

## Summary of Consolidated Financial Statements for the Third Quarter Ended November 30, 2007

### Circle K Sunkus Co., Ltd.

Securities Code Number: 3337

URL: <http://www.circleksunkus.jp>

Representative: Motohiko Nakamura, President

Contact: Toshitaka Yamaguchi, Executive Officer, Head of Finance and Accounting Division

Phone: +81-3-6220-9005

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

### 1. Consolidated Results for the Third Quarter of Fiscal 2008 (March 1, 2007 to November 30, 2007)

#### (1) Consolidated Operating Results

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

	Operating revenue [ Total sales ]		Operating income		Recurring profit	
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %
Current 3rd Quarter	157,042 [ 687,870 ]	6.5 [ (0.9) ]	16,925	(14.0)	16,211	(13.9)
Previous 3rd Quarter	147,404 [ 694,425 ]	4.6 [ (1.6) ]	19,676	(8.5)	18,826	(10.4)
(Ref.) Last fiscal Year	194,392 [ 911,281 ]	-	23,113		22,110	

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
Current 3rd Quarter	7,987	(6.7)	95.37	-
Previous 3rd Quarter	8,559	(2.9)	99.70	-
(Ref.) Last fiscal Year	10,237		119.92	-

#### (2) Consolidated Financial Position

	Total liabilities and equity	Total equity	Equity ratio	Total equity per share
	Millions of yen	Millions of yen	%	Yen
Current 3rd Quarter	213,352	124,087	58.1	1,480.85
Previous 3rd Quarter	213,327	118,621	55.6	1,412.44
(Ref.) Last fiscal Year	212,377	119,883	56.4	1,431.27

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current 3rd Quarter	10,421	(11,436)	(3,894)	60,549
Previous 3rd Quarter	17,473	(11,680)	(8,838)	67,277
(Ref.) Last fiscal Year	19,701	(15,209)	(9,856)	64,957

## 2. Dividends Status

	Dividends per share (yen)
Record date	End of the 3rd Quarter
3rd Quarter ended 11/07	-

## 3. Forecast of Consolidated Results for the Year Ending February 29, 2008

	Operating revenue [Total sales]		Operating income		Recurring profit		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
2008 fiscal year	205,620	5.8	20,570	(11.0)	18,500	(16.3)	8,310	(18.8)	99.21
	[ 907,930 ]	(0.4)							

## 4. Other

### (1) Change in scope of consolidation and equity method

Consolidation : (Inclusion) 1 99 Ichiba Co., Ltd. (Exclusion) None

(Reference) Scope of consolidated subsidiaries

Consolidated subsidiaries : 6 Subsidiaries or affiliates applicable of equity method: None

### (2) Application of simplified accounting method: Yes

### (3) Differences in accounting treatments applied compared to previous consolidated fiscal year: Yes

Reference: Notes to the Overview of Third-quarter Consolidated Operating Results P6.

## (Reference) Non-Consolidated Results

### 1. Non-Consolidated Results for the Third Quarter of Fiscal 2008 (March 1, 2007 to November 30, 2007)

#### (1) Non-Consolidated Operating Results

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

	Operating revenue [ Total sales ]		Operating income		Recurring profit	
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %
Current 3rd Quarter	144,548 [ 656,043 ]	3.8 [ (1.3) ]	17,119	(10.9)	16,336	(11.1)
Previous 3rd Quarter	139,194 [ 665,001 ]	0.7 [ (3.6) ]	19,203	(10.3)	18,384	(12.0)
(Ref.) Last fiscal Year	183,521 [ 872,844 ]	-	22,935	-	21,834	-

	Net Income		Net income per share
	Millions of yen	Change %	Yen
Current 3rd Quarter	8,108	(4.0)	96.81
Previous 3rd Quarter	8,446	(5.6)	98.38
(Ref.) Last fiscal Year	10,405	-	121.88

#### (2) Non-Consolidated Financial Position

	Total liabilities and equity	Total equity	Equity ratio	Total equity per share
	Millions of yen	Millions of yen	%	Yen
Current 3rd Quarter	209,520	124,960	59.6	1,491.92
Previous 3rd Quarter	208,748	118,854	56.9	1,415.22
(Ref.) Last fiscal Year	208,449	120,397	57.8	1,437.41

### 2. Forecast of Non-Consolidated Results for the Year Ending February 29, 2008

	Operating revenue [Total sales]		Operating income		Recurring profit		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
2008 fiscal year	188,230	2.6	21,300	(7.1)	19,280	(11.7)	8,990	(13.6)	107.33
	[ 865,230 ]	(0.9)							

(Note) 1. The forecast of results for the year ending February 28, 2007 are unchanged from October 9, 2007.

2. The above-mentioned forecast is 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.

3. Figures for consolidated total store sales exclude corresponding figures for ZERO NETWORKS Co., Ltd. and non-consolidated area franchisers. Figures for non-consolidated total store sales exclude corresponding figures for area franchisers.

