FamilyMart

Annual Report 2015

Fun & Fresh

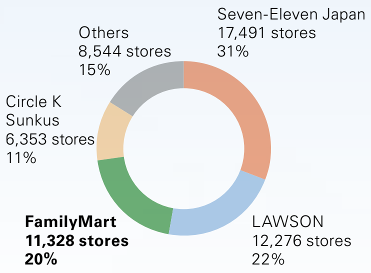
About FamilyMart

When first opening its doors in 1973, the Company based its decision to choose the "FamilyMart" name on a heartfelt wish that its customers, franchised stores, and Head Office would develop together as a family. In the ensuing period, we have continued to evolve through concerted efforts to become a social and lifestyle infrastructure provider and worked diligently to meet the ever-diversifying needs of our customers as the structure of society changes. At the same time, we have consistently modified our business model while leveraging the defining characteristics of convenience stores proximity, time, and lineup. With the opening of its inaugural store in Taiwan in 1988, FamilyMart embarked on an uninterrupted period of overseas business development. Today (as of February 28, 2015), our network spans eight countries and regions, mainly centered on Asia, and comprises 16,970 stores. By keeping abreast of new developments in the structure of society, FamilyMart started to break new ground.

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

11,328 stores

(As of February 28, 2015)

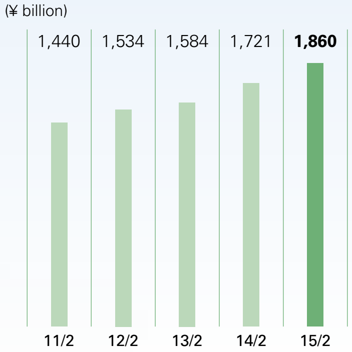


FamilyMart operated 11,328 stores in Japan as of February 28, 2015. Ranked as the third major convenience-store chain in Japan, the Company has secured an approximate 20% share of the convenience-store market, with stores in all 47 prefectures.

Total Store Sales (non-consolidated)

¥1,860.1 billion

(Fiscal 2014)

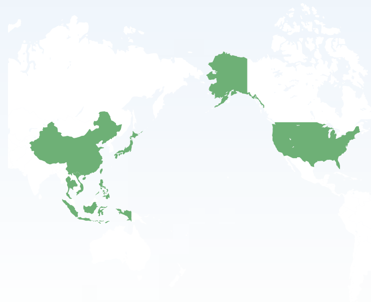


The Company's net sales continue to exhibit steady growth on the back of efforts to build a high-quality store network, to upgrade products and expand product lineups that address increasingly diverse needs, and to deliver attractive sales spaces.

Number of Stores

16,970 stores across
8 markets worldwide

(As of February 28, 2015)



Another defining feature of the Company is the role that it has played in the convenience-store industry as a pioneer in proactive overseas business development. As the world's second leading convenience-store chain, FamilyMart maintains a network across eight countries and regions, mainly centered on Asia.

Our History

Looking to provide more than just "convenience," FamilyMart has adopted an aggressive approach to promoting unique initiatives ahead of its competitors. This approach underpins our aspiration to become the convenience-store chain of choice among customers. As consumers rethink their views of the significance of convenience stores, we will continue to achieve steady growth by delivering unique sales spaces, products, and services that only FamilyMart can provide. By building on the know-how that we have accumulated over many years, we will work toward realizing a new phase of growth and a dramatic leap forward.

Total Store Sales (non-consolidated)

2001 Launch of Fried Chicken

The Company began selling fried chicken pieces in 2001, triggering its dramatic growth into a leading provider of fried chicken in the convenience-store industry in Japan. Today, our lineup of mouth-watering fried food and "FAMIMA CAFÉ" counter products helps to distinguish FamilyMart from its competitors.

2001

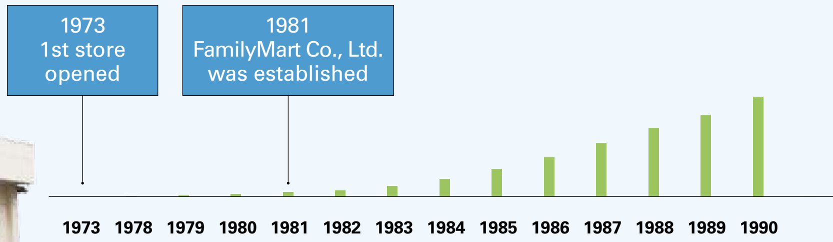
Fried Chicken

2012

FAMIMA PREMIUM CHICKEN

2013

"FAMIMA CAFÉ" Counter Coffee



Overseas Business Development

1988 First Overseas Store Opened in Taiwan

While its roots remain deeply entrenched in Japan, FamilyMart places no restrictions on its overseas business development. The Company's strength lies in an ability to freely enter countries and regions that exhibit promise. Buoyed by the opening of its inaugural store in Taiwan in 1988, FamilyMart has aggressively expanded into other countries and regions ahead of its rivals.

1993 Thailand

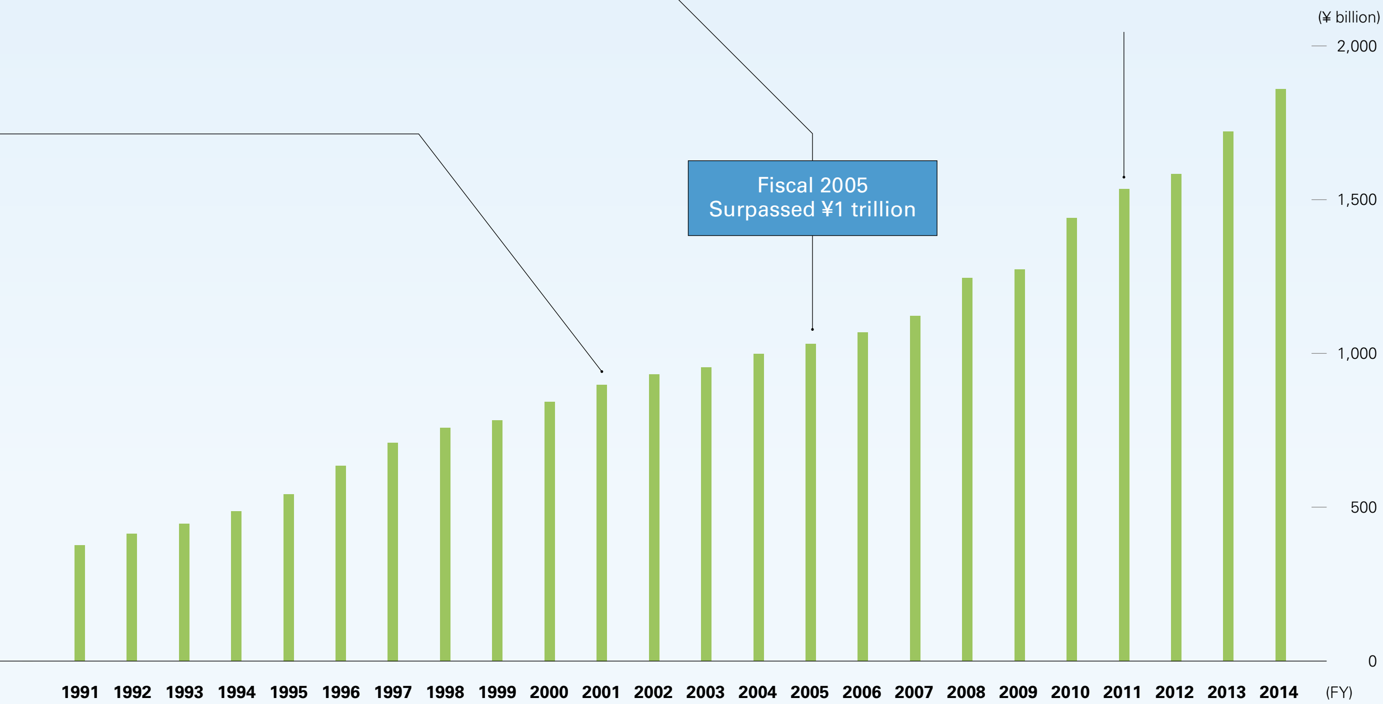
2005 "FamilyMart Feel" Campaign

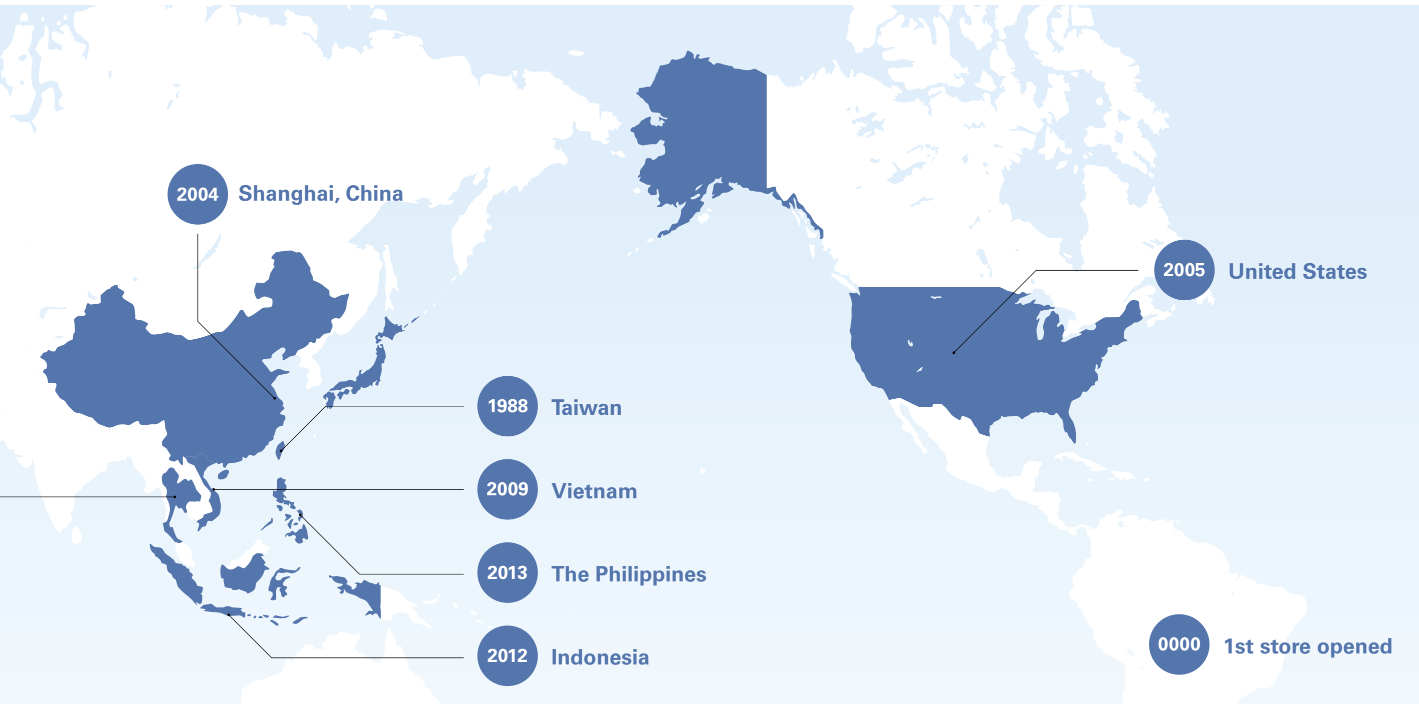
With the heartfelt wish to bring to customers FamilyMart's unique brand of value, the Company launched the "FamilyMart Feel" campaign in 2005. As a part of this campaign, every effort is being made to build and enhance the FamilyMart brand by consistently practicing the Company's basic principles.

Drawing on our efforts to date, we have commenced "Fun & Fresh" activities from fiscal 2015, a new and improved branding initiative.

2011 Brand Conversion of am/pm Stores

In the short period of less than two years, we completed the brand conversion of stores operated by am/pm Japan Co., Ltd., which in 2009 was ranked seventh in the domestic convenience-store industry with about 1,100 stores. This initiative was an industry milestone, with the average daily sales of am/pm stores climbing roughly 25% following the brand conversion.





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

Fun & Fresh

Thanks to FamilyMart, every day is filled with excitement.
Thanks to FamilyMart, spending time with friends is all the more enjoyable.
Thanks to FamilyMart, family life is safe and secure.
Thanks to FamilyMart, lifestyles remain fresh through change.
Thanks to FamilyMart, people throughout the neighborhood become familiar friends.

More than ever before, FamilyMart will bring a fun & fresh sensation to customers' everyday lives and deliver a store experience that excites and exceeds all expectations!

Fun & Fresh
Setting new standards in fun and refreshing ways,
FamilyMart will provide customers with new lifestyle proposals.
This aspiration will also set FamilyMart's future in motion.

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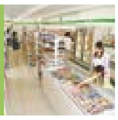

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Measures to Create Attractive Sales Areas

Here we provide an explanation of the sales area reforms undertaken in fiscal 2014.

IN DEPTH

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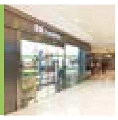
Exploring New Store Concepts

Here we provide details of integrated stores in collaboration with other retail formats.



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Strengths that Help Accelerate Overseas Business Development

Here we provide details of instances of successful collaborations with overseas local partners.

Editorial Policy

In the 2015 Annual Report, management outlines the path and specific measures to be taken to achieve the goals set out under the Company's newly formulated medium-term management plan, which has adopted the strategic theme and slogan "Fun & Fresh." Turning to our CSR activities, we have selected measures in our role as a social and lifestyle infrastructure provider that we believe are of particular interest to stakeholders and are of particular importance to the Company.

Period and Scope of the Report

This annual report covers the fiscal year ended February 28, 2015 (fiscal 2014), and also includes some activities subsequent to February 28, 2015. Environment-related data refers only to FamilyMart (non-consolidated).

Outline

Messages from Management

FamilyMart's Value Creation Story

Corporate Social Responsibility

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Data and Financial Section

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Corporate Governance
Data and Financial Section

Board of Directors, Executive Officers, and Corporate Auditors

(As of June 1, 2015)

1 Chairman and Chief Executive Officer

Junji Ueda

Apr 1970 Joined ITOCHU Corporation
May 1999 Assistant General Manager of Foods Division and General Manager of CVS Division of ITOCHU Corporation
Sep 2000 Executive Officer of the Company
May 2001 Managing Director and Managing Executive Officer of the Company
Mar 2002 President and Chief Executive Officer of the Company
Jan 2013 Chairman and Chief Executive Officer of the Company (current)

2 President

Isamu Nakayama

Apr 1981 Joined ITOCHU Corporation
Apr 2004 General Manager of Oilseeds, Oils & Fats Department of ITOCHU Corporation
Apr 2010 Executive Officer and Senior Vice President of Food Company of ITOCHU Corporation
Apr 2012 Managing Executive Officer and Executive Vice President of Food Company and Chief Operating Officer of Provisions Division of ITOCHU Company
Jan 2013 President and Executive Officer of the Company
May 2013 President of the Company (current)

3 Director and Senior Managing Executive Officer

Toshio Kato

General Manager of Store Operation Division, General Manager of Information Systems Division, and Supervisor of Customer Service Office and Franchisee Relations Office

Mar 1983 Joined the Company
Mar 2003 Executive Officer and General Manager of Kita-Kanto District of the Company
May 2007 Director, Managing Executive Officer, General Manager of Operation Division and Supervisor of Customer Service Office and Franchisee Relations Office of the Company
Mar 2011 Managing Director, Managing Executive Officer, General Manager of Corporate Planning Division and General Manager of Corporate Planning Department of the Company
Mar 2015 Director and Senior Managing Executive Officer of the Company (current)

4 Director and Senior Managing Executive Officer

Toshinori Honda

General Manager of Merchandising Division, General Manager of Logistics & Quality Control Division, Chairman of Ready-to-eat Products Structural Reform Committee, and Chairman of Logistics Structural Reform Committee, President and Representative Director of Clear Water Tsunan, Co., Ltd.

Dec 2009 President and Representative Director of am/pm Japan, Co., Ltd.
Mar 2010 Managing Executive Officer and General Manager of Business Integration Promotion Department, am/pm Operations Integration Division of the Company
Mar 2014 Managing Executive Officer, General Manager of New Business Development Division and in charge of special assignments from the President of the Company
May 2015 Director and Senior Managing Executive Officer of the Company (current)

5 Director and Managing Executive Officer

Masaaki Kosaka

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

Mar 1984 Joined the Company
Mar 2001 General Manager of Sales Planning Department and Sales Planning Division of the Company
Mar 2003 Executive Officer and General Manager of Sales Planning Office, Corporate Planning Department of the Company
May 2009 Director and Managing Executive Officer of the Company, President of FAMIMA CORPORATION
Mar 2012 Managing Director, Managing Executive Officer and General Manager of International Business Division of the Company
Mar 2015 Director, Managing Executive Officer of the Company (current)

6 Director and Managing Executive Officer

Akinori Wada

General Manager of Store Development Division

Jun 1985 Joined the Company
Sep 2000 General Manager in charge of promotion of the development of Kansai Region of the Company
Mar 2003 Executive Officer and General Manager of Chugoku and Shikoku District of the Company
May 2009 Director, Managing Executive Officer and General Manager of Store Development Division of the Company
Mar 2012 Managing Director, Managing Executive Officer and General Manager of Store Development Division of the Company
Mar 2015 Director, Managing Executive Officer of the Company (current)

7 Director and Managing Executive Officer

Yukihiko Komatsuzaki

General Manager of Corporate Planning Division and Chairman of Cost Structure Reform Committee

Mar 2007 President and Chief Executive Officer of REX Holdings Inc.
Oct 2010 Managing Executive Officer and Deputy General Manager of Management Division of the Company
May 2011 Director, Managing Executive Officer and Deputy General Manager of Management Division of the Company
Mar 2012 Managing Director, Managing Executive Officer and Deputy General Manager of Management Division of the Company
Mar 2015 Director, Managing Executive Officer of the Company (current)

Standing Corporate Auditors

Noriki Tanabe — Outside Corporate Auditor of Pocketcard Co., Ltd.

Shintaro Tateoka

Corporate Auditors

Mika Takaoka — Professor of the College of Business, Rikkyo University, Outside Director of TSI HOLDINGS CO., LTD., and Outside Director of MOS FOOD SERVICES, INC.

Shuji Iwamura — Advisor to NAGASHIMA, OHNO & TSUNEMATSU, Outside Corporate Auditor of Riken Corporation, Outside Corporate Auditor of CANON ELECTRONICS INC.

Managing Executive Officers

Kazushige Ueno
Mitsuji Hirata
Yoshihito Nakahira

8 Director and Managing Executive Officer

Hiroaki Tamamaki

General Manager of New Business Development Division

Apr 1980 Joined ITOCHU Corporation
Apr 2010 Executive Officer and General Manager of Textile Material & Fabric Division of ITOCHU Corporation
Apr 2011 Managing Executive Officer and Officer in charge of Corporate Planning Division of the Company
May 2011 Director, Managing Executive Officer and Officer in charge of Corporate Planning Division of the Company
Mar 2012 Managing Director, Managing Executive Officer and Officer in charge of Corporate Planning Division of the Company
Mar 2015 Director, Managing Executive Officer of the Company (current)

9 Director and Managing Executive Officer

Kimio Kitamura

General Manager of Management Division, Chairman of Risk Management & Compliance Committee, and Chairman of Business Process Improvement Committee

Apr 1975 Joined ITOCHU Corporation
Apr 2007 Executive Officer, Deputy General Manager of Finance Division, and CFO Office of ITOCHU Corporation
May 2007 Executive Officer and General Manager of Finance Division of ITOCHU Corporation
Apr 2010 Managing Executive Officer and General Manager of Finance Division of ITOCHU Corporation
May 2014 Managing Director, Managing Executive Officer, General Manager of Management Division, Supervisor of Accounting and Finance Division, Chairman of Risk Management & Compliance Committee and Chairman of Business Process Improvement Committee of the Company
Mar 2015 Director, Managing Executive Officer of the Company (current)

10 Outside Director

Hiroshi Komiyama

Jul 1988 Professor, Faculty of Engineering, the University of Tokyo
Apr 2000 Dean of the School of Engineering and Dean of the Faculty of Engineering of the University of Tokyo
Apr 2005 28th President of the University of Tokyo
Apr 2009 Executive Advisor to the President of the University of Tokyo, Chairman of Mitsubishi Research Institute, Inc. (current)
May 2015 Outside Director of the Company (current)

Senior Executive Officers

Katsuo Ito
Kimichika Iwakiri
Minoru Aoki
Teruo Kuramata
Makoto Sugiura
Kiyoshi Kikuchi
Junichi Yamashita
Atsushi Inoue
Eiji Morita

Executive Officers

Noboru Takebayashi
Masami Fujimori
Takehiko Kigure
Masanori Sugiura
Toru Ichikawa
Tomoaki Ikeda
Takashi Iizuka
Yoshiaki Uematsu
Yoshiki Sakazaki
Kenji Misawa
Hiroshi Sawada
Junichi Maenishi
Toshiya Yoshida
Kuniaki Abe
Katsuhisa Nozaki
Tatsuya Akaogi
Tatsuhiko Asakawa
Toshiyuki Asahi
Rei Takashima

Consolidated Financial Summary

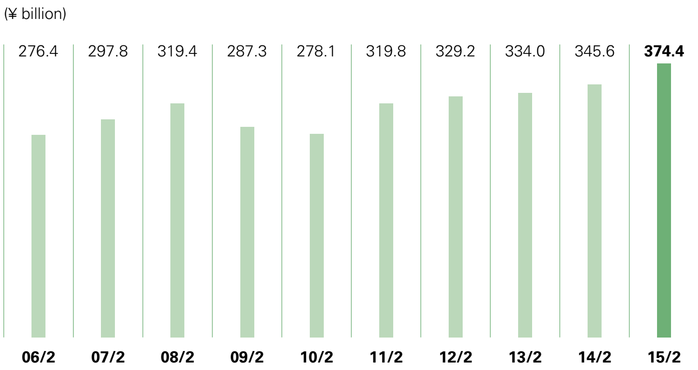
Total Operating Revenues

¥**374.4** billion

(Up **8.3**% YoY)

Increase in revenues due to such factors as aggressive store opening activities, which triggered an upswing in the number of stores, as well as robust results at consolidated subsidiaries in various locations including Taiwan

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.

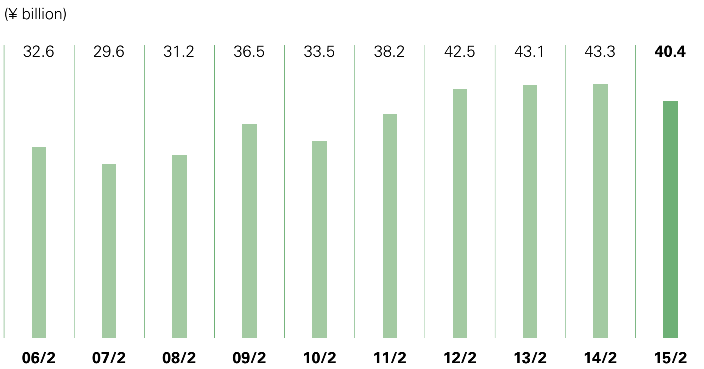


Operating Income

¥**40.4** billion

(Down **6.7**% YoY)

Decrease attributable to anticipatory costs mainly as a result of strategic investment in new store openings as well as existing stores

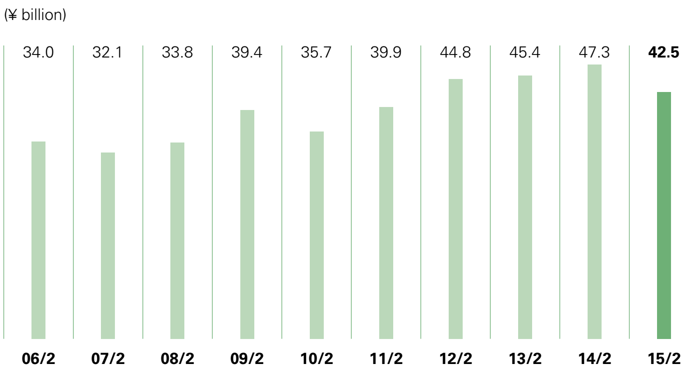


Ordinary Income

¥**42.5** billion

(Down **10.1**% YoY)

Decrease owing largely to the drop in equity in earnings of affiliates associated with business reorganization initiatives undertaken overseas

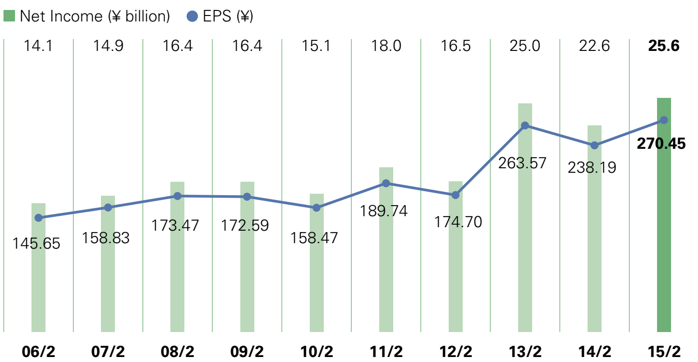


Net Income / EPS

¥**25.6** billion

(Up **13.5**% YoY)

Increase due primarily to the recognition of a gain on sales of investments in subsidiaries and associated companies; increase in basic net income per share of common stock of approximately ¥32



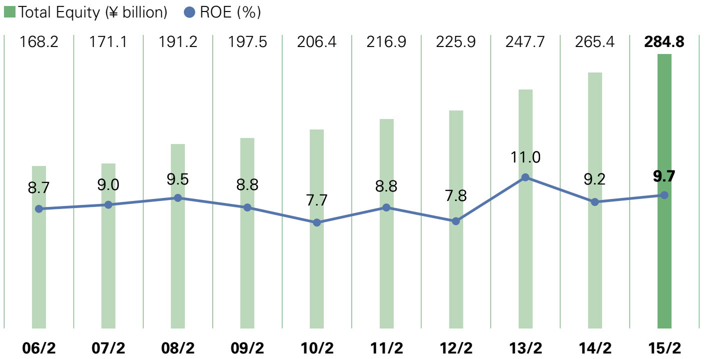
Total Equity / ROE

¥**284.8** billion

(Up **7.3**% YoY)

ROE: 9.2% to **9.7**%

Steadfast growth in ROE due to the increase in earnings



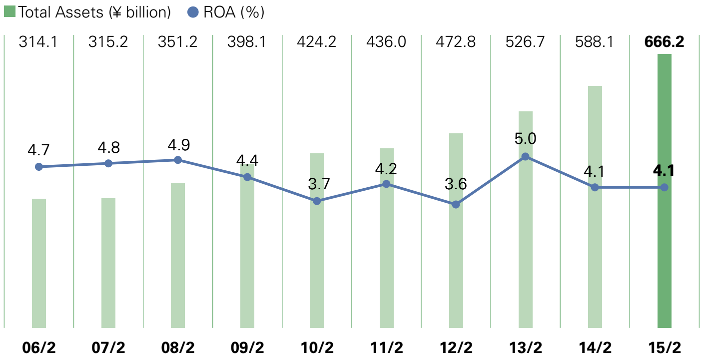
Total Assets / ROA

¥**666.2** billion

(Up **13.3**% YoY)

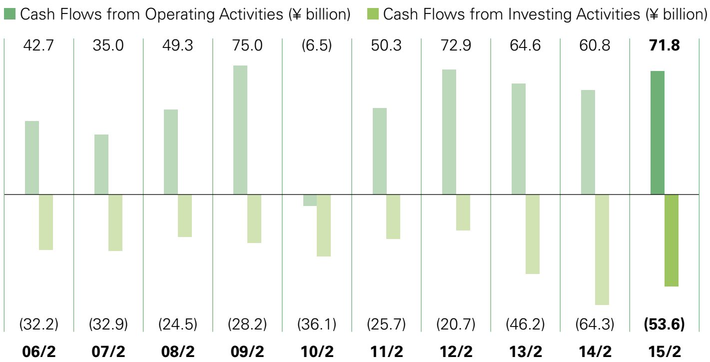
ROE: 4.1% to **4.1**%

ROA essentially unchanged from the previous fiscal year as the increase in assets associated with such activities as investment in stores matches the increase in earnings



Cash Flows

Increase in net cash provided by operating activities (cash inflow) due to such factors as the increase in income before income taxes and minority interests as well as depreciation and amortization; decrease in net cash used in investing activities (cash outflow) owing mainly to the gain on sales of investments in subsidiaries and associated companies

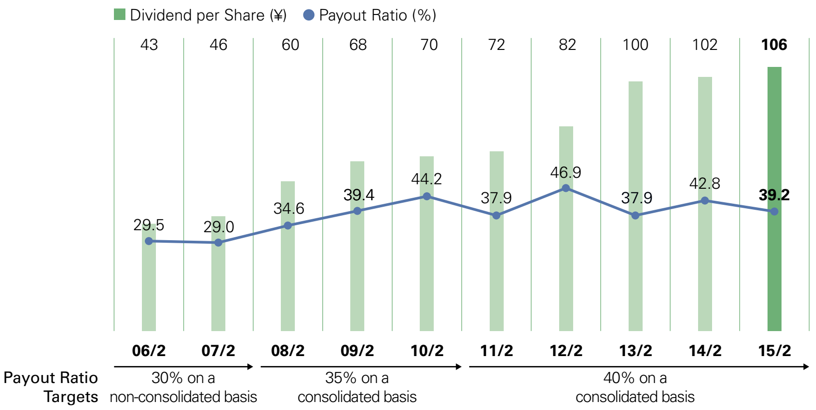


Dividend per Share and Payout Ratio

¥**106**

(Up ¥**4** YoY)

Increase in cash dividends per share for the 10th consecutive fiscal year; cash dividends per share were increased ¥4 per share to ¥106 per share bringing the payout ratio to 39.2%



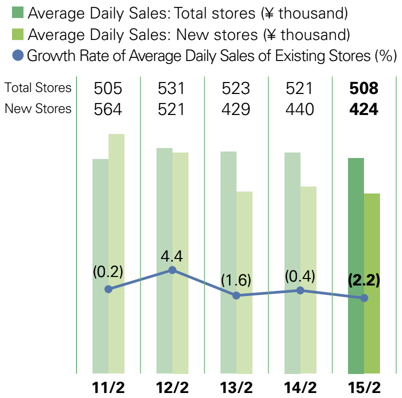
Consolidated Financial Highlights

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

	2015	2014	2013	2012
Results of operations:				
Total operating revenues (Note 1):	374,431	345,604	334,087	329,218
Commission from franchised stores	234,074	217,314	198,222	189,659
Other operating revenues	34,710	32,362	30,800	29,546
Net sales	105,647	95,928	105,065	110,013
Operating income	40,418	43,310	43,108	42,586
Net income	25,672	22,611	25,020	16,584
Net cash provided by (used in) operating activities	71,838	60,844	64,638	72,900
Net cash used in investing activities	(53,675)	(64,377)	(46,237)	(20,746)
Net cash (used in) provided by financing activities	(21,375)	(21,054)	(16,089)	(14,189)
Financial position:				
Total assets (Note 2)	666,245	588,137	526,758	472,822
Total equity (Note 3)	284,830	265,458	247,755	225,939
Per share of common stock (in yen and U.S. dollars):				
Total equity (Note 3)	2,872.4	2,686.4	2,515.6	2,299.1
Basic net income	270.5	238.2	263.6	174.7
Cash dividends applicable to the year	106.0	102.0	100.0	82.0
Ratios:				
Equity ratio (%)	40.9	43.4	45.3	46.2
ROE (return on equity) (%)	9.7	9.2	11.0	7.8
ROA (return on total assets) (%)	4.1	4.1	5.0	3.6
PER (price earnings ratio) (times)	20.0	19.0	14.8	18.1
Payout ratio (%)	39.2	42.8	37.9	46.9
Other data:				
Growth rate of average daily sales of existing stores (non-consolidated) (%)	(2.2)	(0.4)	(1.6)	4.4
Number of store openings (non-consolidated) (Note 4)	1,061	1,284	900	851
Number of total chain stores	16,970	23,622	22,181	20,079
Japan (including area franchised stores)	11,328	10,547	9,481	8,834
Overseas	5,642	13,075	12,700	11,245
Number of full-time employees	7,281	6,373	6,081	8,327
Number of shareholders	10,276	11,498	12,270	11,913

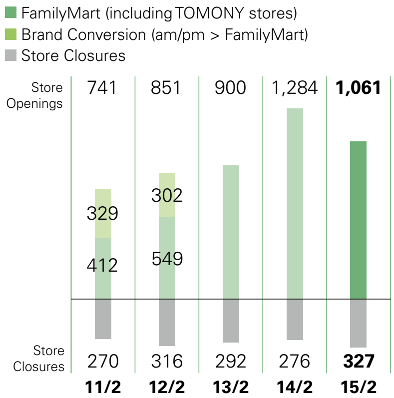
Notes: 1. Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd., from a gross basis to a net basis.
2. Total assets as of the fiscal 2008 year-end include the amount for trade payables (¥42,334 million) as the due date (February 28, 2009) fell on a bank holiday.
3. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in total equity.

