



30th!

Earnings Presentation for the First Half of the Fiscal Year Ending February 28, 2011

October 4, 2010

CircleK Sunkus



-Securities Code- 3337

Circle K Sunkus Co.,Ltd.

(Note) This presentation contains forward-looking statements that are based on projections and plans derived from assumptions based on current market conditions. Actual results may differ materially from these projections due to changes in a number of factors that could not be foreseen at the time of the projections.



Business Results

for the First Half of the Fiscal Year Ending February 28, 2011

Toshitaka Yamaguchi
Head of Finance & Accounting Division



1. Consolidated Financial Highlights

(Stores, Yen in millions)

	2009/8 (1H)	2010/8 (1H)	Y-o-y	Versus Forecast
Stores opened	155	162	+7	-11
Stores closed	133	129	-4	-21
Stores at term-end	5,285	5,435	+150	+10
Total store sales	467,526	463,904	-0.8%	+0.7%
Total operating revenues	101,986	98,292	-3.6%	0.0%
Gross profit	67,759	67,457	-0.4%	+1.4%
SG&A expenses	58,169	56,928	-2.1%	-2.6%
Operating income	9,590	10,528	+9.8%	+30.0%
Recurring profit	9,282	10,366	+11.7%	+32.2%
Net income	3,297	3,975	+20.6%	+59.0%

[Consolidated Subsidiaries]

	Five area franchisers total			99 Ichiba			ZERO NETWORKS			Retail Staff		
		Y-o-y	Versus Forecast		Y-o-y	Versus Forecast		Y-o-y	Versus Forecast		Y-o-y	Versus Forecast
Stores opened	14	+8	-8	2	-7	±0	-	-	-	-	-	-
Stores closed	9	+6	±0	6	+3	±0	-	-	-	-	-	-
Stores at term-end	381	+115	-8	64	-3	±0	-	-	-	-	-	-
Total store sales	28,803	+8,482	-367	5,453	+113	-260	-	-	-	-	-	-
Total operating revenues	6,270	+2,052	-10	5,456	+112	-257	2,958	+128	+33	984	+354	+14
Operating income	-62	-96	+47	-48	+132	+38	266	+40	+170	26	-6	+24

Note: From the fiscal year ending February 28, 2011, Sunkus Hokuria Co., Ltd. has become a consolidated subsidiary. 2

2. Factors Behind Differences Between Consolidated Business Results and Initial Forecasts



(Yen in millions)

	Versus Forecast (%)	Versus Forecast
Gross profit	+1.4%	+917
SG&A expenses	-2.6%	-1,512
Operating income	+30.0%	+2,428
Recurring profit	+32.2%	+2,526
Net income	+59.0%	+1,475

Factors Behind Differences Between Consolidated Business Results and Forecasts

- **Gross profit** : Reflects increases in revenue from franchised stores (¥1,107 million higher than forecast) as total store sales were ¥3,044 million higher than forecast.
The average product markup (non-consolidated basis) was 27.93% (0.11 of a percentage point above forecast; up 0.22 of a percentage point year on year).
- **SG&A expenses** : Advertising and sales promotion expenses, and personnel expenses were reduced by ¥500 million and ¥439 million, respectively, from forecasts.
- **Non-operating expenses** : ¥178 million below forecast due to 21 fewer store closures than planned.
- **Consolidated subsidiaries** : ZERO NETWORKS operating income was ¥170 million higher than forecast.

3. Non-consolidated Financial Highlights



(Stores, Yen in millions)

	2009/8 (1H)	2010/8 (1H)		
			Y-o-y	Versus forecast
Stores opened	140	146	+6	-3
Stores closed	127	114	-13	-21
Stores at term-end	4,952	4,990	+38	+18
Total store sales	441,864	429,648	-2.8%	+0.9%
Y-o-y change in existing store sales	-3.3%	-4.3%	-	+0.7%
Average product markup	27.71%	27.93%	+0.22%	+0.11 point
Total operating revenues	89,625	83,391	-7.0%	+0.2%
Gross profit	63,834	62,321	-2.4%	+1.6%
SG&A expenses	54,350	51,924	-4.5%	-2.1%
Operating income	9,484	10,396	+9.6%	+25.4%
Recurring profit	8,860	10,117	+14.2%	+33.5%
Net income	2,914	4,068	+39.6%	+59.5%

Note: The year-on-year comparison for the average product markup represents the percentage-point change in this ratio.

