

Business Results for Fiscal 2006 and Strategic Focus for Fiscal 2007



April 13, 2006

CircleK Sunkus



-Securities Code- 3337

Circle K Sunkus Co.,Ltd.

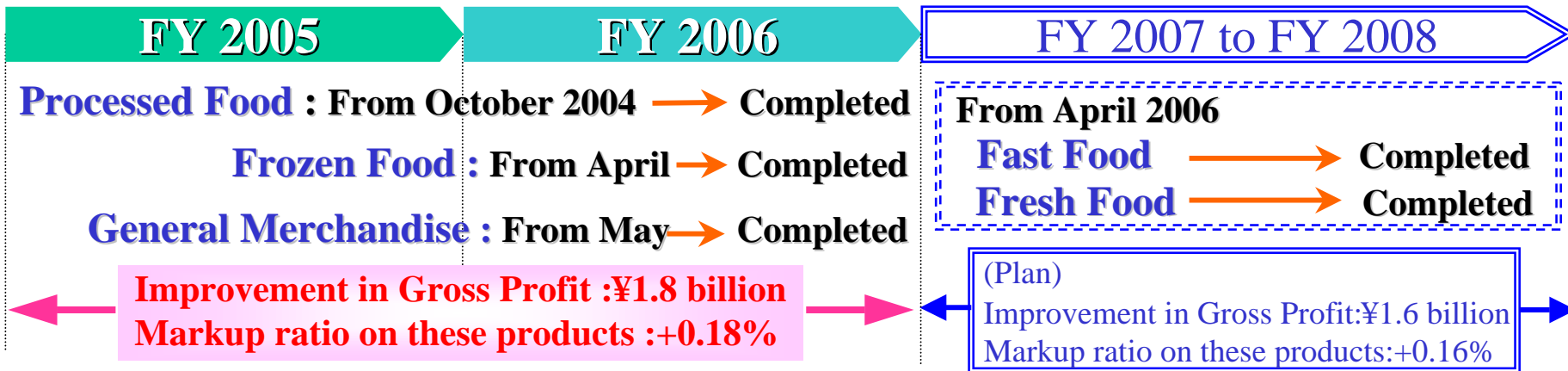
General Manager

Masahiro Yoshida

Review of Fiscal 2006 (1) Fully Realize Merger Benefits

★ Integration of Product Venders and Logistics Networks

● Implemented as Planned, and Completed in FY2006



★ Rolling Out Joint Campaigns and Sales of Jointly Developed Original Products

★ Utilizing Network of Over 6,300 stores to strengthen services

April : Introduced “Edy” electric money services to all stores

September : Completed “Zero Bank ATMs” installation in approximately 1,300 stores in Aichi and Gifu prefectures

October : Started to launch new “Ticket Pia” services at Circle K stores

November : Started the introduction of “Yu-Pak” parcel acceptance services

★ Store Development Initiatives and Results

● Achieved Targets of Opening 348 New Stores

- >Easing of certain contractual conditions of franchisee agreements and revised second half plan is achieved
- >Weak growth in average daily sales of new stores, down ¥13,000 YoY (on a non-consolidated basis)
- >Promotion of store openings in new locations
Within Aichi World Expo, Metropolitan subway stations, universities, and the Tokyo Race Track



Circle K Tokyo City Keiba Store

★ Administrative Initiatives and Results

● Weak Growth in Existing Store Sales; Down 3.3%

- >Promotion of the “Six Stages of Store Operations”
- >However customer traffic declines with intensified competition, and given the impact of the termination of prepaid highway toll card sales in September 2005, declines widen in the second half compared to the first half

Store Openings and Closures

(Stores)

Stores opened	348	
Stores closed	319	
Stores at term-end	5,300	(+29)

