

## FEATURE 2:

# Aiming to Develop Entirely New Convenience Stores

To Remain a Convenience Store Operator Valued by Customers

As the convenience store industry approaches a mature phase, Circle K Sunkus believes that developing entirely new types of convenience stores is essential to achieving future growth. Looking ahead, by actively forming tie-ups with different business sectors, Circle K Sunkus will reinvent convenience stores like never before, with the view to setting itself apart from the competition.

## Business Tie-up With cocokara fine HOLDINGS Inc.

In December 2009, Circle K Sunkus formed a business tie-up with cocokara fine HOLDINGS Inc., which manages the SEGAMI and SEIJO drug store chains, among other operations. Working together and in close cooperation, Circle K Sunkus and cocokara fine HOLDINGS will take full advantage of one another's expertise, infrastructure and other resources to cultivate new markets, while enhancing their ability to attract customers across their store chains as a whole, and strengthening earnings power.

cocokara fine HOLDINGS owns 661 drug stores mainly in the Kansai and Kanto regions, and reported consolidated net sales of ¥190.9 billion in the fiscal year ended March 31, 2010. In March 2010, cocokara fine HOLDINGS announced that it will merge in October 2010 with Allied Hearts Holdings Co., Ltd., whose home markets are the Tokai and Kansai regions. With this move, cocokara fine HOLDINGS will become the drug store industry's third largest player.

The business tie-up between Circle K Sunkus and cocokara fine HOLDINGS is broad in scope, encompassing such areas as the development of competitive new business formats that fuse drug stores and convenience stores; the establishment of new types of tie-up stores featuring

prescription drug counters in existing convenience stores and "convenience-store" spaces within dispensing pharmacies; joint development of original products and mutual merchandising support; and support for obtaining registered vendor certification. The two companies have already formed a Business Tie-Up Execution Committee, and are conducting a series of discussions on various themes in four subcommittees set up under the aforementioned Committee.

In May 2010, we opened the Sunkus SEIJO Drug Store Tama Center Ochiai Store, a tie-up store combining a convenience store and drug store/dispensing pharmacy in Tama City, Tokyo. The store has a Home-Visiting Nurse Station and Home Nursing Care Assistance Office on site, alongside the convenience store and drug store/dispensing pharmacy. In the second half of the fiscal year ending February 28, 2011, we plan to open two new stores based on a new "healthcare convenience" format fusing convenience stores and drug stores. Looking further ahead, we plan to expand the new store format by opening around 20 additional stores in the fiscal year ending February 28, 2012, followed in the fiscal year ending February 28, 2013 by the opening of 50 more stores.

General merchandise sales at convenience stores have been weak due to intensified competition with drug stores, ¥100 shops, and other retailers. Looking ahead, Circle K Sunkus will stock its general merchandise shelves with Health & Beauty Care products available at drug stores, implement more affordable pricing policies, and review retailing spaces from a seasonal merchandising perspective. At the same time, general merchandise displays will be revitalized by making use of shelf allocation and display methods proposed by cocokara fine HOLDINGS, which will help to reinvigorate existing stores.

In addition, the two companies will boldly pursue new possibilities, including studying ways to develop “senior-citizen friendly convenience stores” that anticipate the

aging of Japan’s society. For example, one way is to utilize convenience stores as delivery centers for prescription drugs and mail-order drug store products in the future.



In May 2010, a new tie-up store that combines a convenience store with a drug store/dispensing pharmacy was opened. The store also has a Home-Visiting Nurse Station on site.

## Rolled Out Car Sharing Services

In January 2010, Circle K Sunkus rolled out car sharing services in partnership with Japan Car Sharing Inc. There has been an increase in the number of people who choose not to own cars, partly reflecting a stronger savings preference among consumers amid recent weakness in economic conditions. This is expected to fuel further expansion in demand for car sharing services. Furthermore, we believe that car sharing services that make use of parking spaces at convenience stores will help to boost convenience for customers, while leading to increased opportunities for customers to visit stores and an influx of new customers.

Circle K Sunkus will first begin offering the service at convenience stores in the Tokyo metropolitan area. Looking ahead, while carefully monitoring customer needs, we will consider expanding the service to other stores and regions.



**Sunkus Shinagawa Hiratsuka Store**  
Circle K Sunkus provides car sharing services using store parking lots.

## Converting Convenience Stores Into New Social Infrastructure Locations

The installation of charging stations is expanding in preparation for the widespread adoption of electric vehicles, an initiative aimed at reducing CO<sub>2</sub> emissions. Circle K Sunkus has begun installing charging stations for the Plug-in Hybrid Vehicles (PHVs) and electric vehicles of multiple automakers at store parking lots. Installations began at store parking lots in Aichi Prefecture in December 2009 and Kanagawa Prefecture in May 2010. We plan to install a total of 13 charging stations by the end of the first half of 2010. Although we are still at the trial stage, we will continue to conduct charging station trials to provide a new

social infrastructure utilizing convenience store locations.

Together with these charging station installations, Circle K Sunkus has begun deploying Toyota PHVs on a trial basis for use as company cars by Aichi and Kanagawa prefecture-based store supervisors visiting stores. A total of 10 PHVs are currently in use.



**Circle K Toyota Hirata Store**  
Circle K Sunkus is installing charging stations for electric vehicles to provide a new social infrastructure utilizing convenience store locations.