

Summary of Consolidated Financial Statements for the year ended February 29, 2008. (March 1, 2007 to February 29, 2008)

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 the annual general meeting of shareholders: May 21, 2008

Date of dividend payment: May 22, 2008

Prepared in accordance with the financial accounting standards in Japan.

1. Results for the Fiscal Year Ended February 29, 2008 (March 1, 2007 to February 29, 2008)

(1) Consolidated Operating Results

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

	Total operating revenues [Total sales]		Operating income		Recurring profit	
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %
2008 fiscal year	206,373 [902,423]	6.2 [(1.0)]	21,095	(8.7)	19,470	(11.9)
2007 fiscal year	194,392 [911,281]	5.5 [(0.9)]	23,113	(10.4)	22,110	(11.7)

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
2008 fiscal year	8,579	(16.2)	102.43	-
2007 fiscal year	10,237	(11.0)	119.92	-

	Return on equity	Recurring profit ratio of total assets	Operating income ratio of total operating revenues
	%	%	%
2008 fiscal year	7.0	9.0	10.2
2007 fiscal year	8.7	10.4	11.9

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity Per share
	Millions of yen	Millions of yen	%	Yen
2008 fiscal year	218,821	124,631	57.0	1,487.72
2007 fiscal year	212,377	119,883	56.4	1,431.27

(Reference) Shareholders' equity (Millions of yen)

2008 fiscal year 124,607

2007 fiscal year 119,883

(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
2008 fiscal year	21,262	(15,791)	(4,168)	66,763
2007 fiscal year	19,701	(15,209)	(9,856)	64,957

2. Dividends Status

Record date	Dividends per share (yen)			Dividends Paid (million)	Payout ratio (%)	DOE (%)
	Interim period	Fiscal year	Total			
2007 fiscal year	19.00	19.00	38.00	3,228	31.7	2.7
2008 fiscal year	20.00	20.00	40.00	3,350	39.1	2.7
2009 fiscal year (plan)	20.00	20.00	40.00	-	50.6	-

3. Forecast of Consolidated Results for the Year Ending February 28, 2009

	Operating revenue [Total sales]		Operating income		Recurring profit	Net income	Net income per share
	Millions of yen	%	Millions of yen		Millions of yen	Millions of yen	Yen
2009 interim period	104,690	0.1	10,730	(7.2)	10,300 (7.3)	3,830 (14.6)	45.73
	[456,950]	[(1.4)]					
2009 fiscal year	206,160	(0.1)	17,000	(19.4)	15,800 (18.9)	6,620 (22.8)	79.04
	[898,280]	[(0.5)]					

4. Other

(1) Change in scope of consolidation and equity method : None

(2) Change in accounting policies : Yes

(3) Shares outstanding

1. Average number of shares end of period (Including treasury stock)	2008 fiscal year	86,183,226 shares
	2007 fiscal year	86,183,226 shares
2. Average number of treasury stocks end of period	2008 fiscal year	2,425,708 shares
	2007 fiscal year	2,423,589 shares

(Reference)**1. Non-Consolidated Results for the Fiscal Year Ended February 29, 2008.****(March 1, 2007 to February 29, 2008)****(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 %
2008 fiscal year	189,247 [860,041]	3.1 [(1.5)]	21,476	(6.4)	19,702	(9.8)
2007 fiscal year	183,521 [872,844]	1.6 [(2.9)]	22,935	(10.8)	21,834	(12.5)

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
2008 fiscal year	8,648	(16.9)	103.25	-
2007 fiscal year	10,405	(10.8)	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
2008 fiscal year	214,867	125,483	58.4	1,498.18
2007 fiscal year	208,449	120,397	57.8	1,437.41

(Reference) Shareholders' equity 2008 fiscal year 125,483 2007 fiscal year 120,397
(Millions of yen)

2. Forecast of Non-Consolidated Results for the Year Ending February 28, 2009

	Operating revenue [Total sales]		Operating income	Recurring profit	Net income	Net income per share
	Millions of yen	%	Millions of yen	Millions of yen	Millions of yen	Yen
2009 interim period	93,560 [432,940]	(3.2) [(2.1)]	11,080	10,670	4,660	55.63
2009 fiscal year	182,000 [848,390]	(3.8) [(1.4)]	17,600	16,480	7,850	93.72

(Note) 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.

1. Operating Results

(1) Overview of Fiscal 2008 (March 1, 2007 to February 29, 2008)

In fiscal 2008, the Japanese economy continued to stage a gradual recovery. This was evidenced by significant real GDP growth for the 2007 October-December quarter, at 3.5% on an annualized basis, according to the government's second preliminary estimates. However, there were some signs of a slowdown such as lackluster housing construction. Meanwhile, corporate earnings have remained generally strong, and a gradual increase in personal income has improved household finances, leading to stronger consumer spending.

In the retail sector, however, overall sales of food, apparel, luxury goods and other items were lackluster, reflecting weak consumer sentiment caused by a residents' tax hike, tumbling stock prices, and rising gasoline and food prices. This was despite relatively favorable weather conditions in fiscal 2008, such as a heat wave in August 2007 and lower temperatures from the end of 2007. Furthermore, the disparity between urban areas, such as Tokyo and Nagoya, and regional areas in terms of signs of economic recovery and income levels widened, while differences between regions were also apparent in terms of sales trends at retailers.

In the convenience store industry, Circle K Sunkus continued to face a challenging business environment, characterized by increasingly intense competition transcending industry lines, involving not only rival convenience store chains, but also restaurants, supermarkets, drug stores, and discount retailers. Sales of mainstay rice dishes, delicatessen items and other products were lackluster, mainly reflecting diversifying customer needs, but also partly due to weather-related factors such as an extended rainy season and typhoons, and a sharp drop in temperatures from the end of 2007.

Against this backdrop, in fiscal 2008, total operating revenues at Circle K Sunkus rose 6.2% year on year to ¥206,373 million on a consolidated basis, mainly due to an increase in the number of consolidated subsidiaries and a rise in sales at Company-owned stores. However, operating income declined 8.7% year on year to ¥21,095 million, mainly due to a decrease in revenues from franchised stores, and an increase in SG&A expenses, including personnel expenses and store leasing expenses. Recurring profit fell 11.9% to ¥19,470 million, reflecting an increase in non-operating expenses such as losses on the cancellation of lease contracts as the Company actively closed Company-owned and unprofitable stores. Circle K Sunkus recorded an extraordinary gain of ¥1,548 million, 51.2% higher than in the previous fiscal year, mainly due to a gain on the return of the substitutional portion of the employees' pension fund for employees of the former SUNKUS & ASSOCIATES INC. However, the Company also booked an extraordinary loss of ¥5,779 million, up 21.7% year on year, mainly stemming from a higher loss on disposal of fixed assets in line with the closure of more stores, and impairment losses. As a result, income before income taxes decreased 17.1% year on year to ¥15,239 million and net income consequently dropped 16.2% to ¥8,579 million.

The following is an overview of Circle K Sunkus' businesses by segment.

[Convenience Store Business]

In fiscal 2008, existing store sales were strong overall, partly due to improved sales in the Kanto region, as well as a rise in sales of tobacco reflecting higher prices following a tax hike in July 2006 and strong sales of new integrated original baked goods and original dessert brands. However, existing store sales for the full fiscal year fell 1.8% on a non-consolidated basis, partly due to a sharp drop in temperatures from

the end of 2007, and lackluster sales in the Hokkaido, Tohoku and other regions.

Consequently, total store sales, including Circle K Sunkus' five consolidated subsidiaries in the convenience store business, reached ¥902,423 million. Incidentally, 99 Ichiba Co., Ltd., an operator of new-format 99 Ichiba supermarkets offering an extensive lineup of fresh foods, became a consolidated subsidiary of Circle K Sunkus in fiscal 2008.

