

Summary of Consolidated Financial Statements for the Nine Months Ended November 30, 2009

Circle K Sunkus Co., Ltd.

Securities Code Number: 3337

URL: <http://www.circleksunkus.jp>

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Stock exchange listings: The first section of the Tokyo Stock Exchange and Nagoya Stock Exchange

Date of dividend payment: -

1. Consolidated Results for the Nine Months Ended November 30, 2009

(March 1, 2009 to November 30, 2009)

(1) Consolidated Operating Results

Notes: All amounts less than one million yen have been omitted.

	Operating revenue		Operating income		Recurring profit	
	¥ Million	Change %	¥ Million	Change %	¥ Million	Change %
Nine Months Ended November 30, 2009	149,765	-	13,533	-	13,116	-
Nine Months Ended November 30, 2008	163,507	4.1	20,019	18.3	19,969	23.2

	Net Income		Net income per share	Diluted net income per share
	¥ Million	Change %	Yen	Yen
Nine Months Ended November 30, 2009	5,288	-	63.14	-
Nine Months Ended November 30, 2008	9,380	17.4	112.00	-

(Reference) Total store sales (¥ Million)

Nine Months Ended November 30, 2009	690,514 (-)
Nine Months Ended November 30, 2008	715,323 (+4.0% year-on-year)

(2) Consolidated Financial Position

	Total liabilities and equity	Total equity	Equity ratio	Total equity per share
	¥ Million	¥ Million	%	Yen
As of November 30, 2009	228,241	132,527	58.1	1,582.34
As of February 28, 2009	222,305	130,656	58.8	1,559.97

(Reference) Shareholders' equity (¥ Million)

As of November 30, 2009	132,527	As of February 28, 2009	130,656
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2. Dividends Status

Record date	Dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal year	Annual
FY2009/2	-	20.00	-	20.00	40.00
FY2010/2	-	20.00	-		
FY2010/2 (plan)				20.00	40.00

(Note) Revisions of dividends forecasts in the period under review : None

3. Forecast of Consolidated Results for the Year Ending February 28, 2010

	Operating revenue		Operating income		Recurring profit		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
FY2010/2	199,980	(6.3)	16,290	(29.2)	15,500	(31.3)	6,200	(34.3)	74.02

(Note) 1. Revisions of consolidated business forecasts in the period under review : None

2. Percentages represent increase (decrease) from the corresponding period in the prior year.

4. Other

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation) : None

(2) Adoption of simplified accounting treatment and special accounting treatment for the preparation of quarterly consolidated financial statements : Yes

* Please see page 5, “Qualitative Information Concerning Consolidated Operating Results 4. Note in detail.

(3) Changes in accounting principles, procedures and presentation methods associated with the preparation of quarterly consolidated financial statements (significant changes in the basis of presenting quarterly consolidated financial statements)

1) Changes due to revision of accounting standards: Yes

2) Changes other than 1) : Yes

* Please see page 5, “Qualitative Information Concerning Consolidated Operating Results 4. Note in detail.

(4) Shares outstanding

1. Number of shares outstanding at end of period (Including treasury stock)	Nine Months Ended November 30, 2009	86,183,226 shares
	Year ended February 29, 2009	86,183,226 shares
2. Number of shares of treasury stock at end of period	Nine Months Ended November 30, 2009	2,429,270 shares
	Year ended February 29, 2009	2,427,385 shares
3. Average number of shares outstanding during period	Nine Months Ended November 30, 2009	83,754,720 shares
	Nine Months Ended November 30, 2008	83,757,107 shares

*Statement regarding appropriate use of business outlook and other special remarks:

(Adoption of Accounting Standards for Quarterly Consolidated Financial Statements)

Effective from the current fiscal year, the Company has adopted the “Accounting Standards for Quarterly Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Statement No.12) and the “Implementation Guidance for the Accounting Standards for Quarterly Financial Statements” (ASBJ Implementation Guidance No.14). The Company also prepares quarterly consolidated financial statements by following the “Rules for Quarterly Consolidated Financial Statements.”