4. Factors Behind Year-on-year Changes in Non-consolidated Results



(1) Total operating revenues ¥83,391 million (-¥6,234 million; -7.0% y-o-y)

(Yen in millions)

Total operating revenues breakdown	Y-o-y change	Y-o-y change	Factors
Franchise commission from franchised stores	-1.0%	-503	<ul style="list-style-type: none"> •Y-o-y change in existing store sales: -4.3% •Total store sales decrease ¥12,216 million year on year.
Real estate rental income	-3.3%	-91	-
Net sales of Company-owned stores	-17.3%	-5,860	The number of Company-owned stores decreased by 64 from the previous fiscal year, mainly due to the closure of 50 stores and the conversion of Company-owned stores into franchised stores.
Other total operating revenues	+6.9%	-221	-

*Franchise commission from franchised stores includes area license fees of ¥1,496 million (-2.8% y-o-y).

(2) SG&A expenses ¥51,924 million (-¥2,425 million; -4.5% y-o-y)

(Yen in millions)

SG&A expenses breakdown	Y-o-y change	Y-o-y change	Factors
Personnel expenses	-5.6%	-551	Salary and bonuses were reduced by ¥366 million
Advertising and sales promotion expenses	-15.9%	-591	Advertising expenses decreased ¥516 million due to reductions in electronic advertising expenses, as well as spending on prizes and store decoration and displays
Store leasing expenses	+1.9%	+385	<ul style="list-style-type: none"> • The number of Type C stores increased by 214 from the previous fiscal year. • Stepped up store relocations
Equipment leasing expenses	-13.9%	-489	<ul style="list-style-type: none"> • Reflects the impact of accounting for leasing on the balance sheet
Depreciation and amortization	+12.3%	+573	
Other	-14.3%	-1,750	<ul style="list-style-type: none"> • Rigorous cost reduction measures <ul style="list-style-type: none"> → Travel and transportation expenses reduced by ¥128 million • Business contracting fees reduced by ¥699 million <ul style="list-style-type: none"> → Number of stores under consigned management reduced by 72 on a year-on-year basis • Administrative contracting fees were reduced by ¥437 million.

(3) Non-operating income ¥630 million, Non-operating expenses ¥909 million

(Yen in millions)

	Y-o-y change	Y-o-y change	Factors
Non-operating income	+25.2%	+126	•Dividend income increased by ¥145 million
Non-operating expenses	-19.4%	-218	•Lease contract cancellation expenses decreased by ¥310 million due to 13 fewer store closures year on year.

(4) Extraordinary gains ¥45 million, Extraordinary losses ¥2,801 million

(Yen in millions)

	Y-o-y change	Y-o-y change	Factors
Extraordinary gains	-68.9%	-101	-
Extraordinary losses	-18.7%	-643	•Booked impairment losses of ¥2,576 million (down ¥291 million year on year) •Decrease in write-downs of shares (down ¥266 million year on year)

5. Consolidated Capital Expenditure



■ Capital expenditures (includes leases)

(Yen in millions)

	2009/8 (1H)	FY2010/2	2010/8 (1H)	FY2011/2 (Forecast)
New store investments	6,585	12,485	6,269	13,797
Existing store investments	1,101	1,803	1,036	1,661
System investments	2,170	2,816	1,146	1,665
Head office investments	812	1,218	600	987
Capital expenditures (1)	10,668	18,322	9,051	18,110
Leasing Expenditures (2)	6,108	8,115	2,837	6,040
Total Expenditures (1) + (2)	16,776	26,437	11,888	24,150