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



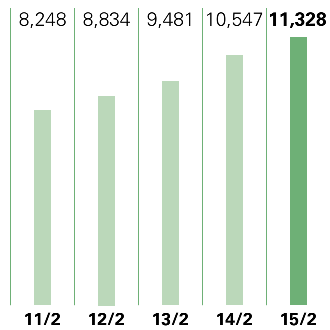
* The figures below do not reflect the performance results of TOMONY stores and am/pm stores before brand conversion.

Store Openings and Store Closures (non-consolidated)



Number of Total Chain Stores

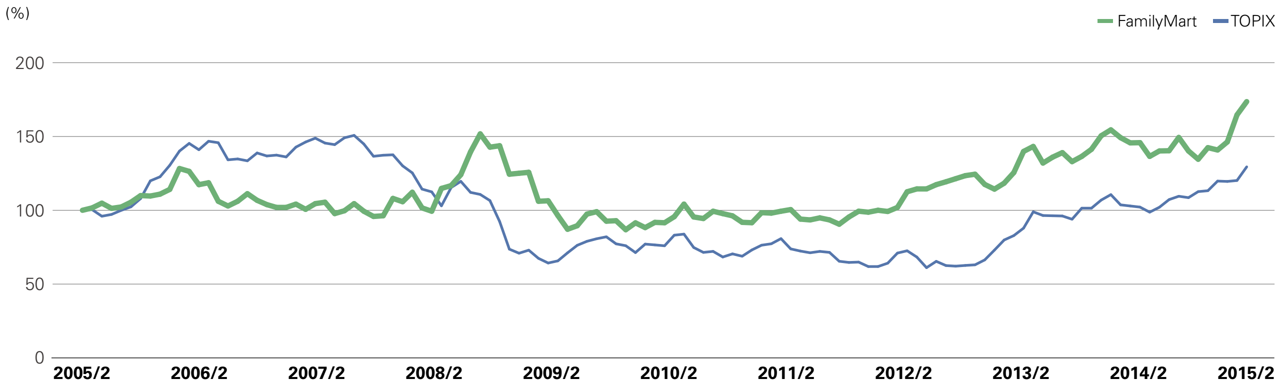
(Japan, includes stores under area franchisers)



Millions of yen							Thousands of U.S. dollars (Note 5)
2011	2010	2009	2008	2007	2006	2005	2015
319,889	278,175	287,342	319,439	297,849	276,443	252,901	3,146,479
181,064	161,167	162,288	150,351	142,294	138,636	132,864	1,967,008
27,129	22,988	22,571	21,232	21,049	19,256	16,438	291,681
111,696	94,020	102,483	147,856	134,506	118,551	103,599	887,790
38,223	33,531	36,532	31,214	29,609	32,662	30,869	339,647
18,023	15,103	16,452	16,438	14,969	14,195	12,623	215,731
50,338	(6,575)	75,028	49,375	35,093	42,778	1,428	603,681
(25,798)	(36,152)	(28,217)	(24,593)	(32,938)	(32,249)	(23,183)	(451,050)
(13,977)	(8,342)	(7,030)	3,956	(19,155)	(4,238)	(3,922)	(179,622)
436,034	424,209	398,126	351,271	315,256	314,121	286,771	5,598,697
216,979	206,490	197,529	191,281	171,155	168,233	156,931	2,393,529
2,207.5	2,096.4	2,001.5	1,921.6	1,771.3	1,736.2	1,619.5	24.14
189.7	158.5	172.6	173.5	158.8	145.7	129.5	2.27
72.0	70.0	68.0	60.0	46.0	43.0	38.0	0.89
48.1	47.1	47.9	52.2	51.9	53.6	54.7	
8.8	7.7	8.8	9.5	9.0	8.7	8.3	
4.2	3.7	4.4	4.9	4.8	4.7	4.2	
16.3	18.0	19.2	17.8	20.5	25.1	24.0	
37.9	44.2	39.4	34.6	29.0	29.5	29.4	
(0.2)	(2.4)	7.1	0.9	(1.4)	(1.6)	1.2	
741	545	542	520	586	606	532	
17,598	15,789	14,651	13,875	13,122	12,452	11,501	
8,248	7,688	7,404	7,187	6,974	6,734	6,424	
9,350	8,101	7,247	6,688	6,148	5,718	5,077	
7,569	7,204	6,950	6,647	6,735	6,048	5,458	
12,391	13,274	12,293	14,933	17,880	17,444	18,644	

4. Includes stores opened under the TOMONY format and stores converted from the am/pm brand.
5. Conversion into U.S. dollars has been made at the exchange rate of ¥119 = US$1, the rate prevailing on February 28, 2015.

Share Price (2005/2 = 100)



Chairman and Chief Executive Officer
Junji Ueda

President
Isamu Nakayama

FamilyMart has put in place a new medium-term management plan and is transitioning toward a new phase of growth.
We ask that you look forward to the Company's continued success as it unites in an effort to excel in the future.

Steadily Carrying Out Aggressive Measures

During fiscal 2014, the FamilyMart Group continued to expand its convenience-store network. As of the end of the fiscal year, the Group maintained 11,328 stores in Japan and 5,642 stores overseas, spanning the seven countries and regions of Taiwan, Thailand, China, the United States, Vietnam, Indonesia and the Philippines, for a total of 16,970 stores.

The fiscal year under review was a period of unprecedented competition that extended well beyond industry boundaries. This competition was especially fierce in the convenience-store market as the major chains sought to outdo each other. Under these circumstances, we took up the challenge and worked diligently to aggressively open stores, while undertaking record high levels of capital investment at existing stores in a bid to gain a competitive edge. In an effort to create attractive stores, we placed considerable emphasis on the development of appealing products as well as related initiatives. We channeled our energy toward a variety of measures and maintained our unwavering commitment to quality from the perspective of customers.

Turning to our overseas operations, our business development endeavors are based on a joint-venture format with local partners. On this basis, we have continued to expand overseas by optimally aligning the business model honed in Japan to the specific conditions and requirements of each market. At the same time, we have also undertaken global branding activities by expanding, for example, sales regions of the FamilyMart collection private brand.

Taking each of the aforementioned into consideration, fiscal 2014 was a period during which the Group undertook every possible initiative on the understanding that it would succeed by taking on challenges. After painting a picture of the Group's growth strategy going forward, we strongly believe that the fiscal year under review was one in which the Company took positive steps to reinforce its earnings platform and came together to put in place a robust organizational structure that is capable of carrying out aggressive measures.

Toward a New Growth Phase

Recognizing that demographic and social changes as well as volatility in the business environments of Japan and overseas will become increasingly prominent, we understand the importance of taking the lead in establishing a new concept for convenience stores. In doing so, we will focus our attention on securing the industry's top position in terms of quality. To achieve this goal, we have put in place a new three-year medium-term management plan that commenced from fiscal 2015. With the strategic theme and Group-wide slogan, "Fun & Fresh," as an action criterion, FamilyMart will implement a variety of measures and evolve into a convenience-store chain that generates a fun and fresh sensation that customers have never previously experienced through every facet of the Company's operations including products, services, and sales channels.

Maintaining Our Reputation as a Familiar and Trusted Name

As the Company's name suggests, we will forever place the utmost value on "Family" ties even as we experience the transition from one era to another. Amid calls that convenience stores fulfill increasingly diverse functions, we are committed to remaining a familiar and trusted name to all customers. At the same time, we will do our utmost to become a company that all stakeholders including franchisees, business partners, local communities, shareholders, and other investors are more than willing to support. Our overarching goal will be to secure mutual growth and prosperity.

As we work toward achieving our goal, we kindly request the continued support and understanding of all stakeholders.

June 2015

Chairman and Chief Executive Officer

President

We are taking positive steps toward framing our activities around a new convenience-store concept that focuses on a strategic "Fun & Fresh" theme.

QUESTION

What kind of a year was fiscal 2014 for FamilyMart?

ANSWER

From our position as a challenger throughout the period under review, fiscal 2014 was a year during which we adopted an aggressive approach toward carrying out our various initiatives.

Looking back on operating conditions throughout fiscal 2014, and the increase in the number of outlets in Japan to more than 55,000 across the convenience-store market as a whole, I feel strongly that convenience stores have forged an increasingly indispensable position as a part of the social and lifestyle infrastructure. Against this backdrop, competition within the industry for the remaining limited number of prime locations has intensified among the major chains with sufficient investment capacity. Add to this, the downturn in personal consumption attributable to such external factors as Japan's recent consumption tax rate hike, the inclement weather during summer, and the marked upswing in costs most notably in the form of an increase in prices due to the weak yen, the fiscal year under review was a period during which the ability of convenience-store chains to adequately respond to changing market conditions and to generate increases in the number of customers as well as earnings was brought into question.

At the start of the fiscal year, I put forward the slogan "FamilyMart—Succeeding by Taking on Challenges" both within and outside the Company. In doing so, it was my intention to instill within each and every member of the FamilyMart Group awareness toward our position as a "challenger," and as such to adopt bold and aggressive measures throughout the ensuing year. Amid a harsh business environment, I am pleased to say that fiscal 2014 was a period during which the Group did indeed work in unison to aggressively promote every possible measure.

From a store development perspective, we continued to proactively expand our store network. For a second consecutive fiscal year, the number of new stores opened in Japan exceeded 1,000, totaling 1,120 stores* in fiscal 2014. In an effort to create new value, we also opened integrated stores by collaborating with other retail formats including drugstores, dispensing pharmacies, and supermarkets. I can sense that this attempt at providing additional functions that were previously absent from traditional convenience stores is attracting the support of a wider customer base and drawing out new potential inherent in each store.

Turning to services, FamilyMart radically reviewed the membership and point collection schemes of the Famima T Card. This in turn triggered a substantial increase in membership and usage rates. We also took steps to strengthen existing stores by undertaking capital investments at the record-high level of ¥10 billion. Through a variety of initiatives including the installation of horizontal refrigerated display cases, we are seeing clear signs that our investments are bearing fruit. With an expanded product lineup, for example, average daily sales of frozen food items and ice cream products have risen more than 20% year on year.

Outside Japan, we reorganized the Group's operations in South Korea and posted other income for the fiscal year under review. In addition to expanding earnings in Taiwan by strengthening our lineup of ready-to-eat products and increasing the number of stores with eat-in facilities, we successfully achieved a profit on a single fiscal year basis in China as a whole by promoting the shift to franchise stores. I believe that we have taken great strides toward building a robust overseas operating platform that is capable of generating future earnings by optimally aligning the know-how accumulated as a convenience-store chain with its origins in Japan to each country and region.

* Including four area franchisers in Japan

Looking at our operating results on a consolidated basis for the fiscal year under review, the FamilyMart Group achieved its publicly disclosed plans. In specific terms, we reported record highs in both total operating revenues and net income. Operating income and ordinary income, on the other hand, were down year on year. This was largely attributable to forward-looking expenditure in line with the opening of new stores and strategic investments in fixtures at existing stores.

Consolidated Earnings Performance

	14/2	Forecast announced October 2014 (A)	15/2 (B)	Difference (B – A) (¥ million)	YoY change (%)
Total operating revenues	345,604	377,900	**374,431**	(3,469)	108.3
Operating income	43,310	40,000	**40,418**	418	93.3
Ordinary income	47,315	42,000	**42,520**	520	89.9
Net income	22,611	25,500	**25,672**	172	113.5

QUESTION

Three years have now passed since FamilyMart took the bold step of aggressively opening stores. What are your thoughts on the Company's activities to date?

ANSWER

I feel confident that we have put in place a platform that will take us to the next phase of growth and are poised to reap considerable benefits.

Prior to fiscal 2012, our strategy entailed opening between 400 and 500 stores annually. Over the past three years, we significantly increased this number, opening more than 3,000 stores.

This shift in our strategy reflects our understanding of Japan's convenience-store market as an ongoing growth field. As is well known, while the nation's population continues to decline, the overall structure of society is a source of underlying strength. The so-called second-generation baby boomers, who make up a substantial portion of the population, are now at an age where consumption is high. Coupled with the anticipated upswing in purchasing patterns in the lead up to the Tokyo Olympics in 2020, I feel confident that the convenience-store market will continue to encounter positive conditions. Taking this into consideration, the period since fiscal 2012 has thus been one in which FamilyMart has strived to make things happen and to lay the groundwork for capturing growth opportunities going forward.

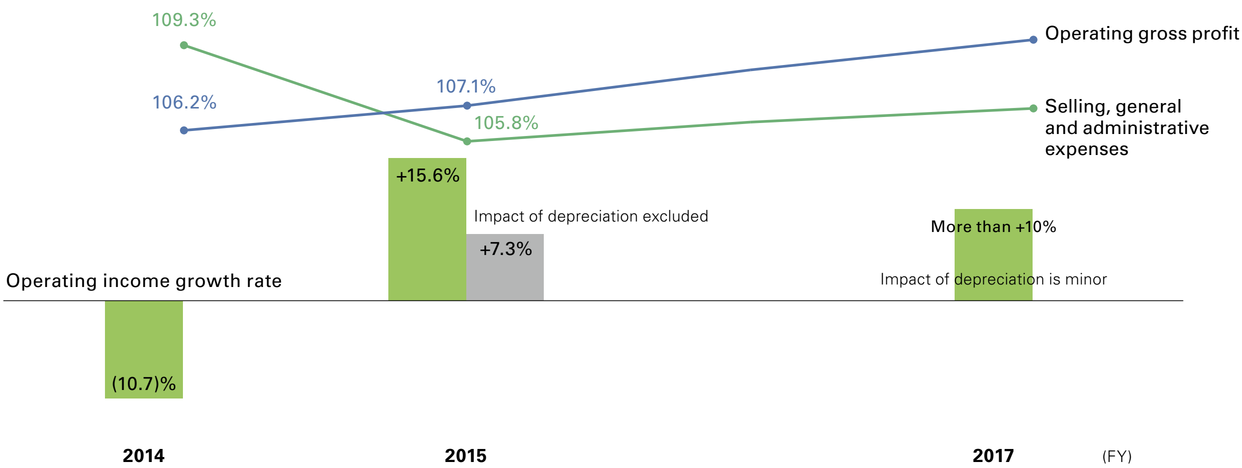
As a result of adopting an aggressive store opening strategy over the past three years, FamilyMart can today lay claim to a domestic network that exceeds 11,000 stores. This success in expanding our network during such a critical period is significant for two main reasons.

First, the stores that we opened over this period have matured over the three or four years since they were opened, and are transitioning fully to a period of earning returns on these upfront investments.

Second, the Group as a whole now possesses the strength and ability to open 1,000 chain stores annually. This ability to open 1,000 or more stores each year is essential for a convenience-store chain with a network exceeding 10,000 stores to secure sound and stable growth. Franchise contracts typically last 10 years, and the environment for the store can change dramatically over these 10 years. Looking ahead, around 1,000 stores are expected to have their contracts come up for renewal every year. Of these, 20% or 30% of the stores will require some fixing up, such as new shelving or display cases, and need to improve their operations in some respect. In view of changes in the competitive environment and flow of people at these stores, FamilyMart will promote a strategic scrap and build policy of relocation to prime locations that offer the potential for increased earnings, and open multiple stores in order to defend the service areas of our existing stores from rivals. We will continue to target the opening of 1,000 stores annually, including integrated as well as scrap and build stores in collaboration with other retail formats, a field of expertise for FamilyMart, stores in such new markets as railway stations and hospitals, and store locations that exhibit the promise of high average daily sales. This represents our target for annual store openings.

We have expanded our network in anticipation of brisk consumer spending over the next few years. At the same time, we have strengthened our operating platform to ensure that we remain well positioned to open new stores. In this regard, I take great pride in our successful Group-wide efforts to put in place a growth-oriented structure amid challenging competitive conditions, and the amazing results we have had from a three-year period of aggressive store opening activity.

Earnings Structure in Medium Term (non-consolidated)



* For the depreciation of property, store and equipment, in previous years the Company principally used the declining-balance method, but from fiscal 2015 the Company has adopted the straight-line method.

QUESTION

With a network that exceeds 11,000 stores, what is your image of convenience stores in the future?

ANSWER

I believe we are entering a period during which we must build a new convenience-store concept.

Looking back, the steady evolution of convenience stores can be categorized into three distinct phases.

During the initial period of the 1970s, convenience stores went through a pioneering phase. During this period, store networks expanded on the back of their close proximity to consumers, extended business hours and ability to provide convenience to users as well as local communities.

During the second phase of development, the focus was very much on incorporating new value into the convenience-store business model. This entailed upgrading and expanding lineups of products while adding abundant services. As one example, convenience-store offerings of rice balls and boxed lunches, which were traditionally prepared at home, gained widespread acceptance for their delicious taste, thanks to the efforts of each company within the industry, and this established a consumption pattern for buying products at convenience stores. This second phase of development was therefore a period during which energies were channeled toward delivering new products and a fresh surprise to customers visiting stores as well as raising the value of convenience stores as an indispensable part of people's everyday lives. The Great East Japan Earthquake in 2011 marked another major turning point in the evolution of the convenience store market. In the wake of the disaster, the elderly and housewives, who had not previously used convenience stores that often, began to visit convenience stores more frequently, recognizing their convenience and high-quality products. This second phase was therefore one of constant growth and development in response to changes in society.

However, convenience stores have already entered a third phase of development, a new phase of growth. Against the backdrop of significant demographic and social changes, including the continued decline in birthrates, the rising number of elderly and an increase in dual-income households, the lifestyles of consumers have diversified. During this phase, convenience stores must discover new growth fields by uncovering latent consumer needs, as the era of growth by meeting customer needs comes to a conclusion. In other words, this will be a period of creating value for customers by proposing better lifestyles for customers. On top of the convenience we have always offered, the ability to work with customers and help solve any issues they may have will be the key to further growth. For the elderly, who are looking to address all their needs at locations that are within walking distance, our convenience store business model that operates within small retail zones will play a central role in the local community and to help resolve every possible issue.

However, there are limitations to success under our current retail format. It is therefore vital that we propose new concepts and ideas for the convenience store business model, extending well beyond the supply of products and services, and look closely at sales channels as well as points of customer contact and customer service. In addition to recent initiatives, which include the introduction of delivery services as well as integrated stores that incorporate other retail formats, and collaboration with sound businesses that we see as compatible with our stores, we will work to identify a new concept for convenience stores that puts FamilyMart in the lead.

Phases of Convenience-Store Development

Phase 1

Delivering new levels of convenience

Phase 2

Upgrading and expanding product and service lineups

Phase 3

Creating new customer value

QUESTION

How will you go about identifying a new convenience-store concept?

ANSWER

Recognizing this as a major theme requiring our attention over several years, we put in place a new medium-term management plan.

Entering a new growth phase, our long-term vision is to be number one in the industry in terms of quality by quickly creating a model for next-generation convenience stores and then horizontally deploying this business model.

This endeavor is very complex and will not be accomplished in a single year. We recognize that it is a major initiative that will require action over several years. As a result, we put in place a new three-year medium-term management plan.

First of all, in the domestic convenience-store business, we will push forward with reforms and focus intently on improving quality for our customers in all fields. In product development, we plan to streamline our production and distribution bases while markedly improving the quality of our ready-to-eat products through structural reforms. Then, we will focus on developing healthy ready-to-eat products that customers want. Turning to store operations and management, we will have an independent organization conduct a competitive analysis of all our stores twice a year. Based on this analysis, we will take steps to enhance service, quality and cleanliness (SQ&C) further as well as improve the quality of our stores from the customers' perspective. In store development activities, as I explained before, we will concentrate on the opening of stores that can be expected to generate a return on the investment. To this end, we are working diligently to build a store network of the highest quality.

With respect to our overseas convenience-store business, we will accelerate the development of Japanese-style convenience stores centered on Asia. Moving forward, we will actively enter new countries and regions while working to quickly generate profits in overseas locations where we maintain an existing presence. FamilyMart will also build new businesses that are compatible with its convenience-store operations and exhibit considerable potential for future growth. This will include boldly pursuing opportunities in the three areas of nursing and healthcare, finance, and online shopping.

Based on each of the aforementioned initiatives, we have identified specific quantitative targets going forward. On a consolidated basis, FamilyMart targets ordinary income of ¥60 billion or more, net income of ¥30 billion or more, and an ROE of 10% or more in fiscal 2017.

In order to achieve the targets in this medium-term management plan, and to ensure that franchise owners, store staff, suppliers, producers, vendors, and all our other business partners take to heart the values that guide FamilyMart, we have put forward the rallying catchphrase "Fun & Fresh." Short and simple, it is our wish that this rallying call will reach every corner of our organization. "Fun & Fresh" encapsulates the strategic need to create new lifestyles for customers while also providing a set of values and code of conduct by which we must pursue and measure all business activities. Our heartfelt wish is to surprise our customers with the extent to which we will go to deliver products and services that provide genuine value.

Fiscal 2015 - 2017 Medium-Term Management Plan

Strategic Concept

Fun & Fresh

Fiscal 2017 Numerical Targets

Consolidated ordinary income of at least
¥**60.0** billion

Consolidated net income of at least
¥**30.0** billion

Consolidated ROE of
10% or higher

QUESTION

In carrying out your new medium-term management plan, how will you strengthen the Company's management platform?

ANSWER

In addition to reviewing our organization, we will work diligently to ensure that a new corporate culture takes root.

In order to bolster our governance systems, an outside director was newly appointed on May 27, 2015. Recognizing the importance and benefits to accrue from the input and comments of an outside party, we took careful steps to identify qualified individuals. As a part of the selection process, we placed considerable emphasis on individuals who maintained a keen interest in the convenience-store business, understood the significance of the role played by convenience stores in society, and could be expected to participate actively in constructive deliberations. Hiroshi Komiyama, who has accepted our invitation to join the Company's Board as an outside director, has for some time espoused the importance of innovation in driving Japan's growth in the future. This is consistent with our view of the service industry as a catalyst for future growth and the third phase in the evolution of convenience stores. Looking ahead, we anticipate Mr. Komiyama will add considerable value to discussions regarding FamilyMart's concept of convenience stores in the future as well as the Company's ideal growth strategy.

From an organizational perspective, we have taken steps to actively open new stores over the past few years, and now we have an organizational platform that is capable of opening 1,000 or more stores annually. We have accordingly shifted from an organizational structure of independent development and marketing sections, to one with integrated development and marketing functions under the direct control of the President. As a result, FamilyMart is able to coordinate operations more fully, from regional store opening strategies to support for the marketing activities of franchise owners, and this is leading to a faster pace of decision making and policy implementation.

For my part, I implore all members of the FamilyMart Group to help nurture a corporate culture that places the utmost value on enhancing quality and eliminating waste. By eliminating waste, we aim to improve productivity through a gain in operational efficiency. Having said this, however, eliminating wasteful documents, meetings, and overtime cannot be achieved overnight. With this in mind, I would first ask that employees change their mindsets. It is essential that top management take the initiative and deliver this message at every opportunity, in order for a new corporate culture to take root. Insisting on enhanced quality and the elimination of waste will steer both employees and the organization toward sound and stable growth.

QUESTION

How do you see FamilyMart evolving over the long term?

ANSWER

I see us growing in tandem with developments in the retail sectors of each country and region in Asia as we work toward becoming the leader in our field globally.

I project that the FamilyMart Group will experience two distinct stages of growth over the next two decades. First, the Group will establish a next generation convenience-store format and transition in earnest to the third phase of its evolution. During this period, operations in Taiwan and China will also transition from the second to third phase mirroring trends in Japan. In this regard, the business know-how accumulated in Japan will undoubtedly serve as an engine for additional growth in both Taiwan and China, which offer a scale several times larger than that of the domestic market.

Thereafter, the Group will enter the second of the two distinct stages projected. During this period, emerging markets in Asia including the Mekong Delta region will transition toward the third phase. I expect that we will then see new convenience stores throughout the countries and regions in which FamilyMart operates including Japan blossom. As these forecasts become a reality, we will come within sight of our aspiration to become the leader in our field globally.

QUESTION

In closing, do you have a message for stakeholders?

ANSWER

With "Fun & Fresh" as our rallying call, we will take up the challenge of achieving established goals.

With a global network of around 17,000 stores, FamilyMart is responsible for and accountable to a large number of stakeholders. As the convenience store industry enters a new phase of growth, even more is expected of the Company by local communities, franchisee owners, business partners, and customers. As indicated by the Company's name, we place considerable emphasis on an approach that treats all stakeholders as if they were members of the same family. I believe it is my mission as president to provide these stakeholders with better lifestyles, and to ensure that FamilyMart remains "Fun & Fresh."

Moreover, management believes that returning profits to shareholders is an undertaking of vital importance. We maintain the basic policy of distributing profits to shareholders and other investors on a stable and continuous basis commensurate with the Company's operating performance. Guided by this basic policy, we plan to pay an annual dividend of ¥110 per share, an increase of ¥4 per share, in fiscal 2015. This represents the 11th consecutive fiscal period of higher dividends.

Competition within the convenience-store market continues to steadily intensify, and carrying out our growth strategy will by no means be an easy task. However, we will strive to become the number one convenience store in terms of quality by creating a new convenience store concept based on the roadmap set forth under the new medium-term management plan. We will continue to work in unison under the "Fun & Fresh" banner to achieve our overarching aspirations that lie beyond.

As we work toward accomplishing these goals, we kindly request the continued support and understanding of all stakeholders.

June 2015

President
Isamu Nakayama

Toward the Third Phase of Convenience-Store Development

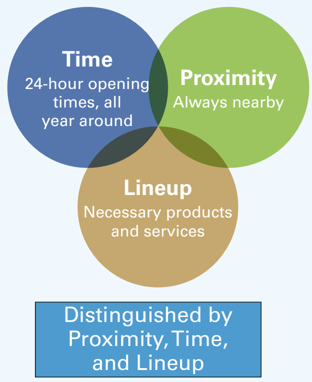
The steady evolution of convenience stores can be categorized into three distinct phases. During the initial, pioneering phase, convenience stores attracted the support of customers on the back of extended business hours. Thereafter, store visibility quickly grew as store networks expanded. During the second phase of development, each convenience-store chain worked diligently to upgrade and expand its lineups of products and services in a bid to meet the needs of customers. It is over this period that convenience stores became an indispensable part of people's everyday lives. Today, against the back-drop of significant demographic and social changes, convenience stores are entering the new phase of development.

Phases of Convenience-Store Development

Phase 1

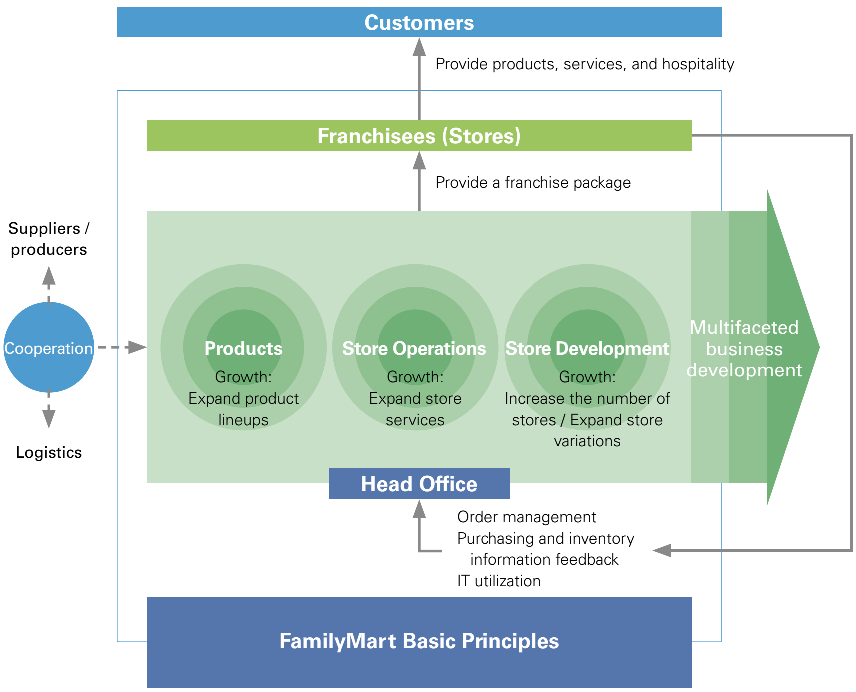
Delivering new levels of convenience

Delivering new levels of convenience through network expansion and 24/7 operations

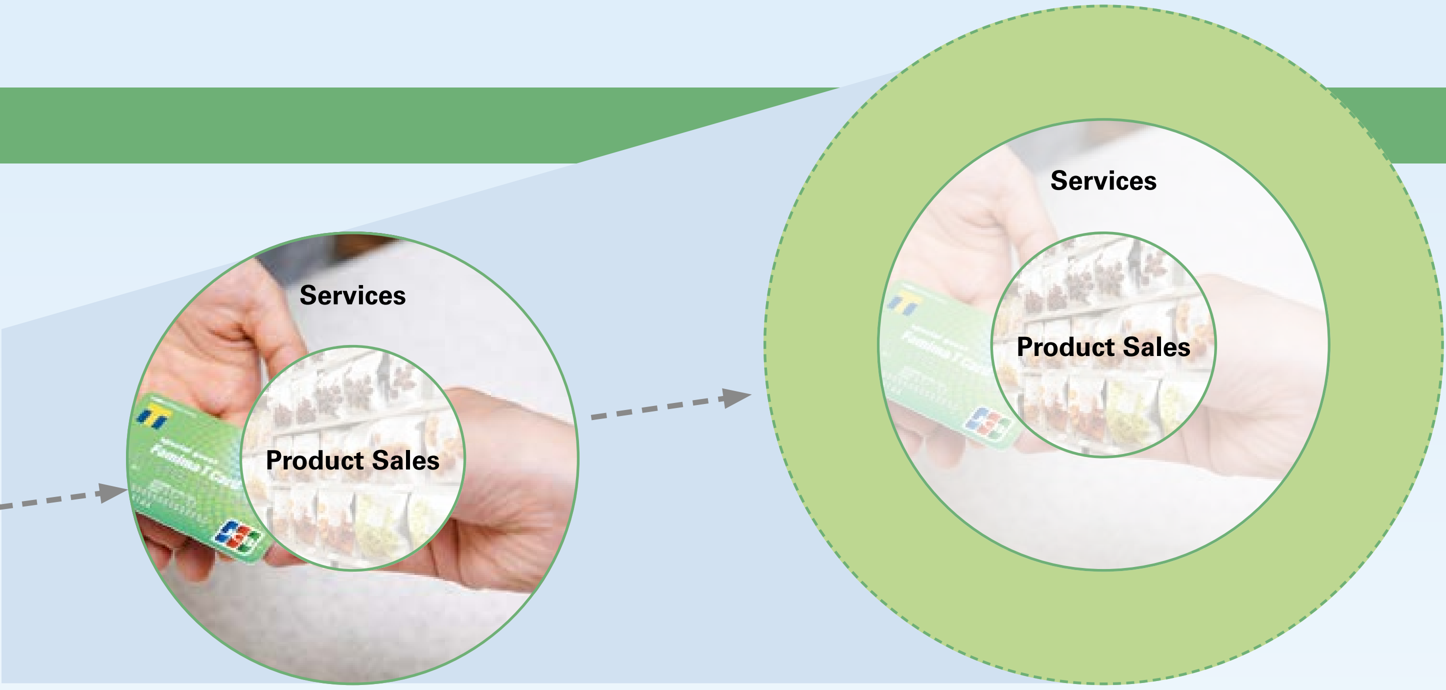


Factors That Underpin Convenience Store Development

FamilyMart's Business Model



As a key point of contact with customers, convenience stores provide an essential conduit that facilitates the flow of operating feedback, including purchasing information. This feedback is then incorporated into strategic plans, efforts to enhance store operation, and the development of products and stores. This unique business model, which also entails close collaboration between franchisees and Head Office management, has provided the mechanism for ensuring that products, operations, and store formats accurately and quickly reflect consumer trends as well as been the driving force behind convenience-store development.