(Cautionary Statement Regarding Forward-looking Statements)

The above forecasts of business results are based on information available to management at the present time and are subject to considerable uncertainties. Actual results may differ materially from the above forecasts due to changes in performance and various other factors.

[Qualitative Information and Financial Statements]

1. Qualitative Information Concerning Consolidated Operating Results

(Operating Results for the First Three Quarters of the Fiscal Year Ending February 28, 2010)

During the first three quarters of the fiscal year ending February 28, 2010, the Japanese economy saw some signs of recovery, with real GDP in the July-September 2009 quarter recording positive growth for the second straight quarter. However, deflation took hold due to weak domestic demand centered on consumer spending. With no upturn in employment conditions or income levels, consumers have further tightened their belts and have shown increasingly stronger preferences for low prices.

For the first three quarters of the fiscal year, the Company reported a 8.4% year-on-year decrease in total consolidated operating revenue to ¥149,765 million, mainly due to lower franchise commissions from franchised stores. Selling, general and administrative (SG&A) expenses were substantially lower than forecast due to cost-cutting measures, but this was unable to offset higher depreciation and amortization and other expenses associated with large-scale system investments made until the previous year. As a result, operating income decreased 32.4% year on year to ¥13,533 million, and recurring profit decreased 34.3% year on year to ¥13,116 million. Net income decreased 43.6% to ¥5,288 million, due to the recording of extraordinary losses of ¥3,637 million, including impairment losses.

The following is an overview by business segment.

[Convenience Store Business]

During the first three quarters of the fiscal year, Circle K Sunkus continued to record weak sales across a wide range of product categories—including fast food, perishable food, beverages, and processed foods—even after the July-August period, when sluggish sales resulted from a mild summer. This was mainly the result of generally lackluster consumer spending, low-price preferences, and intensifying competition with different business sectors.

Consequently, during the nine months ended November 30, 2009, existing store sales declined 5.0% year on year on a non-consolidated basis. As a result, total store sales declined 3.5% year on year to ¥690,514 million, the combined sales of the Circle K Sunkus Group's 5 consolidated subsidiaries engaged in the convenience store business.

The average product markup for Circle K Sunkus in the first three quarters of the fiscal year was 27.73% on a non-consolidated basis, down 0.57 of a percentage point from the same period of the previous fiscal year. This reflected lower sales in relatively high-margin product categories such as fast food, as well as higher sales of tickets and other low-margin service category products, which accounted for a higher share of overall sales.

[Monthly Sales Compared With the Previous Fiscal Year]

	First Half	September	October	November	Nine Months Total
Existing stores	-3.3%	-7.6%	-7.7%	-9.4%	-5.0%
All stores	-2.2%	-6.4%	-6.4%	-7.8%	-3.8%

Note: The above figures are presented on a non-consolidated basis, excluding consolidated subsidiaries.

On the product front, Circle K Sunkus continued working to further enhance its hallmark brands: the rubetta pasta series, the Cherie Dolce original dessert selection and the Magokoro Jikomi Oishii Pan Seikatsu original baked goods lineup. Regarding Cherie Dolce, we conducted a large sales-promotion campaign in November to mark the second anniversary of the birth of the Cherie Dolce brand.

The Cherie Dolce α (Cherie Dolce Alpha) series of room-temperature baked and semi-fresh (*hannamagashi*) confectionery was also newly added to the lineup to further enhance brand power. In addition, Circle K Sunkus launched the Otegoro Bento series of boxed lunches offering superior quality and value relative to price at an affordable 398 yen per item, in response to the low-price preferences of customers. The Company has recorded steady sales of these boxed lunches. To develop product packages that better reflect the location characteristics of each store, the Company has continued trial sales of imported confectionery, freshly baked goods and other products, in addition to expanding the installation of freshly brewed coffee dispensers in stores.