6. Non-Consolidated Earnings Forecasts for the Fiscal Year Ending February 28, 2011



■ Revised initial forecasts; positive earnings growth also projected on a full-year basis

(Stores, Yen in millions)

	2010/8 (1H)	FY2011/2 (forecast)		Initial FY2011/2 forecasts
			Y-o-y change	
Stores opened	146	310	+25	310
Stores closed	114	270	+4	280
Stores at term-end	4,990	4,998	+40	4,988
Total store sales	429,648	840,510	-1.4%	843,210
Y-o-y change in existing store sales	-4.3%	-3.2%	-	-2.8%
Average product markup	27.93%	27.78%	+0.14 point	27.72%
Total operating revenues	83,391	161,820	-4.6%	165,060
Gross profit	62,321	120,430	-1.4%	120,780
SG&A expenses	51,924	104,460	-2.2%	106,060
Operating income	10,396	15,970	+3.7%	14,720
Recurring profit	10,117	14,460	+3.6%	12,660
Net income	4,068	6,130	+20.4%	5,090

Second-half Assumptions

Stores to Be Opened: 164

Stores to Be Closed: 156

- Regarding stores to be opened, the first-half shortfall has been added to the second-half target.
- Regarding stores to be closed, 11 more stores will be closed than initially forecast.

Existing store sales: -2.0% YoY

⇒ Initial second-half forecast: -0.3%

Average product markup: 27.63%

⇒ Initial second-half forecast: 27.62%

7. Consolidated Earnings Forecasts for the Fiscal Year Ending February 28, 2011



(Stores, Yen in millions)

	2010/8 (1H)	FY2011/2 (forecast)		Initial FY2011/2 forecasts
			Y-o-y change	
Stores opened	162	342	+26	348
Stores closed	129	294	+17	302
Stores at term-end	5,435	5,450	+148	5,448
Total store sales	463,904	907,660	+0.6%	912,120
Total operating revenues	98,292	190,680	-1.8%	194,300
Gross profit	67,457	130,520	+0.6%	131,120
SG&A expenses	56,928	114,670	+0.1%	116,820
Operating income	10,528	15,850	+4.3%	14,300
Recurring profit	10,366	14,650	+0.3%	13,200
Net income	3,975	5,820	+4.8%	5,090

[FY2011/2 Earnings Forecast for Consolidated Subsidiaries]

	Five area franchisers total			99 Ichiba			ZERO NETWORKS			Retail Staff		
		Y-o-y	Versus Forecast		Y-o-y	Versus Forecast		Y-o-y	Versus Forecast		Y-o-y	Versus Forecast
Stores opened	30	+9	-6	2	-8	±0	-	-	-	-	-	-
Stores closed	16	±0	±0	8	+5	+2	-	-	-	-	-	-
Stores at term-end	390	+114	-6	62	-6	-2	-	-	-	-	-	-
Total store sales	56,520	+17,043	-1,303	10,634	-51	-453	-	-	-	-	-	-
Total operating revenues	11,924	+3,899	+67	10,636	-56	-451	5,866	+282	+16	1,908	+362	+10
Operating income	-387	-222	-10	-159	+269	+42	538	+163	+191	31	-8	+24

Management Policy

**for the Second Half of the Fiscal Year
Ending February 28, 2011**

Motohiko Nakamura, President



Review of the First Half -Achievements and Issues-

February 2011 Fiscal Year Management Policy

“Everyone should think and act together”

Key words : “Visualize” “Enjoy”

1. Main First-half Initiatives



The success of our business depends on customers.



The success of Head Office depends on franchisees.