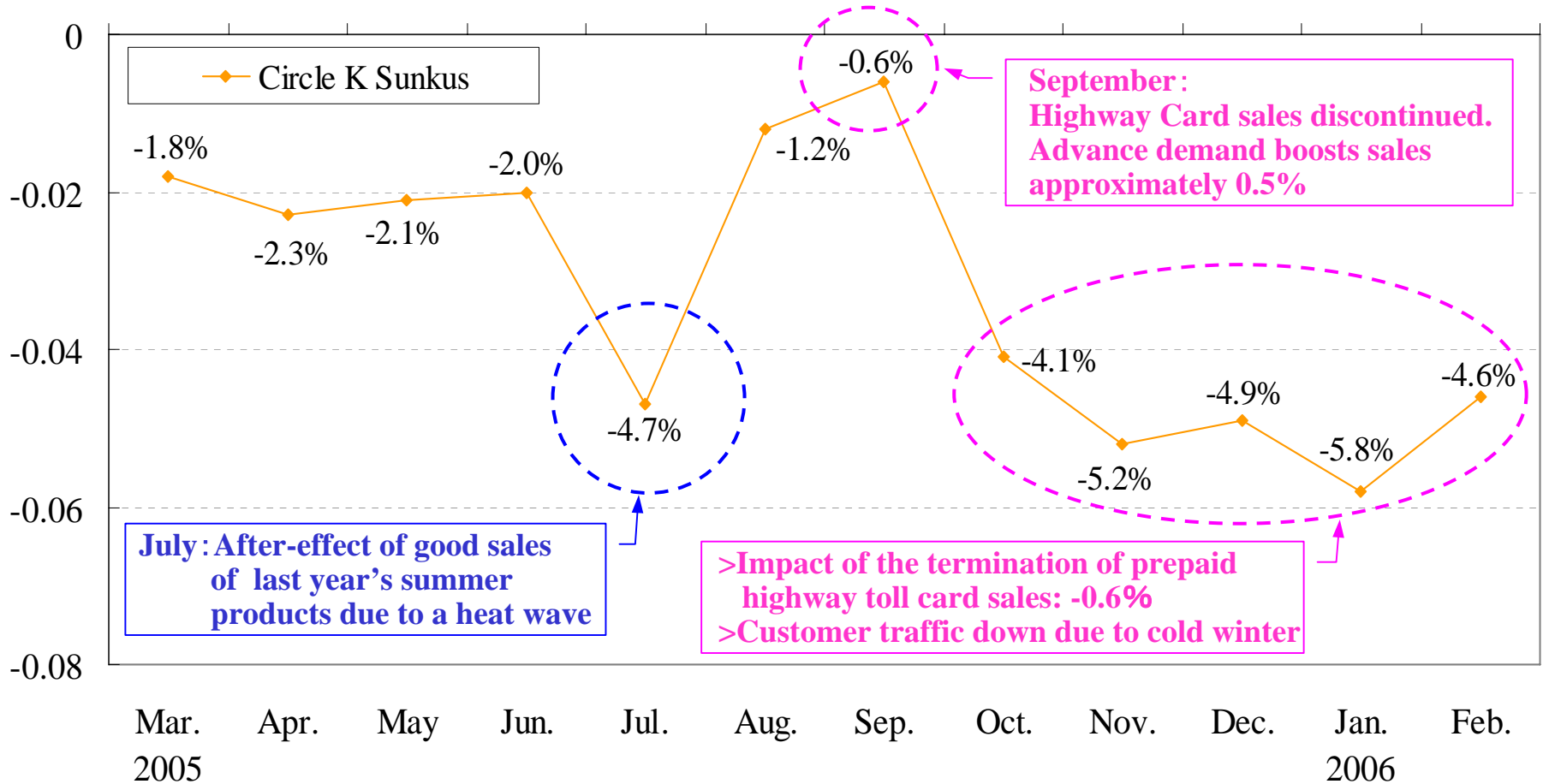
Forecast	(Difference)
347	+1
317	+2
5,301	-1

<Breakdown>

(Stores)

