

## Summary of Consolidated Financial Statements for the year ended February 28, 2009. (March 1, 2008 to February 28, 2009)

### 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 20, 2009

Date of dividend payment: May 20, 2009

Prepared in accordance with the financial accounting standards in Japan.

### 1. Results for the Fiscal Year Ended February 28, 2009 (March 1, 2008 to February 28, 2009)

#### (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 %
2009 fiscal year	213,398 [ 940,232 ]	3.4 [ 4.2 ]	23,009	9.1	22,566	15.9
2008 fiscal year	206,373 [ 902,423 ]	6.2 [ (1.0) ]	21,095	(8.7)	19,470	(11.9)

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
2009 fiscal year	9,435	10.6	112.65	-
2008 fiscal year	8,579	(16.2)	102.43	-

	Return on equity	Recurring profit ratio of total assets	Operating income ratio of total operating revenues
	%	%	%
2009 fiscal year	7.4	10.2	10.8
2008 fiscal year	7.0	9.0	10.2

(Reference) Profit and loss on equity-method (Millions of yen) 2009 fiscal year 81 2008 fiscal year -

#### (2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity Per share
	Millions of yen	Millions of yen	%	Yen
2009 fiscal year	222,305	130,656	58.8	1,559.97
2008 fiscal year	218,821	124,631	57.0	1,487.72

(Reference) Shareholders' equity (Millions of yen)

2009 fiscal year 130,656 2008 fiscal year 124,607

### (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
2009 fiscal year	22,525	(22,731)	(3,640)	62,916
2008 fiscal year	21,262	(15,791)	(4,168)	66,763

### 2. Dividends Status

Record date	Dividends per share (yen)			Dividends Paid	Payout ratio (%)	DOE (%)
	Interim period	Fiscal year	Total			
2008 fiscal year	20.00	20.00	40.00	3,350	39.1	2.7
2009 fiscal year	20.00	20.00	40.00	3,350	35.5	2.6
2010 fiscal year (plan)	20.00	20.00	40.00	-	36.8	-

### 3. Forecast of Consolidated Results for the Year Ending February 28, 2010

	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
2010 interim period	108,250 [ 488,540 ]	(0.7) [2.5]	11,590	(15.5)	11,010	(19.0)	4,570	(22.2)	54.56
2010 fiscal year	212,120 [ 960,110 ]	(0.6) [2.1]	20,470	(11.0)	19,200	(14.9)	9,100	(3.6)	108.65

### 4. Other

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

(2) Change in accounting policies : None

(3) Shares outstanding

1. Average number of shares end of period (Including treasury stock)	2009 fiscal year	86,183,226 shares
	2008 fiscal year	86,183,226 shares
2. Average number of treasury stocks end of period	2009 fiscal year	2,427,385 shares
	2008 fiscal year	2,425,708 shares



# 1. Operating Results

## (1) Overview of Fiscal 2009 (March 1, 2008 to February 28, 2009)

In fiscal 2009, the year ended February 28, 2009, the Japanese economy experienced a sharp drop in exports due to the global recession triggered by the financial crisis and credit crunch since fall 2008. This was accompanied by contraction in capital expenditures as Japan's primary manufacturing sectors, particularly in auto, electronics and precision instrument manufacturing, cut back production. Domestic demand also weakened because of layoffs principally affecting temporary and contract workers. Japan's economy worsened far more rapidly and deeply than initially expected, with real GDP for the October-December quarter of 2008 falling at the second fastest rate in the postwar period.

Furthermore, consumer spending swung to a decline in fiscal 2009, as household income was affected by job and payroll cuts following weak corporate earnings. Tumbling stock prices and other factors due to the financial crisis were also to blame.

In the retail industry, even as falling gasoline and raw materials prices put a stop to rising product prices, consumers showed a stronger preference for lower prices while increasingly tightening their belts because of poor business conditions and unease about the future. In this context, the retail industry saw non-food product sales in the apparel and housing-related sectors weaken; sales of luxury goods and other products were also down. Meanwhile, food sales grew steadily, benefiting from a shift in consumer preferences back to home meal replacement—take-out meals that can be enjoyed at home—and home-cooked meals, as well as weather conditions that included a heat wave. Notably in the convenience store industry, overall sales of summer products were lifted by severe heat in July 2008. Sales of tobacco and incidental purchases also rose as taspo card (age verifying IC card) systems were installed in cigarette vending machines, leading to a significant improvement in earnings on the whole.

In this climate, in fiscal 2009, total operating revenues at Circle K Sunkus rose 3.4% year on year to ¥213,398 million, mainly due to an increase in revenues from franchised stores. Operating income increased 9.1% to ¥23,009 million despite higher selling, general and administrative expenses. Recurring profit rose 15.9% to ¥22,566 million. Despite extraordinary losses of ¥5,019 million, down 13.2% year on year, mainly reflecting a loss on disposal of fixed assets and impairment losses, income before income taxes and minority interests increased 17.8% to ¥17,956 million, and net income increased 10.0% to ¥9,435 million.

### [Convenience Store Business]

In fiscal 2009, Circle K Sunkus saw an upturn in customer footfall along with higher tobacco sales as taspo card (age verifying IC card) systems were installed in cigarette vending machines from May 2008. Supported by incidental purchases of canned coffee and other products, as well as strong sales of mainstay original products such as pasta, desserts and baked goods, existing store sales in fiscal 2009 rose by a substantial 4.1% year on year on a non-consolidated basis.

Consequently, total store sales, including Circle K Sunkus' five consolidated subsidiaries in the convenience store business, increased 4.2% to ¥940,232 million.