Phase 2

Upgrading and expanding product and service lineups

Providing better products and more-convenient services while working to create new trends

Expanding Services by Meeting Social Needs

Phase 3

Creating new customer value

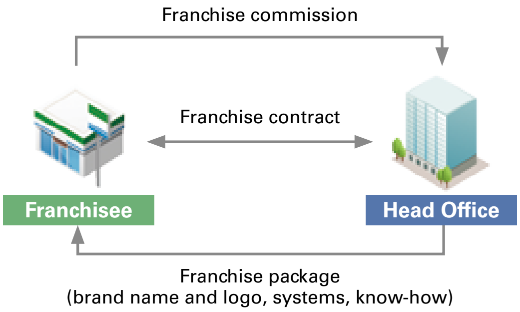
Allowing customers to choose and share the value created by each convenience-store chain

Franchise System

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

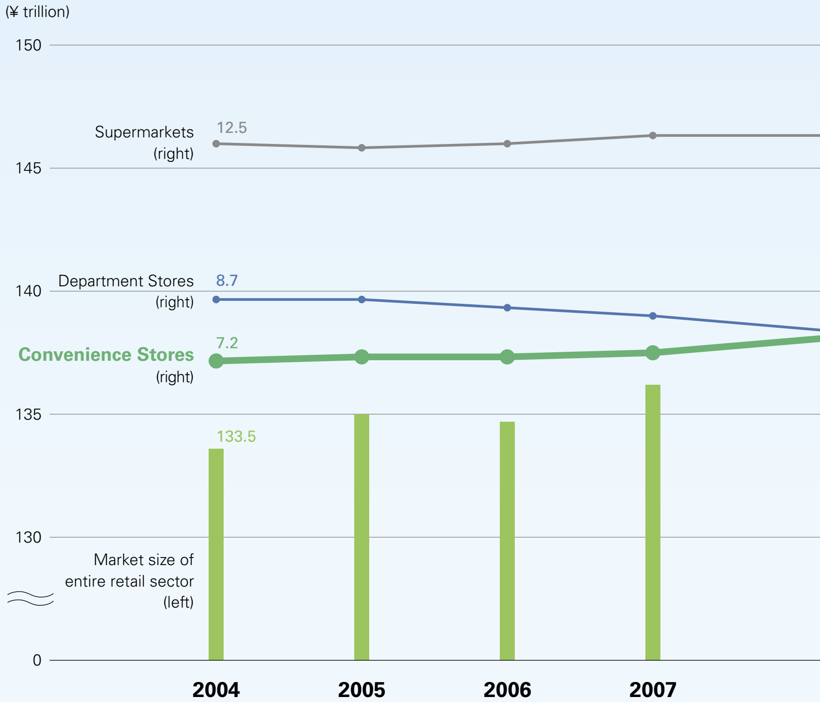
Increased Efficiency and Sophistication Using IT

To grasp constantly evolving consumer needs, we collect information from various sources and analyze it using IT resources. FamilyMart is ceaselessly innovating on the technological front to create more-advanced IT systems that enhance the efficiency and sophistication of its product development, logistics, inventory management, and product lineups.

Continued Convenience-Store Growth

In the retail sector, which is said to be worth about ¥139 trillion, the convenience-store market accounts for ¥10 trillion, and that figure is projected to exceed ¥12 trillion over the medium term. While convenience-store chains have gradually increased their presence in the retail sector, they need to evolve even further during the third phase. Also, when considering how to continue to evolve the convenience-store business, economic growth in overseas markets, especially in Asia, cannot be ignored.

Convenience-Store Market Poised to Expand Further

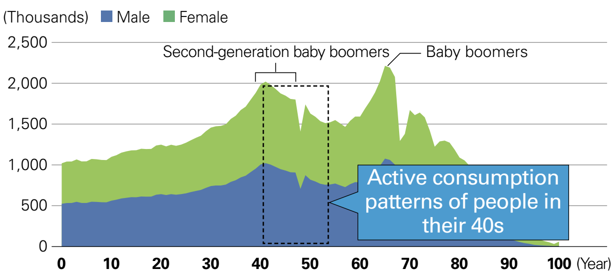


Source: Retail Statistical Yearbook, Ministry of Economy, Trade and Industry

Trends Affecting Convenience Stores in Japan

Demographic Changes

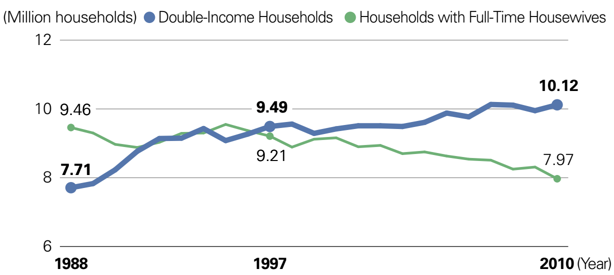
Japan's demographic composition (2014)



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

Increase in Number of Working Women

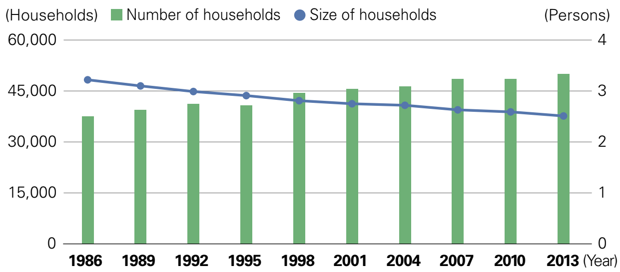
Increase in double-income households



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

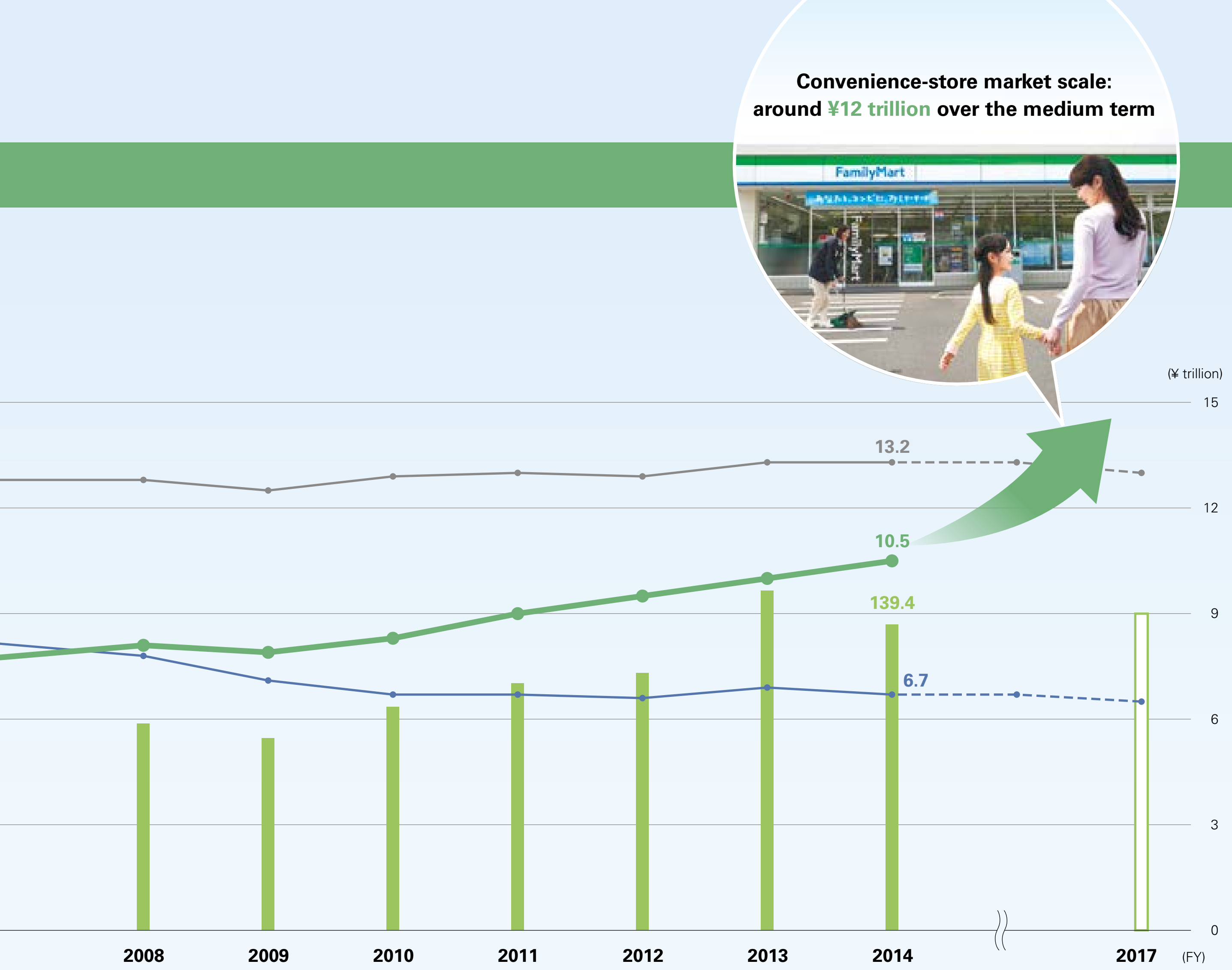
Increase in Number of Households and Decrease in Number of Persons per Household

Trends in the number of households and average household size



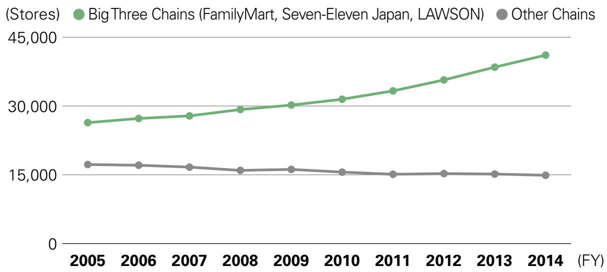
Source: Comprehensive Survey of Living Conditions, Japan's Ministry of Health, Labour and Welfare

Demographic and social changes in Japan, including an aging population, an increase in the number of single-person households, and an increase in the numbers of women entering the workforce, present convenience stores with new opportunities. Women and elderly people, who have infrequently patronized convenience stores to date, are now potential new categories of clientele as they discover the convenience of being able to do all their shopping and run all their errands within walking distance of their homes.



Store Networks as Social Infrastructure

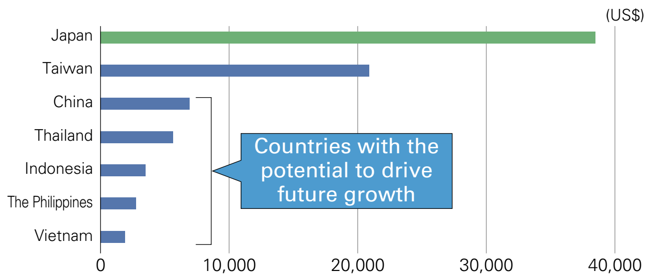
Change in the number of stores for big three chains and other chains



Source: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha

Room for Development in Japanese-Style Retail Model

Nominal GDP per capita in FamilyMart's markets (2013)



Source: JETRO reports for individual countries and regions

As the total number of convenience stores in Japan tops 55,000 locations, the three major convenience-store chains have been steadily increasing their market presence. For convenience-store chains that have expanded their networks through aggressive store openings, the leveraging of their store networks as infrastructure and their stores as bases is key to the next phase of evolution in new business development.

In emerging countries centered on Asia, the convenience-store market is in phase one or phase two of development. In countries where consumer spending is forecast to increase accompanying economic growth, the retail sectors are also expected to develop. It is in these promising markets where a polished business model for convenience stores originating in Japan can gain a foothold and allow FamilyMart to grow.

Creation of Next-Generation Convenience Stores

As a company that is charged with the responsibility of creating customer value throughout the third phase of development, FamilyMart is looking to establish a new convenience -store concept.

With this in mind, the Company put in place a medium-term management plan that spans the three-year period from fiscal 2015 to fiscal 2017. Guided by this plan, we will work to become a next-generation convenience store that offers the highest quality in creating new lifestyles. Delivering safety and reliability as well as solutions to a wide range of issues that impact people's everyday lives, and instilling in its customers a fun and fresh sensation, FamilyMart will create and provide new value mainly to the local community.

With "Fun & Fresh" as a strategic theme and rallying call, we will unify perceptions toward the value chain and identify a single direction in an effort to overcome the challenges that lie ahead together with all partners and stakeholders including employees and franchisees.

Toward a Lifestyle Creation (Next-Generation) Convenience Store

Cultivating existing domains

Sales

Products
- Fresh and just-made products
- New ready-to-eat items that create healthier food choices
- Trendy and fun products that bring new discoveries

Sales Channels and Store Operations
- Sales spaces that evoke the seasons, tailored to local characteristics
- Cheerful customer service
- A comfortable space for women and the elderly

Stores

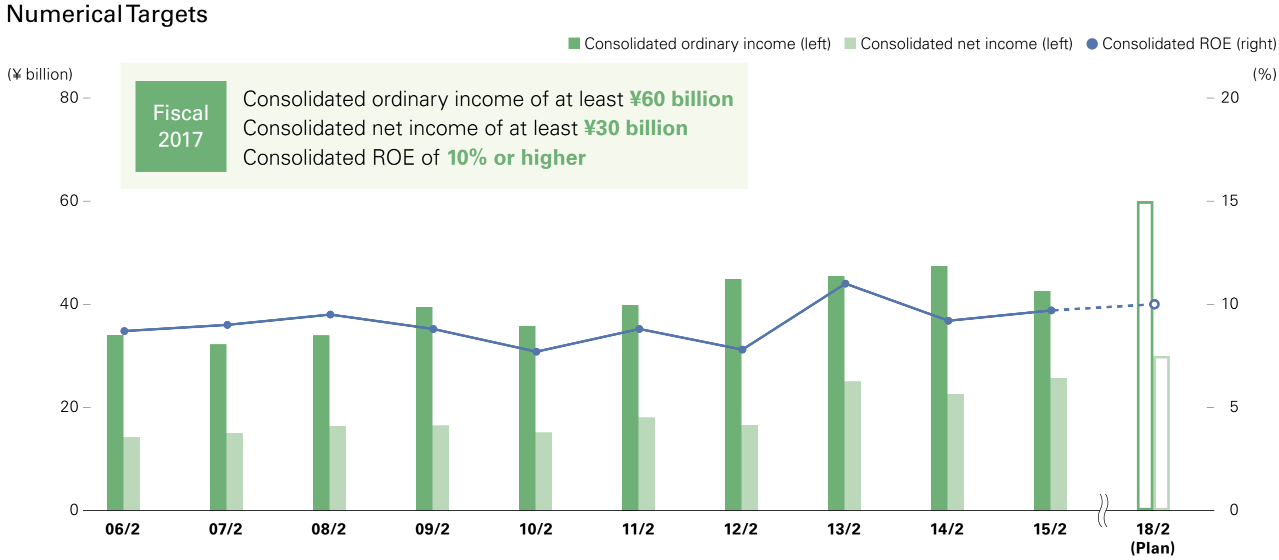
Fiscal 2015–2017 Medium-Term Management Plan

Strategic Concept

Fun & Fresh

Focusing on the value of fun and fresh, this strategic concept is designed to align the entire value chain, including partners from different industries.

Numerical Targets



Expanding into new domains

Provision of Services and Information

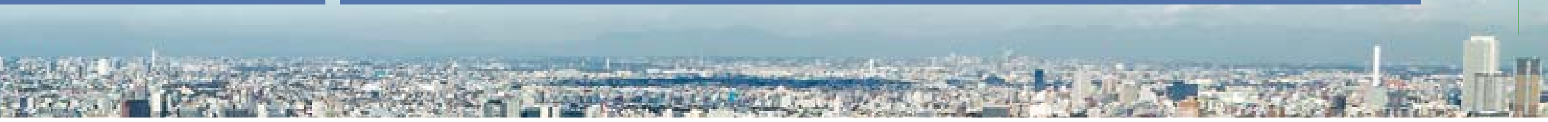
- New services that support living and lifestyles
- New highly convenient payment services
- Cutting-edge technology to distribute timely and interesting information that fulfills personal needs

Strategic theme: Creating fun and fresh customer value

Fun & Fresh

- A new shopping experience incorporating the know-how of other store formats
- Convenient and fun ways to shop using the Internet
- New delivery services with local roots

Diverse Ways of Interacting with Customers



Policies for Each Business Field

1

Domestic Convenience-Store Business

<Product Strategy>

- Deliver value to customers by developing new, delicious products that they have not previously encountered as well as products and services that bring a fun and fresh sensation to people's lives
- Further enhance product competitiveness by carrying out structural reform of the Group's production of ready-to-eat items and logistics operations

<Store Operations>

- Position value for customers at the heart of efforts aimed at improving store quality
- Build stores that attract increasing numbers of customers and mechanisms that encourage frequent visits
- Improve the level of store management under which the Company's Head Office and franchisees work in unison

<Store Opening Strategy>

- Engage in store opening activities that will ensure the sound growth of a network that exceeds 10,000 stores
- Strengthen the opening of stores by adopting a scrap-and-build policy and promoting integrated stores through tie-ups with companies from other sectors while opening stores in new markets
- Aggressively open stores in the three major metropolitan areas and leading provincial cities and increase the Company's overall dominance

2

Overseas Convenience Store Business

- Accelerate the pace of Japanese-style convenience-store development, mainly in Asia
- Secure stable earnings in Taiwan, China, and Thailand as part of efforts to promote growth in existing countries and regions while improving profits in Vietnam and the United States and quickly realizing profitability in Indonesia and the Philippines

3

New Businesses

- Leverage convenience stores' greatest strength—a network of stores with roots in local communities—to develop businesses and create business models that will generate future sources of earnings
- Focus on the three fields of nursing and health-care, finance, and online shopping, areas that offer growth potential and characteristics that resemble those of convenience-store operations

Toshinori Honda
Director and Senior Managing Executive Officer
General Manager of Merchandising Division, General Manager of Logistics & Quality Control Division, Chairman of Ready-to-eat Products Structural Reform Committee, and Chairman of Logistics Structural Reform Committee, President and Representative Director of Clear Water Tsunan, Co., Ltd.

"Fun & Fresh" Products That Deliver Value to Customers

FamilyMart is endeavoring to provide stores that help deliver solutions to people's everyday lives in the morning, the afternoon, and at night.

Developments in Our FAMIMA CAFÉ Brand of Counter Coffee

1 Reviewing Our Coffee Beans and Introducing New Products

FamilyMart is looking to further enhance the taste of its counter coffee products and to improve its marketing of these products. To those ends, we are undertaking a comprehensive review of every facet of our counter strategy, from the selection of coffee beans and blends to the roasting process. By making the most of the unique attributes of our espresso-type coffee machines, which we also use for our latte offerings, we are building on our hit Café Frappe menu introduced during fiscal 2014 with the release of a new hot milk menu in fiscal 2015. In this manner, we will endeavor to boost sales of our counter products.

2 Expanding Related Menus

FamilyMart engages in the development and sale of original products that complement its menu of freshly ground coffees and related products, including high-quality desserts and sandwiches. Especially with respect to its lineup of sandwiches, FamilyMart has added a premium sandwich menu, which is popular particularly among women, in addition to its diagonally cut sandwiches, which offer bread with an improved taste.

Higher Quality of Ready-to Eat Items

3 Launch of High-quality Boxed Lunches and Noodle Products

FamilyMart has taken decisive steps to fully review its lineup of boxed lunches, which are a principal category of its ready-to-eat items. In undertaking this review, the Company paid particular attention to ensuring that its boxed lunches are not only delicious but also visually appealing. We have increased the variety and quantity of vegetables used and taken considerable care to create an appetizing mix of colors that showcase the appeal of the ingredients used. We have also changed the color of our packaging to better complement the overall presentation of our boxed lunches.

In our lineup of noodles, we have paid particular attention to further enhancing the swallowing sensation and aroma of products. In addition to the release of a new cold soba series, we are rolling out new offerings of pasta that are a product of constant ongoing improvement and efforts to bring to our customer the taste of a store that specializes in noodle dishes.

Overarching Policies under the Medium-Term Management Plan

Fun & Fresh

- Deliver value to customers by developing new, delicious products that they have not previously encountered as well as products and services that bring a fun and fresh sensation to people's lives
- Further enhance product competitiveness by carrying out structural reform of the Group's production of ready-to-eat items and logistics operations

In March 2014, FamilyMart initiated structural reform measures with the aim of streamlining and improving the efficiency of its production and logistics facilities, and now it has entered a period in which it can expect to begin reaping results. In addition to realigning production lines by temperature zones across plants that can accommodate all temperature zones, FamilyMart is taking steps to rationalize its store supply structure by optimizing production facilities and reorganizing logistics bases.

Products That Reflect New Needs

4 Creating a New, Healthy Ready-to-eat Item Category

Recognizing the growing importance people are placing on their health as well as the rapid aging of Japan's population, FamilyMart is promoting the development of products that target health-conscious customers as a new ready-to-eat item category to address needs for foods that have fewer calories and lower sugar content. We are working closely with medical institutions to develop such products while looking at ways to expand the market for healthy ready-to-eat items.

5 Providing Vegetables That Deliver Unrivaled Taste

FamilyMart continues to insist on using the freshest ingredients available for its products. In addition to consistently upgrading processing technologies and packaging techniques, the Company strictly controls levels of freshness throughout its logistics operations to fully address the needs of health-conscious customers and in particular women.

6 An Improved and Expanded "FamilyMart collection"

In October 2012, we introduced the "FamilyMart collection" private brand. As of the end of fiscal 2014, the total number of "FamilyMart collection" products had expanded to 650, comprising mainly food and drinks as well as confectionery and daily items with women accounting for about 50% of all purchases. In fiscal 2015, we will introduce high-value products targeting working women as well as middle-aged and elderly customers to increase the product lineup to 750 items.

Upgrading and Expanding Services

Striving to garner recognition as a store that provides solutions that are essential to people's lives, FamilyMart is upgrading and expanding its menu of services.

IN DEPTH

Measures to Create Attractive Sales Areas

Horizontal refrigerated display case

Offering a broader selection of ice cream and frozen food products

Added gondola shelves

Enabling product line enhancements in a limited store space

New model hot food display case

Allowing an expanded lineup of hot foods

Two-temperature *bento* (boxed lunch) case

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

Displays above coffee machine

Displaying products other than coffee above espresso-style coffee machines to promote cross sales

Eat-in spaces

Promoting a space where customers can enjoy coffee and other recently purchased food and beverage items

Installed in about 3,000 stores as of June 30, 2015

Undertaking Major Strategic Investments in Existing Stores

With a wide range of customers using convenience stores, there is greater demand than ever before for a broader range of products and services. In fiscal 2014, FamilyMart undertook substantial sales area reform of its existing stores in order to create attractive sales spaces for customers.

Sales Area Improvements Responsive to Enhanced Product Lines

Investment activities have mainly been directed toward fixtures. We have focused on installing new display fixtures to ensure that product displays make effective use of limited store space with the aim of attracting a wider range of customers.

Installing horizontal refrigerated, new model hot food, and two-temperature *bento* (boxed lunch) display cases at 7,000 stores, around 70% of all FamilyMart stores in Japan, we have realized sales spaces that makes it easy for customers to choose from a wide range of product lineups. In particular, we have secured ample floor space for frozen food items, which make life easier for working women, and ice cream, which is enjoying ongoing market growth.

Moreover, we are proactively expanding the number of stores that offer our customers an area in which to enjoy purchased FamilyMart products, such as counter coffee, desserts or boxed lunches. We installed these eat-in spaces in around 90% of new stores opened in fiscal 2014, addressing the changing ways in which customers use convenience stores.

In fiscal 2014, our investment of approximately ¥10 billion, our largest amount to date, was in these strategic fixtures. These initiatives have started to bear fruit, namely average daily sales in the ice cream / frozen food category increasing by over 20%.

Toshio Kato

Director and Senior Managing Executive Officer
General Manager of Store Operation Division, General Manager of Information Systems Division, and Supervisor of Customer Service Office and Franchisee Relations Office

Customer Value That Reflects Our Strict Adherence to Meeting the Demands for Quality of Our Customers

FamilyMart is working toward a new convenience-store model as part of efforts to put forward proposals that enhance customers' lifestyles. The Company is therefore committed to raising its standards with respect to service, quality, and cleanliness (SQ&C), attributes that FamilyMart recognizes are fundamental to store operations and the ability to deliver an enjoyable and refreshing experience.

Initiatives Aimed at Increasing Customer Numbers—Creating Stores That Deliver Value for Customers

Engaging in Store Management That Reflects Our Unwavering Commitment to Quality

FamilyMart adheres strictly to a policy of inventory management to ensure that store shelves are adequately stocked on a 24/7 basis. At the same time, energies are channeled toward ensuring that stores consistently offer a fresh appeal to customers. Among a host of initiatives, we select product lineups that match on an individual store basis the needs of each market and customer category. Moving forward, we will maximize the investment benefits of such strategic fixtures as the horizontal refrigerated display cases installed in fiscal 2014.

Responding to New Demand

FamilyMart is continuing to upgrade its product lineups to expand its potential customer base and to cater to the needs of a wide range of customer categories, including women and the elderly. Recognizing the growing use of convenience stores as an alternative to supermarkets in regional areas, the Company is strategically expanding product lineups that take full advantage of the attributes of each region. At the same time, we are progressively initiating measures to cater to the expected increase in the multilingual and duty-free needs of growing numbers of foreign visitors to Japan.

Attracting More Customers through the New Famima T Card

Since 2007, FamilyMart has continued to issue Famima T Cards, which are linked to the T-POINT Loyalty Program, Japan's largest shared loyalty program, operated by Culture Convenience Club (CCC) Co., Ltd. In July 2014, we introduced a new Famima T Card that can be issued immediately at the store. At the same time, we introduced the "Famirank" system that aligns the rate applied to shopping points to the frequency of use. We also launched a new service that makes it easier to accrue and use T-POINTs. Through these initiatives, we increased membership by approximately 1.6 million over the course of a year. While membership came to about 7.0 million as of the end of February 2015, this total is currently increasing even further. Looking ahead, we will promote the use of customer relationship management (CRM) data by individual stores and put forward detailed services as well as product lineups that cater to the needs of each customer category and the specific customers of individual stores. Through such means, we intend to lift the frequency of customers visiting FamilyMart stores.

FamilyMart is a participating member of the T-POINT Loyalty Program. As of March 31, 2015, the program covered 122 companies and 350,727 stores, with a membership of 53.04 million.

Overarching Policies under the Medium-Term Management Plan

Fun & Fresh

- Position value for customers at the heart of efforts aimed at improving store quality
- Build stores that attract increasing numbers of customers and mechanisms that encourage frequent visits
- Improve the level of store management under which the Company's Head Office and franchisees work in unison

Improved Levels of Store Management—Building Organizational Frameworks to Enhance Store Quality

Engaging in Activities That Are Designed to Raise the Level of Service, Quality, and Cleanliness (SQ&C), Attributes That Are Fundamental to Store Operations

Franchisees and the Company's Head Office are working in unison to raise the level of Service, Quality, and Cleanliness, which are fundamental to store operations. At each store, energies are being channeled toward raising the quality of operations. In addition to holding meetings at each store, steps are being taken to assign responsibilities for various duties, including the placement of orders, as well as store management based on a common understanding of the FamilyMart vision and mission. Efforts are also being made to put in place a mechanism that allows case studies of successful management to be shared among stores.

Fostering Motivation and Improving the Skills of Store Staff

FamilyMart has put in place workplace systems that help foster motivation and improve the skills of store staff as they go about their daily tasks. As part of efforts to enhance the capabilities of its human resources, the Company utilizes its proprietary Store Staff Total (SST) personnel training system. Working to nurture an environment that is conducive to education and training and a corporate culture that encourages employees to carry out their duties with a strong sense of pride, we have implemented a variety of measures. Each year, for example, we present staff awards that acknowledge and reward staff excellence. Through these and other means, we are strengthening the ways in which we recruit and train store staff on a continuous basis and improving the operating and management capabilities of store staff across our entire convenience-store chain.

Meanwhile, FamilyMart launched the online recruiting system "FamiJOB." Moving forward, the Company will continue to take steps to strengthen Head Office support activities in a bid to secure store staff.

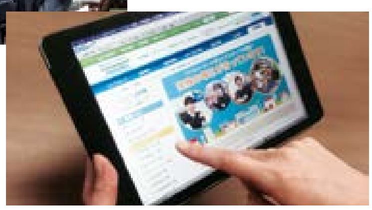
The basics of store operation (our SQ&C campaign)

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

Store Staff Total (SST) personnel training system

Advanced level	Able to handle emergency situations in the name of store managers
Staff trainer level	Able to handle all ordering and other business processes; able to give training to other staff
Middle level	Able to handle ordering processes for such items as salads and desserts; able to serve as a staff leader during certain periods
Sub-middle level	Able to handle ordering processes for such items as drinks and confectioneries
Beginner level	Able to handle cash register operations; able to serve customers

Store staff excellence award system



FamiJOB

Akinori Wada
Director and Managing Executive Officer
General Manager of Store Development Division

Store Openings with an Eye to Realizing Sound Growth across the Entire Chain

With a view to increasing its dominance and initiating new developments as a social and lifestyle infrastructure provider, FamilyMart is adopting various methods, including a scrap-and-build policy, while promoting integrated stores through tie-ups with companies from other sectors as part of efforts to continuously open strategic stores.

Fundamental Store Opening Policy

Working Toward Our Underlying Goal of Ensuring Sound Growth Across the Entire Network

By aggressively opening more than 3,000 stores over the three-year period from fiscal 2012, FamilyMart has put in place a development framework that supports the expansion of its overall network by 1,000 stores a year. To ensure the continued sound growth of a network that currently exceeds 10,000 stores, from fiscal 2015 we will look to open about 1,000 stores annually. More importantly, we will adopt increasingly stringent assessments when deciding whether or not to open a particular store and focus on securing profitability. This approach will ensure that our attention is not excessively weighted toward store expansion and that our focus remains on building a network of the highest quality.

