

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

Circle K Sunkus Co., Ltd.

Securities Code Number: 3337

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

Date of dividend payment: November 19, 2010

1. Consolidated Results for the First Half of the Fiscal Year Ending February 28, 2011 (March 1, 2010 to August 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 Half	98,292	(3.6)	10,528	9.8	10,366	(11.7)
Previous 1st Half	101,986	-	9,590	-	9,282	-

	Net Income		Net income per share	Diluted net income per share
	¥ Million	Change %	Yen	Yen
Current 1st Half	3,975	20.6	47.46	-
Previous 1st Half	3,297	-	39.37	-

(Reference) Total store sales (¥ Million)

Current 1st Half	463,904	(-0.8% year-on-year)
Previous 1st Half	467,526	(-)

(2) Consolidated Financial Position

	Total liabilities and equity	Total equity	Equity ratio	Total equity per share
	¥ Million	¥ Million	%	Yen
Current 1st Half	247,073	135,116	54.7	1,613.27
Last fiscal Year	224,843	132,831	59.1	1,585.98

(Reference) Shareholders' equity (¥ Million)

Current 1st Half	135,116	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	-	20.00			
FY2011/2 (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, 2011 (March 1, 2010 to February 28, 2011)

	Operating revenue		Operating income		Recurring profit		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
FY2011/2	190,680	(1.8)	15,850	4.3	14,650	0.3	5,820	4.8	69.49

(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 : Yes

(3) Changes in accounting principles, procedures and presentation methods

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 Half	86,183,226 shares
	Last fiscal Year	86,183,226 shares
2. Number of shares of treasury stock at end of period	Current 1st Half	2,430,314 shares
	Last fiscal Year	2,429,263 shares
3. Average number of shares outstanding during period	Current 1st Half	83,753,536 shares
	Previous 1st Half	83,754,960 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.

1. Qualitative Information and Financial Statements]

(1) Qualitative Information Concerning Consolidated Operating Results

(Operating Results for the First Half of the Fiscal Year Ending February 28, 2011)

In the first half of the fiscal year ending February 28, 2011, the Japanese economy showed signs of recovery, supported by improving corporate capital investment and export growth. Personal consumption grew steadily, boosted by Japan's severe summer heat wave and government policies such as tax cuts for eco-friendly cars. However, because of weakening business sentiment caused by the yen's recent sharp appreciation and sluggish stock markets, the Japanese economy was unable to stage a full-fledged recovery.

In this climate, total operating revenues at Circle K Sunkus Co., Ltd. for the second quarter decreased 3.6% year on year to ¥98,292 million, due to lower sales from Company-owned stores. However, operating income increased 9.8% to ¥10,528 million, owing to reduced selling, general and administrative expenses. Recurring profit rose 11.7% year on year to ¥10,366 million. Despite the recording of extraordinary losses of ¥3,023 million, mainly impairment losses, net income increased 20.6% year on year to ¥3,975 million.

The following is an overview by business segment.

[Convenience Store Business]

In the first half of the fiscal year ending February 28, 2011, Circle K Sunkus saw improvement in sales of mainstay fast food such as rice dishes and baked goods, as well as substantial growth in summertime products such as chilled noodles, ice cream and soft drinks, where sales were spurred by a long spell of extremely hot weather in July and August.

As a result, existing store sales in the first half of the fiscal year ending February 28, 2011 (on a non-consolidated basis) decreased 4.3% year on year, surpassing the initial target. Consequently, total store sales, including Circle K Sunkus' six consolidated subsidiaries in the convenience store business, decreased 0.8% year on year to ¥463,904 million.

The average product markup (on a non-consolidated basis) for Circle K Sunkus in the first half of the February 2011 fiscal year increased 0.22 percentage points year on year to 27.93%. This was the result of an increase in sales of high-margin products such as ice cream and soft drinks due to a boost from the severe summer heat wave, and a decrease in sales of low-margin tobacco products.

