



Interim Business Results for FY2007 and Strategic Focus for the 2nd Half



-Securities Code- 3337

Circle K Sunkus Co.,Ltd.

October 10, 2006

General Manager Masahiro Yoshida



1. Highlights for Consolidated Results



(Stores, Yen in millions)

	Actual in Aug 2006	Year-on-year
Stores opened	153	-
Stores closed	228	-
Stores at term-end	5,352	-
Total store sales	469,050	-2.1%
Total operating revenues	98,980	+3.7%
Gross profit	69,475	+0.4%
SG & A expenses	55,306	+2.1%
Operating income	14,168	-5.9%
Recurring profit	13,588	-7.8%
Net income	5,589	+5.6%

(Note) The year-on-year change column for actual 2006/8 store openings, closures and end-of-period stores is marked (-) because an increase in consolidated subsidiaries makes year-on-year comparisons not meaningful.

5 Consolidated subsidiaries

Stores opened	12
Stores closed	13
Stores at term-end	272
Sales	19,928
Total operating revenues	5,463
Operating income	446
Recurring profit	417

1. Total operating revenues, operating income and recurring profits at five consolidated subsidiaries are after consolidated eliminations.
2. The number of Installed “Zero Bank” ATMs developed by Zero Networks Co., Ltd. is 1,659 units (as of the end of August 2006).

2. Review of the Interim Period

(1) First Half Achievements



Integration Begins for Fast Foods and Perishable Foods

Progressive Regional Expansion

Fiscal 2006				Fiscal 2006		
April	June	October	November	Spring	Summer	Fall
Okayama Hiroshima	Shikoku	Hokuriku	Kansai	Chukyo, Shizuoka Nagano, Niigata	Kanto Kyushu	Hokkaido Tohoku

Integration Completed

- > Integration schedule proceeding as planned.
- > Menus standardized in areas where integration is complete

THINK BODY (Think Body) Project Initiated

- > Initiatives to respond to customer needs, tastes and a change in customer mix
- > Focus on the increasing importance of “health consciousness”

Delicious and well-balanced prepared foods and boxed meals available at neighborhood convenience stores

Effective in attracting women and middle-aged customers



New boxed meal brand “*Balanced Shokudo*” (balanced meal).
Released on July 20: “Black Rice Meal (Chicken Cooked with Black Vinegar)”

2. Review of the Interim Period

(1) First Half Achievements



Realization of More Enhanced Services

(1) Initiation of “Zero Bank” ATM installations in Mie Prefecture and Kanto Region

Mie prefecture : May to July Installation
Completed

Kanto Region : From July Installation
Completed

(Tokyo, Kanagawa, Chiba and Saitama prefectures)



> Installations proceeding as planned

> 1,659 units installed, including installations
in the previous year in Aichi and Gifu
Prefectures

(2) “KARUWAZA CLUB” Purchase Point Service Expanded Nationwide

> Amount Charged : ¥10,022 / day / store (up 147% from end of FY2006)

> Settlement Amount : ¥18,091 / day / store (up 138% from end of FY2006)

> “KARUWAZA CLUB” Members : **183,671** (up 163% from end of FY2006)



Main Character
“Karum Kun”

Favorable Start-Up for New “99 Ichiba” Business

> Stores : 11 → Already met fiscal year target of 10

> Average daily sales : ¥450,000

> Share of female customers: 60% → Reflection of demand for high-quality fresh foods



2. Review of the Interim Period

(2) Non-consolidated Store Openings and Closures



Both New store openings and average daily sales at new stores miss target (Stores)

	Actual Aug 2006
Store opened	141
Relocated stores	44
Average daily sales (yen in thousands)	403
Store closed	215
Stores at term-end	5,080 (-74)

Projected	(Difference)
191	-50
*Note 131	*Note 34%
469	-66
212	+3
5,133	-53

Breakdown

	Circle K		Sunkus	
	Actual	Y-o-y change	Actual	Y-o-y change
Stores opened	84	±0	57	-5
Relocated stores	33	+10	11	+7
Average daily sales (Yen in thousands)	424	-145	377	-87
Stores closed	94	+9	121	+44