The average product markup for Circle K Sunkus in fiscal 2009 was 28.11%, down 0.88 of a percentage point from the previous fiscal year, the result of higher sales of low-margin tobacco products, which accounted for a much larger share of overall sales. This was despite improvement in product markups on a category-by-category basis, in areas such as fast food, perishable food, and processed food.

## Summary of Store Performance (March 1, 2008 to February 28, 2009)

	Non-consolidated	Consolidated		Total
		Four area franchisers total	99 Ichiba	
Total store sales (¥ million)	890,856	39,681	9,693	940,232
Year-on-year (YoY) change (%)	3.6	7.6	76.0	4.2
YoY change in existing store sales (%)	4.1	-	-	-
Average product markup (%)	28.11	-	-	-
Stores opened	265	19	28	312
Stores closed	255	13	19	287
Total stores at period-end	4,939	263	61	5,263

\*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.

On the store operations front, Circle K Sunkus held customer satisfaction enhancement forums and a “Friendly Competition” for the first time. These events were aimed at changing the mindset of franchised storeowners and store staff so as to raise customer satisfaction. In addition, the Company launched a newly designed joint uniform for Circle K and Sunkus stores in June 2008 in order to enhance Circle K Sunkus’ brand image. Through collaboration with store development departments, the Company also strove to convert Company-owned stores into franchised stores by means of the incentive plan for managing multiple stores, the “Operations Management Employee” system and “Venture Employee System,” to reduce the number of Company-owned stores and related costs.

In terms of store development, the Company sought to reestablish a dominant presence in key areas and boost the earnings capabilities of the Circle K and Sunkus chains. To this end, the Company invested more heavily in opening stores in highly profitable regions, while actively relocating stores. Circle K Sunkus continued to open stores with an emphasis on ROI-intensive operations as it gives top priority to the profitability of stores. Additionally, the Company worked to achieve a net increase in the number of stores, by signing up, fostering and training outstanding franchisee candidates by means of using the “Venture Employee System” and the incentive plan for managing multiple stores.

As a result of the foregoing, during fiscal 2009, Circle K Sunkus opened 312 stores (including 28 “99 ICHIBA” stores) and closed 287 stores (including 19 “99 ICHIBA” stores). As a result, Circle K Sunkus had a total of 5,263 stores (including 61 “99 ICHIBA” stores) as of February 28, 2009, representing a net increase of 25 stores year on year.

On the product development front, Circle K Sunkus worked to enhance and refine its three main original brands: the *Cherie Dolce* dessert selection, the *rubetta* pasta series and the *Magokoro Jikomi Oishii Pan Seikatsu* baked goods. It also began installing in-store fryers for the first time as a means of offering stronger product lineups that better reflect the location characteristics of each store. In addition, aiming to develop better, more distinctive regional products, Circle K Sunkus continued to expand the *MOT Project*, a plan to develop “locally produced, locally consumed” products in collaboration with local food producers, governments and other partners. In fiscal 2009, Circle K Sunkus also signed comprehensive partnership and cooperation agreements with Hokkaido and eight prefectures. These agreements are designed to promote close mutual partnership and cooperation between Circle K Sunkus and each prefectural government in fields ranging from “locally produced, locally consumed” product initiatives to tourism, the environment and disaster readiness. Furthermore, Circle K Sunkus has begun offering the

Uny Group's e-price lineup of low-priced original products. Together with existing original-brand products, the Company will offer a balanced lineup of high-quality, high-value-added products and affordable low-priced products to stay on top of the increasingly dual nature of consumer needs.

Turning to service development, Circle K Sunkus has completed the installation of multi-use copy machines (Multifunction Peripherals; "MFPs") at all stores. MFPs feature many different digital services, including a digital image printing function. In another development, installation of *KARUWAZA STATION* in-store multimedia terminals has commenced. As of February 28, 2009, *KARUWAZA STATION* terminals had been installed at approximately 2,500 stores. Going forward, the Company aims to offer many different kinds of content, as highlighted by lottery ticket sales for the Sports Promotion Lottery "toto." Additionally, Circle K Sunkus completed the installation of "Bank Time" ATMs, for which Resona Bank is the principal bank, in the Kansai region. Installation of "Bank Time" ATMs has also begun in Kagoshima Prefecture, Kumamoto Prefecture, the four Shikoku prefectures, Ibaraki Prefecture and Tochigi Prefecture.

In regards to electronic money, as of February 28, 2009, Circle K Sunkus had sold more than 1 million Edy-enabled *KARUWAZA CLUB* house cards, and the number of incentive-point eligible *KARUWAZA CLUB* members had reached approximately 420,000.

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 the youth. Safety Station activities are conducted by the Japan Franchise Association's 12 member companies. 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 terms of store fundraising activities, the Company divides the fiscal year into three collection periods and raises funds for the "Nationwide Guide Dog Campaign," the "Environmental Preservation Fund" and Japan UNICEF in each respective collection period. In fiscal 2009, Circle K Sunkus implemented new initiatives, including cooperative campaign with major beverage manufacturers in which the Company donated certain sales proceeds from original Uny Group and other products to the "Environmental Preservation Fund."