On the services front, Circle K Sunkus began offering a new prize money payback service for the Sports Promotion Lottery “toto” and application filing services for various examinations via KARUWAZA STATION in-store multimedia terminals. In a newly launched service for Circle K Sunkus’ KARUWAZA CLUB original membership club, members can now use KARUWAZA STATION terminals to exchange their incentive points for Edy electronic money. Furthermore, in terms of Circle K Sunkus’ original “Bank Time” ATM service, the Company began the installation of “Bank Time” ATMs for the first time at certain stores in Toyama Prefecture and Hokkaido.

On the store development front, Circle K Sunkus targeted a net increase in the number of stores through store development activities focused on store quality and profitability, and utilized the “Venture Employee System,” the incentive plan for managing multiple stores, and other programs to steadily sign up franchisee candidates. Consequently, in the first three quarters of the fiscal year, Circle K Sunkus opened 228 stores on a consolidated basis, bringing the total number of stores as of November 30, 2009 to 5,293, a net increase of 30 stores compared with February 28, 2009. In addition, the total number of stores for the entire Circle K Sunkus Group, including non-consolidated area franchisers, was 6,271.

[Other Businesses]

In other businesses, ZERO NETWORKS Co., Ltd. is contracted to conduct ATM operations. In the third quarter under review, ZERO NETWORKS recorded total operating revenues of ¥4,246 million, up 4.2% year on year.

2. Qualitative Information Concerning Consolidated Financial Position

Changes in Consolidated Financial Position

(Assets)

Current assets amounted to ¥93,168 million, an increase of 0.9% from the previous fiscal year, mainly due to increases in other accounts receivable.

Fixed assets amounted to ¥135,073 million, an increase of 3.9% from the previous fiscal year, due to an increase in lease assets accompanying the application of the “Accounting Standards for Lease Transactions”

As a result, total assets amounted to ¥228,241 million, an increase of 2.7% from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥75,837 million, a decrease of 1.6% from the previous fiscal year, mainly due to decreases in other accounts payables.

Long-term liabilities amounted to ¥19,877 million, an increase of 36.5% from the previous fiscal year, due to an increase in lease liabilities accompanying the application of the “Accounting Standards for Lease Transactions”

As a result, total liabilities amounted to ¥95,714 million, an increase of 4.4% from the end of the previous fiscal year.

(Net Assets)

Net assets amounted to ¥132,527 million, an increase of 1.4% from the end of the previous fiscal year.

3. Qualitative Information Concerning the Consolidated Earnings Projections

As of the date of release of this report, Circle K Sunkus has not revised its forecasts for the fiscal year ending February 28, 2010, which were initially announced on October 2, 2009.

4. Others

(1) Changes in the status of important subsidiaries during the quarter (changes in the status of specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

1) Simplified accounting methods

[Calculation of Depreciation of Property and Equipment]

For assets depreciated by the declining balance method, depreciation is calculated based on a method in which the amount of depreciation for the full fiscal year is proportionately allocated to the fiscal period under review.

[Calculation of income taxes, deferred tax assets and deferred tax liabilities]

Corporation taxes and other Income taxes are calculated based on a method that only takes into account material adjustment items and tax-deducted items as significant.

The collectability of deferred tax assets is determined by a method based on the future earnings projections used in the previous fiscal year, as the business environment and temporary differences were not considered to have changed significantly from the end of the previous fiscal year.

2) Special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentation methods in the preparation of quarterly consolidated financial statements

1) Accounting standards, etc. for quarterly financial statements

Effective from the current fiscal year, Circle K Sunkus has applied the “Accounting Standards for Quarterly Financial Statements” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 12) and the “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with the “Regulations for Quarterly Consolidated Financial Statements.”

