networks and knowledge bases of these local companies. In fiscal 2013, we conducted a review in each area in which we operated and consider we have strengthened the relationship of trust we have with each of our partners. We truly believe we have created the "Asian Dream Team."

As we hasten to make existing operations profitable, we are making good use of the "Overseas Operations Package," which comprises know-how that we have accumulated to date in overseas operations, as we consider moving into new markets.

Moreover, as we develop our business in overseas locations that have different lifestyles and business customs, we understand that it is important to optimize human resources, focusing on employees that can align an understanding of Japanese convenience-store business practices with local customs. To that end, we established the FamilyMart Academy in Bangkok, Thailand, in March 2014 and will continue to develop global human resources.

In global branding, FamilyMart launched product development for the private brand "FamilyMart collection" in such areas as Thailand and Taiwan. With increasing numbers of customers who trust the FamilyMart brand trying these products, we expect to expand development into other areas in the future. We believe that steady progress in the advancement of such measures will contribute to FamilyMart becoming a truly global brand.

Overseas Convenience-Store Business >>> P36

New Businesses: Evolving Stores as Neighborhood Hubs

Convenience stores have shown an expansion in functions to include not just sales but financial and other services. The further development of stores to serve as neighborhood hubs to play a role in society that to date has been fulfilled by other industries is also an important part of the growth strategy of convenience-store chains.

Our basic policy for entry into a business is that FamilyMart controls the functions of management, there is a strong affinity for local stores as neighborhood hubs, and the considered service shows favorable potential as a business. As such, we are considering the potential for new businesses, with a particular focus on online shopping, financial services, and nursing and healthcare services. While online shopping at first glance appears to be a rival to the convenience-store business, we believe there are numerous synergies to be gained through collaboration, including the use of actual stores to receive products ordered online.

In nursing and healthcare services, we are aggressively developing a delivery business with an eye toward the aging of society and stores that are integrated with drugstores and dispensing pharmacies that can best respond to growing awareness of health issues. In addition to collaboration with supermarkets and karaoke clubs, joint efforts with the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and restaurants appear to be off to a smooth start. We believe integrated stores that combine the best characteristics of convenience stores with those of other businesses could form the core of new business endeavors at FamilyMart.

New Businesses >>> P42

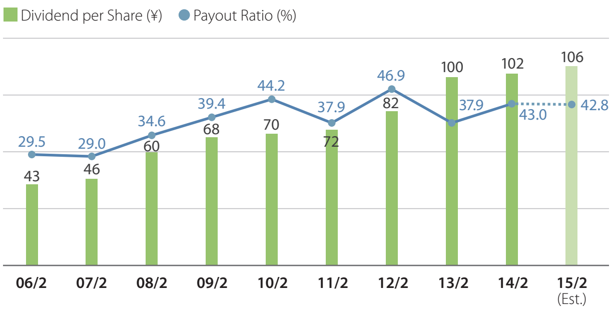
Refining the Domestic Business and Moving into the Larger Overseas Market

Our discussion so far has generally centered on strategies at FamilyMart for the near future. However, I would like to explain a little more about our medium-to-long-term vision. While we expand our store network in Japan through the aggressive opening of stores, we intend to also focus our efforts on further refining operations in the traditional convenience-store business. In addition, we will accumulate know-how required to launch new businesses and open stores under a variety of formats. It is our dream to transplant the domestic convenience-store business to elsewhere in Asia, which in recent history has shown a remarkable level of economic growth. Noting that the number of domestic convenience stores has expanded at a rate generally in line with the rate of economic growth in Japan, we believe the number of stores that can be opened in other parts of Asia, where there are hundreds of millions of potential customers, could exceed the number of stores in Japan by a wide margin. The reorganization of our overseas operations as well as efforts aimed at fostering global human resources and global branding are strategic moves taken with an eye toward future expansion. We intend to step up our efforts over the next few years to show that FamilyMart is not only a domestic leader but a company that is active throughout Asia.

Shareholder Returns: Targeting an Increased Dividend for the 10th Year in a Row

FamilyMart regards the distribution of profits to shareholders, in the form of dividend payments, as a matter of the highest priority. The Company's fundamental policy is one of stable, long-term distribution of dividends to shareholders in line with operational growth. In line with this policy, management since fiscal 2010 has targeted a payout ratio of about 40% on a consolidated basis. In addition to continuous shareholder returns based on EPS growth and dividends, our goal is for our stakeholders, beginning with shareholders and other investors, to see real growth in the Company as a whole. To this end, we intend to continue to focus our efforts on improving corporate value. In line with performance during fiscal 2013, we decided to pay an annual dividend of ¥102 per share, which was up ¥2 from the previous year. In fiscal 2014, we plan a further increase, of ¥4 per share, for an annual dividend payment of ¥106 per share, the 10th consecutive year of dividend growth.

Dividend per share and payout ratio



Payout ratio targets

–07/2: 30% on a non-consolidated basis → –10/2: 35% on a consolidated basis → 11/2–: 40% on a consolidated basis

A Message from the President

Treating Customers like They Are Family

When looking at operations in Japan alone, about 10 million people a day visit FamilyMart stores, and we employ about 100,000 people to staff our store network. With more than 10,000 stores and a close connection to local communities, we believe FamilyMart plays an important role in resolving a variety of social issues. FamilyMart's action guidelines call on store employees to "Listen, Decide, Act" when undertaking store operations. In that sense, we make full use of human resources. When viewed from this perspective, we believe FamilyMart is recognized as an organization that is making a very meaningful contribution to society.

Furthermore, we consider our mission at FamilyMart is to provide people with a better life, and, in fulfilling that mission, we place the most important value on "family." That is to say, our stores are not merely a nearby location offering products desired by customers at a time of their choosing. Rather, as the only convenience-store chain that has signage over its stores and offices with the word "family" in it, we continue to think of our customers as part of our family.

In Closing

United with our franchisees and other domestic and overseas partners, and under the key phrase "FamilyMart—Succeeding by Taking on Challenges," we will continue to push forward with our aim of making breakthroughs on an ongoing basis. Moreover, we will continue to promote a variety of strategies, with all due speed, to realize our goal of creating value for our customers. We invite you to look forward to the results of our ongoing journey along a growth trajectory as well as our efforts to become the world's No. 1 convenience-store chain of Japanese origin.

As we work toward achieving our established goals, we would like to ask for the continued support and understanding of all stakeholders.

June 2014

President

Isamu Nakayama

FamilyMart's Value Creation Story

A History of Universal Evolution

Convenience-Store Business Development

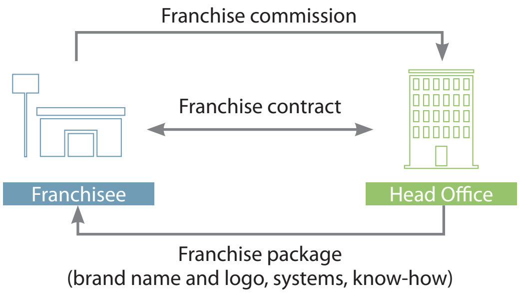
The convenience-store model is a relatively new format within Japan's retail sector, having first emerged during the early 1970s. While attracting support as neighborhood, small-scale locations where consumers could easily purchase essential everyday items, convenience-stores quickly forged a significant presence within the retail sector by consistently evolving to meet society's needs.

The Franchise System as a Driving Force behind Store Expansion

The franchise system is one format under which convenience stores are operated and managed. FamilyMart's Head Office supplies its brand name and logo as well as full-store management support services, including store operation know-how, data management, and logistics support, to franchisees. In return, a mechanism is in place for franchisees to make an appropriate payment in compensation. This mechanism also entails the development of business by franchisees as independent entities under the guidance of FamilyMart's Head Office. This collaborative system, which is underpinned by cooperative ties based on mutual trust and understanding between the Head Office and franchisees, is a key driving force behind the rapid expansion in the number of convenience stores.

The Role of Franchisees

Store operation and management
- Customer service and sales
- Maintenance of product lineups and product quality management
- Use of information
- Recruitment, hiring, and training of store staff
- Management and maintenance of store facilities

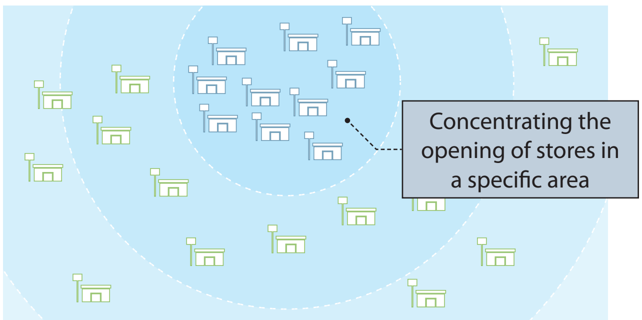


The Role of Head Office

Franchisee support
- Development of new products and services
- Development of information and logistics systems
- Innovation of store operation know-how
- Planning and development of advertising and sales promotions
- Installation of fixtures and facilities

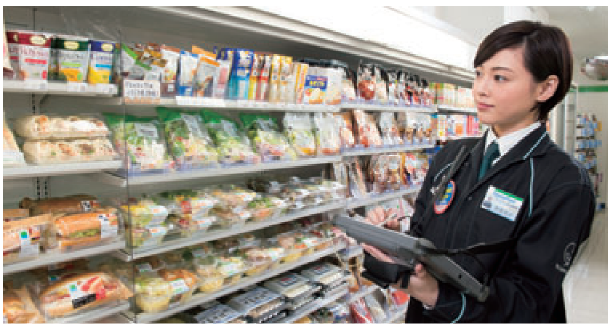
Putting Down Roots in the Local Community and Opening Dominant Stores

Convenience-store chains recognize that the location of a store is a critical factor in determining success or failure. As a result, efforts are generally directed toward strategically concentrating stores in a specific area in order to secure a dominant position. In addition to increased procurement and logistics efficiency, this approach helps to effectively enhance brand profile. Stores that place a premium on closely addressing the needs of consumers are reinforcing their significance as an indispensable part of the social and lifestyle infrastructure.



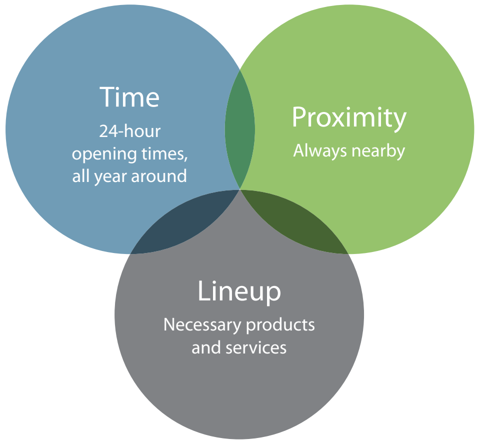
Increasing Efficiency and the Sophistication of Services through IT

By utilizing IT, convenience stores are gathering and analyzing such wide-ranging information as the time of day and the number of products purchased; information about the customer, including gender and age; weather conditions on the day of purchase; and the status of inventory. This information plays a vital role in increasing the efficiency and quality of product development and logistics as well as in enhancing product lineups. Against the backdrop of an operating environment in which consumer demands change by the day, convenience stores are placing themselves in the position to respond flexibly through the use of IT.



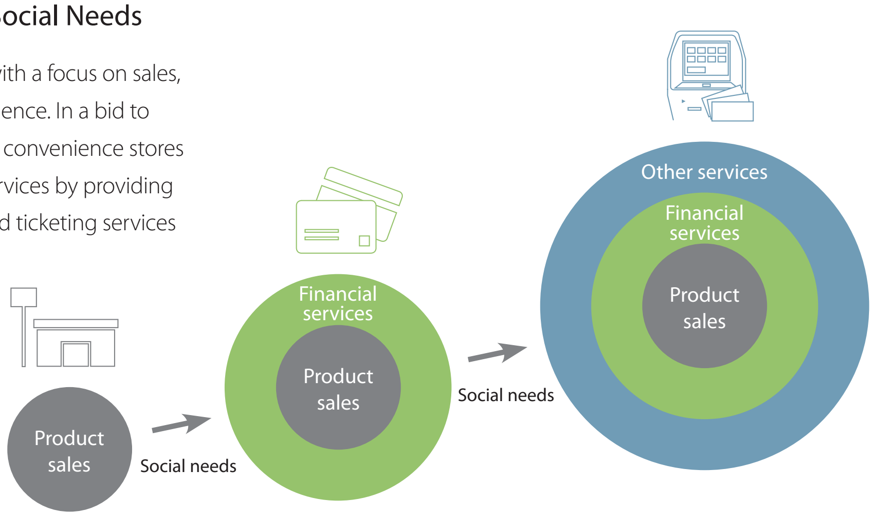
Features That Help to Distinguish Convenience Stores from Other Formats—Proximity, Time, and Lineup

Proximity, time, and lineup are three key features that distinguish convenience stores from other retail formats. Convenience stores tend to be nearby, open 24/7 all year round, and offer a full lineup of essential everyday products and services. As lifestyles continue to change, people are taking a fresh look at what constitutes convenience.



Expanding Services by Meeting Social Needs

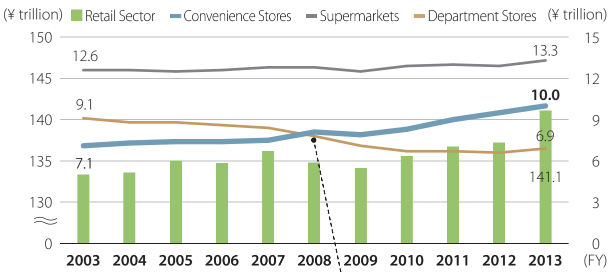
Convenience stores, which began simply with a focus on sales, today offer an unparalleled level of convenience. In a bid to address the changing needs of consumers, convenience stores have expanded their financial and other services by providing ATMs, various agency payment services, and ticketing services through multimedia terminals.



A Growing Appreciation of Convenience Stores

Buoyed by consumers' appreciation of these wide-ranging services, convenience stores are exhibiting prolonged and steady growth amid an overall retail sector that has seen growth plateau. In specific terms, the convenience-store market has expanded from ¥7.1 trillion in fiscal 2003 to ¥10.0 trillion in fiscal 2013.

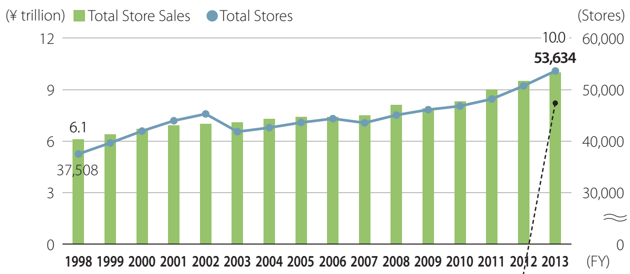
Size of entire retail sector, and the markets for each business category



Source: Retail Statistical Yearbook, Ministry of Economy, Trade and Industry

In fiscal 2008 sales overtook the sales of department stores.

Change in size of the convenience-store market



Sources: Retail Statistical Yearbook, Ministry of Economy, Trade and Industry for store sales; Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha for number of stores

Steady growth in market scale

Intangible Strengths Supporting Growth

FamilyMart's Business Model

Against the backdrop of a social structure that continues to change at an increasingly rapid pace, consumer needs are expected to grow progressively diverse. Under these circumstances, FamilyMart is working diligently to advance its business model while expanding the scope of its operations in a bid to utilize shifts in its external environment as a stepping-stone for sustained growth.

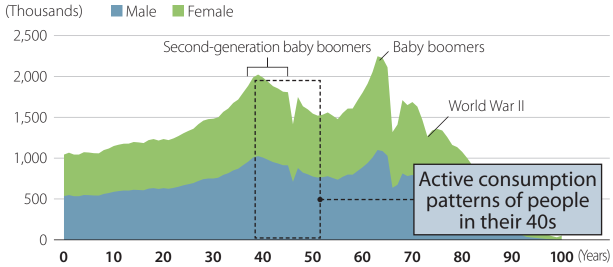
Changes in Japan's Social Structure

Changes in Demographic Composition

As the birthrate continues to decline, the elderly make up an increasingly large portion of Japan's total population. At the same time, the active consumption patterns of volume zone consumers, including second-generation baby boomers who are entering their 40s, are attracting widespread attention.

Source: Annual Report on Current Population Estimates, Japan's Ministry of Internal Affairs and Communications

Japan's demographic pyramid (2012)

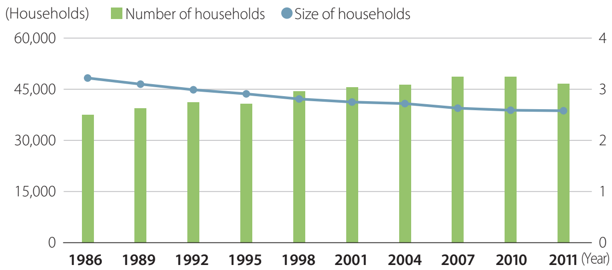


An Increase in the Number of Households and a Decrease in the Size of Households

The number of single-person households in Japan is increasing as the percentage of unmarried people rises and lifespans lengthen. While the number of households is increasing, it is becoming evident that the size of households and the number of people at each dining table are declining.

Source: Comprehensive Survey of Living Conditions, Japan's Ministry of Health, Labour and Welfare

Trends in the number of households and average household size

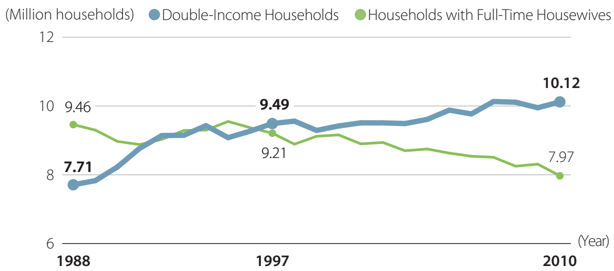


An Increase in the Number of Working Women

Changes in women's attitudes as well as economic circumstances are mirrored in the growing number of women who continue to work after getting married and having children. Since 1997, the number of dual-income households in Japan has surpassed households with full-time homemakers, with the labor force participation rate for women in their 30s approaching 70%.

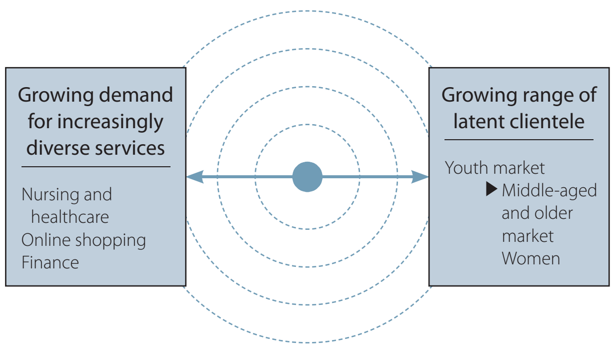
Sources: The figures until and including 2001 are compiled from the Special Survey of the Labour Force Survey, Ministry of Internal Affairs and Communications and the figures for 2002 onwards are compiled from the Labour Force Survey (Detailed Tabulation), Ministry of Internal Affairs and Communications

Increase in double-income households

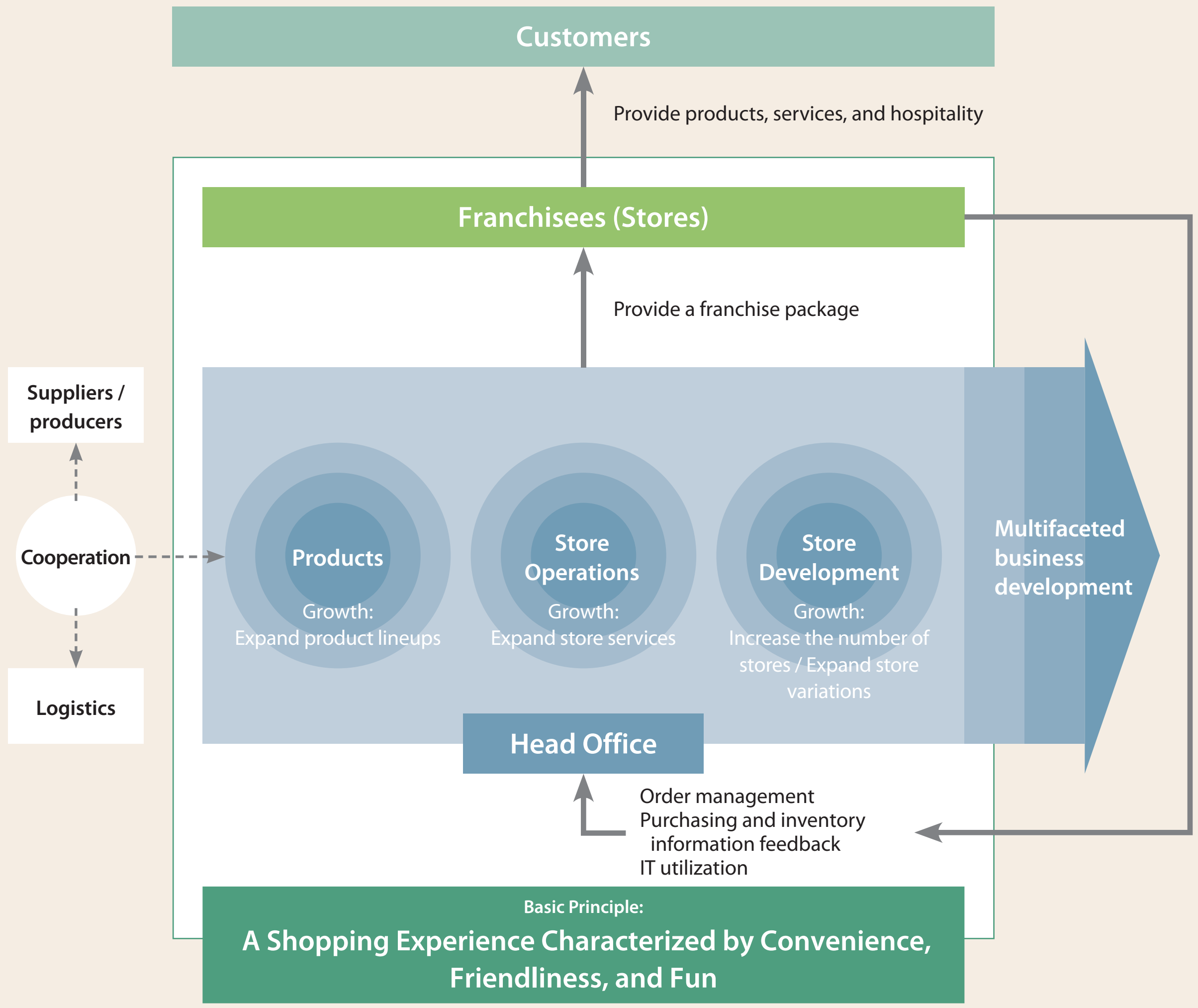


Growing Business Opportunities

Women and elderly people, who had seldom used convenience stores in the past, are emerging as a new class of clientele. This expansion in clientele reflects changes in eating habits and shifts in consumption patterns. As the range of convenience store's clientele widens and the needs of consumers continue to expand, there is growing demand for increasingly diverse services from convenience stores.



FamilyMart's Business Model



As the head office of a franchise-based business, FamilyMart provides a package of essential tangible and intangible systems—spanning products, store operations, and store development—that allows franchisees to successfully manage their stores. In addition, purchasing and inventory information that is gathered at stores is consolidated at the head office level. This information is used to improve the precision of daily ordering operations and is reflected in ongoing strategy proposals.

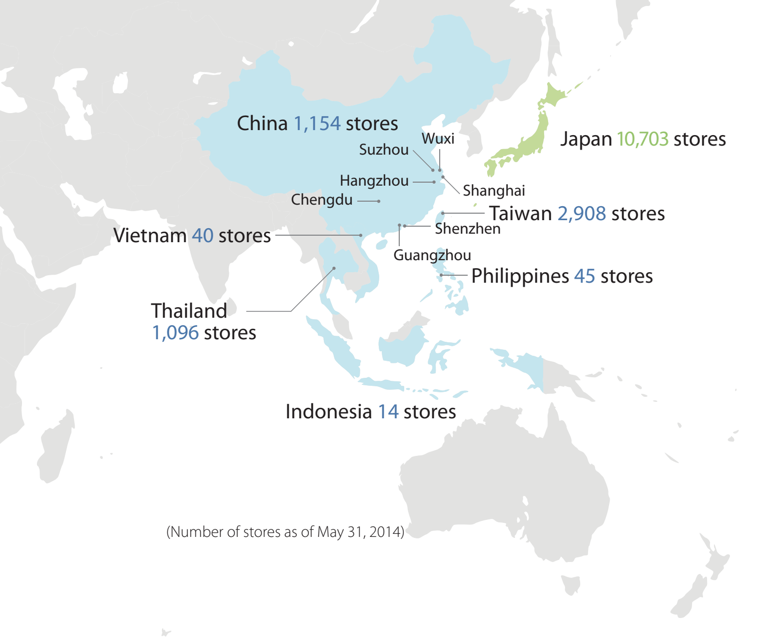
Every effort is made to address social change by ensuring that each function of our business model continues to evolve. In this manner, we are placing ourselves in the position to provide customers with optimal, one-stop solutions to an increasingly wide range of demands. In this manner, we are taking positive steps toward capturing the customers of other retail formats, thereby successfully expanding our market share.

As a social and lifestyle infrastructure provider, the Company remains finely attuned to demographic and social changes that affect operating conditions in the convenience-store market. Based on the concept of "family," we are working diligently to provide customers with our unique brand of value. As a part of these efforts, we are endeavoring to ensure that the mindsets of employees and franchisees remain focused on our basic principle of delivering a shopping experience characterized by convenience, friendliness, and fun. To this end, we are promoting the "FamilyMart Feel" campaign in a bid to reinforce the FamilyMart brand.

Intangible Strengths Supporting Growth

Accumulated Know-how and a Presence in Overseas Markets

While growing its business in Japan, FamilyMart has been working aggressively to expand operations in overseas markets. In particular, we are looking toward emerging countries centered on Asia. By applying the know-how accumulated in Japan in a unique manner, we are working to expand our business globally.



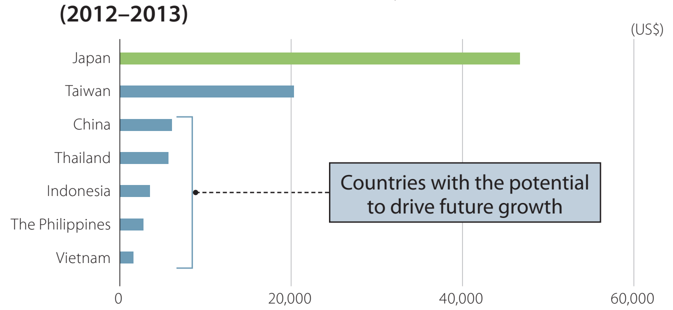
(Number of stores as of May 31, 2014)

Aggressive Expansion Centered on Emerging Countries

Emerging countries centered on Asia are expected to enjoy rapid economic growth going forward. With a relatively low average age, countries in Asia's developing regions offer considerable upside potential for increased personal consumption. The retail sectors in these regions are still developing and yet to be completed. By building on efforts to fine-tune our activities in Japan, we will look to expand our convenience-store business in the extremely promising Asian market.

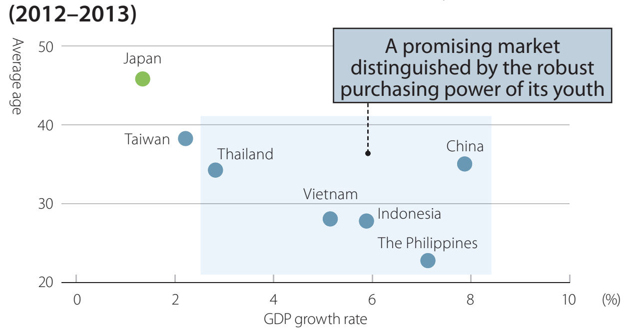
Since opening its first store in Taiwan in 1988, FamilyMart has entered new markets and actively expand overseas earlier than other convenience-store operators. As a Japanese convenience-store chain that has encountered few obstacles to expanding overseas, FamilyMart is drawing on the strength of its ability to freely enter promising regions. As at May 31, 2014, we boast a global network of 15,969 stores spread across 8 countries and regions, including Japan.

Nominal GDP per capita in FamilyMart's market (2012–2013)



Sources: JETRO reports for individual countries and regions (2013)
CIA World Factbook (2013)

GDP growth rate and average age in FamilyMart's market (2012–2013)



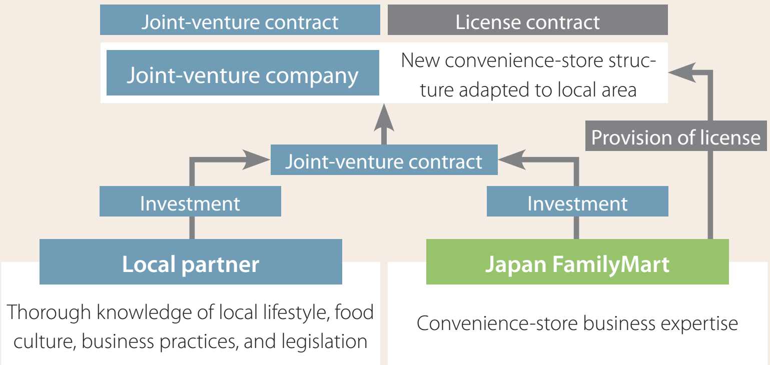
Pursuit of Growth Opportunities

Successful overseas expansion entails far more than simply applying a Japanese business model to each new market. It is critical to remember that retail is a local business and that consumer tastes and lifestyles as well as logistics, business practices, and operating formats differ from region to region.

In order for a convenience-store business to take root, and to expand in concert with the economic growth of each region, it is imperative that we adopt a flexible approach and promote a best-fit model that reflects the characteristics of an individual market.

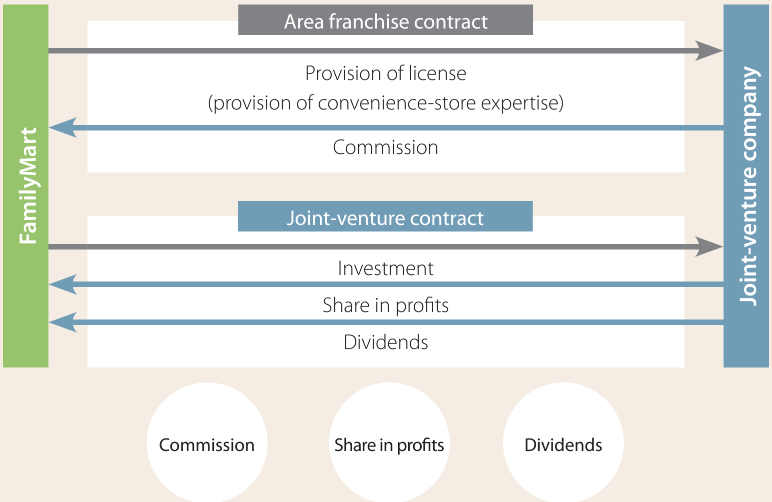
Basic Format for Overseas Expansion

Entering into Joint Ventures with Local Partners



In taking its business overseas, FamilyMart has adopted the fundamental policy of forming joint ventures with local partners. By seamlessly combining the market information and ideas of local companies with FamilyMart's proven knowledge and expertise, we are placing ourselves in the best position to optimally promote the convenience-store format within local markets and to increase the probability of success.

Ensuring a Balanced Profit Structure



Well-balanced profit structure with three profit sources

FamilyMart's efforts to expand overseas are distinguished by the Company's direct investment and participation in management planning. Apart from receiving a share of the profits according to the level of its investment, FamilyMart can also expect to receive dividends. Furthermore, we can receive a commission as compensation for providing licenses and convenience-store expertise. These three sources combine to create a well-balanced arrangement for generating income.