Examples of emergency relief activities in response to major disasters in fiscal 2009 included an emergency fundraising drive conducted at all stores in response to China's Sichuan Province Earthquake in May 2008. In addition, Circle K Sunkus conducted an emergency fundraising drive in response to the Iwate-Miyagi Inland Earthquake in June 2008, and delivered rice balls, water and other emergency relief supplies to the affected areas. In fiscal 2009, Circle K Sunkus signed agreements with Hokkaido and five prefectures on providing emergency relief supplies in the event of a natural disaster. The Company also signed agreements with two prefectures on providing assistance for people experiencing difficulties returning home in the event of a natural 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. Circle K Sunkus has continuously supported JHP since fiscal 2003, and has assisted in the construction of 11 buildings for 6 elementary and junior high schools through fiscal 2009. Currently, approximately 3,600 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 strives to bolster its environmental activities, focusing on waste recycling, energy conservation (reduction of CO<sub>2</sub> emissions) and reducing the usage of plastic shopping bags available at stores. Circle K and Sunkus stores took part in the “Carbon Dioxide (CO<sub>2</sub>) Reduction/Light-Down Campaign” led by Japan’s Ministry of the Environment. The Company began field testing a pole sign illuminated by light-emitting diodes (LEDs), and started conducting a Carbon Offset Program where customers can exchange *KARUWAZA CLUB* card incentive points with CO<sub>2</sub> emission credits. Circle K Sunkus worked to reduce plastic shopping bag usage by interacting with customers in stores, offering “I don’t need a plastic shopping bag” cards, and recycling old store uniforms used through June 2008 into reusable shopping bags. These shopping bags will be distributed to customers free of charge at stores nationwide to reduce plastic shopping bag usage.

### **[Other Businesses]**

In other businesses, ZERO NETWORKS Co., Ltd. is contracted to conduct “Zero Bank” ATM operations. The company has seen steady increases in the numbers of ATMs installed and ATM transactions. In fiscal 2009, ZERO NETWORKS recorded total operating revenues of ¥5,382 million, up 12.7% year on year. As of February 28, 2009, the company had installed a total of 2,529 “Zero Bank” ATMs and 950 “Bank Time” ATMs.

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

### **[Outlook for Fiscal 2010]**

In fiscal 2010, the Japanese economy is expected to see companies’ earnings power weaken amid waning global demand, while companies are expected to increasingly scale back capital expenditures and reduce payroll expenses through layoffs. There are also concerns that flagging household income may put off any improvement in consumer spending, leading to a protracted recession.

In this climate, the convenience store industry faces fiercer competition across traditional and non-traditional business formats such as foodservice establishments and drugstores. This comes amid a realignment and shakeout of small and medium-sized convenience store chains by Japan’s largest convenience store chains. Going forward, it will be increasingly crucial for convenience store operators to stay on top of the shift in consumer preferences to lower priced products as consumption weakens. At the same time, they will need to take a more balanced approach by also offering high-quality, high-valued-added product lineups to address the increasingly dual nature of consumer needs.

In this context, Circle K Sunkus’ basic policy is to “Let Go and Change.” Under this policy, with an unwavering determination and a fresh mindset, the Company is jettisoning and changing past approaches. It has redoubled its commitment to constantly embracing new challenges and taking concrete actions to build convenience store chains that offer even stronger customer and franchisee satisfaction.

On the store operations front, Circle K Sunkus is striving to boost customer satisfaction with a strong emphasis on friendly customer service. The Company is also focused on enhancing the precision of ordering and single-item inventory management at stores, by making full use of the Store Information System for which installation in stores was completed in the previous fiscal year. Circle K Sunkus is also bolstering franchisee support measures like expanding staffing services for franchised stores, as well as offering franchisee benefits and unifying the conditions for various insurance plans for franchised storeowners. Furthermore, the Company is continuing efforts to reduce the number of Company-owned stores and related costs by stepping up their conversion into franchised stores. Additionally, the Company is stepping up management guidance to franchised stores, with an emphasis on profitability. This entails optimizing product disposals, payroll expenses, inventories and other aspects of store operations.

In store development, Circle K Sunkus continues to open stores with an emphasis on ROI-intensive operations, as it gives top priority to profitability. At the same time, Circle K Sunkus aims to maintain net increases in stores by securing “volume” growth. Regarding opening stores in new regions, the Company will open its first stores in Fukuoka Prefecture by summer 2009, with the aim of establishing a dominant presence in key areas as rapidly as possible. Furthermore, Circle K Sunkus is working to continuously and systematically control costs such as store construction costs, rent incurred before opening stores, and rent incurred after notifying the lessor of intent to cancel a lease contract. At the same time, efforts are focused on transforming the earnings structure mainly by improving the percentage of Type A agreements and scaling back commercial leasehold contracts.

On the product development front, Circle K Sunkus is working to further refine its three major brands: the *Cherie Dolce* dessert selection, the *rubetta* pasta series and *Magokoro Jikomi Oishii Pan Seikatsu* baked goods. In addition, the Company is expediting the installation of in-store fryers to bolster countertop fast foods. In terms of its product strategy for capturing synergies, Circle K Sunkus is stepping up the development of value-priced Uny Group original brand products, while offering an expanded range of Uny’s e-price lineup of low-priced original products at Circle K and Sunkus stores. In the boxed lunch category, sales have weakened due to anemic consumer spending following the abrupt economic downturn and price-based competition with foodservice establishments and other business formats. To boost sales in this category, Circle K Sunkus will offer the *Genki Ouen Bento* series of high-quality boxed lunches at discounted prices for limited time periods. This series features dishes similar to existing boxed lunch favorites. Through these and other initiatives, Circle K Sunkus is responding to consumer preferences for low prices while aiming to enhance ordering and sales in the rice dish category as a whole.

In services development, Circle K Sunkus has been successively installing *KARUWAZA STATION* multimedia terminals in stores, with installation planned at all stores but a few. Going forward, Circle K Sunkus will offer many different kinds of content via *KARUWAZA STATION* terminals, as highlighted by the launch of lottery ticket sales for the Sports Promotion Lottery “toto.” In ATM services, Circle K Sunkus began installing “Bank Time” ATMs at stores in the Hokuriku region, with the aim of further enhancing convenience for customers.