Summary of Store Performance (March 1, 2010 to August 31, 2010)

	Non-consolidated	Consolidated		Total
		Five area franchisers total	99 Ichiba	
Total store sales (¥ million)	429,648	28,803	5,453	463,904
Year-on-year (YoY) change (%)	(2.8)	41.7	2.1	(0.8)
YoY change in existing store sales (%)	(4.3)	—	—	—
Average product markup (%)	27.93	—	—	—
Stores opened	146	14	2	162
Stores closed	114	9	6	129
Total stores at period-end	4,990	381	64	5,435

*The above "five area franchisers total" is the sum of results for five subsidiaries, namely Sunkus Nishi-Saitama Co., Ltd., Sunkus Aomori Co., Ltd., Sunkus Kitakanto Co., Ltd., Sunkus Nishi-Shikoku Co., Ltd. and Sunkus Hokurika Co., Ltd.

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. Discount methods were also revised. In these and other ways, the Company worked to boost franchisee sales and gross profit.

On the product development front, Circle K Sunkus sought to develop products and retailing spaces that fit customers' increasingly diverse lifestyle settings. As part of merchandising activities tied to specific time periods, Circle K Sunkus conducted time-limited sales campaigns in the morning time period. Other priorities included strengthening lineups of delicatessen item combinations and long-life delicatessen items storable for extended periods of time, to enhance the range of products available during off-peak hours and to address demand for products that can be stored for a certain period before consumption. Circle K Sunkus also worked to further enhance its hallmark *Cherie Dolce* brand by horizontally expanding business to chilled beverages. Countertop fast foods were also strengthened mainly by deploying in-store fryers and freshly brewed coffee dispensers.

In services development, Circle K Sunkus introduced new payment methods at stores, including payment via QUO Cards and Suica cards offered by East Japan Railway Company (JR East). Efforts were also made to increase membership in *KARUWAZA CLUB*, Circle K Sunkus' in-house membership club, through a point service tie-up with the ANA Mileage Club of All Nippon Airways Co., Ltd. Circle K Sunkus worked to further enhance membership services mainly by granting bonus points to members and by issuing *KARUWAZA* coupons (discount coupons) linked with *KARUWAZA STATION* in-house multimedia terminals.

On the store development front, Circle K Sunkus prioritized improving the investment efficiency of new stores. The Company strove to improve the earnings power of each store in conjunction with reducing rents and construction expenses, while securing net increases in the number of stores at a certain level and boosting the average daily sales per new store. In certain regions, store operation departments and store development departments were integrated into unified regional store operation & development departments in order to bolster coordination on store relocations, multi-store franchise agreements and so forth. Furthermore, Circle K Sunkus began opening tie-up stores with cocokara fine HOLDINGS Inc., a drugstore chain operator, as part of a business partnership between the two companies. Consequently, in the first half of fiscal 2010, Circle K Sunkus opened 162 stores (including 2 "*Minnano Ichiba*" stores) and closed 129 stores (including 6 "*Minnano Ichiba*" stores) on a consolidated basis, bringing the total number of stores to 5,435 (including 64 "*Minnano Ichiba*" stores), a net increase of 33 stores compared with February 28, 2010. In addition, the total number of stores for the entire Circle K Sunkus Group, including non-consolidated area franchisers, was 6,322.

[Other Businesses]

In other businesses, ZERO NETWORKS Co., Ltd. is contracted to conduct ATM operations. The company has seen steady increases in the number of ATMs installed and ATM transactions. In the first half of the fiscal year ending February 28, 2011, ZERO NETWORKS recorded total operating revenues of ¥2,958 million, up 4.5% year on year. As of August 31, 2010, the company had installed a total of 2,610 "Zero Bank" ATMs and 1,527 "Bank Time" ATMs.

[Outlook for the Fiscal Year Ending February 28, 2011]

For the full fiscal year, the Japanese economy is expected to show stronger signs of a slowdown due to the yen's continuing appreciation and the expiry of various policies to stimulate consumer spending. However, the overall economic recovery should continue, underpinned by firm capital investment and overseas demand. Meanwhile, the competitive landscape of the convenience store industry is

becoming increasingly fierce. In response, in the second half of the fiscal year, Circle K Sunkus will continue to cut inefficient spending, while focusing expenditures on key measures to strengthen operating capabilities in terms of store operations, development and merchandise, and to assist franchisees.