Sharing Basic Principles

Fiscal 2013 FamilyMart Summit held in Taiwan

In selecting a partner company, we emphasize a close relationship with and proven expertise in the local market. We also place considerable weight on a strong desire to develop the local retail sector in association with FamilyMart. Of equal importance is an understanding of FamilyMart's business strategies and basic principles as well as a relationship of mutual trust forged over a long period. Since 2003, we have held annual FamilyMart summits at which senior management from overseas operations convene. In addition to deliberating on overseas strategies and ways in which to enhance the FamilyMart brand, each summit is an opportunity to build mutual trust and understanding that goes well beyond regional borders.

FamilyMart's Vision

Medium-Term Management Plan

FamilyMart's medium-term management plan sets targets of consolidated ordinary income of ¥60 billion and an overseas earnings contribution of 20% for fiscal 2015. Through an understanding of society's needs and the continued growth and development of our products, services, and store network, we will become the leading company in the Japanese convenience-store sector in terms of quality. By extending our business model, which is built on the proprietary know-how and IT systems that we have accumulated over many years, to our operations overseas, we aim to become the world's No. 1 convenience-store chain.

FamilyMart's **Vision**

Becoming the **World's No. 1**
Convenience-Store Chain of Japanese Origin

Convenience-store operations in Japan	**Sustain growth at existing stores:** Create scope for raising average daily sales	
	Create a high-quality network: Expand market share by accelerating pace of store openings	
	Improve profitability: Quickly achieve gross profit ratio of 30%	
Convenience-store operations overseas	Taiwan, Thailand	Increase market share and profitability
	China	Priority market: Accelerate pace of store openings
	United States, Vietnam	Create business model enabling early localization
	Indonesia, the Philippines, etc.	Explore entry into potential new markets
Convenience-store affiliated businesses / M&A	Aggressively develop peripheral businesses as a social and lifestyle infrastructure provider	
	Online shopping, food production, T Card, meal deliveries to the elderly, and other businesses	

Medium-term growth

Fiscal 2014 Initiatives Based on Our Medium-Term Management Plan

Rallying to the call of "FamilyMart—Succeeding by Taking on Challenges," we will adopt a host of aggressive measures both in Japan and overseas during fiscal 2014.

Domestic Convenience-Store Business

Accelerating our store opening strategy:

FamilyMart will pursue an aggressive store opening strategy with the aim of opening a record-high 1,600 stores. >>> P29

We will also continue our efforts to expand our network of integrated stores that combine convenience stores with other retail formats while maintaining collaborative ties with railway operators. >>> P28

Increasing the number of customers and strengthening earning power:

FamilyMart will remain sensitive to the finely tuned needs of the market to bolster its product lineups and number of items. >>> P32

We will deepen communication with customers and work to make each FamilyMart store an increasingly familiar and comfortable place to shop. >>> P35

Overseas Convenience-Store Businesses

Accelerating earnings growth:

FamilyMart will strengthen its earning power by employing a detailed and well-thought-out strategy that takes into consideration local conditions. >>> P36

We will focus on our organizational structure and personnel as we commence steps to build a platform that will support our overseas businesses. >>> P39

New Businesses

Boldly entering new markets:

FamilyMart is creating new businesses while harnessing the unique features of its stores. >>> P42

Domestic Convenience-Store Business: Store Opening Strategy in Japan

Continuing to Aggressively Open Stores while Maintaining a Careful Eye on Profitability

959 ▸▸▸ 1,355 stores*

In line with the goal of aggressively opening new stores in fiscal 2013, FamilyMart focused its efforts not only on opening stores in the three major and very densely populated metropolitan areas but also on opening stores in leading provincial cities. At the same time, the Company pursued store openings under a variety of retail formats. As a result of these efforts, FamilyMart opened a record-high 1,355 stores in Japan in fiscal 2013. The Company aims to continue its aggressive store opening efforts in fiscal 2014.

* Including area franchisers in Japan

Targeting a Record-High 1,600 Store Openings in Fiscal 2014

Expecting ongoing demographic and social changes to continue to stimulate consumer spending in Japan, FamilyMart will remain focused on aggressively opening new stores in fiscal 2014. However, our goal is not to simply increase the number of stores. Instead, we will endeavor to achieve market dominance while maintaining a careful eye on profitability. Moreover, with the advance of a variety of retail formats, FamilyMart aims to open a record-high 1,600 stores* in fiscal 2014, exceeding the number of stores it opened in fiscal 2013.

* Including area franchisers in Japan

Achieving Differentiation by Offering a Variety of Retail Formats

FamilyMart is focused on opening stores in new locations and in new formats. These initiatives cover not only off-street locations within existing facilities, including railway stations, hospitals, expressway parking and service areas, and office buildings, but also opening integrated stores built through cooperation with other businesses. We believe applying our strengths to opening stores in new formats is an important part of a strategy that aims at differentiating FamilyMart from its competitors.

FamilyMart maintains an overwhelming share of partnerships with railway operators, and in fiscal 2013 the Company took steps to convert Kintetsu Corporation in-station stores into FamilyMart stores. By the end of February 2014, FamilyMart had developed 402 stores in cooperation with 13 railway operators, including a new tie-up with Yokohama Municipal Subway. We intend to explore additional tie-ups, providing to our partners the know-how accumulated through the many cooperative ventures we have been involved in to date, including our expertise in product lineups for in-station stores and the operation of stores in relatively small spaces.

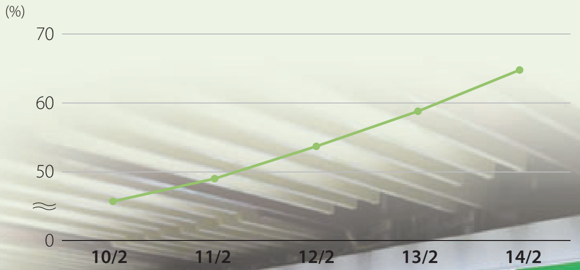
Agreements with 13 railway operators (As of February 28, 2014)

Seibu Railway Co., Ltd.	59
Tobu Railway Co., Ltd.	22
The Keisei Electric Railway Co., Ltd.	22
JR Kyushu Railway Company	134
The Sagami Railway Co., Ltd.	11
Nagoya Railroad Co., Ltd.	15
Toei Subway	5
Kintetsu Corporation	72
Metropolitan Intercity Railway Company (Tsukuba Express)	9
Tokyo Tama Intercity Monorail Co., Ltd.	6
Kobe Municipal Subway	16
Osaka Municipal Subway	29
Yokohama Municipal Subway	2
Total 13	**402**

Providing Multiple-Store Operational Support

In fiscal 2001, FamilyMart became the first convenience-store operator in Japan to introduce a system under which franchisers who operate more than one store are given a fixed percentage of the gross margin of those stores (the 1FC multiple-store promotion system). This system was designed not only as an incentive to encourage franchise operators but also as a means to improve operational support. Multiple-store management fosters the expansion of local market share, as neighboring stores are under joint management, and it has the advantage of dispersing management risk and improving efficiency for the franchise owner. Therefore, as we accelerate new store openings, we will continue to create systems for attracting ambitious store managers and offer a wide range of support systems. As of the end of February 2014, approximately 65% of FamilyMart stores were under multiple-store management arrangements.

Increase in proportion of stores under multiple-store management



To Aggressively Open Stores in Fiscal 2014—“Succeeding by Taking on Challenges”

Since fiscal 2012, FamilyMart has followed a policy aimed at continuous, aggressive store expansion, and as a result the Company increased its domestic network to more than 10,000 stores in October 2013. Under the key phrase, “Succeeding by Taking on Challenges,” we plan to continue to open new stores at a record pace in fiscal 2014.

As it continues to promote the aggressive opening of stores, FamilyMart will remain focused on ensuring profitability at newly opened stores and is therefore taking measures to improve the probability of success of aggressive store openings.

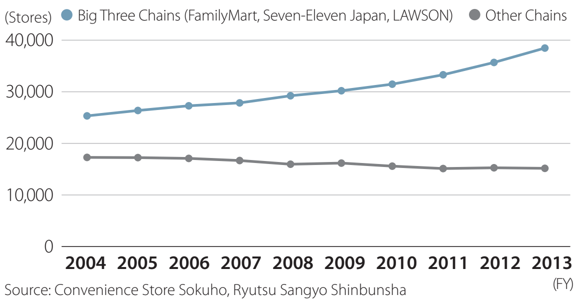
Focusing on Aggressive Store Expansion

Increasing Competition in the Opening of Stores

There were more than 50,000 convenience stores in Japan as of the middle of fiscal 2012, and that number has been steadily rising ever since. As competition to open stores in the remaining locations with the best prospects heats up, the share in the number of stores for the leading three chains, which maintain strong investment capacity for new store openings, is expanding, from 59% in fiscal 2004 to 72% in fiscal 2013.

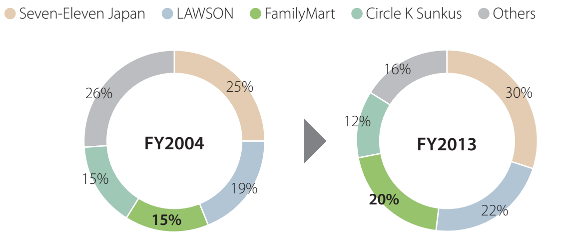
Amid such an environment, FamilyMart has led the way in opening new stores, with 959 new stores opened in fiscal 2012 and 1,355 in fiscal 2013. And we plan to open an additional 1,600 new stores in fiscal 2014. With the robust purchasing power of the second baby boomer generation in the 40-to-45 age bracket, expected to take hold in 2015, we expect the convenience-store business in Japan to remain a key area of growth as consumer demand remains strong ahead of the 2020 Tokyo Olympic and Paralympic Games. We believe aggressive store expansion will contribute to strong growth amid such a market environment.

Change in the number of stores for big three chains and other chains



Source: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha

Share in Japan by the number of stores



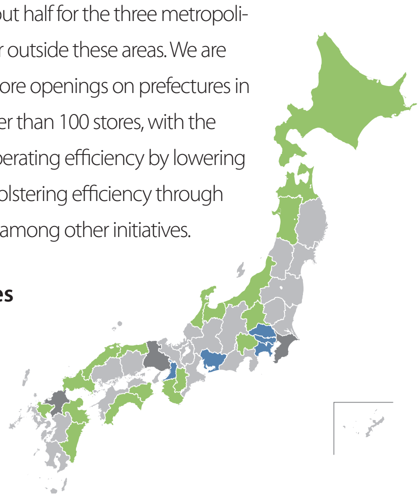
Leveraging Our 10,000-Store Network as Infrastructure

FamilyMart succeeded in creating a 10,000-store network in October 2013. However, in an environment in which convenience stores are fulfilling an ever-expanding range of functions, it is vital when further expanding the Company’s network of stores to provide the same level and quality of functions at each store. Moreover, we believe the store network acts not just as a supplier of services and products, but it holds the potential to act as infrastructure for cooperative ventures with online shops and other businesses.

Targeted areas for store openings include not only Japan’s three major metropolitan areas, which have particularly large market volumes, but also leading provincial cities and areas in which there are no convenience stores at present. In the past, FamilyMart has had about 60% of its stores located in the three major metropolitan areas, but the balance of store openings from fiscal 2013 has shifted, and that ratio is now about half for the three metropolitan areas and half for outside these areas. We are currently focusing store openings on prefectures in which there are fewer than 100 stores, with the aim of improving operating efficiency by lowering logistics costs and bolstering efficiency through market dominance, among other initiatives.

Number of stores by prefecture

–100 stores
101–300 stores
301–500 stores
501 stores–



Domestic Convenience-Store Business: Store Opening Strategy in Japan

Creating a Framework That Allows Aggressive Store Openings

Moving toward a More Robust Development System

The building of an even stronger development system allowed FamilyMart to open a record-high 1,355 stores in fiscal 2013. On an organizational basis, in fiscal 2013 the Company shifted to a development division system. Regional development supervision departments were established under this system, and the delegation of authority to on-site managers allowed for quicker decisions about store openings. While increasing the number of development division personnel, the Company also focused on ensuring the productivity of these employees and, as a result, was able to improve the store to personnel ratio from 3.7 stores per person to 5.1 stores per person for newly opened stores.

FamilyMart also created a system that strengthens its cooperation with real estate and construction companies nationwide, providing listing information related to store development to a wide range of people. The rapid advance of the Company's efforts to strengthen the store development system has resulted in an expanded store network offering a balance of speed and quality.

Setting Strict Standards for Store Openings

With the goal of opening new stores that can generate steady earnings, FamilyMart established a set of criteria to be met prior to opening a new store.

More specifically, the Company's standards include projected daily sales of at least ¥450,000, rent to be in line with daily sales, and a recovery on investment within three years of the store opening. In addition to carefully determining whether or not the proposed store meets these criteria, we are striving to ensure the profitability of new stores by either postponing store openings on properties that do not meet these standards or reevaluating the format for the proposed store.

Moreover, newly opened stores are expected to show an expansion in daily sales for the first three to four years after opening. With the goal of ensuring profitability going forward, we conduct regular monitoring to determine whether or not daily sales are trending in line with our expectations after a new store opens.

Promoting the Rapid Stabilization of Earnings

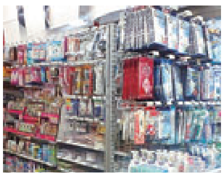
Upgrading Store Layouts and Facilities

In line with expanding the function and role played by our stores, FamilyMart is working to improve and evolve the basic layout of its stores. In addition to increasing the standard sales area for a new store from 120 square meters to 150 square meters, our efforts in fiscal 2014 include expanding the display space in stores to accommodate wider lineups of items, adding gondola shelves, and introducing horizontal refrigerated display cases.

We are also expanding the number of stores that offer our customers an area in which to eat or drink purchased FamilyMart products, such as counter coffee, desserts, or boxed lunches. Of the 1,600 stores we plan to open in fiscal 2014, about 70% will offer these eat-in facilities, and we will thereby strive to differentiate FamilyMart stores from other convenience stores by providing spaces for customers to either enjoy a meal or just take a break.

Horizontal refrigerated display case

allowing a broader selection of ice cream and frozen food products



Added gondola shelves

allowing an expanded lineup of standard products

Eat-in facility

a site in which customer can enjoy recently purchased food products

Two-temperature fixtures

offering chilled boxed lunches and heated boxed lunches in the same location

New model hot food display case

allowing an expanded lineup of hot foods

Lowering Costs when Opening Stores

Costs associated with the opening of a new store are mostly those tied to store facilities as well as human resource and organizational expenses. With the aim of furthering its policy of aggressive store expansion, FamilyMart has developed various strategies aimed at reducing these costs.

Costs tied to store facilities include expenses associated with the store's construction, the installation of fixtures, and the introduction of operating systems. Through the use of lightweight supports and standardized materials, FamilyMart has been able to set up low-cost stores with substantially lower construction times and costs. Even as FamilyMart aggressively opens new stores, the Company is putting in place a rapid construction system and making adjustments to annual transaction volumes. In order to avoid concentrating too many store openings in the same time period, we have been able to lower costs effectively by leveling the number of store openings we undertake each month.

Human resource and organizational expenses include those associated with personnel costs for employees involved in the development of stores at the Company's headquarters, the recruitment of franchisees, and promotional expenses made when the new store is opened. Reducing the time and effort required in making decisions regarding new store openings is also a key focus in cost reduction initiatives.

"Succeeding by Taking on Challenges" in a Competitive Environment

The convenience-store market in Japan is presently valued at close to ¥10 trillion and is expected to expand to about ¥12 trillion between 2018 and 2020. At the same time, the number of convenience stores is expected to rise from the current level, which stands well over 50,000 stores, to about 60,000 stores. Against this backdrop, as the overall market expands by more than 20%, competition among the major convenience-store chains opening new stores appears likely to further intensify. FamilyMart plans capital investment of about ¥120 billion on a non-consolidated basis in fiscal 2014, mainly for new store openings. While maintaining a firm eye on profitability, we intend to stay on the offensive in our commitment to aggressively opening new stores.

Area Franchisers in Japan

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
Okinawa FamilyMart Co., Ltd.

Okinawa FamilyMart was established in 1987 as a joint venture with department store and supermarket operator RYUBO CO., LTD. The company operated 232 stores as of the end of February 2014, giving it the largest presence among convenience-store operators in Okinawa Prefecture. The company launched delivery service operations for the elderly in fiscal 2013.

Hokkaido
Hokkaido FamilyMart Co., Ltd.

Hokkaido FamilyMart was formed as a joint-venture company with Hokkaido's largest foodstuffs wholesaler, Seico Fresh Foods Co., Ltd. The company operated 68 stores as of the end of February 2014, mainly in the greater Sapporo area. The company has been active in opening stores in off-street locations since fiscal 2013.

Kagoshima and Miyazaki
Minami Kyushu FamilyMart Co., Ltd.

Minami Kyushu FamilyMart celebrated the 20th anniversary of its founding in April 2013. The company was initially set up as a joint venture with liquor wholesaler Homboshoten Co., Ltd. In addition to operating 333 stores as of the end of February 2014, the company also sells its products through a fleet of mobile sales vehicles.

Kyushu
JR KYUSHU RETAIL, INC.

JR KYUSHU RETAIL, which operates convenience-store chains, kiosks, and UNIQLO outlets in Kyushu, operated 134 FamilyMart stores as of the end of February 2014 under a joint-area franchise agreement with FamilyMart. The company is steadily expanding its store network to include in-station locations and city-center stores.

Domestic Convenience-Store Business: Product Strategy

Capturing New Customers from Other Retail Formats through Outstanding Products and Attractive Stores

Strengthening Product Appeal:
Attract Customers to Stores through Competitive Products

Ready-to-Eat Items:

Strengthening Appealing Product Lineups

We will continue to attract growing numbers of customers to our stores by strengthening the lineups of ready-to-eat items that are in growing demand.

"FAMIMA PREMIUM" series
Based on the concept of "your nearest specialist store," the "FAMIMA PREMIUM" series strives to go that one step further as a menu that offers the ultimate in materials, preparation, and presentation. By providing value that exceeds the price of each item, this series is gaining widespread appeal.

Fundamental value of products
FamilyMart is committed to increasing the fundamental value of its products by continually reevaluating materials and preparation methods.

Support for the working woman
The percentage of working women continues to increase each year, with women in the workforce in their 30s reaching about 70%. FamilyMart is expanding its lineups of nutritional products that support working women to maintain a healthy diet amid the distractions of each busy day as well as easy-to-prepare products that reduce the time required for preparation.

Counter Strategy:

Capturing New Customers from Restaurants and Specialty Stores

FamilyMart is strengthening its lineups of counter items (fast food) in order to capture new customers from restaurants and specialty stores.

Counter coffee (FAMIMA CAFÉ)
Espresso-type coffee machines that also provide a latte menu are installed at virtually every FamilyMart store in Japan in fiscal 2013. We are continuing to focus on expanding sales through such initiatives as the launch of a new Café Frappe menu in June 2014.

Fried food
To complement such popular items as "FAMIMA PREMIUM CHICKEN" and "fami pote," we will look to expand our lineups of side dishes and delicatessen items as welcome additions to the dining table.

2,800 ▸▸▸ 3,700 items

FamilyMart is not only developing attractive products but also expanding the number of products available in its stores. In fiscal 2013, we substantially increased the number of standard items at each store from 2,800 to 3,700. During fiscal 2014, we intend to further raise this number to 3,800 items.

"FamilyMart Collection":

Further Expanding Product Lineups

In October 2012, we introduced the "FamilyMart collection" private brand and, since then, have continued to expand the number of products while increasing the value of each product. From 330 items as of the end of fiscal 2012, this private brand has increased to 520 items as of the end of fiscal 2013. While adopting a selective approach, we will continue to release new products throughout fiscal 2014, with the aim of boosting the number of items to 650.

Strengthening Product Lineups: Meet Diverse Needs

Analyzing Needs in Response to a Widening Range of Customers

FamilyMart is conducting a detailed analysis of customer needs, looking closely at each age demographic and gender as a part of efforts to secure a wider range of customers. Looking ahead, we will ensure that this information is reflected in the development of original items and used appropriately to improve the quality of our products.

Incorporating "Management by the Number of Features"

FamilyMart incorporated a "management by the number of features" method into its product development strategy in fiscal 2013. Under this method, we classify each product in terms of its "features," with an eye toward maintaining the number of product features above a certain level to enhance the convenience of our stores. The number of features at a standard FamilyMart store was 600 in fiscal 2013, and we plan to increase this number to 800 in fiscal 2014.

Expanding Display Space

FamilyMart is progressively expanding display space in its stores by introducing new sales fixtures, such as horizontal refrigerated cases in response to growing demand for frozen food items and ice creams, and by adding shelves to island gondolas. Also, as one component of our endeavors to strengthen the competitiveness of individual stores, we will implement large-scale sales area reforms. These efforts will entail investing a record high ¥15 billion in existing stores during fiscal 2014.

Increasing Efficiency and Optimizing Operations in line with Efforts to Expand the Number of Stores

FamilyMart established the Ready-to-Eat Products Structural Reform and Logistics Structural Reform committees in March 2014 and is working to reduce costs and to optimize manufacturing and logistics operations. FamilyMart will redevelop its production bases while increasing efficiencies and streamlining logistics by leveraging its dominant market position. Also, we will put in place a structure that is more than capable of accommodating an expansion in product lineups to raise the gross profit ratio.

Domestic Convenience-Store Business: Customer Relationship Management (CRM) Strategy

Attracting More Customers through the Introduction of a New Famima T Card

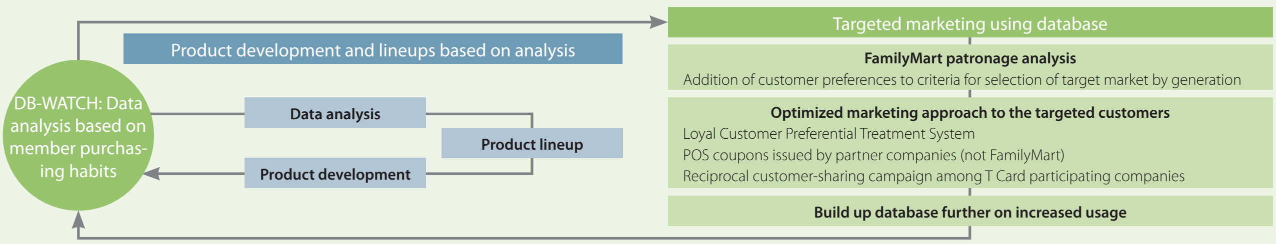
1.79 ▸▸▸ 5.40 million

Over the five-year period from fiscal 2008 to fiscal 2013, Famima T Card membership has seen a more than threefold increase. The information gathered through T Card use is effectively utilized in a variety of initiatives, including the development of products as well as sales promotions. The usage rate by card members stood at about 30% in fiscal 2013. In fiscal 2014, we will work actively to lift the number of card members to over 10 million while increasing usage rates.

Promoting the Strategic Use of Card Data

Through customers' use of the Famima T Card, we are able to collect and record a variety of data, including member information and purchasing habits. In addition, we can comprehensively analyze such wide-ranging information as the number of products purchased as well as the time of day products were purchased using DB-WATCH, our database for cardholder purchases. This information and analysis is then fed into the ongoing development of products and product lineups.

In specific terms, we apply this proprietary data and system to the issuance of receipt coupons that reflect individual tastes based on members' purchasing habits. Moreover, we are working to attract customers and initiate sales promotions by printing FamilyMart product coupons on the receipts of alliance partners from other retail formats.



Introducing a New Famima T Card

In July 2014, we introduced a new Famima T Card in an effort to better harness the T Card's features and accelerate the pace of efforts aimed at increasing the number of members as well as conducting sales promotions.

Renewing Membership Systems and Card Issuance Methods

For members over the age of 18, we have to date included a credit card component when issuing T Cards. Following a review of membership rules and regulations, customers can now choose to become non-credit card members. Furthermore, we have bolstered customer convenience by ensuring the immediate issuance of non-credit cards. By changing our membership systems, we are anticipating substantial increases in the numbers of members as well as store visitors.

Introducing a Ranking System

"Famirank" is a system that aligns the rate applied to shopping points for each particular month to the amount of use during the previous month. Under this system, benefits accrue according to the three gold, silver, and bronze categories; for example, the shopping points of gold category users whose purchases exceed ¥15,000 for the month are multiplied by a factor of three. This new system is expected to stimulate greater card usage and promote increased store visits.

(Shopping points are calculated based on the rate of ¥200 equals one point.)

FamilyMart is a participating member of the T-POINT Loyalty Program, Japan's largest shared loyalty program, operated by Culture Convenience Club Co., Ltd. When customers present their T Cards at the time of payment, they receive T-points based on how much they spent. The accumulated points can then be used at the stores of participating companies. As of February 28, 2014, the program covered 110 companies and 68,734 stores, with a membership of 48.11 million.

Domestic Convenience-Store Business: Store Operations

Ensuring a Shopping Experience Characterized by "Convenience, Friendliness and Fun" by Displaying Hospitality in Everything We Do

815 ››› 932 customers

Amid a convenience-store sector that is experiencing growth in the number of stores, FamilyMart is promoting the creation of stores that will ensure that it becomes the preferred choice of customers. Reflecting its efforts to enhance its presence as a social and lifestyle infrastructure provider, FamilyMart has increased the average number of customers visiting its stores per day from 815 in fiscal 2003 to 932 in fiscal 2013.

Promoting Quality Customer Service That Values Our Relationship with Each and Every Customer

To become an indispensable part of the lives of our customers, franchisees and FamilyMart's Head Office work in unison to promote high levels of service, quality, and cleanliness (SQ&C) in store operations.

In fiscal 2013, energies were directed toward promoting quality customer service. As part of our education and training endeavors in this area, we held workshops mainly for the benefit of store managers. By sharing examples of successful customer service measures, we have seen an improvement in the service provided by store staff. In turn, this improvement has led to an increase in occasions where customers show their appreciation and pass on compliments. We will continue to promote quality customer service initiatives in fiscal 2014.

The basics of store operation (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

Enhancing the Organization and Systems to Reinforce Growth Potential of Each Store

FamilyMart has reorganized the structure of its Head Office into three regional blocks: East Japan, Central Japan, and West Japan. This reorganization is aimed at strengthening our ability to comprehensively implement measures, including those targeting quality customer service, and to increase the speed at which measures are implemented at the frontline. Through this reorganization, we will provide systems that deliver more detailed assistance to each regional block while forging deeper relationships of trust with franchisees.

Amid the expansion of product lineups, we will analyze the needs and sales performance of individual stores. At the same time, we will utilize our "recommended supplementary order system," which automatically calculates the optimal number of items and units to order based on individual store needs and such factors as the weather, events, and other conditions, to improve the precision of orders, increase operating efficiency, and reinvigorate stores.

Over a three-year period from fiscal 2014, we will invest more than ¥30 billion in advanced store systems that will bolster operations and reinforce our wide menu of services. During the current fiscal year, FamilyMart will renew its Famiport Multimedia Terminals with a view to enhancing functions. Every effort will be made to provide customers with increasingly convenient services.

Improving the Motivation and Skills of Store Staff


At the excellent staff symposium

FamilyMart has put in place systems that allow staff to undertake store operations with high degrees of motivation and skill. Our proprietary Store Staff Total (SST) personnel training system is designed to encourage staff to take the initiative and to instill a strong sense of responsibility. Staff receive training at each level of their career, from primary through intermediary to advanced, so that skills can be continuously honed. At the same time, this training helps promote employees' personal growth.

Outstanding staff are recognized through the Company's store staff excellence awards. Also, we publicize success stories and heart-warming episodes of individual stores to staff all over Japan. Award recipients from around the country were brought together in fiscal 2013. Drawing on their daily experiences, recipients participated in a new product development initiative. By fostering a corporate culture that allows store staff to carry out their duties with pride, we are raising store operating and management levels throughout the chain.

Overseas Convenience-Store Businesses

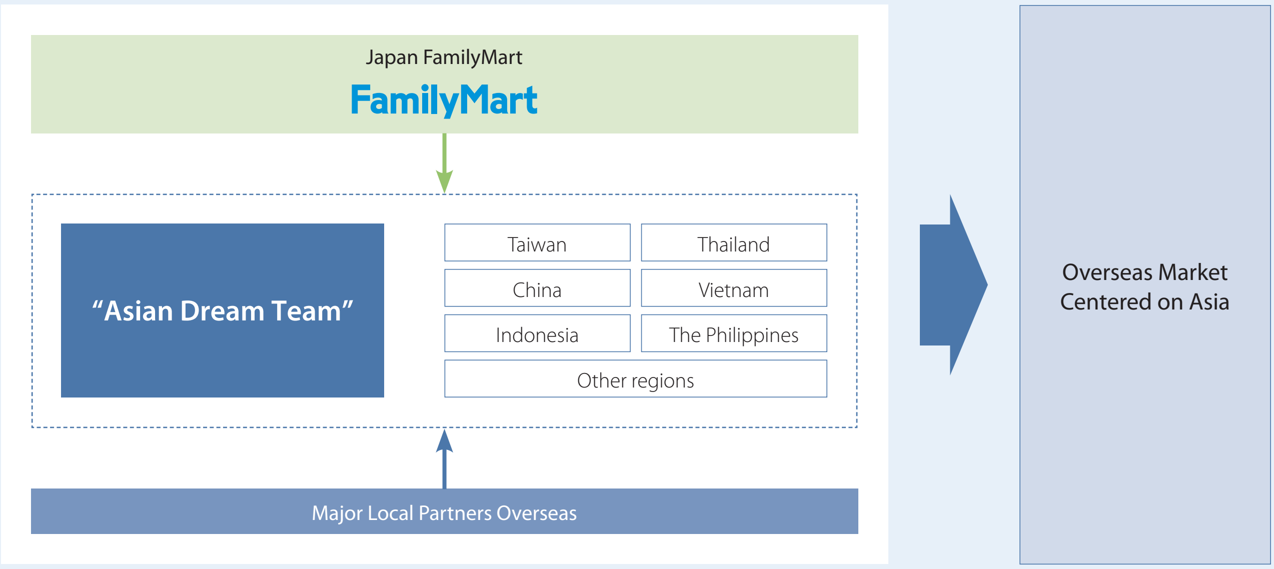
Medium-Term Management Plan

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

Initiatives Based on Our Medium-Term Management Plan

Accelerating earnings growth	FamilyMart will strengthen its earning power by employing a detailed and well-thought-out strategy that takes into consideration local conditions. We will focus on our organizational structure and personnel as we commence steps to build a platform that will support our overseas businesses.

FamilyMart's Overseas Strategy



STRATEGY FOCUS

To Be the True World No. 1 Convenience-Store Chain

Fiscal 2013 was a watershed for FamilyMart in its overseas businesses. In addition to reviewing the regions where we currently operate, we laid the foundations for achieving our goals of accelerating earnings and penetrating new regions. In this special feature, we introduce operations centered on China to showcase efforts to make great strides in our major area of strength—overseas businesses.

Translating Economic Growth in Asia into Opportunities for Expansion

FamilyMart possesses strengthens that have enabled it to expand into promising regions using the unique know-how it has cultivated as a Japanese convenience-store chain. And for that reason, FamilyMart has led the pack in aggressively expanding its operations overseas.

As key areas of expansion for FamilyMart, emerging countries in Asia are expected to enjoy future economic growth and show significant potential as growth markets, particularly with respect to retailing. To translate growth in these areas into an opportunity for FamilyMart to advance rapidly, we must focus on not only realizing future expansion but also improving profitability. To expand overseas businesses from this perspective, our first task in fiscal 2013 was to improve earnings in our Chinese operations.