#### Store Operating Performance Forecasts (March 1, 2009 to February 28, 2010)

	Non-consolidated	Consolidated		Total
		Four area franchisers total	99 Ichiba	
Total store sales (¥ million)	907,070	41,850	11,190	960,110
Year-on-year (YoY) change (%)	1.8	5.5	15.4	2.1
YoY change in existing store sales (%)	0.5	-	-	-
Average product markup (%)	28.01	-	-	-
Stores opened	290	20	9	319
Stores closed	270	7	3	280
Total stores at period-end	4,959	276	67	5,302

\*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 2010, Circle K Sunkus is forecasting total operating revenues of ¥212,120 million on a consolidated basis, a decrease of 0.6% year on year. On the earnings front, Circle K Sunkus is projecting consolidated operating income of ¥20,470 million, down 11.0% year on year, recurring profit of ¥19,200 million, down 14.9% year on year, and net income of ¥9,100 million, down 3.6% year on year.

## (2) Financial Position

### (Assets, Liabilities and Net Assets)

As of February 28, 2009, total assets were ¥222,305 million on a consolidated basis, ¥3,484 million higher than February 29, 2008. Total liabilities stood at ¥91,648 million, down ¥2,540 million from a year earlier. Meanwhile, net assets increased ¥6,024 million to ¥130,656 million from the end of fiscal 2008. As a result, the equity ratio was 58.8% as of February 28, 2009.

### (Cash Flows)

In fiscal 2009, operating activities provided net cash of ¥22,525 million, 5.9% more than in the previous fiscal year. The main cash contributors were income before income taxes and minority interest of ¥17,956 million, 17.8% more than in the previous fiscal year; loss on impairment of fixed assets of ¥3,225 million, up 18.8%; a decrease in trade receivables of ¥1,997 million, 1,020.6% larger than in fiscal 2008 due to lower transaction volume using Edy electronic money.

Net cash used in investing activities was ¥22,731 million, 44.0% more than in the previous fiscal year. Cash was used mainly for payments of ¥11,761 million, up 22.3% year on year, for property and equipment, chiefly to open new stores and improve the functions of existing ones. Other components included ¥7,407 million for acquisition of intangible fixed assets and long-term prepaid expenses, 44.5% more year on year, mainly stemming from the introduction of new in-store multimedia terminals and software development needed for new Store Communication Servers (SCSs); and payments of ¥5,948 million for the payment of long-term leasehold deposits, down 5.1% year on year.

Net cash used in financing activities was ¥3,640 million, down 12.7% year on year. This reflected an increase in dividends paid of ¥3,351 million, 2.7% more year on year, and a decrease in guarantee deposits received of ¥1,253 million mainly due to store closures, 22.3% smaller than in the previous fiscal year.

As a result of the above, as of February 28, 2009, cash and cash equivalents were ¥62,916 million, a decrease of ¥3,846 million, or 5.8%, from the end of the previous fiscal year.

### (Reference: Cash Flow-related Indices)

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Equity ratio (%)	56.4	57.0	58.8
Equity ratio using fair value (%)	86.6	60.2	56.9
Ratio of cash flow to interest-bearing debt (%)	8.1	7.9	7.8
Interest coverage ratio (times)	6,013.2	8,062.0	16,603.8

(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 2009 and Fiscal 2010**

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.

In accordance with the above basic policy, Circle K Sunkus has decided to pay an interim and year-end dividend of ¥20 per share each. The Company, therefore, plans to pay an annual dividend of ¥40 per share for fiscal 2009. In addition, Circle K Sunkus plans to pay an annual dividend of ¥40 per share for fiscal 2010.