Regional store opening policy

In addition to targeting Japan's three major metropolitan areas, which have particularly large consumer markets, FamilyMart continues to focus on other leading provincial cities. Moreover, we are concentrating on store openings in prefectures with fewer than 100 stores with the aim of improving operating efficiency by lowering logistics costs and bolstering efficiency through market dominance.

Stores That Deliver New Value

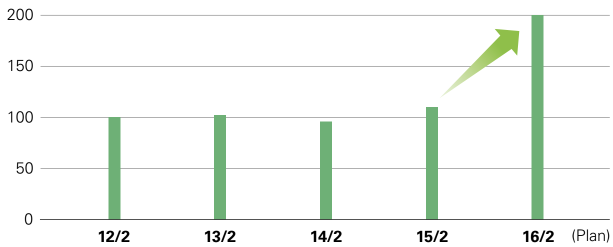
Raising the Ratio of Integrated Stores and Stores Opened under a Scrap-and-build Policy

We will actively pursue a scrap-and-build policy in those cases where we feel the potential exists to raise profitability by improving store conditions. At the same time, we will focus on the development of integrated stores by partnering with companies in other sectors. This approach will allow us to deliver retail formats that are capable of offering new value. Through these means, we plan to attract customers who had not previously frequented convenience stores on a regular basis.

Continuing to Open Stores in New Markets

By leveraging our expertise in operating stores located in relatively small spaces and our accumulated knowledge of product lineups aligned to in-station stores gained through tie-ups with railway operators, we are actively entering new markets, including railway stations, hospitals, service and parking areas along expressways, and office buildings.

Stores opened under a scrap-and-build policy



Agreements with railway operators

(As of February 28, 2015) (Stores)

SEIBU RAILWAY Co., Ltd.	59
TOBU RAILWAY CO., LTD.	23
Keisei Electric Railway Co., Ltd.	40
JR Kyushu Railway Company	151
SAGAMI RAILWAY Co., Ltd.	11
Nagoya Railroad Co., Ltd.	19
Toei Subway	5
Kintetsu Corporation	86
Metropolitan Intercity Railway Company. (TSUKUBA EXPRESS)	9
Tokyo Tama Intercity Monorail Co., Ltd.	7
Kobe Municipal Subway	16
Osaka Municipal Subway	29
Yokohama Municipal Subway	11
Total 13 railway operators	466

Overarching Policies under the Medium-Term Management Plan

Fun & Fresh

- Engage in store opening activities that will ensure the sound growth of a network that exceeds 10,000 stores
- Strengthen the opening of stores by adopting a scrap-and-build policy and promoting integrated stores through tie-ups with companies from other sectors while opening stores in new markets
- Aggressively open stores in the three major metropolitan areas and leading provincial cities and increase the Company's overall dominance

Examples of stores in new markets

Railway stations


TOBU, railway station


Nagoya Railroad, railway station


Keisei, platform


Kintetsu, store integrated with ticket gate

Various locations


Hospital


Hospital

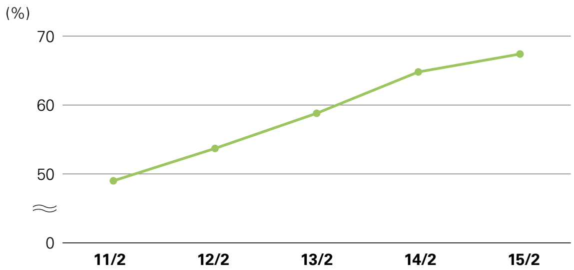

Airport


Office building

Encouraging Franchisees to Operate Multiple Stores

In fiscal 2001, FamilyMart pioneered the introduction of an incentive management system for franchisees who operate multiple stores. By paying a fixed percentage of the gross margin, FamilyMart has bolstered its support of franchisees from both management and operating perspectives. Multiple-store management not only fosters the expansion of local market share, as neighboring stores are under joint management, but it has the advantage of dispersing management risk and improving efficiency. By taking into consideration the benefits that accrue to both the FamilyMart Head Office and franchisees, we will continue to promote multiple-store operations as part of our overall store opening strategy.

Proportion of stores under multiple-store management



IN DEPTH

Exploring New Store Concepts

Integrated Stores by Working with Other Retail Formats

In May 2012, the Company opened the FamilyMart + Kusuri Higuchi Awajicho store in Tokyo's Chiyoda Ward. This is an integrated convenience store and drug store, achieved by working with Higuchi Sangyo Co., Ltd., which operates drug stores. Having expanded this initiative in the same way since then, FamilyMart had deployed 32 integrated stores with 16 drug store and dispensing pharmacy companies at the end of February 2015.

FamilyMart is actively working to create integrated stores with other retail formats that target ranges of clientele that differ from that of the Company. In working with FamilyMart, partner companies become franchisees and open new-style stores that combine our respective strengths. Not only expected to gain a new range of clientele, this initiative also allows distinctive stores to display competitiveness and is expected to play an important part in a store opening strategy that aims to "create a high-quality store network."

Growing while Committed to Leveraging Each Other's Capabilities

Working with drug stores and dispensing pharmacies, which have a market scale in Japan of around 75,000 stores, can be said to have particularly large potential. Drug stores and dispensing pharmacies need to set themselves apart from other chains in the more intensely competitive market, and working with a convenience store, where the bar is set high in terms of the expertise required to sell pharmaceutical products, carries the benefit of being able to complement each other's capabilities.

Going forward, FamilyMart will realize the offering of products and services that meet the rising health trends and link those products and services to store differentiation. This will be achieved by combining the expertise and counselling capabilities possessed by the pharmaceutical sales industry with FamilyMart's distinctive convenience and know-how in purchasing and logistics as well as in store operations.

FamilyMart + Kusuri Higuchi Awajicho

More Possibilities for the Integrated Store Concept

FamilyMart's engagement in the opening of integrated stores with other retail formats is serving to advance new business development methods with a variety of industries.

Beginning with our pioneering opening of a store in the city of Osaka in October 2013 by working with supermarket chain operator Izumiya Co., Ltd., we opened integrated stores with the National Federation of Agricultural Cooperative Associations (ZEN-NOH) in May 2014 and supermarket operator KASUMI CO., LTD. in November 2014.

By integrating FamilyMart's basic convenience-store functions and know-how in daily use item product lines—accumulated from the operations of integrated stores with drug stores and dispensing pharmacies—with the product lines held by supermarkets, such as fresh food and freshly made delicatessen items, FamilyMart will provide new convenience that cannot be realized by convenience stores alone and aim to realize "one-stop shopping."

The FamilyMart + Karaoke DAM Kamata Minami Ekimae store, an integrated store combined with a karaoke club, was opened in April 2014 by working with karaoke equipment specialist Daiichikosho Co., Ltd. The deploying of FamilyMart stores that effectively use the space in newly opening karaoke clubs and existing karaoke clubs, and where the products purchased in the FamilyMart stores can be brought into the karaoke rooms, has proved to be a highly popular method.

In May 2014, FamilyMart worked with a company in the restaurant operator. The FamilyMart + Maido Okini Shokudo Higashi-Ikebukuro 4-Chome Store (in Toshima Ward, Tokyo) is a store that was realized by working with FUJIO FOOD SYSTEM CO., LTD.

Collaborating with Supermarkets:
FamilyMart x Izumiya Teradacho Higashi

Collaborating with Karaoke Clubs:
FamilyMart + Karaoke DAM Kamata Minami Ekimae

Collaborating with Restaurants:
Family Mart + Maido Okini Shokudo Higashi-Ikebukuro 4-Chome Store

Area Franchisers in Japan

The FamilyMart Group's store development operations in certain areas of Japan are handled by area franchisers. This arrangement allows us to tailor store layouts and product lineups to the particular requirements of each region, without compromising the time taken when introducing services to a particular region or service quality when expanding our store 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 251 stores as of the end of February 2015, giving it the largest presence among convenience-store operators in Okinawa Prefecture. During fiscal 2014, the company successfully opened stores on Ishigaki Island. Okinawa FamilyMart also developed and marketed products in collaboration with well-known local companies as well as "FamilyMart collection" brand products exclusive to the region.

Hokkaido

Hokkaido FamilyMart Co., Ltd.

Hokkaido FamilyMart is actively engaged in the development of original products with a particular emphasis on boxed lunches and desserts that suit the tastes of its customers. The company is also working to expand its store network and deliver high-quality services. In July 2015, Hokkaido FamilyMart was included in the Company's scope of consolidation as a consolidated subsidiary.

Kagoshima and Miyazaki

Minami Kyushu FamilyMart Co., Ltd.

Minami Kyushu FamilyMart was initially set up as a joint venture with liquor wholesaler Homboshoten Co., Ltd., in Kagoshima Prefecture. The company has continued to open stores since 1993, and it boasts a network of 337 stores as of the end of February 2015. In addition to actively developing original products that use local produce, the company maintains an unwavering commitment to product safety and reliability. Focusing on local production for local consumption while emphasizing dietary education, Minami Kyushu FamilyMart is attracting wide support from its customers.

Kyushu

JR KYUSHU RETAIL, INC.

JR KYUSHU RETAIL, which also operates kiosks and UNIQLO outlets throughout Kyushu, operated 151 FamilyMart stores in the five prefectures of Fukuoka, Nagasaki, Kumamoto, Saga, and Oita as of the end of February 2015 under a joint-area franchise agreement with FamilyMart.

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

An Accelerated Pace of Overseas Business Development, Mainly in Asia

In addition to promoting a variety of measures aimed at generating further growth in existing markets, FamilyMart is building on its track record of overseas business development and initiating steps to put in place the necessary framework and structures that will facilitate the Company's next phase of development.

Entering into New Markets with a Particular Emphasis on Asia

Overview of our markets (2013–2014)

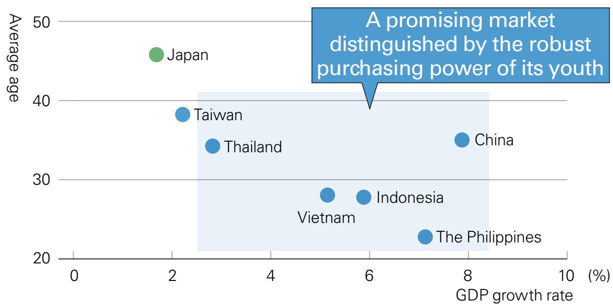
	Population*1 (millions)	Number of people per convenience store*2	Area of country*1 (km²)	Nominal GDP per capita*1 (US$)	GDP growth rate*1 (%)	Average age*3
Japan	126.88	approx. 2,300	377,962	38,491	1.5	46.1
Taiwan	23.37	approx. 2,300	36,192	20,930	2.1	39.2
Thailand	64.46	approx. 6,000	513,115	5,674	2.9	36.2
China	1,360.72	—	9,600,000	6,959	7.7	36.7
United States	3.81 (L.A.)	—	1,291 (L.A.)	45,934	2.2	37.6
Vietnam	89.71	—	331,689	1,902	5.4	29.2
Indonesia	248.82	—	1,910,931	3,510	5.8	29.2
The Philippines	98.20	—	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 (2014)
Note: Population and area data for Japan are from the Statistics Bureau, Ministry of Internal Affairs and Communications (FY2014)

Expanding Operations in Line with Economic Growth

FamilyMart is working diligently to enter the markets of Asia, placing particular emphasis on emerging countries throughout the region. In addition to their forecast steady economic development, the countries that we have identified are expected to show significant growth in personal consumption due to the relatively young average age of their populations. We will endeavor to optimize and fine-tune the Japanese-style convenience-store model that we have nurtured over many years to take into consideration each country's local conditions, which are characterized by the level of retail business development. In this manner, we will expand the scale of operations in line with the rate of economic growth in each market.

GDP growth rate and average age in FamilyMart's market (2013–2014)



Overarching Policies under the Medium-Term Management Plan

Fun & Fresh

- Accelerate the pace of Japanese-style convenience-store development, mainly in Asia
- Secure stable earnings in Taiwan, China, and Thailand as part of efforts to promote growth in existing countries and regions while improving profits in Vietnam and the United States and quickly realizing profitability in Indonesia and the Philippines

Securing stable earnings in Taiwan, Thailand, and China, which are positioned as drivers of future growth

- FamilyMart's foray into overseas markets began in Taiwan. Recognizing that this market remains firmly entrenched in a growth phase, we are promoting the sale of ready-to-eat items and the development of new store formats while striving to boost earnings.
- In Thailand, we are looking to upgrade and expand our store network. At the same time, we are improving the quality of our stores in a bid to raise average daily sales. In these ways, we will build a stable earnings platform.
- In China, we will continue to promote the shift from Company-owned to franchised stores. Moreover, we will strengthen product lineups from a variety of perspectives, including quality and safety, while placing additional weight on entering new districts and regions.

Working to quickly turn a profit in Indonesia, the Philippines, Vietnam, and the United States

- In comparison with other overseas markets, FamilyMart has only recently entered Indonesia, the Philippines, and Vietnam. Moving forward, we will continue to expand our store networks in these countries, strengthen product lineups, improve profitability, and engage in a variety of other measures as we focus on building operating platforms that are capable of turning a profit.

Further Expansion of Our Overseas Network

Establishing an Overseas Development Format

By consolidating and organizing collaborative techniques developed with its many partners, accumulated know-how in overseas business development, an established track record in local partner training, and the implementation of various tools, including store operating manuals, FamilyMart has put in place an overseas business development package that it employs when entering new markets. Moreover, we will use the FamilyMart Academy education and training facility established in Bangkok, Thailand, as a base from which to foster those human resources who will take charge of future global expansion.

Building Relationships That Go Well Beyond Regional Borders

Since 2003, we have held the FamilyMart Summit at which senior management from around the world convene. This summit is a forum through which business strategies and philosophies can be shared among operating regions. In the future, all regions will further promote the global "FamilyMart collection" private brand and report on various case studies of business activities by region. Through these and other means, every effort will be made to enhance the value of the FamilyMart brand, and in turn to further deepen the Group's global branding endeavors, while promoting increased collaboration among operating regions.

IN DEPTH

Strengths that Help Accelerate Overseas Business Development

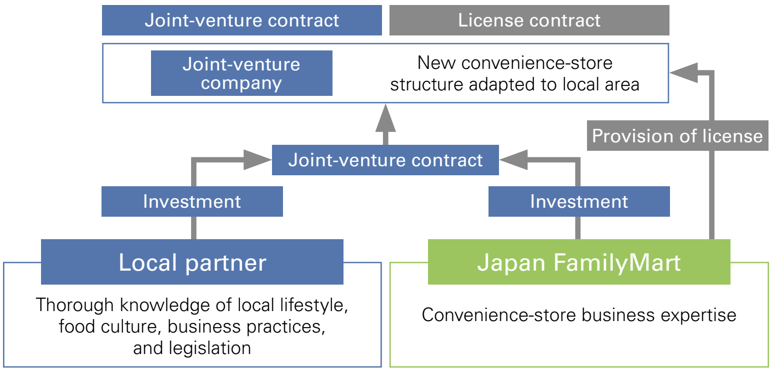
Business Development via Collaboration with Local Partners

FamilyMart has established an overwhelming presence overseas among Japanese convenience-store chains. This mainly reflects the FamilyMart stance on overseas business development, as well as our aggressive moves into overseas markets from an early stage, and the lack of any restrictions placed on overseas business development as a convenience-store chain originating from Japan. Through trial and error, we have accumulated the expertise and knowledge for optimally selecting regions in which to pursue development and the best method of entering a market. At the core of this methodology is our collaboration with local partners.

Increase the Probability of Success by Entering into a Joint Venture

When making inroads into overseas markets, success is not guaranteed even with the right business model based on Japanese-style convenience stores. As its basic template for overseas expansion, FamilyMart enters into joint ventures with local partners that have local networks and expert knowledge about local customs and regulations. We believe that sharing our wisdom and know-how with local partners increases the probability of successful business development based on a convenience store model that is the best suited to the stage of development in the country's retail industry and logistics infrastructure.

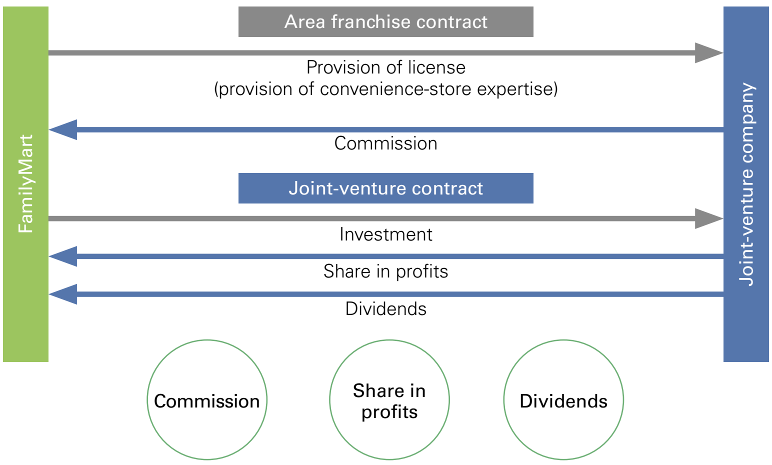
Entering into Joint Ventures with Local Partners



Benefits of Entering into a Joint Venture: A Well-Balanced Earnings Structure

In addition to providing licenses for the franchise, FamilyMart invests in the joint venture and participates in its management, giving the Company a stake in future profits and dividends. In addition, FamilyMart stands to receive commissions commensurate with the value of licenses and business know-how provided to the local partner. These three sources combine to create a well-balanced arrangement for generating income.

Ensuring a Balanced Earnings Structure



Well-balanced earnings structure with three profit sources

True Benefits of Entering into a Joint Venture: Synergies with Partners

A well-balanced profit structure is not the sole reason why FamilyMart enters into joint ventures. The true benefit of plying the strengths of both parties becomes evident when business begins to take off for our partner. Here, we introduce case studies of successful business structure reforms that mutually leverage the knowledge assets of a local partner and FamilyMart.

CASE
01

China: Profitability Achieved via Business Reforms

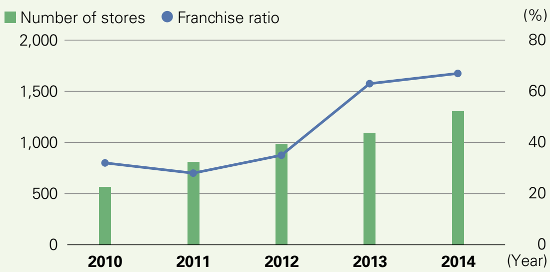
In China, where FamilyMart opened its inaugural store in Shanghai in 2004, the Company saw its network expand to 1,000 stores in the relatively short period of less than a decade due to the overwhelming scale of the consumer market and robust economic growth. With the focus on anticipatory investments aimed at building the product supply infrastructure required to support store network expansion, profitable operations were elusive for some time. Recognizing the critical needs to align store network development with local economic conditions and to build the appropriate supply chain structure, FamilyMart launched Team Shanghai, a joint project that has continued to reestablish the store network earnings platform, in 2013.

Emphasis was especially placed on improving the profitability of individual stores. In addition to tightening the standards for opening new stores, steps were taken to actively pursue a scrap and build program. Complementing these initiatives, FamilyMart worked diligently to develop high-value-added products, increase infrastructure efficiency, and review product supply systems. Thanks to these and other measures, operations in China turned a profit in overall terms in fiscal 2014.

FamilyMart maintains the consistent policy of developing stores from the perspective of its customers. This policy applies not only to Japan, but to every country and region in which the Company operates including China. Accordingly, we are developing ready-to-eat items including boxed lunches that incorporate the unique attributes of each region. At the same time, we are providing eat-in corners and other spaces that allow customers to more freely visit our stores. In this manner, we are endeavoring to bolster the profitability of individual stores.

FamilyMart is endeavoring to lift its brand profile through the development of its stores. The goal is to attract widespread popularity among a growing number of customers. Moving forward, a robust franchise business is essential to accelerating the pace of store network expansion in China. In fiscal 2012, the franchise ratio was approximately 30%. In addition to enhanced brand prowess, we have seen this ratio increase to around 70% in fiscal 2014. In this regard, our business in China is increasingly supported by a growing family of franchisees.

China: Number of stores and franchise ratio



CASE
02

Thailand: Collaboration with Local Partner Central Retail Corporation Limited

FamilyMart established a presence in Thailand in 1993. In September 2012, FamilyMart reviewed its business model for Thailand and made a fresh start with Central Retail Corporation Limited (CRC), the largest local retailer, as a new partner.

CRC operates department stores and supermarkets in Thailand, giving it an edge in terms of store development and product development. CRC also has a robust infrastructure network, including robust distribution capabilities. Combining the operational expertise of Japan FamilyMart with these local business resources of CRC, we worked together on improving the procurement of ingredients and the development of products in fiscal 2014. We aimed to differentiate products further with the introduction of the FamilyMart collection, a private brand, and commenced the installation of in-store kitchens for preparing fast food.

By leveraging CRC's information network, we are able to open new stores in prime locations and expand our high-quality store network there. FamilyMart will continue to explore new possibilities in its partnership with CRC.

Overseas Network

FamilyMart works closely with local companies in promoting its business overseas. Every effort is made to build a business model that best fits the location in which we are seeking to establish a presence. These efforts entail making the most of our expertise in the convenience-store business as well as market information and local networks of business partners on the ground. In addition to promoting a common awareness of business strategies and basic principles, the Company works closely with local partners to ensure that store operations genuinely reflect the "FamilyMart Feel." Guided by the universal slogan "Welcome to the Family," we strive to secure continuous growth by building stores and delivering a level of customer service that welcomes each and every customer as a member of the family. As a result of these endeavors, our overseas network comprised 5,642 stores, spread across seven countries and regions, as of the end of February 2015.

(As of February 28, 2015)

1 Taiwan

Equity interest	47.44%
1st store opened	1988
Number of stores	2,952
Market share	29% (No. 2 market position)
Franchise stores	88%
Sales by product category	

Further Enhancing the Quality of Each Store

FamilyMart has continued to increase the number of stores with eat-in facilities over the past several years to the point where such stores now account for close to 70% of our total network. The handling of ready-to-eat items, which are expected to attract increased demand, as well as "FamilyMart collection" private brand products is expanding in earnest.

In addition to pursuing a scrap-and-build policy, we will take up the challenge of developing new store formats. Moving forward, we will continue to strengthen our competitiveness by upgrading and expanding our lineups of products and services.

2 China

1st store opened	2004
Number of stores	1,306
Franchise stores	68%
Sales by product category	

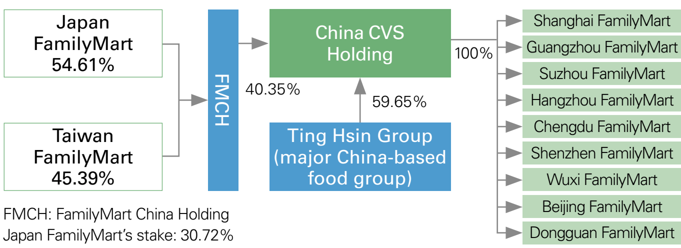
Shanghai	1st store opened	2004
	Number of stores	893
Guangzhou	1st store opened	2006
	Number of stores	161
Suzhou	1st store opened	2007
	Number of stores	106
Hangzhou	1st store opened	2011
	Number of stores	55
Chengdu	1st store opened	2012
	Number of stores	36
Shenzhen	1st store opened	2013
	Number of stores	22
Wuxi	1st store opened	2014
	Number of stores	25
Beijing	1st store opened	2014
	Number of stores	5
Dongguan	1st store opened	2014
	Number of stores	3

Advancing the Shift to Franchise Store Operations

We are developing operations in China in partnership with Ting Hsin Group, a major Chinese food industry group, and our area franchiser Taiwan FamilyMart Co., Ltd. In fiscal 2014, stores were newly opened in Beijing and Dongguan in September 2014 and October 2014, respectively, and our network expanded to more than 1,300 stores across nine major cities.

In fiscal 2014, we took steps to develop high-value-added products and review our product supply structure and systems. At the same time, we continued to promote the shift to franchise stores. Through these means, FamilyMart achieved profitable operations in its China business as a whole. In fiscal 2015, we plan to again lift the ratio of franchise stores.

Business structure in China

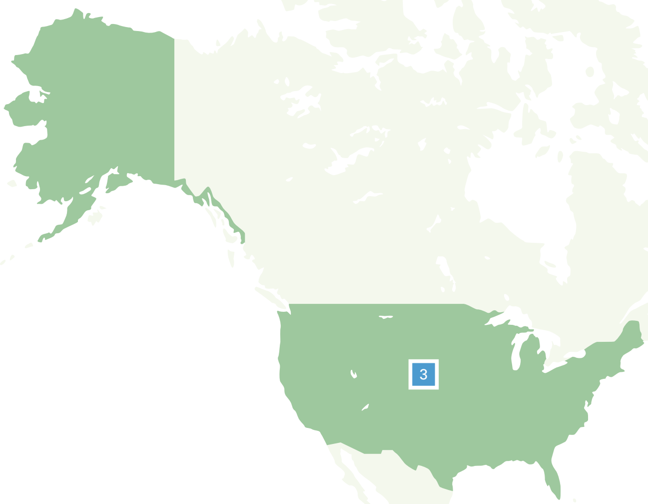


FMCH: FamilyMart China Holding
Japan FamilyMart's stake: 30.72%

3 United States

Equity interest	100.00%
1st store opened	2005
Number of stores	8

Our business in the United States is centered on the Famima!! Brand, with activities concentrate largely in Los Angeles. We are upgrading and expanding lineups of products for health-conscious customers and building stores that attract the support of local customers who are sensitive to the latest fashions and trends.



4 Thailand

Equity interest	48.20%
1st store opened	1993
Number of stores	1,193
Market share	10% (No. 3 market position)
Franchise stores	18%
Sales by product category	

Promoting Closer Collaboration with Local Partners

In Thailand, we are developing operations in partnership with Central Retail Corporation Limited (CRC), the country's largest retailer. Through a network of 1,200 stores, FamilyMart is steadily increasing its presence.

In fiscal 2014, we began to receive deliveries of boxed lunches from CRC, strengthen the development of ready-to-eat items, and review our organizational structure. Looking ahead, we will make the most of synergies with CRC and improve our competitiveness.

5 Vietnam

1st store opened	2009
Number of stores	71

Focusing Mainly on Ho Chi Minh City as Part of Efforts to Achieve Market Dominance

In fiscal 2014, FamilyMart accelerated the pace at which it opened new stores, focusing mainly on Ho Chi Minh City, and made every effort to enhance awareness of the FamilyMart brand name in Vietnam, a country that is exhibiting remarkable economic growth. With a median age that is relatively young compared with other countries, Vietnam offers significant potential due to its high level of personal consumption. Against this backdrop, we will continue to build stores that are deeply rooted in local communities as well as an infrastructure that is capable of supporting network expansion.

6 The Philippines

Equity interest	37.00%
1st store opened	2013
Number of stores	91

Proactively Engaging in Ongoing 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. FamilyMart positioned fiscal 2014 as a year in which it would promote store development in earnest. In addition to aggressively promoting the opening of new stores, the Company initiated measures aimed at increasing the number of franchise stores.

In fiscal 2015, we will continue to open high-quality stores while promoting the shift from Company-owned to franchise stores.

7 Indonesia

1st store opened	2012
Number of stores	21

Carrying Out Store Management That Reflects Local Habits

In Indonesia, we have teamed up with the Wings Group, a major local manufacturer and wholesaler of consumer goods. 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. We are drawing on the expertise and logistics network of the Wings Group to engage in store management that matches local needs and to provide stores and products that customers will quickly accept as part of their daily lives amid a variety of constraints.

Hiroaki Tamamaki
Director and Managing Executive Officer
General Manager of New Business Development Division

Focusing on Fields That Offer Growth Potential and Similarities with Our Real Bases

By fusing the strengths of convenience stores to meet customer needs in small service areas and the qualities of other business fields outside the convenience-store model, FamilyMart is actively developing new businesses in the three fields of nursing and healthcare, finance, and online shopping.

Nursing and Healthcare

Expanding Amid Diversification in Shopping Patterns and Product Needs

In 2012, FamilyMart acquired a stake in SENIOR LIFE CREATE Co., Ltd., which runs a lunch home delivery service for the elderly, and launched a business for the delivery of a range of FamilyMart products with these lunches. Offering its services in six regions of Japan, SENIOR LIFE CREATE delivers pre-ordered FamilyMart products along with boxed lunch orders. Also, at the time of making delivery runs, we check on the wellbeing of our elderly customers, a courtesy call that sets us apart from other delivery services.

Amid growing awareness of health issues in a society characterized by a declining birthrate and a rising number of elderly, needs for maintaining healthy diets with balanced nutrition have been expanding. We expect synergies to emerge in this area as efforts to meet these needs are consistent with the business style of convenience stores, which, thanks to their deep roots in local communities, lend support to people in regions with inconvenient shopping options.

Future Developments

By leveraging our product development capabilities, we are working to create and market healthy boxed lunches in collaboration with medical institutions and research centers.

Through our network of more than 10,000 stores, we are expanding our range of products and services that cater to health management and nursing care.

We aim to gradually increase the number of regions in which we provide our home delivery services. At the same time, we find ways to accurately grasp customer needs and work to address those needs as part of efforts aimed at expanding our services.

Overarching Policies under the Medium-Term Management Plan

Fun & Fresh

- Leverage convenience stores' greatest strength—a network of stores with roots in local communities—to develop businesses and create business models that will generate future sources of earnings
- Focus on the three fields of nursing and healthcare, finance, and online shopping, areas that offer growth potential and characteristics that resemble those of convenience-store operations

Finance

Meeting Customer Needs for Availability and Proximity

In addition to selling merchandise, FamilyMart has offered payment services, such as for electricity and gas bills, since 1990. We began to install ATMs in our stores in 1999, and the number of financial institutions that have partnered with us has steadily increased since then. From 2000, we have continued to provide a variety of financial services, such as bill payments, as well as agency payment services for the purchase and printing of travel and entertainment event tickets.

For customers who find it difficult to make the trip to a financial institution during set business hours, the ease of running their errands at a nearby convenience store, which is always open, is greatly valued. This feature of convenience stores has already been established in collaboration with other business operators, such as financial institutions, and affords significant growth potential.

Future Developments

We will continue to explore promising collaborations with our partners, such as working with The Japan Net Bank, Limited, and introducing T MONEY based on the Famima T Card, which boasts the largest card membership in Japan.

We are also examining services that utilize our existing infrastructure, including functions that substitute for those of financial institutions and the expansion of overseas remittance services, while seeking to launch new settlement services that employ cutting-edge technology.

Bank counter inside FamilyMart store

Online Shopping

Expecting Synergies with Real Bases

Through easily accessible delivery and payment services offered at more than 10,000 locations throughout Japan, FamilyMart is enhancing its presence in e-commerce, a market that is expected to continue growing. In addition to furthering our partnerships with major online retailers and other types of business operators, we are working to improve the functionality of the famima.com shopping website, which is operated by famima.com Co., Ltd., the subsidiary in charge of our e-commerce business.

Accompanying the spread of smartphones and the emergence of wearable devices, we expect the e-commerce field to offer considerable growth opportunities. With an eye to drawing on the strong affinities afforded by this promising field of business and our extensive convenience-store and logistics networks, we will strengthen ties between online shopping and shopping at stores, our real bases.

Future Developments

We are creating an open business environment for expanding average daily sales beyond merchandise sales by working to incorporate new online services and products into our operations. In fiscal 2014, we upgraded all Famiport Multimedia Terminals in our stores, adding new features in a bid to offer more services to tap into growth markets.