Overview of our markets (2012–2013)

	Population*1 (millions)	Number of people per convenience store*2	Area of country*1 (km^2)	Nominal GDP per capita*1 (US$)	GDP growth rate*1 (%)	Average age*3
Japan	127.27	approx. 2,300	377,960	46,736	1.4	46.1
Taiwan	23.22	approx. 2,300	36,192	20,930	2.1	39.2
Thailand	64.08	approx. 6,000	513,115	5,674	2.9	36.2
China	1,354.04	—	9,600,000	6,076	7.7	36.7
United States	3.81 (L.A.)	—	1,291 (L.A.)	49,922	2.8	37.6
Vietnam	88.77	—	331,689	1,528	5.4	29.2
Indonesia	237.64	—	1,910,931	3,510	5.8	29.2
The Philippines	95.86	—	300,000	2,790	7.2	23.5

*1. Based on JETRO reports for individual countries and regions (2013)
*2. FamilyMart estimates
*3. CIA World Factbook (2013)
Note: Population and area data for Japan are from the Statistics Bureau, Ministry of Internal Affairs and Communications (FY2013)

Overseas Convenience-Store Businesses

Aiming to Become the No. 1 Convenience-Store Chain in China

With a population of more than 1.3 billion, China is expected to grow into an extremely large convenience-store market. By steadily expanding operations since the opening of its first store in Shanghai in 2004, FamilyMart has solidified its operating base in China. Yet, in order to take the next step toward building solid management operations in that country, we have begun to implement initiatives to fundamentally improve earnings. As a part of these efforts, we launched a project team in Shanghai and dispatched personnel from Japan to evaluate store operations with the aim of restructuring sales sites and improving management capabilities. By introducing Japanese know-how into our stores in China to develop more appealing product lineups and campaigns to attract customers, we are working to increase average daily sales.

Restructuring Business Operations in China

Focusing on the Profitability of Individual Stores

We have strengthened our management foundation to achieve early profitability of businesses in China and expand their scope by accelerating store openings. We have closed stores that were unlikely to see improvements in profitability, mainly due to low average daily sales and surging rents. At the same time, we have made profit targets for new store openings more stringent than ever before.

In addition, we have undertaken store improvements that focus on profitability. These efforts include working to make ready-to-eat meals more acceptable to Chinese customers by developing products that conform to local eating habits and introducing eat-in facilities that allow customers to enjoy their purchases in the stores. As a result, earnings at individual stores have increased steadily. Furthermore, sales of ready-to-eat products remain brisk thanks to these strategies, leading to improvements in the gross profit ratio.

Promoting the Franchise Business

When first entering a new region where the chain brand is largely unknown, priorities are generally placed on building a business model suited to the local area and upgrading infrastructure. After that, new store openings are stepped up as operations shift toward expansion. We promoted a shift toward franchise stores after having built a 1,000-store network in China. While the history of franchise businesses in China is still short, China Operation Company has successfully implemented store-opening strategies based on its familiarity with local laws and regulations and increased the ratio of franchise stores from about 30% in fiscal 2012 to more than 60% in fiscal 2013. The franchise approach serves to motivate store owners, as they manage store operations themselves, which in turn leads to higher individual store sales.

Aiming to Be the World's No. 1 Convenience-Store Chain

The success of these initiatives has significantly improved our performance. Consequently, FamilyMart convenience-store operations in Shanghai turned a profit in fiscal 2013. Building on this momentum, we aim to bring the entire Chinese business into the black in fiscal 2014. In addition, with China continuing to show major growth potential nationwide, we opened new stores in Wuxi and plan to aggressively open more stores while expanding the areas in which we operate.

Looking ahead, we will bring forward the earnings targets of existing areas by promoting examples of successful business operations horizontally across other areas.

In addition, we will follow the Shanghai project team approach as we look to enter into new areas. We will place equal emphasis on expanding our store network and improving profitability as a part of efforts to achieve our medium-to-long-term objective of becoming the world's No. 1 convenience-store chain.

Aiming to Be the True World No. 1 Convenience-Store Chain

FamilyMart expanded its overseas operations to seven countries and regions upon the opening of its first store in the Philippines in April 2013. In Thailand, we built a 1,000-store network on the heels of China by aggressively opening stores, which included converting to the FamilyMart format 74 Tops Daily small-scale supermarkets acquired from our local partner, Central Retail Corporation Limited.

In the 20-plus years since commencing operations in Taiwan in 1988, we have accumulated the management resources necessary to be successful overseas while building relationships of trust with our partners that have enabled us to secure a competitive advantage that other chains have been unable to match in a short period of time. In addition to individual initiatives at each base, we are taking various global measures to solidify this competitive advantage.

Expanding Private Brands Globally

We have begun the global expansion of our domestic private brand "FamilyMart collection." Having newly established organizations in each region to oversee and develop the "FamilyMart collection" brand, we will not only share expertise on product development, but we will also work to differentiate this brand from those of other convenience-store chains. In particular, we expect to gain support from customers in Asian countries—where food safety has been attracting attention—by providing them with products that meet Japan's high standards of food quality and safety.

Beyond promoting sales increases by exporting items from Japan, we will also develop and manufacture products locally using region-specific ingredients and then sell them under a unified global brand. Through both of these initiatives, we will increase the presence of and sense of affinity for FamilyMart brands worldwide.

"FamilyMart collection" brand products displayed at a FamilyMart store in Taiwan

Taking Initiatives to Develop Global Personnel

In March 2014, we established the FamilyMart Academy in Bangkok, Thailand, to serve as a training facility with the aim of developing personnel capable of implementing future global expansion. By providing hands-on training, mainly in product development, store openings, and logistics, that conforms to region-specific business conditions and practices, the FamilyMart Academy trains overseas company management candidates as well as "on-site specialists" highly knowledgeable in areas targeted for expansion. We aim to develop personnel who have acquired experience in working with employees from other countries in overseas business environments.

Expanding with the "Asian Dream Team"

When selecting partners for our overseas expansion, we place emphasis on businesses capable of creating mutual relationships of trust. While it goes without saying that trust is necessary to smoothly operate businesses in locations with different laws and customs, we believe that working with partners that share FamilyMart's business strategies and philosophy will enable us to become the world No. 1 convenience-store chain.

Based on this line of thought, we have been holding the FamilyMart Summit—at which senior management from around the world convene—annually since 2003. As well as deciding fundamental policies regarding overseas strategy, members of senior management share experiences from their operating regions and exchange opinions to create a feeling of unity within the chain as a whole. The summit provides opportunities to deepen interregional exchanges and establish important initiatives for promoting overseas expansion.

Overseas Network

FamilyMart works closely with local partners in promoting its business overseas. In developing close-knit, collaborative ties, we not only provide management resources but also leverage the information and networks of partners. This cooperation enables FamilyMart to develop a unique business model that best fits local market conditions. In addition, particular emphasis is placed on establishing a common awareness of the Company's business strategies and basic principles, thereby ensuring a robust partnership in a bid to nurture a sustainable convenience-store business.

Our efforts to operate stores in countries throughout the world are guided by the universal slogan "Welcome to the Family." Whatever the location and across the four corners of the globe, this slogan encapsulates our wish to greet each and every customer as a member of the family.

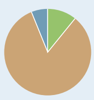
Vietnam

1st store opened	2009
Number of stores	40

Exhibiting remarkable economic growth and a median age that is relatively young compared with other countries, Vietnam is a market that offers outstanding potential. We are endeavoring to build a network of stores that is deeply rooted in the local community, thereby generating growing awareness of the FamilyMart brand.

China

1st store opened	2004
Number of stores	1,154
Franchise stores	63%
Sales by product category	

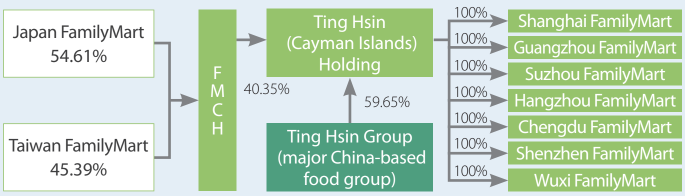


Shanghai	1st store opened	2004
	Number of stores	818
Guangzhou	1st store opened	2006
	Number of stores	148
Suzhou	1st store opened	2007
	Number of stores	103
Hangzhou	1st store opened	2011
	Number of stores	44
Chengdu	1st store opened	2012
	Number of stores	27
Shenzhen	1st store opened	2013
	Number of stores	9
Wuxi	1st store opened	2014
	Number of stores	5

Working toward Early Profitability through Ongoing Management Reforms

We are developing operations in China in partnership with Ting Hsin Group, a major Chinese foods industry group, and our area franchiser Taiwan FamilyMart Co., Ltd. During the fiscal year under review, stores were newly opened in Shenzhen and Wuxi, in June 2013 and February 2014, respectively.

Business structure in China



FMCH: FamilyMart China Holding
Japan FamilyMart's stake: 30.70%

Thanks largely to management reforms conducted in fiscal 2013, we were successful in putting in place a platform that is capable of swiftly generating profits. In fiscal 2014, we will continue to focus on lifting the profitability of each store while developing products and engaging in store management that appeals to customers.

Taiwan

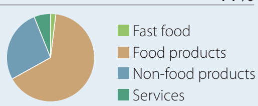
Equity interest	47.44%
1st store opened	1988
Number of stores	2,908
Market share	29% (No. 2 market position)
Franchise stores	90%
Sales by product category	

Creating Pleasant and Attractive Sales Areas

In a bid to differentiate the Company from its competitors, FamilyMart increased the number of stores with eat-in facilities throughout fiscal 2013. We also placed considerable weight on the development of ready-to-eat products, including fast foods, lunch boxes, and rice balls, items which are expected to enjoy growing demand. In addition, we have successfully increased synergies with operations in Japan and bolstered our product lineup through such initiatives as the introduction of the "FamilyMart collection" brand. This in turn has allowed us to boost sales. In fiscal 2014, we will continue to enhance and expand our products and services as part of ongoing efforts to extend our competitive advantage.

Thailand

Equity interest	48.20%
1st store opened	1993
Number of stores	1,096
Market share	10% (No. 3 market position)
Franchise stores	11%
Sales by product category	



Accelerating the Pace of Store Openings in Collaboration with CRC

We are steadily developing operations in partnership with Central Retail Corporation Limited (CRC), Thailand's largest retailer. We converted 74 Tops Daily small-scale retail outlets owned and operated by the CRC Group to the FamilyMart brand in November 2013. This measure helped in building a 1,000-strong store network. From a product perspective, we also strategically introduced ready-to-eat and "FamilyMart collection" products.

In fiscal 2014, we will continue to accelerate the pace of new store openings while working to expand our business. Through leveraging synergy effects with CRC, we will improve our competitive standing by releasing appealing original products.

United States

Equity interest	100.00%
1st store opened	2005
Number of stores	9

Our business is centered on the Famima!! brand, with activities concentrated largely in Los Angeles. We pay particular attention to providing products that incorporate local tastes for health-conscious customers.

The Philippines

Equity interest	37.00%
1st store opened	2013
Number of stores	45

Realizing a Year of Full-Fledged Convenience-Store Chain Development

In the Philippines, we work in partnership with the Ayala Group, one of the country's largest business conglomerates, as well as the Rustan Group, a major retailing force. Since opening our first store in April 2013, we have taken positive steps toward progressively opening further stores.

In fiscal 2014, we will work toward building a 100-strong store network. At the same time, we will focus on lifting our product development capabilities as well as the level of our store service, quality, and cleanliness (SQ&C). We will also put in place a robust logistics platform.

Indonesia

1st store opened	2012
Number of stores	14

Engaging in Finely Tuned Store Management That Reflects Local Eating Habits

In Indonesia, we have teamed up with the Wings Group, a major local manufacturer and wholesaler of consumer goods. By drawing on the expertise and logistics network of the Wings Group, we are working to secure widespread acceptance of the FamilyMart brand.

With Muslims making up approximately 90% of Indonesia's population, it is imperative that store layouts and products remain sensitive to longstanding disciplines and customs. Amid a variety of constraints, we are endeavoring to provide stores and products that customers will quickly accept as a part of their daily lives. Such efforts include a local version of the traditional Japanese dish *yakitori* that incorporates Indonesians' love of satay meat skewers.

As of February 28, 2014: Number of stores as of May 31, 2014

New Businesses

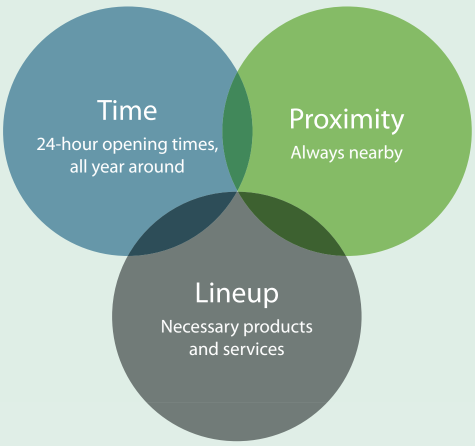
Medium-Term Management Plan

Aggressively develop peripheral businesses as a social and lifestyle infrastructure provider	Online shopping, food production, T Card, meal deliveries to the elderly, and other businesses

Initiatives Based on Our Medium-Term Management Plan

Boldly entering new markets:	FamilyMart is creating new businesses while harnessing the unique features of its stores.

FamilyMart's New Businesses Strategy



Initiatives based on actual stores

Businesses that are similar in nature to the convenience-store business and can contribute to mutual growth and development

Integrated stores with other businesses	Nursing and healthcare services
Internet services	Financial and other services

STRATEGY FOCUS

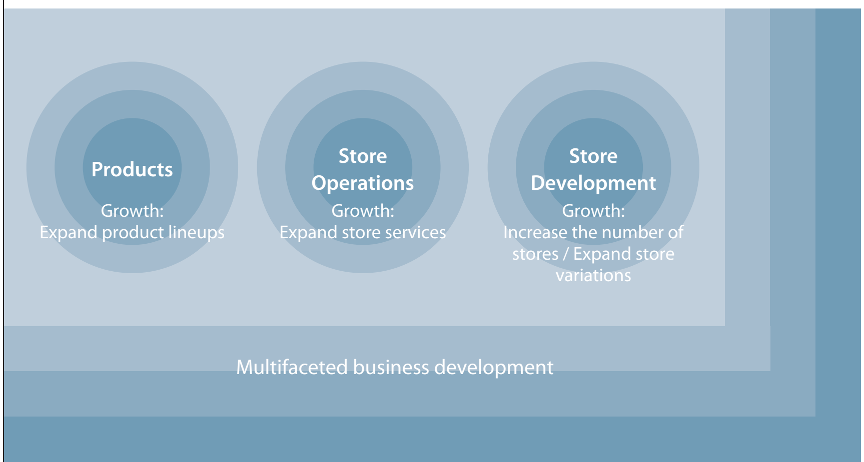
Pursuing FamilyMart's New Initiatives

To fulfill its role as a social and lifestyle infrastructure provider, FamilyMart has continued to progress in a variety of areas, including store network expansion and product line enhancement. To meet ever diversifying consumer needs as the structure of society changes, we are working to evolve further by entering new business fields. Here, we introduce new businesses in which we have a particular interest and that can be expected to support growth in the years ahead.

Pursuing Ceaseless Evolution throughout the Business Model

Beginning as sales-oriented businesses, convenience stores have consistently met consumer needs in tandem with social changes while developing value-added products and broader selections to continuously meet the needs of customers. In addition, convenience stores have continued evolving to be closer to and more convenient for customers by pursuing ceaseless innovations throughout the entire business model, including service and network expansion. By leveraging the defining characteristics of convenience stores—nearby locations that provide diverse offerings of essential products and services around the clock—convenience-store operators have actively sought to incorporate functions that afford customers even greater convenience, and this has been a major factor underpinning growth of the entire convenience-store sector.

Since opening its first store in 1973, FamilyMart has continued to evolve, mainly based on store openings and the steady development of its products and store operations.



Ceaseless evolution by meeting social needs

1987
Begins installing in-store photocopiers

1990
Begins accepting utility bill payments

1996
Begins express delivery services

1999
Begins ATM services

2000
Introduces Famiport Multimedia Terminals

2004
Begins prepaid electronic money transaction services

2007
Begins credit card transaction services

Evolving with the Changing Structure of Society

Structural changes in society—namely, falling birthrates and rising numbers of elderly people, single-person households, and working women—have led to greater diversity in people's lifestyles and changes in consumption patterns. Viewing such social changes as an opportunity to grow, FamilyMart promotes the development of an innovative business model by launching new businesses.

An ATM installed in a store

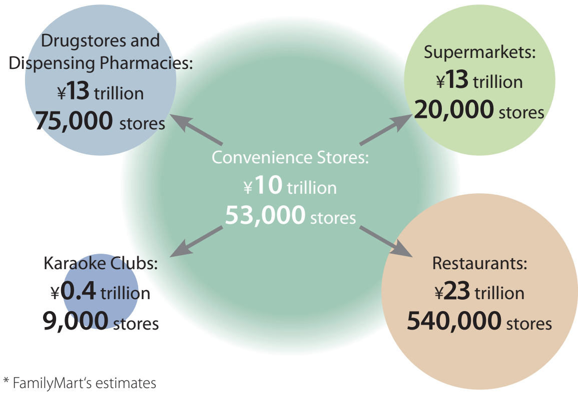
FamiPort Multimedia Terminal

New Businesses

Developing the Convenience-Store Concept through Integrated Stores

One characteristic of FamilyMart's new businesses is the collaboration undertaken with different industries. By seeking franchisees from other retail formats, FamilyMart operates integrated stores that meld the mutual strengths of both partners. Also, we can pursue the type of operations that traditional convenience stores are unable to duplicate by working hand-in-hand with other industries to expand businesses targeting fundamentally different customer segments and thereby effectively differentiate ourselves from other chains. We plan to increase the number of integrated stores to 3,000 over the next five years in tandem with opening off-street stores.

Toward a chain with considerable presence through collaboration with other formats



* FamilyMart's estimates

Collaborating with Drugstores and Dispensing Pharmacies

Collaboration with partner drugstores and dispensing pharmacies is a particular area of focus for FamilyMart. In May 2012, we opened FamilyMart + Kusuri Higuchi in Awajicho, Chiyoda Ward, Tokyo, a store based on a new business format developed in association with Higuchi Sangyo Co., Ltd. As of May 31, 2014, we operated 20 integrated stores, with 13 drugstores and dispensing pharmacies.

FamilyMart + Kusuri Higuchi in Awajicho

Changing Pharmaceutical Markets

In Japan, the number of drugstores and dispensing pharmacies stands at more than 70,000, exceeding that of convenience stores. In particular, the major drugstore chains continue to dominate the market. In addition to traditional activities, including efforts to provide a one-stop shopping format through the sale of low-priced cosmetics as well as daily items, companies that are working to bolster their specialist expertise by offering delivery and pharmaceutical dispensing services are beginning to emerge. This reflects efforts to address changes in demographic and social conditions. Looking ahead, activities aimed at meeting the demands of small retail zones are expected to increase.

Convenience stores have long received requests from customers to carry pharmaceuticals. Although regulations governing the sale of pharmaceuticals have been relaxed in accordance with the revised Pharmaceutical Law, entry into the market has not been easy as the presence of in-store registered sales clerks is mandatory and it has been difficult to secure the necessary personnel.

Pursuing Collaboration That Leverages Mutual Management Resources

FamilyMart has actively trained registered sales clerks in-house while searching for partners in the drugstore industry. Further, FamilyMart is working to integrate its convenient store locations and purchasing, logistics, and store management know-how with the expertise, counseling capabilities, daily goods selections, and healthcare product lines of drugstores. In light of Japan's progressively aging population and rising numbers of single-person households and working women, this integration enables us to respond to people's rising health consciousness while creating new store formats.

Our integrated stores also generate synergies across customer segments, with women forming the main clientele of drugstores and men that of convenience stores. In addition, we are working to raise average daily sales by selling pharmaceuticals, which we had not previously handled, and enhancing daily goods selections. As we further evolve our in-store services, we will seek out opportunities to grow in the years ahead.

Collaborating with Supermarkets

Under the "home kitchen" concept, we opened the FamilyMart x Izumiya Teradacho Higashi integrated store in Osaka, in October 2013, in collaboration with supermarket chain operator Izumiya Co., Ltd.

By integrating the convenience and comprehensive product selections centered on ready-to-eat items found only at convenience stores with product lines that supermarkets excel at, such as fresh and processed foods and oven-fresh delicatessen items, we can mutually provide a level of convenience that would otherwise be impossible separately, thereby achieving the true "one-stop shopping" experience. Thanks to its enhanced product selections, women now account for approximately 60% of FamilyMart x Izumiya Teradacho Higashi clientele, which significantly exceeds the companywide average.

Through our attempts at creating new, never-seen-before store formats, we aim to gain the support of customers of both supermarkets and convenience stores.

FamilyMart x Izumiya Teradacho Higashi

Collaborating with Karaoke Clubs

In collaboration with Daiichikosho Co., Ltd., we opened the FamilyMart + Karaoke DAM Kamata Minami Ekimae integrated store in Ota Ward, Tokyo, in April 2014.

Not only does the new integrated store function as a regular convenience store, it also allows customers to freely enjoy their purchases in one of the available karaoke rooms.

Looking ahead, we will continue to develop FamilyMart integrated stores by effectively using the space of newly opening karaoke rooms as well as existing karaoke rooms while jointly pursuing a variety of store formats tailored to regional characteristics and site conditions.

FamilyMart +
Karaoke DAM Kamata Minami Ekimae

Collaborating with Restaurants

In May 2014, we concluded a comprehensive partnership agreement with Osaka-based Fuji Food System Co., Ltd., a restaurant operator that mainly operates under the Maido Okini Shokodo brand, to operate integrated stores. Both companies will jointly develop new store formats by operating integrated stores that truly bring together the convenience and comprehensive product lineups found only at convenience stores and the expertise of the restaurant industry. Aiming to be a social and lifestyle infrastructure provider that supports customers' daily lives through retail operations, we will leverage the infrastructure and know-how of each industry to offer an even greater level of convenience.

Store concept

Initiating Collaboration with the National Federation of Agricultural Cooperative Associations (ZEN-NOH)

Following an agreement to enter into a comprehensive business alliance with the National Federation of Agricultural Cooperative Associations (ZEN-NOH, Chiyoda Ward, Tokyo), FamilyMart executed a franchise agreement with Nishinihon A.COOP Co., Ltd. in May 2014. Under this new agreement, the first integrated store, FamilyMart + A.COOP Iyo, was opened in Ehime Prefecture.

This new format brings together the unique attributes of each party. ZEN-NOH helps to bolster the product lineup with fresh produce, perishables, and original products. FamilyMart brings to the table its unique brand of convenience. The store offers a wide range of features, including an eat-in area that can also be used as a local meeting place and a corner for producers to sell their products directly to customers. Working together, FamilyMart and ZEN-NOH are engaging in activities that look to address local needs.

FamilyMart + A.COOP Iyo

New Businesses

Boldly Entering and Creating New Markets

With 10,000 outlets in Japan as of October 2013, FamilyMart provides value as a social and lifestyle infrastructure provider through its store network and services. By leveraging the characteristics of stores that closely reflect people's lifestyles, we will evolve our business model while remaining attuned to the needs of society.

Our pursuit of new businesses is based on future viability, compatibility with FamilyMart stores, and fields that are best suited to FamilyMart's management capabilities. In keeping with these conditions, we are working to develop retail outlets with greater meaning for customers by providing "life solution stores" that display the synergies of actual FamilyMart stores. We are boldly entering and creating new markets that extend beyond traditional convenience-store operations into diverse business fields, including nursing and healthcare services that integrate the healthcare and food-related fields to address people's growing health awareness; Internet services that meld FamilyMart stores with online shopping and delivery services; and financial services, a promising new area of expansion.

Entering the Delivery Business with an Eye to Meeting the Needs of Japan's Aging Society

In April 2012, FamilyMart acquired SENIOR LIFE CREATE Co., Ltd., which runs Takuhai Cook 123, a boxed lunch delivery service for the elderly. In December 2012, we launched a delivery service for pre-ordered FamilyMart products as well as boxed lunches in parts of the Takuhai Cook 123 delivery area, thereby making our entry into the delivery business. This business has progressively expanded since initially making deliveries only in one area of Kagoshima City, Kagoshima Prefecture. In May 2013, Takuhai Cook 123 commenced delivery services in Okinawa Prefecture.

Our entry into the delivery business reflects the significant and growing number of elderly customers who find daily shopping time-consuming and cumbersome and prefer nearby stores that offer only necessary product selections. We are working to differentiate FamilyMart's delivery services by creating catalogs featuring select products tailored to the needs of the elderly as well as implementing such unique services as confirming the wellbeing of customers during order and delivery.

Through this collaboration, both companies will work to realize increased profits by effectively leveraging their shared operating resources. SENIOR LIFE CREATE expects to increase business opportunities from an expanded range of products. FamilyMart expects to expand its customer base through delivery channels at SENIOR LIFE CREATE's more than 300 franchises in Japan, thus raising FamilyMart's presence among the elderly, few of whom have to date been regular convenience-store shoppers. In fiscal 2014, we will open outlets in new regions and launch such services as breakfast deliveries.

Delivery service staff

Generating Synergies through Internet Services

In addition to enhancing store functions to evolve our network of more than 10,000 stores into points of access, delivery, and settlement, we are creating an open business concept, primarily by promoting partnerships with major Internet mail-order companies and companies using other retail formats. The Company operates the famima.com shopping site through famima.com Co., Ltd., a subsidiary that oversees its e-commerce operations. In addition to enhancing links with FamilyMart in-store product lineups and campaigns, famima.com online will boost the synergies with our convenience stores by further extending its Internet services to include sales of the private brand "FamilyMart collection" and "FAMIMA PREMIUM CHICKEN" packages going forward.

famima.com (http://www.famima.com/)

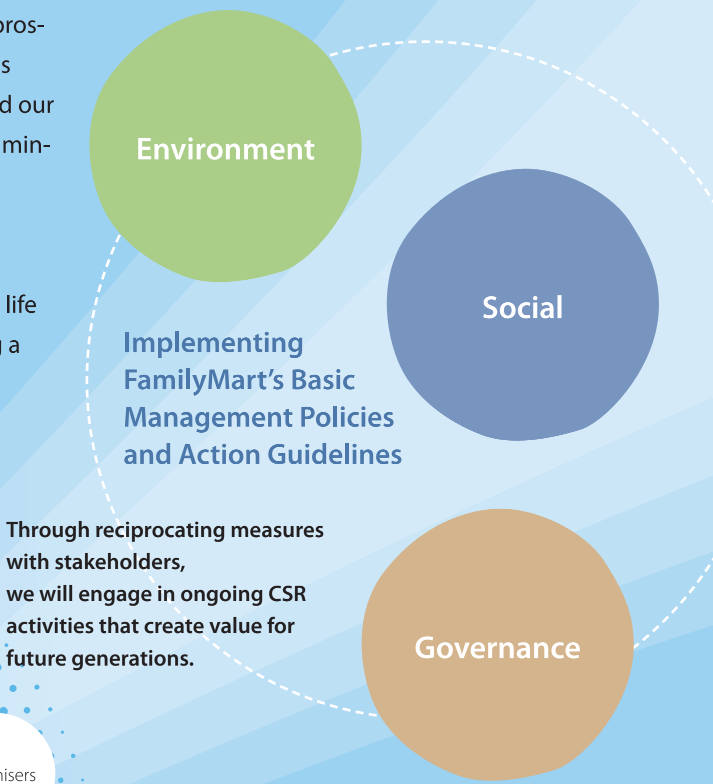
Corporate Social Responsibility

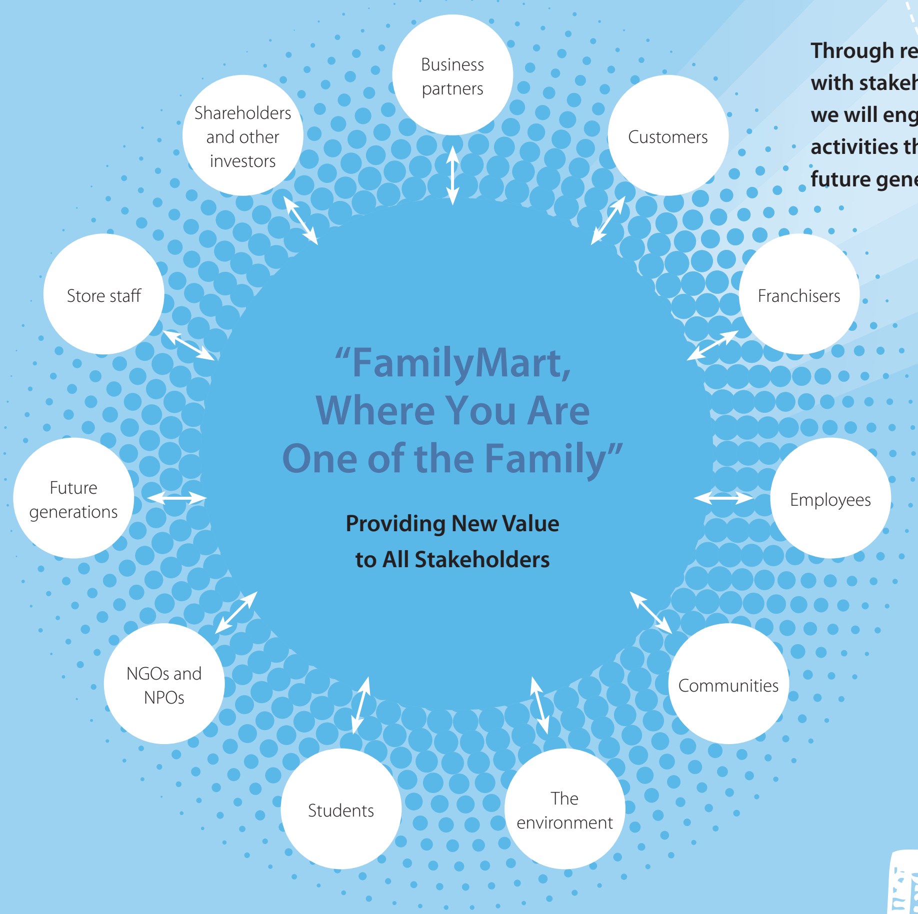
FamilyMart's CSR

At FamilyMart, we believe that our social mission entails providing residents of local communities with a better life. The value of our existence is measured in our ability to help people fulfill their potential as well as in our ability to focus on shifts in social trends while accurately addressing the needs of each era together with customers as a family member.
Our nationwide workforce of over 100,000 staff caters to the needs of more than 10 million customers each day. Under the slogan of "FamilyMart, Where You Are One of the Family," the Company and its stakeholders seek to move forward in partnership, based on a relationship of trust.

While meeting customer needs as an indispensable part of the social and lifestyle infrastructure, we will endeavor to help create a more prosperous society. In an effort to provide residents of local communities with the tools to cope with the stress of everyday life, we will expand our role beyond sales to include everything from providing financial, administrative, and other services to being a point of safety and a base for disaster preparation.

FamilyMart's CSR as a group with stores throughout Japan and around the world, focused mainly on Asia, is to bring about a better life for residents of local communities and to create new value by being a social and lifestyle infrastructure provider that offers added value.





See here for more details.
WEB http://www.family.co.jp/company/eco/

FamilyMart's Mission

FamilyMart will work to secure an indispensable position within each local community and to bring about a better life and a better lifestyle for residents, thereby fulfilling the expectations of all stakeholders, irrespective of the region, country, and era in which it operates.

- Enhance enterprise value
- Realize sustainable growth
- Help foster future generations
- Fulfill our global social responsibility

FamilyMart Initiatives Aimed at Creating Future Value

Amid demographic and social changes, which have triggered demand for increasingly diverse needs to be met by convenience stores, FamilyMart has consistently developed functions and services that address customers' wide-ranging needs as a social and lifestyle infrastructure provider. In addition, we have worked diligently to support the growth of children, who will take us forward in the next generation, and to promote eco-friendly initiatives aimed at building a better future.

Future value

Addressing Rapid Aging of the Population

Entering the Delivery Business

Through a Group company, FamilyMart offers a delivery service in certain locations that overlap the delivery service area of Takuhai Cook 123, a boxed lunch delivery service for elderly customers. Pre-ordered FamilyMart products are delivered with Takuhai Cook 123 boxed lunches. Also, as part of efforts to bolster our services for the elderly, we check on the safety and well-being of customers when taking orders and making deliveries. Moving forward, we will look to package various existing store products and services in a bid to reinforce our lineup of care services and to prevent the onset of lifestyle diseases.