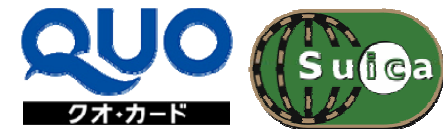
First-half Initiatives

Launched new sales discount method

Introduced new payment methods



Offered discounts tied to specific time periods



Budgeted for supervisor special sales promotion expenses

Appointed General Managers to Store Development & Operations departments

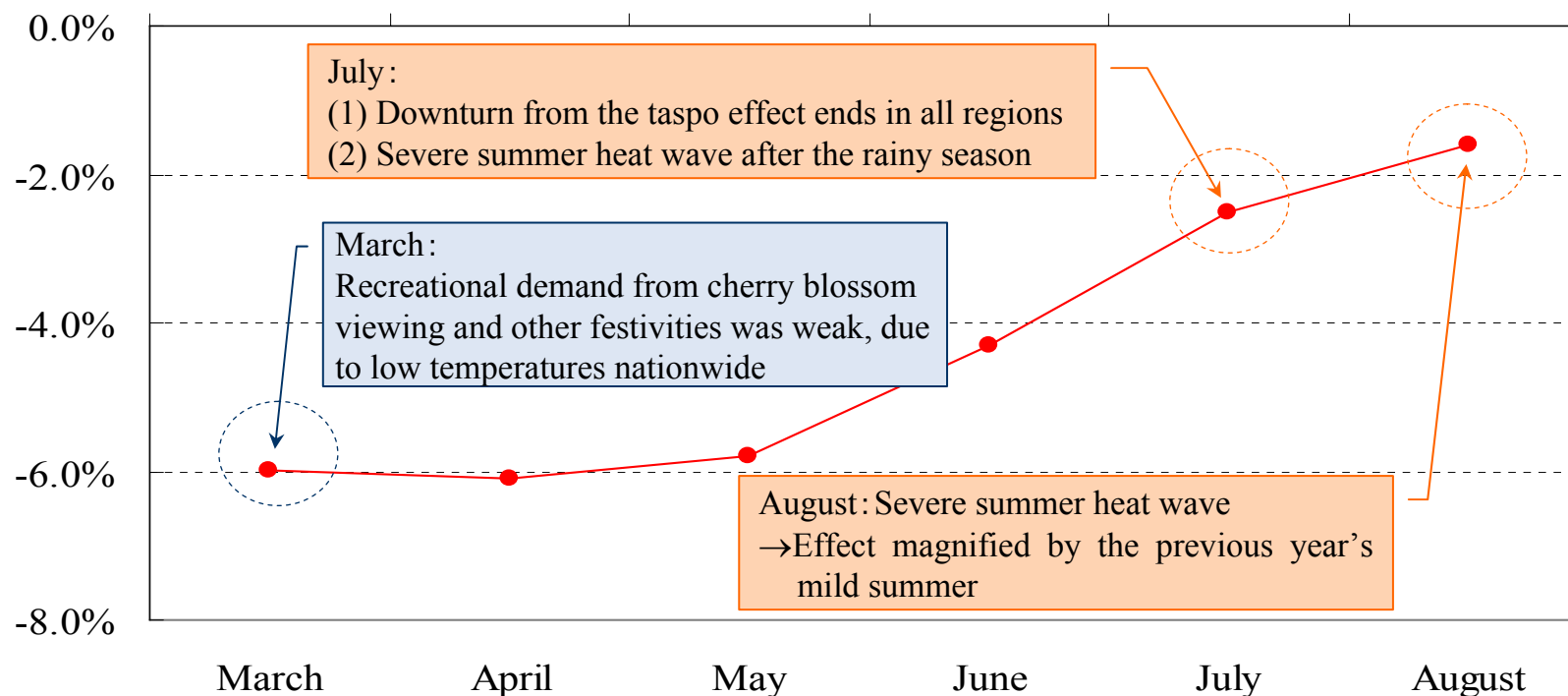
2. Achieved Forecast for Year-on-Year Change in Existing Store Sales



- **Year-on-year change in existing store sales -4.3% (0.7 points over forecast)**

→ Year-on-year change in average customer footfall: -2.5%

→ Year-on-year change in average purchase per customer: -1.7%



[Year-on-year Change in Existing Store Sales by Region]