## [ Overview of Third-quarter Consolidated Operating Results ]

### 1. Qualitative Information Concerning Consolidated Operating Results

Looking at sales in the first three quarters of fiscal 2008, Circle K Sunkus saw an improvement in existing store sales, helped by generally favorable weather, including a record heat wave in September 2007. In the mainstay Kanto region, existing store sales were mostly the same as in the previous fiscal year. During the nine months ended November 30, 2007, existing store sales decreased 1.6% year on year on a non-consolidated basis. By convenience store chain, existing store sales declined 1.4% and 1.8% at Circle K and Sunkus, respectively.

As a result, total store sales declined 0.9% year on year to ¥687,870 million. This figure encompasses the combined sales of the Circle K Sunkus Group's five consolidated subsidiaries engaged in the convenience store business.

99 Ichiba Co., Ltd. became a consolidated subsidiary of Circle K Sunkus in fiscal 2008. This company operates the new *99 Ichiba* format of small supermarkets offering an extensive lineup of fresh foods.

#### [Monthly Sales Compared With the Previous Fiscal Year] (%)

	First half	Sep.	Oct.	Nov.	Nine months total
Existing stores	(1.7)	(0.7)	(1.8)	(1.5)	(1.6)
All stores	(1.5)	(0.3)	(1.4)	(1.4)	(1.4)

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

On the product front, Circle K Sunkus launched a new dessert brand called *Cherie Dolce* in November 2007, the result of integrating original dessert brands previously sold separately at Circle K and Sunkus stores. Dessert sales have been strong ever since, with customers embracing *Cherie Dolce*'s core concept of providing truly delicious, premium desserts. Circle K Sunkus also launched a premium series of snacks called *Hogaraka Time Select*, all uniformly priced at ¥160 (tax included). *Hogaraka Time Select* is designed to complement Circle K Sunkus' existing *Hogaraka Time* brand of original snacks, which are uniformly priced at ¥105 (tax included). With this move, Circle K Sunkus aims to satisfy polarizing consumer needs for reasonably priced and value-added products. Furthermore, having completed vendor and logistics integration in the fast food and perishable food categories in all regions in July 2007, Circle K Sunkus is pursuing economies of scale in order to reduce purchasing costs and improve product quality.

Looking at services, in addition to prepaid Edy electronic money, Circle K Sunkus has begun accepting new post payment-based electronic money formats, specifically QUICPay™ and Visa Touch (Smartplus), at certain stores from October 2007. This move comes in response to ongoing growth in electronic money transactions in Japan. Circle K Sunkus aims to further enhance customer convenience by extending these new payment options to all stores nationwide from January 2008. As of November 30, 2007, Circle K Sunkus had sold more than 940,000 *KARUWAZA CLUB* house cards with Edy electronic money, and *KARUWAZA CLUB* members, who are eligible for shopping points, had surpassed the 300,000 mark. The Company plans to grow its loyal customer base by signing up even more members going forward.

In terms of ATM services, as of November 30, 2007, Circle K Sunkus had installed 2,970 ATMs mostly at stores in the Chukyo and Kanto regions. In partnership with Resona Bank, Circle K Sunkus

plans to launch an ATM service under an original brand called *Bank Time* at stores in the Kansai region from February 2008. Circle K Sunkus has a dominant store presence in the Kansai region surpassed only by the Chukyo and Kanto regions. By putting in place an ATM service network in Kansai, Circle K Sunkus aims to further increase customer footfall at stores and boost sales.

On the store development front, Circle K Sunkus continued to relocate stores and close unprofitable ones to improve the overall profitability of its convenience store chains. Meanwhile, the Company also worked to develop stores that prioritize quality (average daily sales) and profitability. In the first three quarters of fiscal 2008, Circle K Sunkus opened 244 stores (including 30 99 *Ichiba* stores) and closed 340 stores (including 1 99 *Ichiba* store) on a consolidated basis, including its five consolidated subsidiaries. This resulted in a total of 5,291 stores as of November 30, 2007 (including 47 99 *Ichiba* stores). The number of stores on a Group-wide basis, including stores operated by non-consolidated area franchisers, was 6,241.

For the first three quarters of fiscal 2008, the Company reported a year-on-year rise of 6.5% in total consolidated operating revenue to ¥157,042 million, mainly due to the consolidation of a subsidiary. Operating income dropped 14% year on year to ¥16,925 million, the result of an increase in selling, general and administrative expenses such as personnel costs and leasing fees. During the period, Circle K Sunkus closed more stores than in the first three quarters of the previous fiscal year as part of a stronger drive to reduce unprofitable stores. However, this had the effect of driving up other expenses such as loss on cancellation of lease contracts. As a result, recurring profit decreased 13.9% year on year to ¥16,211 million. Net income decreased 6.7% year on year to ¥7,987 million.