FamilyMart's CSR

Convenience stores play an indispensable role in people's lives as an integral part of social and lifestyle infrastructure. With a nationwide network that exceeds 10,000 stores servicing more than 10 million customers each day, FamilyMart maintains a workforce of over 100,000 employees.

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.

With this in mind, our mission is to exceed the expectations of customers by helping to resolve social issues in each region against backdrop of a rapidly changing society. Our goals are to provide a better life for customers as well as local communities and to ensure that each day has fun and fresh appeal through the supply of our products and services.

Fun & Fresh

Taking steps to address falling birthrate and rising number of elderly, upswing in single-person households, advances in IT technology, and the dizzying pace of social change, FamilyMart has adopted the "Fun & Fresh" slogan as a strategic theme to create a common value standard and direction with its stakeholders. Buoyed by this slogan, we will continue to create new and innovative lifestyles as a part of efforts to bring even more fun and fresh excitement to customers' everyday lives. Furthermore, we will transition toward a new level of convenience stores by strengthening efforts to contribute to society and fostering a closer affinity to customers.

Instilling a "Fun & Fresh" Appeal across the Entire Value Chain

Creating new lifestyles that exceed customer expectations

FamilyMart recognizes the key central roles that the frontline and an outward-looking positive attitude toward work play in achieving the goals set under its new medium-term management plan. In line with this understanding, we make it a point to consistently improve quality from our customers' perspective and thoroughly eliminate waste with respect to the use of time, money, and management resources in carrying out our daily business activities.

A great many stakeholders are involved in the Company's handling of ready-to-eat items from the procurement of ingredients through production to delivery and sale at stores. For this very reason, it is vital that goals are commonly shared across the entire value chain. This is particularly the case when considering the demands placed on the Company for comprehensive quality management that encompasses every value chain stage.

FamilyMart's supply chain

	Procurement
Interested stakeholders	• Countries of ingredient origin • Ingredient farmers, producers • Food manufacturing and processing companies
Required response and issues	• Procurement of safe and reliable ingredients • Processing plant quality control system
FamilyMart's response	• Assess ingredient plants based on 50-item inspection checklist • Require submission of ingredient ledgers and quality guarantees • Disclose information relating to countries and producers of primary ingredient origin

FamilyMart's CSR Mission

Coexistence with the local community

As a social and lifestyle infrastructure provider, FamilyMart strives to address the needs of society, engages in business activities that help to solve social issues, and contributes to a better life for the local community and society as a whole.

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

Creating value for future generations

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. 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.

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

Production	Logistics	Sales	
• Ready-to-eat item contract production plants	• Delivery contractors • Delivery drivers • Delivery centers	• Franchise owners • Store staff	**Providing new value to all stakeholders**
• Confirmation of ingredient safety • Quality control system • Comprehensive compliance	• Eco-friendly initiatives • Safe delivery (no accidents or traffic violations)	• Owner management support • Store staff development and training • Store quality control • Eco-friendly store management	
• Promote acquisition of ISO 9001 by ready-to-eat item contract production plants • Allow quality audit by specialized external organizations • Facilitate National Quality Control Conference	• Use low-emission vehicles • Use eco-drive control system • Ensure safe and efficient delivery routes	• Provide support programs • Offer store staff training • Putt in place store staff excellence award system	

The People behind Our Social and Lifestyle Infrastructure

FamilyMart Co., Ltd. understands that people are its most important resource in fulfilling its mission as a social and lifestyle infrastructure provider. In addition to our employees working at the Head Office, it takes the tireless efforts of many people, including store owners and staff, to keep our business in motion. FamilyMart believes in the spirit of "Co-Growing," by which we grow and make progress with all stakeholders, with the ultimate aim of maximizing our inherent value and fulfilling our responsibilities to society.

Creating an Easy Work Environment

Promoting Work-Life Balance

FamilyMart believes offering work-life balance is an essential element of being an alluring company with exciting workplace environments that instill in employees a strong sense of purpose and the desire to devote themselves to their duties. Working with labor representatives, we hold seminars and distribute work-related handbooks. At the same time, we have set up the following systems to support employees in their efforts to care for their children as well as sick and elderly loved ones.

Employees making use of various employment systems

	12/2	13/2	14/2	15/2
Maternity and childcare leave	31 (13)	37 (13)	34 (14)	39 (15)
Reduced working hours for childcare	32	39	42	43
Care leave	3	1	3	1
Designated area system	27	42	55	69
Deferred relocation system	20	17	2	11

* All 15 employees who gave birth in fiscal 2014 took maternity and childcare leave.
* ( ): Number of employees who commenced childcare leave that year

Employing People with Disabilities and Rehiring Retirees

FamilyMart has been strengthening ties with organizations that support the employment of people with disabilities with the aim of expanding the regions where we hire people with disabilities and the variety of positions they fill. We place a special emphasis on following up on employees with disabilities to make sure they have the support they need to work. In addition, since fiscal 2006, FamilyMart has had in place a system for rehiring former employees who had reached mandatory retirement age amid a rapid aging of the population and increase in retiring baby boomers.

Employment rate of people with disabilities (%)

Year	Employment rate
2013/3	1.96
2014/3	1.87
2015/3	1.83

Number of employees re-employed after retirement

FY	Number of employees
2012	29 (10)
2013	33 (12)
2014	35 (13)

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

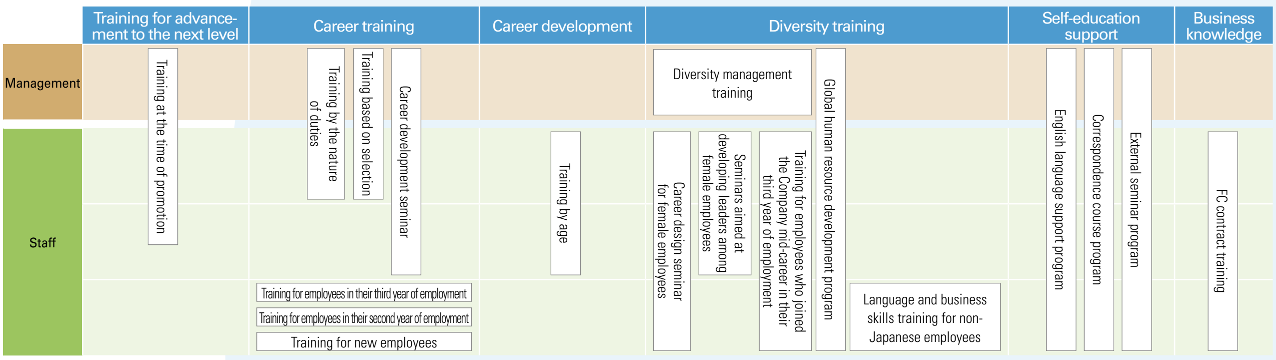
Fostering Human Resources

Human Resource Strategies (Employee Training System)

FamilyMart places considerable emphasis on three core human resource strategies. 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, in the implementation of wide-ranging education and training programs, we have set up programs that help our employees learn to "Listen, Decide, Act" in order to provide our customers with a shopping experience characterized by convenience, friendliness, and fun, thereby providing genuine human warmth.

In fiscal 2015, the Company will conduct training seminars for women who have been identified as current or future leaders. Together with diversity management training targeting employees in managerial positions, FamilyMart will place considerable weight on providing women with a growing number of opportunities to excel. At the same time, the Company will newly engage in training to select candidates for managerial as well as general manager positions. Through these and other means, every effort will be made to upgrade and expand programs for managers.

Educational structure and system under the FamilyMart Business College



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

Global Human Resource Development Program

The need to internationalize human resources continues to grow as locations in which companies are able to excel expand increasingly around the world. As a company that aspires to be the No. 1 convenience store chain in the world, FamilyMart must foster global personnel with the utmost urgency. We commenced a global human resource development program with the aim of nurturing personnel able to participate in global business development from 2013. Under this program, we offer foreign language classes in the Philippines, and have opened up the FamilyMart Academy in Thailand as a part of our initiative to offer employment training overseas.

The success of our overseas business development depends on having employees with an intimate knowledge of FamilyMart's operations and a deep understanding of the local market. We aim to foster global personnel with not only foreign language skills, but also a keen understanding of local history as well as the daily habits of the local people and their national character, and empower these employees with the ability to lead, negotiate, and take action with a strong sense of responsibility.

Training courses for mid-level employees and management

Step 1		Step 2		Step 3		Step 4
Overseas foreign language training	▶	Global business skills training	▶	Training opportunities to experience working overseas	▶	Discover workshop

FamilyMart Academy (Training Center in Thailand)

The FamilyMart Academy was established in Bangkok, Thailand as a place for employees to hone and practice their skills in the overseas field as global human resources in March 2014. Furthermore, mid-level employees and management are receiving expanded opportunities to experience working overseas. In this manner, we are working to train our employees as global human resources who can hit the ground running in overseas locations.

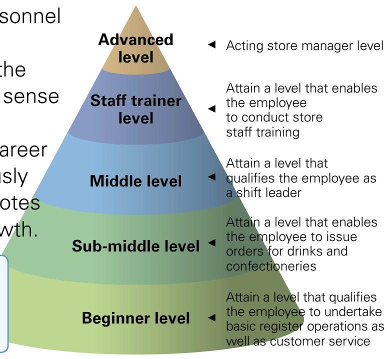
Training Support for Store Staff

The abilities and skills of each and every member of our store staff, who directly interact with our customers, are essential to FamilyMart fulfilling its responsibilities to society and maximizing the value of its existence. By thoroughly training our employees and further improving our training system, all of our highly motivated store staff are able to participate in store operations, thereby improving FamilyMart's overall ability to manage its stores.

The only way we can remain the preferred convenience store of our customers is to improve quality for them, in other words the quality of our products and stores. In charge of store quality, our store staff work each day on the front lines of customer service, ensuring SQC (service, quality, and cleanliness) as their first priority.

Store Staff Total (SST) Personnel Training System

The Store Staff Total (SST) personnel training system is designed to encourage store staff to take the initiative and to instill a strong sense of responsibility. Staff receive training at each level of their career so that skills can be continuously honed. This training also promotes each employee's personal growth.



Approximately 100,000 store staff acquired qualifications
*As of May 2015

Store Staff Excellence Award system

The Store Staff Excellence Award system recognizes store staff who excel at each and every customer interaction, displaying a high level of SQC on a daily basis. Recipients of the Award of Excellence share their stories of successful customer interactions and touching episodes with other staff at all FamilyMart stores.

Enhancing Quality

FamilyMart adopted the "Fun & Fresh" strategic theme and slogan as an expression of its desire to instill a fun and fresh sensation across the entire value chain. As a company that handles ready-to-eat items, delivering safe and reliable products that are recognized for their fine taste and high quality is an area in which we will not compromise.

Materials Procurement

Quality and Hygiene Management of Ingredients

Ingredients for ready-to-eat items are subject to examination based on the Company's specified 50-item inspection checklist. In addition, FamilyMart procures ingredients that comply with the standards set out for ingredients registered under the ingredient quality assurance system and that have successfully cleared the screening of documents including certificates of origin.

Overseas (China) Ingredient Manufacturer Management

When procuring ingredients for our ready-to-eat items in China, a FamilyMart China plant food defense and labor management checklist is currently prepared and confirmation assessment undertaken by manufacturers at the location where final processing takes place. In addition to quality and environmental management, the checklist covers a variety of issues that are based on ILO international labor standards including human rights, child labor, and discrimination.

Scheduled checks and inspections are standard procedures at ingredient plants in China. In addition to these procedures, inspections without notice are also conducted during the manufacturing period. As a part of efforts to implement CSR management measures throughout the value chain, we plan to expand these initiatives into countries and regions other than China going forward.

WEB http://www.family.co.jp/goods/ff/chicken

Information including the country of origin and production of products disclosed on the Company's homepage

FamilyMart discloses information regarding the principal ingredients as well as the country of origin and production (final processing location) for a variety of products including fast foods, oden, and Chinese steamed buns.

* An example of the location of production details displayed for fast foods.

Production

Quality and Hygiene Management at the Point of Production

The health and hygiene management of employees at contract ready-to-eat item production plants engaged in the full range of activities including the receipt of ingredients, food preparation and arrangement as well as shipment is undertaken in accordance with FamilyMart's quality and hygiene management standards.

Specialized external organizations also conduct quality audits three times each year. These audits are undertaken using a 79-point inspection criteria. Attended by plant quality control managers, a National Quality Control Conference is held once every two months. By sharing information regarding quality and hygiene management and promoting various initiatives including seminars by external lecturers, energies are being directed toward improving the level of safety and reliability as well as the capabilities of product supply systems.

Initiative Aimed at Reducing Food Additives

Since March 2002, FamilyMart has progressively reduced the amount of food additives used in its ready-to-eat items while maintaining its focus on quality and taste.

Reducing food additives

	Delicatessen items, salads, sandwiches, noodles, snack noodles	Boxed lunches, sushi, rice balls
Synthetic colorings	Terminated use from March 2002	
Synthetic preservatives	Terminated use from October 2002	
Synthetic sweeteners	Terminated use from October 2002	
Natural preservatives	Terminated use from March 2003	Terminated use from September 2003
Natural sweeteners	Terminated use from January 2005	

Fun & Fresh

See here for more details.

WEB http://www.family.co.jp/company/eco/safety/index.html

Logistics

Temperature Management in line with the Attributes of Each Product

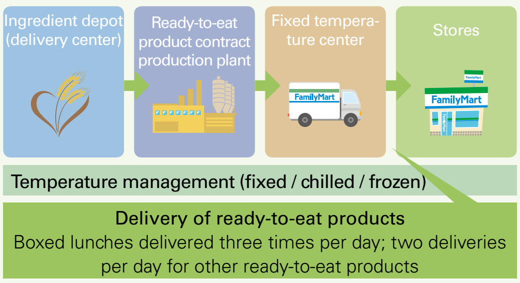
The Company adheres strictly to its policy regarding proper temperature management with temperatures classified in various zones including fixed, chilled, and by product throughout the entire delivery process from the transportation of finished products from manufacturing plants to delivery centers and then from delivery centers to each store.

The fixed temperature center handles products at the fixed temperature range of between 16°C and 20°C as well as the chilled range of between 3°C and 8°C. The frozen center handles products at temperatures below minus 25°C. In this manner, we undertake the storage and classification of products in line with proper temperature management.

Timely Efficient Delivery to Ensure Freshness of Products

In order to ensure the freshness of our products, boxed lunches and chilled products are delivered to each store three times a day. In addition to our fleet of fixed-temperature delivery vehicles that boast two separate compartments for fixed and chilled temperature deliveries, every effort is made to ensure the timely efficient delivery of products using frozen as well as room-temperature vehicles while maintaining quality.

Logistics process



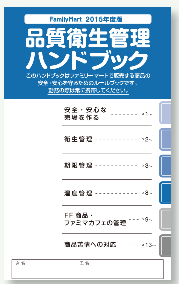
Stores

Quality and Hygiene Management

Store staff engage in thoroughgoing quality and hygiene management based on the Company's Operation Manual that formulates various rules, including each item's shelf-life and temperature management.

Store staff place the utmost emphasis on ensuring the safety and reliability of products by undertaking a host of activities. In addition to checking shelf-life dates, these activities include checking the temperatures of fixtures and display cases as well as washing and sterilizing hands.

Operation Manual



Quality and Hygiene Management Handbook

Reducing Environmental Impact

As an essential part of the social and lifestyle infrastructure of customers and local communities, FamilyMart operates its stores on a 24/7 365 day year-round basis.

Out of all of the Company's business activities, store operations account for approximately 90% of its environmental footprint. With this in mind, reducing the impact we have on the environment is an important social responsibility for FamilyMart.

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

FamilyMart's Environmental Policy

FamilyMart strives to fulfill its responsibilities to all stakeholders by taking the appropriate initiatives to preserve the global environment in its business activities from the standpoint of "Co-Growing," or realizing mutually beneficial relationships with its franchisees, business partner, and employees. To this end, FamilyMart periodically conducts environmental assessments to ensure consistent progress is being made congruent with its environmental objectives and in pursuit of its environmental targets. Our basic policy, however, is to prevent environmental pollution.

FamilyMart's Environmental Policy (Overview)

Established November 16, 1998, revised March 1, 2007

I. Caring for the environment through our business activities
1. 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 communities
5. Environment-friendly offices and Company vehicles

II. Respecting environmental laws and regulations

III. Organizations and awareness-raising

IV. Publicizing our Environmental Policy

Environmental Management System

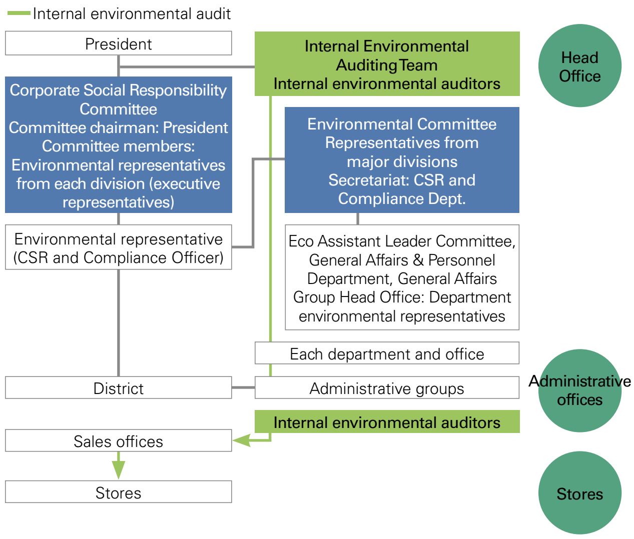
Since 1999, we have been pushing forward with environmental improvements in all offices and stores through a Companywide environmental management system headed by the president.

ISO 14001
JQA-EM6975

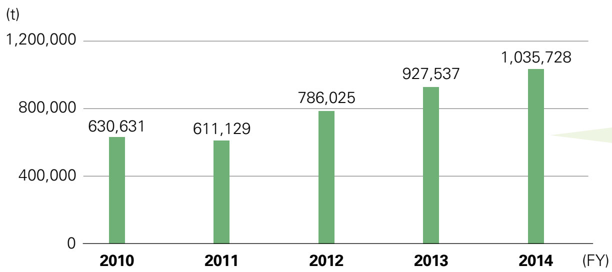
Apart from receiving environmental inspections by external institutions, internal environmental audits are conducted by CSR and Compliance Department employees or District's employees in administrative groups who have obtained qualifications as internal environmental auditors. Operations undergo a rigorous environmental assessment under this system.

In fiscal 2014, internal environmental audits were conducted at the Ikebukuro Head Office (all divisions), all regional offices, and all stores. From an external organization, we also received an "ongoing certification" assessment for compliance with ISO 14001 standards.

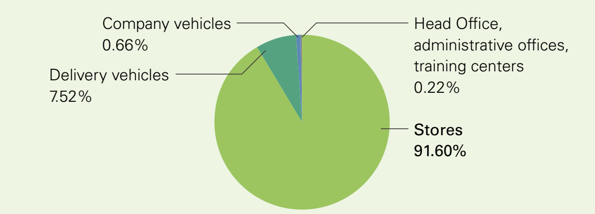
Environmental management system



CO_2 emissions at all FamilyMart stores



CO_2 emissions at the Company



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

FamilyMart's Material Flow

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 continued future development of our business.

INPUT

Electricity, water, copier paper, office supplies

Total for Head Office, administrative offices, and training centers

Power: **3,946,000** kWh
Copier paper: **78,450,000** sheets

Gasoline, diesel

Company vehicles

Gasoline: **3,010,000** liters
Diesel: **19,000** liters

Power, water, gas, fuel oil, supplies

Diesel, natural gas

All delivery vehicles

Diesel: **30,039,000** liters
CNG: **190,000** m³

Electricity, water, frying oil, supplies

Per store

Power: **167,000** kWh
Water: **360** m³

Related area

Producer

Delivery

Business area

Head Office and administrative offices

Company vehicles

Delivery centers

Dedicated delivery vehicles

Stores

Sales

Related area

Customers

OUTPUT

Business-related waste (paper, supplies), wastewater

CO_2 emissions: **2,264** tons
(**0.22**% of total) (Power)

Head Office only

Garbage separation and recycling
Documents: **34,555** kg

Exhaust gases

CO_2 emissions: **6,792** tons
(**0.66**% of total) (Gasoline, diesel)

Exhaust gases, wastewater, noise pollution, bad odors, waste (food, cardboard)

Exhaust gases

CO_2 emissions: **77,923** tons
(**7.52**% of total) (Diesel, CNG)

Wastewater, edible oil for fried food, general garbage (food, burnable waste, plastic, cans, bottles, cardboard, other)

CO_2 emissions: **948,749** tons
(**91.60**% of total) (Power)

Annual waste produced per store

Processed by local authorities	Organic waste: **4,227** kg (recycled in some areas) Other burnable waste: **8,462** kg Plastics: **1,135** kg
Recycled by local government and recycling businesses	Cans: **1,541** kg Bottles: **390** kg Plastic bottles: **788** kg Edible oil for fried food: **934** kg (100% recycled)
Recycled by used-paper processors	Cardboard: **6,130** kg

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 delivery centers 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.

Specific Initiatives to Reduce Our Environmental Impact

Efforts to Reduce Environmental Impact at Stores

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

Promoting Solar Power Initiatives

Utilizing our store infrastructure as a means for both business activities and reducing our environmental impact, we have installed solar panels on the rooftops of 1,482 stores as of May 31, 2015. By selling any excess electricity generated by these solar panels, we contribute to lowering CO_2 emissions through the generation of clean energy.

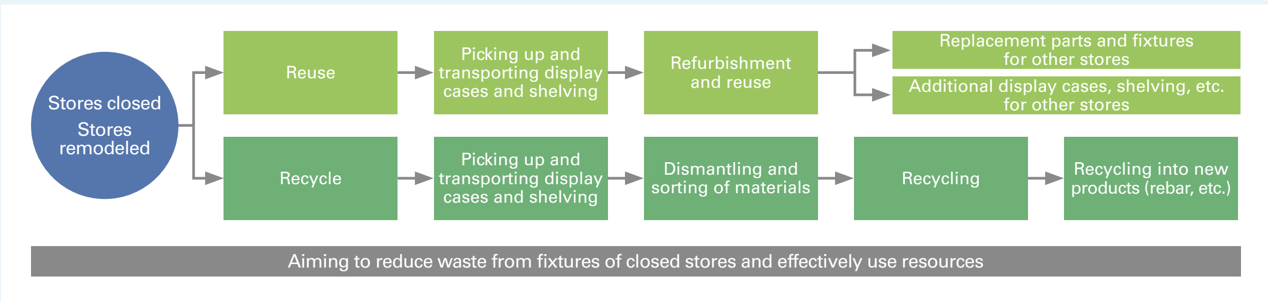
Reducing Electricity Consumption

In 2004, FamilyMart was the first convenience store chain in Japan to introduce LED lighting in façade signage. Since then, we have endeavored to further conserve energy by improving the efficiency of LED signage while undertaking installation in an increasing number of stores. LED lighting has been used in our parking lots since February 2013.

Recycling Shelving from Closed Stores

When remodeling or closing a store, we take care to remove recyclable display cases and fixtures around counters, refurbish them, and then reuse these display cases and shelving as additional or replacement fixtures for other stores. As a benefit, these efforts also help reduce costs considerably. Fixtures that cannot be recycled are dismantled, sorted by type of material, and then recycled as raw materials (steel, copper, etc.) for new equipment and materials.

Reusing shelves from closed stores



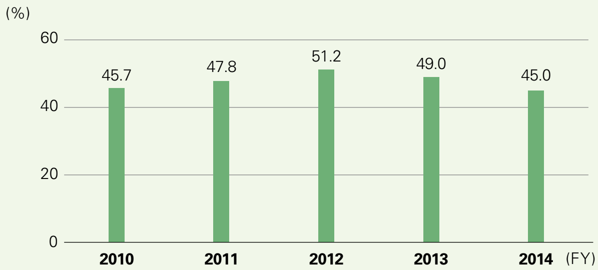
Expanding Efforts to Reduce Waste

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

Expanding Efforts to Recycle Food

Food waste from our stores (unsold goods such as boxed lunches, rice balls, fried chicken, etc.) is picked up by a contracted waste recycling company and recycled into animal feed, fertilizer, and methane gas through an organic-waste recovery and recycling system. Some food scraps collected from our stores and ready-to-eat product plants are turned into liquid feed for livestock as a part of a recycling loop.

Ratio of recycled food

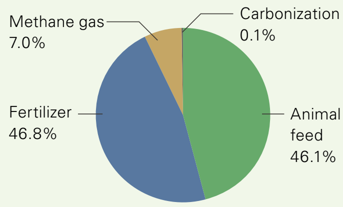


Establishing Edible Oil Waste Collection System

Edible oil that was used in the preparation of fried foods such as fried chicken nuggets is 100% recycled into animal feed, dyestuffs, detergents, and soap by an authorized recycling contractor.

In fiscal 2014, FamilyMart recycled all of the edible oil waste discharged by all of its stores (934kg).

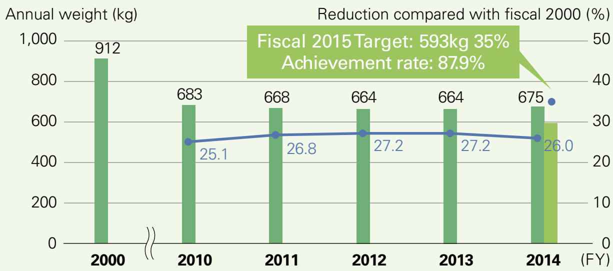
Breakdown of food recycling by type



Reducing Use of Shopping Bags

At FamilyMart stores, our employees politely ask customers if they need a plastic shopping bag, making sure they can conveniently carry their purchases, in order to avoid the wasteful use of plastic shopping bags. Our varied efforts to cut down on the use of plastic shopping bags entail using the most suitable size and making them thinner while ensuring strength. At the same time, we also proactively encourage customers to bring their own shopping bags through in-store announcements, reminders on cash register displays, and in-store posters.

Volume of Plastic Shopping Bags Used per Store, Percentage Reduced Compared with Fiscal 2000 Level



Designing Environmentally Friendly Containers

Bioplastic Containers

FamilyMart has been using carbon neutral biomass plastic (bioplastics) containers made out of plants (corn and sugarcane), since 2007. Three of our salad items use these containers, and our au gratin dishes are sold in containers made of timber from forest thinning. CO_2 emissions have been reduced as a result.

Smaller Boxed Lunch Containers

FamilyMart aims to improve functionality and reduce environmental impact by changing the materials used in its boxed lunch containers and making the shape of these containers more compact. These initiatives including efforts to cutback the amount of plastic used and to reduce the space required for inventory management have led to considerable cost savings as well.

Shrink-Wrapping Containers on Sides

To reduce the use of wrapping film on its boxed lunch containers, FamilyMart is working to completely switch from shrink-wrapping the entire container to shrink-wrapping the container only on the sides where the lid and base come into contact.

The amount of film used when wrapping one entire boxed lunch container is approximately 1.5 g. The amount of wrapping used when applied only to the sides drops to around 0.5 g. This initiative allows the Company to reduce the amount of plastic materials used and CO_2 emissions by 385 tons and 1,372 tons, respectively, on an annual basis.

The collection of monetary 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 more than 10 million customers, or roughly 10% of the population, come to each and every day, FamilyMart is well positioned to make a significant social contribution. Since the Great East Japan Earthquake, the role of convenience stores in society has expanded to include providing assistance to disaster-hit areas as well as serving as a point of safety and base for disaster preparation. Fulfilling its role as a social and lifestyle infrastructure provider, FamilyMart offers a sense of safety to local residents and is a vital part of local communities. At the same time, we search for solutions to problems affecting local communities as part of our aim to be a convenience store chain that offers added value.

FamilyMart's Fund-Raising Activities

We also make a donation, representing 10% of collected donations, for money collected at FamilyMart stores nationwide to the Connecting Dreams Foundation to support NGOs and NPOs working to improve the lives of children around the world and to protect the global environment. In addition, money collected from customers is donated to Famiport-designated charities.

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

NGOs and NPOs 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

Restricted application

Global CSR Activities

Program to Support Education about Disaster Risk Reduction

Through its global CSR activities, 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.

FamilyMart continuously implements systematic programs for helping children, which includes developing learning materials about disaster prevention as well as organizing training courses, disaster prevention campaigns, and disaster drills for teachers and children. In fiscal 2014, the Company implemented programs to improve disaster awareness among children in Bangkok, Thailand and the disaster-prevention capabilities of schools in Jakarta, Indonesia.

Donations to Save the Children Japan for Disaster Risk Reduction programs that are implemented in the area or the country where FamilyMart stores open.

FamilyMart
Global Children's Fund

TOPICS

Thank You Letter Contest

FamilyMart's "thank you letter" contest was started with the aim of helping children to fully appreciate the importance of hand writing letters in order to convey their feelings. In 2014, during our sixth contest, we received 43,139 impressive thank you letter entries.

This year, there were four judges on the judging panel, including freelance journalist Akira Ikegami, who has served as chief judge in all contests. Among the awards, 21 children received Best Letter prizes, 35 the Judges' Incentive prizes, and seven schools and organizations the School and Organization Prize.

VOICE

With the spread of email and free instant messaging apps in today's society, opportunities to express one's ideas to others through proper writing are decreasing. It is for this very reason that I think this contest offers children a valuable opportunity to compose their very own handwritten letters.

Having participated as a judge for six-straight years, this contest has given me a renewed appreciation for the power of language and handwritten letters.

Akira Ikegami
Head of Judging Panel
Freelance journalist

Fulfilling Our Role during Disasters

During earthquakes, typhoons, heavy snowfalls, and other natural disasters, 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 the necessary daily items to reassure people in areas that have been affected by the natural disaster.

Temporary Makeshift Stores

Following the Great East Japan Earthquake, in consultation with authorities in four localities, we temporarily opened makeshift stores using unit construction methods. In addition to selling goods and providing job opportunities, these makeshift stores served as meeting places for local residents.

Mobile Sales Vehicles

FamilyMart operated a service using *Famima-go* mobile sales vehicles in areas where opening temporary makeshift stores proved to be difficult. In February 2014, the record snowfall that hit East Japan blocked road access to the town of Fujikawaguchiko in 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.

From a Long-Term Perspective and a Positive Vision

Outside Director
Hiroshi Komiyama

For Mr. Komiyama's personal history, please refer to page **7**.

As this is my first time to serve as an outside director of a company that operates within the retail sector, I am determined to draw on my experience to provide whatever support I can to FamilyMart as it takes up the challenge of securing growth.

The Growing Potential of Convenience Stores

Against the backdrop of a domestic corporate sector that is looking to identify strategies for the future, it is difficult not to recognize that society in Japan is undergoing a major transformation. Signs that society's focus on goods, a common feature during periods of strong economic growth, is shifting to services and the goal of satisfying the hearts and minds of people are steadily emerging. Turning to the domestic retail sector, this transformation in society is manifesting itself in a move away from products as the nucleus of retail business to the point of sale and the place of direct contact with the customer. As this trend becomes increasingly prominent, the possibility exists new business models that prioritize points of contact with customers will be established for such activities as online shopping and delivery, which have been traditionally operated as separate fields. In this event, convenience stores are likely to see a drastic change in their competitive environment.

Even as Japan's competitive environment has become more intense, convenience stores that have experienced growth by honing their products and services to meet the increasingly discerning eyes of consumers have exhibited a level of superiority over other retail businesses in small retail zones. The attention to detail that convenience stores give to product development as well as store operations is a definite strength not only in Japan's retail sector but also in retail markets overseas.