	Circle K		Sunkus		Two consolidated subsidiaries	
	Actual	Y-o-y change	Actual	Y-o-y change	Actual	Y-o-y change
Stores opened	196	+3	139	-14	13	-
Relocated stores	63	+12	19	+5	2	-
Average daily sales (Yen in thousands)	446	+7	390	-45	-	-
Stores closed	160	+17	149	+69	10	-

Comparison of Year-On-Year Change in Monthly Sales at Existing Stores



	Hokkaido	Tohoku	Kanto	Chubu, Hokuriku	Chukyo	Kansai	Chugoku	Total	Circle K Sunkus
Circle K	-	-0.3%	-0.9%	-2.4%	-2.8%	-3.1%	-2.3%	-2.5%	-3.3%
Sunkus	-5.7%	-5.2%	-4.1%	-	-2.0%	-4.6%	-1.8%	-4.2%	

Consolidated Results - *Planned and actual results*



(Yen in millions)

	Actual in FY 2006		Planned	(Difference)
		Year-on-year		
Total store sales	919,824	-1.5%	934,810	-14,986
Y-o-y change in existing-store sales	-3.3%	-	-2.0%	-1.3%
Average product markup	29.1%	0%	29.0%	0.0%
Total operating revenues	184,190	+4.2%	186,360	-2,170
Gross profit	133,259	+0.9%	136,190	-2,931
SG & A expenses	107,473	-0.2%	108,740	-1,267
Operating income	25,785	+5.7%	27,450	-1,665
Recurring profit	25,031	+6.0%	25,930	-899
Net income	11,498	-9.1%	11,770	-272

(Note) Y-o-y changes in this and the following slides represent comparisons with consolidated results of C&S before the merger.

Breakdown of Consolidated Business Results

(1) Total store sales and Total operating revenues

(Yen in millions)

	Consolidated	Year-on-year change
Total store sales	919,824	-13,696
Y-o-y change in existing-store sales	-3.3%	-
Average product markup	29.1%	0.26%
Total operating revenues	184,190	+7,347

Total operating revenues increase ¥7.3 billion (up 4.2%)

>Reflecting year-on-year increase of 84 company-owned stores

Net sales of company-owned stores:
¥67.3 billion (Up 14.4% YoY)

Total Store Sales Decline ¥13.6 billion

>Existing store sales down 3.3% YoY

>Delays in new store openings, and increased store closures

(Yen in millions)

	Sales	Y-o-y change
Circle K	505,160	+0.3%
Sumkus	393,581	-2.5%
2 consolidated subsidiaries	21,082	-

Existing Store Sales Decline 3.3% YoY

>Prepaid highway toll card impact -0.6%

Average Markup Improved 0.26 Percentage Points

>The effects of the streamlining of vendors and distribution channels of processed food, frozen food and general merchandise.

>The impact of termination of prepaid highway toll card sales, 0.15 percentage point improvement.

Breakdown of Consolidated Business Results

(2) SG&A expenses and Operating income

(Yen in millions)

	Consolidated	Year-on-year change
Gross profit	133,259	+1,160
SG & A expenses	107,473	-240
Personnel expenses	21,093	+931
Advertising expenses	10,495	-568
Store leasing expenses	37,027	+1,606
Equipment leasing expenses	8,955	-1,740
Depreciation and amortization	7,426	-905
Other	22,475	+434
Operating income	25,785	+1,400

SG&A Expenses Decline by ¥240 million (0.2%)

- > **Personal expenses** up ¥900 million with the increase in company-owned stores.
- > **Store leasing expenses** up ¥1.6 billion due to the increase in the number of stores.
- **Equipment lease expenses and depreciation/amortization** down reflecting fixed asset impairment charges of ¥580 million. In addition to that expiration of the lease period for store system and other equipment leases results decline in the lease expenses.

Operating Income Increases ¥1.4 billion (5.7%)

New Historical High in Earnings !

- While sales decline, the increase is due to higher total operating income and the impact of reduced operating expenses including merger benefits generated result in a ¥240 million decline in operating costs, SG&A expenses.