## **2. Qualitative Information Concerning Changes in Consolidated Financial Position**

### **[1] Changes in Consolidated Financial Position**

As of November 30, 2007, total assets were ¥213,352 million, an increase of ¥975 million from February 28, 2007. Net assets were ¥124,087 million, an increase of ¥4,204 million from the previous fiscal year-end. As a result, the equity ratio was 58.1% as of November 30, 2007.

### **[2] Cash Flows**

As of November 30, 2007, cash and cash equivalents were ¥60,549 million, down ¥4,407 million, or 6.8%, from the previous fiscal year-end.

Net cash provided by operating activities was ¥10,421 million, 40.4% less than in the same period a year earlier. The main contributing factors were income before income taxes and minority interests of ¥14,003 million, which was 8.9% lower year on year; impairment losses of ¥2,570 million; and an increase in trade and due to franchised stores payable of ¥3,207 million. These factors were partially offset by a decrease of ¥4,932 million in money held as agent for payments of utility and other bills that are accepted at convenience stores, and other cash outflows.

Net cash used in investing activities was ¥11,436 million, 2.1% less than in the same period a year ago. The main components were payments of ¥7,624 million for property and equipment; ¥4,791 million for long-term leasehold deposits; and ¥4,136 million for the acquisition of intangible fixed assets and long-term prepaid expenses, such as for the deployment of QUICPay™.

Net cash used in financing activities was ¥3,894 million, 55.9% less than in the same period a year ago. This mainly reflected dividends paid of ¥3,266 million.

### 3. Qualitative Information Concerning Forecasts for Fiscal 2008

As of the date of release of this report, Circle K Sunkus has not revised its forecasts for fiscal 2008 announced on October 9, 2007.

\*Forecasts for the full fiscal year are based on the outlook, plans, assumptions and forecasts of management as of the date of release of this report. Actual results could differ materially from forecasts due to a variety of factors.

### 4. Others

(1) Changes in major subsidiaries during the period (Changes in specific subsidiaries involving a change in the scope of consolidation)

1 new consolidated subsidiary: 99 Ichiba, Co., Ltd.  
Main business: development of 99 *Ichiba* stores offering products mainly priced at ¥99

(2) Adoption of simplified accounting procedures

Certain simplified accounting procedures have been adopted.

(3) Changes in accounting procedures from the most recent fiscal year

#### **(Accounting for allowance for incentive points)**

Effective from the first three quarters of fiscal 2008, an allowance is provided to cover the use of incentive points granted to *KARUWAZA CLUB* card members, determined on the basis of the projected amount to be used in future as of November 30, 2007. Costs arising from the use of incentive points were previously expensed at the time of use. However, an allowance for incentive points has been provided effective from the first three quarters of fiscal 2008 since the projected amount to be used can now be reasonably estimated.

As a result of this change, operating income, recurring profit and income before income taxes and minority interests were each ¥80 million lower than would have been recorded under the previous method.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

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

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2006)		Current 3rd Quarter (As of November 30, 2007)		Last fiscal year (As of February 28, 2007)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(ASSETS)		%		%		%
1. Current assets						
Cash and cash equivalents	53,256		49,333		50,945	
Due from franchised stores	4,154		3,720		3,404	
Marketable securities	14,020		12,016		14,011	
Inventories	2,717		3,085		2,490	
Deferred tax assets	1,163		1,108		867	
Other accounts receivable	8,634		11,538		9,300	
Other current assets	8,109		8,290		7,888	
Allowance for doubtful accounts	(551)		(430)		(396)	
Total current assets	91,504	42.9	88,663	41.6	88,511	41.7
2. Fixed assets						
Property and equipment						
Buildings and structures	31,148		32,867		32,437	
Furniture and fixtures	3,900		3,910		4,072	
Land	8,916		8,602		8,944	
Other property and equipment	851		830		865	
Total property and equipment	44,817	21.0	46,210	21.6	46,319	21.8
Intangible fixed assets						
Software	2,527		3,485		3,047	
Software development in progress	1,275		1,851		569	
Goodwill	168		77		144	
Other intangible fixed assets	2,449		2,821		2,590	
Total intangible fixed assets	6,420	3.0	8,236	3.9	6,351	3.0
3. Investments and other assets						
Investment securities	6,108		4,825		5,832	
Deferred tax assets	3,611		4,041		3,644	
Long-term leasehold deposits	53,375		53,137		54,053	
Other investments	8,890		9,595		9,117	
Allowance for doubtful accounts	(1,400)		(1,357)		(1,454)	
Total investments and other assets	70,585	33.1	70,242	32.9	71,193	33.5
Total fixed assets	121,823	57.1	124,689	58.4	123,865	58.3
Total assets	213,327	100.0	213,352	100.0	212,377	100.0