2) Accounting standards, etc. for lease transactions

Circle K Sunkus used to account for financing lease transactions that do not transfer ownership of the leased property to the lessee by an accounting method based on the method used for ordinary lease transactions. However, the “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13, originally issued on June 17, 1993 and revised on March 30, 2007 by the Accounting Standards Board of Japan) and the “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16, originally issued on January 18, 1994 and revised on March 30, 2007 by the Accounting Standards Board of Japan) can now be applied to the preparation of quarterly consolidated financial statements related to fiscal years beginning on and after April 1, 2008. In line with this change, effective from the first quarter of the fiscal year under review, Circle K Sunkus has applied these accounting standards, etc. for lease transactions and has switched to an accounting method that is based on the method used

for ordinary purchases and sales transactions.

Furthermore, lease assets with respect to financing lease transactions that do not transfer ownership are depreciated by the straight line method, where the lease period is considered to be the useful life of the asset and the residual value is set at zero.

For financing lease transactions that do not transfer ownership and whose lease commencement date fell before the start of the fiscal year when these revised lease transaction standards were first applied, Circle K Sunkus continues to use an accounting method based on the method used for ordinary lease transactions.

As a result of this change, operating income increased ¥57 million, and recurring profit and income before income taxes both decreased ¥41 million.

3) Application of accounting standards for measurement of inventories

Effective from the first quarter of the current fiscal year, Circle K Sunkus has applied the “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006). The measurement method has been changed from the cost method to the cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

As a result of this change, in comparison with the previous method, gross profit, operating income, recurring profit and income before income taxes all decreased ¥87 million.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Notes: All amounts less than one million yen have been omitted.

(Millions of yen)

	As of November 30, 2009	As of February 28, 2009
(ASSETS)		
Current assets		
Cash and cash equivalents	59,289	51,993
Due from franchised stores	3,420	3,542
Marketable securities	11,027	17,023
Inventories	2,224	2,494
Deferred tax assets	976	1,288
Other accounts receivable	7,622	7,575
Other current assets	8,783	8,760
Allowance for doubtful accounts	(175)	(351)
Total current assets	93,168	92,328
Fixed assets		
Property and equipment		
Buildings and structures (net)	35,195	35,263
Furniture and fixtures (net)	4,541	4,989
Land	8,415	8,504
Leased assets (net)	9,391	-
Other property and equipment (net)	256	815
Total property and equipment	57,801	49,572
Intangible fixed assets		
Software	8,792	7,593
Software development in progress	115	1,222
Other intangible fixed assets	3,418	3,272
Total intangible fixed assets	12,325	12,088
Investments and other assets		
Investment securities	3,743	4,949
Deferred tax assets	3,897	3,275
Long-term leasehold deposits	50,398	52,935
Other investments	8,234	8,636
Allowance for doubtful accounts	(1,327)	(1,481)
Total investments and other assets	64,945	68,315
Total fixed assets	135,073	129,976
Total assets	228,241	222,305

(Millions of yen)

	As of November 30, 2009	As of February 28, 2009
(LIABILITIES)		
Current liabilities		
Trade payables	36,041	34,281
Due to franchised stores	2,040	2,038
Other accounts payable	5,158	8,129
Income taxes payable	730	4,474
Money held as agent	26,760	24,930
Accrued employees' bonuses	1,515	826
Other current liabilities	3,591	2,411
Total current liabilities	75,837	77,091
Long-term liabilities		
Lease Obligations	5,563	-
Allowance for employees' retirement benefit liability	324	374
Long-term guarantee deposits received	10,909	10,978
Long-term allowance for impairment loss on leased assets	851	818
Other long-term liabilities	2,228	2,386
Total long-term liabilities	19,877	14,556
Total liabilities	95,714	91,648
(NET ASSETS)		
Shareholder's equity		
Common stock	8,380	8,380
Capital surplus	36,093	36,093
Retained earnings	92,656	90,721
Less, treasury stock, at cost	(5,030)	(5,028)
Total shareholders' equity	132,099	130,166
Unrealized gains or losses and translation differences, etc.		
Net unrealized gains on available-for-sale securities	427	489
Total unrealized gains or losses and translation differences, etc.	427	489
Total equity	132,527	130,656
Total liabilities and net assets	228,241	222,305

(2) Consolidated Statements of Income

Notes: All amounts less than one million yen have been omitted.

