

Summary of Consolidated Financial Statements for the Third Quarter 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: -

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending February 28, 2011 (March 1, 2010 to November 30, 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 3rd Quarter	147,223	(1.7)	16,727	23.6	16,111	22.8
Previous 3rd Quarter	149,765	-	13,533	-	13,116	-

	Net Income		Net income per share	Diluted net income per share
	¥ Million	Change %	Yen	Yen
Current 3rd Quarter	7,145	35.1	85.32	-
Previous 3rd Quarter	5,288	-	63.14	-

(Reference) Total store sales (¥ Million)

Current 3rd Quarter	697,591	(+1.0% year-on-year)
Previous 3rd Quarter	690,514	(-)

(2) Consolidated Financial Position

	Total liabilities and equity	Total equity	Equity ratio	Total equity per share
	¥ Million	¥ Million	%	Yen
Current 3rd Quarter	239,535	136,596	57.0	1,630.94
Last fiscal Year	224,843	132,831	59.1	1,585.98

(Reference) Shareholders' equity (¥ Million)

Current 3rd Quarter	136,596	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 3rd Quarter	86,183,226 shares
	Last fiscal Year	86,183,226 shares
2. Number of shares of treasury stock at end of period	Current 3rd Quarter	2,430,462 shares
	Last fiscal Year	2,429,263 shares
3. Average number of shares outstanding during period	Current 3rd Quarter	83,753,328 shares
	Previous 3rd Quarter	83,754,720 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

During the first three quarters of the fiscal year ending February 28, 2011, the Japanese economy, although still recovering, began to plateau in response to the yen's appreciation, and eco-car subsidy and other policy impacts running their course. With households growing weary of penny pinching, personal consumption brightened in spots. On the whole, however, the economy stopped short of a full recovery due to concerns surrounding employment and wages.

Amid this backdrop, Circle K Sunkus saw total consolidated operating revenue decrease 1.7% year on year, to ¥147,223 million, for the first three quarters of the fiscal year. This decline reflected mainly a decrease in sales of Company-owned stores due to a strategic reduction in such stores to reduce costs. Operating income, on the other hand, increased 23.6% year on year, to ¥16,727 million, thanks to an increase in revenue from franchise stores, as well as a Company-wide drive to cut costs that substantially reduced selling, general and administrative expenses. Recurring profit increased 22.8%, to ¥16,111 million. And despite incurring ¥3,356 million in extraordinary losses for impairment losses among other items, period net income increased 35.1% year on year, to ¥7,145 million.

The following is an overview by business segment.

[Convenience Store Business]

During the first three quarters of the fiscal year, Circle K Sunkus saw a continued recovery in sales of fast food, perishable food and other mainstay product categories. The period was also defined by strong sales in July and August and thereafter due to lingering summer heat and a surge in demand ahead of a tax hike on cigarettes in October.

As a result of this, during the nine months ended November 30, 2010, existing store sales decreased 2.6% year on year, but were higher than forecast on a non-consolidated basis. Total store sales, including Circle K Sunkus' six consolidated subsidiaries in the convenience store business, rose 1.0%, to ¥697,591 million.

The average product markup for Circle K Sunkus in the first three quarters of the fiscal year was 27.88% on a non-consolidated basis, up 0.14 of a percentage point from the same period the year before. This was the result of a major improvement in margins in each category, including fast foods, perishable foods and processed foods, and healthy sales growth.

[Monthly Sales Compared With the Previous Fiscal Year]

	First Half	September	October	November	Nine Months Total
Existing stores	-4.3%	+15.8%	-11.1%	-1.8%	-2.6%
All stores	-2.8%	+18.0%	-9.4%	0.0%	-1.0%

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

Starting in September, Circle K Sunkus ran TV commercials to bolster sales of certain key products: the *Oishii Soup & Soup Gohan (Rice in Soup)* series, the *rubetta* pasta series, and the *Cherie Dolce* dessert selection. Moreover, Circle K Sunkus conducted extensive campaigns in October to mark the 30th anniversary of the opening of the first Circle K and Sunkus stores in Japan. This was part of measures to counter an inevitable fall in sales following the tax hike-induced surge in demand for tobacco.