Store relocations accounted for 30% of new store openings

***Note**

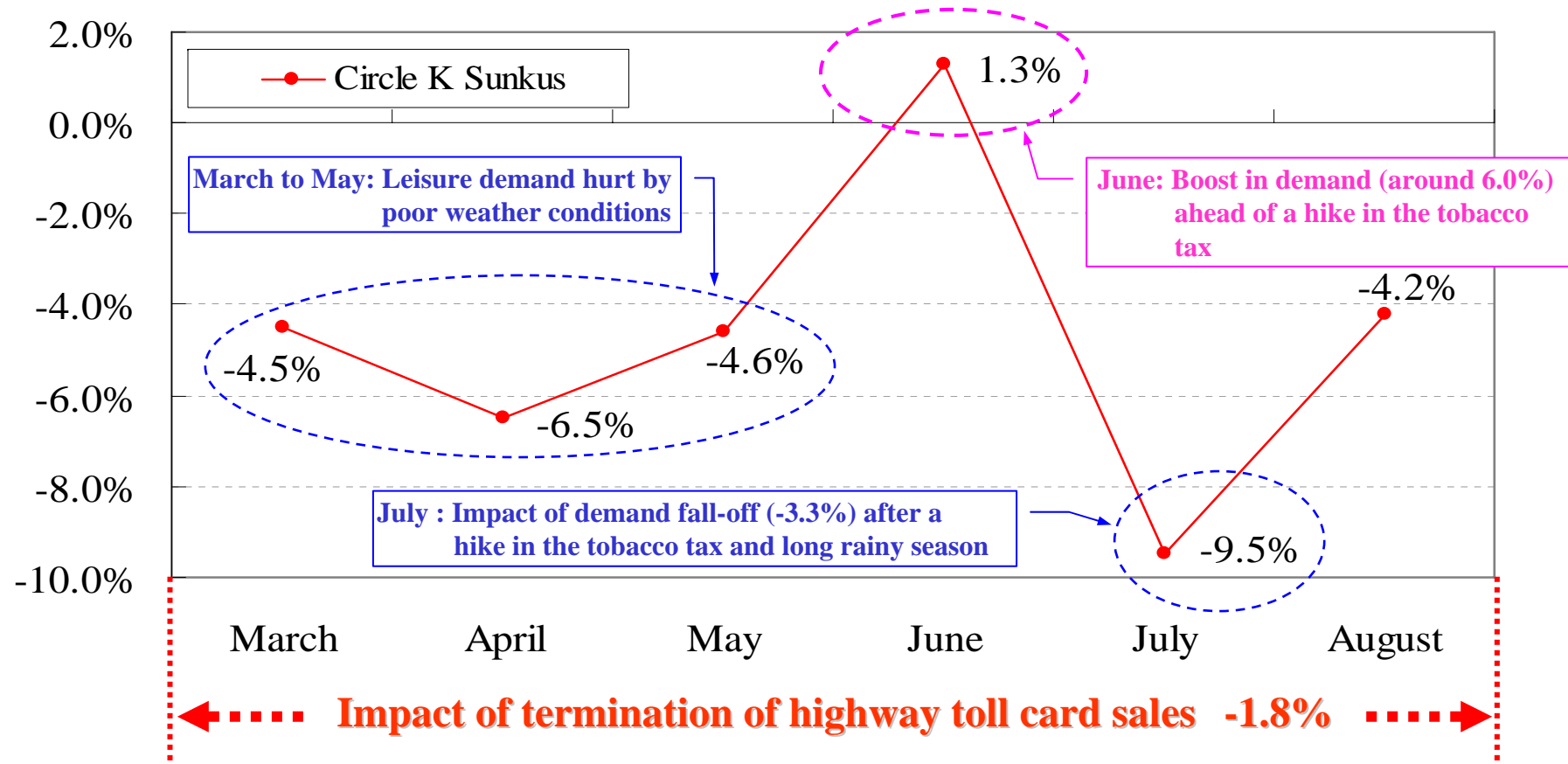
Relocation plan is for the full year, and “difference” column represents percent of plan achieved.

2. Review of the Interim Period

(3) Year-on-year change in existing store sales



Existing store sales down 4.7% YoY, 1.9 percentage points lower than planned



	Hokkaido	Tohoku	Kanto	Chubu, Hokuriku	Chukyo	Kansai	Chugoku	Total	Circle K Sunkus
Circle K	-	-3.3%	-2.2%	-4.0%	-4.9%	-4.4%	-6.2%	-4.4%	-4.7%
Sunkus	-6.5%	-6.1%	-4.4%	-	-6.8%	-5.4%	-4.5%	-5.2%	-4.7%



3. Non-consolidated Results - Planned and actual results



	Actual in Aug 2006		(Yen in millions)	
		Year-on-year	Planned	(Difference)
Total store sales	449,121	-4.1%	461,010	-11,889
Y-o-y change in existing-store sales	-4.7%	-	-2.8%	-1.9%
Average product markup	29.15%	+0.21%	29.55%	-0.40%
Total operating revenues	93,517	-0.1%	94,400	-883
Gross profit	66,752	-1.9%	69,040	-2,288
SG & A expenses	53,030	0.0%	53,350	-320
Operating income	13,722	-8.4%	15,690	-1,968
Recurring profit	13,172	-10.0%	14,430	-1,258
Net income	5,469	+0.7%	6,470	-1,001

(Note) Year-on-year comparison for average markup ratio shows amount of change.