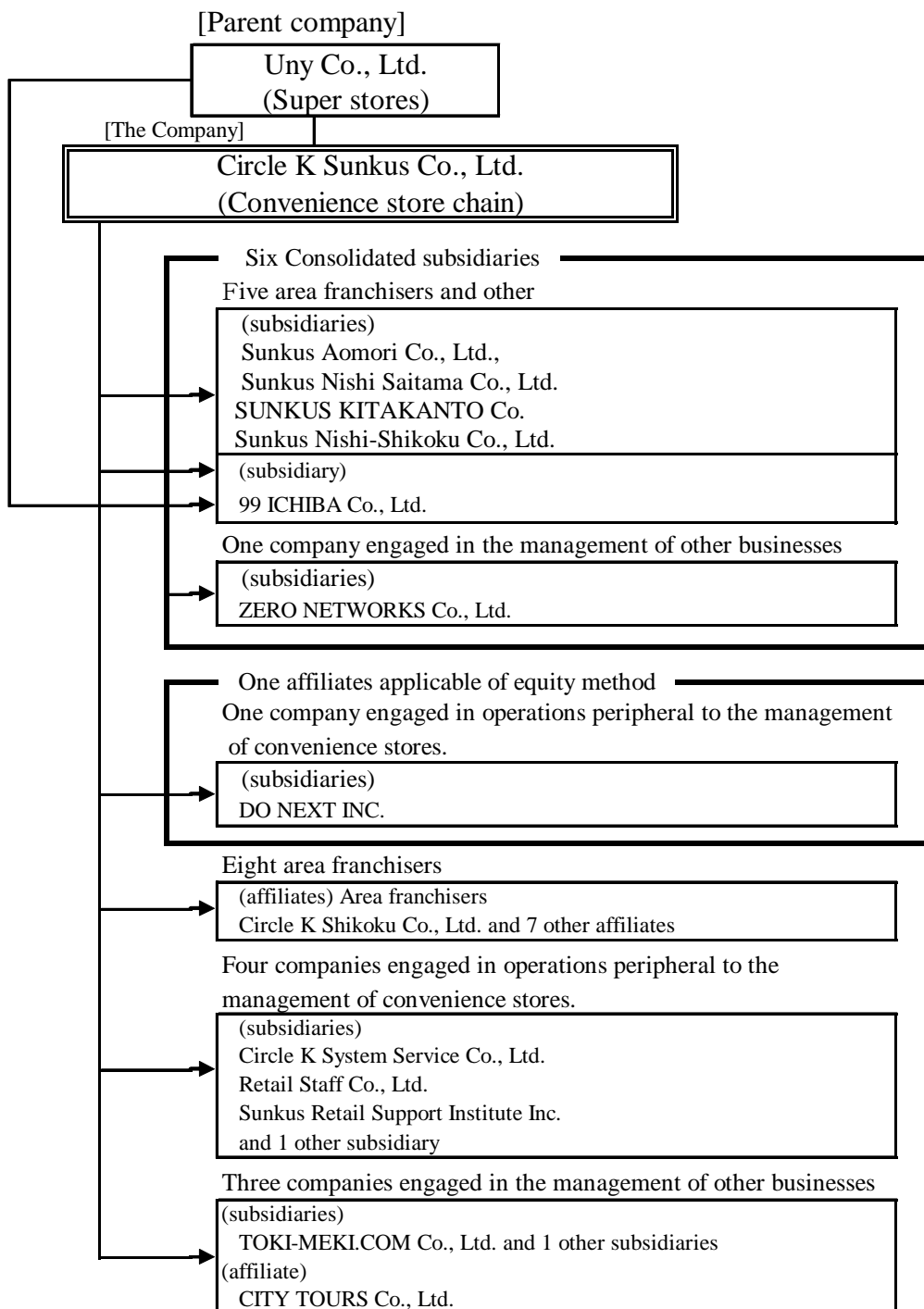
Retained earnings will be earmarked for investments related to store information systems, and for investments in developing new stores, revitalizing existing ones, and procuring product displays and other equipment for new products.

### **(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 22, 2008), 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 23 companies: Circle K Sunkus Co., Ltd. and six consolidated subsidiaries—Sunkus Aomori Co., Ltd., Sunkus Nishi-Saitama Co., Ltd., SUNKUS KITAKANTO Co., Ltd., Sunkus Nishi-Shikoku Co., Ltd., 99 ICHIBA Co., Ltd. and ZERO NETWORKS Co., Ltd. We also have 6 other subsidiaries, 9 affiliates and 1 equity-method subsidiary. The latter is DO NEXT INC., which became a subsidiary accounted for by the equity method in fiscal 2009. The Circle K Sunkus Group 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 28, 2009. The following chart depicts the Circle K Sunkus Group.



## **(1) Changes in Major Group Companies**

### **1) Other Businesses**

In fiscal 2009, Circle K Sunkus converted DO NEXT INC., a planner, developer and operator of logistics, production and information systems for convenience stores and subsidiary of Sunkus Retail Support Institute Inc., into a subsidiary accounted for by the equity method, following the purchase of a 100% equity interest in this company on March 1, 2008.

### **(2) Status of Group Companies**

Effective from fiscal 2009, the company below has become an equity-method subsidiary.

Name	Address	Capital Investment (¥ million)	Main Business Activities	Percentage of Voting Rights, etc. Held	Remarks
(Equity-method subsidiary) DO NEXT INC.	Koto-ku, Tokyo	20	Other business	100.00%	One 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 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 development, as well as product and services development.

### (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

\*The above Three-year Plan targets were announced with operating results for fiscal 2008 on April 10, 2008.

\*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.

### **(Progress With Three-year Plan and Changes)**

In fiscal 2009, existing store sales rose 4.1% year on year thanks to higher tobacco sales and incidental purchases as taspo card (age verifying IC card) systems were installed in cigarette vending machines, as well as steady growth in sales of core original brand products such as pasta and desserts. In addition, selling, general and administrative (SG&A) expenses were reduced sharply through cost structure reforms and rigorous monitoring of cost effectiveness. Consequently, Circle K Sunkus' consolidated performance for fiscal 2009 far surpassed the initial Three-year Plan's targets. Accordingly, Circle K Sunkus has revised its targets for the remaining years of the Three-year Plan as follows:

	Fiscal 2009 (Results)	Fiscal 2010 (Revised)	Fiscal 2011 (Revised)
Store openings	312	319	330
Store closures	287	280	291
Total stores at period-end	5,263	5,302	5,341
YoY change in existing store sales (%)	+4.1	+0.5	+0.5
Average product markup (%)	28.11	28.01	28.07
Total store sales (¥ million)	940,232	960,110	983,880
Total operating revenues (¥ million)	213,398	212,120	221,880
Operating income (¥ million)	23,009	20,470	20,920
Recurring profit (¥ million)	22,566	19,200	19,270
Net income (¥ million)	9,435	9,100	9,190
Capital expenditures (¥ million)	33,797	30,570	27,050

\*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 work to enhance operating and management efficiency by successively unifying different franchise agreements in use at Circle K and Sunkus stores.

##### **(2) Transforming the earnings (cost) structure**

Circle K Sunkus will build a stronger business focused on profitability by closely examining the cost effectiveness of all investments and spending and eliminating inefficiencies in each area. Moreover, Circle K Sunkus will respond to higher costs and other changes in the earnings structure in the convenience store franchise business. This will involve continuously and systematically controlling costs such as store construction costs, rent incurred before stores open, and rent incurred after notifying the lessor of intent to cancel a lease contract. At the same time, efforts will focus on transforming the operating structure by raising the percentage of Type A agreements and scaling back commercial leasehold contracts.