Hokkaido	Tohoku	Kanto	Koshinetsu	Hokuriku	Tokai	Kansai	Chugoku	Kyushu
-1.9%	-2.4%	-4.8%	-3.6%	-5.5%	-4.7%	-4.2%	-2.5%	+12.5%

3. Achieved Forecast for Average Product Markup



- **Average Product Markup: 27.93%** (0.11 of a point over forecast)

[Y-o-y sales, Share of sales and Gross markup by products]

	2010/8 (1H)			
	Sales		Markup	
	Y-o-y	Share		Y-o-y
Fast foods	-2.5%	17.1%	36.6%	+0.4 point
Perishable foods	-3.6%	13.0%	34.8%	+0.3 point
Processed foods	-2.6%	29.5%	37.3%	+0.6 point
Non-food items	-4.6%	34.0%	16.1%	-0.0 point
Services	+8.6%	6.4%	5.4%	-0.7 point
Total	-2.8%	100.0%	27.93%	+0.22 point

- **Increased sales of high-margin products such as ice cream, soft drinks and chilled noodles thanks to severe summer heat wave.**

→ **Improved share of sales**

- Tobacco sales dropped 5.3% year on year; the share of sales declined 0.7 of a percentage point.

→ However, services sales rose 8.6% year on year; the share of sales improved 0.7 of a percentage point.

4. Stores Opened, Average Daily Sales at New Stores, Company-owned Stores



1. Stores opened and average daily sales at new stores fell short of forecasts

(Stores, Yen)

(Non-consolidated)	2008/8 (1H)	2009/8 (1H)	2010/8 (1H)			
			Forecast	Actual result	Versus Forecast	Y-o-y
Stores opened	121	140	149	146	-3	+6
Average daily sales at new stores	475,000	462,000	471,000	466,000	-11,000	-2,000

2. There was a net reduction of 20 Company-owned stores compared with the previous fiscal year-end (FY2010/2).

(Stores)

(Non-consolidated)	August 31, 2009	February 28, 2010	August 31, 2010			
				Stores opened	Stores Closed	Change from previous fiscal year-end
Company-owned stores	462	418	398	4	50	-20
Stores under direct management	192	196	200	4	27	+4
Provisional Company-owned stores	270	222	198	0	23	-24

•Reductions in operating expenses due to fewer Company-owned stores: approx. ¥10 billion

5. Progress With Cost Reductions Through Seven Urgent Measures



• Achieved first-half cost reduction targets

Seven urgent measures in the February 2011 fiscal year

1. Rigorously enforce inefficiency reduction measures and change approaches
2. Reduce transportation expenses for various activities
3. Review overtime work and use of temp-agency staff
4. Review outsourcing expenses
5. Negotiate reductions in store rent
6. Review operating expenses at Company-owned stores
7. Other measures (personnel expenses, etc.)