Future value

Pursuing Global Environmental Conservation

Promoting Renewable Energy

▶P57

In recent years, renewable energy has attracted growing interest as a new and viable energy source. By leveraging its various strengths, FamilyMart is endeavoring to promote the use of renewable energy. Among a host of measures, we are installing solar power panels on the roofs of certain stores to facilitate the use of solar power.

By utilizing our store network, we will engage in power generation businesses using renewable energy.

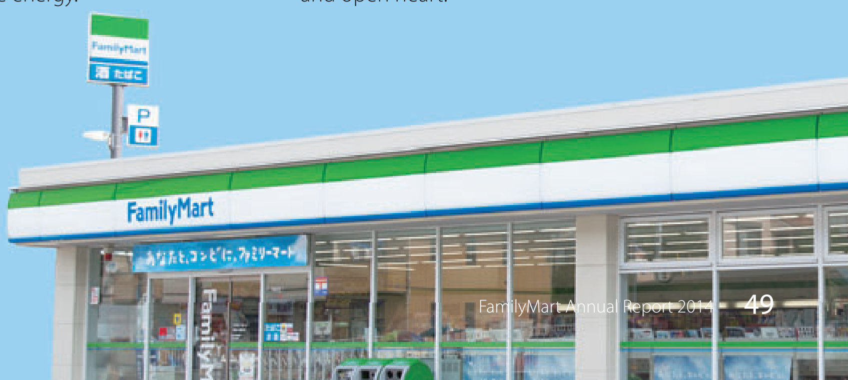
Future value

Fostering the Next Generation

Supporting the Growth of Children

▶P65

FamilyMart has conducted a thank you letter contest since 2009. Designed to support the healthy development of young children, who represent the future, the contest entails elementary school students writing letters of appreciation to people and about things that have provided a source of daily support. Through the initiative, we are seeking to nurture children so that they will grow to become adults who can express themselves with a pure and open heart.



Stakeholder Dialogue

Aiming to be the World’s No. 1 convenience-store chain

Twenty-five years have passed since FamilyMart opened its first location overseas, in 1988. Since then, the Company has aggressively opened convenience stores, based on a concept born in Japan, in the major countries and regions of Asia while fulfilling the role of a reliable and formidable business partner.

Moreover, as the franchise has expanded, the FamilyMart chain of convenience stores has had a growing impact on society.

On this occasion, we invited two thought leaders, Ms. Mariko Kawaguchi and Mr. Mitsuo Ogawa, to take part in constructive dialogue about FamilyMart’s global CSR activities with the general manager of our International Business Division, Mr. Masaaki Kosaka. Ms. Kawaguchi is Chief Researcher at Daiwa Institute of Research, specializing in corporate social responsibility (CSR). Mr. Ogawa is the President of Craig Consulting.

Masaaki Kosaka
Managing Director and
Managing Executive Officer
FamilyMart Co., Ltd.

Theme 01

Strengthening ties with partner companies, a driving force in FamilyMart’s global development

Ogawa In its aim to become the World’s No. 1, FamilyMart has aggressively opened convenience stores mainly in Asia. Are there still business opportunities overseas?

Kosaka I certainly think so. Since opening our first store in Taiwan in 1988, we have made inroads into seven countries and regions (as of May 31, 2014). We are particularly focused on Asia because of its young demographic, which was the main target when initially expanding convenience stores in Japan, young average age of the population, and high population densities, in addition to the strong economic growth in the region.

Ogawa As FamilyMart steadily expanded operations in Asia, what was the secret behind its successful strategy overseas?

Kosaka We have basically developed business jointly with local partners. Since we operate a retail business, we must have an intimate knowledge of lifestyle customs in the region, as well as knowledge of the business rules in each country, or else it is difficult to achieve business expansion successfully overseas. From this point of view, the benefits of conducting business jointly are considerable.

Kawaguchi Local companies are also in the best position to understand the needs and tastes of their customers.

Promoting global CSR together with business partners

Mariko Kawaguchi

Chief Researcher

Research Division, Daiwa Institute of Research, Ltd.

After gaining experience in the global equity sales and investment research section of Daiwa Securities, transferred to Daiwa Research Institute in 1994. Later appointed head of the CSR group at Daiwa Securities Group Inc. before taking up her current position. Engages in research and provides advice and comments on efforts aimed at realizing a sustainable society from each of the company (CSR) and investor (SRI) perspectives.

Holds several prominent positions, including member of the Tokyo Metropolitan Office Environmental Committee, trustee of the Sustainability Forum Japan, and Chief Executive & Secretary General of the Japan Sustainable Investment Forum.

Mitsuo Ogawa

President

Craig Consulting Co.,Ltd

Gained experience working at think tanks and foreign consulting companies. Provides consulting services to medium and large-scale companies, public authorities, and academic and medical institutions, including non-profit organizations. Established his own company in 2004 (present position). As a specialist in the fields of organizational theory and employee motivation theory, proposes ideas on how to use CSR in the workplace in a way that encourages employees to take more pride in their work and work with more enthusiasm.

Theme 02

Achieving sustainable business development overseas by identifying potential risks and addressing each one head on

Ogawa I sense that there are quite a number of risks involved in opening stores overseas.

Kosaka Naturally, there are risks unique to each country. In quality management, for example, in all the countries that we conduct business our focus is on food safety and security. Not only do we follow the standards of each country, we also manage quality by dispatching experts to each country with the cooperation of our suppliers.

FamilyMart is a convenience-store chain that originated in Japan, and, as a franchise licensor, we are able to control all aspects of the business. Our partners in Asian countries seek our expertise and organizational intelligence. Moreover, we can choose our partners in each country, and this is another of the strengths that FamilyMart has in overseas development.

Ogawa Could you please give a few examples of business risks FamilyMart faces?

Kosaka One such risk is the time it takes to grow profits. When we enter a region, we place particular emphasis on building a business model that matches local market conditions and putting in place the appropriate infrastructure. Once the number of convenience stores crosses a certain threshold, the store format is set and moves to promote franchised stores take hold, and we begin to see profit growth take off. Shortening the time required to reach this stage is where our experience comes into play.

Another possible risk stems from business growth being stalled due to economic factors and political turmoil in certain emerging countries. While it is necessary to be vigilant against such risk when operating overseas, we are able to keep abreast of developments because we have local partners.

Stakeholder Dialogue

Theme 03

Addressing environmental problems caused by economic growth the responsibility of global corporations

We are actively tackling environmental issues overseas.

Kawaguchi I am concerned about waste that does not decompose naturally, such as plastic food containers and bags. In Japan, there is a rather firmly established social norm of separating garbage, but in many countries overseas, governments do not put in place such norms. Convenience stores are convenient for people but that can come at the cost of more garbage in communities. What are your thoughts regarding this problem?

Kosaka Certain countries have taken even greater steps than Japan, such as charging for plastic bags or prohibiting their use altogether. Contrary to Japan, where consumers take responsibility, rules in these countries remove consumers from the equation.

Kawaguchi So, would it be correct to say that it is important to take Japan's know-how and apply it according to the rules of that country and the habits of its people?

Kosaka Environmental problems invariably emerge with economic development. The partner companies that work with FamilyMart are highly aware of these environmental problems and have been focusing on energy conservation. Our overseas partners and customers are curious about new technology from Japan, and they will not let an opportunity pass to see it in action.

Kawaguchi With ongoing debate about the economy or the environment, issues that stem from the environmental pollution that Japan experienced during its era of rapid economic growth show that this dilemma is still a public concern no matter how much the economy expands. Around the world, the concept of economic development is changing in a way that rewards the creation of bonds that bring together the environment, society, and governance, even in developing countries. This concept of balanced development has gradually taken hold in countries like the Philippines and Indonesia. The times are changing so that the ideal model of economic growth is now based on balanced development with society and environmental stewardship.

Theme 04

Fostering talented people to spread the FamilyMart brand worldwide

Ogawa Also, please tell us your thoughts on the training of overseas personnel.

Kosaka We hold the FamilyMart Summit once a year, inviting the top management of our partner companies to meet and discuss their values while creating an opportunity to rally together under the FamilyMart brand. How to best train the staff that work at franchise convenience stores in various countries is an issue that FamilyMart has been examining closely. Should we have the most talented staff come to Japan for training, for example? We would like staff to identify with the FamilyMart value system through personal experiences.

Ogawa When President Nakayama, talks about caring for the next generation, I do not believe that he is referring to just going about our business in the right way or complying with laws and regulations. I get the impression that he is focusing more on going one step further and ensuring that employees follow a FamilyMart standard that they fervently believe is the best way of carrying out their duties. From my own perspective, I believe this is synonymous with efforts to balance the need to secure operating results with contributing to society.

Kosaka Training is a core element of the convenience-store business, and people are the most important aspect of our business, whether in Japan or overseas. Therefore, it is essential that we figure out how many resources we should dedicate to employee training as we operate around the world.

In March 2014, we opened the FamilyMart Academy, a training center in Thailand. Through a trial-and-error process of fine-tuning training levels, we managed to put together a curriculum, and we aim to have as many employees as possible attend the academy. In fact, we would eventually like to see a stint overseas become a natural and accepted part of each employee's career.

FamilyMart is also actively exchanging personnel among companies. We aim to foster human resources who will enhance the franchise in each country by creating a work environment that facilitates the cross-pollination of ideas between countries.

Further, by providing opportunities for truly passionate young people overseas to come to Japan and study, we hope to build an environment that allows them to apply their knowledge and experience for the benefit of FamilyMart. We believe it is crucial to offer educational opportunities to people around the world who will become the next generation of leaders.

Theme 05 Spreading awareness of the FamilyMart brand around the world by discovering with our business partners the meaning of "good" work

Kawaguchi President Nakayama gave a speech about wanting to "provide everyone with a better life." However, the perception of what is "a better life" differs by person. From a global perspective, "a better life" takes on an entirely different meaning depending on which country you are in.

Kosaka Our mission is to first enter into lengthy discussions with overseas partners based on an understanding that conditions differ from country to country. After determining what we believe is the best "better life," we must then promote this concept globally.

Kawaguchi Based on our discussion so far, I assume that FamilyMart exchanges information regularly with its business partners overseas, because overseas business is being developed in conjunction with these partners. In a top-down structure with Japan as the headquarters and overseas operations as branches, it seems that the value systems prevalent in Japan will inevitably be strongly reflected in decision making, more so than the local value systems. The business model appears to entail expertise from Japan being put to work to address the local needs of business partners.

Kosaka That is correct. We are working closely with our business partners on a daily basis, thereby allowing us to solve problems before they grow unwieldy and to think through carefully a solution for that particular country.

Kawaguchi That is an excellent approach. Communication within the organization facilitates the exchange of both good and bad information. Local problems are identified and addressed at an early stage, and measures are put in motion before they become major problems. This kind of relationship with your business partners goes beyond simply working together, and it will be key to developing globally going forward.

Ogawa Is there anything FamilyMart would like to do more of in the future or believes it should do?

Kosaka FamilyMart would like to contribute to the creation of safe and secure communities. We want each of our convenience stores to be a hub of information and to know everything about the community it serves—like a concierge for the community. When a new community is established, we would like to see housing built around a convenience store. We hope to promote this concept of a community.

Kawaguchi I like this idea of a convenience store being at the center of community planning. As a part of the social fabric, the convenience store can act as a foundation for the building out of infrastructure and possibly play a more prominent role in the creation of communities that are safe and secure.

I hope the FamilyMart convenience store will have a positive role as a center of good community planning and in the creation of communities in countries around the world.

FamilyMart Academy Established in Thailand

- The academy is a training center for FamilyMart employees to acquire the skills necessary for international business.
- The training session for the first batch of employees was conducted in March 2014.

FamilyMart Summit 2013 Held

FamilyMart holds an annual summit of the top management from overseas operations to promote common branding and CSR activities in each country. In fiscal 2013, the 11th FamilyMart Summit 2013 TAIPEI was held in Taipei, Taiwan. A total of 79 people participated, engaging in lively discussions and exchanging opinions about how to improve the global brand value of FamilyMart.

See here for more details.
WEB http://www.family.co.jp/company/eco/special/2012_02.html

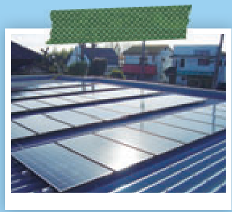
FamilyMart's CSR Activities at a Glance

Through Our Store Operations and Business

Environmental Activities

Installation of solar panels on store roofs

▶P57



2,000 stores nationwide

Promoting a renewable energy power generation and sales business utilizing our store network

Food waste recycling

See here for more details.
WEB http://www.family.co.jp/company/eco/action/wastes2.html

Recycling

100 % of cooking oil as animal feed and soap as well as industrial and other raw materials

Number of stores undertaking food waste recycling

2,073 stores nationwide

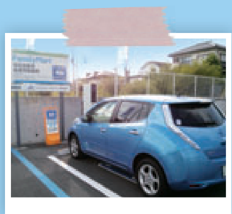
* Excluding used cooking oil

Food recycling rate

37.2%

* Excluding measures to prevent waste

Installation of EV rapid-charging equipment



500 stores nationwide

Contributing to increased use of low environmental impact next-generation vehicles

Transportation of items requiring different temperatures at the same time

See here for more details.
WEB http://www.family.co.jp/company/eco/action/pd.html

Reducing CO_2 emission volumes by consolidating the number of transportation vehicles

Introduction of fuel-efficient vehicles

See here for more details.
WEB http://www.family.co.jp/company/eco/action/pd.html

Adopting the use of fuel-efficient vehicles, including hybrid cars and vehicles that run on CNG and other fuel sources

Introduction of biomass containers

Reducing CO_2 emissions

by **1,694** tons annually through the introduction of biomass plastic containers

▶P68

Reduction in the usage of plastic shopping bags

Reducing the weight of plastic shopping bags by reducing their size and thickness from late November 2013

219 tons

(From late November 2013 to March 31, 2014, compared with the corresponding period of the previous fiscal year)

For Local Communities

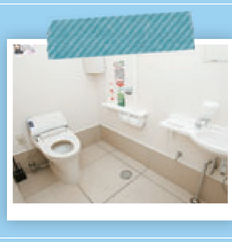
Nationwide environmental beautification activities

Cumulative total number of participants

467,166

Implemented twice yearly since 2003, this cleanup activity is deeply rooted in the community and attracts the participation of nationwide franchised stores, business partners, and employees.

User-friendly toilets



Installing universal design toilets

Security cameras in and outside stores

Installing cameras to enhance protection and promote neighborhood safety and peace of mind

Activities, We Will Provide for a Better Life.

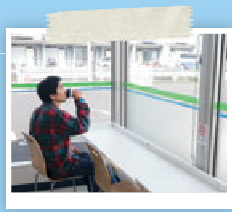
Drive recorders
Installing drive recorders into
1,900 vehicles used by business supervisors

Driving safety courses
Conducting nationwide driving safety courses and promoting education to raise awareness about driving safely

Multi-copy services
Providing a variety of certification documents and administrative services

Employment of registered sales clerks at dispensing pharmacies
Providing support for the acquisition of registered sales clerk qualification as well as recruiting services

Eat-in areas
Offering wireless LAN Internet connection services at eat-in areas while promoting communication within the local community

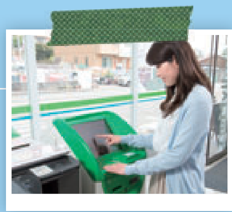


Temporary refuge for people unable to return to their homes due emergency situations
Supporting people with difficulties returning to their homes

Facilities for making and matching in-store customer donations
Supporting the activities of NPOs and NGOs seeking to help resolve a variety of social issues

See here for more details.
WEB http://www.family.co.jp/company/eco/bokin/index.html
WEB http://www.family.co.jp/company/eco/bokin/2013_bokin.pdf

Total amount of donations raised in fiscal 2013
¥311,735,068



FamilyMart stores accept donations through its 24/7 Famiport Fund-raising service on behalf of the Japanese Red Cross Society for reconstruction assistance after the Great East Japan Earthquake.

Employment opportunities
Employing about
100,000
store staff nationwide

Agreements with local authorities
Entering into comprehensive collaborative agreements
44 prefectures
4 cities

Entering into disaster relief supply agreements
46 prefectures
20 cities

Initiatives Aimed at Supporting the Next Generation

Bellmark campaign
Collecting Bellmarks placed on rice-balls sold in FamilyMart stores, which are then donated to help elementary schools in the Tohoku region

545,655.5 points
collected under the Bellmark campaign at the Company's Ikebukuro Head Office
(July 2008 to May 2014)

See here for more details.
WEB http://www.family.co.jp/company/eco/action/bellmark.html

Bellmarks that have been collected are delivered to elementary schools in the Tohoku region.

Thank You Letter Contest
Nurturing the sensitivities, emotions, and individuality of elementary school children

Cumulative total number of applicants
129,326 (2009 to 2013)

▶P65

Collecting donations for the specific purpose of protecting the children (DRR) of future generations and of the world
Implementing DRR (Disaster Risk Reducation) to help protect the lives of children through collaboration with NGO Save the Children Japan

12,923 people
(Thailand and Vietnam)

See here for more details.
WEB http://www.family.co.jp/company/eco/special/2013_03/scj.html

Working to Reduce the Environmental Impact of Stores while Playing an Important Role in the Development of the Social and Lifestyle Infrastructure

On the one hand, convenience stores play an indispensable role in the lives of customers as an integral component of the social and lifestyle infrastructure; on the other hand, the year-round, long operating hours of stores lead to the heavy consumption of energy and natural resources. Recognizing that about 90% of FamilyMart's CO_2 emissions come from store operations, the Company regards the need to reduce its environmental impact as an important social mission.

With this in mind, we have incorporated a variety of CO_2 emission reduction measures into every facet of our operations, from logistics through store facilities to store management and products. In 1999, FamilyMart was the first convenience-store chain in Japan to acquire ISO 14001 certification for its Head Office and all the Company's stores. We continue to develop implementation plans for environmental impact assessment and measures and to take steps to ensure ongoing improvement by setting environmental targets.

Also, by leveraging our extensive network of stores and bases, we promote the use of renewable energy. Through the installation of charging equipment for electric vehicles and other initiatives, we are engaging in eco-friendly activities aimed at reducing global CO_2 emissions.

See here for more details.
WEB http://www.family.co.jp/company/eco/action/index.html#01

Inspection and Assessment of Environmental Activities through an Environmental Management System

JQA-EM6975

Since 1999, we have been pushing forward with environmental improvements in all offices and stores through the introduction of a Companywide environmental management system headed by the president.

Apart from receiving environmental inspections by external institutions, internal environmental audits are conducted by CSR Department employees or employees in administrative groups who have gained qualifications as internal environmental auditors. In this way, operations are rigorously assessed.

FamilyMart Environmental Policy (Overview)

Established November 16, 1998, revised March 1, 2007

I. Caring for the environment through our business activities

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

II. Respecting environmental laws and regulations

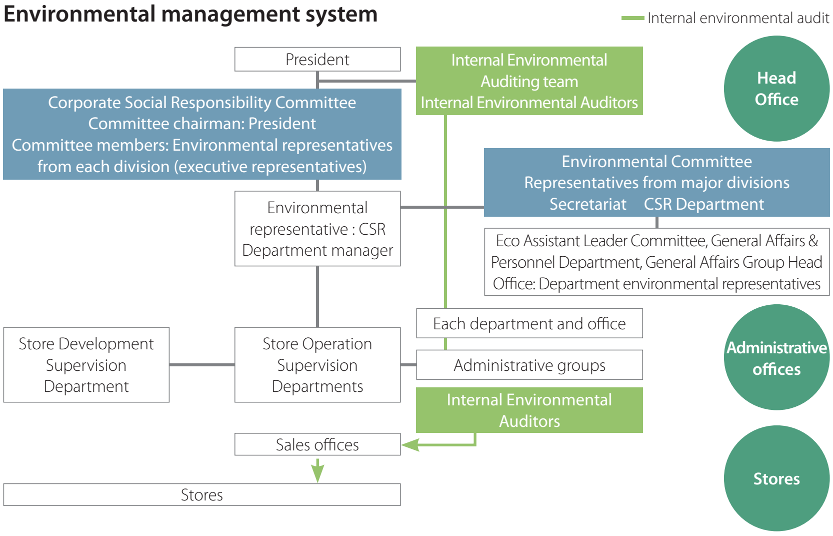
III. Organizations and awareness-raising

IV. Publicizing our Environmental Policy

Fiscal 2013 environmental management review

Store environmental audit by external auditors

Environmental management system



PICK UP

Implementing a Program for Solar-Power Sales

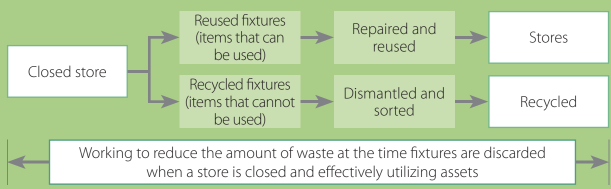
In an initiative that leverages our store infrastructure to balance business activities with environmental conservation concerns, we have introduced solar power systems at certain stores. The electric power generated through solar panels installed on the roofs of stores is sold as part of FamilyMart's efforts to protect the global environment while ensuring sustainable business activities.

Solar panels

Recycling the Fixtures from Closed Stores

Every effort is made to reuse the equipment and fixtures that are discarded when a store is closed. This equipment and fixtures can be repaired and reused to help increase sales at other existing stores or serve as replacement items. Equipment and fixtures that cannot be reused are dismantled, sorted, and recycled as raw materials, including iron and copper. Looking ahead, we will incorporate a variety of measures into our store management efforts to build a mechanism that ensures the increasingly efficient recycling of fixtures.

Use of closed-store fixtures



Eco-Friendly Store Management and Store Facility Initiatives

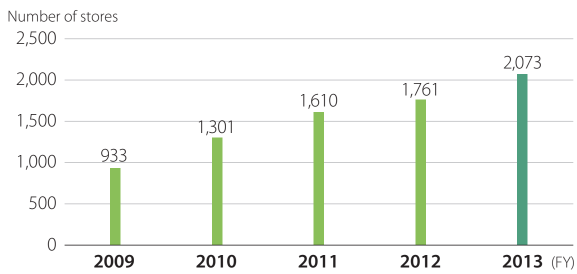
Promoting and Expanding the Recycling of Food

The Food Recycling Law was enacted in 2001 to promote the reduction of food waste through a variety of measures, including the recycling of processing waste as well as unsold and uneaten food and the reuse of waste food as animal feed and fertilizer.

Since fiscal 1999, FamilyMart has progressively introduced an organic-waste recovery and recycling system that uses outside contractors for the recycling of food waste from its stores into fertilizer, animal feed, and methane. In addition, the oil waste from fried foods is provided to licensed operators for recycling into animal feed and soap. As of fiscal 2013, we have introduced these initiatives at 2,073 stores. We produce only 27.1kg of waste food per ¥1 million of revenue, which is substantially lower than the convenience-store industry target of 44.1kg.

See here for more details.
WEB http://www.family.co.jp/company/eco/action/wastes2.html

Collection and recycling of organic waste at stores



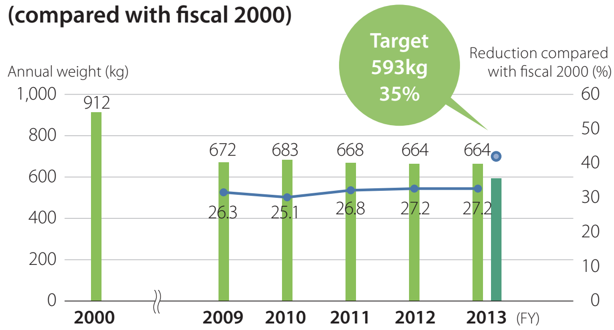
Implementing Plastic Shopping Bag and Power Consumption Reduction Initiatives

In a bid to reduce the usage of plastic shopping bags, FamilyMart has promoted the use of personal shopping bags through in-store posters and on-screen displays at the point of purchase. We have also introduced a no-bag card system at registers in some of our stores, and we will continue to promote this system to customers.

FamilyMart is also taking steps to reduce power consumption through the use of LED lighting in façade signage, parking lots, and refrigeration display cases. Moreover, through the switch to inverter-type lamps for lighting in walk-in refrigerators and a partial elimination of heaters for the prevention of condensation on glass, we have achieved a 75% reduction in power consumption.

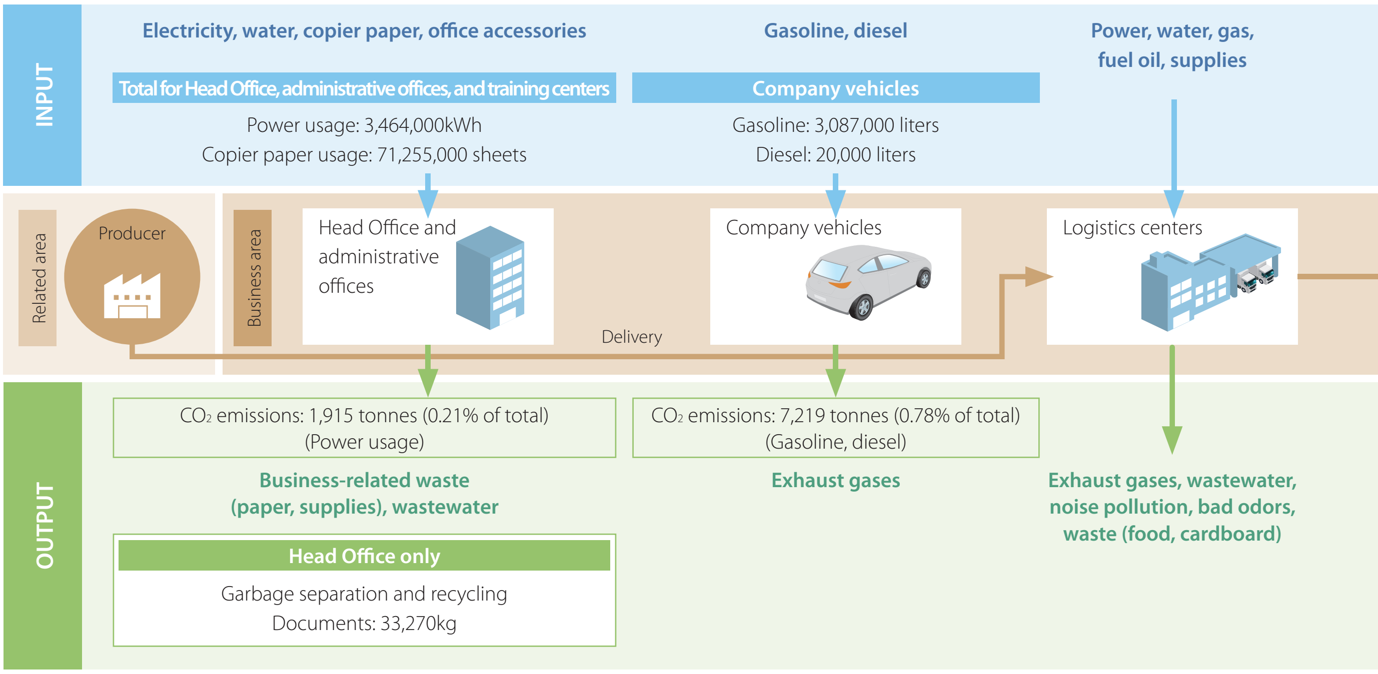
See here for more details.
WEB http://www.family.co.jp/company/eco/action/store.html

Plastic shopping bag use and reduction per store (compared with fiscal 2000)



Working to Reduce the Environmental Impact of Stores while Playing an Important Role in the Development of the Social and Lifestyle Infrastructure

FamilyMart's Material Flow



Fiscal 2013 Environmental Goals and Progress

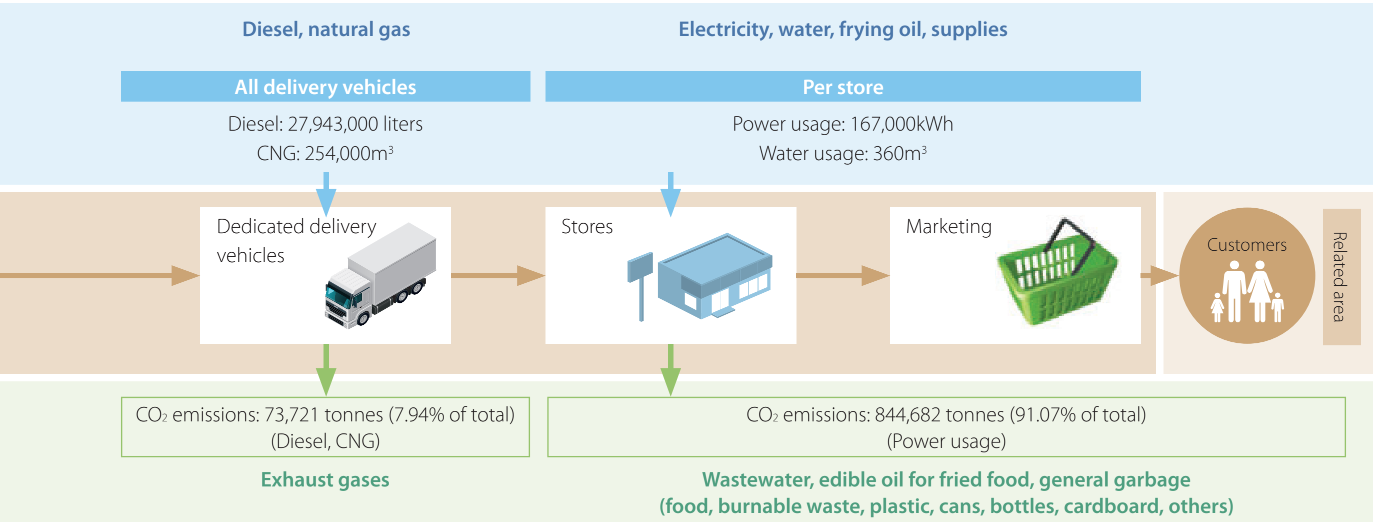
We have set targets for reducing environmental impact in such areas as stores (power usage, waste production), logistics (delivery vehicle CO_2 emissions), and products (food recycling) and assessed progress in these areas.

(Excerpt)

	Targets	Quantitative Targets	Progress	Assessment
Products	Reduce waste and associated losses by increasing life of products / Reduce waste losses by 5%	Reduction to 95.0% compared with previous year	Did not meet target with reduction to 99.4% compared with the previous year despite efforts to increase the life of products	Improvement needed
	Improve plant productivity and reduce losses due to product registration and reduce production of items to be discontinued / Reduce losses due to waste at plants by 10%	Reduction to 90.0% compared with previous year	Did not meet target with reduction to 100.3% compared with the previous year despite efforts to promote product registration, reduce the number of items to be discontinued, and cutback losses due to waste at plants	Improvement needed
	Consider altering of delivery periods and implement as necessary	—	Implemented a change in delivery periods for food and confectioneries from the one-third to the one-half rule in the Kyushu district; achieved target	Achieved
	Develop and sell "We Love Green" products within the "FamilyMart collection"	8 items per year	Met target to develop and sell nine product items	Achieved
Logistics	Reduce CO_2 emissions per store associated with delivery	Reduction to 99.6% compared with previous year	Met target to reduce CO_2 emissions as well as fuel consumption by implementing EMS-based eco-drive training and closely monitoring the sudden deceleration, excessive acceleration, and excessive engine rotation of vehicles	Achieved
	Reduce power usage (W) per ¥1,000 of volume handled at fixed- and room-temperature centers	Reduction to 99.0% compared with previous year	Met target to propose and implement energy conservation plans through a variety of measures, including reduction in the number of fluorescent lights used, switching off of lights, and increased air-conditioning temperature settings	Achieved
Store facilities	Adopt in-store LED lighting at new and completely refurbished stores in fiscal 2013	Adoption rate: 80.0%	Met target to adopt in-store LED lighting at new and completely refurbished stores at 82.8%	Achieved
	Save energy by using LED lighting in parking lots	Adoption rate: 65.0%	Met energy-saving target with the adoption of LED lighting at 68.0% of parking lots and 69.4% of all new stores	Achieved
Store management	Increase food recycling	Recycling rate: 37.4%	Did not meet food-recycling target at 37.2% despite promoting the development of new food recycling operators	Improvement needed
	Reduce use of plastic shopping bags	Reduction to 90.0% compared with fiscal 2010	Did not meet target to reduce the use of shopping bags at 103.0% compared with the previous year despite promoting reduced use among customers and reducing the thickness of bags. Reduction rate 27.1%.	Improvement needed
Offices	Reduce Head Office power usage	Reduction to 98.0% compared with previous year	Met Head Office power usage reduction target at 96.1% by implementing a variety of measures, including decreased use of fluorescent lamps, checks to switch off lights when leaving rooms, and the introduction of energy-saving tea dispensers	Achieved

Assessment: Achieved = Target met 100%; Improvement needed = Target met 70% to less than 100%; Not achieved = Target met less than 70%

FamilyMart impacts the environment in various ways during the course of its business operations, such as through CO_2 emissions and the generation of waste and wastewater. By monitoring and reducing our environmental footprint, we are contributing to the creation of a sustainable society and the future development of our business.