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2006)		Current 3rd Quarter (As of November 30, 2007)		Last fiscal year (As of February 28, 2007)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
(LIABILITIES)						
1. Current liabilities						
Trade payables	41,187		40,568		36,470	
Due to franchised stores	2,018		1,938		2,672	
Short-term borrowings	122		-		-	
Current portion of long-term debt	33		-		-	
Other accounts payable	4,294		4,394		5,738	
Income taxes payable	2,424		2,578		3,617	
Money held as agent	23,280		18,651		23,641	
Accrued employees' bonuses	1,462		1,460		765	
Accrued directors' bonuses	53		45		46	
Allowance for incentive points	-		80		-	
Other current liabilities	3,327		3,441		3,133	
Total current liabilities	78,204	36.7	73,158	34.3	76,086	35.9
2. Long-term liabilities						
Long-term debt	27		-		-	
Employee retirement benefit liability	2,263		1,185		2,380	
Guarantee deposits received	12,058		11,240		11,753	
Long-term income in advance	1,061		2,507		997	
Allowance for impairment loss on leased property	941		1,106		1,150	
Other long-term liabilities	148		65		126	
Total long-term liabilities	16,501	7.7	16,105	7.5	16,407	7.7
Total liabilities	94,706	44.4	89,264	41.8	92,493	43.6
(Equity)						
1. Shareholder's equity						
Common stock	8,380		8,380		8,380	
Capital surplus	36,094		36,093		36,093	
Retained earnings	77,940		84,044		79,617	
Less, treasury stock, at cost	(4,545)		(5,025)		(5,021)	
Total shareholders' equity	117,869	55.3	123,493	57.9	119,070	56.0
2. Unrealized gains or losses and translation differences, etc.						
Net unrealized gains on available-for-sale securities	752		539		812	
Total unrealized gains or losses and translation differences, etc.	752	0.3	539	0.3	812	0.4
3. Minority Interests						
	0	0.0	54	0.0	0	0.0
Total equity	118,621	55.6	124,087	58.2	119,883	56.4
Total liabilities and net assets	213,327	100.0	213,352	100.0	212,377	100.0

## (2) Consolidated Statements of Income

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

(Millions of yen)

Account item	Fiscal period		Previous 3rd Quarter (From March 1, 2006 to November 30, 2006)		Current 3rd Quarter (From March 1, 2007 to November 30, 2007)		Last fiscal year (From March 1, 2006 to February 28, 2007)		
	Amount		Composition ratio	Amount		Composition ratio	Amount		Composition ratio
			%			%			%
1. Operating revenues									
Franchise commissions from franchised stores	78,925			77,730			102,709		
Net sales reported by Franchised Stores (Figures for excluding non-consolidated area franchised stores.)									
Previous 3rd Quarter ¥ 638,185 million									
Current 3rd Quarter ¥ 621,180 million									
Last fiscal year ¥ 835,868 million									
Total net sales of franchised and company-owned stores (Figures for exclude non-Consolidated area franchised stores.)									
Previous 3rd Quarter ¥ 694,425 million									
Current 3rd Quarter ¥ 687,870 million									
Last fiscal year ¥ 911,281 million									
Other revenues	9,359	88,284	59.9	9,269	86,999	55.4	12,437	115,147	59.2
2. Net sales of company-owned stores	[59,119]	59,119	[100.0] 40.1	[70,042]	70,042	[100.0] 44.6	[79,245]	79,245	[100.0] 40.8
<b>Total operating revenues</b>		147,404	100.0		157,042	100.0		194,392	100.0
3. Cost of goods sold	[44,694]	44,694	[75.6] 30.3	[53,265]	53,265	[76.0] 33.9	[60,359]	60,359	[76.2] 31.1
Gross profit on sales	[14,425]		[24.4]	[16,776]		[24.0]	[18,886]		[23.8]
Operating gross profit		102,710	69.7		103,776	66.1		134,033	68.9
4. Selling, general and administrative Expenses		83,033	56.3		86,850	55.3		110,920	57.0
<b>Operating income</b>		19,676	13.4		16,925	10.8		23,113	11.9
5. Non-operating income		807	0.5		1,008	0.6		1,211	0.6
6. Non-operating expenses		1,658	1.1		1,723	1.1		2,213	1.1
<b>Recurring profit</b>		18,826	12.8		16,211	10.3		22,110	11.4
7. Extraordinary gains		220	0.1		1,524	1.0		1,024	0.5
8. Extraordinary losses		3,670	2.5		3,732	2.4		4,748	2.4
<b>Income before income taxes</b>		15,376	10.4		14,003	8.9		18,386	9.5
Income taxes-current	6,822			6,540			7,932		
Income taxes-deferred	(5)	6,816	4.6	(454)	6,085	3.8	217	8,149	4.2
Minority interest in earnings of consolidated subsidiaries		(0)	(0.0)		(70)	(0.0)		(0)	(0.0)
<b>Net Income</b>		8,559	5.8		7,987	5.1		10,237	5.3