On the product development front, Circle K Sunkus launched the *Oishii Soup & Soup Gohan (Rice in Soup)* series to strengthen its offering in the growing soup category. Those sales have continued to grow on the back of a merchandise lineup that is second to none in the industry. Circle K Sunkus also revamped the *rubetta* series product lineup, to mark the second anniversary of this brand, with the addition of gratin, doria and penne dishes to the selection. Circle K Sunkus developed the *Tenshi no Cheese Cake* (Angel's Cheese Cake) as the absolute category-defining staple of the *Cherie Dolce* dessert selection to further differentiate the product line. *Tenshi no Cheese Cake* went on to sell over 3 million servings in the first month after launch, making it the biggest hit in the history of the dessert category at Circle K Sunkus. Furthermore, Circle K Sunkus strengthened the rice dish category by increasing boxed lunches in the intermediate price range of around ¥500, in addition to enhancing value-priced and premium-range lineups. These actions led to improvements in both unit sales prices and gross profit margins.

On the service development front, Circle K Sunkus strove to increase customer convenience by broadening the array of payment methods centered on electronic money formats issued mainly by various transportation companies. In addition, in order to encourage electronic money users to join the in-house KARUWAZA CLUB, Circle K Sunkus strengthened ties with membership organizations of partner companies through improved incentive-point exchange programs and other means. By increasing membership, Circle K Sunkus is working to win new customers and boost customer footfall.

On the store development front, Circle K Sunkus made use of its Venture Employee System and Program for Preferential Treatment of Multiple-store Franchisees to steadily secure a pool of franchisee candidates. In addition, as part of its drive to increase net store count, Circle K Sunkus emphasized store quality and profitability. Consequently, in the first three quarters of the fiscal year, Circle K Sunkus opened 229 stores on a consolidated basis, bringing the total number of stores as of November 30, 2010, to 5,419. In addition, the total number of stores for the entire Circle K Sunkus Group, including non-consolidated area franchisers, was 6,308.

[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 ¥4,433 million, up 4.4% year on year. As of November 30, 2010, the company had installed a total of 2,604 “Zero Bank” ATMs and 1,529 “Bank Time” ATMs.

(2) Qualitative Information Concerning Consolidated Financial Position

(Assets)

Current assets amounted to ¥101,635 million, an increase of 13.0% from the previous fiscal year-end, mainly due to an increase in cash and cash equivalents.

Fixed assets amounted to ¥137,900 million, an increase of 2.2% from February 28, 2010, mainly due to an increase in leased assets.

As a result, total assets amounted to ¥239,535 million, an increase of 6.5% from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥81,273 million, an increase of 13.0% from February 28, 2010, mainly due to an increase in trade payable.

Long-term liabilities amounted to ¥21,666 million, an increase of 8.0% from February 28, 2010, due to an increase in lease liabilities.

As a result, total liabilities amounted to ¥102,939 million, an increase of 11.9% from the end of the previous fiscal year.

(Net Assets)

Net assets amounted to ¥136,596 million, a increase of 2.8% from the end of the previous fiscal year.

(Note)

From the third 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 September 27, 2010 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 3rd Quarter (As of November 30, 2010)	Last fiscal year (As of February 28, 2010)
(ASSETS)		
Current assets		
Cash and cash equivalents	66,257	61,475
Due from franchised stores	4,156	3,496
Marketable securities	9,025	5,024
Inventories	2,300	1,989
Deferred tax assets	1,366	646
Other accounts receivable	9,824	8,079
Other current assets	8,910	9,435
Allowance for doubtful accounts	(206)	(227)
Total current assets	101,635	89,919
Fixed assets		
Property and equipment		
Buildings and structures, net	36,642	35,588
Furniture and fixtures, net	3,752	4,397
Land	8,314	8,399
Leased assets, net	17,046	11,549
Other fixed assets	337	134
Total property and equipment	66,094	60,068
Intangible fixed assets		
Software	7,240	8,236
Software development in progress	134	48
Goodwill	790	-
Other intangible fixed assets	3,551	3,491
Total intangible fixed assets	11,717	11,776
Investments and other assets		
Investment securities	2,826	4,008
Deferred tax assets	3,499	3,397
Long-term leasehold deposits	47,706	49,323
Other investments	7,104	7,599
Allowance for doubtful accounts	(1,048)	(1,251)
Total investments and other assets	60,088	63,078
Total fixed assets	137,900	134,923
Total assets	239,535	224,843