The average product markup was 28.99%, an increase of 0.02 of a point from the previous fiscal year. This mainly reflected the completion of the integration of the vendor and logistics networks in the fast food and perishable food categories, as well as the integration of food ingredients, despite growth in low-margin tobacco and service category sales.

Summary of Store Performance (March 1, 2007 to February 29, 2008)

	Non-consolidated	Consolidated		Total
		Four area franchisers total	99 Ichiba	
Total store sales (¥ million)	860,041	36,874	5,507	902,423
Year-on-year (YoY) change (%)	(1.5)	(4.1)	-	(1.0)
YoY change in existing store sales (%)	(1.8)	(3.3)	-	-
Average product markup (%)	28.99	-	-	-
Stores opened	284	20	35	339
Stores closed	459	28	1	488
Total stores at period-end	4,929	257	52	5,238

*The above "four area franchisers total" is the sum of results for four subsidiaries, namely Sunkus Nishi-Saitama Co., Ltd., Sunkus Aomori Co., Ltd., Sunkus Kitakanto Co., Ltd. and Sunkus Nishi-Shikoku Co., Ltd.

In store operations, Circle K Sunkus continued to strive to enhance customer satisfaction by thoroughly ensuring the Four Basic Principles (friendliness, cleanliness, keeping shelves stocked, and managing freshness), which utilize customer satisfaction evaluation points. In fiscal 2008, the Company conducted store supervisor training programs nationwide, with the aim of providing better guidance to franchised stores. Furthermore, the Head Office increased investment in the revitalization of existing stores and implemented incentive-point collection campaigns and other sales promotion measures in a bid to raise franchised store sales. At the same time, it assisted in the hiring of part-time and temporary store staff by making use of mobile phone job recruitment sites and other means.

On the store development front, Circle K Sunkus stepped up efforts to deal with unprofitable stores by relocating stores and pushing ahead with its scrap-and-build program. Meanwhile, by thoroughly implementing a store opening strategy based on regional characteristics that makes use of the strengths of the two convenience store brands, the Company aimed to improve store quality (average daily sales at new stores) and productivity. The Company also worked to sign up, foster and train outstanding franchisee candidates using the "Venture Employee System" and an incentive plan for managing multiple stores. In fiscal 2008, seven participants in the "Venture Employee System" gained independence and opened their own franchised stores. The "Venture Employee System" had 61 participants as of February 29, 2008.

Circle K Sunkus has been pursuing store development activities based on stronger ties with leading companies. In April, the Company opened a store in the Higashi Meihan Expressway Ooyamada parking

area (up lane), followed by another one in the Tokai Hokuriku Expressway Hirugano service area (down lane) in July. In addition, 99 Ichiba Co., Ltd., a consolidated subsidiary of Circle K Sunkus, stepped up store openings as it endeavored to cater to customer needs not fully met by conventional convenience stores, such as the needs of younger and middle-aged women and senior citizens.

During fiscal 2008, Circle K Sunkus opened 339 stores (including 35 99 *Ichiba* stores). Meanwhile, it stepped up relocation of stores to optimal locations. In parallel, Circle K Sunkus closed 488 stores (including 1 99 *Ichiba* store), focusing on actively closing unprofitable stores centering on Company-owned stores. As a result, Circle K Sunkus had a total of 5,238 stores (including 52 99 *Ichiba* stores) as of February 29, 2008.

On the product development front, Circle K Sunkus completed the integration of vendor and logistics networks in the fast foods and perishable foods categories in all regions with the integration of the Kanto region in July 2007. This has established a system for the development of tasty, original products that are reliable, safe, and healthy. In May 2007, the Company launched a new original baked goods brand called *Magokoro Jikomi Oishii Pan Seikatsu* that combines the original bread product lines of Circle K and Sunkus. This was followed in November 2007 by the launch of a new original dessert brand called *Cherie Dolce*. Both brands have performed strongly in terms of sales. Circle K Sunkus also further promoted the development of products that address the polarization of consumer needs—i.e., the tendency for consumers to seek either reasonably priced products or high-quality, value-added products depending on their day-to-day needs. By reinforcing its regional product development organization, the Company also worked hard to develop regional products that reflect local tastes and use local ingredients for specific regions.

Turning to 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). This move comes in response to ongoing growth in electronic money transactions in Japan. As of February 29, 2008, Circle K Sunkus had sold more than 970,000 *KARUWAZA CLUB* house cards with Edy electronic money, and *KARUWAZA CLUB* members, who are eligible for shopping points, had surpassed the 330,000 mark. The Company plans to grow its loyal customer base by signing up even more members going forward. Additionally, from February 2008, all products ordered via Rakuten Books can be paid for and picked up at any Circle K or Sunkus store. This new service has resulted in a sharp increase in the use of store pickup services for products purchased via Internet mail-order sites.

Furthermore, Circle K Sunkus began offering an original ATM service called *Bank Time*, with Resona Bank as the principal bank, at stores in the Kansai region from February 2008.

In terms of social contribution activities, Circle K Sunkus conducts Safety Station activities at all stores based on the two themes of helping to build safe and secure neighborhoods and creating environments conducive to the sound development of youth. Safety Station activities are conducted by the Japan Franchise Association's 12 member companies representing 22 convenience store chains. Separate from these activities, Circle K Sunkus conducts its own social contribution activities, including store fundraising activities, emergency relief activities in response to major disasters, and NPO support activities.

In regard to store fundraising activities, Circle K Sunkus standardized different fundraising activities at Circle K and Sunkus stores in August 2007. The Company has decided to divide the fiscal year into three

collection periods and to raise funds for the “Nationwide Guide Dog Campaign,” the “Environmental Preservation Fund” and Japan UNICEF in each respective collection period.

Examples of fiscal 2008 emergency relief activities in response to major disasters included the provision of emergency relief supplies and financial assistance, as well as emergency fundraising activities at stores, for areas affected by the Noto Peninsula Earthquake of March 2007 and the Niigata-Chuetsu Offshore Earthquake in July that year. Furthermore, Circle K Sunkus signed agreements with Ishikawa Prefecture, Osaka, and Gifu Prefecture in fiscal 2008 to strengthen the Company’s “lifeline” infrastructure for quickly distributing daily necessities such as food and water in the event of a major disaster.

In regard to NPO support activities, Circle K Sunkus made a donation to the Japan Team of Young Human Power (JHP), an NPO that builds and renovates schools mainly in Cambodia, and which offers educational support and other volunteer-based activities. Circle K Sunkus has continuously supported JHP since fiscal 2003, and has assisted in the construction of nine buildings for five elementary and junior high schools through fiscal 2008. Currently, more than 3,000 students are studying at these schools. Circle K Sunkus also made a donation to NPO Family House, which provides affordable lodging for families of children from all over Japan who are battling serious illnesses such as cancer.

Circle K Sunkus continuously reinforces its environmental activities, focusing on waste recycling, energy conservation (reduction of CO₂ emissions) and reducing plastic shopping bag usage. In fiscal 2008, following the October 2007 enforcement of an ordinance requiring retailers to charge for plastic shopping bags in Midori Ward, Nagoya in Aichi Prefecture, Circle K Sunkus worked to reduce plastic shopping bag usage by providing free original reusable shopping bags at stores in Midori Ward. Furthermore, at stores in Tokyo’s Suginami Ward, Nagoya’s Midori Ward and elsewhere, the Company offered “I don’t need a plastic shopping bag” cards as part of an initiative by the Japan Franchise Association.