From September 2010, Circle K Sunkus will actively run television commercials to boost sales of key products such as the *Oishii Soup & Soup Gohan* (Rice in Soup) series of soup dishes, the *rubetta* pasta range and the *Cherie Dolce* dessert selection. In addition, in October 2010, Circle K Sunkus will conduct an extensive campaign to mark the 30th anniversary of the opening of the first Circle K and Sunkus stores in Japan.

On the product development front, Circle K Sunkus has rolled out the *Oishii Soup & Soup Gohan* (Rice in Soup) series to further reinforce the soup category, where sales are growing. Circle K Sunkus seeks to set itself apart from other convenience store chains by offering one of the industry's most diverse product lineups. In the *rubetta* pasta range, which will celebrate its second anniversary, the product lineup will be augmented with new *gratin*, *doria*, *penne* and other dishes. The goal is to make *rubetta* a comprehensive Western cuisine brand. As for *Cherie Dolce*, Circle K Sunkus will focus on enhancing brand power, while seeking to develop a definitive long-selling product that will set the brand apart in the marketplace. Elsewhere, Circle K Sunkus will strengthen the rice dish category by increasing products in the intermediate price range of around ¥500, in addition to enhancing value-priced and premium-range lineups. The goals for the rice dish category are to improve unit sales prices and gross profit margins.

In services development, Circle K Sunkus will work to further diversify payment methods centered on electronic money formats offered by transportation companies. Ties with membership organizations of partner companies will also be bolstered through incentive-point exchange programs and other means. The purpose is to encourage users of various electronic money formats to become KARUWAZA CLUB members. By increasing KARUWAZA CLUB membership, Circle K Sunkus will strive to win new customers and boost customer footfall.

Store Operating Performance Forecasts (March 1, 2010 to February 28, 2011)

	Non-consolidated	Consolidated		Total
		Five area franchisers total	99 Ichiba	
Total store sales (¥ million)	840,510	56,520	10,634	907,660
Year-on-year (YoY) change (%)	(1.4)	43.2	(0.5)	0.6
YoY change in existing store sales (%)	(3.2)	—	—	—
Average product markup (%)	27.78	—	—	—
Stores opened	310	30	2	342
Stores closed	270	16	8	294
Total stores at period-end	4,998	390	62	5,450

*The above “five area franchisers total” is the sum of results for five subsidiaries, namely Sunkus Nishi-Saitama Co., Ltd., Sunkus Aomori Co., Ltd., Sunkus Kitakanto Co., Ltd., Sunkus Nishi-Shikoku Co., Ltd. and Sunkus Hokuria Co., Ltd.

For fiscal 2010, Circle K Sunkus is forecasting total operating revenues of ¥190,680 million on a consolidated basis, a decrease of 1.8% year on year. On the earnings front, Circle K Sunkus is projecting consolidated operating income of ¥15,850 million, up 4.3% year on year, recurring profit of ¥14,650 million, up 0.3% year on year, and net income of ¥5,820 million, up 4.8% year on year.

(2) Qualitative Information Concerning Consolidated Financial Position

(Assets)

Current assets amounted to ¥108,363 million, an increase of 20.5% from the previous fiscal year-end, mainly due to an increase in cash and cash equivalents.

Fixed assets amounted to ¥138,709 million, an increase of 2.8% from February 28, 2010, mainly due to an increase in leased assets.

As a result, total assets amounted to ¥247,073 million, an increase of 9.9% from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥90,207 million, an increase of 25.4% from February 28, 2010, mainly due to an increase in trade payable.

Long-term liabilities amounted to ¥21,749 million, an increase of 8.5% from February 28, 2010, due to an increase in lease liabilities.

As a result, total liabilities amounted to ¥111,957 million, an increase of 21.7% from the end of the previous fiscal year.

(Net Assets)

Net assets amounted to ¥135,116 million, a decrease of 1.7% from the end of the previous fiscal year.

(Note)

From the first half 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

Circle K Sunkus has revised its earnings projections announced 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, in light of the business environment and other factors.