In attempting to resolve the issue of Japan's super-aging society, I believe that convenience stores with a deeply rooted presence in the local community offer a host of possibilities. In the future, I can see convenience stores playing an increasingly important role in providing the elderly, who are looking to lead healthy, positive, and fulfilling lives, with a place to meet people and enjoy the wonders of new discoveries. It is equally important not to forget the role that convenience stores can play in providing the elderly with opportunities to participate in the workforce.

In any case, rather than just selling daily goods, convenience stores can significantly expand their potential by adding value through attractive and appealing store locations.

From a Long-Term Perspective

I believe that the future holds promising opportunities for the convenience store market. In helping the Company determine its short- and medium-term growth strategies, I feel that I should first listen carefully to the thoughts of my colleagues on the Board of Directors and to then put forward my opinions from a long-term perspective.

FamilyMart is a company that has adopted the board of corporate auditors' governance model. In addition and separate to corporate auditors, whose roles include auditing the adequacy and legality of management decisions made by the Board of Directors, the outside director is expected to provide input from a long-term perspective. With this expectation and my future vision of convenience stores outlined above very much in mind, I make it a point to participate in deliberations to ensure that decisions are not overly short term in nature and that the Company's aggressive initiatives contribute to medium- and long-term growth.

Developing Mechanisms That Utilize Diversified Perspectives

Outside Corporate Auditor
Mika Takaoka

For Ms. Takaoka's important positions concurrently held in other corporations, please refer to page **6**.

It has been four years since I assumed the position of outside corporate auditor at FamilyMart. With the major environmental changes convenience stores have undergone during this time, it appears that FamilyMart's corporate governance is functioning as needed in each situation, and that management has shown strong leadership through each phase.

Innovation Springs from Diversified Perspectives

The essential role of corporate auditors is to maintain a company's fiduciary responsibilities to its shareholders by auditing whether or not directors are carrying out their duties in accordance with the law and the articles of incorporation, management decisions are fair, and accounting auditors are using suitable methods to arrive at sound results. In addition, I think corporate auditors must express their opinions from an independent and objective standpoint, uninfluenced of internal circumstances.

It is for these very same reasons why companies need diversified personnel. By being exposed to the diversified perspectives of employees with various backgrounds, new discoveries can be made that previously would have gone unnoticed, thus enlivening discussions. Amid the globalization of corporate activities and growing complexity of business conditions, FamilyMart is taking proactive steps forward by hiring a diverse array of people and maintaining mechanisms that generate innovation.

Actively Collaborating with the Outside Director

Starting in June 2015, Corporate Governance Code of Japan clearly defines the roles that outside directors and outside corporate auditors must fulfill.

The Companies Act of Japan stipulates that along with standing corporate auditors, over half of each board of corporate auditors must be outside corporate auditors, thus organically combining the independence of outside corporate auditors with the high internal information gathering capabilities of standing corporate auditors (Supplementary Principle 4.4.1).

FamilyMart's corporate auditor committee ceaselessly engages in serious discussions among standing and outside corporate auditors. To further deepen these discussions, however, it is necessary for standing corporate officers to collaborate with their outside counterparts and internal organizations while creating effective information-gathering mechanisms.

In order to enhance information-gathering capabilities without compromising independence, the Corporate Governance Code recommends that outside directors ensure collaborative ties with corporate auditors or the corporate auditor committee (Supplementary Principle 4.4.1), or regularly hold meetings composed only of independent outside directors and auditors for the purpose of exchanging information and increasing shared understanding from an independent, objective standpoint (Supplementary Principle 4.8.1).

I look forward to an even greater level of discussions from a diversity of perspectives as a result of the Company recently adding an outside director to the Board of Directors to bring in external viewpoints on management oversight. In addition to fostering collaboration among existing members of the corporate auditor committee, I would like to search for mechanisms that would proactively encourage collaboration with outside directors.

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 administrative 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, 2015, the Company's Board of Directors comprises 10 directors (of which one is an outside director) who make decisions regarding important matters affecting the Company's business operations at the monthly (in principle) meetings of the Board of Directors 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 term of office of directors is one year.

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, 2015, the Board of Corporate Auditors consists of four members, of whom three are outside corporate auditors. The corporate 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. In addition, a regular liaison meeting is held with corporate auditors from Group companies and effort is made to ensure Group governance. The term of office of corporate auditors is four years.

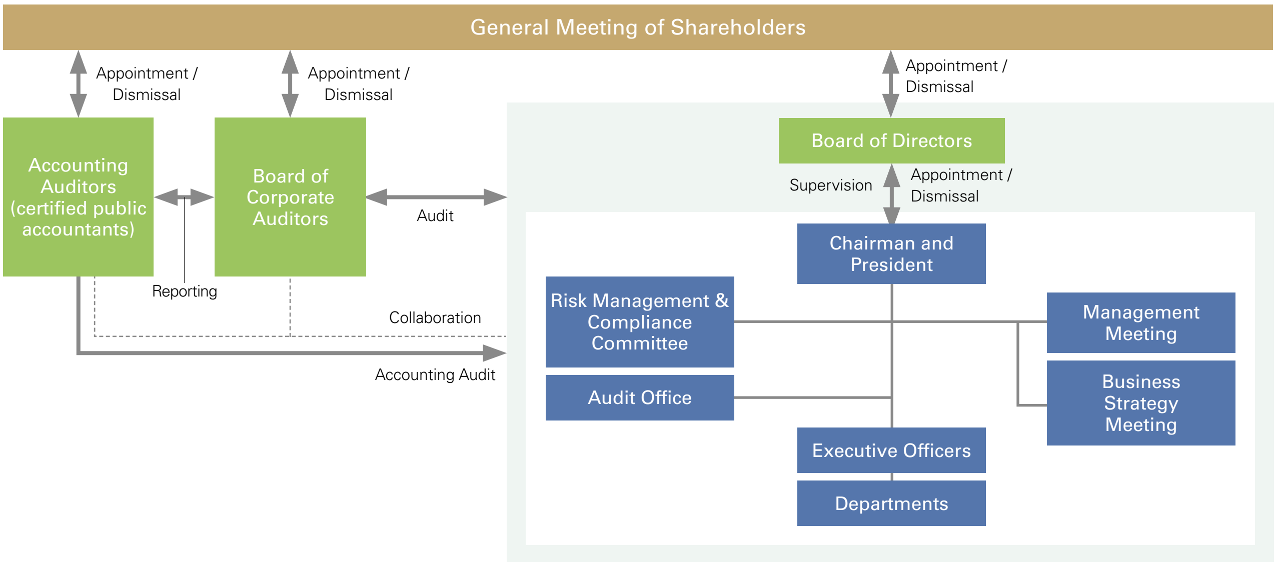
For accounting auditors, the Company has entered into an agreement with Deloitte Touche Tohmatsu LLC and is subject to audits under the Companies Act and the Financial Instruments and Exchange Law. Accounting auditors audit the financial statements from the position of an independent third party and the Company discusses the result of the audit after receiving it.

Reasons for Adopting Current System

As a company that has adopted a company-with-corporate auditors system, the Company ensures the effective working of the supervisory and monitoring functions and the transparency of decision-making through effective management supervision by corporate auditors including outside corporate auditors. In addition to its corporate governance structure, which relies on this management supervision by corporate auditors, the Company selects a highly independent outside director with the goal of reinforcing and improving the effectiveness of management oversight by the Board of Directors and the transparency of decision-making. The Company's corporate governance structure in its present state, based on the Board of Directors including outside director, and the Board of Corporate Auditors in which outside corporate auditors comprise a majority, is fully consistent with the building of a highly transparency system that we believe should be built.

Corporate Governance System

(As of June 1, 2015)



The Functions of Each Meeting Format

		Fiscal 2014
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. As for matters to be resolved by the Board of Directors, the representative director decides what measures will be submitted to the Board of Directors.	23 times
Business Strategy Meeting	The Business Strategy Meeting allows the representative director to seek advice before approving important matters relating to business, product, and development activities. Moreover, this meeting provides the opportunity to discuss implementation policies and plans for business activities in general, based on policies approved by the Board of Directors.	10 times*

* Called "Store Development and Marketing Policy Meetings" in fiscal 2014

Major Issues Addressed and Decisions Made in Fiscal 2014

March 2014	Decided to deploy Japan Post Bank ATMs
March 2014	Decided to roll out a new business format for stores (integrated stores) and concluded a comprehensive partnership agreement with FUJIO FOOD SYSTEM CO., LTD.
June 2014	Decided to enter into a capital and business partnership with Japan Net Bank
June 2014	Disclosed details of the Ready-to-Eat Products Structural Reform Committee Progress Report
October 2014	Disclosed details of the Logistics Structural Reform Committee Interim Report
November 2014	Decided on a policy for reorganization of the accounting center facility

Status of the Outside Director and Outside Corporate Auditors

The Company has one outside director and three outside corporate auditors.

From the position of an outsider with specialized knowledge, the outside director makes decisions regarding important matters affecting the Company's business operations and monitors directors' performance of their duties by attending Board of Directors' meetings. The outside director also fulfills a certain role to improve corporate governance and raise enterprise value.

From their position as outsiders with specialized knowledge, outside corporate auditors monitor directors' performance of their duties by attending Board of Directors' meetings. Outside corporate auditors also play a role in raising the effectiveness of management oversight and in improving the Company's corporate governance and raising enterprise value.

Of the one outside director and three outside corporate auditors, outside director Hiroshi Komiyama, and outside corporate auditors Mika Takaoka and Shuji Iwamura fulfill the requirements for independent officers as defined by the Tokyo Stock Exchange and have been registered as such by said exchange.

Criteria Concerning the Independence of Outside Officers

With the goal of defining the criteria for certifying outside directors and outside corporate auditors as independent officers of the Company, the Company has established "Criteria Concerning the Independence of Outside Officers" with the approval of the Board of Directors. When considering candidates for outside director and outside corporate auditor, their independence based on said criteria is a prerequisite for the position.

Reasons for Appointing the Outside Director and Outside Corporate Auditors

Outside Director

Name	Reason for appointment
Hiroshi Komiyama	Hiroshi Komiyama was appointed to apply his long experience and wisdom from many years in the academic and business communities and to exercise strict oversight from a position independent of Company management. 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.

Outside Corporate Auditors

Name	Reason for appointment	Attendance rate at fiscal 2014 Board of Directors' meetings	Attendance rate at fiscal 2014 Corporate Auditors' meetings
Noriki Tanabe	Noriki Tanabe was appointed to apply his long experience and wisdom from many years in the business community.	100% (20/20)	100% (12/12)
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.	95% (19/20)	100% (12/12)
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.	95% (19/20)	100% (12/12)

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 of part-time directors comprises a fixed sum only, which is a basic monthly salary.

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)	444	444	—	—	—	11
Corporate auditors (except outside corporate auditors)	23	23	—	—	—	1
Outside officers	37	37	—	—	—	3

Note: The above figures include two directors who retired as of the close of the 33rd Ordinary General Meeting of Shareholders held on May 29, 2014, and one director who passed away on December 19, 2014.

Compensation for Corporate Auditors

	Fiscal 2013		Fiscal 2014	
	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	80	2	80	9
Consolidated subsidiaries	2	—	9	—
Total	82	2	90	9

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

Internal Control Initiatives

Structure of the Internal Control System

FamilyMart set up the CSR & Compliance 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 CSR & Compliance Department principally undertakes the following measures in its capacity as Companywide coordinator for risk management / compliance, internal controls relating to financial reporting, and information management.

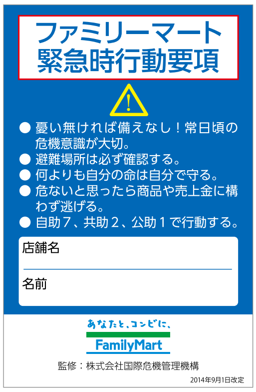
Directors and corporate auditors are dispatched to Group companies to assess the status of management as needed. In addition to ensuring the proper conduct of operations, directors and corporate auditors issue recommendations or provide advice and education and train Group companies on the structure 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.

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 the BCP 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., and EVENTIFY INC. Through standards more rigorous than legal requirements, we are bolstering our information management in such areas as personal information protection.

Regarding the protection of personal information including personal identification numbers, the Company develops and reviews rules and operations, when necessary, and will respond to public demand for the institution and revision of laws and information protection.

Privacy Mark

Risk Management and Compliance System

Corporate activities have been subject to increasingly harsh public awareness and the target domains of risk and compliance have changed in line with the expansion and change in the scale and domain of business at each company.

FamilyMart has responded to a variety of conceivable business risks based on the system described below and is building the necessary compliance system.

President — Risk Management & Compliance Committee — Risk Management and Compliance Promotion Representative

Risk Management & Compliance Committee

To better coordinate risk management and compliance functions, FamilyMart has established the Risk Management & Compliance Committee as an advisory body to the president. The committee is a horizontal organization that extends across the Company, with general managers in each division. 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.

In addition, the Company holds RC subcommittee meetings when necessary and examines individual cases.

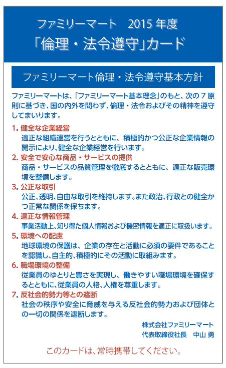
Risk Management and Compliance Promotion Representative

As a system for the practice of risk management and compliance promotion, the heads of each department have been made responsible for promotion and the promotion of risk management and compliance for each division is carried out within day-to-day operations.

FamilyMart Ethics and Compliance Basic Guidelines

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.

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.


ファミリーマート　2015年度
「倫理・法令遵守」カード

ファミリーマート倫理・法令遵守基本方針

ファミリーマートは、「ファミリーマート基本理念」のもと、次の7原則に基づき、国の内外を問わず、倫理・法令およびその精神を遵守してまいります。

1. 健全な企業経営
適正な組織運営を行うとともに、積極的かつ公正な企業情報の開示により、健全な企業経営を行います。
2. 安全で安心な商品・サービスの提供
商品・サービスの品質管理を徹底するとともに、適正な販売環境を整備します。
3. 公正な取引
公正、透明、自由な取引を維持します。また政治、行政との健全かつ正常な関係を保ちます。
4. 適正な情報管理
事業活動上、知り得た個人情報および機密情報を適正に取扱います。
5. 環境への配慮
地球環境の保護は、企業の存在と活動に必須の要件であることを認識し、自主的、積極的にその活動に取組みます。
6. 職場環境の整備
従業員のゆとりと豊さを実現し、働きやすい職場環境を確保するとともに、従業員の人格、人権を尊重します。
7. 反社会的勢力等との遮断
社会の秩序や安全に脅威を与える反社会的勢力および団体との一切の関係を遮断します。

株式会社ファミリーマート
代表取締役社長　中山 勇

このカードは、常時携帯してください。

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 → **Three-Point Compliance Action Guidelines**

Specific Rules of Conduct ("dos and don'ts") → **Compliance Code of Conduct**

Primary Risk Management and Compliance Activities

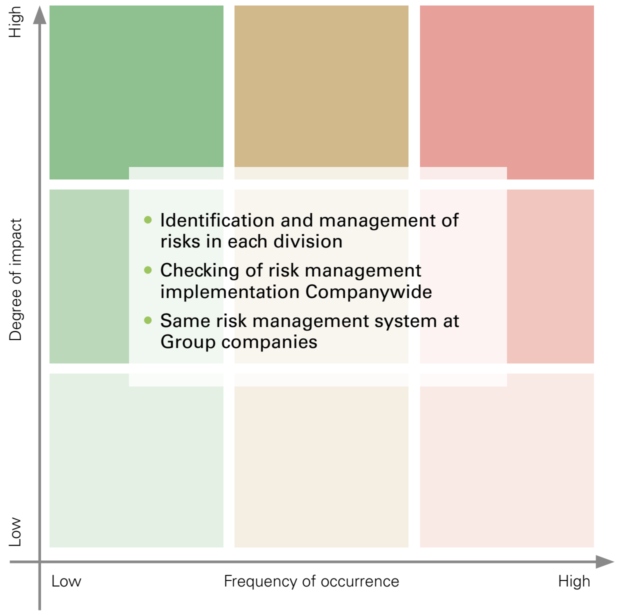
The following activities are conducted throughout the year.

- Identification of risks during the course of one's duties in each division
- Development of policies and regulations / standards, and revision of the Compliance Code of Conduct
- Education of all employees
- Preparation of a risk map
- Identification of risks that need to be addressed on a priority basis

Risk Map

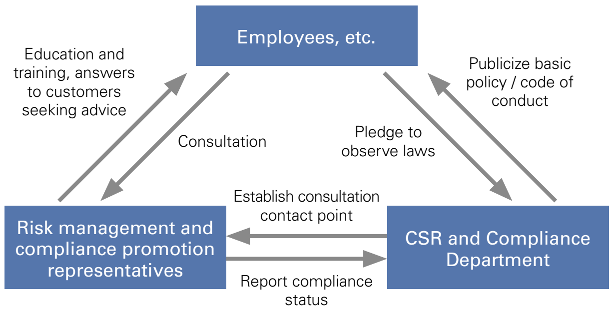
FamilyMart created a risk map to classify and evaluate the degree of impact and the frequency of risk that each division could potentially face after considering various factors. In addition to developing regulations and manuals relating to systems and operations to minimize the impact of risk, we have 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.



Compliance Activities

FamilyMart promotes the following compliance activities in order that employees, when they conduct business, take appropriate action to observe all laws and ethical norms. The risk management and compliance promotion representatives raise the precision of FamilyMart's compliance, such as identifying important laws and maintaining company regulations that accommodate those laws.



Acting with Integrity

FamilyMart employs more than 100,000 people of all ages in Japan alone, and we are aggressively expanding overseas where there are differing values as well as laws and regulations.

Therefore, we consider it important for everyone in the Company, from executives to employees, to have an increased awareness of risk management and compliance 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 sincerely address risk management and compliance in line with our goal to be a successful business.

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 2014 IR Activities Report

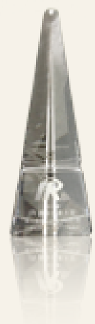
Meetings for analysts and institutional investors	Twice (interim and year-end results) Explanation of business results and management strategies
Briefing sessions	Twice (product strategies, etc.)
Other meetings	About 300 times
Domestic and international conferences hosted by securities companies	About 10 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)

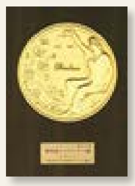
Annual Report

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





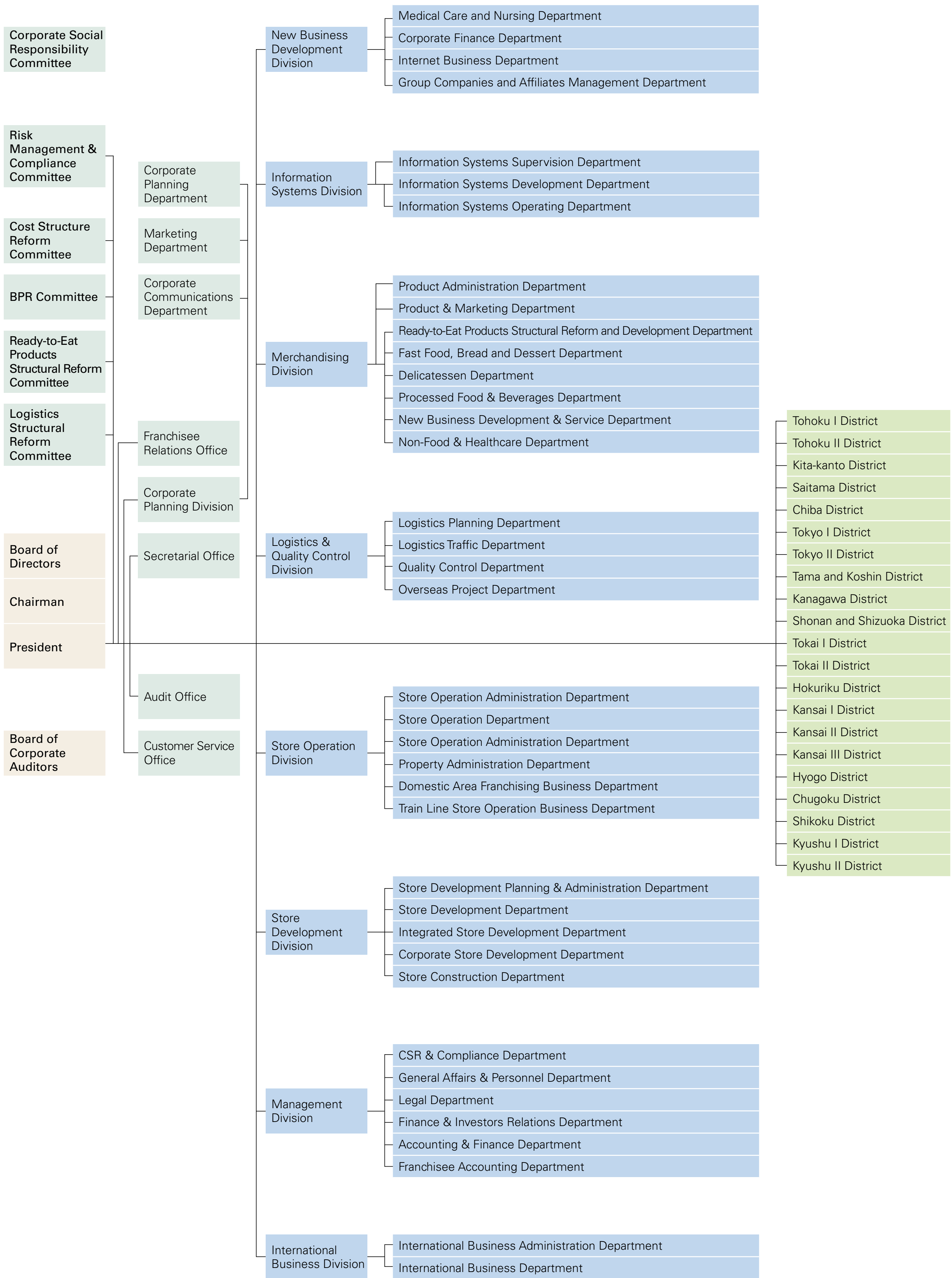
The FTSE4Good Index Series

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

Organization

(As of June 1, 2015)



Corporate Governance

Fact Sheets

Retail Sector Data

Sales of Retail Sector

(Billions of yen)

	09/3	10/3	11/3	12/3	13/3	14/3	15/3
Entire retail sector	134,784	134,097	135,564	136,709	137,184	141,136	139,459
Department stores	7,844	7,054	6,727	6,723	6,649	6,892	6,701
Supermarkets	12,815	12,513	12,852	12,978	12,905	13,251	13,292
Convenience stores	8,056	7,938	8,266	8,976	9,542	10,018	10,543

Principal Indicators of Convenience-Store Industry

Major Convenience Store Chains (number of domestic stores)

	09/2	10/2	11/2	12/2	13/2	14/2	15/2	YoY difference
Seven-Eleven Japan	12,298	12,753	13,232	14,005	15,072	16,319	17,491	1,172
LAWSON	9,527	9,761	9,994	10,457	11,130	11,606	12,276	670
FamilyMart	**7,404**	**7,688**	**8,248**	**8,834**	**9,481**	**10,547**	**11,328**	**781**
am/pm	1,124	1,104	469					
Circle K Sunkus	6,166	6,219	6,274	6,169	6,242	6,359	6,353	(6)
MINISTOP	1,939	2,021	2,042	2,105	2,192	2,218	2,151	(67)
Daily Yamazaki	1,641	1,626	1,624	1,644	1,617	1,571	1,574	3
Seicomart	1,039	1,071	1,100	1,132	1,154	1,160	1,161	1
MICS Group	1,087	1,018	971	920	874	825	785	(40)
SAVE ON	568	568	567	577	582	600	605	5
Community Store	271	282	285	303	313	448	594	146
Three F	712	710	704	710	679	641	558	(83)
POPLAR	701	705	700	700	713	655	525	(130)
JR-EAST	413	416	431	454	502	506	506	—
JR-WEST	171	166	165	163	179	179	85	(94)
Total	45,061	46,108	46,806	48,173	50,730	53,634	55,992	2,358

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

Total Store Sales (non-consolidated)

(Billions of yen)

	09/2	10/2	11/2	12/2	13/2	14/2	15/2
FamilyMart	**1,246**	**1,274**	**1,440**	**1,535**	**1,585**	**1,722**	**1,860**
Seven-Eleven Japan	2,763	2,785	2,948	3,281	3,508	3,781	4,008
LAWSON	1,506	1,472	1,503	1,621	1,693	1,759	1,933
Circle K Sunkus	891	852	855	896	879	895	928

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

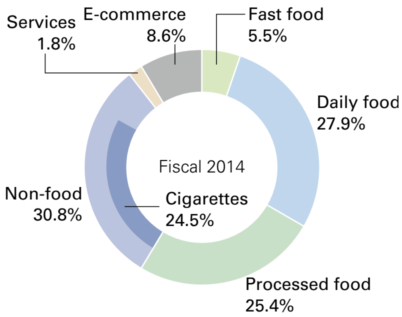
(%)

	09/2	10/2	11/2	12/2	13/2	14/2	15/2
FamilyMart	**7.1**	**(2.4)**	**(0.2)**	**4.4**	**(1.6)**	**(0.4)**	**(2.2)**
Seven-Eleven Japan	5.2	(2.1)	2.2	6.7	1.3	2.3	2.4
LAWSON	6.5	(4.1)	0.8	5.4	0.0	(0.2)	(1.0)
Circle K Sunkus	4.1	(5.6)	(1.4)	3.1	(4.8)	(3.1)	(3.6)

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)

	12/2			13/2			14/2			15/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	52,939	10.4	3.5	59,850	13.1	3.8	78,602	31.3	4.6	102,696	30.7	5.5
Daily food	428,645	7.0	28.4	448,593	4.7	28.4	482,115	7.5	28.0	519,425	7.7	27.9
Processed food	399,341	5.7	26.4	417,404	4.5	26.3	444,414	6.5	25.8	471,668	6.1	25.4
Liquor (License goods)	65,413	1.4	4.3	67,753	3.6	4.3	72,886	7.6	4.2	79,016	8.4	4.2
Food sub-total	880,925	6.6	58.3	925,847	5.1	58.5	1,005,131	8.6	58.4	1,093,790	8.8	58.8
Non-food	511,627	20.9	33.8	526,742	3.0	33.2	547,386	3.9	31.8	573,092	4.7	30.8
Cigarettes (License goods)	400,197	26.8	26.5	412,414	3.1	26.0	432,280	4.8	25.1	454,891	5.2	24.5
Services	32,716	7.1	2.2	33,119	1.2	2.1	33,511	1.2	1.9	38,798	0.9	1.8
E-commerce	86,447	21.1	5.7	98,654	14.1	6.2	135,677	37.5	7.9	159,228	17.4	8.6
Total	1,511,715	11.9	100.0	1,584,362	4.8	100.0	1,721,705	8.7	100.0	1,859,910	8.0	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

(%)

	12/2		13/2		14/2		15/2		16/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	52.25	0.33	52.74	0.49	54.82	2.08	44.27	(10.55)		
Daily food	36.19	0.39	36.35	0.16	35.71	(0.64)	36.28	0.57		
Processed food	37.29	0.66	37.82	0.53	37.68	(0.14)	38.34	0.66		
Liquor (License goods)	24.59	0.18	24.80	0.21	24.78	(0.02)	24.86	0.08		
Food sub-total	37.66	0.55	38.07	0.41	38.08	0.01	37.92	(0.16)		
Non-food	15.45	(1.05)	15.60	0.15	15.62	0.02	15.87	0.25		
Cigarettes (License goods)	10.48	(0.59)	10.50	0.02	10.50	—	10.78	0.28		
Services	9.89	(1.27)	9.83	(0.06)	10.29	0.46	10.41	0.12		
E-commerce	3.37	(0.08)	3.69	0.32	4.07	0.38	4.79	0.72		
Total	27.59	(0.72)	27.89	0.30	27.73	(0.16)	27.80	0.07	28.10	0.30

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

Business Performance (non-consolidated)

Business Performance

		12/2		13/2		14/2		15/2		16/2 (Est.)	
			YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	531	26	523	(8)	521	(2)	**508**	**(13)**	512	4
	Existing stores	531	29	527	(4)	525	(2)	**512**	**(13)**	513	1
	New stores	521	(43)	429	(92)	440	11	**424**	**(16)**	480	56
Number of customers	Total stores	961	17	950	(11)	932	(18)	**914**	**(18)**	916	2
	Existing stores	956	24	956	—	940	(16)	**921**	**(19)**	921	—
Spend per customer (yen)	Total stores	552	18	551	(1)	559	8	**556**	**(3)**	559	3
	Existing stores	556	17	551	(5)	559	8	**556**	**(3)**	557	1
Growth rate of average daily sales of existing stores (%)		4.4		(1.6)		(0.4)		**(2.2)**		0.5	
Average inventory (thousands of yen)		5,997	253	6,221	224	6,531	310	**6,798**	**267**	6,966	168
Turnover of goods (times)		31.4	0.1	29.7	(1.7)	27.8	(1.9)	**26.4**	**(1.4)**	26.2	(0.2)

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

Bill Settlement Service

	12/2		13/2		14/2		15/2	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Transaction volume (millions of yen)	1,680,078	4.7	1,791,706	6.6	1,896,979	5.9	**2,065,351**	**8.9**
Number of transactions (thousands)	177,823	3.4	186,852	5.1	195,783	4.8	**208,531**	**6.5**

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 2,952
Thailand 1,193
China 1,306
U.S.A. 8
Vietnam 71
Indonesia 21
The Philippines 91
Hokkaido 75

FamilyMart stores
Area franchising stores

Total: **16,970** stores

As of February 28, 2015

Ishikawa 96
Aomori 59
Iwate 107
Yamaguchi 86
Shimane 63
Tottori 64
Kyoto 241
Fukui 107
Akita 79
Miyagi 249
Hiroshima 216
Okayama 132
Hyogo 412
Shiga 113
Toyama 89
Niigata 80
Yamagata 108
Fukushima 150
Nagasaki 146 5
Fukuoka 376 96
Osaka 1,082
Gifu 105
Nagano 138
Gunma 106
Tochigi 168
Ibaraki 242
Ehime 125
Kagawa 111
Saga 70 6
Oita 66 21
Nara 97
Aichi 557
Yamanashi 91
Saitama 592
Tokyo 1,954
Kochi 51
Tokushima 71
Kumamoto 109 23
Miyazaki 100
Wakayama 90
Mie 175
Shizuoka 248
Kanagawa 758
Chiba 528
Okinawa 251
Kagoshima 237

Number of Stores

	12/2		13/2		14/2		15/2		16/2 (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	387	(50)	397	10	386	(11)	**416**	**30**	369	(47)
Type 1	5,013	526	5,475	462	6,071	596	**6,360**	**289**		
Type 2	2,764	59	2,900	136	3,323	423	**3,738**	**415**		
Franchised stores	7,777	585	8,375	598	9,394	1,019	**10,098**	**704**	10,725	627
FamilyMart stores	8,164	535	8,772	608	9,780	1,008	**10,514**	**734**	11,094	580
Okinawa FamilyMart Co., Ltd.	212	9	220	8	232	12	**251**	**19**		
Minami Kyushu FamilyMart Co., Ltd.	291	7	304	13	333	29	**337**	**4**		
Hokkaido FamilyMart Co., Ltd.	52	7	58	6	68	10	**75**	**7**		
JR KYUSHU RETAIL, INC.	115	28	127	12	134	7	**151**	**17**		
Domestic area franchising stores	670	51	709	39	767	58	**814**	**47**	836	22
Domestic chain stores	8,834	586	9,481	647	10,547	1,066	**11,328**	**781**	11,930	602
Taiwan	2,809	172	2,851	42	2,897	46	**2,952**	**55**	2,994	42
South Korea	6,910	1,399	8,001	1,091	7,925	(76)	**—**	**(7,925)**		
Thailand	687	65	806	119	1,070	264	**1,193**	**123**	1,300	107
Shanghai	639	197	741	102	792	51	**893**	**101**	998	105
Guangzhou	121	33	146	25	142	(4)	**161**	**19**	180	19
Suzhou	48	12	70	22	93	23	**106**	**13**	122	16
Hangzhou	5	5	17	12	34	17	**55**	**21**	80	25
Chengdu			15	15	26	11	**36**	**10**	51	15
Shenzhen					6	6	**22**	**16**	39	17
Wuxi					2	2	**25**	**23**	47	22
Beijing							**5**	**5**	21	16
Dongguan							**3**	**3**	12	9
China sub-total	813	247	989	176	1,095	106	**1,306**	**211**	1,550	244
United States	8	(2)	9	1	9	—	**8**	**(1)**	8	—
Vietnam	18	14	39	21	28	(11)	**71**	**43**	110	39
Indonesia			5	5	12	7	**21**	**9**	35	14
The Philippines					39	39	**91**	**52**	165	74
Overseas area franchising stores	11,245	1,895	12,700	1,455	13,075	375	**5,642**	**(7,433)**	6,162	520
Total area franchising stores	11,915	1,946	13,409	1,494	13,842	433	**6,456**	**(7,386)**	6,998	542
Total chain stores	20,079	2,481	22,181	2,102	23,622	1,441	**16,970**	**(6,652)**	18,092	1,122

Number of Store Openings and Closures (non-consolidated)

	12/2			13/2			14/2			15/2			16/2 (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)	914	328	586	959	312	647	1,355	289	1,066	1,120	339	781	1,000	398	602
FamilyMart (non-consolidated)	851	316	535	900	292	608	1,284	276	1,008	1,061	327	734	930	350	580

* 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. (12 / 2: 302 stores)

Capital Expenditure

Non-Consolidated

(Millions of yen)

	12/2	YoY (%)	13/2	YoY (%)	14/2	YoY (%)	15/2	YoY (%)	16/2 (Est.)	YoY (%)
Leasehold deposits	13,165	30.2	20,761	57.7	31,299	50.8	**27,633**	**(11.7)**	18,843	(31.8)
New stores	6,237	31.5	9,523	52.7	15,918	67.2	**15,868**	**(0.3)**	14,158	(10.8)
Existing stores	2,525	35.4	2,190	(13.3)	3,004	37.2	**8,194**	**172.8**	7,974	(2.7)
For stores	8,762	32.6	11,713	33.7	18,922	61.5	**24,062**	**27.2**	22,133	(8.0)
Head office investment	468	89.7	351	(25.0)	727	107.1	**675**	**(7.0)**	423	(37.3)
System investment	2,858	(11.6)	3,439	20.3	4,571	32.9	**3,442**	**(24.7)**	6,238	81.2
For head office	3,326	(4.4)	3,789	13.9	5,297	39.8	**4,118**	**(22.3)**	6,661	61.8
Lease	13,525	(13.8)	15,190	12.3	28,027	84.5	**38,054**	**35.8**	24,573	(35.4)
Total capital expenditure	38,778	8.0	51,454	32.7	83,546	62.4	**93,867**	**12.4**	72,210	(23.1)
Depreciation and amortization expense	13,016	34.0	15,463	18.8	20,205	30.7	**25,730**	**27.3**	26,640	3.5

Note: For the depreciation of property, store and equipment, in previous years the Company principally used the declining-balance method, but from fiscal 2015 the Company has adopted the straight-line method.