[Other Businesses]

In other businesses, ZERO NETWORKS Co., Ltd. is contracted to conduct “Zero Bank” ATM operations. The company has formed an alliance with the Ogaki Kyoritsu Bank, Ltd. to offer “Zero Bank” ATM services, and is installing ATMs at Circle K and Sunkus stores in Aichi and Gifu prefectures. It has also formed an alliance with The Mie Bank, Ltd., and installed ATMs at stores in Mie Prefecture. Subsequently, ZERO NETWORKS teamed up with The Tokyo Star Bank, Ltd. to begin installing these ATMs at stores in the Kanto region (Tokyo and Kanagawa, Chiba and Saitama prefectures). As a result, the company had installed a total of 2,475 “Zero Bank” ATMs as of February 29, 2008. Furthermore, Circle K Sunkus began offering an original ATM service called *Bank Time*, with Resona Bank as the principal bank, at stores in the Kansai region from February 2008. As a result, ZERO NETWORKS recorded total operating revenues of ¥4,774 million in fiscal 2008, up 18.9% year on year.

Note: Figures in the above segment information include inter-segment transactions.

[Outlook for Fiscal 2009]

In fiscal 2009, the Japanese economy is expected to experience a standstill in growth amid increasing risk of a downturn in corporate earnings and consumer spending, against the backdrop of the ongoing U.S. economic slowdown, lackluster financial and stock markets and rising price levels driven up by high crude oil and grain prices. As competition in the convenience store industry escalates, Circle K Sunkus will continue to face a challenging business environment.

In store operations, Circle K Sunkus will conduct the *Yume WAKU² Project*—franchised stores and Head Office will make a concerted, Company-wide effort to improve customer satisfaction. Franchised storeowners and store staff will participate in customer satisfaction enhancement forums to be held in various regions nationwide, in order to share a common vision for maximizing customer satisfaction. Efforts will also be focused on enhancing Circle K Sunkus’ brand image in conjunction with the launch of newly designed joint uniforms in June. Circle K Sunkus also aims to increase average purchase per customer by offering product lineups that match the location characteristics of each store and by developing product lineups for specific days of the week, as well as by selecting and fostering product categories to be strengthened on a store-by-store basis. From September, Circle K Sunkus will begin installing new Store Communications Servers (SCS), which lie at the heart of the Eighth Generation Store Information System, as part of efforts to enhance the precision of ordering and single-item inventory management at franchised stores.

On the store development front, Circle K Sunkus will implement strategies for opening stores by region. In profitable regions, it will make significant investments in opening new stores to reestablish a dominant presence in key areas. In other regions, the Company will focus on relocations and its scrap-and-build program. In addition, Circle K Sunkus will open new stores with an emphasis on low-cost, ROI-intensive operations as it gives top priority to quality (average daily sales at new stores) and profitability of stores. Additionally, Circle K Sunkus aims to achieve a net increase in the number of stores by signing up, fostering and training outstanding franchisee candidates using the “Venture Employee System” and the incentive plan for managing multiple stores.

Turning to product development, Circle K Sunkus will reinforce and develop processed noodles and baked goods as part of efforts to bolster core product categories such as fast foods. Aiming to develop better regional products, the Company will also expand the *MOT Project*—a plan to develop “locally produced, locally consumed” products in collaboration with local food producers, governments, and others partners. In addition, Circle K Sunkus will step up efforts to provide product lineups that reflect customer characteristics at each store. From April, Circle K Sunkus will unveil an original brand called *UUCS* that taps the Uny Group’s collective product development and procurement capabilities. By offering a balanced product lineup featuring both high-quality, high-value products and affordable, low-priced products—together with existing original brand products—Circle K Sunkus aims to satisfy the increasingly twin-fold nature of consumer needs.

On the services front, Circle K Sunkus will roll out multi-use copy machines (MFP) featuring a diverse range of service functions, such as printing of digital photos, from April. In-store multimedia terminals will be successively installed from August 2008. In February 2008, Circle K Sunkus began offering store pickup services for books purchased from Rakuten Books. Here, service volume has been steadily increasing. The Company will reinforce such initiatives as a means of attracting more customers to its stores. In regards to ATM services, Circle K Sunkus plans to complete the installation of *Bank Time* ATMs in the Kansai region by July. This will allow Circle K Sunkus to establish an ATM service network in the Kansai region, where the Company has a dominant store presence exceeded only by the Chukyo and Kanto regions. The Company will also start accepting a broader range of electronic money to enhance customer convenience, beginning with the acceptance of the post-payment electronic money format *iD* from April 2008.

Store Operating Performance Forecasts (March 1, 2008 to February 28, 2009)

	Non-consolidated	Consolidated		Total
		Four area franchisers total	99 Ichiba	
Total store sales (¥ million)	848,390	38,050	11,843	898,280
Year-on-year (YoY) change (%)	(1.4)	3.2	115.1	(0.5)
YoY change in existing store sales (%)	(1.0)	-	-	-
Average product markup (%)	29.04	-	-	-
Stores opened	280	29	46	355
Stores closed	260	16	6	282
Total stores at period-end	4,949	270	92	5,311

*The above “four area franchisers total” is the sum of results for four subsidiaries, namely Sunkus Nishi-Saitama Co., Ltd., Sunkus Aomori Co., Ltd., Sunkus Kitakanto Co., Ltd. and Sunkus Nishi-Shikoku Co., Ltd.

For fiscal 2009, Circle K Sunkus is forecasting total operating revenues on a consolidated basis of ¥206,160 million, a decrease of 0.1% year on year. On the earnings front, Circle K Sunkus is projecting consolidated operating income of ¥17,000 million, down 19.4% year on year, recurring profit of ¥15,800 million, 18.9% lower, and net income of ¥6,620 million, a decrease of 22.8%.

(2) Financial Position

(Assets, Liabilities and Net Assets)

As of February 29, 2008, total assets were ¥218,821million, ¥6,444 million lower than at the previous fiscal year-end. Total liabilities stood at ¥94,189 million, up ¥1,695 million from a year ago. Meanwhile, net assets increased ¥4,748 million to ¥124,631 million over the same period. As a result, the equity ratio was 57.0%.

(Cash Flows)

In fiscal 2008, operating activities provided net cash of ¥21,262 million, 7.9% more than in the previous fiscal year. The main components were income before income taxes and minority interest of ¥15,239 million, 17.1% less than in the previous fiscal year; loss on impairment of fixed assets of ¥2,715 million, down 14.3%; an increase of ¥3,131 million in money held as agent for payments of utility and other bills that are accepted at convenience stores, 44.6% more than in the previous fiscal year.

Net cash used in investing activities was ¥15,791 million, 3.8% more than in the previous fiscal year. Cash was used mainly for payments of ¥9,614 million, 8.1% less than in the previous fiscal year, for property and equipment, chiefly to open new stores and improve the functions of existing ones. Other components included an increase of ¥5,125 million in acquisition of intangible fixed assets and long-term prepaid expenses, 50.7% more than in the previous fiscal year, mainly stemming from the introduction of new POS registers and software development needed to provide new electronic payment services; and ¥6,271 million for the payment of long-term leasehold deposits, down 14.3% year on year.

Net cash used in financing activities was ¥4,168 million, 57.7% less than in the previous fiscal year. This reflected dividends paid of ¥3,263 million, 0.3% less than in the previous year, and a decrease in guarantee deposits received of ¥1,613 million, 16.9% less than in the previous year, mainly due to store closures.

As a result of the above, as of February 29, 2008, cash and cash equivalents were ¥66,763 million, an increase of ¥1,303 million (excluding increases in cash and cash equivalents from newly consolidated subsidiaries), or 2.8%, from the end of the previous fiscal year.