First-half reduction target
¥2.4 billion

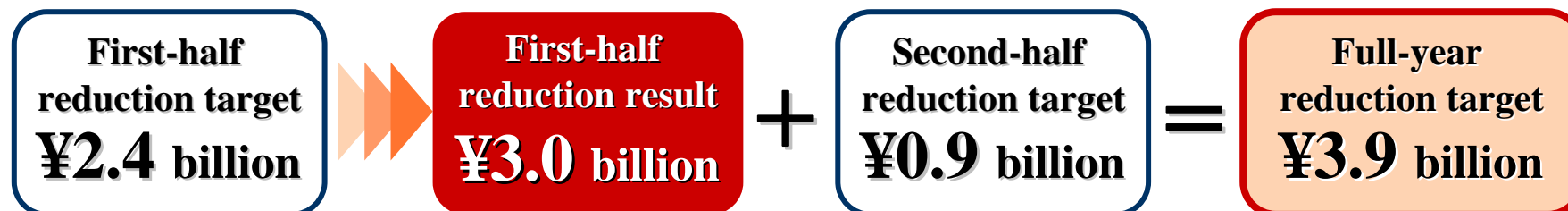


First-half reduction result
¥3.0 billion



Strengthen franchisee support

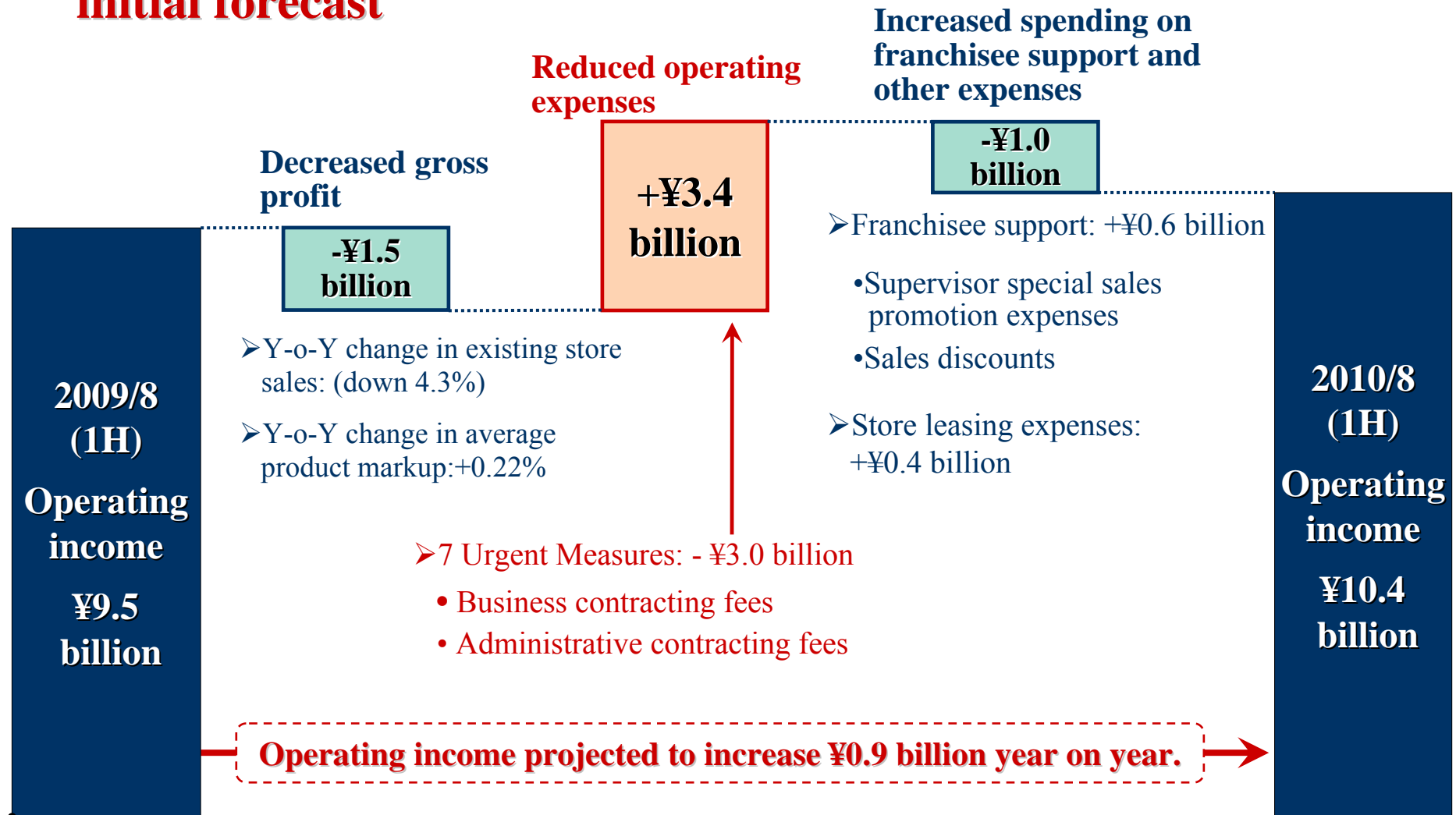
- Target an additional ¥0.9 billion reduction in the second half