Consolidated

(Millions of yen)

	12/2	YoY (%)	13/2	YoY (%)	14/2	YoY (%)	15/2	YoY (%)	16/2 (Est.)	YoY (%)
Total capital expenditure	46,324	14.9	60,481	30.6	93,256	54.2	**111,718**	**19.8**	82,844	(25.8)
Depreciation and amortization expense	16,190	28.7	19,006	17.4	24,460	28.7	**30,918**	**26.4**	33,188	7.3

Consolidated Subsidiaries

Main Consolidated Subsidiaries

(Millions of yen)

		13/2			14/2			15/2		
	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%	31,685	3,120	2,326	38,474	3,842	3,614	**44,264**	**4,728**	**4,532**
famima. com Co., Ltd.	54.25%	6,299	1,367	786	7,645	1,704	930	**8,640**	**1,622**	**979**
FAMIMA CORPORATION	100.00%	1,087	(220)	(259)	1,292	(250)	(261)	**1,426**	**(244)**	**(389)**
SENIOR LIFE CREATE	82.83%	4,464	325	213	6,257	498	292	**8,420**	**985**	**586**

Notes: 1. The figures for earnings contributions (shares) by subsidiaries are as of February 28, 2015.
2. For fiscal 2014, figures for SENIOR LIFE CREATE are for a period of 14 months due to a change in the fiscal year-end.

Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

		13/2	14/2	15/2
	Shares	Net income	Net income	Net income
Okinawa FamilyMart Co., Ltd.	48.98%	608	822	**863**
Minami Kyushu FamilyMart Co., Ltd.	49.00%	196	31	**32**
Hokkaido FamilyMart Co., Ltd.	49.00%	(13)	(49)	**(90)**
BGFretail Co., Ltd.	—	3,021	5,471	**955**
Central FamilyMart Co., Ltd.	48.20%	274	(80)	**(1,663)**
Shanghai FamilyMart Co., Ltd.	30.72%	(1,981)	745	**1,213**

Notes: 1. The figures for earnings contributions (shares) by associated companies are as of February 28, 2015.
2. BGFretail ceased to be an equity-method affiliate of FamilyMart in the fiscal year ended February 2015.

Franchise Contracts

Types of FamilyMart Franchise Contracts

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

(As of February 28, 2015)

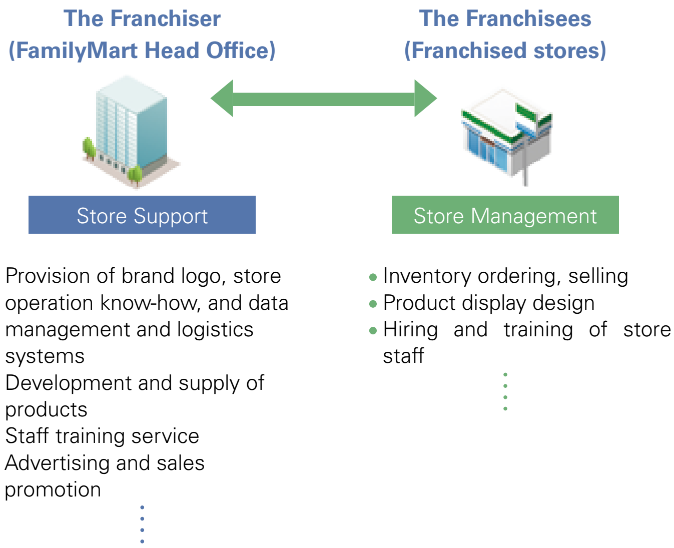
Contract type		1FC-A	1FC-B	1FC-C	2FC-N Note3
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,000,000 at contract date (excluding consumption tax) Affiliation fee: ¥500,000 (excluding consumption tax) Store preparation commission: ¥1,000,000 (excluding consumption tax)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



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

Kimio Kitamura

Director and Managing Executive Officer
General Manager of Management Division, Chairman of Risk Management & Compliance Committee, and Chairman of Business Process Improvement Committee

Executive Summary

- Continued to adopt an aggressive stance toward the opening of stores while undertaking strategic investments in existing stores
  - 1,120 new stores* opened in Japan
  - Average daily sales at total stores: ¥508,000**
  - Average daily sales growth rate at existing stores: (2.2) %**
  - Gross profit ratio: 27.80%**
- Secured a profit from overseas operations through earnings growth in Taiwan and a move to profitable operations in China
- Achieved record-highs in total operating revenues and net income

* Includes 59 stores newly opened by the four domestic area franchisers
** The figures do not include performance results at TOMONY stores

FamilyMart's Financial Strategy

FamilyMart will prioritize investments that are directed toward boosting growth in its core business activities. This reflects the expectation that the convenience store market will continue to experience growth both in Japan and overseas. In specific terms, we have identified three areas in which to strengthen our investment activities. First, we will invest in the opening of new stores. Second, we will keep an eye firmly fixed on increasing leasehold deposits and in-store conditions. And third, we will invest in Head Office and other functions that help to reinforce our organization and human resources, which we recognize provide the underlying strength for future growth. As a part of our growth strategy, we will direct cash resources to affiliated companies in the form of loans and investments. While investments in and loans to local joint-venture companies will comprise the nucleus of activities aimed at applying cash, we will also selectively consider M&A activities as well as other strategic investments.

Turning to the return of profits to shareholders and other investors, our fundamental policy is to pay stable and continuous dividends in line with our performance growth while prioritizing the flow of cash toward growth-oriented loans and investments. Taking this policy into consideration, we have identified a target dividend payout ratio of 40% on a consolidated basis. In addition to the return of profits through dividend and EPS growth, we will work to fulfill the expectations not only of shareholders and other investors, but also of all stakeholders by further enhancing our enterprise value while taking into account such capital policies as the purchase of treasury stock.

Meanwhile, FamilyMart's Head Office will take the lead in reducing costs. Beginning with the installation of horizontal refrigerated display cases as well as the introduction of strategic fixtures and new model Famiport Multimedia Terminals, costs incurred in the opening of stores increased slightly in the fiscal year ended February 28, 2015. As a countermeasure, we will adopt a policy that focuses on a variety of initiatives aimed at reducing costs including the ordering of materials in bulk and increasing the efficiency of store construction processes.

Over the past few years, FamilyMart has aggressively opened new stores and undertaken investments in existing stores. As a result, the Company's cash position has slightly declined. On a positive note, the stores opened since fiscal 2012 are progressively generating increased profits. This is expected to trigger an increase in future cash flows. Looking ahead, we will work to further increase store profitability and consider various fund procurement methods as and when deemed necessary.

FamilyMart has identified an ROE target of 10% or more under its new medium-term management plan, which covers the period to fiscal 2017. Moving forward, every effort will be made to improve ROE by expanding profits in the domestic convenience-store, the overseas convenience-store and new businesses.

Business Performance in Fiscal 2014

In fiscal 2014, consolidated total operating revenues climbed 8.3% compared with the previous fiscal year to ¥374,431 million. On a year-on-year consolidated basis, operating income declined 6.7% to ¥40,418 million, and ordinary income fell 10.1% to ¥42,520 million. In contrast, consolidated net income grew 13.5% compared with the previous fiscal year to ¥25,672 million. Taking the aforementioned factors into account, both total operating revenues and net income were record highs.

Looking at the return of profits to shareholders, the dividend for fiscal 2014 was ¥106 per share, up ¥4 per share from the previous fiscal year, for a payout ratio of 39.2%.

Market Environment in Fiscal 2014

In the fiscal year under review, conditions throughout the Japanese economy were mixed. While trends in disposable income improved as a growing number of mainly large as well as other corporations took the step to raise basic wage rates, the retail sector continued to confront harsh operating conditions. Difficulties in the retail sector were largely attributable to the adverse effect on spending of the consumption tax rate hike and other factors including the upswing in such lifestyle-related products as foodstuffs and daily necessities against the backdrop of a downturn in the value of the yen. Consequently, the pace of consumer sentiment recovery stalled.

Looking at the retail sector in Japan as a whole, sales decreased 1.2% compared with the previous fiscal year to ¥139 trillion. By format, department store sales declined 2.8% to approximately ¥6.7 trillion, while supermarket sales were almost unchanged from the previous fiscal year at around ¥13.2 trillion. In contrast, sales in the convenience-store market climbed 5.3% compared with the previous fiscal year to approximately ¥10.5 trillion*. Convenience stores have continued to benefit from a variety of favorable factors. In addition to such demographic and social changes as the falling birthrate, rising number of the elderly and upswing in single-person households, the convenience-store market has witnessed an increase in its customer base following the earthquake disaster, which has helped to trigger an upswing in demand for ready-to-eat products. Moreover, aggressive efforts to open new stores, develop innovative products and collaborate with other formats have also contributed to an increase in the number of customers visiting stores. Buoyed by accelerated steps to proactively open new stores, the major chains have continued to reinforce their dominance by 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 73% in fiscal 2014.

* Source: Retail Statistical Yearbook, Japan's Ministry of Economy, Trade and Industry
Note: For market environment data, please refer to pages 24 to 25.

Activities in Fiscal 2014

Setting the direction of its business activities in Japan, FamilyMart has adopted the key phrase and slogan "FamilyMart—Succeeding by Taking on Challenges." Guided by this slogan, the Company worked diligently to enhance quality from the perspective of its customers while focusing on improving store conditions and products as well as service, quality and cleanliness, the underlying strength of sound store management. In a bid to ensure advantageous store conditions, we actively invested in new stores that will contribute significantly to future earnings. We also directed expenditure toward fixtures and fittings in order to rebuild sales spaces at existing stores. Working to consistently deliver excellent products, we took steps to address the needs of an expanding range of clientele while at the same time improving the quality of merchandise and broadening products lines.

Outside of Japan, we made every effort to maximize sales, focusing especially on emerging markets in Asia, by aggressively developing stores in regions where we already have a presence, rolling out products that are in tune with the attributes of each region and expanding product lines. Among a host of significant achievements, we newly entered markets in Beijing and Dongguan in China during the fiscal year ended February 28, 2015.

As of the end of the fiscal year under review, the FamilyMart Group included 23 subsidiaries and 22 associated companies.

Analysis of Business Performance

For details regarding the market environment and business strategies, please refer to pages 22 to 45.

Business Performance (Non-Consolidated)

In fiscal 2014, FamilyMart's average number of visitors per day at existing stores was 921, a decrease of 19 compared with the previous fiscal year. This was mainly due to poor weather conditions, lackluster consumer sentiment and a drop in the number of customers purchasing cigarettes. Average spending per customer at existing stores was ¥3 lower than the previous fiscal year, at ¥556. This decrease reflected the lingering defensive stance adopted by customers following the consumption tax rate hike. Accounting for each of these factors, the growth rate of average daily sales at existing stores declined 2.2%.

Business Performance (non-consolidated)

	13/2	14/2	15/2	YoY difference
Growth rate of average daily sales per existing store (%)	(1.6)	(0.4)	(2.2)	
Average daily sales at existing stores (Thousands of yen)	527	525	512	(13)
Number of customers per day at existing store	956	940	921	(19)
Spend per customer at existing stores (¥)	551	559	556	(3)

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

Products

1. Breakdown of Sales by Product Category (Non-Consolidated)

In fast food, one of our priority product categories, we took steps to diversify and differentiate our menu by adding new products, including Café Frappe frozen coffee to our FAMIMA CAFÉ brand of in-store freshly ground coffee lineup. With trends in counter foods also robust, overall fast food sales continued to increase substantially, climbing 30.7% compared with the previous fiscal year.

We worked diligently to develop original products including ready-to-eat items and to improve their quality. Efforts to expand the lineup of FAMIMA PREMIUM SERIES products, which offer upgraded authentic menu items, and the FamilyMart collection private brand led to a wide range of clientele, including the middle-aged and elderly as well as housewives, visiting stores. As a result, overall food sales increased

8.8% compared with the previous fiscal year, and non-food sales climbed 4.7% year on year.

Sales of services edged up 0.9% compared with the previous fiscal year. Sales in our electronic commerce business improved 17.4% year on year on the back of such factors as growth in POSA cards. Taking into account the aforementioned initiatives, the Company's sales overall grew 8.0% compared with the previous fiscal year.

Breakdown of Sales by Product Category (non-consolidated)

(Millions of yen)

	13/2	14/2	15/2	YoY change
Fast food	59,850	78,602	102,696	30.7%
Daily food	448,593	482,115	519,425	7.7%
Processed food	417,404	444,414	471,668	6.1%
Non-food	526,742	547,386	573,092	4.7%
Services	33,119	33,511	33,798	0.9%
E-commerce	98,654	135,677	159,228	17.4%
Total	1,584,362	1,721,705	1,859,910	8.0%

Note: The figures above do not reflect the performance results of ASD machines.

2. Gross Profit Ratio (Non-Consolidated)

The increase in daily and processed food sales had a positive impact on the gross profit ratio. However, this was offset by the slump in drink sales, which have a high gross profit ratio, due to a variety of factors including poor weather conditions. As a result, the overall gross profit ratio on food came in at 37.92%, a slight downturn of 0.16 of a percentage point compared with the previous fiscal year. The gross profit ratios for non-food items, services and our electronic commerce business all surpassed the levels recorded in the previous fiscal year. Based on the aforementioned, the overall gross profit ratio was up 0.07 of a percentage point year on year to 27.80%.

Gross Profit Ratio (non-consolidated)

	13/2	14/2	15/2	YoY difference
Gross profit ratio (%)	27.89	27.73	27.80	0.07
Gross profit ratio on food products (%)	38.07	38.08	37.92	(0.16)

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

Store Development

As of the end of the fiscal year under review, the number of stores operated in Japan and its domestic area franchisers was 11,328, a net increase of 781 stores compared with the previous fiscal year-end. In addition to aggressively opening stores in the three major metropolitan areas and leading provincial cities as well as in new markets focusing mainly on in-station stores in collaboration with railway operators, we placed considerable weight on opening integrated stores in conjunction with other formats. Building on our tie-ups with 13 railway operators, the number of in-station stores came to 466 as of February 28, 2015. Meanwhile, average daily sales at new stores on a non-consolidated basis declined ¥16,000 compared with the previous fiscal year to ¥424,000 in fiscal 2014.

FamilyMart also continued to proactively expand its store network overseas. While reorganizing its business operations in South Korea, the Company opened new stores in various countries and regions including China, Thailand, Vietnam and the Philippines. As a result, the number of overseas stores came to 5,642.

Taking into account the aforementioned initiatives, the number of FamilyMart Group total chain stores stands at 16,970.

Store Development Performance (non-consolidated)

	13/2	14/2	15/2	YoY difference
Store openings	900	1,284	1,061	(223)
Store closures	292	276	327	51
Scrap and build	102	96	110	14
Average daily sales at new stores (Thousands of yen)	429	440	424	(16)

Note: Average daily sales at new stores do not include the performance results of TOMONY stores.

Number of Stores (including area franchised stores)

	13/2	14/2	15/2	YoY difference
Japan	9,481	10,547	11,328	781
Overseas	12,700	13,075	5,642	(7,433)
Total chain stores	22,181	23,622	16,970	(6,652)

Note: BGFretail (South Korea) ceased an equity-method affiliate of FamilyMart in the fiscal year ended February 2015.

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 ¥28,827 million (8.3%) compared with the previous fiscal year to ¥374,431 million (US$3,146 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 the substantial upswing in revenues from consolidated subsidiaries in Taiwan and other countries and regions.

Operating expenses climbed ¥31,719 million (10.5%) year on year to ¥334,013 million (US$2,807 million).

As a result, operating income declined ¥2,892 million (6.7%) compared with the previous fiscal year to ¥40,418 million (US$340 million).

Other income—net totaled ¥3,717 million (US$31 million), a year-on-year turnaround of ¥4,521 million.

Accounting for each of these factors, income before income taxes and minority interests increased ¥1,629 million (3.8%) compared with the previous fiscal year to ¥44,135 million, and net income was up ¥3,061 million (13.5%) year on year to ¥25,672 million (US$216 million).

Basic net income per share of common stock for the fiscal year under review came to ¥270.50 (US$2.27).

Geographical Segments

Japan

Total operating revenues of all domestic operations grew 7.5% compared with the previous fiscal year to ¥327,342 million, while segment profit declined 23.1% year on year to ¥14,885 million. The improvement in total operating revenues was largely attributable to successful efforts to expand the Company's store network on a non-consolidated basis. The decline in segment profit was mainly due to the increase in capital investments directed toward the opening of new stores and investing in fixtures and fittings at existing stores.

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 expanded our lineups of counter as well as FamilyMart collection private brand products. This in turn helped to boost sales and differentiate product lines.

In Thailand, given the lower-than-projected number of customers visiting stores, affected by the political uncertainty that occurred at the beginning of the fiscal year under review, we endeavored to improve onsite store management capabilities by undertaking a review of business processes. Moreover, we adopted a more stringent approach toward the selection of locations for new store openings and closed unprofitable stores ahead of schedule as a part of efforts to restructure our store network. Meanwhile, we continued to strengthen various activities including the procurement of raw materials and product development by leveraging the synergies generated through our tie-up with local partner Central Retail Corporation Limited, the largest general retailer in Thailand.

In China, we accelerated the pace at which we opened new stores in regions where we maintain an existing presence including Shanghai, Guangzhou, Suzhou, Hangzhou, Chengdu, Shenzhen and Wuxi. In addition, we moved into new regions, opening our first stores in Beijing in September 2014 and in Dongguan in October the same year. In the fiscal year under review, FamilyMart recorded higher sales of such ready-to-eat products as boxed lunches and prepared dishes. At the same time, we continued to convert directly managed stores to franchise stores. In this manner, we took positive steps toward substantially improving profitability and achieved a profit on a single fiscal year basis for our operations in China as a whole.

As a result, total operating revenues of the overseas business segment increased 14.6% compared with the previous fiscal year to ¥47,088 million. Segment profit jumped 231.1% year on year to ¥10,786 million.

Business Results by Segment

(Millions of yen)

	14/2	15/2	YoY change
Total operating revenues	345,604	374,431	8.3%
Japan	304,524	327,342	7.5%
Overseas	41,080	47,089	14.6%
Segment profit	22,611	25,672	13.5%
Japan	19,353	14,886	(23.1)%
Overseas	3,258	10,786	231.1%

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 ¥666,245 million (US$5,599 million), an increase of ¥78,108 million compared with the previous fiscal year-end.

Current assets grew ¥13,608 million compared with the balance as of February 28, 2014 to ¥235,854 million (US$1,982 million). Despite a decrease in cash and cash equivalents, this increase was mainly due to higher balances of marketable securities, receivables due from franchised stores and other receivables.

Net property and store facilities stood at ¥193,562 million (US$1,627 million) as of February 28, 2015, up ¥46,332 million compared with the end of the previous fiscal year. This largely reflected the upswing in tangible fixed assets.

Investments and other assets climbed ¥18,168 million year on year to ¥236,829 million (US$1,990 million) owing primarily to the increase in leasehold deposits receivable and associated with the proactive opening of stores.

Meanwhile, total liabilities climbed ¥58,736 million compared with the balance as of the end of the previous fiscal year to ¥381,415 million (US$3,205 million).

Current liabilities stood at ¥263,557 million (US$2,215 million) as of February 28, 2015, up ¥30,521 million compared with the previous fiscal year-end. This largely reflected increases in accounts and note payable—trade, other payables and deposits received.

Long-term liabilities grew ¥28,215 million year on year to ¥117,858 million (US$990 million). This was mainly due to an increase in long-term lease obligations associated with investments in stores.

Accounting for each of these movements in assets and liabilities, total equity as of the end of the fiscal year under review stood at ¥284,830 million (US$2,394 million), an increase of ¥19,372 million compared with the previous fiscal year-end. The major movements included increases in retained earnings and unrealized gain on available-for-sale securities. The equity ratio declined from 43.4% to 40.9%, while ROE improved from 9.2% to 9.7%. Total equity per share of common stock was ¥2,872.40 (US$24.25).

Cash Flows (Consolidated)

Cash Flows from Operating Activities

Net cash provided by operating activities came to ¥71,838 million (US$604 million), an increase of ¥10,994 million compared with the previous fiscal year. Major cash inflows included increases in depreciation and amortization of ¥6,876 million as well as loss on impairment of long-lived assets of ¥2,651 million.

Cash Flows from Investing Activities

Net cash used in investing activities declined ¥10,702 million compared with the previous fiscal year to ¥53,675 million (US$451 million). The principal movements were increases in purchases of property and store facilities, software and other intangible assets of ¥11,403 million and proceeds from sales of marketable and investment securities of ¥20,020 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥21,375 million (US$180 million), an increase of ¥321 million compared with the previous fiscal year.

Accounting for each of these activities, the fiscal year-end balance of cash and cash equivalents decreased ¥1,909 million compared with the end of the previous fiscal year to ¥112,627 million (US$946 million).

Outlook

In the current fiscal year, ending February 29, 2016, economic trends indicate that uncertainty will continue to plague the retail sector in the future. Despite ongoing improvements in corporate-sector earnings and employment conditions as well as forecasts that the economy will continue along a recovery path buoyed by new economic initiatives and ongoing monetary easing measures, this uncertainty largely reflects concerns surrounding the impact of the increase in prices on consumer sentiment.

Under these circumstances, FamilyMart will continue to fully recognize the critical need to fulfill the roles and functions expected of convenience stores and the Company as a social and lifestyle infrastructure provider by customers. Moving forward, we will therefore place considerable emphasis on delivering increased convenience, proposing a shopping experience characterized by convenience, friendliness and fun and providing human warmth. Through these means, we will endeavor to consistently become the preferred convenience-store chain. At the same time, we will steadfastly carry out the measures outlined under our new medium-term management plan. Guided by the strategic theme and slogan of "Fun & Fresh," the Group will unite in its efforts to build a new convenience-store concept that is geared toward creating customer value going forward.

Taking the aforementioned into consideration, FamilyMart is projecting total operating revenues of ¥411.8 billion, up 10.0% compared with the fiscal year under review, and operating income of ¥46.9 billion, an increase of 16.0% year on year. In contrast, net income is expected to come in at ¥21.0 billion, a decrease of 18.2% compared with the fiscal year under review. All forecasts are presented on a consolidated basis for the fiscal year ending February 29, 2016. Meanwhile, the Company has principally used the declining-balance method with respect to the depreciation of property, plant and equipment in previous years. From fiscal 2015, however, FamilyMart will adopt the straight-line method. This change has increased the fiscal 2015 forecast for operating income by ¥2.8 billion compared with the result when calculated using the declining-balance method.

Targets for Major Indicators (non-consolidated)

	15/2	16/2 (Est.)	YoY difference
Average daily sales at total stores (Thousands of yen)	508	512	4
Growth rate of average daily sales at existing stores (%)	(2.2)	0.5	
Gross profit ratio (%)	27.80	28.10	0.30
Average daily sales at new stores (Thousands of yen)	424	480	56

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

	15/2	16/2 (Est.)	YoY difference
Store openings	1,061	930	(131)
Store closures	327	350	23

Earnings Forecasts (consolidated)

(Millions of yen)

	15/2	16/2 (Est.)	YoY difference
Total operating revenues	374,431	411,800	10.0%
Operating income	40,418	46,900	16.0%
Ordinary income	42,520	48,700	14.5%
Net income	25,672	21,000	(18.2)%

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. At the present time, FamilyMart is not involved in any litigation that has the potential to significantly impact the Group's performance. The Group's business performance and financial position could, however, be adversely affected by litigation that has a major impact on operations or the Group's social standing or by a decision that negatively affects the Group or its business.

(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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
Current assets:			
Cash and cash equivalents (Note 14)	¥ 112,627	¥114,536	$ 946,445
Time deposits (Note 14)	80	76	672
Marketable securities (Notes 5 and 14)	1,700	1,400	14,286
Receivables:			
Due from franchised stores (Notes 4 and 14)	25,599	19,325	215,118
Other (Note 14)	47,878	38,825	402,336
Allowance for doubtful receivables	(171)	(271)	(1,437)
Merchandise	10,167	9,753	85,437
Deferred tax assets (Note 12)	2,220	2,218	18,655
Prepaid expenses and other current assets	35,754	36,384	300,454
Total current assets	235,854	222,246	1,981,966
Property and store facilities (Notes 6 and 10):			
Land	19,456	17,047	163,496
Buildings and structures	108,526	89,241	911,983
Machinery and equipment	17,105	10,039	143,739
Furniture and fixtures	156,452	118,419	1,314,723
Other	391	2,051	3,286
Total	301,930	236,797	2,537,227
Accumulated depreciation	(108,368)	(89,567)	(910,656)
Net property and store facilities	193,562	147,230	1,626,571
Investments and other assets:			
Investment securities (Notes 5 and 14)	19,613	15,093	164,815
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3 and 14)	17,786	26,525	149,462
Software	10,187	10,728	85,605
Goodwill (Note 7)	9,395	8,623	78,950
Goodwill attributable to individual stores	3,067	3,594	25,773
Leasehold deposits receivable (Note 14)	149,564	135,885	1,256,840
Deferred tax assets (Note 12)	9,084	5,483	76,337
Other assets (Note 6)	18,133	12,730	152,378
Total investments and other assets	236,829	218,661	1,990,160
Total	¥ 666,245	¥588,137	$5,598,697

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
Current liabilities:			
Payables:			
Accounts and note payable—trade (Notes 3 and 14)	¥ 94,758	¥ 85,920	$ 796,286
Due to franchised stores (Notes 4 and 14)	5,839	5,602	49,067
Other (Note 14)	29,471	23,975	247,656
Current portion of long-term lease obligations (Notes 8 and 14)	17,479	11,504	146,882
Income taxes payable (Notes 12 and 14)	9,955	8,410	83,656
Deposit received (Notes 3, 4 and 14)	90,800	85,386	763,025
Accrued expenses	6,994	7,598	58,773
Other current liabilities (Note 10)	8,261	4,641	69,420
Total current liabilities	263,557	233,036	2,214,765
Long-term liabilities:			
Long-term lease obligations (Notes 8 and 14)	71,251	50,771	598,748
Liability for retirement benefits (Note 9)	11,300	9,310	94,958
Leasehold deposits refundable (Note 14)	11,707	11,426	98,378
Asset retirement obligations (Note 10)	16,625	14,494	139,706
Other long-term liabilities	6,975	3,642	58,613
Total long-term liabilities	117,858	89,643	990,403
Commitments and contingent liabilities (Note 16)			
Equity (Notes 11 and 19):			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	139,991
Capital surplus	17,389	17,389	146,126
Retained earnings	241,324	226,224	2,027,933
Treasury stock—at cost, 2,758,846 shares in 2015 and 2,756,716 shares in 2014	(8,772)	(8,762)	(73,714)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 5)	5,316	2,222	44,672
Foreign currency translation adjustments	1,227	1,693	10,311
Defined retirement benefit plans	(481)	(418)	(4,042)
Total	272,662	255,007	2,291,277
Minority interests	12,168	10,451	102,252
Total equity	284,830	265,458	2,393,529
Total	¥666,245	¥588,137	$5,598,697

See notes to consolidated financial statements.