##### **3) Strengthen store development capabilities**

Circle K Sunkus will work to boost customer satisfaction by enhancing friendly customer service. Through collaboration with store development departments, the Company will strive to convert Company-owned stores into franchised stores by means of the incentive plan for managing multiple stores, the “Operations Management Employee” system and the “Venture Employee System,” with the aim of reducing the number of Company-owned stores and related costs. Meanwhile, Circle K Sunkus will step up management guidance to franchised stores, with an emphasis on profitability. This will entail pinpointing management issues at the individual store level, while optimizing product disposals, payroll expenses, inventories, and other aspects of store operations.

##### **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**

Circle K Sunkus will further enhance and refine the three major original brands that raise its distinctiveness, while embracing the challenge of developing new products and sales methods that better reflect the location characteristics of each store and customer needs.

By leveraging its newly installed *KARUWAZA STATION* in-store multimedia terminals in particular, the Company will offer many different kinds of content to open up new possibilities for service category products.

## **6) Progress With In-house Projects**

- As part of the *Yume WAKU2* project, the Company has established a Listening Committee as a means of ensuring that the numerous views and requests of franchisees who interact with customers on the frontlines, and those of store supervisors, are conveyed to top management. This will help to expedite operational improvements and reforms.
- As part of the Inefficiency Reduction Project, the Company has established Inefficiency Elimination Committees at the departmental level. Through measures to raise operating efficiency, and a review of overhead expenses, Circle K Sunkus is working to foster an awareness of the need to eliminating inefficiencies throughout the Company. Circle K Sunkus has also newly established a Purchasing Committee to reduce purchasing costs for supplies and services (excluding products sold at stores) by introducing electronic tendering to the procurement process and through other means.
- To establish trusting win-win relationships with franchisees, the Company will bolster franchisee support measures like expanding staffing services for franchised stores through subsidiaries, as well as offering franchisee benefits and unifying the conditions for various insurance plans for franchised storeowners.
- Eyeing the enforcement of the amended Pharmaceutical Affairs Law from June 1, 2009, Circle K Sunkus will look into the possibilities of selling pharmaceuticals at convenience stores by recruiting qualified and registered sales persons, opening trial stores and other means.

## 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 29, 2008)		Current fiscal year (As of February 28, 2009)		Increase (Decrease)		
	Amount		Composition ratio	Amount		Composition ratio	Amount
			%			%	
(ASSETS)							
1. Current assets							
Cash and cash equivalents		52,736			51,993		(742)
Due from franchised stores		3,208			3,542		334
Marketable securities		17,026			17,023		(3)
Inventories		2,542			2,494		(47)
Prepaid expenses		3,905			4,036		130
Deferred tax assets		1,050			1,288		238
Other accounts receivable		9,697			7,575		(2,121)
Other current assets		4,425			4,724		299
Allowance for doubtful accounts		(348)			(351)		(2)
Total current assets		94,243	43.1		92,328	41.5	(1,915)
2. Fixed assets							
(1) Property and equipment							
Buildings and equipment	57,549			61,493			3,943
Accumulated depreciation	23,900	33,648		26,229	35,263		2,328
Equipment	189			137			(51)
Accumulated depreciation	172	16		127	10		(45)
Furniture and fixtures	15,560			17,043			1,483
Accumulated depreciation	11,696	3,864		12,054	4,989		358
Land		8,816			8,504		(311)
Construction in progress		1,009			805		(204)
Total property and equipment		47,355	21.6		49,572	22.3	2,217
(2) Intangible fixed assets							
System software		3,844			7,593		3,749
System software development in progress		1,511			1,222		(289)
Goodwill		58			-		(58)
Other intangible fixed assets		2,988			3,272		283
Total intangible fixed assets		8,402	3.8		12,088	5.5	3,686
(3) Investment and other assets							
Investment in securities		4,798			4,949		151
Deferred tax assets		4,159			3,275		(884)
Long-term leasehold deposits		52,781			52,935		153
Other investment		8,567			8,636		68
Allowance for doubtful accounts		(1,488)			(1,481)		6
Total investment and other assets		68,819	31.5		68,315	30.7	(504)
Total fixed assets		124,577	56.9		129,976	58.5	5,399
Total assets		218,821	100.0		222,305	100.0	3,484

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 29, 2008)		Current fiscal year (As of February 28, 2009)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
		%		%	
<b>(LIABILITIES)</b>					
1. Current liabilities					
Trade payable	36,088		34,281		(1,807)
Due to franchised stores	2,496		2,038		(458)
Other accounts payable	5,862		8,129		2,266
Income taxes payable	3,304		4,474		1,169
Money held as agent	26,630		24,930		(1,700)
Allowance for bonuses to employees	771		826		55
Allowance for bonuses to directors	47		37		(10)
Allowance for incentive points	80		57		(22)
Other current liabilities	3,169		2,317		(852)
Total current liabilities	78,451	35.8	77,091	34.7	(1,359)
2. Long-term liabilities					
Allowance for employees' retirement benefits liability	708		374		(333)
Allowance for debt guarantees	136		-		(136)
Leasehold deposits received	11,096		10,978		(118)
Allowance for impairment loss on leased assets	914		818		(96)
Other long-term liabilities	2,882		2,386		(496)
Total long-term liabilities	15,738	7.2	14,556	6.5	(1,181)
Total liabilities	94,189	43.0	91,648	41.2	(2,540)
<b>(NET ASSETS)</b>					
1. Shareholder's equity					
Common stock	8,380		8,380		-
Capital surplus	36,093		36,093		(0)
Retained earnings	84,636		90,721		6,085
Less, treasury stock	(5,025)		(5,028)		(2)
Total shareholders' equity	124,084	56.7	130,166	58.6	6,082
2. Unrealized gains or losses and translation differences, etc.					
Net unrealized gains on available-for-sale securities	523		489		(33)
Total unrealized gains or losses and translation differences, etc.	523	0.3	489	0.2	(33)
3. Minority Interest	24	0.0	-	-	(24)
Net Assets	124,631	57.0	130,656	58.8	6,024
Total Liabilities and Net Assets	218,821	100.0	222,305	100.0	3,484