2. Others

(1) Changes in the status of important subsidiaries (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

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: None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

(Millions of yen)

	Current 1st Half (As of August 31, 2010)	Last fiscal year (As of February 28, 2010)
(ASSETS)		
Current assets		
Cash and cash equivalents	67,991	61,475
Due from franchised stores	2,688	3,496
Marketable securities	17,026	5,024
Inventories	2,068	1,989
Deferred tax assets	894	646
Other accounts receivable	8,956	8,079
Other current assets	8,908	9,435
Allowance for doubtful accounts	(170)	(227)
Total current assets	108,363	89,919
Fixed assets		
Property and equipment		
Buildings and structures, net	36,756	35,588
Furniture and fixtures, net	4,044	4,397
Land	8,317	8,399
Leased assets, net	15,522	11,549
Other fixed assets	250	134
Total property and equipment	64,892	60,068
Intangible fixed assets		
Software	7,634	8,236
Software development in progress	171	48
Goodwill	812	-
Other intangible fixed assets	3,527	3,491
Total intangible fixed assets	12,146	11,776
Investments and other assets		
Investment securities	2,861	4,008
Deferred tax assets	3,777	3,397
Long-term leasehold deposits	48,764	49,323
Other investments	7,374	7,599
Allowance for doubtful accounts	(1,105)	(1,251)
Total investments and other assets	61,671	63,078
Total fixed assets	138,709	134,923
Total assets	247,073	224,843

(Millions of yen)

	Current 1st Half (As of August 31, 2010)	Last fiscal year (As of February 28, 2010)
(LIABILITIES)		
Current liabilities		
Trade payables	41,677	32,779
Due to franchised stores	3,534	1,901
Other accounts payable	5,808	6,295
Income taxes payable	4,107	841
Money held as agent	29,603	25,876
Accrued employees' bonuses	860	805
Other current liabilities	4,615	3,457
Total current liabilities	90,207	71,956
Long-term liabilities		
Lease obligations	7,901	6,061
Allowance for employees' retirement benefit liability	145	308
Long-term guarantee deposits received	10,745	10,822
Long-term allowance for impairment loss on leased assets	1,144	775
Other long-term liabilities	1,811	2,087
Total long-term liabilities	21,749	20,055
Total liabilities	111,957	92,011
(NET ASSETS)		
Shareholder's equity		
Common stock	8,380	8,380
Capital surplus	36,092	36,092
Retained earnings	95,223	92,923
Less, treasury stock, at cost	(5,031)	(5,030)
Total shareholders' equity	134,664	132,366
Unrealized gains or losses and translation differences, etc.		
Net unrealized gains on available-for-sale securities	451	465
Total unrealized gains or losses and translation differences, etc.	451	465
Total equity	135,116	132,831
Total liabilities and net assets	247,073	224,843

(2) Consolidated Statements of Income

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

(Millions of yen)

	Previous 1st Half (From March 1, 2009 to August 31, 2009)	Current 1st Half (From March 1, 2010 to August 31, 2010)
Operating revenues	57,632	58,009
Franchise commissions from franchised stores	51,623	51,851
Other revenues	6,009	6,157
Net sales of company-owned stores	44,353	40,282
Total operating revenues	101,986	98,292
Cost of goods sold	34,226	30,834
Operating gross profit	67,759	67,457
Selling, general and administrative expenses	58,169	56,928
Employees' salaries and bonuses	8,092	7,936
Provision for bonuses	813	860
Provision of allowance for employees' retirement benefit	480	432
Store leasing expenses	25,113	25,371
Depreciation and amortization	4,864	5,589
Other Selling, general and administrative expenses	18,805	16,737
Operating income	9,590	10,528
Non-operating income	555	495
Interest income	283	246
Dividend income	77	75
Compensation income	73	104
Gain on investment in equity-method affiliates	56	-
Other non-operating income	63	68
Non-operating expenses	862	657
Interest expenses	77	124
Lease contract cancellation expenses	754	490
Other non-operating expenses	30	42
Recurring profit	9,282	10,366
Extraordinary gains	150	56
Gain on sales of property and equipment	54	29
Reversal of allowance for doubtful accounts	96	27
Extraordinary losses	3,373	3,023
Loss on disposal of property and equipment	214	85
Impairment loss on fixed assets	3,112	2,843
Other extraordinary losses	46	94
Income before income taxes	6,059	7,399
Income taxes-current	3,237	4,041
Income taxes-deferred	(475)	(617)
Total Income taxes	2,762	3,424
Net income	3,297	3,975

(3) Note Concerning Going Concern Assumption

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

Not applicable.

(4) Business Segment Information

The First Half 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.