

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending February 28, 2011

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 First Quarter of the Fiscal Year Ending February 28, 2011 (March 1, 2010 to May 31, 2010)

(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 %
Current 1st Quarter	47,333	(5.8)	3,673	(13.4)	3,652	(13.3)
Previous 1st Quarter	50,228	-	4,239	-	4,210	-

	Net Income		Net income per share	Diluted net income per share
	¥ Million	Change %	Yen	Yen
Current 1st Quarter	394	(26.9)	4.70	-
Previous 1st Quarter	538	-	6.43	-

(Reference) Total store sales (¥ Million)

Current 1st Quarter	223,476	(-2.5% year-on-year)
Previous 1st Quarter	229,255	(+3.6% year-on-year)

(2) Consolidated Financial Position

	Total liabilities and equity	Total equity	Equity ratio	Total equity per share
	¥ Million	¥ Million	%	Yen
Current 1st Quarter	253,934	131,540	51.8	1,570.57
Last fiscal Year	224,843	132,831	59.1	1,585.98

(Reference) Shareholders' equity (¥ Million)

Current 1st Quarter	131,540	Last fiscal Year	132,831
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2. Dividends Status

Record date	Dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal year	Annual
FY2010/2	-	20.00	-	20.00	40.00
FY2011/2	-				
FY2011/2 (plan)		20.00	-	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, 2011

	Operating revenue		Operating income		Recurring profit		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
2nd Quarter	98,320	(3.6)	8,100	(15.5)	7,840	(15.5)	2,500	(24.2)	29.85
FY2011/2	194,300	0.1	14,300	(5.9)	13,200	(9.6)	5,090	(8.4)	60.77

(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: None

2) Changes other than 1) : None

(4) Shares outstanding

1. Number of shares outstanding at end of period (Including treasury stock)	Current 1st Quarter	86,183,226 shares
	Last fiscal Year	86,183,226 shares
2. Number of shares of treasury stock at end of period	Current 1st Quarter	2,429,728 shares
	Last fiscal Year	2,429,263 shares
3. Average number of shares outstanding during period	Current 1st Quarter	83,753,799 shares
	Previous 1st Quarter	83,755,249 shares

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

(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 Quarter of the Fiscal Year Ending February 28, 2011)

In the first quarter of the fiscal year ending February 28, 2011, the Japanese economy experienced a gradual recovery led by an increase in exports. Personal consumption showed signs of an upturn as improvement in corporate earnings and capital expenditures filtered through to the household sector.

In this climate, total operating revenues for the first quarter declined 5.8% year on year to ¥47,333 million, due to decreased revenues from franchised stores and lower sales from Company-owned stores. Operating income decreased 13.4% to ¥3,673 million, despite reduced selling, general and administrative expenses, including advertising and sales promotion expenses. Recurring profit decreased 13.3% to ¥3,652 million. Because of extraordinary losses of ¥2,515 million mainly reflecting impairment losses, net income decreased 26.9% to ¥394 million.

From the first quarter of the fiscal year ending February 28, 2011, Sunkus Hokuria Co., Ltd., an area franchiser operating Sunkus stores in Ishikawa and Fukui prefectures, has become a consolidated subsidiary of Circle K Sunkus Co., Ltd.

The following is an overview by business segment.

[Convenience Store Business]

In the first quarter of the fiscal year ending February 28, 2011, existing store sales decreased 6.0% year on year on a non-consolidated basis, reflecting ongoing consumer preferences for low prices and intensifying competition with different business sectors, as well as a drop in tobacco sales due to the end of a boost from the introduction of “taspo card systems” from the previous year.

Consequently, total store sales, including Circle K Sunkus' six consolidated subsidiaries in the convenience store business, decreased 2.5% year on year to ¥223,476 million.

The average product markup for Circle K Sunkus in the first quarter of the February 2011 fiscal year was 27.63% on a non-consolidated basis, down 0.13 of a point from the previous fiscal year. This reflected lower sales in relatively high-margin product categories such as fast food, together with higher sales from services, including low-margin tickets, which accounted for a higher share of overall sales.