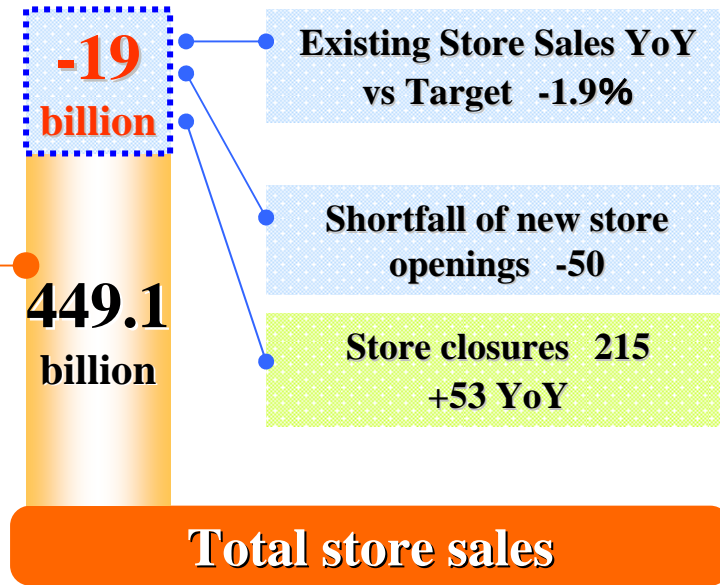
4. Breakdown of Non-consolidated Business Results

(1) Total store sales and Total operating revenues



(Yen in millions)

		Year-on-year change
Total store sales	449,121	-19,019
Y-o-y change in existing-store	-4.7%	-
Average product markup	29.15%	+0.21%
Total operating revenues	93,517	-73

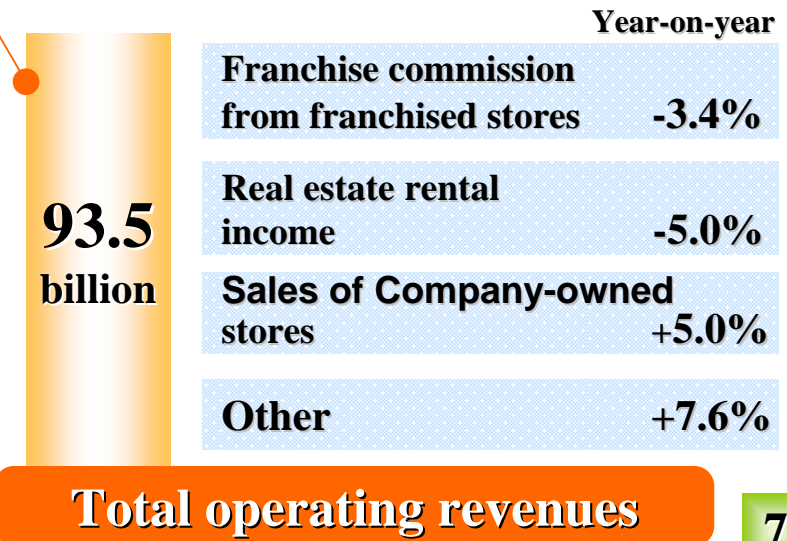


0.21% Point improvement in Average Markup Ratio

- Contribution from product integration (processed foods, general merchandise, etc.): +0.2%
- Impact of discontinued highway toll card sales: +0.53%

However, the average markup ratio missed target by 0.4% point due to change in sales mix.