Consolidated Statement of Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating revenues:			
Commission from franchised stores (Note 4)	¥234,074	¥217,314	$1,967,008
Net sales	105,647	95,928	887,790
Other operating revenues (Notes 3 and 4)	34,710	32,362	291,681
Total operating revenues	374,431	345,604	3,146,479
Operating expenses:			
Cost of sales (Note 3)	70,031	63,372	588,496
Selling, general and administrative expenses (Notes 7 and 9)	263,982	238,922	2,218,336
Total operating expenses	334,013	302,294	2,806,832
Operating income	40,418	43,310	339,647
Other income (expenses):			
Interest and dividend income	2,019	1,814	16,966
Equity in earnings of unconsolidated subsidiaries and associated companies	396	2,352	3,328
Gain on sales of investment securities	143	2,100	1,202
Gain on sales of investments in subsidiaries and associated companies	15,368	671	129,143
Loss on disposals/sales of property and store facilities—net	(4,298)	(2,383)	(36,118)
Loss on impairment of long-lived assets (Note 6)	(6,051)	(3,400)	(50,849)
Loss on cancellations of land and building lease contracts	(2,349)	(1,360)	(19,739)
Other—net	(1,511)	(598)	(12,698)
Other income (expenses)—net	3,717	(804)	31,235
Income before income taxes and minority interests	44,135	42,506	370,882
Income taxes (Note 12):			
Current	19,736	17,147	165,848
Deferred	(4,051)	502	(34,042)
Total income taxes	15,685	17,649	131,806
Net income before minority interests	28,450	24,857	239,076
Minority interests in net income	2,778	2,246	23,345
Net income	¥ 25,672	¥ 22,611	$ 215,731

	Yen		U.S. dollars
	2015	2014	2015
Per share of common stock (Notes 2.t and 18):			
Basic net income	¥270.5	¥238.2	$2.27
Cash dividends applicable to the year	106.0	102.0	0.89

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net income before minority interests	¥28,450	¥24,857	$239,076
Other comprehensive income (Note 17):			
Unrealized gain on available-for-sale securities	¥ 3,165	¥ 595	$ 26,597
Foreign currency translation adjustments	1,518	2,454	12,756
Defined retirement benefit plans	(109)	(267)	(916)
Share of other comprehensive income in associates	(1,176)	1,908	(9,882)
Total other comprehensive income	3,398	4,690	28,555
Comprehensive income	¥31,848	¥29,547	$267,631
Total comprehensive income attributable to:			
Owners of the parent	¥28,361	¥26,181	$238,328
Minority interests	3,487	3,366	29,303

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2015

	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	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, March 1, 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 (as previously reported)	94,926	16,659	17,389	226,224	(8,762)	2,222	1,693	(418)	255,007	10,451	265,458
Effect of accounting change				(700)				(124)	(824)		(824)
Balance, March 1, 2014 (as restated)		16,659	17,389	225,524	(8,762)	2,222	1,693	(542)	254,183	10,451	264,634
Net income				25,672					25,672		25,672
Cash dividends, ¥104.0 per share				(9,872)					(9,872)		(9,872)
Purchase of treasury stock	(2)				(10)				(10)		(10)
Disposal of treasury stock											
Net change in the year						3,094	(466)	61	2,689	1,717	4,406
Balance, February 28, 2015	94,924	¥16,659	¥17,389	¥241,324	¥(8,772)	¥5,316	¥ 1,227	¥(481)	¥272,662	¥12,168	¥284,830

	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	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, February 28, 2014 (as previously reported)	$139,991	$146,126	$1,901,042	$(73,630)	$18,672	$14,227	$(3,513)	$2,142,915	$ 87,824	$2,230,739
Effect of accounting change			(5,882)				(1,042)	(6,924)		(6,924)
Balance, March 1, 2014 (as restated)	139,991	146,126	1,895,160	(73,630)	18,672	14,227	(4,555)	2,135,991	87,824	2,223,815
Net income			215,731					215,731		215,731
Cash dividends, $0.87 per share			(82,958)					(82,958)		(82,958)
Purchase of treasury stock				(84)				(84)		(84)
Disposal of treasury stock										
Net change in the year					26,000	(3,916)	513	22,597	14,428	37,025
Balance, February 28, 2015	$139,991	$146,126	$2,027,933	$(73,714)	$44,672	$10,311	$(4,042)	$2,291,277	$102,252	$2,393,529

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating activities:			
Income before income taxes and minority interests	¥ 44,135	¥ 42,506	$ 370,882
Adjustments for:			
Income taxes—paid	(18,296)	(23,190)	(153,748)
Depreciation and amortization	32,014	25,138	269,025
Reversal of allowance for doubtful receivables	(129)	(289)	(1,084)
Equity in earnings of unconsolidated subsidiaries and associated companies	(396)	(2,352)	(3,328)
Gain on sales/valuation of marketable and investment securities—net	(121)	(2,033)	(1,017)
Gain on sales of investments in subsidiaries and associated companies	(15,368)	(671)	(129,143)
Loss on disposals/sales of property and store facilities—net	4,298	2,383	36,118
Loss on cancellations of land and building lease contracts	2,349	1,360	19,739
Loss on impairment of long-lived assets	6,051	3,400	50,849
Changes in assets and liabilities:			
Increase in due from/to franchised stores—net	(6,144)	(3,972)	(51,630)
Increase in merchandise and supplies	(863)	(621)	(7,252)
Increase in payables—trade	7,338	7,574	61,664
Increase in deposit received	4,487	9,309	37,706
Increase in liability for retirement benefits	485	256	4,076
Other—net	11,998	2,046	100,824
Total adjustments	27,703	18,338	232,799
Net cash provided by operating activities	71,838	60,844	603,681
Investing activities:			
Increase in time deposits	(6,010)		(50,504)
Purchases of marketable and investment securities	(2,036)	(2,662)	(17,109)
Purchases of investments in subsidiaries and associated companies	(956)	(6,027)	(8,034)
Proceeds from sales and redemption at maturity of marketable and investment securities	2,541	7,196	21,353
Proceeds from sales of investments in associated companies	24,911	235	209,336
Increase in short-term loans—net	(447)	(267)	(3,756)
Purchases of property and store facilities, software and other intangible assets	(44,098)	(32,694)	(370,571)
Proceeds from sales of property and store facilities, software and other intangible assets	778	417	6,538
Payments of leasehold deposits receivable	(28,806)	(31,758)	(242,067)
Refunds of leasehold deposits receivable	2,163	1,675	18,176
Receipts of leasehold deposits refundable	1,990	1,838	16,722
Refunds of leasehold deposits refundable	(1,969)	(1,574)	(16,546)
Proceeds from sale of investment in a subsidiary		91	
Other	(1,736)	(847)	(14,588)
Net cash used in investing activities	(53,675)	(64,377)	(451,050)
Financing activities:			
(Decrease) increase in short-term bank loans—net	(550)	470	(4,622)
Dividends paid	(9,872)	(9,965)	(82,958)
Dividends paid to minority interest shareholders	(1,811)	(1,282)	(15,218)
Repayments for lease obligations	(15,673)	(10,364)	(131,706)
Other	6,531	87	54,882
Net cash used in financing activities	(21,375)	(21,054)	(179,622)
Foreign currency translation adjustments on cash and cash equivalents	1,303	1,975	10,949
Net (decrease) increase in cash and cash equivalents	(1,909)	(22,612)	(16,042)
Cash and cash equivalents, beginning of year	114,536	137,148	962,487
Cash and cash equivalents, end of year	¥112,627	¥114,536	$ 946,445

See notes to consolidated financial statements.

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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥119 to $1, the approximate rate of exchange at February 28, 2015. 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, 2015, include the accounts of the Company and its 15 (12 in 2014) significant subsidiaries (together, the "Group").

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

Investments in 8 (8 in 2014) unconsolidated subsidiaries and 22 (21 in 2014) 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.

One consolidated subsidiary has a defined benefit pension plan and a defined contribution pension plan.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over a certain period (mainly 13 years) within the average remaining service period. Past service costs are amortized on a straight-line basis over a certain period (13 years) within the average remaining service period.

In May 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 guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are 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) 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 for (a) and (b) above are effective for the end of annual periods beginning on or after March 1, 2014, and for (c) above are effective for the beginning of annual periods beginning on or after March 1, 2015, or for the beginning of annual periods beginning on or after March 1, 2016, subject to certain disclosure in February 2016, both with earlier application being permitted from 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 early applied the revised accounting standard and guidance for retirement benefits for (a), (b) and (c) above effective March 1, 2014, and changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis. The Company recorded the effect of (a) and (b) above as of March 1, 2014, in accumulated other comprehensive income, and the effect of (c) above as of March 1, 2014, in retained earnings. As a result, accumulated other comprehensive income decreased by ¥124 million and retained earnings decreased by ¥700 million, resulting in an ¥824 million decrease in total net assets. In addition, equity per share decreased by ¥8.69 for the fiscal year under audit. The impact of this application on operating income, ordinary income, income before income taxes and minority interests and net income per share is immaterial.

Along with the adoption of the standards, actuarial gains and losses and past service cost, recognized by foreign consolidated subsidiaries, that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), which were presented as "Postretirement benefit liability adjustments for foreign consolidated companies" in the consolidated balance sheet, consolidated statement of comprehensive income, and consolidated statement of changes in equity for the year ended February 28, 2014, have been reclassified as "Defined retirement benefit plans."

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, that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective March 1, 2009. In addition, the Company continues to account for leases, which existed at the transition date and do 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 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" are 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.

3 Related Parties and Organization

The Company's primary shareholder is ITOCHU Corporation ("ITOCHU"), which owns 37.04% 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, 2015, are as follows:

Name of area franchiser	Area	The company's ownership in area franchiser
Subsidiaries:		
Taiwan FamilyMart Co., Ltd.	Taiwan	47.44%
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
Philippine FamilyMart CVS, Inc.	Philippines	37.00
Shanghai FamilyMart Co., Ltd.	Shanghai, China	40.35
Guangzhou FamilyMart Co., Ltd.	Guangzhou, China	40.35
Suzhou FamilyMart Co., Ltd.	Suzhou, China	40.35
Hangzhou FamilyMart Co., Ltd.	Hangzhou, China	40.35
Chengdu FamilyMart Co., Ltd.	Chengdu, China	40.35
Shenzhen FamilyMart Co., Ltd.	Shenzhen, China	40.35
Wuxi FamilyMart Co., Ltd.	Wuxi, China	40.35
Beijing FamilyMart Co., Ltd.	Beijing, China	40.35
Dongguan FamilyMart Co., Ltd.	Dongguan, China	40.35

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., Shenzhen FamilyMart Co., Ltd., Wuxi FamilyMart Co., Ltd., Beijing FamilyMart Co., Ltd., and Dongguan FamilyMart Co., Ltd.

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

famima.com Co., Ltd., a 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.

Transactions of the Company with related parties for the years ended February 28, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
NIPPON ACCESS, INC. (a subsidiary of ITOCHU):			
Purchase	¥14,354	¥13,637	$120,622
Accounts and note payable—trade	18,999	16,983	159,655
Dolce Co., Ltd. (a subsidiary of ITOCHU):			
Purchase	4,365	4,308	36,681
Accounts and note payable—trade	6,829	6,630	57,387

Transactions of the Company's subsidiaries with related parties for the years ended February 28, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Taiwan Distribution Center Co., Ltd. (associated company of a subsidiary company):			
Purchase	¥10,397	¥8,895	$ 87,370
Accounts and note payable—trade	13,860	12,118	116,471
CONEXIO Corporation (a subsidiary of ITOCHU):			
Commission received	42	38	353
Deposit received	7,658	4,276	64,353

4 Transactions with Franchised Stores

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

The term of a franchise agreement is generally 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.

5 Marketable and Investment Securities

Marketable and investment securities as of February 28, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current—Government and corporate bonds	¥ 1,700	¥ 1,400	$ 14,286
Total	¥ 1,700	¥ 1,400	$ 14,286
Non-current:			
Marketable equity securities	¥11,872	¥ 5,970	$ 99,765
Government and corporate bonds	6,980	6,900	58,655
Nonmarketable equity securities	761	2,223	6,395
Total	¥19,613	¥15,093	$164,815

The cost and aggregate fair values of marketable and investment securities at February 28, 2015 and 2014, were as follows:

	Millions of yen			
February 28, 2015	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale—equity securities	¥3,505	¥8,367		¥11,872
Available-for-sale—debt securities	343	37		380
Held-to-maturity	8,300	48		8,348

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

	Thousands of U.S. dollars			
February 28, 2015	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale—equity securities	$29,454	$70,311		$99,765
Available-for-sale—debt securities	2,882	311		3,193
Held-to-maturity	69,748	403		70,151

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2015 and 2014, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Available-for-sale—equity securities	¥761	¥2,223	$6,395

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2015, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥1,700	$14,286
Due after one year through five years	5,200	43,697
Due after five years through ten years	1,400	11,765

6 Long-lived Assets

The Group reviewed its long-lived assets for impairment as of February 28, 2015 and 2014, and, as a result, recognized impairment losses of ¥6,051 million ($50,849 thousand) and ¥3,400 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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
Fixed Assets, Leased Property and Other Assets	2015	2014	2015
Land	¥ 97	¥ 163	$ 815
Buildings and structures	1,914	1,045	16,084
Furniture and fixtures	2,790	1,402	23,446
Others	1,250	790	10,504
Total	¥6,051	¥3,400	$50,849

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 3.06% and 2.83% for the years ended February 28, 2015 and 2014, respectively.

7 Goodwill

Goodwill as of February 28, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Consolidation goodwill	¥8,133	¥8,623	$68,345
Goodwill on purchase of a specific business	1,262		10,605
Total	¥9,395	¥8,623	$78,950

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2015 and 2014, was ¥864 million ($7,261 thousand) and ¥621 million, respectively.

8 Lease Obligations

Annual maturities of lease obligations at February 28, 2015, were as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2016	¥17,479	$146,882
2017	15,956	134,084
2018	14,853	124,815
2019	13,325	111,975
2020	10,894	91,546
2021 and thereafter	16,223	136,328
Total	¥88,730	$745,630

9 Retirement and Pension Plans

Year Ended February 28, 2015

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 Company and domestic consolidated subsidiaries have a corporate pension fund plan, a defined benefit corporate pension plan, and a severance lump-sum payment plan as their defined benefit pension plan. One consolidated subsidiary has a defined benefit pension plan and a defined contribution pension plan.

a. Defined benefit pension plans

(a) The changes in defined benefit obligation for the year ended February 28, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year (as previously reported)	¥21,380	$179,664
Effect of accounting change	1,088	9,143
Balance at beginning of year (as restated)	22,468	188,807
Current service cost	1,152	9,681
Interest cost	328	2,756
Actuarial cost	1,211	10,176
Benefits paid	(494)	(4,151)
Increase from the changes in the scope of consolidation	481	4,042
Others	204	1,714
Balance at end of year	¥25,350	$213,025

(b) The changes in plan assets for the year ended February 28, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥11,877	$99,807
Expected return on plan assets	79	664
Actuarial gains	815	6,849
Contributions from the employer	1,707	14,344
Benefits paid	(481)	(4,042)
Others	53	445
Balance at end of year	¥14,050	$118,067

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of February 28, 2015

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation	¥ 25,187	$ 211,655
Plan assets	(14,050)	(118,067)
	11,137	93,588
Unfunded defined benefit obligation	163	1,370
Net liability arising from defined benefit obligation	¥ 11,300	$ 94,958

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥11,300	$94,958
Net liability arising from defined benefit obligation	¥11,300	$94,958

(d) The components of net periodic benefit costs for the year ended February 28, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,152	$ 9,681
Interest cost	328	2,756
Expected return on plan assets	(79)	(664)
Recognized actuarial losses	446	3,748
Amortization of prior service cost	(118)	(992)
Others	1	9
Net periodic benefit costs	¥1,730	$14,538

(e) Accumulated other comprehensive income on defined benefit pension plans as of February 28, 2015

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ 1,070	$ 8,991
Unrecognized actuarial gains	(1,906)	(16,017)
Total	¥ (836)	$ (7,026)

(f) Plan assets as of February 28, 2015, are as follows:

(1) Components of Plan Assets

Plan assets consisted of the following:

Debt securities	51.83%
Equity securities	15.54
General account	8.53
Alternative investments	19.64
Others	4.46
Total	100.00%

Note: Alternative investments are mainly investments in hedge funds.

(2) Method of Determining the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is determined considering the current and projected asset allocations, as well as the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(g) Assumptions used for the year ended February 28, 2015, which were presented at the weighted-average figure, were set forth as follows:

Discount rate	Primarily 1.5%
Expected rate of return on plan assets	Primarily 0.0%

b. Defined contribution pension plans

The amount paid to defined contribution pension plans by a certain consolidated subsidiary for the year ended February 28, 2015, was ¥350 million ($2,941 thousand).

Year Ended February 28, 2014

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, consisted of the following:

	Millions of yen
	2014
Projected benefit obligation	¥ 21,380
Fair value of plan assets	(11,877)
Unrecognized actuarial loss	(1,382)
Unrecognized prior service cost	1,189
Net liability	¥ 9,310

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

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

	Millions of yen
	2014
Service cost	¥1,257
Interest cost	329
Expected return on plan assets	(9)
Recognized actuarial loss	432
Amortization of prior service cost	(118)
Amortization of transitional obligation	216
Net periodic benefit costs	¥2,107

Assumptions used for the year ended February 28, 2014, are set forth as follows:

	2014
Discount rate	Primarily 1.7%
Expected rate of return on plan assets	Primarily 0.0%
Recognition period of actuarial gain/loss	Primarily 13 years
Amortization period of prior service cost	13 years

10 Asset Retirement Obligations

The changes in asset retirement obligations for the years ended February 28, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥14,610	¥12,790	$122,773
Additional provisions associated with the acquisition of property and store facilities	2,820	2,304	23,697
Reconciliation associated with passage of time	124	117	1,042
Reduction associated with settlement of asset retirement obligations	(625)	(601)	(5,252)
Other	12		101
Total	16,941	14,610	142,361
Less current portion	(316)	(116)	(2,655)
Balance at end of year, less current portion	¥16,625	¥14,494	$139,706

11 Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends—Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as; (1) having 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.

12 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.01% for the years ended February 28, 2015 and 2014.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 28, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Provision for doubtful receivables	¥ 868	¥ 849	$ 7,294
Accrued bonuses	34	681	286
Provision for retirement benefits	3,399	3,035	28,563
Loss on devaluation of investments in associated companies	1,143	1,161	9,605
Loss on impairment of long-lived assets	4,173	2,979	35,067
Enterprise tax payable	872	717	7,328
Tax loss carryforwards	3,510	2,950	29,496
Accounts payable	348	300	2,924
Asset retirement obligations	5,920	5,168	49,748
Asset adjustment account	884	493	7,428
Other	1,799	1,332	15,118
Less valuation allowance	(5,690)	(4,949)	(47,815)
Total	17,260	14,716	145,042
Deferred tax liabilities:			
Undistributed earnings of associated companies	492	3,703	4,134
Unrealized gain on available-for-sale securities	2,879	1,220	24,193
Asset retirement obligations related expenses	2,550	2,092	21,429
Other	35		294
Total	5,956	7,015	50,050
Net deferred tax assets	¥11,304	¥ 7,701	$ 94,992

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended February 28, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	38.01%	38.01%
Inhabitant tax on per capita basis	0.64	0.84
Valuation allowance	(1.17)	0.62
Different tax rates	(2.56)	(2.16)
Undistributed earnings of associated companies	0.28	2.85
Other—net	0.34	1.36
Actual effective tax rate	35.54%	41.52%

Impact of the Change in the Income Tax Rate, Etc.

Following the promulgation on March 31, 2014, of the "Act on Partial Revision of the Income Tax Act, etc.," the Special Reconstruction Corporation Tax will not be imposed for the fiscal years beginning on or after April 1, 2014. In accordance with this measure, the effective statutory tax rate, which was used to measure deferred tax assets and deferred tax liabilities for the year ended February 28, 2015, has been reduced to 35.64% from 38.01% for the previous fiscal year for temporary differences that are expected to be eliminated during the fiscal year beginning on March 1, 2015.

The impact of this change to the Company is immaterial.

Subsequent Change in the Corporate Tax Rate, Etc.

Following the promulgation on March 31, 2015, of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 9, 2015), the income tax rate will be reduced effective from the fiscal year beginning on and after April 1, 2015. In addition, the enterprise tax rate (income-based levy) will be reduced gradually effective from the fiscal year beginning on and after April 1, 2015. In accordance with these measures, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, will be reduced to 33.10% from 35.64% for temporary differences that are expected to be eliminated during the fiscal year beginning on March 1, 2016, and to 32.34% from 35.64% for temporary differences that are expected to be eliminated during and after the fiscal year beginning on March 1, 2017.

The impact of the deferred tax assets and deferred tax liabilities, which were recalculated based on temporary differences as of February 28, 2015, due to the change in the effective statutory tax rate, was a ¥685 million ($5,756 thousand) decrease in net deferred tax assets (the amount after deducting deferred tax liabilities) and a ¥951 million ($7,992 thousand) increase in income taxes—deferred (debit side).

Tax Loss Carryforwards

As of February 28, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,755 million ($73,571 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	$ 454
2020	224	1,882
2021 and thereafter	8,477	71,235
Total	¥8,755	$73,571

13 Supplemental Information for Cash Flows

Finance lease assets and finance lease obligations regarded as noncash transactions incurred for the years ended February 28, 2015 and 2014, amounted to ¥38,856 million ($326,521 thousand) and ¥28,152 million, respectively.

14 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 a certain level.

The Group monitors its market values and the financial positions of 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 15 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 the early stages.

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. Accounting and Finance Department executes derivative transactions by obtaining authorization from 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, they may change depending on different assumptions.

b. Fair values of financial instruments

The carrying amount, fair value, and net unrealized gains/losses as of February 28, 2015 and 2014, are summarized as follows:

Note that the following table does not include financial instruments for which fair value is difficult to determine (see Note (2)).

	Millions of yen		
February 28, 2015	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥112,627	¥112,627	
Time deposits	80	80	
Receivables:			
Due from franchised stores	25,599	25,599	
Other	47,878	47,878	
Marketable and investment securities:			
Held-to-maturity securities	8,300	8,348	¥ 48
Available-for-sale securities	12,252	12,252	
Investments in and advances to unconsolidated subsidiaries and associated companies	5,417	6,069	652
Leasehold deposits receivable	149,564		
Allowance for doubtful receivables*	(461)		
	149,103	146,864	(2,239)
Total assets	¥361,256	¥359,717	¥(1,539)
Payables:			
Accounts and note payable—trade	¥ 94,758	¥ 94,758	
Due to franchised stores	5,839	5,839	
Other	29,471	29,471	
Current portion of long-term lease obligations	17,479	17,479	
Income taxes payable	9,955	9,955	
Deposit received	90,800	90,800	
Long-term lease obligations	71,251	71,305	¥ 54
Leasehold deposits refundable	11,707	11,101	(606)
Total liabilities	¥331,260	¥330,708	¥ (552)

	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:			
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

	Thousands of U.S. dollars		
February 28, 2015	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	$ 946,445	$ 946,445	
Time deposits	672	672	
Receivables:			
Due from franchised stores	215,118	215,118	
Other	402,336	402,336	
Marketable and investment securities:			
Held-to-maturity securities	69,748	70,151	$ 403
Available-for-sale securities	102,958	102,958	
Investments in and advances to unconsolidated subsidiaries and associated companies	45,521	51,000	5,479
Leasehold deposits receivable	1,256,840		
Allowance for doubtful receivables*	(3,873)		
	1,252,967	1,234,152	(18,815)
Total assets	$3,035,765	$3,022,832	$(12,933)
Payables:			
Accounts and note payable—trade	$ 796,286	$ 796,286	
Due to franchised stores	49,067	49,067	
Other	247,656	247,656	
Current portion of long-term lease obligations	146,882	146,882	
Income taxes payable	83,656	83,656	
Deposit received	763,025	763,025	
Long-term lease obligations	598,748	599,202	$ 454
Leasehold deposits refundable	98,378	93,286	(5,092)
Total liabilities	$2,783,698	$2,779,060	$ (4,638)

* Allowance for doubtful receivables on leasehold deposits is excluded.

Notes:

(1) Measurement method to determine 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 marketable and investment securities by classification is included in Note 5.

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 which would be arranged as of February 28, 2015 and 2014.

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
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥12,145	¥23,609	$104,328

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

	Millions of yen			
February 28, 2015	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	¥112,627			
Time deposits	80			
Receivables:				
Due from franchised stores	25,599			
Other	47,878			
Marketable and investment securities—Held-to-maturity securities	1,700	5,200	1,400	
Leasehold deposits receivable	4,559	42,932	40,326	61,747
Total	¥192,443	¥48,132	¥41,726	¥61,747

	Thousands of U.S. dollars			
February 28, 2015	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	$ 946,445			
Time deposits	672			
Receivables:				
Due from franchised stores	215,118			
Other	402,336			
Marketable and investment securities—Held-to-maturity securities	14,286	43,697	11,765	
Leasehold deposits receivable	38,311	360,773	338,874	518,882
Total	$1,617,168	$404,470	$350,639	$518,882

d. Maturity analysis for lease obligations

Please see Note 8 for annual maturities of lease obligations.

15 Derivatives

The Company enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company does not hold or issue derivatives for trading or speculative 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 these 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, 2015 and 2014.

16 Contingent Liabilities

As of February 28, 2015, 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	¥ 699	$ 5,874
Guarantee of contract concerning introduction of machinery performed by—NIPPON ACCESS, INC.	1,126	9,462
Total	¥1,825	$15,336

17 Comprehensive Income

The components of other comprehensive income for the years ended February 28, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains incurred during the year	¥ 4,862	¥ 3,011	$ 40,857
Reclassification adjustments to net income	(4)	(2,086)	(33)
Amount before tax effect	4,858	925	40,824
Income tax effect	(1,693)	(330)	(14,227)
Unrealized gain on available-for-sale securities	3,165	595	26,597
Foreign currency translation adjustments:			
Gain incurred during the year	1,518	2,454	12,756
Reclassification adjustments to net income			
Foreign currency translation adjustments	1,518	2,454	12,756
Defined retirement benefit plans:			
Loss incurred during the year	(459)	(369)	(3,857)
Reclassification adjustments to net income	327	26	2,748
Amount before tax effect	(132)	(343)	(1,109)
Income tax effect	23	76	193
Defined retirement benefit plans	(109)	(267)	(916)
Share of other comprehensive income in associates:			
Gains incurred during the year	(256)	1,865	(2,151)
Reclassification adjustments to net income	(920)	43	(7,731)
Share of other comprehensive income in associates	(1,176)	1,908	(9,882)
Total other comprehensive income	¥ 3,398	¥ 4,690	$ 28,555

18 Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2015 and 2014, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended February 28, 2015	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥25,672			
Net income available to common shareholders	¥25,672	94,925	¥270.5	$2.27

	Millions of yen	Thousands of shares	Yen
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

19 Subsequent Event

Cash dividends

On April 16, 2015, the following appropriation of retained earnings at February 28, 2015, was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥53.0 ($0.45) per share	¥5,031	$42,277

20 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 the 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.).

Therefore, the Group has two reportable segments, namely, "Domestic" business and "Overseas" business.

(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, 2015 and 2014

	Millions of yen				
	2015				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Operating revenues from outside the Group	¥327,342	¥47,089	¥374,431		¥374,431
Intersegment operating revenues or transfers					
Total	¥327,342	¥47,089	¥374,431		¥374,431
Segment profit	¥ 14,886	¥10,786	¥ 25,672		¥ 25,672
Segment assets	576,444	89,801	666,245		666,245
Other:					
Depreciation and amortization	26,908	5,106	32,014		32,014
Equity in earnings of unconsolidated subsidiaries and associated companies	505	(109)	396		396
Gain on sales of investment securities	143		143		143
Gain on sales of investments in subsidiaries and associated companies		15,368	15,368		15,368
Loss on impairment of long-lived assets	5,930	121	6,051		6,051
Income taxes	8,201	7,484	15,685		15,685
Minority interests in net income	394	2,384	2,778		2,778
Investments in associated companies accounted for by the equity method	9,725	7,038	16,763		16,763
Increase in property and store facilities and intangible assets	71,677	9,436	81,113		81,113

	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

	Thousands of U.S. dollars				
	2015				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Operating revenues from outside the Group	$2,750,773	$395,706	$3,146,479		$3,146,479
Intersegment operating revenues or transfers					
Total	$2,750,773	$395,706	$3,146,479		$3,146,479
Segment profit	$ 125,092	$ 90,639	$ 215,731		$ 215,731
Segment assets	4,844,067	754,630	5,598,697		5,598,697
Other:					
Depreciation and amortization	226,118	42,907	269,025		269,025
Equity in earnings of unconsolidated subsidiaries and associated companies	4,244	(916)	3,328		3,328
Gain on sales of investment securities	1,202		1,202		1,202
Gain on sales of investments in subsidiaries and associated companies		129,143	129,143		129,143
Loss on impairment of long-lived assets	49,832	1,017	50,849		50,849
Income taxes	68,916	62,890	131,806		131,806
Minority interests in net income	3,311	20,034	23,345		23,345
Investments in associated companies accounted for by the equity method	81,723	59,143	140,866		140,866
Increase in property and store facilities and intangible assets	602,328	79,294	681,622		681,622

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

(4) Information regarding property, plant and equipment by geographical areas

	Millions of yen		
	2015		
	Reportable segment		
	Domestic	Overseas	Total
Property, plant and equipment	¥157,549	¥36,013	¥193,562

	Millions of yen		
	2014		
	Reportable segment		
	Domestic	Overseas	Total
Property, plant and equipment	¥117,457	¥29,773	¥147,230

	Thousands of U.S. dollars		
	2015		
	Reportable segment		
	Domestic	Overseas	Total
Property, plant and equipment	$1,323,941	$302,630	$1,626,571

(5) Information regarding amortization of goodwill and carrying amount of reportable segments

	Millions of yen				
	2015				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Amortization of goodwill	¥ 669	¥ 195	¥ 864		¥ 864
Goodwill at February 28, 2015	5,434	3,961	9,395		9,395

	Millions of yen				
	2014				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Amortization of goodwill	¥ 575	¥ 46	¥ 621		¥ 621
Goodwill at February 28, 2014	4,747	3,876	8,623		8,623

	Thousands of U.S. dollars				
	2015				
	Reportable segment				
	Domestic	Overseas	Total	Reconciliations	Consolidated
Amortization of goodwill	$ 5,622	$ 1,639	$ 7,261		$ 7,261
Goodwill at February 28, 2015	45,664	33,286	78,950		78,950

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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, 2015, 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, 2015, 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.

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 27, 2015

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.
	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 fi nally 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.
	May	FamilyMart sells all of the shares of BGFretail Co., Ltd., and excludes BGFretail from the application of the equity method.
	May	FamilyMart jointly establishes Beijing FamilyMart Co., Ltd. (China), in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.
	July	FamilyMart jointly establishes DONGGUAN 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, 2015)

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:	3,896
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,758,846 shares)
Number of shareholders:	10,276
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

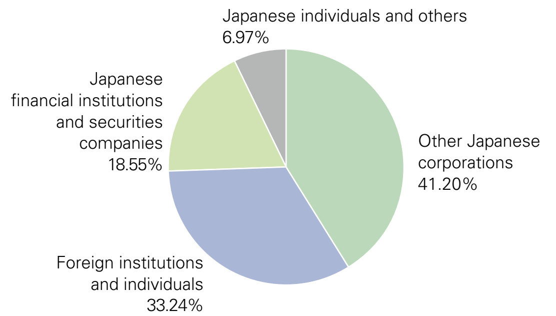
(As of February 28, 2015)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	35,011.5	35.84
JP MORGAN CHASE BANK 385632	3,400.2	3.48
NTT DOCOMO, INC.	2,930.5	3.00
The Master Trust Bank of Japan, Ltd. (Trust account)	2,407.5	2.46
Mizuho Bank, Ltd.	2,085.1	2.13
Japan Trustee Services Bank, Ltd. (Trust account)	1,602.4	1.64
Nippon Life Insurance Company	1,571.6	1.60
NORTHERN TRUST GLOBAL SERVICES LIMITED RE 15PCT TREATY ACCOUNT (NON LENDING)	1,537.0	1.57
JP MORGAN CHASE BANK 385174	1,138.4	1.16
THE BANK OF NEW YORK MELLON SA/NV10	1,027.5	1.05
Total	52,711.8	53.96

Notes: 1. In addition to the above, the Company also holds 2,759 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, 2015)



* 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.

FamilyMart Co., Ltd.

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