### (3) Consolidated Statement of Changes in Shareholders' Equity

Previous Third Quarter of Fiscal 2007 (From March 1, 2006 to November 30, 2006)

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

(Millions of yen)

	Shareholder's equity					Unrealized gains or losses and translation differences, etc.		Minority Interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.		
Balance at February 28, 2006	8,380	36,093	72,907	(14)	117,366	1,026	1,026	0	118,392
Changes during the period									
Cash dividends			(3,273)		(3,273)				(3,273)
Directors' bonuses			(59)		(59)				(59)
Net income			8,559		8,559				8,559
Net change in treasury stock				(4,530)	(4,530)				(4,530)
Cancellation of treasury stock		0		0	0				0
Increase in consolidated subsidiaries			(194)		(194)				(194)
Changes in items other than shareholders'						(273)	(273)	(0)	(273)
Total	-	0	5,032	(4,530)	502	(273)	(273)	(0)	228
Balance at November 30, 2006	8,380	36,094	77,940	(4,545)	117,869	752	752	0	118,621

### Current Third Quarter of Fiscal 2008 (From March 1, 2007 to November 30, 2007)

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

(Millions of yen)

	Shareholder's equity					Unrealized gains or losses and translation differences, etc.		Minority Interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.		
Balance at February 28, 2007	8,380	36,093	79,617	(5,021)	119,070	812	812	0	119,883
Changes during the period									
Cash dividends			(3,266)		(3,266)				(3,266)
Net income			7,987		7,987				7,987
Net change in treasury stock				(4)	(4)				(4)
Cancellation of treasury stock		(0)		1	0				0
Increase in consolidated subsidiaries			(294)		(294)				(294)
Changes in items other than shareholders' equity						(273)	(273)	54	(218)
Total	-	(0)	4,426	(3)	4,423	(273)	(273)	54	4,204
Balance at November 30, 2007	8,380	36,093	84,044	(5,025)	123,493	539	539	54	124,087

**For the Fiscal year 2007 (From March 1, 2006 to February 28, 2007)**

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

(Millions of yen)

	Shareholder's equity					Unrealized gains or losses and translation differences, etc.		Minority Interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.		
Balance at February 28, 2006	8,380	36,093	72,907	(14)	117,366	1,026	1,026	0	118,392
Changes during the period									
Cash dividends			(3,273)		(3,273)				(3,273)
Directors' bonuses			(59)		(59)				(59)
Net income			10,237		10,237				10,237
Net change in treasury stock				(5,007)	(5,007)				(5,007)
Cancellation of treasury stock		0		0	1				1
Increase in consolidated subsidiaries			(194)		(194)				(194)
Changes in items other than shareholders' equity						(213)	(213)	(0)	(213)
Total	-	0	6,710	(5,006)	1,703	(213)	(213)	(0)	1,490
Balance at February 28, 2007	8,380	36,093	79,617	(5,021)	119,070	812	812	0	119,883

#### (4) Consolidated Statements of Cash Flows

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

(millions of yen)

	Previous 3rd Quarter (From March 1, 2006 to November 30, 2006)	Current 3rd Quarter (From March 1, 2007 to November 30, 2007)	Last fiscal year (From March 1, 2006 to February 28, 2007)
	Amount	Amount	Amount
<b>1. Cash flows from operating activities:</b>			
Income before income taxes	15,376	14,003	18,386
Depreciation and amortization	5,716	5,717	7,766
Impairment loss on fixed assets	2,580	2,570	3,169
Amortization of goodwill	102	58	122
Loss on write-down of investment securities	228	18	228
Gain on sale of investments in securities	-	( 85 )	-
Loss on sale or disposal of property and equipment	521	567	902
(Decrease) increase in allowance for doubtful accounts	( 45 )	( 62 )	( 147 )
Increase (decrease) in accrued bonuses to employees	679	687	( 17 )
Increase in accrued bonuses to directors	53	( 3 )	46
(Decrease) increase in employee retirement benefit liability	( 136 )	( 1,473 )	( 132 )
Interest and cash dividends income	( 357 )	( 433 )	( 556 )
Interest expenses	30	33	41
(Increase) decrease in trade receivable	( 224 )	( 1,975 )	( 347 )
Decrease (increase) in inventories	( 532 )	( 524 )	( 305 )
(Decrease) increase in trade and due to franchised stores payable	2,705	3,207	( 1,357 )
Decrease in other accounts payable and accrued expenses	( 760 )	( 79 )	( 427 )
(Decrease) increase in money held as agent	1,731	( 4,932 )	2,165
Directors' bonus payments	( 59 )	-	( 59 )
Lease contract cancellation expenses	780	845	986
Other	( 595 )	( 103 )	( 903 )
Sub-total	27,794	18,033	29,562
Interest and dividends received	256	306	344
Interest paid	( 2 )	( 2 )	( 3 )
Income taxes paid	( 10,575 )	( 7,916 )	( 10,201 )
Net cash provided by operating activities	17,473	10,421	19,701