6. Factors Behind Changes in First-half (2010/8) Non-Consolidated Operating Income



■ Achieved positive operating income growth, ¥2.1 billion above initial forecast



30th!



rubetta



Initiatives

in the Second Half of the Fiscal
Year Ending February 28, 2011

1. Hold Franchisee Forums Nationwide

“Autumn Product Seminars” Until Now










Transformed into
“Franchisee Forums”

- Listen directly to the views of franchisees, in order to reflect such feedback into Head Office improvements and reforms
- Currently under way at 46 locations nationwide



2. Main Initiatives to Enhance Sales



	September	October	November	December
	 Surge in tobacco demand	 30 th anniversary campaign	Upgrade desserts	New Year holiday season events currently being planned
TV commercials	 <small>おいしいスープ&スープごはん</small>			
Commemorative merchandise	Three, Retro and premium merchandise			
New services	    Expand point tie-ups Expand acceptance of electronic money offered by transportation companies		New content scheduled for launch	

Convert the surge in tobacco demand and the 30th anniversary campaign, for which TV commercials will be run, into an opportunity to attract new customers to stores.

1. Conduct the 30th Anniversary Campaign in October

• **Conduct the campaign on an unprecedented scale**

30th!

→ Use campaign to counter the drop in tobacco demand following a surge in tobacco demand ahead of a tax hike (September)

“Open” prize giveaway

“Closed” prize giveaway

WAKUWAKU Lucky Card



Attract more customers

2. Conduct the Store Image Enhancement Campaign

Provide the excitement (*WAKUWAKU!*) sought by customers

Desired merchandise in stock

Positive

Trustworthy

Friendly

Rigorously review store operations once again on the 30th anniversary of Circle K Sunkus

Hold events that encourage store participation



Customer enjoyment

3. Initiatives to Boost Rice Dish Sales

- New boxed lunch lineups to address the increasingly dual nature of consumer needs and the intermediary price range

Value price

Otegoro Bento
(¥398)



Intermediary price

Naruhodo Bento series
(Around ¥500)



Premium

High-valued added boxed lunches with a premium feel
(From ¥550)



初代の銀次  (Shodai Shari No Ginji)



- Fully relaunched sushi in May
- Sales: Up 7% year on year (From relaunch to end of August)

(Omusubidou)

美味しさ、ひとすじ。
おむすび道

- Fully relaunched rice balls in June
- Sales: Up 3% year on year (From relaunch to end of August)



4. Original-product Initiatives

- **Began developing delicatessen items in standable packages under the low-price original-product brand StyleONE**
→Shifting from “Circle K Sunkus choices” to product development matched to customer needs
- **Going forward, the intermediary-price original-product brand PrimeONE will be offered on a “Circle K Sunkus choices” basis.**

5. Enhance Product Packages to Provide Product Lines That Better Address the Characteristics of Each Store’s Location

- **Make in-store fryers and freshly brewed coffee dispensers available at 1,800 stores by the end of February 2011.**
- **Develop a new “baked sweet potato” product for launch at 160 stores by the end of February 2011.**