## (2) Consolidated Statements of Income

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

(Millions of yen)

Account item	Previous fiscal year (From March 1, 2007 to February 29, 2008)		Composition ratio %	Current fiscal year (From March 1, 2008 to February 28, 2009)		Composition ratio %	Increase (Decrease)	
	Amount			Amount			Amount	
1. Operating revenues								
Franchise commissions from franchised stores	101,388			103,818			2,429	
Net sales reported by Franchised Stores (Figures for excluding non- consolidated area franchised stores.)								
Previous fiscal year ¥ 814,406 million								
Current fiscal year ¥ 847,489 million								
Total net sales of franchised and company-owned stores (Figures for exclude non- consolidated area franchised stores.)								
Previous fiscal year ¥ 902,423 million								
Current fiscal year ¥ 940,232 million								
Other revenues	12,510	113,898	55.2	11,943	115,761	54.2	(567)	1,862
2. Net sales of company-owned stores	<92,474>	92,474	<100.0> 44.8	<97,636>	97,636	<100.0> 45.8	<5,161>	5,161
<b>Total operating revenues</b>		206,373	100.0		213,398	100.0		7,024
3. Cost of goods sold	<70,614>	70,614	<76.4> 34.2	<75,112>	75,112	<76.9> 35.2	<4,497>	4,497
Gross profit on sales	<21,859>		<23.6>	<22,524>		<23.1>	<664>	
Operating gross profit		135,758	65.8		138,285	64.8		2,527
4. Selling, general and administrative Expenses		114,662	55.6		115,276	54.0		613
<b>Operating income</b>		21,095	10.2		23,009	10.8		1,913

(Millions of yen)

Account item	Fiscal period		Previous fiscal year (From March 1,2007 to February 29, 2008)		Current fiscal year (From March 1,2008 to February 28, 2009)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
			%			%		
5.Non-operating income								
Interest income	575			648			73	
Dividend income	99			116			16	
Gain on sales of securities	85			-			(85)	
Equity-method investment income	-			81			81	
Compensation income	515			456			(58)	
Other non-operating income	161			128			(33)	
Total non-operating income		1,438	0.7		1,432	0.7		(6)
6.Non-operating expenses								
Interest expense	43			43			(0)	
Loss on cancellation of lease Contracts	2,878			1,702			(1,176)	
Other non-operating expenses	141		1.5	130		0.9	(11)	
Total non-operating expenses		3,063	9.4		1,875	10.6		(1,188)
<b>Recurring profit</b>		19,470			22,566			3,095
7.Extraordinary gains								
Gain on sales of fixed asset	107			155			47	
Gain on collection of receivables	-			100			100	
Gain on returning of substitutional portion of Employee Pension Fund	1,339			-			(1,339)	
Compensation received for head office transfer	-			136			136	
Other extraordinary gains	101			18			(83)	(1,139)
Total extraordinary gains		1,548	0.8		409	0.2		
8.Extraordinary losses								
Loss on disposal of fixed assets	1,950			1,154			(796)	
Loss on write-down of investment securities	18			91			72	
Loss on cancellation of lease contracts	506			204			(301)	
Loss on the impairment of fixed assets	2,715			3,225			510	
Provision to allowance for debt guarantees	136			-			(136)	
Other extraordinary losses	452			342			(109)	
Total extraordinary losses		5,779	2.8		5,019	2.4		(759)
<b>Income before income taxes</b>		15,239	7.4		17,956	8.4		2,716
Income taxes-current	7,265			7,876		4.0	610	
Income taxes-deferred	(503)	6,761	3.3	668	8,545	(0.0)	1,172	1,783
Minority interest in earnings of consolidated subsidiaries		(101)	(0.1)		(24)	4.4		77
<b>Net Income</b>		8,579	4.2		9,435			855

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

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
Net change in treasury stock				(5)	(5)				(5)
Cancellation of 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

### For the Fiscal 2009 (From March 1, 2008 to February 28, 2009)

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 29, 2008	8,380	36,093	84,636	(5,025)	124,084	523	523	24	124,631
Changes during the period									
Cash dividends			(3,350)		(3,350)				(3,350)
Net income			9,435		9,435				9,435
Acquisition of treasury stock				(4)	(4)				(4)
Net change in treasury stock		(0)		2	1				1
Changes in items other than shareholders' equity						(33)	(33)	(24)	(57)
Total	-	(0)	6,085	(2)	6,082	(33)	(33)	(24)	6,024
Balance at February 28, 2009	8,380	36,093	90,721	(5,028)	130,166	489	489	-	130,656