[Monthly Sales Compared With the Previous Fiscal Year]

	March	April	May	Three Months Total
Existing stores	-6.0%	-6.1%	-5.8%	-6.0%
All stores	-4.7%	-4.6%	-4.2%	-4.5%

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

On the store operations front, Circle K Sunkus bolstered its activities while giving top priority to enhancing customer satisfaction and boosting franchisee earnings. A new budget for supervisor-franchisee sales promotion expenses was established to bolster sales initiatives in line with actual conditions at each individual store. In these and other ways, the Company worked to boost franchisee sales and gross profit.

On the product front, Circle K Sunkus expanded its hallmark *Cherie Dolce* dessert selection to chilled beverages. Together with the existing series of chilled desserts and baked confectionery, the *Cherie Dolce* brand now provides an even more extensive range of authentic tasting desserts. In addition, Circle K Sunkus launched the new *Honmusubi* series of high-value-added rice balls by fully revamping rice, fillings, and the price range through, for example, the use of eco-friendly rice. The Company continued to strengthen its range of countertop fast foods by stepping up the installation of fryers and freshly brewed coffee dispensers in stores, as a means of offering stronger product lineups that better reflect the location characteristics of each store. In order to respond to the increasingly dual nature of consumer needs, Circle K Sunkus continued to launch the *Otegoro Bento* series of boxed lunches at 398 yen per item along with premium boxed lunches. Through these measures, Circle K Sunkus worked to boost sales in the rice dish category.

On the services front, *KARUWAZA STATION* in-store multimedia terminals have now been installed at all but a few stores. Through these terminals, Circle K Sunkus is offering a diverse range of services, including various ticket sales services, lottery ticket sales for the Sports Promotion Lottery "toto," and application filing services for various examinations. Looking ahead, Circle K Sunkus seeks to attract new customers and improve customer footfall by accepting new electronic money formats and enhancing *KARUWAZA CLUB* membership services.

On the store development front, Circle K Sunkus continued to prioritize profitability when opening new stores. Consequently, Circle K Sunkus opened 65 stores and closed 63 stores during the first quarter, bringing the total number of stores as of May 31, 2010 to 5,404. In addition, the total number of stores for the entire Circle K Sunkus Group, including non-consolidated area franchisers, was 6,286.

[Other Businesses]

In other businesses, ZERO NETWORKS Co., Ltd. is contracted to conduct ATM operations. In the first quarter under review, ZERO NETWORKS recorded total operating revenues of ¥1,439 million, up 3.9% year on year.

2. Qualitative Information Concerning Consolidated Financial Position

(Assets)

Current assets amounted to ¥116,546 million, an increase of 29.6% from the previous fiscal year-end, mainly due to an increase in cash and cash equivalents.

Fixed assets amounted to ¥137,387 million, an increase of 1.8% from February 28, 2010, mainly due to an increase in leased assets.

As a result, total assets amounted to ¥253,934 million, an increase of 12.9% from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥101,090 million, an increase of 40.5% from February 28, 2010, mainly due to an increase in deposits.

Long-term liabilities amounted to ¥21,302 million, an increase of 6.2% from February 28, 2010, due to an increase in lease liabilities.

As a result, total liabilities amounted to ¥122,393 million, an increase of 33.0% from the end of the previous fiscal year.

(Net Assets)

Net assets amounted to ¥131,540 million, a decrease of 1.0% from the end of the previous fiscal year.

(Note)

From the first quarter of the fiscal year ending February 28, 2011, Circle K Sunkus has included Sunkus Hokuria Co., Ltd. within the scope of consolidation through an acquisition of shares.

3. Qualitative Information Concerning Consolidated Earnings Projections

There have been no changes to our earnings projections released on April 8, 2010 for the first two quarters of the fiscal year ending February 28, 2011 and for the fiscal year ending February 28, 2011.