Annual waste produced per store	
Processed by local authorities	Organic waste: 4,179kg (recycled in some areas) Other burnable waste: 7,446kg Plastics: 1,135kg
Recycled by local government and recycling businesses	Cans: 1,372kg Bottles: 318kg Plastic bottles: 905kg Edible oil for fried food: 920kg (100% recycled)
Recycled by used-paper processors	Cardboard: 5,588kg

Note on calculation of CO_2 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, 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.

Targets for fiscal 2014

In fiscal 2014, we will continue to seek to tackle areas we consider to have a significant environmental impact in stores (power usage, waste production), logistics (delivery vehicles CO_2 emissions), products (waste in product development and production), and offices (power usage, copier paper usage, Company vehicle gasoline usage).

(Excerpt)

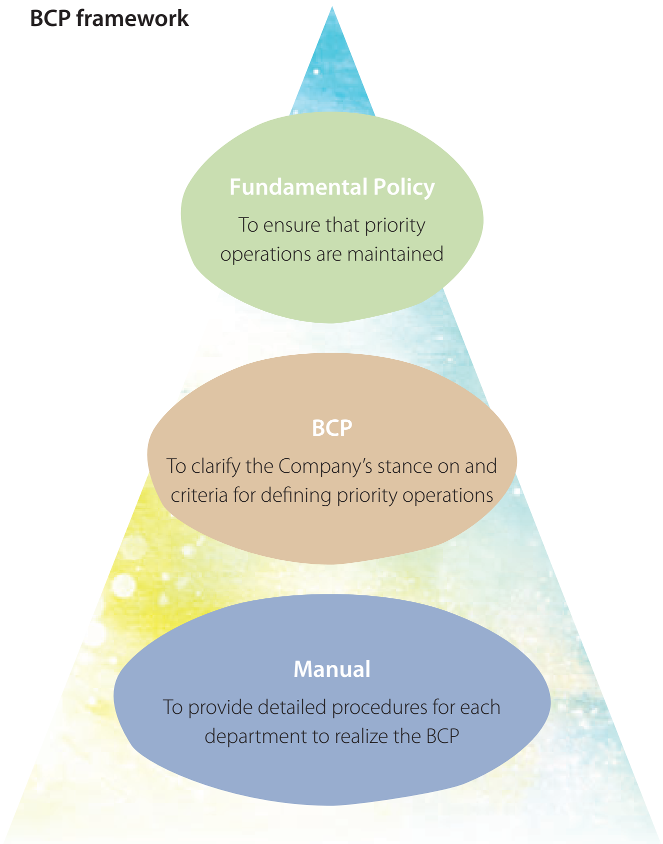
	Targets	Progress
Products	Reduce raw material waste loss by lowering the number of ingredients and other items	90.0% compared with the previous year
	Reduce manufacturer packaging loss by lowering the number of items to be discontinued	92.0% compared with the previous year
	Reduce annual store waste by increasing the life of products and cutting back the volume of rubbish	98.0% compared with the previous year
	Improve plant productivity and reduce losses due to product registration and the production of items to be discontinued	95.0% compared with the previous year
	Develop and bolster lines of eco-friendly products as well as products that contribute to society	103.8% compared with the previous year
	Register environmentally conscious products	5 items per year
Logistics	Reduce CO_2 emissions per store associated with deliveries	99.6% compared with the previous year
	Reduce power usage (W) per ¥1,000 of volume handled at fixed-and room-temperature centers	99.0% compared with the previous year
Store facilities	Improve the precision of waste management with respect to fixture dismantling at closed stores (Introduce an electronic manifest)	Target 70%
	Reconfirm the status of legal compliance of stores	—
	Introduce solar power systems	2,000 stores
Store management	Reduce store power usage	99.0% compared with the previous year
	Increase the percentage of customers who decline the use of plastic shopping bags	28.1%
	Reduce use of shopping bags per purchase	90% compared with fiscal 2010
	Expand waste management efforts at stores	117.0% compared with the previous year
Offices	Reduce Head Office power usage 2%	98.0% compared with the previous year

Fulfilling Our Responsibilities during Disasters as a Social and Lifestyle Infrastructure Provider

When functions vital to people's daily life are suspended due to a natural disaster or other emergency situation, such as the 2011 Great East Japan Earthquake and the past winter's record snowfall, the ability of convenience stores to assist disaster-hit areas through their logistics networks and food manufacturing facilities is a significant strength. For example, in the immediate aftermath of the Great East Japan Earthquake, FamilyMart began delivering emergency supplies from its distribution centers as well as directly from manufacturers to local authorities from its logistics centers on the basis of disaster relief agreements it had concluded with specific prefectures.

On the other hand, the 2011 disaster brought to light numerous issues, notably delays in restoring operations in affected areas, product shortages, and confusion caused by slow communications between our Head Office and regional branches. Mindful of those issues, we announced details of a new business continuity plan (BCP) to ensure that we are able to maintain operations during major natural disasters and other emergencies. It is the social mission of convenience stores to continue operating under any circumstances. Accordingly, FamilyMart will build a strong business structure able to cope with emergencies by conducting disaster training and drills at its Head Office and regional offices as well as verifying and revising related plans and manuals based on the BCP.

BCP framework



FamilyMart's BCP

We revised and expanded the Company's disaster-response manual and other materials compiled prior to the Great East Japan Earthquake and formulated the BCP in 2012 to enable us to maintain or rapidly restore core operations in the event of a major natural disaster or other emergency. Based on these initiatives, we implemented a range of measures during fiscal 2013 to improve our disaster response capabilities, primarily by conducting disaster drills and e-learning courses for employees.

Looking ahead, we will devise detailed action plans based on ongoing revision and verification initiatives to achieve the BCP objectives of reducing disaster-related damage and shortening restoration time.

Promotion of the BCP

The three key points of our BCP are to maintain store operations, to maintain product supply, and to prepare an information dissemination system along with decision-making guidelines and rules. Based on these points, we will revise plans and manuals by examining key initiatives, implementing training programs, and conducting disaster drills. In these efforts, we will seek to address issues through system innovation over the medium term, secure resources and establish rules, and maintain backup systems.

Key areas for review

	Store operations	Product supply	Information dissemination / Command orders
Innovate systems (medium-term initiatives)	• Systems to maintain franchise operations	• Rebuild supply systems (revamp store configuration, cooperation with other companies) • Restructure shipping order districts • Secure lifelines	• Local head office establishment and authority delegation
Secure resources, establish rules (short-term initiatives)	• Decision-making guidelines for temporary store closures and reopenings • Staff retention • Customer-response rules	• Retain staff • Secure raw materials and packaging • Implement procedures for dealing with shipping order constraints • Implement rules for responding to suspensions in normal operating order issue and receiving systems	• Rules for establishing emergency task force
Maintain backup systems	• Maintain core system preservation, backup systems • Secure means of communication, reserve power supplies • Maintain contact and other lists • Secure modes of transportation		

Disaster Assistance

One of FamilyMart's important tasks is to assist people in disaster-hit areas as a social and lifestyle infrastructure provider. Accordingly, we undertake various initiatives to fulfill our role of quickly providing necessary daily items to reassure people in areas that have been affected by an earthquake or other major disaster.

Region-Specific Disaster Recovery Support Functions

Providing Temporary Stores and Mobile Sales Vehicles

Following the Great East Japan Earthquake, in consultation with local authorities, we temporarily opened makeshift stores using unit construction methods in the town of Kawamata, Fukushima Prefecture. These efforts were subsequently extended to other areas affected by the earthquake, including the towns of Onagawa and Minamisanriku as well as the village of Kawauchi. In addition to selling goods and providing job opportunities, these makeshift stores served as meeting places for local residents.

Also, FamilyMart operated a service using mobile sales vehicles in areas where opening makeshift stores was difficult due to such factors as rezoning and embankments that ensure an adequate distance above sea-level. These mobile sales vehicles are equipped with power generators and handy terminals that function as cash registers and offer a selection of 300 items requiring temperature management.

Famima-go mobile sales vehicle

Building Disaster-Resistant Logistics Networks

We are making efforts to optimize all of our logistics centers to ensure that product supply lines are not cut off in emergency situations. We are also building supplemental systems through the establishment of regional backup centers that are capable of taking over logistics functions in the event that primary facilities are damaged.

Famiport Multimedia Terminal donation screen

Using Famiport Donations to Provide Ongoing Assistance to Disaster-Stricken Regions in the Tohoku Area

Through our in-store Famiport Multimedia Terminals, we provide ongoing opportunities for people to make donations to help those affected by the Great East Japan Earthquake. All donations collected nationwide are given to the Japanese Red Cross Society to assist in the recovery of disaster-hit areas.

Providing *Famima-go* Mobile Sales Vehicles for Heavy Snowfall Areas

In February 2014, the record snowfall that hit East Japan blocked road access to the town of Fujikawaguchiko, Yamanashi Prefecture, completely cutting off supplies of food, drinks, and other daily items. In response, FamilyMart temporarily filled the gap with its *Famima-go* mobile sales vehicles. Loaded with bread, instant noodles, sweets, drinks, and other goods, *Famima-go* vehicles served residents in areas where regular shopping was impossible.

Famima-go vehicle venturing into areas isolated by snow

TOPICS

Maintaining Water Supplies in the Event of Earthquakes and other Major Disasters

The rapid provision of supplies of water—a vital lifeline—to customers during natural disasters is an important function. Taking into consideration the necessity of securing water supplies in eastern and western regions in preparation for a major earthquake or other natural disaster, FamilyMart completed the construction in May 2014 of the Clear Water Tsunan production facility in Tsunan city, Niigata Prefecture, its second after the *Kirishima Spring Water* facility in Kobayashi City, Miyazaki Prefecture. Shortly thereafter, we commenced the production and sales of *Tsunan Spring Water* at the new facility.

Dedication ceremony for the Clear Water Tsunan production facility

Fulfilling Our Community Responsibilities by Nurturing the Next Generation as a Social and Lifestyle Infrastructure Provider

FamilyMart's Fund-Raising Activities

The collection of donations at our convenience stores is a central facet of our effort to give back to society. By leveraging its network of more than 10,000 stores around Japan, where approximately 10 million customers, or roughly 10% of the population, come each and every day, FamilyMart is well positioned to make a significant social contribution.

In 1993, FamilyMart was the first convenience-store chain in Japan to place donation boxes on cash register counters. Each year, approximately ¥300 million is raised from these boxes, making them an effective fund-raising tool. In 2009, we began accepting donations for designated charities through our in-store Famiport Multimedia Terminals.

Money raised from customers is donated to support NPOs and NGOs working for the betterment of society. For example, the FamilyMart Global Children's Fund makes donations to the public interest incorporated association Save the Children Japan. Also, FamilyMart matches a percentage of the donations and collects relief money for use in emergencies, such as natural disasters, helping solve social problems around the world.

Total Donations and Activity Reports

Total donations collected in fiscal 2013 came to ¥311,735,068, including in-store customer donations, matching donations, Famiport donations, a proportion of "cause marketing" product sales, and a percentage of overall sales. For Connecting Dreams Foundation Charities, money raised from April 24, 2013, to May 23, 2013, was donated as disaster relief for the 2013 earthquake in Sichuan, China, and money raised from November 12, 2013, to December 31, 2013, was donated as disaster relief for the typhoon that struck the Philippines. The remainder of the money raised was donated to NPOs and NGOs to support children in areas affected by the Great East Japan Earthquake, to support children around the world through food aid and education programs, and to support other organizations.

* The amount of money donated to each organization is reported on FamilyMart's corporate website.

See here for more details.

WEB http://www.family.co.jp/company/eco/bokin/2013_bokin.pdf

NPOs and NGOs for which We Provide Operational Support

Save the Children Japan

National Land Afforestation Promotion Organization (Midori Donations, Living with Forests Network, Hometown Forest Revitalization)

Japan Association for the World Food Programme

U.S.–Japan Council, The TOMODACHI Initiative

VOICE

Strengthening our partnership with FamilyMart, a company aiming to build a better future and nurture the next generation, in disaster prevention education

FamilyMart has been a wonderful supporter of Save the Children Japan for about 20 years. FamilyMart is able to offer unique support by placing donation boxes on cash register counters in the convenience stores of its extensive network in Japan. Money donated by customers may come in small amounts, such as spare change, but in total the donations have been a significant help.

International support operations require ongoing efforts over the long term. We are pleased with our partnership with FamilyMart, and we would like to strengthen it even further as FamilyMart seeks to nurture the next generation while examining what more it can do for the future.

Kozue Shimizu
Program Officer, International Division
Save the Children Japan

Activity Report

See here for more details.
WEB http://www.family.co.jp/company/eco/action/dbf.html

Supporting Earthquake Reconstruction through the Revitalization of Local Industry

Collaborating to Provide Educational Workshops

Massaki, Ofunato City, in Iwate Prefecture, is one of a handful of cities where wakame seaweed is produced. Seeking to rebuild after the Great East Japan Earthquake, the city is focusing on rejuvenating the wakame industry that Iwate Prefecture is known for. To support such efforts, at Massaki Junior High School, FamilyMart has held educational workshops since 2012 as part of the school's integrated studies program on the cultivation and sale of wakame. Undertaken in collaboration with Save the Children Japan, the workshops aim to teach second-year students who will be involved in rebuilding the wakame industry the basic techniques of sales and customer interaction. In this way, we hope to help them sell the wakame that they grow in the future.

Hands-on lessons about the cultivation and sale of wakame have also helped the students learn about various professions and occupations.

Nurturing the Next Generation and Living with Nature

Supporting "Kikikaki Koshien"

"Kikikaki Koshien" (Listening to the Forest, Writing about the Forest) is a program sponsored by the Network for Coexistence with Nature in which Japanese high school students meet with forest, river, and marine experts. Through such interaction, the students listen and write about knowledge, technology, and life. Apart from donating funds since 2006, FamilyMart publicizes recruiting campaigns through in-store announcements and dispatches employees to participate in the activities.

By crossing the generational gap and meeting with people from varied backgrounds, the high school students broaden their horizons and learn more about the world, giving them an opportunity to think about their future and the choices they will make.

Teaching the Wonder and Importance of Forests

Supporting Forest Workshops

The National Land Afforestation Promotion Organization uses donations to sponsor "Donguri-kun to mori no nakamatachi" forest workshops for preschool children, teaching them the role and wonders of Japan's forests. The children help plant acorn seedlings in a forest and learn about the significance of afforestation in protecting forests. In 2014, forest workshops were held at 14 preschools around Japan, with a total of 3,114 children in taking part.

Fulfilling Our Community Responsibilities by Nurturing the Next Generation as a Social and Lifestyle Infrastructure Provider

Helping Nurture the Next Generation of the World

FamilyMart, which is actively expanding its store network worldwide, aims to provide customers with the same sense of safety and reliability no matter where they are in the world. FamilyMart and its area franchisers are pursuing a range of initiatives through global projects with the aim of achieving shared social values and implementing CSR.

Through its global CSR project, FamilyMart works closely with Save the Children Japan, an international NGO, to help solve social problems and address the immediate needs of children in various countries.

In undertaking this project, we formulated three CSR action plans based on the shared social goal for the worldwide FamilyMart Group of "Happiness for All." The FamilyMart Group is working together to become the preferred choice of customers around the world as a part of their social and lifestyle infrastructure.

Disaster Risk Reduction (DRR) is the common theme of our global partnership program across countries and regions. Guided by this theme, we engage in business that reflects the disaster prevention and relief issues of each country and region.

Details of Our Global CSR Project's Three Action Plans

Establishment of a global FamilyMart fund

Support the next generation through a global FamilyMart fund

- Establish a financial basis for CSR activities
- Address legislative issues in different countries
- Provide FamilyMart-initiated support

Program for helping children

Establish the "For Kids For the Future" program

- Nurture children who will support the world of tomorrow
- Support programs that help solve social issues in each country
- Collaborate with NPOs and NGOs

Happiness for All

—customers, communities, the earth—
Our global CSR symbol is based on FamilyMart values.

Development and sale of a reusable shopping bag

Return profits to local communities

- Use fund-raising products to solicit donations through campaign drives
- Reduce use of plastic shopping bags globally
- Reduce CO_2 emissions at convenience stores

See here for more details.
WEB http://www.family.co.jp/company/eco/special/2013_03/drr.html

FamilyMart × Save the Children JAPAN

Collaborating with Save the Children Japan

Program to Support Education about Disaster Risk Reduction

FamilyMart has been promoting education about disaster prevention, including disaster risk mitigation, for children and communities in Thailand, which suffered from major flooding in 2011, and in Vietnam, a country that is most susceptible to the impact of global climate change.

FamilyMart aims to improve the ability of people to respond safely to natural disasters at the regional level and in schools by raising awareness of disaster prevention and mitigation in local communities through education. In fiscal 2013, the Company conducted education and training sessions for 5,323 elementary school students from Ayudhya Province, Thailand, 2,000 children from Ho Chi Minh City, Vietnam, and 5,600 local residents.

Disaster risk reduction training at an elementary school in Ayudhya

Helping Solve Global Social Issues while Caring for the Environment

Launch of a Global Reusable Shopping Bag

FamilyMart helps preserve the environment not only in Japan but around the world by charging for plastic shopping bags and encouraging customers to bring their own bags when shopping at our stores.

In January 2014, FamilyMart began selling a fund-raising, reusable shopping bag at its convenience stores throughout Japan. For each one sold, ¥50 is donated to Save the Children Japan, with the funds used to help children through our global partnership program.

See here for more details.

WEB http://www.family.co.jp/company/eco/special/2013_03/eco-bag.html

TOPICS Initiatives in Japan

Thank You Letter Contest

In Japan, we host a thank you letter contest for elementary school children to nurture a spirit of generosity among the young so they will grow to become open-hearted adults. The number of entries increases each time we hold the contest, and in 2013, in our fifth contest, we received 46,676 thank you letters.

There were five judges on the judging panel, including freelance journalist Akira Ikegami, who has served as chief judge in every contest. Among the awards, 21 children received Best Letter prizes, 35 the Judges' Incentive prize, and seven schools and organizations the School and Organization Prize. FamilyMart representatives visited schools to present prize certificates to Best Letter prizewinners.

See here for more details.

WEB http://www.family.co.jp/arigatou2014

VOICE

After five years, the quality of the letters has improved with every contest. This year, many thank you letters were written with the recipient in mind, conveying a sense of gratitude. We live in an era of emails, which take no physical form, making it all the more important for children to experience the pleasure of holding and reading a handwritten letter.

Akira Ikegami
Head of Judging Panel
Freelance journalist

Strengthening Social and Lifestyle Infrastructure

In Partnership with Employees

Number of FamilyMart employees: **3,694** (Male: 3,248; Female: 446)

Disabled hiring rate: **1.87%**

Number of employees re-employed after retirement: **33**

Number of employees taking maternity and childcare leave: **34**

Number of employees under the designated area system: **55**

The education and training of a wealth of human resources is essential to ensuring the Company's sustainable growth and development as a global enterprise. To foster employees who take the initiative to "Listen, Decide, Act," FamilyMart is employing a wide range of education and training programs that focus on not only practical skills but also spiritual growth.

In addition, we are endeavoring to align workplace environments to individuals' lifestyles so that employees can excel irrespective of gender, age, situation, and nationality. FamilyMart is committed to promoting optimal work-life balance by building systems that accommodate employee diversity and take into consideration human rights.

See here for more details.
WEB http://www.family.co.jp/company/eco/stakeholder/employee.html

Human Resource Strategies That Ensure Growth

FamilyMart places considerable emphasis on three core human resource strategies. In specific terms, the Company focuses on the implementation of wide-ranging education and training programs, thorough recruitment processes, and the appropriate posting and periodic rotation of personnel. In these ways, we are building a robust human resource platform to support ongoing growth. Of these three strategies, the education and training of personnel entails programs aligned to the position and type of work. Training programs are conducted throughout an employee's career from the time he or she enters the Company. In addition to employees setting their personal objectives for each level of training, every effort is made to instill in employees the importance of independent thought and action.

Employee training programs

<table>
<tr><th></th><th colspan="4">Essential Requirements / Core Skills</th><th colspan="2">Global Training</th><th>Self-Education</th></tr>
<tr><td>Senior executive</td><td colspan="4">Officer seminars</td><td></td><td rowspan="5">Foreign language support program</td><td rowspan="5">Correspondence course program</td></tr>
<tr><td>Management</td><td rowspan="2">Training at the time of promotion</td><td colspan="3">Training by the nature of duties</td><td rowspan="3">Global leader training</td></tr>
<tr><td rowspan="3">Staff</td><td>Training based on the type of work</td><td colspan="2">Training by age</td></tr>
<tr><td colspan="4">Seminars for employees in their third year of employment</td></tr>
<tr><td>New recruit training</td><td colspan="2">Basic training
Practical training for store staff / Store managers</td><td>SVT training</td><td>Training program for employees dispatched overseas</td></tr>
</table>

Promotion of a Work-Life Balance

FamilyMart is placing considerable weight on initiatives that promote a work-life balance as part of its comprehensive efforts to remain a company that genuinely appeals to employees. We are therefore endeavoring to develop comfortable and exciting workplace environments that instill in employees a strong sense of purpose and the desire to wholeheartedly devote themselves to their duties. Working with labor, we hold seminars and forums, distribute work-related handbooks, and take other steps to create opportunities for the periodic exchange of opinions.

Moreover, we have put in place a variety of employee welfare programs to address such wide-ranging needs as child and nursing care.

Employees making use of various employment systems

	11/2	12/2	13/2	14/2
Maternity and childcare leave	21 (12)	31 (13)	37 (13)	34 (14)
Reduced working hours for childcare	32	32	39	42
Care leave	0	3	1	3
Designated area system	13	27	42	55
Deferred relocation system	23	20	17	2

* All 14 employees who gave birth in fiscal 2013 took maternity and childcare leave.
* ( ): Number of employees who commenced childcare leave that year

Employment for people with disabilities (%)

Year	Employment rate
2012/3	1.99
2013/3	1.96
2014/3	1.87

Number of employees reemployed after retirement

FY	Number of employees
2011	24 (7)
2012	29 (10)
2013	33 (12)

* ( ): Number of employees newly re-employed that year

In Partnership with Customers

Number of customer requests and suggestions:
21,064

Number of customer compliments:
1,171

Number of customer complaints:
17,109

Number of participants in excellent workshops that highlight the unique brand of FamilyMart franchised store customer service:
5,066

Number of complaints regarding product management:
1,870

Number of quality-related nationwide training sessions:
6

In Japan, more than 10 million people purchase items at FamilyMart stores each day. Our goals are to consistently provide customers with "a better life" and to become an indispensable part of their lives by ensuring a shopping experience characterized by "convenience friendliness and fun". To achieve these goals, we listen carefully to our customers' comments and not only work to exceed expectations, but also to deliver new products and services that anticipate future needs. In the area of ready-to-eat items, ensuring product safety and reliability is one of several essential requirements. With this in mind, we will remain committed to delivering fine quality and fine taste.

See here for more details.
WEB http://www.family.co.jp/company/eco/stakeholder/customer.html

Customer Feedback Mechanism

Customers are able to contact FamilyMart's customer service center by phone, by mail, or via the Internet. Customer feedback is promptly relayed to the appropriate area within the Company for attention. Drawing on a few examples, we took steps to improve the taste of our fried potatoes as well as to improve the configuration for counter coffee products based on suggestions received from customers.

The intranet serves as a medium for employees to share customer comments through and for the Company to posts examples of good hospitality and praise leading to improved store operations and greater customer satisfaction.

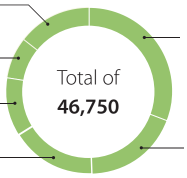
Excellent workshops that highlight the unique brand of FamilyMart franchised store excellent customer service that enhances customer satisfaction through convenience, friendliness, and fun are held for all store managers and staff nationwide

Materials that cite examples of good hospitality and praise are issued and examples of initiatives are shared by employees

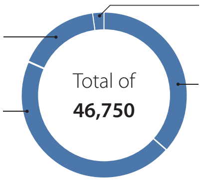
Customer Feedback (Praise and Complaints)

About 70% of all complaints received from customers are related to customer service, including service at the cash register or employee manners. The majority of these comments relate to the very basics of customer service, such as the attitudes of store staff, the manner in which customers are greeted, and the way store staff place items in plastic bags before passing to customers. As a part of the "FamilyMart Feel" campaign, quality workshops that highlight the unique brand of FamilyMart franchised store excellent customer service that enhances customer satisfaction through convenience, friendliness, and fun are held in each region. These workshops bring together store staff, who discuss among themselves ways in which to enhance the quality of customer service and to deliver a level of hospitality that overflows with the FamilyMart brand spirit. Through this and other means, FamilyMart is working diligently to foster store staff who take pride in promoting strong ties with customers. Meanwhile, we are making every effort to ensure that the basics of service, quality, and cleanliness (SQ & C) are maintained at a high level. To garner the praise of customers, we conduct external inspections as well as contests among stores in a bid to lift the level of our SQ & C. Recognizing that highly capable staff members can help bring about storewide excellence in customer service, FamilyMart has also introduced store staff excellence awards. Our goal is to nurture staff, who are able to engender a natural sense of appreciation in customers.

Contact to customer service office by subject in fiscal 2013



Contact to customer service office by type in fiscal 2013



Strengthening Social and Lifestyle Infrastructure

Boxed Lunch and Rice-Ball Quality Control System

Ingredients for boxed lunches, rice-balls, desserts, and other ready-to-eat items meeting FamilyMart's quality standards are supplied to production plants throughout Japan. Steps have been taken to identify a set of quality and hygiene management standards, and we have also put in place implementation rules and guidelines to be used across the entire process. As one of several initiatives aimed at ensuring product safety and reliability, the National Quality Control Conference is held once every two months for the quality control officers of our suppliers.

Quality and Hygiene Management Measures at FamilyMart
• Safe, secure raw material procurement of ingredients
• Reduced use of food additives
• Rigorous quality and hygiene management and upgrading measures
• Quality standards formulation
• Bacteria and nutrition checks from external organizations

Ready-to-eat food production plants (outsourced)

- Quality and hygiene management for food products and facilities
- Hygiene management in production processes
- Hygiene management for production operatives
- Hygiene checks from external organizations (three times a year)

Logistics centers

- Temperature management in cold storage facilities for delivery vehicles
- Three trips per day (boxed lunches only; two trips per day for other products)
- Temperature management within logistics centers
- Hygiene checks from external organizations (once a year)

Stores

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

Independent Efforts to Strengthen Quality Control Management Systems by Production Plants

Production plants conduct their own plant-wide inspections based on wide-ranging criteria and implement various measures, including staff education and training, to maintain and enhance levels of quality and hygiene management. In this manner, independent efforts are also being made to lift the quality of management and operating systems in a bid to prevent any food safety incident from arising.

National Quality Control Conference

See here for more details.
WEB http://www.family.co.jp/company/eco/safety/index.html

TOPICS

Use of Eco-Friendly Biomass Plastic Containers

In 1999, FamilyMart began using paper containers. In 2002, the Company switched to pulp mold containers made from reed pulp, and in 2007 it introduced the use of biomass plastic containers made from such items as corn. In this manner, FamilyMart has actively taken steps to incorporate environmental concerns into its use of containers.

Biomass plastic containers are carbon neutral; the plants used as material have already absorbed CO_2 through photosynthesis, which means that even if the containers release CO_2 during disposal there is effectively no increase in the total amount of CO_2 in the atmosphere. Customers are also helping to reduce environmental impact by selecting products that use biomass plastic containers.

Biomass plastic containers are used for salad items. Our usage of biomass plastic containers has risen by more than five times over the past seven years.

Corporate Governance

Corporate Governance and Internal Control System

Based on our belief that strong corporate governance builds enterprise value, we are working to construct 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

About Corporate Governance

As of June 1, 2014, the Company's Board of Directors comprises 9 directors who make decisions regarding important matters affecting the Company's business operations and perform supervisory duties. FamilyMart has adopted the executive officer system to speed up the taking of decisions concerning operations and their execution.

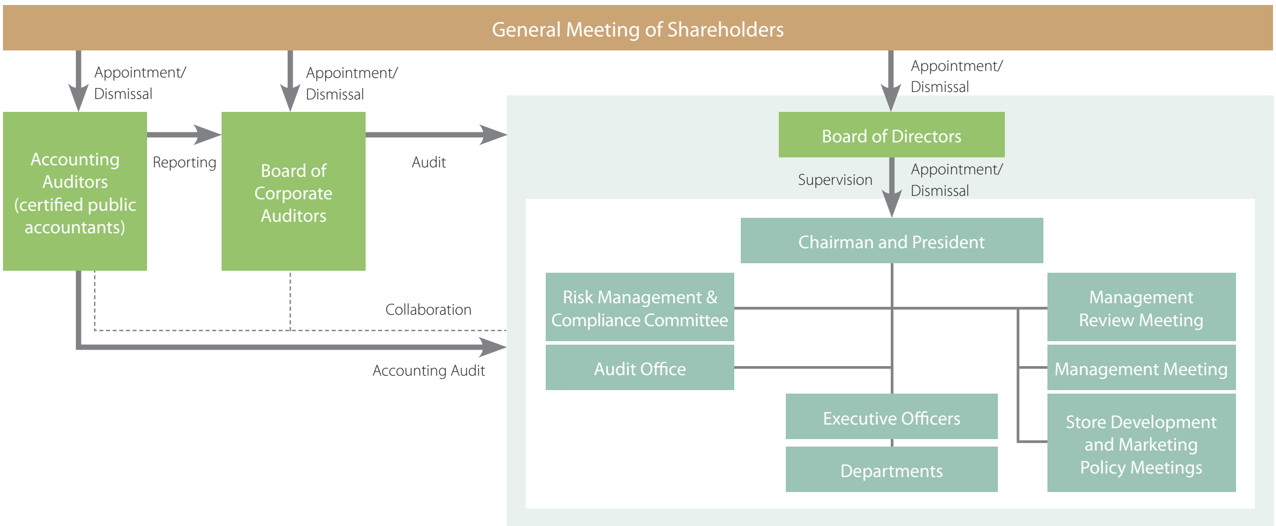
We have also set up the Risk Management & Compliance Committee to coordinate risk management systems and strengthen our mechanisms for the observance of all laws and ethical norms and a specialist department to establish a fully effective internal control system and entrench corporate governance at FamilyMart.

The Company's internal auditing unit, the Audit Office examines efficiency of performance, risk management, and compliance and reports directly to the Company's president. The office also conducts thorough checks on progress in the implementation of Audit Office directives and proposals.

FamilyMart has adopted the corporate auditor system. As of June 1, 2014, the Board of Corporate Auditors consists of four members, of whom three are outside corporate auditors. The auditors attend 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 by reading documents on important management decisions and hearing reports from the Audit Office and accounting auditors.