(Reference: Cash Flow-related Indices)

	Fiscal 2006	Fiscal 2007	Fiscal 2008
Equity ratio (%)	55.9	56.4	56.8
Equity ratio using fair value (%)	110.0	86.6	60.2
Ratio of cash flow to interest-bearing debt (%)	6.0	8.1	7.9
Interest coverage ratio (times)	12,774.7	6,013.2	8,062.0

(Notes) Equity ratio = Shareholders' equity / Total assets

Equity ratio using fair value = Market capitalization / Total assets

Ratio of cash flow to interest-bearing debt = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flow / Interest payments

*Each index is calculated using consolidated figures.

*Market capitalization is calculated by multiplying the share price at the fiscal term-end by the number of shares issued and outstanding at the fiscal term-end, excluding treasury stock.

*Operating cash flow represents net cash provided by (used in) operating activities as presented on the consolidated statement of cash flows. Interest-bearing debt represents liabilities shown on the balance sheet for which interest is paid by the Company. Interest payments represent interest paid as shown on the consolidated statements of cash flows.

(3) Basic Earnings Distribution Policy and Dividends for Fiscal 2008 and Fiscal 2009

Circle K Sunkus regards dividends as the most important means of returning earnings to shareholders. Circle K Sunkus' basic policy is to return profits to shareholders based on earnings growth, while building up retained earnings to bolster the operating base as necessary to sustain business growth into the future. More specifically, Circle K Sunkus considers the maintenance of stable dividends its first priority, as it return earnings to shareholders while carefully monitoring our medium-term earnings outlook, capital expenditure plans and financial position, with the aim of paying out at least 30% of net income as dividends.

Based on this basic policy, Circle K Sunkus paid an interim dividend of ¥20 per share for the first half of fiscal 2008. In addition, Circle K Sunkus plans to pay a year-end dividend of ¥20 per share, bringing the annual dividend for fiscal 2008 to ¥40 per share, ¥2 more than in the previous fiscal year. Despite its increasingly challenging business environment, Circle K Sunkus has decided to increase its dividend as it regards enhancing shareholders returns as an important management priority. The Company also projects an annual dividend for fiscal 2009 of ¥40 per share.

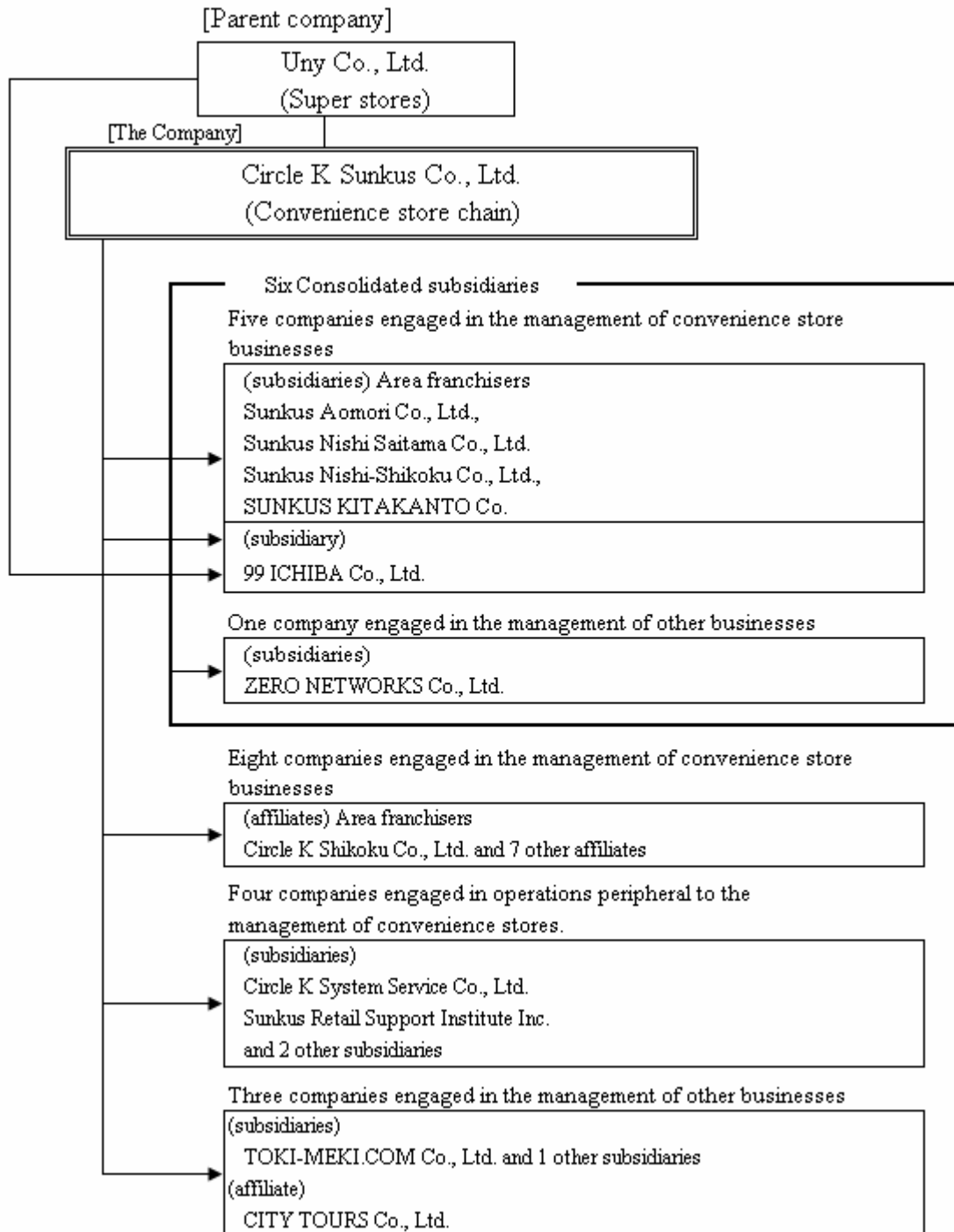
Retained earnings will be earmarked for investments related to store information systems, and for investments in developing new stores, revitalizing existing ones, and procuring product displays and other equipment for new products.

(4) Business Risks

As there have been no significant changes from the information disclosed in Circle K Sunkus' most recent securities report (filed on May 24, 2007), business risk information has been omitted.

2. Group Organization

The Circle K Sunkus Group is a member of the UNY Group, an operator of several major superstore chains, and comprises a total of 22 companies: Circle K Sunkus Co., Ltd., six consolidated subsidiaries, Sunkus Aomori Co., Ltd., Sunkus Nishi-Saitama Co., Ltd., SUNKUS KITAKANTO Co., Ltd., Sunkus Nishi-Shikoku Co., Ltd., ZERO NETWORKS Co., Ltd. and 99 Ichiba Co., Ltd. (newly consolidated from the beginning of fiscal 2008). We also have 6 other subsidiaries and 9 affiliates. It is primarily engaged in the development of convenience store franchises. With a store network extending from Hokkaido to Kagoshima, the Circle K Sunkus Group, including area franchisers, had a presence in 37 prefectures as of February 29, 2008. The following chart depicts the Circle K Sunkus Group.



(1) Changes in Major Group Companies

1) Convenience Store Business

As the earnings contribution of 99 Ichiba Co., Ltd. (subsidiary) has become increasingly significant, it became a consolidated subsidiary from the beginning of fiscal 2008.

2) Status of Group Companies

From the beginning of fiscal 2008, the following company became a consolidated subsidiary.