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 and tax planning 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: None

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

(Millions of yen)

	Current 1st Quarter (As of May 31, 2010)	Last fiscal year (As of February 28, 2010)
(ASSETS)		
Current assets		
Cash and cash equivalents	88,053	61,475
Due from franchised stores	2,930	3,496
Marketable securities	2,024	5,024
Inventories	2,087	1,989
Deferred tax assets	851	646
Other accounts receivable	11,437	8,079
Other current assets	9,403	9,435
Allowance for doubtful accounts	(242)	(227)
Total current assets	116,546	89,919
Fixed assets		
Property and equipment		
Buildings and structures, net	35,832	35,588
Furniture and fixtures, net	4,052	4,397
Land	8,290	8,399
Leased assets, net	13,424	11,549
Other fixed assets	653	134
Total property and equipment	62,254	60,068
Intangible fixed assets		
Software	7,622	8,236
Software development in progress	109	48
Goodwill	833	-
Other intangible fixed assets	3,491	3,491
Total intangible fixed assets	12,056	11,776
Investments and other assets		
Investment securities	3,985	4,008
Deferred tax assets	3,949	3,397
Long-term leasehold deposits	49,052	49,323
Other investments	7,235	7,599
Allowance for doubtful accounts	(1,146)	(1,251)
Total investments and other assets	63,076	63,078
Total fixed assets	137,387	134,923
Total assets	253,934	224,843

(Millions of yen)

	Current 1st Quarter (As of May 31, 2010)	Last fiscal year (As of February 28, 2010)
(LIABILITIES)		
Current liabilities		
Trade payables	37,084	32,779
Due to franchised stores	3,154	1,901
Other accounts payable	4,756	6,295
Income taxes payable	1,504	841
Money held as agent	48,974	25,876
Accrued employees' bonuses	1,270	805
Other current liabilities	4,344	3,457
Total current liabilities	101,090	71,956
Long-term liabilities		
Lease obligations	7,067	6,061
Allowance for employees' retirement benefit liability	267	308
Long-term guarantee deposits received	10,835	10,822
Long-term allowance for impairment loss on leased assets	1,186	775
Other long-term liabilities	1,945	2,087
Total long-term liabilities	21,302	20,055
Total liabilities	122,393	92,011
(NET ASSETS)		
Shareholder's equity		
Common stock	8,380	8,380
Capital surplus	36,092	36,092
Retained earnings	91,642	92,923
Less, treasury stock, at cost	(5,031)	(5,030)
Total shareholders' equity	131,084	132,366
Unrealized gains or losses and translation differences, etc.		
Net unrealized gains on available-for-sale securities	455	465
Total unrealized gains or losses and translation differences, etc.	455	465
Total equity	131,540	132,831
Total liabilities and net assets	253,934	224,843

(2) Consolidated Statements of Income

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

(Millions of yen)

	Previous 1st Quarter (From March 1, 2009 to May 31, 2009)	Current 1st Quarter (From March 1, 2010 to May 31, 2010)
Operating revenues	28,256	27,516
Franchise commissions from franchised stores	25,261	24,450
Other revenues	2,995	3,066
Net sales of company-owned stores	21,971	19,816
Total operating revenues	50,228	47,333
Cost of goods sold	17,027	15,289
Operating gross profit	33,200	32,044
Selling, general and administrative expenses	28,960	28,370
Employees' salaries and bonuses	3,705	3,837
Provision for bonuses	729	465
Provision of allowance for employees' retirement benefit	241	214
Store leasing expenses	12,548	12,704
Depreciation and amortization	2,278	2,696
Provision to allowance for doubtful accounts	-	59
Other Selling, general and administrative expenses	9,457	8,392
Operating income	4,239	3,673
Non-operating income	314	287
Interest income	140	117
Dividend income	64	60
Gain on investment in equity-method affiliates	28	-
Compensation income	48	70
Other non-operating income	31	39
Non-operating expenses	343	309
Interest expenses	31	61
Lease contract cancellation expenses	299	228
Other non-operating expenses	12	19
Recurring profit	4,210	3,652
Extraordinary gains	104	12
Gain on sales of property and equipment	10	12
Reversal of allowance for doubtful accounts	94	-
Extraordinary losses	3,016	2,515
Loss on disposal of property and equipment	34	55
Impairment loss on fixed assets	2,953	2,405
Other extraordinary losses	28	54
Income before income taxes	1,298	1,149
Income taxes-current	1,455	1,505
Income taxes-deferred	(696)	(749)
Total Income taxes	759	755
Net income	538	394

(3) Note Concerning Going Concern Assumption

The First Quarter of the Fiscal Year Ending February 28, 2011.

Not applicable.

(4) Business Segment Information

The First Quarter of the Fiscal Year Ending February 28, 2011.

[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.