6. Boost Customer Footfall Through Merchandising Tied to Specific Time Periods

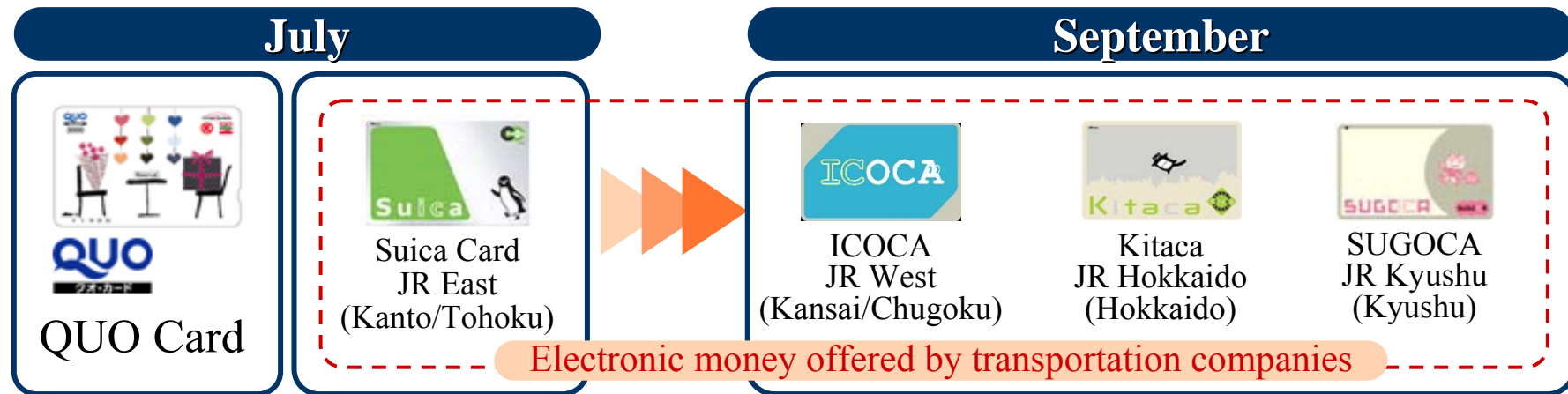
- **Launch *Yoruwari* (nighttime discount) sales campaigns, in addition to continuing *Asawari* (morning discount) sales campaigns launched in June.**



7. Continuing to Diversify Payment Methods

- Steadily begin accepting electronic money offered by transportation companies at Circle K Sunkus stores

[Electronic money that has entered service since the February 2011 fiscal year]



8. Promote Ties Between *KARUWAZA CLUB* and Partner Companies

- Through point tie-ups with partner companies, convert 70 million card holders into *KARUWAZA CLUB* members → **Boost customer footfall**

Number of
KARUWAZA CLUB
members

As of August 31, 2010:
675,000

February 28, 2011 Target:
1,000,000

3. Promote Initiatives with cocokara fine HOLDINGS Inc.

1. Tie-up stores combining convenience stores and drugstore/dispensing pharmacies

- First store opened in Tama City, Tokyo on May 12
- More stores due to be opened in the second half based on a new style of collaboration.



Sunkus SEIJO Drugstore Tama
Center Ochiai Store

2. Trials commenced to revitalize retailing spaces for general merchandise

- Enhance the range of Health & Beauty Care (H&BC) products
- Consider revising recommended retail prices and deploying sales promotion techniques such as special offers, based on expertise provided by cocokara fine HOLDINGS.

4. Ensuring Positive Earnings Growth in Full-Year Forecasts for the February 2011 Fiscal Year



● Raised the initial consolidated operating income forecast to ¥1.5 billion

(Stores, Yen in millions)

(Consolidated)	FY2010/2	FY2011/2 (forecast)		Initial FY2011/2 forecasts
			Y-o-y change	
Stores opened	316	342	+26	348
Stores closed	277	294	+17	302
Stores at term-end	5,302	5,450	+148	5,448
Total store sales	902,318	907,660	+0.6%	912,120
Total operating revenues	194,142	190,680	-1.8%	194,300
Gross profit	129,782	130,520	+0.6%	131,120
SG&A expenses	114,583	114,670	+0.1%	116,820
Operating income	15,199	15,850	+4.3%	14,300
Recurring profit	14,607	14,650	+0.3%	13,200
Net income	5,554	5,820	+4.8%	5,090

5. Shareholder Return Policy



Basic Policy

Aim to pay out at least 30% of consolidated net income in the form of dividends and maintain a stable dividend

Share buybacks will be considered while carefully monitoring capital investment plans and the Company's financial position

[Consolidated basis]

(Yen)

	FY2009/2	FY2010/2	FY2011/2 (Forecast)
Net income per share	112.7	66.3	69.5
Dividends per share (For the year)	40	40	40
Payout ratio	35.5%	60.3%	57.6%
Return on equity (ROE)	7.4%	4.2%	4.3%