Breakdown of Consolidated Business Results

(3) Recurring profit and Net income

(Yen in millions)

	Consolidated	Year-on-year change
Operating income	25,785	+1,400
Non-operating income	1,059	+55
Non-operating expenses	1,813	+49
Recurring profit	25,031	+1,406
Extraordinary gains	2,432	+2,274
Extraordinary losses	7,606	+5,973
Net income	11,498	-1,156

Recurring Profit Increases

¥1.4 billion (6.0%)

New Historical High in Earnings !

Net Income for the Period Declines

¥1.1 billion (9.1%)

Extraordinary Gains Increase ¥2.2 billion

>The return of Uny Group Welfare Pension funds previously managed on behalf of the government results in gains of ¥2.152 billion.

Extraordinary Losses Increase ¥5.9 billion

> Losses on impairment of fixed assets ¥4.985 billion

> Losses on fixed asset liquidation and lease contract cancellation due to store closure of ¥1.046 billion (-19.7% YoY)

Area Franchisers



(Stores, Yen in millions)

	FY 2006						
	Stores at term-end			Sales	Y-o-y	Y-o-y change in existing-store sales	Area licence fees
	Stores opened	Stores closed					
Total	121	114	1,218	200,869	-0.6%	-4.0%	3,199

(Notes) Of the 114 area franchised stores closed, 44 stores were closed as a result of the dissolution of Circle K Sunkus' area franchise agreement with Eiko Sunkus Co., Ltd. on January 31, 2006.

In addition, eleven month results for the Company reflect sales and area license fees.

Revenue and Earnings for the Two Consolidated Subsidiaries

(Yen in millions)

FY2006	Recurring profit
Sunkus Aomori Co., Ltd.	64
Sunkus Nishi-Saitama Co., Ltd.	94

-Topics -

- (1) On July 1, 2005, Sunkus and Associates Tochigi Corporation transferred its area franchise agreement with Circle K Sunkus Co., Ltd. to SUNKUS KITAKANTO Co., Ltd., which was newly established through a demerger. On the same day, Circle K Sunkus Co., Ltd. acquired all shares of SUNKUS KITAKANTO Co., Ltd.
- (2) Area license contract with Eiko Sunkus Co., Ltd. is cancelled by consent on January 31, 2006.
- (3) Sunkus Nishi-Shikoku was converted into subsidiaries on March 1, 2006.

※SUNKUS KITA-KANTO Co., Ltd. and Sunkus Nishi-Shikoku will become consolidated subsidiaries from the FY 2007.

- Fiscal 2007 is the final year of Three-Year Management Plan -

Continued Pursuit of **“Steady, Sustainable Growth”**

- Maintenance of growth pace in operating income and recurring profit
- Recovery to ¥500,000 average daily sales for all stores by FY2009

Key issues for the Company

- Waning the number and quality of new stores
- Slowing existing store sales growth
- Increasing unprofitable stores
- Delayed marketing innovation

To Solve These Issues...

Strengthen market capability
(Development/Operation/Products)

Reduce unprofitable stores

Respond to next generation,
new revenue sources

Strengthen Market Capability (Store Development/Store Operation/Products)

● Implement Reorganization: Strengthen Ties Among Divisions

- > Disband the departments by brand in store development and store operation sections and integrate area divisions
- > Newly establish an integrated General Operations Headquarters to integrate the store operation and product divisions



**Quality improvement
and new store openings
to achieve the plan**

**Improvement of
existing store sales**

**Develop competitive
and more delicious
products**

- > First new store openings in “Gunma Prefecture”
= 10 stores in FY2007, 40 in three years
- > Strengthen relocation : 30% of new store openings to be relocated stores and establish a specialist team
- > Promote “Six Stages of Store Operations” and raise customer satisfaction
- > Initiate streamlining of fast goods and daily foods
 - ~ Successively expand this to each area from April and complete the integration in two years
 - ~ Promote factory specialization to realize supply of even more delicious products
 - ~ Achieve an improved markup and gross profit improvement of ¥1.6 billion through promotion of integration
- > Strengthen the regional product division