Corporate governance system

(As of June 1, 2014)



Overview of the Governance System

Important decisions about business operations and supervisory duties	Monthly meetings of Board of Directors
Directors' term of office	1 year
Outside directors	Not appointed
Reasons for not appointing outside directors	FamilyMart does not appoint outside directors, but the Company believes 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 those functions are being adequately fulfilled.
Auditors' term of office	4 years
Number of outside corporate auditors designated independent directors	2

The functions of each meeting format

		Fiscal 2013
Management Review Meeting	At the Management Review Meeting, preliminary steps are taken to consider agenda items that are subsequently submitted to the Board of Directors. This helps ensure in-depth deliberation at the Board level.	10 times
Management Meeting	At each Management Meeting, the representative director seeks advice on matters relating to business operations that require determination. In addition, this meeting is a forum to deliberate on implementation policies and plans for management in general, based on policies approved by the Board of Directors.	22 times
Store Development and Marketing Policy Meetings	The Store Development and Marketing Policy Meetings allow the representative director to seek advice before approving important matters relating to business activities. Moreover, these meetings provide the opportunity to discuss implementation policies and plans for business activities in general, based on policies approved by the Board of Directors.	12 times

Major issues addressed and decisions made in fiscal 2013

April 2013	Made decision to partially amend the Company's Articles of Incorporation, adding power generation and the sale of electricity to the scope of the Company's business
July 2013	Made decision to enter into an operational tie-up with Japan Airlines (JAL)
August 2013	Made decision to enter into an operational tie-up with Daiichikosho, opening the first outlet to combine a convenience store with karaoke facilities
November 2013	Made decision to convert 74 Tops Daily small-scale supermarkets acquired from Thai partner Central Retail to the FamilyMart format
December 2013	Raised the issue of strengthening the ability to attract customers using FamilyMart's card services
January 2014	Raised the issue of commencing sales of electricity generated using solar power

Reasons for Appointing Outside Auditors

Name	Reason for appointment	Attendance rate at fiscal 2013 Board of Directors' meetings	Attendance rate at fiscal 2013 Corporate Auditors' meetings
Noriki Tanabe	Noriki Tanabe was appointed to apply his long experience and wisdom from many years in the business community.	100% (17/17)	100% (13/13)
Mika Takaoka	Mika Takaoka was appointed to apply her long experience and wisdom from many years in the academic community. Also, as she fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, she was selected as an independent director.	94% (16/17)	100% (13/13)
Shuji Iwamura	Shuji Iwamura was appointed to apply his long experience and wisdom from many years in the legal community. Also, as he fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, he was selected as an independent director.	93% (14/15)	100% (11/11)

Note: Shuji Iwamura was elected to the Board of Corporate Auditors at the 32nd Ordinary General Meeting of Shareholders on May 23, 2013.

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 basic monthly salary is paid to executive employees under a management stock ownership plan.

Remuneration for standing corporate auditors also comprises two elements: 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 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)	478	478	—	—	—	12
Corporate auditors (except outside corporate auditors)	22	22	—	—	—	1
Outside corporate auditors	37	37	—	—	—	4

Note: The above figures include two directors and one corporate auditor who announced retirement at the end of the 32nd Ordinary General Meeting of Shareholders held on May 23, 2013.

Compensation for corporate auditors

	Fiscal 2012		Fiscal 2013	
	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	82	2	80	2
Consolidated subsidiaries	2	—	2	—
Total	84	2	82	2

Note: Non-audit services consist of advisory and other duties regarding international financial reporting standards.

Names of the certified public accountants that executed duties: Masahiro Ishizuka and Haruko Nagayama, Deloitte Touche Tohmatsu LLC

Corporate Governance and Internal Control System

Internal Control Initiatives

Structure of the Internal Control System

FamilyMart set up the Internal Control Department, based on its Board-approved basic policy on the creation of a more effective internal control system, 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 the Company's internal controls.

Ensuring Adequacy of the Internal Control System

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

Directors and corporate auditors are dispatched to Group companies to assess the status of management as needed. In addition to ensuring the proper conduct of operations, directors and corporate auditors may issue recommendations or provide advice on the structure of operations to address major internal control items. Moreover, corporate auditors of Group companies exchange information with FamilyMart's Board of Corporate Auditors on a regular basis, with steps taken to coordinate policy measures. Through these means, the Group works to improve its internal control system.

Compliance

The Company has established the FamilyMart Ethics and Compliance Basic Guidelines, the Three-Point Compliance Action Guidelines, and the Compliance Code of Conduct. The introduction of an internal reporting system, through which ethical and legal issues may be flagged up, has enabled us to strengthen our ethical and legal compliance.

Further, we are working to provide education, including e-learning, on a Companywide basis to raise the compliance awareness of our employees and franchised stores.

FamilyMart ethics and compliance basic guidelines

FamilyMart
Ethics and Compliance Basic Guidelines

1. Sound business management
2. Ensuring safe and reliable products and services
3. Fair trading
4. Appropriate information management
5. Environmental awareness
6. Creating an ideal workplace environment
7. Non-association with criminal elements

Basic Action Guidelines for All Employees	Specific Rules of Conduct ("dos and don'ts")
Three-Point Compliance Action Guidelines	**Compliance Code of Conduct**

The franchise and chain headquarters is also working hard to ensure fair trading and the provision of safe and reliable products and services by undertaking employee education 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.

Financial Reporting

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

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 customers as a convenience store by continuing the convenience-store business or at least restoring the operation of stores as quickly as possible. 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.

Acquisition of Privacy Mark

In November 2006, FamilyMart became the first convenience-store operator in Japan to be certified to use the Privacy Mark. Subsequently, permission to display the mark was extended to our e-commerce subsidiary famima.com Co., Ltd., and to famima Retail Service Co., Ltd. Through standards more rigorous than legal requirements, we are bolstering our information management in such areas as personal information protection.

たいせつにしますプライバシー
10840217(04)

Privacy Mark

FamilyMart's Risk Management

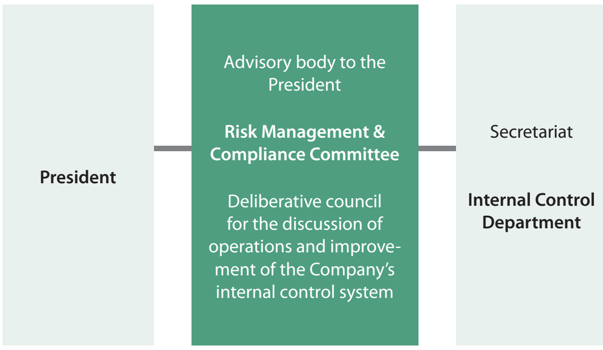
Increased Risk Management Matching the Stage of Growth

FamilyMart has continually developed and applied new rules and risk management standards in line with the growth of its business. With competition in the convenience-store sector expected to intensify further, we believe that emerging as a winner in the sector requires a constant focus on the importance of risk during the promotion of business and on the careful formation of strategies that encompass risk management systems.

FamilyMart's Risk Management System

To better coordinate risk management and compliance functions, we have established the Risk Management & Compliance Committee as an advisory body to the Company's president. The committee is a horizontal organization that extends across the Company, with a presence in each division. In principle, every quarter the Risk Management & Compliance Committee reviews the operational status of the Company's internal controls in line with the basic policy of creating a more effective internal control system.

Risk Management & Compliance Committee

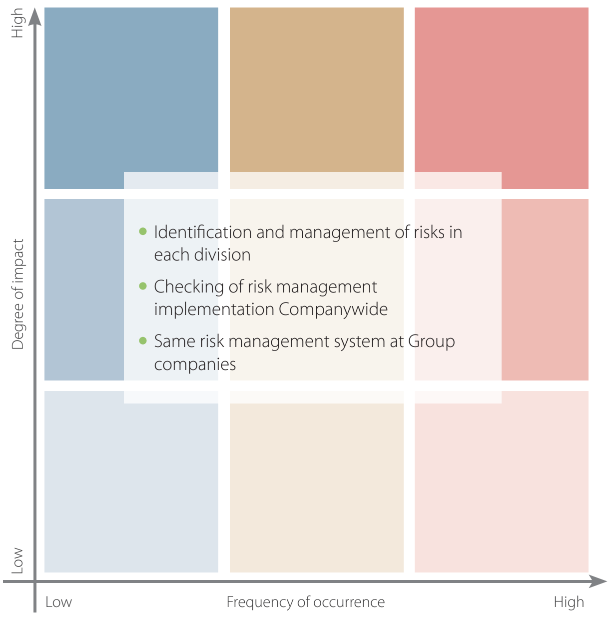


Preparation and Application of a Risk Map

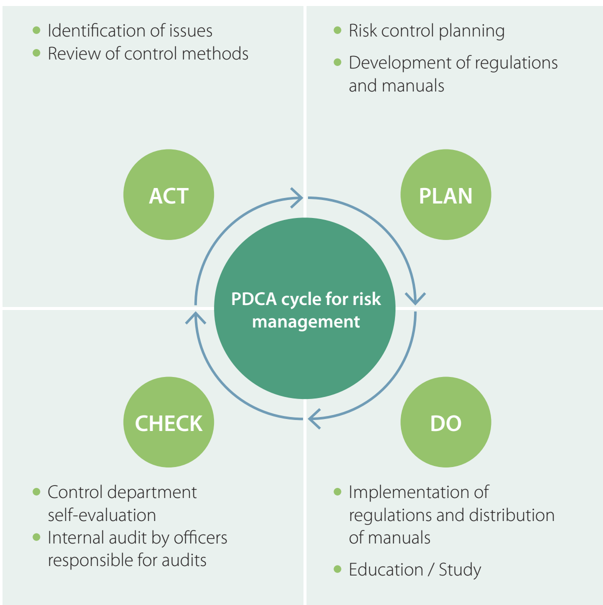
FamilyMart created a risk map to classify and evaluate the degree of impact and the frequency of risk that each division could potentially face after considering various factors. In addition to developing regulations and manuals relating to systems and operations to minimize the impact of risk, we have also taken measures to foster the overall awareness of employees toward risk, including online education and workshops.

Each fiscal year, FamilyMart carefully monitors changes in the business environment and reviews and selects those important risks that need to be addressed. At the same time, the Company checks on the implementation of risk management throughout the Company while applying a PDCA (plan, do, check, act) cycle and improving the precision of its risk management. This same risk management system is also used at FamilyMart's Group companies.

Preparation and application of a risk map



PDCA cycle for risk management



FamilyMart's Risk Management

Risk Management Relating to the Development of Overseas Businesses

The basic policy in developing our overseas businesses is built on partnerships with strong and credible local companies as well as the formation of joint-venture companies. The intention is to combine the knowledge and know-how of both parties to ensure the most appropriate arrangement for a given area. Different areas require different ways to counter risk, and the Company continues to improve the precision of risk management systems as it accelerates the development of its overseas businesses.

Advances in Improving the Precision of Risk Management

2006: Creation of the Risk Map Begins

As a retail business, FamilyMart was relatively quick to adopt risk map methodologies, which analyze the frequency and impact of risk factors.

2012: Introduction of Investment and Loan Management Rules

The Company moved from implementing investment management standards, aimed primarily at assessing the period required to recoup an investment, to balance-sheet-based management that is aligned to consolidated operations.

Investment and Loan Management Rules

These investment standards allow for quantitative and analytical decisions about acceptable limits to risk exposure from an assessment of returns and balance after multiplying risk weight, which takes into account the inherent risks of a location, by investment amount (assets). FamilyMart established the Business Management Department as a specialist organization and is adopting standards, assessing investments and loans in each field, and monitoring the situation after investment is complete.

Examples of Risk Management

Given the risks the Company faces while pursuing a growth strategy, FamilyMart has adopted a number of risk management measures aimed at minimizing any potential impact of these risks on earnings.

In its mainstay convenience-store business, the Group engages franchisees to operate its stores. Accordingly, business operations of the Group could be adversely affected by either illegal or scandalous behavior involving franchisees or business partners. In light of this, we have put in place guidelines with respect to matters that franchisees should be aware of, including the use of social media, the sale of licensed products, and anti-crime and anti-disaster measures. These guidelines are useful in training and raising awareness among store employees.

With food accounting for more than half of the products we offer in our stores, we are putting every effort into ensuring food safety. Such efforts include the establishment of rigid quality control standards and the formulation of a quality management system with our business partners that extends from the manufacturing stage through to sales.

Information systems are the linchpin of our franchise system, and, to prevent a situation that could hinder business operations or result in systems failure, the Company is constructing systems that provide for contingencies, including data back-up and duplicate operational systems.

Acting with Integrity

Over the past few years, FamilyMart has not only expanded its store network but also extended the range of functions provided by its stores. As a result, the number of risk factors on which we must focus has also increased. In light of differing values as well as laws and regulations involved in overseas business development, and the fact that FamilyMart employs more than 100,000 people of all ages in Japan alone, we believe the creation of rules and regulations alone to be insufficient.

Therefore, we consider it is important for everyone in the Company, from executives to employees, to have an increased awareness of risk management and to put into practice the fundamental FamilyMart policy of "Listen, Decide, Act."

As exemplified by the "Acting with Integrity" principle in FamilyMart's "Famimaship" action guidelines, we are working to ensure thorough risk management in line with our goal to be a successful business through honesty.

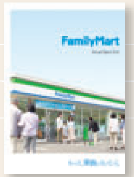
IR Activities

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.

Fiscal 2013 IR Activities Report

Meetings for analysts and institutional investors	Twice (interim and year-end results) Explanation of business results and management strategies
Briefing sessions	Four times (product strategies, etc.)
Other meetings	About 300 times
Domestic and international conferences hosted by securities companies	14 times
Overseas IR activities	Visits to important investors in the U.S., Europe, and Asia for briefing sessions Explanation of business results and management strategies
Briefings for individual investors	Seminars given by senior IR executives to sales staff at securities companies
Major communication tools	Annual report Semi-annual reports IR reports for employees (published every quarter)

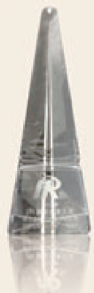


Annual Report

Semi-annual report for individual shareholders published after the second quarter and at fiscal year-end

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 (first retail company to receive the award)
Securities Analysts Association of Japan	Fiscal 2008	FamilyMart was sole recipient in retail 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
	Fiscal 2011	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
	Fiscal 2012	Honorable mention
International ARC Awards	Fiscal 2013	Traditional Annual Report, Convenience & Dept. category, Gold prize
Institutional Investor, All-Japan Executive Team Ranking	Fiscal 2012	Sell-side analysts' assessment, No. 1; Buy-side analysts' assessment, No. 3
	Fiscal 2013	Sell-side analysts' assessment, No. 3



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

Board of Directors, Executive Officers, and Corporate Auditors

(As of June 1, 2014)

(Left)

Chairman and Chief Executive Officer
Junji Ueda

(Right)

President
Isamu Nakayama

Managing Directors and Managing Executive Officers

Toshio Kato
General Manager of Corporate Planning Division, Supervisor of New Business Development Division, and General Manager of Information Systems Division

Motoo Takada
General Manager of Store Operation Division, Supervisor of Customer Service Office, and Supervisor of Franchisee Relations Office

Masaaki Kosaka
General Manager of Overseas Business Division and President and Chief Executive Officer of FamilyMart China Holdings Co., Ltd.

Akinori Wada
General Manager of Store Development Division

Yukihiko Komatsuzaki
General Manager of Accounting and Finance Division and Chairman of Cost Structure Reform Committee

Hiroaki Tamamaki
General Manager of Merchandising Division and General Manager of Logistics & Quality Control Division

Kimio Kitamura
General Manager of Management Division, Supervisor of Accounting and Finance Division, Chairman of Risk Management & Compliance Committee, and Chairman of Business Process Improvement Committee

Messages from Outside Corporate Auditors

Information Obtained On-site Lends Perspective

Corporate activity is becoming increasingly globalized, and society is scrutinizing corporations more closely. Amid such an environment, the focus of audits is expanding from matters of legality to the determination of what is appropriate, and I believe this to be a necessary function. It takes a discerning eye to determine what in fact is appropriate at a site where values are different, not just from the perspective of an executive but from the perspective of an auditor as well. The standards needed to determine what is appropriate are not learned exclusively in business administration courses and through management theory. In areas from product development and manufacturing to store development and store operations, I make the effort to actually visit the place of business and view conditions with my own eyes.

The scope of my role as an auditor is essentially limited to FamilyMart itself. It is clear, however, that governance also exists throughout franchisees that are also independent entities. From the standpoint of an auditor, I hope to contribute further to the promotion of appropriate business operations based on strong relationships of trust between the Head Office and franchise stores, which are the true engines of FamilyMart's growth.

Corporate Auditor
Mika Takaoka

Standing Corporate Auditors

Noriki Tanabe

Shintaro Tateoka

Corporate Auditors

Mika Takaoka

Shuji Iwamura

Managing Executive Officers

Kazushige Ueno

Mitsuji Hirata

Yoshihito Nakahira

Toshinori Honda

Senior Executive Officers

Katsuo Ito

Kimichika Iwakiri

Minoru Aoki

Teruo Kuramata

Makoto Sugiura

Kiyoshi Kikuchi

Junichi Yamashita

Executive Officers

Noboru Takebayashi

Masami Fujimori

Takehiko Kigure

Masanori Sugiura

Toru Ichikawa

Yoshikazu Onozuka

Tomoaki Ikeda

Takashi Iizuka

Yoshiaki Uematsu

Yoshiki Sakazaki

Kenji Misawa

Atsushi Inoue

Hiroshi Sawada

Junichi Maenishi

Eiji Morita

Toshiya Yoshida

Kuniaki Abe

Katsuhisa Nozaki

What It Takes to Continue to Be a Company Trusted by Society

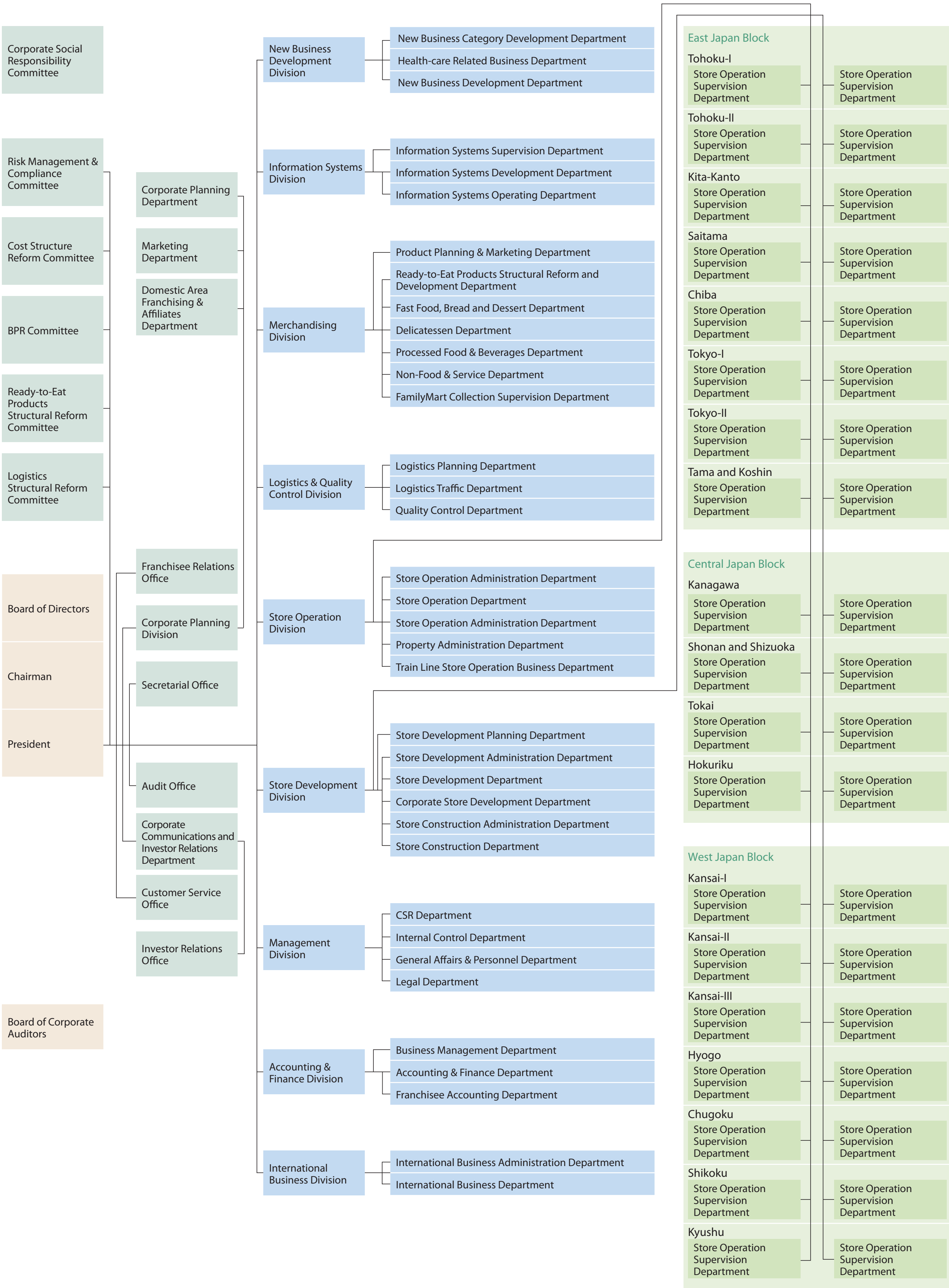
Convenience stores can be said to offer people convenience and peace of mind, as well as a variety of public services, as they go about their daily lives. In this sense, I believe convenience stores play a role very similar to those performed by the post offices and police stations scattered throughout the country. To fulfill the wide variety of functions necessary to people's daily lives, convenience stores must work to gain and maintain the trust and confidence of society as a whole.

As a lawyer, I believe I am expected to assist in preventing fraud or misconduct. On the other hand, should such an unfortunate event occur, I am expected to provide advice so as there are no mistakes in the handling of such a situation in the early stages. While remaining conscious of the basic perspective and responsibilities of an auditor, I will strive do my best to assist FamilyMart as it seeks to develop further as a convenience-store chain that extends across the world while displaying great utility and social value; to occupy a key station in local communities; to play an indispensable role in the neighborhood; and to continue to be trusted and admired by the people it serves.

Corporate Auditor
Shuji Iwamura

Organization

(As of June 1, 2014)



Data and Financial Section

Fact Sheets

Retail Sector Data

Sales of Retail Sector

(Billions of yen)

	08/3	09/3	10/3	11/3	12/3	13/3	14/3
Entire retail sector	136,174	134,784	134,097	135,564	136,709	137,184	141,136
Department stores	8,429	7,844	7,054	6,727	6,723	6,649	6,892
Supermarkets	12,824	12,815	12,513	12,852	12,978	12,905	13,251
Convenience stores	7,516	8,056	7,938	8,266	8,976	9,542	10,018

Principal Indicators of Convenience-Store Industry

Major Convenience Store Chains (number of domestic stores)

	08/2	09/2	10/2	11/2	12/2	13/2	14/2	YoY difference
Seven-Eleven Japan	12,034	12,298	12,753	13,232	14,005	15,072	16,319	1,247
LAWSON	8,626	9,527	9,761	9,994	10,457	11,130	11,606	476
FamilyMart	**7,187**	**7,404**	**7,688**	**8,248**	**8,834**	**9,481**	**10,547**	**1,066**
am/pm	1,146	1,124	1,104	469				
Circle K Sunkus	6,139	6,166	6,219	6,274	6,169	6,242	6,359	117
MINISTOP	1,895	1,939	2,021	2,042	2,105	2,192	2,218	26
Daily Yamazaki	1,598	1,641	1,626	1,624	1,644	1,617	1,571	(46)
Seicomart	1,032	1,039	1,071	1,100	1,132	1,154	1,160	6
MICS Group	994	1,087	1,018	971	920	874	825	(49)
POPLAR	755	701	705	700	700	713	655	(58)
Three F	722	712	710	704	710	679	641	(38)
SAVE ON	557	568	568	567	577	582	600	18
JR-EAST	406	413	416	431	454	502	506	4
Community Store	290	271	282	285	303	313	448	135
JR-WEST	167	171	166	165	163	179	179	—
Total	43,548	45,061	46,108	46,806	48,173	50,730	53,634	2,904

Note: FamilyMart merged with am/pm in March 2010.

Total Store Sales (non-consolidated)

(Billions of yen)

	08/2	09/2	10/2	11/2	12/2	13/2	14/2
FamilyMart	**1,122**	**1,246**	**1,274**	**1,440**	**1,535**	**1,585**	**1,722**
Seven-Eleven Japan	2,574	2,763	2,785	2,948	3,281	3,508	3,781
LAWSON	1,403	1,506	1,472	1,503	1,621	1,693	1,759
Circle K Sunkus	860	891	852	855	896	879	895

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

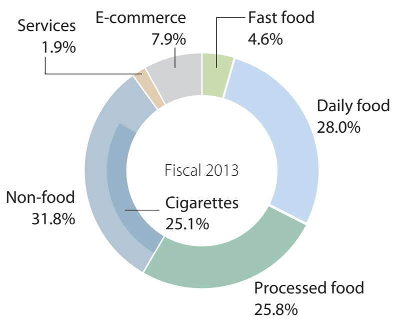
(%)

	08/2	09/2	10/2	11/2	12/2	13/2	14/2
FamilyMart	**0.9**	**7.1**	**(2.4)**	**(0.2)**	**4.4**	**(1.6)**	**(0.4)**
Seven-Eleven Japan	(1.5)	5.2	(2.1)	2.2	6.7	1.3	2.3
LAWSON	(0.8)	6.5	(4.1)	0.8	5.4	0.0	(0.2)
Circle K Sunkus	(1.8)	4.1	(5.6)	(1.4)	3.1	(4.8)	(3.1)

Sources: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha for number of stores; 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 chickens, steamed meat buns, *oden*, french fries and counter coffee, etc. made and sold over the counter
Daily food	Lunch boxes, 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 and pre-paid cards sales by Famiport (multimedia terminals)

Breakdown of Sales by Product Category

(Millions of yen)

	11/2			12/2			13/2			14/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	47,939	2.9	3.5	52,939	10.4	3.5	59,850	13.1	3.8	78,602	31.3	4.6
Daily food	400,686	5.2	29.6	428,645	7.0	28.4	448,593	4.7	28.4	482,115	7.5	28.0
Processed food	377,633	5.3	28.0	399,341	5.7	26.4	417,404	4.5	26.3	444,414	6.5	25.8
Liquor (License goods)	64,506	0.6	4.8	65,413	1.4	4.3	67,753	3.6	4.3	72,886	7.6	4.2
Food sub-total	826,258	5.1	61.1	880,925	6.6	58.3	925,847	5.1	58.5	1,005,131	8.6	58.4
Non-food	423,276	8.0	31.3	511,627	20.9	33.8	526,742	3.0	33.2	547,386	3.9	31.8
Cigarettes (License goods)	315,683	11.0	23.4	400,197	26.8	26.5	412,414	3.1	26.0	432,280	4.8	25.1
Services	30,561	5.8	2.3	32,716	7.1	2.2	33,119	1.2	2.1	33,511	1.2	1.9
E-commerce	71,375	6.8	5.3	86,447	21.1	5.7	98,654	14.1	6.2	135,677	37.5	7.9
Total	1,351,470	6.1	100.0	1,511,715	11.9	100.0	1,584,362	4.8	100.0	1,721,705	8.7	100.0

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

Gross Profit Ratio

(%)

	11/2		12/2		13/2		14/2		15/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	51.92	0.96	52.25	0.33	52.74	0.49	54.82	2.08		
Daily food	35.80	0.57	36.19	0.39	36.35	0.16	35.71	(0.64)		
Processed food	36.63	0.95	37.29	0.66	37.82	0.53	37.68	(0.14)		
Liquor (License goods)	24.41	0.16	24.59	0.18	24.80	0.21	24.78	(0.02)		
Food sub-total	37.11	0.74	37.66	0.55	38.07	0.41	38.08	0.01		
Non-food	16.50	0.07	15.45	(1.05)	15.60	0.15	15.62	0.02		
Cigarettes (License goods)	11.07	0.58	10.48	(0.59)	10.50	0.02	10.50	—		
Services	11.16	(0.58)	9.89	(1.27)	9.83	(0.06)	10.29	0.46		
E-commerce	3.45	0.03	3.37	(0.08)	3.69	0.32	4.07	0.38		
Total	28.31	0.35	27.59	(0.72)	27.89	0.30	27.73	(0.16)	28.08	0.35

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

Fact Sheets

Business Performance (non-consolidated)

Business Performance

		11/2		12/2		13/2		14/2		15/2 (Est.)	
			YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	505	7	531	26	523	(8)	**521**	**(2)**	529	8
	Existing stores	502	1	531	29	527	(4)	**525**	**(2)**	535	10
	New stores	564	125	521	(43)	429	(92)	**440**	**11**	450	10
Number of customers	Total stores	944	21	961	17	950	(11)	**932**	**(18)**	947	15
	Existing stores	932	6	956	24	956	—	**940**	**(16)**	956	16
Spend per customer (yen)	Total stores	534	(6)	552	18	551	(1)	**559**	**8**	559	—
	Existing stores	539	(1)	556	17	551	(5)	**559**	**8**	560	1
Growth rate of average daily sales of existing stores (%)		(0.2)		4.4		(1.6)		**(0.4)**		2.0	
Average inventory (thousands of yen)		5,744	75	5,997	253	6,221	224	**6,531**	**310**	6,587	56
Turnover of goods (times)		31.3	(0.3)	31.4	0.1	29.7	(1.7)	**27.8**	**(1.9)**	28.2	0.4

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

Bill Settlement Service

	11/2		12/2		13/2		14/2	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Transaction volume (millions of yen)	1,604,653	11.2	1,680,078	4.7	1,791,706	6.6	**1,896,979**	**5.9**
Number of transactions (thousands)	171,978	11.0	177,823	3.4	186,852	5.1	**195,783**	**4.8**

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

Stores

Number of Stores by Region

Taiwan 2,897
South Korea 7,925
Thailand 1,070
China 1,095
U.S.A. 9
Vietnam 28
Indonesia 12
The Philippines 39
Hokkaido 68

FamilyMart stores
Area franchising stores

Total: 23,622 stores
As of February 28, 2014

Ishikawa 90
Aomori 54
Iwate 107
Yamaguchi 71
Shimane 53
Tottori 60
Kyoto 228
Fukui 101
Akita 73
Miyagi 235
Hiroshima 203
Okayama 120
Hyogo 389
Shiga 114
Toyama 80
Niigata 68
Yamagata 105
Fukushima 142
Nagasaki 144 5
Fukuoka 345 82
Osaka 1,002
Gifu 102
Nagano 115
Gunma 96
Tochigi 155
Ibaraki 219
Ehime 111
Kagawa 101
Saga 66 6
Oita 66 21
Nara 88
Aichi 527
Yamanashi 85
Saitama 547
Tokyo 1,846
Kochi 44
Tokushima 67
Kumamoto 109 20
Miyazaki 98
Wakayama 82
Mie 163
Shizuoka 226
Kanagawa 708
Chiba 473
Okinawa 232
Kagoshima 235