Name	Address	Capital Investment (¥ million)	Main Business Activities	Percentage of Voting Rights, etc. Held	Remarks
(Consolidated subsidiary) 99 Ichiba Co., Ltd.	Sumida-ku, Tokyo	499	Convenience store business	80.08% (19.92%)	Three directors hold concurrent posts

3. Management Policies

(1) Basic Management Policies

1) Management Philosophy

Circle K Sunkus established the following management philosophy at the time of its formation through a merger in September 2004: “We aim to be a company that achieves sustainable growth, while earning the trust of society.” Guided by this philosophy, we are committed to providing safe, high-quality and great-tasting products that engender peace of mind through our mainstay convenience store business, while also remaining earnestly engaged in social contribution and environmental protection activities. Circle K Sunkus will also fulfill social responsibilities commensurate with the size of its organization in terms of compliance, fair disclosure and in other areas. Through further reforms and creativity, Circle K Sunkus will raise its corporate value with the desire to continuously deliver value to shareholders, customers, local communities, franchisees, business partners, employees and all individual and institutional stakeholders.

2) Management Vision

Based on the management vision expressed in the slogans “Becoming a Truly Exciting (*WAKU WAKU*) Enterprise” and “Raising Quality,” Circle K Sunkus is committed to offering reliable, safe, healthy and great-tasting products and convenient and enjoyable services. The overarching goal is to develop stores that are better appreciated by customers.

(2) Management Targets

Circle K Sunkus’ management targets are to increase average daily sales per store to ¥500,000 or more on an all-store basis, and generate operating income of 3% or more of total store sales. These management targets will help the Company to quantitatively gauge progress toward realizing its new management vision. Another priority is to improve ROE by efficiently using shareholders’ equity to increase shareholder value.

(3) Medium-term Management Strategy

1) Business Environment and Strategic Goals

Competition in the retail sector is becoming complex and multi-faceted, cutting across industry and business lines. In the convenience store industry, larger companies are expected to rapidly outdistance medium-sized and smaller ones by capturing a growing share of the market. Furthermore, as Japan’s aging population and declining birthrate lead to a falling population and changing social structure, the

main customer base of convenience stores is tending to shift from younger to middle-aged and elderly customers. This means that Circle K Sunkus will need to satisfy new types of customer needs going forward. Furthermore, in response to growing public interest in corporate social responsibility (CSR), Circle K Sunkus will establish a management framework grounded on compliance by crafting and implementing an internal control system. Meanwhile, Circle K Sunkus also recognizes that CSR priorities, including environmental initiatives and community projects, must be reflected in management actions.

In this context, Circle K Sunkus has established three primary strategic goals. The first is to prioritize growth in operating income as a percentage of sales over growth in total store sales. The second is to prioritize quality improvements (i.e. increasing average daily sales per store) at individual stores over simply expanding the store network. The third is to prioritize winning a larger market share in prefectures where Circle K and Sunkus currently have stores, to become the market-share leader in more prefectures.

2) Medium-term Management Plan

Circle K Sunkus has formulated a Three-year Plan starting in fiscal 2009 to achieve these strategic goals. The Company will work to build a stronger earnings structure by strengthening sales capabilities and transforming its earnings (cost) structure across a diverse array of operations, including store operations and store, product and services development. Significant investments in the Eighth Generation Store Information System, store information terminals, and so on will be made to expand future sales and earnings, and to roll out new services. In parallel, Circle K Sunkus will implement rigorous low-cost operations and pursue greater returns on investments (cost effectiveness) to restore earnings growth from fiscal 2011.

(Medium-term Management Policies)

- Develop stores better appreciated by customers through the provision of true customer value
- Boldly develop new products and services, and new sales methods
- Promote regional strategies and monitor progress toward earnings by region
- Build a stronger earnings structure: raise quality (by improving average daily sales per store and average product markup), ensuring low-cost operations and increase ROE)
- Enhance and optimize operating efficiency: Standardize franchise agreements and introduce a new type of franchise agreement

(Three-year Plan)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Store openings	355	399	444
Store closures	282	300	315
Total stores at period-end	5,311	5,410	5,539
YoY change in existing store sales (%)	(1.0)	+0.5	+0.5
Average product markup (%)	29.04	29.04	29.09
Total store sales (¥ million)	898,280	924,290	959,360
Total operating revenues (¥ million)	206,160	216,480	233,280
Operating income (¥ million)	17,000	16,090	17,500
Recurring profit (¥ million)	15,800	14,900	16,100
Net income (¥ million)	6,620	6,430	7,360
Capital expenditures (¥ million)	42,800	29,030	26,970

*Figures for year-on-year changes in existing store sales and average product markup are shown on a non-consolidated basis; all other figures are shown on a consolidated basis.

*Capital expenditures include investments treated as leases.

3) Main Business Strategies

- Bolster sales capabilities by accelerating regional strategies through the establishment of regional divisions and monitoring of progress toward earnings targets by region
- Invest significantly in bolstering sales capabilities while maintaining a sound financial position, keeping capital expenditures, in principle, within cash flows and liquidity on hand (take an aggressive stance)
- Enhance profitability and capital efficiency through rigorous low-cost operations and the pursuit of greater returns on investments (cost effectiveness) (fortify the Company's defenses)
- Make Circle K and Sunkus the leading convenience store chains in terms of customer satisfaction by improving customer service and optimizing product lineups. Establish win-win relationships between the Franchise Headquarters and franchised stores by offering stronger support—i.e., transform the mindset of franchised storeowners and offer support for recruiting and training store staff, among other measures
- Restore unprofitable stores and regions to profitability by stepping up relocations and the scrap-and-build program, while investing significantly in new stores in profitable regions, to increase the quality of both convenience store chains in terms of average daily sales per store
- Improve Circle K Sunkus' brand image by providing reliable, safe, healthy and great-tasting products and implementing sales promotions supported by customers
- Boldly develop new products and services: new original products that tap the Uny Group's product development and procurement expertise; own original products and unique regional products; and product lineups that better reflect location and customer characteristics for each store
- Conduct management focused on compliance while establishing and improving an internal control system and corporate governance structure
- Strengthen environmental and social contribution activities such as conserving energy and reducing plastic shopping bag usage, and food recycling.

(4) Issues to Be Addressed

Based on the above strategies, Circle K Sunkus aims to strengthen sales capabilities across a diverse array of operations, including store operations, and store and product development, and to raise quality by tackling the following pressing issues:

1) Enhance and optimize operating efficiency

Circle K Sunkus will successively standardized franchise agreements at both convenience store chains, while considering a new type of franchise agreement as part of efforts to rebuild the overall franchise agreement structure. At the same time, the Company will standardize any differences in business processes as soon as possible in order to enhance operating and management efficiency.

2) Strengthen store operations

Efforts will be focused on enhancing Circle K Sunkus' brand image and boosting customer footfall by having Head Office, franchised storeowners and store staff share a common vision for improving customer satisfaction and work to enhance the level of customer service. Circle K Sunkus also aims to increase average purchase per customer by offering product lineups that better reflect the location characteristics of each store and by developing product lineups for specific days of the week, as well as by selecting and fostering product categories to be strengthened on a store-by-store basis.

3) Strengthen store development capabilities

Circle K Sunkus will implement strategies for opening stores by region. In profitable regions, it will make significant investments in opening new stores to reestablish a dominant presence in key areas. In other regions, the Company will focus on relocations and its scrap-and-build program. In addition, Circle K Sunkus will open new stores with an emphasis on low-cost, ROI-intensive operations as it gives top priority to quality (average daily sales at new stores) and profitability of stores. Additionally, Circle K Sunkus aims to maintain a net increase in the number of stores by steadily signing up franchisee candidates.

4) Reinforce product and service development capabilities

Circle K Sunkus will reinforce and develop safe, reliable, healthy and great-tasting original products and develop regional products that better reflect regional tastes and use regional ingredients in collaboration with local food producers, local governments, and other partners. Furthermore, Circle K Sunkus will develop original brand products that tap the Uny Group's collective product development and procurement capabilities. By offering a balanced product lineup featuring both high-quality, high-value products and affordable, low-priced products, Circle K Sunkus will satisfy these two increasingly apparent but opposing consumer needs. The Company will also develop and roll out new services as a means of attracting more customers to its stores.