(millions of yen)

	Previous 3rd Quarter (From March 1, 2006 to November 30, 2006)	Current 3rd Quarter (From March 1, 2007 to November 30, 2007)	Last fiscal year (From March 1, 2006 to February 28, 2007)
	Amount	Amount	Amount
<b>2. Cash flows from investing activities:</b>			
Payments for time deposits	-	( 1,600 )	( 800 )
Proceeds from repayment of time deposits	-	800	800
Decrease in marketable securities	700	-	700
Increase in property and equipment	( 8,200 )	( 7,624 )	( 10,468 )
Decrease in property and equipment	345	280	419
Increase in intangible fixed assets and long-term prepaid expenses	( 2,736 )	( 4,136 )	( 3,401 )
Increase in investment securities	( 1,146 )	( 300 )	( 1,146 )
Decrease in investment securities	4	115	154
Increase in cash through acquisition of a consolidated subsidiary	115	-	115
Proceeds from long-term advances received	147	1,739	148
Increase in loans receivable	( 2,395 )	( 615 )	( 2,572 )
Collection of loans receivable	2,471	685	2,902
Increase in long-term leasehold deposits	( 4,803 )	( 4,791 )	( 7,318 )
Collection of fixed leasehold deposits	4,083	3,981	5,234
Other	( 264 )	28	22
Net cash used in investing activities	( 11,680 )	( 11,436 )	( 15,209 )
<b>3. Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	( 96 )	-	( 218 )
Repayment of long-term debt	( 165 )	-	( 226 )
Increase in treasury stock	( 4,530 )	( 4 )	( 5,007 )
Dividends paid	( 3,274 )	( 3,266 )	( 3,273 )
Increase in guarantee deposits received	600	635	815
Decrease in guarantee deposits received	( 1,368 )	( 1,260 )	( 1,942 )
Other	( 3 )	942	( 4 )
Net cash used in financing activities	( 8,838 )	( 3,894 )	( 9,856 )
<b>4. Net (decrease) increase in cash and cash equivalents</b>	( 3,045 )	( 4,910 )	( 5,364 )
<b>5. Cash and cash equivalents at beginning of year</b>	68,803	64,957	68,803
<b>6. Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation</b>	1,518	502	1,518
<b>7. Cash and cash equivalents, end of the 3rd Quarter (year)</b>	67,277	60,549	64,957

## **(Reference) Non-Consolidated Financial Statements**

### **(1) Non-Consolidated Balance Sheets**

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

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2006)		Current 3rd Quarter (As of November 30, 2007)		Last fiscal year (As of February 28, 2007)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
<b>(ASSETS)</b>						
<b>1. Current assets</b>						
Cash and cash equivalents	50,358		46,722		48,357	
Due from franchised stores	3,907		3,507		3,186	
Marketable securities	14,020		12,016		14,011	
Inventories	2,594		2,784		2,364	
Deferred tax assets	1,156		1,200		918	
Short-term loans receivable for subsidiaries	1,070		1,650		1,350	
Other accounts receivable	9,387		12,672		10,030	
Other current assets	7,243		7,386		7,212	
Allowance for doubtful accounts	(549)		(629)		(528)	
Total current assets	89,189	42.7	87,310	41.7	86,903	41.7
<b>2. Fixed assets</b>						
Property and equipment						
Buildings	22,688		23,755		23,663	
Furniture and fixtures	3,828		3,778		3,986	
Land	8,916		8,569		8,914	
Other property and equipment	6,748		7,052		7,061	
Total property and equipment	42,181	20.2	43,156	20.6	43,626	20.9
Intangible fixed assets						
System software	2,508		3,459		3,021	
System software development in progress	1,275		1,851		569	
Other intangible fixed assets	2,503		2,786		2,625	
Total intangible fixed assets	6,286	3.0	8,097	3.8	6,216	3.0
<b>3. Investment and other assets</b>						
Investment in securities	4,442		4,052		4,543	
Investment in affiliated company	4,179		3,750		3,802	
Long-term loans receivable for affiliated company	50		186		47	
Deferred tax assets	3,609		4,041		3,642	
Long-term leasehold deposits	51,517		50,960		52,245	
Other investment	8,484		9,147		8,680	
Allowance for doubtful accounts	(1,192)		(1,182)		(1,258)	
Total investment and other assets	71,091	34.1	70,957	33.9	71,702	34.4
Total fixed assets	119,559	57.3	122,210	58.3	121,546	58.3
Total assets	208,748	100.0	209,520	100.0	208,449	100.0