Reduce Unprofitable Stores

- **Close Unprofitable Stores : 325 Store Closures Planed in FY2007**
 - > Promote relocation of mainly company-owned stores, while reducing unprofitable stores
 - Approximately 1,000 store closures planned over the next three years

Differentiation Strategy: Responding to New Revenue Sources

- **Roll Out Purchase Points Services for “Karuwaza Club Card” combined with Edy Electronic Money Functionality**
- **Expand Installation of “Zero Bank ATMs”**
 - >Following Aichi and Gifu prefectures, install in Mie prefecture stores from May and in Tokyo, Kanagawa Chiba and Saitama stores from July to FY2007
- **Promote Store Openings of New Store Format “99 ICHIBA”**
 - >New store format with strengthened offering of fresh food priced mainly at ¥99



Forecast of Consolidated Earnings for Fiscal 2007

(Stores, Yen in millions)

	FY 2006	FY 2007 (Forecast)	
			Y-o-y change
Stores opened	348	432	+84
Stores closed	319	345	+26
Stores at term-end	5,300	5,513	+213
Sales of franchised and Company-owned stores	919,824	943,230	+2.5%
Total operating revenues	184,190	192,700	+4.6%
Gross profit	133,259	139,910	+5.0%
SG & A expenses	107,473	112,550	+4.7%
Operating income	25,785	27,360	+6.1%
Recurring profit	25,031	25,570	+2.2%
Net income	11,498	12,000	+4.4%

3 Consolidated Subsidiaries to be Added

FY 2006

FY 2007

<Two Companies> <Five Companies>

Sunkus Aomori Co., Ltd.

Sunkus Nishi-Saitama Co., Ltd.

SUNKUS KITAKANTO Co., Ltd.

Sunkus Nishi-Shikoku Co., Ltd.

ZERO NETWORKS Co., Ltd.

(Outsourced ATM Operations)

(Yen in millions)

FY 2007(Est.)	5 Consolidated subsidiaries
Sales	40,510
Total operating revenues	10,869
Recurring profit	-30

(Notes)

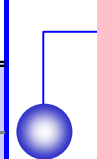
1. SUNKUS KITAKANTO Co., Ltd. aims to become profitable on a fiscal year basis from FY2009.
2. As for ZERO NETWORKS CO., LTD. , the plan could change depending on how future regional development proceeds.

> **Impairment Losses on Fixed Assets** <
Approximately ¥2.0 billion will be posted

Forecast of Non-consolidated Earnings for Fiscal 2007

(Stores, Yen in millions)

	FY 2006	FY 2007 (Forecast)	
			Y-o-y change
Stores opened	335	395	+60
Stores closed	309	325	+16
Stores at term-end	5,154	5,224	+70
Sales of franchised and Company-owned stores	898,741	902,720	+0.4%
Y-o-y change in existing-store sales	-3.3%	-1.6%	-
Average product markup	29.05%	29.43%	+0.38%
Total operating revenues	180,613	181,830	+0.7%
Gross profit	130,919	134,400	+2.7%
AG & A expenses	105,220	107,070	+1.8%
Operating income	25,699	27,330	+6.3%
Recurring profit	24,944	25,600	+2.6%
Net income	11,665	12,210	+4.7%



Forecast of Stores Opened and Closed		
	Open	Close
Circle K	215	160
Sunkus	180	165

**> Impairment Losses
on Fixed Assets <**

**Approximately ¥1.85
billion will be posted**

Returning Profits to Shareholders

Plan to pay 25% of consolidated net income as dividend
- Plans call for raising the dividend payout ratio to 30% -

Dividends per Share

	FY 2006	FY 2007
Interim Dividends per Share	19	19 (plan)
Fiscal Year-end Dividends per Share	19 (plan)	19 (plan)
Annual Dividends per Share	38 (plan)	38 (plan)
Payout Ratio	28.2% (plan)	27.3% (plan)

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.