5) Development of new business formats

Consolidated subsidiary 99 Ichiba Co., Ltd. is also developing the 99 Ichiba small supermarket format featuring fresh foods mainly priced at ¥99. 99 Ichiba is enjoying strong support from women, namely housewives, and senior citizens. Going forward, Circle K Sunkus will carefully study product lineups, prices, and store formats tailored to location and the characteristics of customer segments, to satisfy a more diverse spectrum of customer needs that are not fully satisfied by existing convenience stores.

4. 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 fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	
(ASSETS)						
1. Current assets						
Cash and cash equivalents	50,945		52,736		1,790	
Due from franchised stores	3,404		3,208		(195)	
Marketable securities	14,011		17,026		3,015	
Inventories	2,490		2,542		51	
Prepaid expenses	3,612		3,905		292	
Deferred tax assets	867		1,050		183	
Other accounts receivable	9,300		9,697		396	
Other current assets	4,276		4,425		149	
Allowance for doubtful accounts	(396)		(348)		47	
Total current assets	88,511	41.7	94,243	43.1	5,732	
2. Fixed assets						
(1) Property and equipment						
Buildings and equipment	55,108		57,549		2,441	
Accumulated depreciation	22,670	32,437	23,900	33,648	1,229	1,211
Equipment	197		189		(7)	
Accumulated depreciation	176	20	172	16	(3)	(4)
Furniture and fixtures	16,023		15,560		(462)	
Accumulated depreciation	11,951	4,072	11,696	3,864	(255)	(207)
Land		8,944		8,816	(128)	
Construction in progress		844		1,009	164	
Total property and equipment	46,319	21.8	47,355	21.6	1,035	
(2) Intangible fixed assets						
System software	3,047		3,844		796	
System software development in progress	569		1,511		941	
Goodwill	144		58		(86)	
Other intangible fixed assets	2,590		2,988		398	
Total intangible fixed assets	6,351	3.0	8,402	3.8	2,050	
(3) Investment and other assets						
Investment in securities	5,832		4,798		(1,033)	
Deferred tax assets	3,644		4,159		515	
Long-term leasehold deposits	54,053		52,781		(1,271)	
Other investment	9,117		8,567		(550)	
Allowance for doubtful accounts	(1,454)		(1,488)		(33)	
Total investment and other assets	71,193	33.5	68,819	31.5	(2,374)	
Total fixed assets	123,865	58.3	124,577	56.9	711	
Total assets	212,377	100.0	218,821	100.0	6,444	

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
		%		%	
(LIABILITIES)					
1. Current liabilities					
Trade payable	36,470		36,088		(381)
Due to franchised stores	2,672		2,496		(176)
Other accounts payable	5,738		5,862		123
Income taxes payable	3,617		3,304		(312)
Money held as agent	23,641		26,630		2,989
Allowance for bonuses to employees	765		771		5
Allowance for bonuses to directors	46		47		0
Allowance for incentive points	-		80		80
Other current liabilities	3,133		3,169		36
Total current liabilities	76,086	35.9	78,451	35.8	2,364
2. Long-term liabilities					
Allowance for employees' retirement benefits liability	2,380		708		(1,671)
Leasehold deposits received	11,753		11,096		(656)
Allowance for debt guarantees	-		136		136
Allowance for impairment loss on leased property	1,150		914		(235)
Other long-term liabilities	1,124		2,882		1,758
Total long-term liabilities	16,407	7.7	15,738	7.2	(669)
Total liabilities	92,493	43.6	94,189	43.0	1,695
(NET ASSETS)					
1. Shareholder's equity					
Common stock	8,380		8,380		-
Capital surplus	36,093		36,093		(0)
Retained earnings	79,617		84,636		5,018
Less, treasury stock	(5,021)		(5,025)		(4)
Total shareholders' equity	119,070	56.0	124,084	56.7	5,014
2. Unrealized gains or losses and translation differences, etc.					
Net unrealized gains on available-for-sale securities	812		523		(289)
Total unrealized gains or losses and translation differences, etc.	812	0.4	523	0.3	(289)
3. Minority Interest	0	0.0	24	0.0	23
Net Assets	119,883	56.4	124,631	57.0	4,748
Total Liabilities and Net Assets	212,377	100.0	218,821	100.0	6,444

(2) Consolidated Statements of Income

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

(Millions of yen)

Account item	Fiscal period		Previous fiscal year (From March 1, 2006 to February 28, 2007)		Current fiscal year (From March 1, 2007 to February 29, 2008)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
			%			%		
1. Operating revenues								
Franchise commissions from franchised stores	102,709			101,388			(1,321)	
Net sales reported by Franchised Stores (Figures for excluding non- consolidated area franchised stores.)								
Previous fiscal year ¥ 835,868 million								
Current fiscal year ¥ 814,406 million								
Total net sales of franchised and company-owned stores (Figures for exclude non- consolidated area franchised stores.)								
Previous fiscal year ¥ 911,281 million								
Current fiscal year ¥ 902,423 million								
Other revenues	12,437	115,147	59.2	12,510	113,898	55.2	73	(1,248)
2. Net sales of company-owned stores	<79,245>	79,245	<100.0> 40.8	<92,474>	92,474	<100.0> 44.8	(13,229)	13,229
Total operating revenues		194,392	100.0		206,373	100.0		11,980
3. Cost of goods sold	<60,359>	60,359	<76.2> 31.1	<70,614>	70,614	<76.4> 34.2	(10,255)	10,255
Gross profit on sales	<18,886>		<23.8>	<21,859>		<23.6>	(2,973)	
Operating gross profit		134,033	68.9		135,758	65.8		1,724
4. Selling, general and administrative Expenses		110,920	57.0		114,662	55.6		3,742
Operating income		23,113	11.9		21,095	10.2		(2,017)

(Millions of yen)

Account item	Fiscal period		Previous fiscal year (From March 1,2006 to February 28, 2007)		Current fiscal year (From March 1,2007 to February 29, 2008)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
			%			%		
5.Non-operating income								
Interest income	457			575			118	
Dividend income	99			99			(0)	
Gain on sales of securities	-			85			85	
Compensation income	456			515			59	
Other non-operating income	198			161			(36)	
Total non-operating income		1,211	0.6		1,438	0.7		227
6.Non-operating expenses								
Interest expense	41			43			1	
Loss on cancellation of lease Contracts	2,011			2,878			867	
Other non-operating expenses	160			141			(19)	
Total non-operating expenses		2,213	1.1		3,063	1.5		850
Recurring profit		22,110	11.4		19,470	9.4		(2,640)
7.Extraordinary gains								
Gain on sales of fixed asset	134			107			(27)	
Gain on collection of receivables	81			-			(81)	
Gain on returning of substitutional portion of Employee Pension Fund	-			1,339			1,339	
Compensation received for head office transfer	745			-			(745)	
Other extraordinary gains	61			101			39	524
Total extraordinary gains		1,024	0.5		1,548	0.8		
8.Extraordinary losses								
Loss on disposal of fixed assets	1,037			1,950			913	
Loss on cancellation of lease contracts	152			506			353	
Loss on the impairment of fixed assets	3,169			2,715			(454)	
Loss on upgrade of store facilities	79			-			(79)	
Provision to allowance for debt guarantees	-			136			136	
Other extraordinary losses	309			470			161	
Total extraordinary losses		4,748	2.4		5,779	2.8		1,030
Income before income taxes		18,386	9.5		15,239	7.4		(3,146)
Income taxes-current	7,932			7,265			(666)	
Income taxes-deferred	217	8,149	4.2	(503)	6,761	3.3	(720)	(1,387)
Minority interest in earnings of consolidated subsidiaries		(0)	(0.0)		(101)	(0.1)		(101)
Net Income		10,237	5.3		8,579	4.2		(1,657)