- (Reasons)**
- (1) Growth in low markup tobacco sales
 - (2) Slow growth in high markup soft drinks, ice cream and frozen food sales due to poor weather conditions



4. Breakdown of Non-consolidated Business Results

(2) SG&A expenses and Operating income



(Yen in millions)

		Year-on-year change
Gross profit	66,752	-1,263
SG & A expenses	53,030	-9
Personnel expenses	10,032	-396
Advertising expenses	5,005	-442
Store leasing expenses	18,706	+677
Equipment leasing expenses	4,293	+42
Depreciation and amortization	3,139	-548
Other	11,853	+657
Operating income	13,722	-1,253

SG&A Expenses Decline by ¥9 million

- > While media advertising expenses increased, sales promotion expenses for new stores decreased because of delays in new store openings, resulting in a ¥400 million decline in advertising expenses.
- > Equipment leasing expenses and depreciation & amortization declined ¥500 million in total.
 - *A ¥310 million decrease in expenses due to impairment losses on fixed assets
 - *Lower expenses on the expiration of the lease period for store systems and other equipment
- > Other expenses increased YoY mainly on higher costs for company-owned stores.

Operating Income Decreases ¥1.2 billion

- > While SG&A expenses declined by ¥9 million, this could not offset the sales shortfall of ¥11.8 billion.



4. Breakdown of Non-consolidated Business Results

(3) Recurring profit and Net income



(Yen in millions)

		Year-on-year change
Operating income	13,722	-1,253
Non-operating income	580	+37
Non-operating expenses	1,130	+253
Recurring profit	13,172	-1,468
Extraordinary gains	132	-139
Extraordinary losses	3,511	-2,142
Net income	5,469	+36

Recurring profit Declines ¥1.4 billion

- > Sales fell significantly.
- > Company closed 53 more stores year-on-year.
 - * Loss on cancellation of lease contracts: ¥1.03 billion (up 33% YoY)

Net income Increases ¥36 million

- > Extraordinary losses declined by ¥2.1 billion
 - * Impairment losses decreased by ¥2.4 billion
 - * Store closure expenses rose on increased store closures
 - * Losses recorded on write-down of investment securities, including stockholdings in subsidiaries

(Yen in millions)

	Actual	Y-o-y
Loss on disposal of fixed assets	457	51%
Loss on cancellation of lease contracts	89	75%
Loss on write-down of investment securities	669	-
Loss on impairment of fixed assets	2,216	-53%
Other	78	-87%

5. Strategic Focus for the 2nd Half

(1) Strengthen Marketing Capability



- **Aiming to open 211 new stores in the second half, and improve average daily sales at new stores**

(1) Achieving the New Store Opening Target

>**Properties** : As of September 1, the number of outstanding lease contracts for properties stood, exceeding the number of store openings planned

>**Measures to Secure Franchisee Candidates** :

- (1) Continue easing of certain contractual conditions of franchisee agreements implemented from the second half of last year
- (2) Strengthen collaboration with Store Operations Division that standardized regional allocation from this fiscal year
- (3) Utilize the Circle K Sunkus home page and the Internet to attract more franchisee candidates
- (4) Launch the **“Venture Employee System”** from the second half
- (5) **Increase benefits** of FC owners to promote conversion from store managers

(2) Improving Average Daily Sales at New Stores

- (1) Strengthen new store openings in the core Kanto and Chukyo regions where potential daily sales are higher
- (2) **Promote relocation** : Strengthen collaboration with Store Operations Division, mainly by utilizing relocation specialists, to develop stores with high daily sales
- (3) **Expand store functionality** by acquiring licenses to sell both alcoholic beverages and tobacco.
- (4) Begin operation of a more accurate **“New Location Assessment System”** from October to help boost average daily sales.

5. Strategic Focus for the 2nd Half

(1) Strengthen Marketing Capability



Achieving the Planned Existing Store Sales of -1.6% YoY

(1) Disappearance of negative impact from the termination of highway toll card sales (-1.8% in the first half) likely to boost second-half sales from the first half's level (down 4.7% YoY)

(2) Priority policies to be maintained, along with utilization of new tools for providing guidance to franchised stores

> Priority policies: “Enhance operations through store reforms,” “Improve ability to meet goals” and “Share approaches, methods and implementation examples”

> Franchised store support tool: Strengthen store competitiveness by utilizing support tools to enhance order levels and share experience of supervisors at roughly 6,000 stores nationwide

Develop Products that Respond to Customer Needs

(1) Proceed with integration of fast foods and perishable foods to improve markups

(2) Develop “more delicious foods” with competitive strength

> Attract women and health-conscious customers through a continuation of the “Think Body” project

(3) Develop products with more focused on regional demand through integration of fast foods and perishable foods operations and reorganization of regional product divisions

> Pay close attention to flavor and taste preferences as well as price levels in each region.