Number of Stores

	11/2		12/2		13/2		14/2		15/2 (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	437	3	387	(50)	397	10	**386**	**(11)**	407	21
Type 1	4,487	401	5,013	526	5,475	462	**6,071**	**596**		
Type 2	2,705	67	2,764	59	2,900	136	**3,323**	**423**		
Franchised stores	7,192	468	7,777	585	8,375	598	**9,394**	**1,019**	10,523	1,129
FamilyMart stores	7,629	471	8,164	535	8,772	608	**9,780**	**1,008**	10,930	1,150
Okinawa FamilyMart Co., Ltd.	203	2	212	9	220	8	**232**	**12**		
Minami Kyushu FamilyMart Co., Ltd.	284	(5)	291	7	304	13	**333**	**29**		
Hokkaido FamilyMart Co., Ltd.	45	5	52	7	58	6	**68**	**10**		
JR KYUSHU RETAIL, INC.	87	87	115	28	127	12	**134**	**7**		
Domestic area franchising stores	619	89	670	51	709	39	**767**	**58**	831	64
Domestic chain stores	8,248	560	8,834	586	9,481	647	**10,547**	**1,066**	11,761	1,214
Taiwan	2,637	213	2,809	172	2,851	42	**2,897**	**46**	2,947	50
South Korea	5,511	768	6,910	1,399	8,001	1,091	**7,925**	**(76)**	—	(7,925)
Thailand	622	57	687	65	806	119	**1,070**	**264**	1,301	231
Shanghai	442	155	639	197	741	102	**792**	**51**	932	140
Guangzhou	88	42	121	33	146	25	**142**	**(4)**	173	31
Suzhou	36	10	48	12	70	22	**93**	**23**	117	24
Hangzhou			5	5	17	12	**34**	**17**	62	28
Chengdu					15	15	**26**	**11**	43	17
Shenzhen							**6**	**6**	21	15
Wuxi							**2**	**2**	10	8
China sub-total	566	207	813	247	989	176	**1,095**	**106**	1,358	263
United States	10	1	8	(2)	9	1	**9**	**—**	11	2
Vietnam	4	3	18	14	39	21	**28**	**(11)**	73	45
Indonesia					5	5	**12**	**7**	34	22
The Philippines							**39**	**39**	113	74
Overseas area franchising stores	9,350	1,249	11,245	1,895	12,700	1,455	**13,075**	**375**	5,837	(7,238)
Total area franchising stores	9,969	1,338	11,915	1,946	13,409	1,494	**13,842**	**433**	6,668	(7,174)
Total chain stores	17,598	1,809	20,079	2,481	22,181	2,102	**23,622**	**1,441**	17,598	(6,024)

Number of Store Openings and Closures (non-consolidated)

	11/2			12/2			13/2			14/2			15/2 (Est.)		
	Opening	Closure	Net increase	Opening	Closure	Net increase	Opening	Closure	Net increase	Opening	Closure	Net increase	Opening	Closure	Net increase
Domestic chain stores (including domestic area franchising stores)	853	293	560	914	328	586	959	312	647	1,355	289	1,066	1,600	386	1,214
FamilyMart (non-consolidated)	741	270	471	851	316	535	900	292	608	1,284	276	1,008	1,500	350	1,150

* Non-consolidated results of conventional stores (stores newly opened by FamilyMart Co., Ltd.) include stores converted from the am/pm brand to the FamilyMart brand.
(FY 2011: 329 stores, FY 2012: 302 stores)

Fact Sheets

Capital Expenditure

Non-Consolidated

(Millions of yen)

	11/2	YoY (%)	12/2	YoY (%)	13/2	YoY (%)	14/2	YoY (%)	15/2 (Est.)	YoY (%)
Leasehold deposits	10,108	(30.7)	13,165	30.2	20,761	57.7	**31,299**	**50.8**	29,583	(5.5)
New stores	4,742	10.3	6,237	31.5	9,523	52.7	**15,918**	**67.2**	24,012	50.8
Existing stores	1,865	(17.6)	2,525	35.4	2,190	(13.3)	**3,004**	**37.2**	11,341	277.5
For stores	6,607	0.7	8,762	32.6	11,713	33.7	**18,922**	**61.5**	35,353	86.8
Head office investment	246	138.8	468	89.7	351	(25.0)	**727**	**107.1**	246	(66.2)
System investment	3,232	(14.3)	2,858	(11.6)	3,439	20.3	**4,571**	**32.9**	12,573	175.1
For head office	3,478	(10.2)	3,326	(4.4)	3,789	13.9	**5,297**	**39.8**	12,819	142.0
Lease	15,696	70.4	13,525	(13.8)	15,190	12.3	**28,027**	**84.5**	44,609	59.2
Total capital expenditure	35,889	4.9	38,778	8.0	51,454	32.7	**83,546**	**62.4**	122,363	46.5
Depreciation and amortization expense	9,711	32.2	13,016	34.0	15,463	18.8	**20,205**	**30.7**	27,900	38.1

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

Consolidated

(Millions of yen)

	11/2	YoY (%)	12/2	YoY (%)	13/2	YoY (%)	14/2	YoY (%)	15/2 (Est.)	YoY (%)
Total capital expenditure	40,303	0.0	46,324	14.9	60,481	30.6	**93,256**	**54.2**	130,997	40.5
Depreciation and amortization expense	12,582	21.7	16,190	28.7	19,006	17.4	**24,460**	**28.7**	32,846	34.3

Consolidated Subsidiaries

Main Consolidated Subsidiaries

(Millions of yen)

		12/2			13/2			14/2		
	Shares	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income
Taiwan FamilyMart Co., Ltd.	**47.44%**	28,616	3,208	2,723	31,685	3,120	2,326	**38,475**	**3,843**	**3,614**
Central FamilyMart Co., Ltd.[Note 2]	—	23,216	291	233	19,433	43	8			
famima. com Co., Ltd.	**54.25%**	5,403	1,083	634	6,299	1,367	786	**7,645**	**1,704**	**930**
FAMIMA CORPORATION	**100.00%**	1,061	(238)	(263)	1,087	(220)	(259)	**1,292**	**(250)**	**(261)**

Notes: 1. The figures for earnings contributions (shares) by subsidiaries are as of February 28, 2014.
2. Siam FamilyMart (currently Central FamilyMart) changed from a consolidated subsidiary to an associated company accounted for by the equity method in 4th Q of FY 2012.

Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

	Shares	12/2 Net income	13/2 Net income	14/2 Net income
Okinawa FamilyMart Co., Ltd.	**48.98%**	390	608	**822**
Minami Kyushu FamilyMart Co., Ltd.	**49.00%**	26	196	**31**
Hokkaido FamilyMart Co., Ltd.	**49.00%**	22	(13)	**(49)**
BGFretail Co., Ltd. [Note 2]	**25.00%**	5,575	3,021	**5,471**
Central FamilyMart Co., Ltd. [Note 3]	**48.20%**		274	**(80)**
Shanghai FamilyMart Co., Ltd.	**30.72%**	(921)	(1,981)	**745**

Notes: 1. The figures for earnings contributions (shares) by associated companies are as of February 28, 2014.
2. BGFretail will cease to be an equity-method affiliate of FamilyMart in the fiscal year ending February 2015.
3. Siam FamilyMart (currently Central FamilyMart) changed from a consolidated subsidiary to an associated company accounted for by the equity method in 4th Q of FY 2012.

Franchise Contracts

Types of FamilyMart Franchise Contracts

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

(As of February 28, 2014)

Contract type		1FC-A	1FC-B	1FC-C	2FC-N Note3
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,000,000 at contract date (excluding consumption tax) Affiliation fee: ¥500,000 (excluding consumption tax) Store preparation commission: ¥1,000,000 (excluding consumption tax) 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 hiring and 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.

The Franchiser (FamilyMart Head Office)

The Franchisees (Franchised stores)

Store Support

- Provision of brand logo, store operation know-how, and data management and logistics systems
- Development and supply of products
- Staff training service
- Advertising and sales promotion

⋮

Store Management

- Inventory ordering, selling
- Product display design
- Hiring and training of store staff

⋮

Major Store Operation Systems

Multiple-Store Promotion System (1FC Contracts)	Multiple-Store Promotion System (2FC Contracts)	Step-Up Program for Franchisees on 2FC Contracts
This incentive-based support system encourages franchisees operating one store to take on multiple stores.	Under this system, which is geared toward expanding franchise store operations, FamilyMart's Head Office provides all store infrastructure, thereby allowing franchisees to hold down the outlay of funds. Irrespective of the initial type of operating contract, franchisees can take on the management of multiple stores.	This program 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.

Major Support Systems for Franchisee

Family Membership Promotion System	Newly Independent Franchisee Support System	2FC-N Contract Funds Partial Loan System	FamilyMart Store Staff Independent Franchisee Support System

* Not applicable to certain stores

Management's Discussion and Analysis

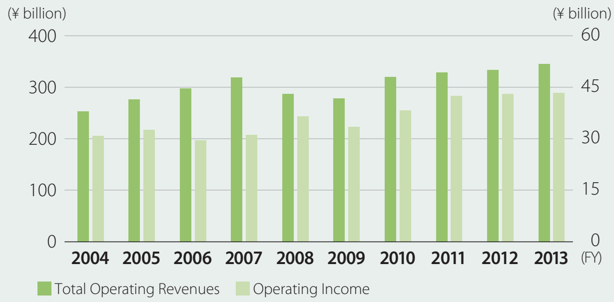
Executive Summary

- Established a 10,000-strong store network in Japan through aggressive store opening activities
  1,355 new stores* opened in Japan
  Average daily sales at existing stores: ¥521,000**
  Average daily sales at new stores: ¥440,000**
  Growth rate at existing stores: (0.4) %**
  Gross profit ratio: 27.73%**
- Successfully expanded overseas operations by strengthening presence throughout Asia
- Achieved record-high operating and ordinary income on a consolidated basis

* Includes 71 stores newly opened by the four domestic area franchisers
** The figures above do not reflect the performance results of the TOMONY stores.

Long-Term Performance Trends

Total Operating Revenues / Operating Income



Average Daily Sales

Market Environment and Review of Operations for Fiscal 2013

During fiscal 2013, ended February 28, 2014, a range of government policies, including monetary-easing measures as well as financial policies, took effect in Japan, with the domestic economy beginning to show such positive signs as an improvement in corporate-sector profits and a rally in capital investment. This upturn was also supported by an end to the global recession. Despite these favorable conditions, consumer sentiment deteriorated due to sluggish growth in personal incomes and higher prices resulting from yen depreciation. Under these circumstances, conditions in the retail sector remained challenging throughout the fiscal year under review.

Looking at the retail sector in Japan as a whole, sales increased 2.9% compared with the previous fiscal year, to ¥141.1 trillion. By format, department store sales climbed 3.7%, to ¥6.9 trillion, while growth in supermarket sales was held to ¥13.3 trillion, for a year-on-year increase of 1.8%. Surpassing trends in other formats, sales in the convenience-store market expanded 5.0%, to ¥10.0 trillion*. Convenience stores have continued to benefit from a variety of favorable factors. In addition to demographic and social changes, including the falling birthrate and rising numbers of elderly as well as the increase in single-person households, such factors as expansion in the range of customers following the earthquake disaster, which has helped to trigger an upswing in demand for ready-to-eat products, and aggressive efforts to open new stores, develop products, and collaborate with other formats have also contributed to an increase in the number of customers visiting convenience stores. Further, the acceleration of aggressive store openings by the big chains has resulted in their capturing a greater sales share of the convenience-store market in Japan. The top three chains, including FamilyMart, have increased their market share from 59% in fiscal 2004 to 72% in fiscal 2013.

Against this backdrop, FamilyMart positioned fiscal 2013 as the year of challenge that will decide the next decade and worked diligently to establish a high-quality store network to expand its revenue base. Following on from the previous fiscal year, we opened a record 1,355 new stores during the fiscal year under review, including 71 stores newly opened by the four domestic area franchisers, for a nationwide network of 10,000 stores as of October 2013. We also upgraded and expanded our product lineups and services to address the broadening of customer segments and desired store functions. Moreover, as a part of efforts to deliver new value in our capacity as a social and lifestyle infrastructure provider, we strengthened our alliances with companies in other industry sectors. We opened integrated convenience/drug stores incorporating pharmacy dispensing functions and established tie-ups with supermarket-format operators to flexibly address changes in the structure of society, such as the aging population, the dwindling birthrate, and the increasing number of single-person households.

In developing our overseas operations, we reorganized our business activities with an eye toward bringing forward earnings. At the same time, we accelerated the pace of business expansion in areas where we already have a presence. These efforts targeted Thailand, where we have already reorganized operations. Also, after opening our first store in the Philippines, we took steps to enter the markets of Shenzhen and Wuxi in China.

Reflecting the abovementioned factors, FamilyMart reported record-high revenues, operating income, and ordinary income on a consolidated basis for the fiscal year under review.

As of February 28, 2014, the FamilyMart Group included 22 subsidiaries and 21 associated companies.

* Source: Retail Statistical Yearbook, Japan's Ministry of Economy, Trade and Industry

Analysis of Business Performance

For details regarding market environments and business strategies, please refer to pages 20 to 46.

Business Performance (non-consolidated)

In fiscal 2013, FamilyMart's average number of visitors per day at existing stores was 940, a decrease of 16 compared with the previous fiscal year, mainly due to poor weather conditions and sluggish consumer confidence. Average spending per customer at existing stores, on the other hand, was ¥8 higher than the previous fiscal year, at ¥559. This increase reflected the development of products that delivered a level of value that exceeded their price and successful efforts to bolster product lines. The growth rate of average daily sales at existing stores edged down 0.4%.

Business Performance (non-consolidated)

	12/2	13/2	14/2	YoY difference
Growth rate of average daily sales per existing store (%)	4.4	(1.6)	(0.4)	
Average daily sales at existing stores (Thousands of yen)	531	527	525	(2)
Number of customers per day at existing store	956	956	940	(16)
Spend per customer at existing stores (¥)	556	551	559	8

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

Products

1. Breakdown of Sales by Product Category (non-consolidated)

In fast food, one of our priority product categories, new products, including "Famikara" fried chicken pieces, were extremely well received. Sales of our FAMIMA CAFÉ brand of in-store freshly ground coffee were also strong after completing the installation of coffee machines at virtually every store. Reflecting such factors, fast food sales increased substantially, climbing 31.3% year on year.

In daily food, we bolstered product lineups centered on the "FamilyMart collection" private brand. These efforts contributed to more frequent store visits by older customers and housewives, resulting in a 7.5% rise in sales.

Higher sales following the launch of the "FamilyMart collection" private brand also translated into sales increases of 6.5% in processed foods and 3.9% in non-food products.

Sales of services edged up 1.2% year on year due to an expanded range of services. Sales in our electronic commerce business improved 37.5% on increased usage of pre-paid card services.

As a result, the Company's sales overall grew 8.7% compared with the previous fiscal year.

Breakdown of Sales by Product Category (non-consolidated)

(Millions of yen)

	12/2	13/2	14/2	YoY change
Fast food	52,939	59,850	78,602	31.3%
Daily food	428,645	448,593	482,115	7.5%
Processed food	399,341	417,404	444,414	6.5%
Non-food	511,627	526,742	547,386	3.9%
Services	32,716	33,119	33,511	1.2%
E-commerce	86,447	98,654	135,677	37.5%
Total	1,511,715	1,584,362	1,721,705	8.7%

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

2. Gross Profit Ratio (non-consolidated)

Despite higher fast food sales, which have a high gross profit ratio, the gross profit ratio on sales of food products was 38.08%, a nominal 0.01-percentage-point increase compared with the previous fiscal year. The overall gross profit ratio declined 0.16 percentage points, to 27.73%, mainly due to an upswing in electronic commerce business sales, which have a low gross profit ratio.

Management's Discussion and Analysis

Gross Profit Ratio (non-consolidated)

	12/2	13/2	14/2	YoY difference
Gross profit ratio (%)	27.59	27.89	27.73	(0.16)
Gross profit ratio on food products (%)	37.66	38.07	38.08	0.01

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

Number of Stores (including area franchised stores)

	12/2	13/2	14/2	YoY difference
Japan	8,834	9,481	10,547	1,066
Overseas	11,245	12,700	13,075	375
Total chain stores	20,079	22,181	23,622	1,441

Store Development

The number of stores operated in Japan by FamilyMart and its four domestic area franchisers as of the end of the fiscal year under review was 10,547, a net increase of 1,066 stores compared with the previous fiscal year-end. Looking at our tie-ups with railway operators, 66 in-station stores of Kintetsu Corporation were converted into FamilyMart stores, bringing the number of railway operator affiliated stores to 402 through collaborations with 13 railway operators as of February 28, 2014. Moreover, average daily sales at new conventional FamilyMart stores* improved ¥11,000, to ¥440,000.

FamilyMart also continued to aggressively open stores overseas, focusing mainly on Thailand. We also commenced steps to open stores in new areas and regions, including the Philippines and areas of China. As a result, FamilyMart now operates 13,075 stores outside Japan, a year-on-year increase of 375 stores. Combining store networks in Japan and overseas, the total number of stores in the FamilyMart chain as of February 28, 2014, was 23,622, up 1,441 compared with the end of the previous fiscal year.

* Conventional stores: Stores newly opened by FamilyMart Co., Ltd. (non-consolidated, excluding stores opened by area franchisers)

Store Development Performance (non-consolidated)

	12/2	13/2	14/2	YoY difference
Store openings	851	900	1,284	384
Store Closures	316	292	276	(16)
Scrap and build	100	102	96	(6)
Average daily sales at new stores (Thousands of yen)	521	429	440	11

Note: Average daily sales at new stores do not include the performance results of TOMONY stores and am/pm stores before brand conversion.

Operating Results (consolidated)

Analysis of Revenues, Costs, and Expenses

Total operating revenues of the FamilyMart Group on a consolidated basis, comprising commission from franchised stores, net sales, and other operating revenues, rose ¥11,503 million (3.4%) year on year, to ¥345,604 million (US$3,388,275 million). This growth was largely attributable to an increase in the number of operating days due to the higher number of stores on a non-consolidated basis and contributions from our subsidiary in Taiwan.

Operating expenses climbed ¥11,314 million (3.9%) compared with the previous fiscal year, to ¥302,294 million (US$2,963,667 million).

As a result, operating income edged up ¥203 million (0.5%), to ¥43,310 million (US$424,608 million).

Other expenses—net totaled ¥804 million (US$7,883 million), a year-on-year turnaround of ¥2,203 million.

Accounting for each of these factors, income before income taxes and minority interests decreased ¥2,001 million (4.5%), to ¥42,506 million (US$416,725 million), and net income was down ¥2,409 million (9.6%), to ¥22,611 million (US$221,676 million).

Earnings per share came to ¥238.19 (US$2.34).

Geographical Segments

Japan

Total operating revenues of all domestic operations grew 7.0% year on year, to ¥304,524 million, while segment profit declined 3.5%, to ¥19,353 million. During the year under review, FamilyMart stepped up store openings in the three major metropolitan areas of Tokyo, Osaka, and Nagoya and in leading provincial cities on a non-consolidated basis. At the same time, we accelerated the pace at which we opened stores with diversified formats, including those in new markets, launched mobile sales vehicles, and installed Automatic Super Delice (ASD) vending machines.

Overseas

In Taiwan, we took steps to increase the number of ready-to-eat meals reinforced type stores, which incorporate an in-store eat-in corner space. We also adopted a scrap-and-build policy as a part of efforts to address changes in the market. Through these means, FamilyMart worked diligently to establish a high-quality store network. In addition, we introduced the "FamilyMart collection" private brand, which has exhibited success in Japan, to increase sales and differentiate product lines.

In Thailand, we leveraged synergies from our tie-up with Central Retail Corporation Limited, the largest general retailer in Thailand. To that end, we conducted joint procurement of raw materials and product development, and in November 2013 we acquired 74 Tops Daily small-scale supermarkets for conversion to FamilyMart brand stores. These stores had been owned and operated by Central Food Retail Co., Ltd., an associated company of Central Retail Corporation. As for merchandise, we focused on increasing sales by expanding our range of popular Japanese-style ready-to-eat items.

In China, we recorded strong sales of ready-to-eat items, including *bento* boxed lunches and other prepared dishes, thereby increasing sales at existing stores. Furthermore, a switch from direct management to franchise store operations significantly improved earnings. We opened our first stores in Shenzhen in June 2013 and Wuxi in February 2014, adding to our existing network in the Shanghai, Guangzhou, Suzhou, Hangzhou, and Chengdu areas.

Elsewhere, we opened the first FamilyMart store in the Philippines in April 2013.

Total operating revenues of the overseas business segment decreased 17.1% year on year, to ¥41,080 million. Segment profit fell 34.5%, to ¥3,258 million.

Business Results by Segment

(Millions of yen)

	13/2	14/2	YoY change
Total operating revenues	334,087	345,604	3.4%
Japan	284,556	304,524	7.0%
Overseas	49,530	41,080	(17.1)%
Segment profit	25,020	22,611	(9.6)%
Japan	20,049	19,353	(3.5)%
Overseas	4,971	3,258	(34.5)%

Note: "Overseas" segment includes the operations in Taiwan, the United States, South Korea, Thailand, China and other areas.

Financial Position (consolidated)

Total assets as of the end of the fiscal year under review stood at ¥588,137 million (US$5,766,049 million), an increase of ¥61,379 million compared with the previous fiscal year-end.

Current assets decreased ¥4,397 million, to ¥222,246 million (US$2,178,882 million). Despite a decrease in cash and cash equivalents and time deposits, this decrease was mainly due to a decline in marketable securities.

Net property and store facilities stood at ¥147,230 million (US$1,443,432 million) as of February 28, 2014, up ¥38,076 million from the previous year-end. This increase was largely attributable to goodwill from the acquisition of stock in subsidiaries, in addition to higher fixed tangible assets and leasehold deposits reflecting stepped-up investment in stores.

Investments and other assets climbed ¥27,700 million, to ¥218,661 million (US$2,143,735 million), mainly due to the increase in leasehold deposits and compensatory payment associated with the proactive opening of stores.

Total liabilities grew ¥43,676 million year on year, to ¥322,679 million (US$3,163,520 million).

Current liabilities rose ¥24,973 million compared with the end of the previous fiscal year, to ¥233,036 million (US$2,284,667 million). This increase was mainly due to higher trade accounts for franchised and Company-owned stores as well as deposit received. Income taxes payable declined year on year.

Long-term liabilities increased ¥18,703 million, to ¥89,643 million (US$878,853 million), chiefly due to higher long-term lease obligations following stepped-up investment in store openings.

As a result, total equity as of the end of the fiscal year under review stood at ¥265,458 million (US$2,602,529 million), an increase of ¥17,703 million compared with the previous fiscal

Management's Discussion and Analysis

year-end. The equity ratio declined from 45.3% to 43.4%, and ROE fell from 11.0% to 9.2%. Equity per share was ¥2,686.37 (US$26.34).

Cash Flows (consolidated)

Cash Flows from Operating Activities

Net cash provided by operating activities came to ¥60,844 million (US$596,510 million), a decrease of ¥3,794 million compared with the previous fiscal year. Major cash inflows included increases in payables—trade of ¥7,169 million as well as depreciation and amortization of ¥5,308 million. The principal cash outflow was income taxes—paid of ¥23,190 million.

Cash Flows from Investing Activities

Net cash used in investing activities grew ¥18,140 million compared with the previous fiscal year, to ¥64,377 million (US$631,147 million). The principal factors were increases in payments of leasehold deposits (¥10,725 million) and purchases of property and store facilities, software, and other intangible assets (¥9,467 million).

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥21,054 million (US$206,412 million), an increase of ¥4,965 million compared with the previous fiscal year. The major item was repayments for lease obligations of ¥3,933 million.

Accounting for each of these activities, the fiscal year-end balance of cash and cash equivalents decreased ¥22,612 million, to ¥114,536 million (US$1,122,902 million).

Outlook

In the current fiscal year, ending February 28, 2015, economic prospects indicate that the future of the retail sector in Japan will remain unclear. Despite expectations of a continued underlying economic recovery trend on the back of ongoing improvements in corporate-sector profits and employment conditions due to the implementation of new economic policies and the continuation of monetary-easing measures, this uncertainty is largely attributable to concerns regarding consumer confidence following the rise in the rate of consumption tax.

Carrying forward its endeavors of fiscal 2013, FamilyMart aims to open a record 1,600 stores, including stores newly opened by the four domestic area franchisers, in the current fiscal year. As a social and lifestyle infrastructure provider, we will pay close attention to fulfilling the roles and functions that customers request of convenience stores. Moving forward, we will also strive to deliver a shopping experience characterized by convenience, friendliness, and fun while providing human warmth in an effort to remain the preferred convenience-store chain of customers.

Against this backdrop, for the fiscal year ending February 28, 2015, we are projecting consolidated total operating revenues of ¥386.3 billion, an 11.8% rise year on year; operating income of ¥46.0 billion, a 6.2% increase; ordinary income of ¥48.0 billion, a 1.4% improvement; and net income of ¥25.5 billion, up 12.8%. Forecasts for all major levels of earnings are record highs for the Company.

Targets for Major Indicators (non-consolidated)

	14/2	15/2 (Est.)	YoY difference
Average daily sales at total stores (Thousands of yen)	521	529	8
Growth rate of average daily sales at existing stores (%)	(0.4)	2.0	
Gross profit ratio (%)	27.73	28.08	0.35
Average daily sales at new stores (Thousands of yen)	440	450	10

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

	14/2	15/2 (Est.)	YoY difference
Store openings	1,284	1,500	216
Store closures	276	350	74

Earnings Forecasts (consolidated)

(Millions of yen)

	14/2	15/2 (Est.)	YoY difference
Total operating revenues	345,604	386,300	11.8%
Operating income	43,310	46,000	6.2%
Ordinary income	47,315	48,000	1.4%
Net income	22,611	25,500	12.8%

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, Thailand, China, the United States, Vietnam, Indonesia, and the Philippines).

(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 the 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 that disrupt the operation of the FamilyMart System or by illegal or scandalous behavior involving franchisees and business partners that causes the 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 the 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 such areas 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 the 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 the duplication of all systems and data backup, to deal with unexpected problems.

Consolidated Balance Sheet

FamilyMart Co., Ltd. and Consolidated Subsidiaries February 28, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets:			
Cash and cash equivalents (Note 15)	¥114,536	¥137,148	$1,122,902
Time deposits (Note 15)	76	76	745
Marketable securities (Notes 7 and 15)	1,400	2,084	13,725
Receivables:			
Due from franchised stores (Notes 6 and 15)	19,325	14,645	189,461
Other (Note 15)	38,825	31,887	380,637
Allowance for doubtful receivables	(271)	(243)	(2,657)
Merchandise	9,753	8,161	95,618
Deferred tax assets (Note 14)	2,218	2,390	21,745
Prepaid expenses and other current assets	36,384	30,495	356,706
Total current assets	222,246	226,643	2,178,882
Property and store facilities (Notes 8 and 12):			
Land	17,047	16,267	167,127
Buildings and structures	89,241	72,950	874,912
Machinery and equipment	10,039	7,882	98,422
Furniture and fixtures	118,419	86,307	1,160,971
Other	2,051	245	20,108
Total	236,797	183,651	2,321,540
Accumulated depreciation	(89,567)	(74,497)	(878,108)
Net property and store facilities	147,230	109,154	1,443,432
Investments and other assets:			
Investment securities (Notes 7 and 15)	15,093	15,709	147,971
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 5, 15 and 20.a)	26,525	21,239	260,049
Software	10,728	9,956	105,176
Goodwill (Note 9)	8,623	5,322	84,539
Goodwill attributable to individual stores	3,594	4,247	35,235
Leasehold deposits receivable (Note 15)	135,885	117,895	1,332,206
Deferred tax assets (Note 14)	5,483	6,410	53,755
Other assets (Note 8)	12,730	10,183	124,804
Total investments and other assets	218,661	190,961	2,143,735
Total	¥588,137	¥526,758	$5,766,049

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES AND EQUITY			
Current liabilities:			
Payables:			
Accounts and note payable—trade (Notes 15 and 21)	¥ 85,920	¥ 75,490	$ 842,353
Due to franchised stores (Notes 6 and 15)	5,602	4,732	54,922
Other (Notes 15 and 21)	23,975	21,786	235,049
Current portion of long-term lease obligations (Notes 10 and 15)	11,504	7,696	112,784
Income taxes payable (Notes 14 and 15)	8,410	14,392	82,451
Deposit received (Notes 6 and 15)	85,386	74,319	837,118
Accrued expenses	7,598	5,987	74,490
Other current liabilities (Note 12)	4,641	3,661	45,500
Total current liabilities	233,036	208,063	2,284,667
Long-term liabilities:			
Long-term lease obligations (Notes 10 and 15)	50,771	35,271	497,755
Liability for retirement benefits (Note 11)	9,310	8,639	91,274
Leasehold deposits refundable (Note 15)	11,426	10,458	112,020
Asset retirement obligations (Note 12)	14,494	12,694	142,098
Other long-term liabilities	3,642	3,878	35,706
Total long-term liabilities	89,643	70,940	878,853
Commitments and contingent liabilities (Note 17)			
Equity (Notes 13 and 20.b):			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	163,324
Capital surplus	17,389	17,389	170,480
Retained earnings	226,224	213,580	2,217,882
Treasury stock—at cost, 2,756,716 shares in 2014 and 2,754,588 shares in 2013	(8,762)	(8,752)	(85,902)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 7)	2,222	1,628	21,784
Foreign currency translation adjustments	1,693	(1,527)	16,598
Postretirement liability adjustments for foreign consolidated companies	(418)	(174)	(4,098)
Total	255,007	238,803	2,500,068
Minority interests	10,451	8,952	102,461
Total equity	265,458	247,755	2,602,529
Total	¥588,137	¥526,758	$5,766,049

See notes to consolidated financial statements.