(3) Consolidated Statement of Changes in Shareholders' Equity

For the Fiscal 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

For the Fiscal 2008 (From March 1, 2007 to February 29, 2008)

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, 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			8,579		8,579				8,579
Acquisition of treasury stock				(5)	(5)				(5)
Net change in treasury stock		(0)		1	1				1
Increase in consolidated subsidiaries			(294)		(294)				(294)
Changes in items other than shareholders' equity						(289)	(289)	23	(265)
Total	-	(0)	5,018	(4)	5,014	(289)	(289)	23	4,748
Balance at February 29, 2008	8,380	36,093	84,636	(5,025)	124,084	523	523	24	124,631

(4) Consolidated Statements of Cash Flows

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

(millions of yen)

	Previous fiscal year (From March 1, 2006 to February 28, 2007)	Current fiscal year (From March 1, 2007 to February 29, 2008)	Increase (Decrease)
	Amount	Amount	Amount
1. Cash flows from operating activities:			
Income before income taxes	18,386	15,239	(3,146)
Depreciation and amortization	7,766	7,260	(505)
Impairment loss on fixed assets	3,169	2,715	(454)
Amortization of goodwill	122	75	(47)
Loss on write-down of investment securities	228	18	(209)
Gain on sale of investments in securities	-	(85)	(85)
Loss on sale or disposal of property and equipment	902	1,842	940
(Decrease) increase in allowance for doubtful accounts	(147)	(13)	133
Increase (decrease) in accrued bonuses to employees	(17)	(1)	15
Increase in accrued bonuses to directors	46	(1)	(48)
(Decrease) increase in employee retirement benefit liability	(132)	(1,557)	(1,424)
Increase in allowance for debt guarantees	-	136	136
Interest and cash dividends income	(556)	(674)	(117)
Interest expenses	41	43	1
(Increase) decrease in trade receivable	(347)	178	525
Decrease (increase) in inventories	(305)	18	323
(Decrease) increase in trade and due to franchised stores payable	(1,357)	(714)	643
Decrease in other accounts payable and accrued expenses	(427)	45	472
(Decrease) increase in money held as agent	2,165	3,131	965
Directors' bonus payments	(59)	-	59
Lease contract cancellation expenses	986	1,511	525
Other	(903)	(736)	166
Sub-total	29,562	28,432	(1,130)
Interest and dividends received	344	417	72
Interest paid	(3)	(2)	0
Income taxes paid	(10,201)	(7,584)	2,617
Net cash provided by operating activities	19,701	21,262	1,561

(millions of yen)

	Previous fiscal year (From March 1,2006 to February 28, 2007)	Current fiscal year (From March 1,2007 to February 29, 2008)	Increase (Decrease)
	Amount	Amount	Amount
2. Cash flows from investing activities:			
Payments for time deposits	(800)	(1,600)	(800)
Proceeds from repayment of time deposits	800	1,600	800
Increase in marketable securities	-	(3,000)	(3,000)
Decrease in marketable securities	700	-	(700)
Increase in property and equipment	(10,468)	(9,614)	853
Decrease in property and equipment	419	346	(73)
Increase in intangible fixed assets and long-term prepaid expenses	(3,401)	(5,125)	(1,724)
Increase in investment securities	(1,146)	(300)	846
Decrease in investment securities	154	115	(38)
Increase in cash through acquisition of a consolidated subsidiary	115	-	(115)
Proceeds from long-term advances received	148	2,505	2,356
Increase in loans receivable	(2,572)	(646)	1,926
Collection of loans receivable	2,902	708	(2,194)
Increase in long-term leasehold deposits	(7,318)	(6,271)	1,046
Collection of fixed leasehold deposits	5,234	5,461	227
Other	22	29	7
Net cash used in investing activities	(15,209)	(15,791)	(581)
3. Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(218)	-	218
Repayment of long-term debt	(226)	-	226
Increase in treasury stock	(5,007)	(5)	5,002
Dividends paid	(3,273)	(3,263)	9
Increase in guarantee deposits received	815	713	(101)
Decrease in guarantee deposits received	(1,942)	(1,613)	328
Other	(4)	1	5
Net cash used in financing activities	(9,856)	(4,168)	5,688
4. Net (decrease) increase in cash and cash equivalents	(5,364)	1,303	6,668
5. Cash and cash equivalents at beginning of year	68,803	64,957	(3,846)
6. Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	1,518	502	(1,016)
7. Cash and cash equivalents, end of the 1st Half (year)	64,957	66,763	1,805

5. 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 fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)		
	Amount		Composition ratio	Amount		Composition ratio	Amount
			%			%	
(ASSETS)							
1. Current assets							
Cash and cash equivalents	48,357			49,885			1,527
Due from franchised stores	3,186			3,025			(160)
Marketable securities	14,011			17,026			3,015
Merchandise	2,324			2,212			(111)
Inventories	40			32			(7)
Prepaid expenses	3,494			3,737			242
Deferred tax assets	918			1,168			249
Accrued income	87			75			(12)
Short-term loans receivable	17			23			5
Short-term loans receivable for affiliated company	1,350			2,150			800
Other accounts receivable	10,030			10,534			503
Long-term leasehold deposits collectible within one year	3,429			3,402			(26)
Other current assets	183			192			8
Allowance for doubtful accounts	(528)			(617)			(89)
Total current assets	86,903		41.7	92,848		43.2	5,945
2. Fixed assets							
(1) Property and equipment							
Buildings	39,041			39,960			918
Accumulated depreciation	15,377	23,663		15,633	24,326		256
Structures	12,487			13,485			997
Accumulated depreciation	6,231	6,255		7,050	6,434		818
Machinery and equipment	178			178			-
Accumulated depreciation	167	10		168	10		0
Automotive equipment	18			10			(7)
Accumulated depreciation	8	9		4	5		(4)
Furniture and fixtures	15,877			15,310			(567)
Accumulated depreciation	11,890	3,986		11,582	3,727		(308)
Land		8,914			8,783		(131)
Construction in progress		786			991		205
Total property and equipment	43,626		20.9	44,279		20.6	652

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)
	Amount	Composition ratio %	Amount	Composition ratio %	Amount
(2)Intangible fixed assets					
Goodwill	66		-		(66)
Right of leasehold	1,584		1,979		395
Right of trademarks	9		8		(1)
System software	3,021		3,810		788
System software development in progress	569		1,511		941
Right of rented house leasehold	423		430		6
Right of telephone	507		487		(19)
Other intangible fixed assets	33		30		(2)
Total intangible fixed assets	6,216	3.0	8,258	3.9	2,041
(3)Investment and other assets					
Investment in securities	4,543		4,025		(517)
Investment in affiliated company	3,802		3,610		(191)
Investments	2		2		(0)
Long-term loans receivable	622		461		(160)
Long-term loans receivable for affiliated company	47		332		285
Receivables in bankruptcy or reorganization	335		666		331
Long-term prepaid expenses	5,258		5,141		(117)
Deferred tax assets	3,642		4,159		516
Long-term leasehold deposits	52,245		50,504		(1,741)
Store leases in process	1,635		1,332		(302)
Other investment	825		558		(266)
Allowance for doubtful accounts	(1,258)		(1,315)		(56)
Total investment and other assets	71,702	34.4	69,480	32.3	(2,222)
Total fixed assets	121,546	58.3	122,018	56.8	471
Total assets	208,449	100.0	214,867	100.0	6,417