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2006)		Current 3rd Quarter (As of November 30, 2007)		Last fiscal year (As of February 28, 2007)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
<b>(LIABILITIES)</b>						
1. Current liabilities						
Trade payable	39,244		38,289		34,760	
Due to franchised stores	1,818		1,742		2,436	
Other accounts payable	3,507		3,491		4,758	
Income taxes payable	2,259		2,554		3,543	
Money held as agent	22,427		18,072		22,790	
Allowance for bonuses to employees	1,413		1,391		738	
Allowance for bonuses to directors	44		31		41	
Allowance for incentive points	-		80		-	
Other current liabilities	3,179		3,245		3,011	
Total current liabilities	73,894	35.4	68,898	32.9	72,079	34.6
2. Long-term liabilities						
Allowance for employees' retirement benefits liability	2,243		1,165		2,359	
Leasehold deposits received	11,767		10,992		11,485	
Long-term income in advance	1,061		2,479		997	
Allowance for impairment loss on leased property	871		981		1,081	
Other long-term liabilities	54		42		48	
Total long-term liabilities	15,999	7.7	15,661	7.5	15,973	7.6
Total liabilities	89,894	43.1	84,560	40.4	88,052	42.2
<b>(NET ASSETS)</b>						
1. Shareholder's equity						
Common stock	8,380	4.0	8,380	4.0	8,380	4.0
Capital surplus						
Additional paid-in capital	36,090		36,090		36,090	
Other capital surplus	3		3		3	
Total Capital surplus	36,094	17.3	36,093	17.2	36,093	17.3
Retained earnings						
Legal reserve	687		687		687	
Other retained earnings						
General reserve	68,921		76,221		68,921	
Retained earnings carried forward	8,561		8,062		10,520	
Total Retained earnings	78,170	37.4	84,971	40.6	80,129	38.5
Treasury stock	(4,545)	(2.2)	(5,025)	(2.4)	(5,021)	(2.4)
Total shareholders' equity	118,099	56.5	124,420	59.4	119,581	57.4
2. Unrealized gains or losses and translation differences, etc.						
Net unrealized gains on available-for-sale securities	754		540		815	
Total unrealized gains or losses and translation differences, etc.	754	0.4	540	0.2	815	0.4
Net Assets	118,854	56.9	124,960	59.6	120,397	57.8
Total Liabilities and Net Assets	208,748	100.0	209,520	100.0	208,449	100.0

## (2) Non-Consolidated Statements of Income

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

(Millions of yen)

Account item	Previous 3rd Quarter (From March 1, 2006 to November 30, 2006)			Current 3rd Quarter (From March 1, 2007 to November 30, 2007)			Last fiscal year (From March 1, 2006 to February 28, 2007)		
	Amount		Composition ratio %	Amount		Composition ratio %	Amount		Composition ratio %
1. Operating revenues									
Franchise commissions from franchised stores	76,275			75,173			99,271		
Net sales reported by Franchised Stores (Figures for excluding non- consolidated area franchised stores.)									
Previous 3rd Quarter ¥ 611,386 million									
Current 3rd Quarter ¥ 595,888 million									
Last fiscal year ¥ 800,954 million									
Total net sales of franchised and company-owned stores (Figures for exclude non- Consolidated area franchised stores.)									
Previous 3rd Quarter ¥ 665,001 million									
Current 3rd Quarter ¥ 656,043 million									
Last fiscal year ¥ 872,844 million									
Other revenues	9,304	85,580	61.5	9,220	84,393	58.4	12,360	111,631	60.8
2. Net sales of company-owned stores	[53,614]	53,614	[100.0] 38.5	[60,154]	60,154	[100.0] 41.6	[71,889]	71,889	[100.0] 39.2
<b>Total operating revenues</b>		139,194	100.0		144,548	100.0		183,521	100.0
3. Cost of goods sold	[40,357]	40,357	[75.3] 29.0	[45,232]	45,232	[75.2] 31.3	[54,300]	54,300	[75.5] 29.6
Gross profit on sales	[13,257]		[24.7]	[14,921]		[24.8]	[17,589]		[24.5]
Operating gross profit		98,837	71.0		99,315	68.7		129,221	70.4
4. Selling, general and administrative Expenses		79,633	57.2		82,195	56.9		106,285	57.9
<b>Operating income</b>		19,203	13.8		17,119	11.8		22,935	12.5
5. Non-operating income		782	0.6		956	0.7		1,115	0.6
6. Non-operating expenses		1,601	1.2		1,739	1.2		2,216	1.2
<b>Recurring profit</b>		18,384	13.2		16,336	11.3		21,834	11.9
7. Extraordinary gains		211	0.2		1,512	1.1		1,024	0.6
8. Extraordinary losses		3,705	2.7		3,750	2.6		4,635	2.5
<b>Income before income taxes</b>		14,890	10.7		14,098	9.8		18,223	10.0
Income taxes-current	6,618			6,484			7,829		
Income taxes-deferred	(175)	6,443	4.6	(494)	5,989	4.2	(11)	7,818	4.3
<b>Net Income</b>		8,446	6.1		8,108	5.6		10,405	5.7