(Millions of yen)

	Nine Months Ended November 30, 2009
Operating revenues	76,214
Franchise commissions from franchised stores	9,010
Other revenues	85,225
Net sales of company-owned stores	64,540
Total operating revenues	149,765
Cost of goods sold	49,828
Operating gross profit	99,937
Selling, general and administrative expenses	86,403
Employees' salaries and bonuses	11,762
Provision for bonuses	1,515
Provision of allowance for employees' retirement benefit	719
Store leasing expenses	37,703
Depreciation and amortization	7,528
Other Selling, general and administrative expenses	27,174
Operating income	13,533
Non-operating income	774
Interest income	407
Dividend income	79
Compensation income	125
Equity in earnings of affiliates	66
Other non-operating income	95
Non-operating expenses	1,191
Interest expenses	130
Lease contract cancellation expenses	1,026
Other non-operating expenses	34
Recurring profit	13,116
Extraordinary gains	192
Gain on sales of property and equipment	67
Reversal of allowance for doubtful accounts	125
Other Extraordinary gains	0
Extraordinary losses	3,637
Loss on disposal of property and equipment	271
Impairment loss on fixed assets	3,302
Other extraordinary losses	63
Income before income taxes	9,671
Income taxes-current	4,655
Income taxes-deferred	(272)
Total Income taxes	4,383
Net income	5,288

Effective from the current fiscal year, the Company has adopted the “Accounting Standards for Quarterly Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Implementation Guidance for the Accounting Standards for Quarterly Financial Statements” (ASBJ Implementation Guidance No. 14). The Company also prepares quarterly consolidated financial statements by following the “Rules for Quarterly Consolidated Financial Statements.”

(3) Note Concerning Going Concern Assumption

Not applicable.

(4) Business Segment Information

The Nine Months Ended November 30, 2009.

[Business Segment Information]

The Convenience Store Business accounts for more than 90% of total operating revenues and operating income for all segments. Accordingly, business segment information has been omitted.

[Geographical Segment Information]

No information is shown since Circle K Sunkus does not have any overseas consolidated subsidiaries or overseas branch offices.

[Overseas Sales]

No information is shown since Circle K Sunkus has no overseas sales.

(5) Note in the Event of a Marked Change in the Amount of Shareholders' Equity

Not applicable.

(Reference)

Consolidated Statements of Income for the Nine Months Ended November 30, 2008

Notes: All amounts less than one million yen have been omitted.

(Millions of yen)

	Nine Months Ended November 30, 2008	
1. Operating revenues		
Franchise commissions from franchised stores	79,554	
Net sales reported by Franchised stores (Figures for excluding non-consolidated area franchised stores.) Nine Months Ended November 30, 2008: ¥644,024 million		
Total net sales of franchised and company-owned stores (Figures for exclude non-Consolidated area franchised stores.) Nine Months Ended November 30, 2008: ¥ 715,323 million		
Other revenues	8,963	88,517
2. Net sales of company-owned stores	[74,989]	74,989
Total operating revenues		163,507
3. Cost of goods sold	[57,441]	57,441
Gross profit on sales	[17,547]	
Operating gross profit		106,065
4. Selling, general and administrative Expenses		86,046
Operating income		20,019
5. Non-operating income		1,133
6. Non-operating expenses		1,183
Recurring profit		19,969
7. Extraordinary gains		212
8. Extraordinary losses		3,657
Income before income taxes		16,525
Income taxes-current	7,587	
Income taxes-deferred	(418)	7,168
Minority interest in earnings of consolidated subsidiaries		(24)
Net Income		9,380

(4) Business Segment Information

The Nine Months Ended November 30, 2008.

[Business Segment Information]

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[Geographical Segment Information]

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