5. Strategic Focus for the 2nd Half

(2) New Businesses and New Concept Store



New “99 Ichiba” Business

- >9 store openings planned in the second half, in addition to 11 in the first half
 - 20 new store openings for the full year, 10 more stores than planned
- >Strength in industry-leading selection of 125 fresh food items
 - Fresh food sales to enter a seasonal expansion phase; Daily sales target of 500,000 yen, to be achieved by avoiding out-of-stock conditions

New Concept Store



(Fork Talk) Opened

- >First store opened in Chuo-ku, Tokyo on September 27
- >A new store format, mainly targeting 20-30 year-old working women, with a concept of “freshly-prepared flavor,” “product lineup featuring fun and convenience” and “hospitality”



Enjoy freshly prepared foods in the Eat-in space

Pasta, freshly baked bakery products, soup and coffee are served.



Key words: “Something nice” and “Fun”



Products include imported confectionaries popular with women, drinks, hair accessories and stationary



6. Forecast of Non-consolidated Earnings for Fiscal 2007



(Stores, Yen in millions)

	Interim (Actual)	Full year to (Estimate)	Feb 2007	Initial plan for Fiscal 2007
			Y-o-y change	
Stores opened	141	352	+17	395
Stores closed	215	352	+43	325
Stores at term-end	5,080	5,154	±0	5,224
Sales of franchised and Company-owned stores	449,121	877,800	-2.3%	902,720
Y-o-y change in existing- store sales	-4.7%	-3.2%	-	-1.6%
Average product markup	29.15%	29.23%	+0.18%	29.43%
Total operating revenues	93,517	183,770	+1.7%	181,830
Gross profit	66,752	131,360	+0.3%	134,400
AG & A expenses	53,030	106,261	+1.0%	107,070
Operating income	13,722	25,100	-2.3%	27,330
Recurring profit	13,172	23,830	-4.5%	25,600
Net income	5,469	11,290	-3.2%	12,210

Second Half Assumptions

Store Openings : 211 Stores

>No change in second half store-opening plan

Store Closures: 137 stores

>Second half store-closure plan raised by 24 stores, reflecting front-loaded store closures

Existing Store Sales: -1.6% YoY

>Factors that affected first half results likely to disappear

*Highway toll card sales: - 1.8%

However, second half plan lowered from the initial target (-0.3%), reflecting the first half trend

Average markup ratio: 29.32%

>Original second half plan maintained in anticipation of the integration effect



Downward revisions to full year plan to reflect first half short-fall and second half assumptions



7. Forecast of Consolidated Earnings for Fiscal 2007



(Stores, Yen in millions)

	Interim (Actual)	Full year to Feb 2007		Initial plan for Fiscal 2007
		(Estimate)	Y-o-y change	
Stores opened	153	379	+31	432
Stores closed	228	382	+63	345
Stores at term-end	5,352	5,424	+124	5,513
Sales of franchised and Company-owned stores	469,050	916,500	-0.4%	943,230
Total operating revenues	98,980	194,750	+5.7%	192,700
Gross profit	69,475	136,320	+2.3%	139,910
AG & A expenses	55,306	111,320	+3.6%	112,550
Operating income	14,168	25,000	-3.0%	27,360
Recurring profit	13,588	23,650	-5.5%	25,570
Net income	5,589	10,770	-6.3%	12,000

5 Consolidated subsidiaries

Stores opened	27
Stores closed	30
Stores at term-end	270
Sales	38,700
Total operating revenues	10,980
Operating income	-99
Recurring profit	-179

(5 Consolidated subsidiaries)

- 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)

(Note) Total operating revenues, operating income and recurring profits at five consolidated subsidiaries are after consolidated eliminations.



8. Shareholder Returns



“ 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
Fiscal Year-end Dividends per Share	19	19 (plan)
Annual Dividends per Share	38	38 (plan)
Payout Ratio	28.2%	30.4% (plan)

Resolution at the Board of Directors held on Oct 10, 2006

<Details of the repurchase>

- (1) Type of stock to be repurchased : Common stock of the Company
- (2) Total number of shares to be repurchased : Up to 2,500,000 shares
(2.9% of the total number of shares outstanding)
- (3) Total cost of repurchase : Up to 5 billion yen
- (4) Repurchase period : October 11, 2006 through January 10, 2007

(Ref.) Total number of shares cumulatively repurchased and held as treasury stock as of August 31, 2006:

Total number of shares outstanding : 86,183,226 shares
Total number of shares outstanding(Excluding treasury shares) : 86,147,818 shares
Total number of treasury shares : 35,408 shares

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.