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
		%			
(LIABILITIES)					
1.Current liabilities					
Trade payable	34,760		33,995		(764)
Due to franchised stores	2,436		2,280		(156)
Other accounts payable	4,758		5,070		312
Accrued expenses	757		869		111
Income taxes payable	3,543		3,187		(356)
Consumption taxes payable	126		286		159
Money held as agent	22,790		25,718		2,928
Income in advance	535		496		(39)
Allowance for bonuses to employees	738		733		(5)
Allowance for bonuses to directors	41		41		(0)
Allowance for incentive points	-		80		80
Facility-related notes payable	795		616		(178)
Guarantee deposits refundable within one year	793		701		(92)
Other current liabilities	1		4		2
Total current liabilities	72,079	34.6	74,080	34.5	2,000
2.Long-term liabilities					
Allowance for employees' retirement benefits liability	2,359		686		(1,672)
Guarantee deposits received	11,485		10,849		(635)
Allowance for debt guarantees	-		136		136
Long-term income in advance	997		2,765		1,767
Allowance for impairment loss on leased property	1,081		822		(258)
Other long-term liabilities	48		42		(6)
Total long-term liabilities	15,973	7.6	15,302	7.1	(670)
Total liabilities	88,052	42.2	89,383	41.6	1,330

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	
(NET ASSETS)						
1. Shareholder's equity						
[1]Common stock	8,380	4.0	8,380	3.9		-
[2]Capital surplus						
(1)Additional paid-in capital	36,090		36,090		-	
(2)Other capital surplus	3		3		(0)	
Total Capital surplus	36,093	17.3	36,093	16.8		(0)
[3]Retained earnings						
(1)Legal reserve	687		687		-	
(2)Other retained earnings						
General reserve	68,921		76,221		7,300	
Retained earnings carried forward	10,520		8,602		(1,918)	
Total Retained earnings	80,129	38.5	85,511	39.8		5,381
[4]Treasury stock	(5,021)	(2.4)	(5,025)	(2.3)		(4)
Total shareholders' equity	119,581	57.4	124,959	58.2		5,377
2. Unrealized gains or losses and translation differences, etc.						
Net unrealized gains on available-for-sale securities	815		524			(291)
Total unrealized gains or losses and translation differences, etc.	815	0.4	524	0.2		(291)
Net Assets	120,397	57.8	125,483	58.4		5,086
Total Liabilities and Net Assets	208,449	100.0	214,867	100.0		6,417

(2) Non-Consolidated Statements of Income

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

(Millions of yen)

Account item	Fiscal period		Previous fiscal year (From March 1, 2006 to February 28, 2007)		Current fiscal year (From March 1, 2007 to February 29, 2008)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
			%			%		
1. Operating revenues								
Franchise commissions from franchised stores	99,271			98,042			(1,229)	
Net sales reported by Franchised Stores (Figures for excluding area franchised stores.)								
Previous fiscal year ¥ 800,954 million								
Current fiscal year ¥ 781,282 million								
Total net sales of franchised and company-owned stores (Figures for exclude area franchised stores.)								
Previous fiscal year ¥ 872,844 million								
Current fiscal year ¥ 860,041 million								
Other revenues	12,360	111,631	60.8	12,446	110,488	58.4	86	(1,143)
2. Net sales of company-owned stores	<71,889>	71,889	<100.0> 39.2	<78,759>	78,759	<100.0> 41.6	(6,869)	6,869
Total operating revenues		183,521	100.0		189,247	100.0		5,725
3. Cost of goods sold								
Inventory at beginning of year	2,019			2,324			304	
Purchase amount	54,605			59,345			4,740	
Total	56,624			61,670			5,045	
Inventory at end of year	2,324			2,212			(111)	
Cost of goods sold	<54,300>	54,300	<75.5> 29.6	<59,457>	59,457	<75.5> 31.4	(5,157)	5,157
Gross profit on sales	<17,589>		<24.5>	<19,301>		<24.5>	(1,712)	
Operating gross profit		129,221	70.4		129,789	68.6		568
4. Selling, general and administrative Expenses		106,285	57.9		108,313	57.2		2,027
Operating income		22,935	12.5		21,476	11.4		(1,459)

(Millions of yen)

Account item	Fiscal period		Previous fiscal year (From March 1,2006 to February 28, 2007)		Current fiscal year (From March 1,2007 to February 29, 2008)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
5.Non-operating income			%			%		
Interest income	402			501			98	
Interest securities	44			71			26	
Dividend income	99			99			(0)	
Gain on sales of securities	-			85			85	
Compensation income	440			495			54	
Other non-operating income	129			120			(8)	
Total non-operating income		1,115	0.6		1,373	0.7		257
6.Non-operating expenses								
Interest expense	34			38			4	
Loss on cancellation of lease Contracts	1,923			2,837			913	
Loss on allowance for doubtful accounts	101			129			28	
Other non-operating expenses	157			141			(16)	
Total non-operating expenses		2,216	1.2		3,147	1.7		930
Recurring profit		21,834	11.9		19,702	10.4		(2,132)
7.Extraordinary gains								
Gain on sales of fixed asset	134			95			(39)	
Gain on collection of receivables	81			-			(81)	
Gain on returning of substitutional portion of Employee Pension Fund	-			1,339			1,339	
Compensation received for head office transfer	745			-			(745)	
Other extraordinary gains	61		0.6	101		0.8	39	
Total extraordinary gains		1,024			1,536			512
8.Extraordinary losses								
Loss on disposal of fixed assets	967			1,873			905	
Loss on write-down of investment securities	669			-			(669)	
Loss on write-down of Subsidiaries securities	-			492			492	
Loss on cancellation of lease contracts	133			475			342	
Loss on the impairment of fixed assets	2,703			2,441			(262)	
Loss on upgrade of store facilities	79			-			(79)	
Provision to allowance for debt guarantees	-			136			136	
Other extraordinary losses	81			621			540	
Total extraordinary losses		4,635	2.5		6,040	3.2		1,404
Income before income taxes		18,223	10.0		15,198	8.0		(3,024)
Income taxes-current	7,829			7,119		3.4	(709)	
Income taxes-deferred	(11)	7,818	4.3	(569)	6,550	4.6	(558)	(1,268)
Net Income		10,405	5.7		8,648			(1,756)

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

For the Fiscal 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 stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total share-holders' equity
		Additional paid-in capital	Other capital surplus	Total		General reserve	Other retained earnings	Total		
						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										
Dividends on retained earnings							(3,273)	(3,273)		(3,273)
Directors' bonuses							(59)	(59)		(59)
Net income							10,405	10,405		10,405
Acquisition of 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 share-holders' 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.		Net assets
	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			
Dividends on retained earnings			(3,273)
Directors' bonuses			(59)
Net income			10,405
Acquisition of 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

For the Fiscal 2008 (From March 1, 2007 to February 29, 2008)

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

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total share-holders' 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										
Dividends on retained earnings							(3,266)	(3,266)		(3,266)
Net income							8,648	8,648		8,648
Acquisition of treasury stock									(5)	(5)
Cancellation of treasury stock			(0)	(0)					1	1
Transfers between reserves						7,300	(7,300)	-		-
Changes in items other than share-holders' equity (net)										-
Total	-	-	(0)	(0)	-	7,300	(1,918)	5,381	(4)	5,377
Balance at February 29, 2008	8,380	36,090	3	36,093	687	76,221	8,602	85,511	(5,025)	124,959

(Millions of yen)

	Unrealized gains or losses and translation differences, etc.		Net assets
	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			
Dividends on retained earnings			(3,266)
Net income			8,648
Acquisition of treasury stock			(5)
Cancellation of treasury stock			1
Transfers between reserves			-
Changes in items other than shareholders' equity (net)	(291)	(291)	(291)
Total	(291)	(291)	5,086
Balance at February 29, 2008	524	524	125,483