(Millions of yen)

	Current 3rd Quarter (As of November 30, 2010)	Last fiscal year (As of February 28, 2010)
(LIABILITIES)		
Current liabilities		
Trade payables	36,187	32,779
Due to franchised stores	1,890	1,901
Other accounts payable	4,566	6,295
Income taxes payable	4,165	841
Money held as agent	27,552	25,876
Accrued employees' bonuses	1,758	805
Other current liabilities	5,150	3,457
Total current liabilities	81,273	71,956
Long-term liabilities		
Lease obligations	8,370	6,061
Allowance for employees' retirement benefit liability	26	308
Long-term guarantee deposits received	10,569	10,822
Long-term allowance for impairment loss on leased assets	1,034	775
Other long-term liabilities	1,665	2,087
Total long-term liabilities	21,666	20,055
Total liabilities	102,939	92,011
(NET ASSETS)		
Shareholder's equity		
Common stock	8,380	8,380
Capital surplus	36,092	36,092
Retained earnings	96,718	92,923
Less, treasury stock, at cost	(5,031)	(5,030)
Total shareholders' equity	136,159	132,366
Unrealized gains or losses and translation differences, etc.		
Net unrealized gains on available-for-sale securities	436	465
Total unrealized gains or losses and translation differences, etc.	436	465
Total equity	136,596	132,831
Total liabilities and net assets	239,535	224,843

(2) Consolidated Statements of Income

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

(Millions of yen)

	Previous 3rd Quarter (From March 1, 2009 to November 30, 2009)	Current 3rd Quarter (From March 1, 2010 to November 30, 2010)
Operating revenues	85,225	87,594
Franchise commissions from franchised stores	76,214	78,459
Other revenues	9,010	9,135
Net sales of company-owned stores	64,540	59,628
Total operating revenues	149,765	147,223
Cost of goods sold	49,828	45,447
Operating gross profit	99,937	101,775
Selling, general and administrative expenses	86,403	85,047
Employees' salaries and bonuses	11,762	11,615
Provision for bonuses	1,515	1,758
Provision of allowance for employees' retirement benefit	719	647
Store leasing expenses	37,703	38,041
Depreciation and amortization	7,528	8,560
Provision to allowance for doubtful accounts	-	13
Other Selling, general and administrative expenses	27,174	24,410
Operating income	13,533	16,727
Non-operating income	774	667
Interest income	407	343
Dividend income	79	77
Gain on investment in equity-method affiliates	66	-
Compensation income	125	163
Other non-operating income	95	83
Non-operating expenses	1,191	1,283
Interest expenses	130	189
Lease contract cancellation expenses	1,026	1,040
Other non-operating expenses	34	53
Recurring profit	13,116	16,111
Extraordinary gains	192	32
Gain on sales of property and equipment	67	32
Reversal of allowance for doubtful accounts	125	-
Extraordinary losses	3,637	3,356
Loss on disposal of property and equipment	271	157
Impairment loss on fixed assets	3,302	3,093
Other extraordinary losses	63	105
Income before income taxes	9,671	12,787
Income taxes-current	4,655	6,444
Income taxes-deferred	(272)	(802)
Total Income taxes	4,383	5,642
Net income	5,288	7,145

(3) Note Concerning Going Concern Assumption

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

Not applicable.

(4) Business Segment Information

The Third 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

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

Not applicable.