Consolidated Statement of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating revenues:			
Commission from franchised stores (Note 6)	¥217,314	¥198,222	$2,130,529
Net sales	95,928	105,065	940,471
Other operating revenues (Notes 5 and 6)	32,362	30,800	317,275
Total operating revenues	345,604	334,087	3,388,275
Operating expenses:			
Cost of sales (Note 21)	63,372	72,987	621,294
Selling, general and administrative expenses (Notes 9 and 11)	238,922	217,992	2,342,373
Total operating expenses	302,294	290,979	2,963,667
Operating income	43,310	43,108	424,608
Other income (expenses):			
Interest and dividend income	1,814	1,630	17,784
Equity in earnings of unconsolidated subsidiaries and associated companies	2,352	878	23,059
Gain on sales of investment securities	2,100		20,588
Gain on sales of investments in subsidiaries and associated companies	671	4,474	6,578
Loss on disposals/sales of property and store facilities—net	(2,383)	(1,643)	(23,363)
Loss on impairment of long-lived assets (Note 8)	(3,400)	(2,361)	(33,333)
Loss on cancellations of land and building lease contracts	(1,360)	(1,078)	(13,333)
Other—net	(598)	(501)	(5,863)
Other (expenses) income—net	(804)	1,399	(7,883)
Income before income taxes and minority interests	42,506	44,507	416,725
Income taxes (Note 14):			
Current	17,147	17,582	168,108
Deferred	502	153	4,921
Total income taxes	17,649	17,735	173,029
Net income before minority interests	24,857	26,772	243,696
Minority interests in net income	2,246	1,752	22,020
Net income	¥ 22,611	¥ 25,020	$ 221,676

	Yen		U.S. dollars
	2014	2013	2014
Per share of common stock (Notes 2.t and 19):			
Basic net income	¥238.2	¥263.6	$2.34
Cash dividends applicable to the year	102.0	100.0	1.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income before minority interests	¥24,857	¥26,772	$243,696
Other comprehensive income (Note 18):			
Unrealized gain on available-for-sale securities	595	1,372	5,833
Foreign currency translation adjustments	2,454	3,101	24,059
Postretirement liability adjustments for foreign consolidated companies	(267)	(89)	(2,618)
Share of other comprehensive income in associates	1,908	605	18,706
Total other comprehensive income	4,690	4,989	45,980
Comprehensive income	¥29,547	¥31,761	$289,676
Total comprehensive income attributable to:			
Owners of the parent	¥26,181	¥29,041	$256,676
Minority interests	3,366	2,720	33,000

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2014

	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	Postretirement liability adjustments for foreign consolidated companies	Total	Minority interests	Total equity
Balance, March 1, 2012	94,931	¥16,659	¥17,389	¥196,914	¥(8,744)	¥ 239	¥(4,198)		¥218,259	¥ 7,680	¥225,939
Cumulative effects of changes in accounting policies								¥(135)	(135)	(176)	(311)
Restated balance, March 1, 2012		16,659	17,389	196,914	(8,744)	239	(4,198)	(135)	218,124	7,504	225,628
Net income				25,020					25,020		25,020
Cash dividends, ¥88.0 per share				(8,354)					(8,354)		(8,354)
Purchase of treasury stock	(2)				(8)				(8)		(8)
Disposal of treasury stock											
Net change in the year						1,389	2,671	(39)	4,021	1,448	5,469
Balance, February 28, 2013	94,929	16,659	17,389	213,580	(8,752)	1,628	(1,527)	(174)	238,803	8,952	247,755
Net income				22,611					22,611		22,611
Cash dividends, ¥105.0 per share				(9,967)					(9,967)		(9,967)
Purchase of treasury stock	(3)				(10)				(10)		(10)
Disposal of treasury stock											
Net change in the year						594	3,220	(244)	3,570	1,499	5,069
Balance, February 28, 2014	94,926	¥16,659	¥17,389	¥226,224	¥(8,762)	¥2,222	¥ 1,693	¥(418)	¥255,007	¥10,451	¥265,458

	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	Postretirement liability adjustments for foreign consolidated companies	Total	Minority interests	Total equity
Balance, February 28, 2013	$163,324	$170,480	$2,093,922	$(85,804)	$15,961	$(14,971)	$(1,706)	$2,341,206	$ 87,765	$2,428,971
Net income			221,676					221,676		221,676
Cash dividends, $1.03 per share			(97,716)					(97,716)		(97,716)
Purchase of treasury stock				(98)				(98)		(98)
Disposal of treasury stock										
Net change in the year					5,823	31,569	(2,392)	35,000	14,696	49,696
Balance, February 28, 2014	$163,324	$170,480	$2,217,882	$(85,902)	$21,784	$ 16,598	$(4,098)	$2,500,068	$102,461	$2,602,529

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating activities:			
Income before income taxes and minority interests	¥ 42,506	¥ 44,507	$ 416,725
Adjustments for:			
Income taxes—paid	(23,190)	(7,984)	(227,353)
Depreciation and amortization	25,138	19,830	246,451
(Reversal) provision of allowance for doubtful receivables	(289)	415	(2,833)
Equity in earnings of unconsolidated subsidiaries and associated companies	(2,352)	(878)	(23,059)
(Gain) loss on sale/valuation of marketable and investment securities—net	(2,033)	19	(19,931)
Gain on sales of investments in subsidiaries and associated companies	(671)	(4,474)	(6,578)
Loss on disposals/sales of property and store facilities—net	2,383	1,643	23,363
Loss on cancellations of land and building lease contracts	1,360	1,078	13,333
Loss on impairment of long-lived assets	3,400	2,361	33,333
Changes in assets and liabilities:			
Increase in due from/to franchised stores—net	(3,972)	(3,736)	(38,941)
Increase in merchandise and supplies	(621)	(323)	(6,088)
Increase in payables—trade	7,574	405	74,255
Increase in deposit received	9,309	5,949	91,264
Increase in liability for retirement benefits	256	484	2,510
Other—net	2,046	5,342	20,059
Total adjustments	18,338	20,131	179,785
Net cash provided by operating activities	60,844	64,638	596,510
Investing activities:			
Purchases of marketable and investment securities	(2,662)	(7,489)	(26,098)
Purchases of investments in subsidiaries and associated companies	(6,027)	(3,814)	(59,088)
Proceeds from sales and redemption at maturity of marketable and investment securities	7,196	6,701	70,549
Proceeds from sales of investments in associated companies	235		2,304
Increase in short-term loans—net	(267)	(57)	(2,618)
Purchases of property and store facilities, software and other intangible assets	(32,694)	(23,227)	(320,529)
Proceeds from sales of property and store facilities, software and other intangible assets	417	778	4,088
Payments of leasehold deposits receivable	(31,758)	(21,033)	(311,353)
Refunds of leasehold deposits receivable	1,675	1,530	16,421
Receipts of leasehold deposits refundable	1,838	1,273	18,020
Refunds of leasehold deposits refundable	(1,574)	(1,264)	(15,431)
Payments for acquisition of a newly consolidated subsidiary		(5,452)	
Proceeds from sale of investment in a subsidiary	91	6,207	892
Other	(847)	(390)	(8,304)
Net cash used in investing activities	(64,377)	(46,237)	(631,147)
Financing activities:			
Increase (decrease) in short-term bank loans—net	470	(51)	4,608
Dividends paid	(9,965)	(8,354)	(97,696)
Dividends paid to minority interest shareholders	(1,282)	(1,190)	(12,569)
Repayments for lease obligations	(10,364)	(6,431)	(101,608)
Other	87	(63)	853
Net cash used in financing activities	(21,054)	(16,089)	(206,412)
Foreign currency translation adjustments on cash and cash equivalents	1,975	1,679	19,363
Net (decrease) increase in cash and cash equivalents	(22,612)	3,991	(221,686)
Cash and cash equivalents, beginning of year	137,148	133,157	1,344,588
Cash and cash equivalents, end of year	¥114,536	¥137,148	$1,122,902

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2014

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥102 to $1, the approximate rate of exchange at February 28, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements as of February 28, 2014, include the accounts of the Company and its 12 (11 in 2013) 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 (9 in 2013) unconsolidated subsidiaries and 21 (20 in 2013) 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 from 5 to 20 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 that 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. However, 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, except for the following items which 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; and (e) exclusion of minority interests from net income, if contained in net income.

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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in 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; and (e) exclusion of minority interests from net income, if contained in net income.

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 allowed 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 previous accounting standard required the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are 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 price allocation. This revised standard was applicable to business combinations undertaken on or after April 1, 2010.

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 is 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 (5years).

k. Goodwill—Goodwill is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (from 5 to 20 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 employees retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

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 the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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. 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 to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In addition, the accounting standard permits leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

Notes to Consolidated Financial Statements

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 statement 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.

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 statement 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 are 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 statement 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 presented as the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

u. 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in presentation
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.

v. New accounting pronouncements

Accounting standard for retirement benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidances, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance are effective for the beginning of annual periods beginning on or after March 1, 2014. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the beginning of the annual period beginning on March 1, 2014. The effect of adopting the revised accounting standard is a decrease in accumulated other comprehensive income of ¥124 million ($1,220 thousand), and a decrease in retained earnings of¥700 million ($6,865 thousand). In addition, the effects of this change on income accounts for the year beginning on March 1, 2014, are immaterial.

Accounting Standards for Business Combinations and Consolidated Financial Statements—On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

(a) Transactions with noncontrolling interest
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after March 1, 2016. Earlier application is permitted from the beginning of annual periods beginning on or after March 1, 2015, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after March 1, 2016. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after March 1, 2015.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on March 1, 2016, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

Notes to Consolidated Financial Statements

3 Accounting Change

Change of accounting policy with revision of accounting standard— Due to the application of IAS 19 "Employee Benefits" (amended on June 16, 2011), which must be adopted from the year beginning from January 1, 2013, certain foreign subsidiaries revised the recognition of actuarial gains or losses and past service cost and the calculation method for interest cost from the year ended February 28, 2013.

This accounting policy change was applied retrospectively and the cumulative effects reflected in the balance of equity for the year ended February 28, 2012, were restated.

The effects of retroactive application of this change to the previous fiscal year are immaterial.

4 Changes in Presentation

Prior to March 1, 2013, the decrease in time deposits—net was disclosed separately in the investing activities section of the consolidated statement of cash flows. Due to a decrease in materiality during this fiscal year ended February 28, 2014, this amount is included in other under the investing activities section of the consolidated statement of cash flows as of February 28, 2014. The amount disclosed in the decrease in time deposits—net as of February 28, 2013, was ¥1,175 million.

5 Related Parties and Organization

The Company's primary shareholder is ITOCHU Corporation, which owns 31.66% of the total outstanding shares of the Company.

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

The Company allows area franchised companies to be franchisers of "FamilyMart" stores in each area, including outside Japan. Area franchised companies are required to pay continuing royalty fees to the Company and the Company records this as "Other operating revenues." Area franchised companies as of February 28, 2014, are as follows:

Name of area franchiser	Area	The company's ownership in area franchiser
Subsidiaries:		
Taiwan FamilyMart Co., Ltd.	Taiwan	47.40%
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
Central FamilyMart Co., Ltd.	Thailand	48.20
BGFretail Co., Ltd.	Korea	25.00
Philippine FamilyMart CVS, Inc.	Philippines	37.00

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., Hangzhou FamilyMart Co., Ltd., Chengdu FamilyMart Co., Ltd., and Shenzhen 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. Chengdu FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Chengdu, China. Shenzhen FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Shenzhen, China.

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 54.25% 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.

SENIOR LIFE CREATE Co., Ltd., an 82.83% owned subsidiary, provides catering and home delivery services of the Company's merchandise by utilizing its delivery network.

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

6 Transactions with Franchised Stores

As discussed in Note 5 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 preparation of store openings provided by the Company. In addition, the franchisee shall advance another ¥1,500,000 to the Company as a deposit for purchases which is credited to "Payables—Due to franchised stores," accordingly.

Under the franchise agreement, each franchised store shall order merchandise and the store is supplied by 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 accounts 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 sheet.

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 sheet represent such net balances between the Company and franchised stores at the balance sheet date.

7 Marketable and Investment Securities

Marketable and investment securities as of February 28, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current:			
Government and corporate bonds	¥1,400	¥1,900	$13,725
Trust fund investments		184	
Total	¥1,400	¥2,084	$13,725

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-current:			
Marketable equity securities	¥ 5,970	¥ 6,251	$ 58,529
Government and corporate bonds	6,900	8,300	67,648
Nonmarketable equity securities	2,223	1,158	21,794
Total	¥15,093	¥15,709	$147,971

The cost and aggregate fair values of marketable and investment securities at February 28, 2014 and 2013, were as follows:

	Millions of yen			
February 28, 2014	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				
Available-for-sale —equity securities	¥2,546	¥3,478	¥54	¥5,970
Held-to-maturity	8,300	54		8,354

	Millions of yen			
February 28, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 184
Available-for-sale —equity securities	¥ 3,751	¥2,552	¥52	6,251
Held-to-maturity	10,200	52	3	10,249

	Thousands of U.S. dollars			
February 28, 2014	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				
Available-for-sale —equity securities	$24,961	$34,098	$530	$58,529
Held-to-maturity	81,373	529		81,902

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2014 and 2013, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Available-for-sale—equity securities	¥2,223	¥1,158	$21,794

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥1,400	$13,725
Due after one year through five years	6,900	67,648

Notes to Consolidated Financial Statements

8 Long-lived Assets

The Group reviewed its long-lived assets for impairment as of February 28, 2014 and 2013, and, as a result, recognized impairment losses of ¥3,400 million ($33,333 thousand) and ¥2,361 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, leased property and other assets for the years ended February 28, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
Fixed Assets, Leased Property and Other Assets	2014	2013	2014
Land	¥ 163	¥ 192	$ 1,598
Building and structures	1,045	921	10,245
Furniture and fixtures	1,402	896	13,745
Others	790	352	7,745
Total	¥3,400	¥2,361	$33,333

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 2.83% and 3.14% for the years ended February 28, 2014 and 2013, respectively.

9 Goodwill

Goodwill as of February 28, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Consolidation goodwill	¥8,623	¥5,322	$84,539
Total	¥8,623	¥5,322	$84,539

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2014 and 2013, was ¥621 million ($6,088 thousand) and ¥824 million, respectively.

10 Lease Obligations

Annual maturities of lease obligations at February 28, 2014, were as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2015	¥11,504	$112,784
2016	11,365	111,422
2017	10,595	103,872
2018	9,064	88,863
2019	8,182	80,216
2020 and thereafter	11,565	113,382
Total	¥62,275	$610,539

11 Retirement and Pension Plans

The Company and 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 28, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Projected benefit obligation	¥ 21,380	¥ 19,558	$ 209,608
Fair value of plan assets	(11,877)	(10,263)	(116,441)
Unrecognized actuarial loss	(1,382)	(1,963)	(13,549)
Unrecognized prior service cost	1,189	1,307	11,656
Net liability	¥ 9,310	¥ 8,639	$ 91,274

Note: Certain foreign subsidiaries recorded actuarial gains and losses that are yet to be recognized in profit or loss as projected benefit obligation adjustments of foreign subsidiaries under accumulated other comprehensive income in the accompanying consolidated balance sheet.

The components of net periodic benefit costs for the years ended February 28, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Service cost	¥1,257	¥1,196	$12,324
Interest cost	329	313	3,225
Expected return on plan assets	(9)	(8)	(88)
Recognized actuarial loss	432	474	4,235
Amortization of prior service cost	(118)	(153)	(1,157)
Amortization of transitional obligation	216		2,118
Net periodic benefit costs	¥2,107	¥1,822	$20,657

Assumptions used for the years ended February 28, 2014 and 2013, are set forth as follows:

	2014	2013
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

12 Asset Retirement Obligations

The changes in asset retirement obligations for the years ended February 28, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at beginning of year	¥12,790	¥12,020	$125,392
Additional provisions associated with the acquisition of property and store facilities	2,304	1,569	22,588
Reconciliation associated with passage of time	117	113	1,147
Reduction associated with settlement of asset retirement obligations	(601)	(693)	(5,892)
Other		(219)	
Total	14,610	12,790	143,235
Less current portion	(116)	(96)	(1,137)
Balance at end of year, less current portion	¥14,494	¥12,694	$142,098

13 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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, 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.

Notes to Consolidated Financial Statements

14 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38% for the year ended February 28, 2014, and 41% for the year ended February 28, 2013.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 28, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Provision for doubtful receivables	¥ 849	¥ 1,142	$ 8,324
Accrued bonuses	681	610	6,677
Provision for retirement benefits	3,035	2,946	29,755
Loss on devaluation of investments in associated companies	1,161	764	11,382
Loss on impairment of long-lived assets	2,979	2,465	29,206
Enterprise tax payable	717	1,088	7,029
Tax loss carryforwards	2,950	2,265	28,922
Accounts payable	300	182	2,941
Asset retirement obligations	5,168	4,529	50,667
Asset adjustment account	493	740	4,833
Other	1,332	1,096	13,059
Less valuation allowance	(4,949)	(3,995)	(48,520)
Total	14,716	13,832	144,275
Deferred tax liabilities:			
Undistributed earnings of associated companies	3,703	2,494	36,304
Unrealized gain on available-for-sale securities	1,220	891	11,961
Asset retirement obligations related expenses	2,092	1,647	20,510
Total	7,015	5,032	68,775
Net deferred tax assets	¥ 7,701	¥ 8,800	$ 75,500

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, 2014, is as follows:

	2014
Normal effective statutory tax rate	38%
Inhabitant tax on per capita basis	1
Valuation allowance	1
Different tax rates	(2)
Undistributed earnings of associated companies	3
Other—net	1
Actual effective tax rate	42%

The corresponding information for the year ended February 28, 2013, is omitted since the difference is less than 5% of the normal effective tax rate.

Following the promulgation on March 31, 2014, of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 10, 2014), the Special Reconstruction Corporation Tax was abolished for fiscal years beginning on or after April 1, 2014. In accordance with this measure, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, will be reduced to 36% from 38% for temporary differences that are expected to be eliminated during the fiscal year beginning on March 1, 2015.

The impact of this change in the effective statutory tax rate on the deferred tax assets and deferred tax liabilities, which are recalculated based on the temporary differences, etc., as of February 28, 2014, was immaterial.

As of February 28, 2014, certain subsidiaries have tax loss carryforwards aggregating approximately ¥7,342 million ($71,980 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
2019	¥ 54	$ 529
2020 and thereafter	7,288	71,451
Total	¥7,342	$71,980

15 Financial Instruments and Related Disclosures

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 its market values and financial positions of the issuers on a regular basis. Therefore, 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 receivable, mainly related to rent agreements on stores, are exposed to counterparty credit risk.

Payment terms of payables, such as accounts and note payable—trade, due to franchised stores and other, and deposit received, are less than one month.

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 the interest rates are all fixed.

Leasehold deposits refundable 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 16 for more details 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 receivable, the Group scrutinizes the collectability by identifying the credit situations of counterparties at the time of concluding the rental agreements and also identifying the default risk of counterparties in the early stages by collecting information about the counterparties via 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 28, 2014 and 2013, 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 28, 2014	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥114,536	¥114,536	
Time deposits	76	76	
Receivables:			
Due from franchised stores	19,325	19,325	
Other	38,825	38,825	
Marketable and investment securities:			
Trading securities			
Held-to-maturity securities	8,300	8,354	¥ 54
Available-for-sale securities	5,970	5,970	
Investments in and advances to unconsolidated subsidiaries and associated companies	5,138	7,196	2,058
Leasehold deposits receivable	135,885		
Allowance for doubtful receivables*	(264)		
	135,621	132,667	(2,954)
Total assets	¥327,791	¥326,949	¥ (842)
Payables:			
Accounts and note payable—trade	¥ 85,920	¥ 85,920	
Due to franchised stores	5,602	5,602	
Other	23,975	23,975	
Current portion of long-term lease obligations	11,504	11,504	
Income taxes payable	8,410	8,410	
Deposit received	85,386	85,386	
Long-term lease obligations	50,771	51,068	¥ 297
Leasehold deposits refundable	11,426	11,212	(214)
Total liabilities	¥282,994	¥283,077	¥ 83

Notes to Consolidated Financial Statements

February 28, 2013	Millions of yen Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥137,148	¥137,146	¥ (2)
Time deposits	76	76	
Receivables:			
Due from franchised stores	14,645	14,645	
Other	31,887	31,887	
Marketable and investment securities:			
Trading securities	184	184	
Held-to-maturity securities	10,200	10,249	49
Available-for-sale securities	6,251	6,251	
Investments in and advances to unconsolidated subsidiaries and associated companies	4,777	5,916	1,139
Leasehold deposits receivable	117,895		
Allowance for doubtful receivables*	(348)		
	117,547	112,983	(4,564)
Total assets	¥322,715	¥319,337	¥(3,378)
Payables:			
Accounts and note payable—trade	¥ 75,490	¥ 75,490	
Due to franchised stores	4,732	4,732	
Other	21,786	21,786	
Current portion of long-term lease obligations	7,696	7,696	
Income taxes payable	14,392	14,392	
Deposit received	74,319	74,319	
Long-term lease obligations	35,271	35,476	¥ 205
Leasehold deposits refundable	10,458	10,209	(249)
Total liabilities	¥244,144	¥244,100	¥ (44)

February 28, 2014	Thousands of U.S. dollars Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	$1,122,902	$1,122,902	
Time deposits	745	745	
Receivables:			
Due from franchised stores	189,461	189,461	
Other	380,637	380,637	
Marketable and investment securities:			
Trading securities			
Held-to-maturity securities	81,373	81,902	$ 529
Available-for-sale securities	58,529	58,529	
Investments in and advances to unconsolidated subsidiaries and associated companies	50,372	70,549	20,177
Leasehold deposits receivable	1,332,206		
Allowance for doubtful receivables*	(2,588)		
	1,329,618	1,300,657	(28,961)
Total assets	$3,213,637	$3,205,382	$ (8,255)
Payables:			
Accounts and note payable—trade	$842,353	$842,353	
Due to franchised stores	54,922	54,922	
Other	235,049	235,049	
Current portion of long-term lease obligations	112,784	112,784	
Income taxes payable	82,451	82,451	
Deposit received	837,118	837,118	
Long-term lease obligations	497,755	500,667	2,912
Leasehold deposits refundable	112,020	109,921	(2,099)
Total liabilities	$2,774,452	$2,775,265	$ 813

* Allowance for doubtful receivables on leasehold deposits is excluded.

Notes:

(1) Measurement method of fair values of financial instruments

Assets

Cash and cash equivalents, receivables—due from franchised stores and other

The fair values of cash and cash equivalents, 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 7.

Leasehold deposits receivable

The fair values of leasehold deposits receivable 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—accounts and note payable—trade, due to franchised stores and other, current portion of long-term lease obligations, income taxes payable, and deposit received

The fair values of payables—accounts and note payable—trade, 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 refundable

The fair values of leasehold deposits refundable 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
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥23,609	¥17,620	$231,461

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

	Millions of yen			
February 28, 2014	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	¥114,536			
Time deposits	76			
Receivables:				
Due from franchised stores	19,325			
Other	38,825			
Marketable and investment securities—held-to-maturity securities	1,400	¥ 6,900		
Leasehold deposits receivable	3,535	39,982	¥38,919	¥53,449
Total	¥177,697	¥46,882	¥38,919	¥53,449

	Thousands of U.S. dollars			
February 28, 2014	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	$1,122,902			
Time deposits	745			
Receivables:				
Due from franchised stores	189,461			
Other	380,637			
Marketable and investment securities—held-to-maturity securities	13,725	$ 67,648		
Leasehold deposits receivable	34,657	391,980	$381,559	$524,010
Total	$1,742,127	$459,628	$381,559	$524,010

d. Maturity analysis for lease obligations

Please see Note 10 for annual maturities of lease obligations.

16 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 regulations.

The Company had no derivative contracts outstanding as of February 28, 2014 and 2013.

17 Contingent Liabilities

As of February 28, 2014, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantee of financial institution loan borrowed by—		
VIET NAM FAMILY CONVENIENCE STORES COMPANY LIMITED	¥13	$127
Total	¥13	$127

Notes to Consolidated Financial Statements

18 Comprehensive Income

The components of other comprehensive income for the years ended February 28, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains incurred during the year	¥ 3,011	¥2,132	$ 29,520
Reclassification adjustments to net income	(2,086)		(20,451)
Amount before tax effect	925	2,132	9,069
Income tax effect	(330)	(760)	(3,236)
Unrealized gain on available-for-sale securities	595	1,372	5,833
Foreign currency translation adjustments:			
Gain incurred during the year	2,454	2,251	24,059
Reclassification adjustments to net income		850	
Foreign currency translation adjustments	2,454	3,101	24,059
Postretirement liability adjustments for foreign consolidated companies:			
Loss incurred during the year	(369)	(128)	(3,618)
Reclassification adjustments to net income	26		255
Amount before tax effect	(343)	(128)	(3,363)
Income tax effect	76	39	745
Postretirement liability adjustments for foreign consolidated companies	(267)	(89)	(2,618)
Share of other comprehensive income in associates:			
Gains incurred during the year	1,865	571	18,284
Reclassification adjustments to net income	43	34	422
Share of other comprehensive income in associates	1,908	605	18,706
Total other comprehensive income	¥ 4,690	¥4,989	$ 45,980

19 Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2014 and 2013, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 28, 2014	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥22,611			
Net income available to common shareholders	¥22,611	94,928	¥238.2	$2.34

	Millions of yen	Thousands of shares	Yen
Year ended February 28, 2013	Net income	Weighted-average shares	EPS
EPS:			
Net income	¥25,020		
Net income available to common shareholders	¥25,020	94,930	¥263.6

20 Subsequent Events

a. Sale of the shares of an associated company

The Company resolved to sell all of the shares of BGFretail Co., Ltd. ("BGFretail"), which is an associated company accounted for by the equity method, through the sale of its shares accompanying BGFretail's initial public offering on the KOSPI Market of the Korea Exchange at the meeting of the Board of Directors held on March 28, 2014, and sold on May 16, 2014. As a result, BGFretail is to be excluded from the application of the equity method.

(1) Reason for the sale of shares
The Company judged that it would be best for the FamilyMart Group to accelerate the growth strategy of the FamilyMart business domestically and overseas and collect the invested capital by selling all shares of BGFretail from the viewpoint of maximizing our corporate value.

(2) Method for the sale of shares
Offering of shares by way of a subscription agreement for the total amount by a lead managing securities company for listing

(3) Timing for the sale of shares
May 16, 2014

(4) Company name and business description of the associated company subject to the sale of shares, and transaction details with the Company
Company name: BGFretail
Business description: Convenience store business in South Korea
Transaction details with the Company: Granting/reception of royalty according to a license agreement

(5) Number of shares to be sold and ownership ratio after the sale of shares
Number of shares to be sold: 6,160,030 shares
Sales price: ¥25,194 million ($247,002 thousand)
Gain on sales: ¥15,462 million ($151,592 thousand)
Ownership ratio after the sale of shares:—%

b. Cash dividends

On April 18, 2014, the following appropriation of retained earnings at February 28, 2014, was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥51.0 ($0.5) per share	¥4,841	$47,461

21 Related Party Transactions

Transactions of the Company with related parties for the years ended February 28, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Takashi Endo (corporate auditor and attorney):			
Attorney's fee		¥ 35	
Accounts payable—other		14	
NIPPON ACCESS, INC. (subsidiaries of ITOCHU):			
Purchase	¥13,637	12,078	$133,696
Accounts and note payable—trade	16,983	14,272	166,500
Dolce Co., Ltd. (subsidiaries of ITOCHU):			
Purchase	4,308	3,157	42,235
Accounts and note payable—trade	6,630	5,874	65,000
Taiwan Distribution Center Co., Ltd. (associated company of a subsidiary company):			
Purchase	8,895	6,831	87,206
Accounts and note payable—trade	12,118	9,963	118,804

Notes to Consolidated Financial Statements

22 Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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.

(1) Description of reportable segments

The Group's reportable segments are those for which separate 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 mainly developing "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 the business development system for convenience store businesses and its related business (logistics, food production, etc.).

Effective March 1, 2013, the Group reorganized the previous reportable segments, namely, "Japan" business, "Taiwan" business, "Thailand" business and "South Korea" business into the new segments, namely, "Domestic" business and "Overseas" business.

Due to the expansion of overseas development areas and the diversification of business development methods in recent years, the Company reconsidered the management organization, such as a change in structure to strengthen business performance management and control all overseas business in addition to the previous management organization based on consolidated performance management's perspective. Consequently, the previous "Taiwan" business, "Thailand" business, "South Korea" business and a business segment which was not included in the reportable segments ("Other") were combined into "Overseas" business as a new reportable segment.

In addition, profit or loss such as royalty income from foreign companies based on the area franchise agreement, which was recorded in "Domestic" business, was changed to be recorded in "Overseas" business.

Segment information for the year ended February 28, 2013, is also disclosed using the new segmentation and measurement method.

(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 with those described in Note 2, "Summary of Significant Accounting Policies."

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

(3) Information about operating revenues, profit (loss), assets and other items for the years ended February 28, 2014 and 2013

	Millions of yen				
	2014				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Operating revenues from outside the Group	¥304,524	¥41,080	¥345,604		¥345,604
Intersegment operating revenues or transfers					
Total	¥304,524	¥41,080	¥345,604		¥345,604
Segment profit	¥ 19,353	¥ 3,258	¥ 22,611		¥ 22,611
Segment assets	503,657	84,480	588,137		588,137
Other:					
Depreciation and amortization	21,062	4,076	25,138		25,138
Equity in earnings of unconsolidated subsidiaries and associated companies	807	1,545	2,352		2,352
Gain on sales of investment securities	2,100		2,100		2,100
Gain on sales of investments in subsidiaries and associated companies		671	671		671
Loss on impairment of long-lived assets	3,314	86	3,400		3,400
Income taxes	15,541	2,108	17,649		17,649
Minority interests in net income	337	1,909	2,246		2,246
Investments in associated companies accounted for by the equity method	9,096	17,429	26,525		26,525
Increase in property and store facilities and intangible assets	53,457	8,062	61,519		61,519

	Millions of yen				
	2013				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Operating revenues from outside the Group	¥284,557	¥49,530	¥334,087		¥334,087
Intersegment operating revenues or transfers					
Total	¥284,557	¥49,530	¥334,087		¥334,087
Segment profit	¥ 20,049	¥ 4,971	¥ 25,020		¥ 25,020
Segment assets	463,962	62,796	526,758		526,758
Other:					
Depreciation and amortization	16,076	3,754	19,830		19,830
Equity in earnings of unconsolidated subsidiaries and associated companies	1,083	(205)	878		878
Gain on sales of investment securities					
Gain on sales of investments in subsidiaries and associated companies		4,474	4,474		4,474
Loss on impairment of long-lived assets	2,305	56	2,361		2,361
Income taxes	16,501	1,234	17,735		17,735
Minority interests in net income	396	1,356	1,752		1,752
Investments in associated companies accounted for by the equity method	8,341	12,898	21,239		21,239
Increase in property and store facilities and intangible assets	31,771	8,562	40,333		40,333

	Thousands of U.S. dollars				
	2014				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Operating revenues from outside the Group	$2,985,530	$402,745	$3,388,275		$3,388,275
Intersegment operating revenues or transfers					
Total	$2,985,530	$402,745	$3,388,275		$3,388,275
Segment profit	$ 189,735	$ 31,941	$ 221,676		$ 221,676
Segment assets	4,937,814	828,235	5,766,049		5,766,049
Other:					
Depreciation and amortization	206,490	39,961	246,451		246,451
Equity in earnings of unconsolidated subsidiaries and associated companies	7,912	15,147	23,059		23,059
Gain on sales of investment securities	20,588		20,588		20,588
Gain on sales of investments in subsidiaries and associated companies		6,578	6,578		6,578
Loss on impairment of long-lived assets	32,490	843	33,333		33,333
Income taxes	152,363	20,666	173,029		173,029
Minority interests in net income	3,304	18,716	22,020		22,020
Investments in associated companies accounted for by the equity method	89,176	170,873	260,049		260,049
Increase in property and store facilities and intangible assets	524,088	79,039	603,127		603,127

Note: "Overseas" business includes business activities in Taiwan, the United States of America, South Korea, Thailand, China and others.

Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of FamilyMart Co., Ltd. and its consolidated subsidiaries as of February 28, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of February 28, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 20 to the consolidated financial statements, the Company sold all the shares of BGFretail Co., Ltd., an associated company accounted for by the equity method, on May 16, 2014. Our opinion is not qualified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 29, 2014

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. (currently BGFretail 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. (currently Central FamilyMart Co., 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).
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).
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.
2004	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	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.
	Nov.	FamilyMart jointly establishes Hangzhou FamilyMart Co., Ltd. (China) in Hangzhou City, China in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.
	Dec.	FamilyMart jointly establishes Chengdu FamilyMart Co., Ltd. (China), in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.
2012	Apr.	FamilyMart acquires SENIOR LIFE CREATE Co., Ltd.
	Nov.	FamilyMart jointly establishes Philippine FamilyMart CVS, Inc. (the Philippines), in cooperation with two partners — SIAL CVS RETAILERS INC., a joint venture between the Ayala Group and the Rustan Group, and ITOCHU Corporation.
	Nov.	FamilyMart jointly establishes Shenzhen FamilyMart Co., Ltd. (China), in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.
2013	Oct.	FamilyMart achieves a network of 10,000 stores in Japan.
2014	Jan.	FamilyMart jointly establishes Wuxi FamilyMart Co., Ltd. (China), in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.

Investor Information

Corporate Data (non-consolidated)

(As of February 28, 2014)

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:	3,694
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,756,716 shares)
Number of shareholders:	11,498
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 LLC
Ordinary general meeting of shareholders:	May each year

Principal Shareholders

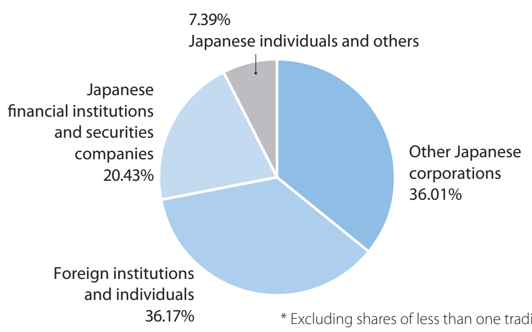
(As of February 28, 2014)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	29,941.2	30.65
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	3,088.9	3.16
NTT DOCOMO, INC.	2,930.5	3.00
The Master Trust Bank of Japan, Ltd. (Trust account)	2,540.2	2.60
THE BANK OF NEW YORK MELLON SA/NV 10	2,259.3	2.31
Mizuho Bank, Ltd.	2,085.1	2.13
Nippon Life Insurance Company	1,768.0	1.80
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,637.3	1.67
NORTHERN TRUST GLOBAL SERVICES LIMITED RE 15PCT TREATY ACCOUNT (NON LENDING)	1,634.9	1.67
Japan Trustee Services Bank, Ltd. (Trust account)	1,628.8	1.66
Total	49,514.2	50.69

Notes: 1. In addition to the above, the Company also holds 2,756 thousand shares in treasury.
2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

Distribution of the Shares

(As of February 28, 2014)



* Excluding shares of less than one trading unit

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

- Returning Shareholders and Dividend Policy
- IR Email Service

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

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.

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