### (3) Non-Consolidated Statement of Changes in Shareholders' Equity

Previous Third Quarter of Fiscal 2007 (From March 1, 2006 to November 30, 2006)

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

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Shareholders' equity
		Additional paid-in capital	Other capital surplus	Total		Other retained earnings		Total		
					General reserve	Retained earnings carried forward				
Balance at February 28, 2006	8,380	36,090	2	36,093	687	60,421	119,448	73,057	(14)	117,516
Changes during the period										
Cash dividends							(3,273)	(3,273)		(3,273)
Directors' bonuses							(59)	(59)		(59)
Net income							8,446	8,446		8,446
Net change in treasury stock									(4,530)	(4,530)
Cancellation of treasury stock			0	0					0	0
Transfers between reserves						8,500	(8,500)	-		-
Changes in items other than shareholders' equity (net)										
Total	-	-	0	0	-	8,500	(3,386)	5,113	(4,530)	583
Balance at November 30, 2006	8,380	36,090	3	36,094	687	68,921	8,561	78,170	(4,545)	118,099

(Millions of yen)

	Unrealized gains or losses and translation differences, etc.		Total equity
	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.	
Balance at February 28, 2006	1,026	1,026	118,542
Changes during the period			
Cash dividends			(3,273)
Directors' bonuses			(59)
Net income			8,446
Net change in treasury stock			(4,530)
Cancellation of treasury stock			0
Transfers between reserves			-
Changes in items other than shareholders' equity (net)	(271)	(271)	(271)
Total	(271)	(271)	312
Balance at November 30, 2006	754	754	118,854

**Current Third Quarter of Fiscal 2008 (From March 1, 2007 to November 30, 2007)**

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

(Millions of yen)

	Shareholders' equity									
	Capital surplus	Retained earnings			Legal reserve	Treasury stock			Treasury stock	Shareholders' equity
		Additional paid-in capital	Other capital surplus	Total		Other retained earnings		Total		
						General reserve	Retained earnings carried forward			
Balance at February 28, 2007	8,380	36,090	3	36,093	687	68,921	10,520	80,129	(5,021)	119,581
Changes during the period										
Cash dividends							(3,266)	(3,266)		(3,266)
Net income							8,108	8,108		8,108
Net change in treasury stock									(4)	(4)
Cancellation of treasury stock			(0)	(0)					1	0
Transfers between reserves						7,300	(7,300)	-		-
Changes in items other than shareholders' equity (net)										
Total	-	-	(0)	(0)	-	7,300	(2,458)	4,841	(3)	4,838
Balance at November 30, 2007	8,380	36,090	3	36,093	687	76,221	8,062	84,971	(5,025)	124,420

(Millions of yen)

	Unrealized gains or losses and translation differences, etc.		Total equity
	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.	
Balance at February 28, 2007	815	815	120,397
Changes during the period			
Cash dividends			(3,266)
Net income			8,108
Net change in treasury stock			(4)
Cancellation of treasury stock			0
Transfers between reserves			-
Changes in items other than shareholders' equity (net)	(275)	(275)	(275)
Total	(275)	(275)	4,563
Balance at November 30, 2007	540	540	124,960

**For the Fiscal year 2007 (From March 1, 2006 to February 28, 2007)**

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

(Millions of yen)

	Shareholders' equity									
	Capital surplus	Retained earnings			Legal reserve	Treasury stock			Treasury stock	Shareholders' equity
		Additional paid-in capital	Other capital surplus	Total		Other retained earnings		Total		
						General reserve	Retained earnings carried forward			
Balance at February 28, 2006	8,380	36,090	2	36,093	687	60,421	11,948	73,057	(14)	117,516
Changes during the period										
Cash dividends							(3,273)	(3,273)		(3,273)
Directors' bonuses							(59)	(59)		(59)
Net income							10,405	10,405		10,405
Net change in treasury stock									(5,007)	(5,007)
Cancellation of treasury stock			0	0					0	1
Transfers between reserves						8,500	(8,500)	-		-
Changes in items other than shareholders' equity (net)										
Total	-	-	0	0	-	8,500	(1,427)	7,072	(5,006)	2,065
Balance at February 28, 2007	8,380	36,090	3	36,093	687	68,921	10,520	80,129	(5,021)	119,581

(Millions of yen)

	Unrealized gains or losses and translation differences, etc.		Total equity
	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.	
Balance at February 28, 2006	1,026	1,026	118,542
Changes during the period			
Cash dividends			(3,273)
Directors' bonuses			(59)
Net income			10,405
Net change in treasury stock			(5,007)
Cancellation of treasury stock			1
Transfers between reserves			-
Changes in items other than shareholders' equity (net)	(210)	(210)	(210)
Total	(210)	(210)	1,854
Balance at February 28, 2007	815	815	120,397