#### (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 1,2007 to February 29, 2008)	Current fiscal year (From March 1,2008 to February 28, 2009)	Increase (Decrease)
	Amount	Amount	Amount
<b>1. Cash flows from operating activities:</b>			
Income before income taxes	15,239	17,956	2,716
Depreciation and amortization	7,260	8,614	1,353
Impairment loss on fixed assets	2,715	3,225	510
Amortization of goodwill	75	-	( 75 )
Loss on write-down of investment securities	18	91	72
Gain on sale of investments in securities	( 85 )	( 100 )	( 14 )
Loss on sale or disposal of property and equipment	1,842	999	( 843 )
(Decrease) increase in allowance for doubtful accounts	( 13 )	( 4 )	9
Increase (decrease) in accrued bonuses to employees	( 1 )	55	56
Increase in accrued bonuses to directors	( 1 )	( 10 )	( 8 )
(Decrease) increase in employee retirement benefit liability	( 1,557 )	( 333 )	1,223
Increase in allowance for debt guarantees	136	( 136 )	( 272 )
Interest and cash dividends income	( 674 )	( 764 )	( 89 )
Interest expenses	43	43	( 0 )
Equity-method investment income	-	( 81 )	( 81 )
(Increase) decrease in trade receivable	178	1,997	1,819
Decrease (increase) in inventories	18	47	29
(Decrease) increase in trade and due to franchised stores payable	( 714 )	( 2,265 )	( 1,551 )
Decrease in other accounts payable and accrued expenses	45	1,421	1,376
(Decrease) increase in money held as agent	3,131	( 1,603 )	( 4,734 )
Lease contract cancellation expenses	1,511	848	( 663 )
Other	( 736 )	( 1,211 )	( 474 )
Sub-total	28,432	28,789	357
Interest and dividends received	417	472	55
Interest paid	( 2 )	( 1 )	1
Income taxes paid	( 7,584 )	( 6,735 )	848
Net cash provided by operating activities	21,262	22,525	1,262

(millions of yen)

	Previous fiscal year (From March 1,2007 to February 29, 2008)	Current fiscal year (From March 1,2008 to February 28, 2009)	Increase (Decrease)
	Amount	Amount	Amount
<b>2. Cash flows from investing activities:</b>			
Payments for time deposits	( 1,600 )	( 1,600 )	-
Proceeds from repayment of time deposits	1,600	1,600	-
Decrease in marketable securities	( 3,000 )	( 15,000 )	( 12,000 )
Increase in marketable securities	-	12,000	12,000
Increase in property and equipment	( 9,614 )	( 11,761 )	( 2,147 )
Decrease in property and equipment	346	668	321
Increase in intangible fixed assets and long-term prepaid expenses	( 5,125 )	( 7,407 )	( 2,281 )
Increase in investment securities	( 300 )	( 257 )	42
Decrease in investment securities	115	139	24
Proceeds from long-term advances received	2,505	63	( 2,442 )
Increase in loans receivable	( 646 )	( 1,040 )	( 394 )
Collection of loans receivable	708	1,011	302
Increase in long-term leasehold deposits	( 6,271 )	( 5,948 )	322
Collection of fixed leasehold deposits	5,461	4,645	( 816 )
Other	29	156	127
Net cash used in investing activities	( 15,791 )	( 22,731 )	( 6,940 )
<b>3. Cash flows from financing activities:</b>			
Increase in treasury stock	( 5 )	( 4 )	0
Dividends paid	( 3,263 )	( 3,351 )	( 87 )
Increase in guarantee deposits received	713	967	253
Decrease in guarantee deposits received	( 1,613 )	( 1,253 )	360
Other	1	1	0
Net cash used in financing activities	( 4,168 )	( 3,640 )	528
<b>4. Net (decrease) increase in cash and cash equivalents</b>	1,303	( 3,846 )	( 5,149 )
<b>5. Cash and cash equivalents at beginning of year</b>	64,957	66,763	1,805
<b>6. Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation</b>	502	-	( 502 )
<b>7. Cash and cash equivalents, end of the year</b>	66,763	62,916	( 3,846 )

## 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 29, 2008)		Current fiscal year (As of February 28, 2009)		Increase (Decrease)		
	Amount		Composition ratio	Amount		Composition ratio	Amount
			%			%	
<b>(ASSETS)</b>							
<b>1. Current assets</b>							
Cash and cash equivalents	49,885			48,575			(1,309)
Due from franchised stores	3,025			3,319			294
Marketable securities	17,026			17,023			(3)
Merchandise	2,212			2,112			(100)
Inventories	32			36			3
Prepaid expenses	3,737			3,849			112
Deferred tax assets	1,168			1,288			120
Accrued income	75			75			0
Short-term loans receivable	23			18			(5)
Short-term loans receivable for affiliated company	2,150			3,220			1,070
Other accounts receivable	10,534			8,077			(2,456)
Long-term leasehold deposits collectible within one year	3,402			3,502			99
Other current assets	192			146			(46)
Allowance for doubtful accounts	(617)			(783)			(166)
Total current assets	92,848		43.2	90,461		41.7	(2,386)
<b>2. Fixed assets</b>							
<b>(1) Property and equipment</b>							
Buildings	39,960			42,928			2,968
Accumulated depreciation	15,633	24,326		16,791	26,136		1,158
Structures	13,485			14,523			1,038
Accumulated depreciation	7,050	6,434		8,021	6,501		971
Machinery and equipment	178			126			(51)
Accumulated depreciation	168	10		120	6		(47)
Automotive equipment	10			10			-
Accumulated depreciation	4	5		6	4		1
Furniture and fixtures	15,310			16,646			1,335
Accumulated depreciation	11,582	3,727		11,881	4,764		298
Land		8,783			8,471		(311)
Construction in progress		991			760		(231)
Total property and equipment	44,279		20.6	46,645		21.5	2,365

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 29, 2008)		Current fiscal year (As of February 28, 2009)		Increase (Decrease)
	Amount	Composition ratio %	Amount	Composition ratio %	Amount
(2)Intangible fixed assets					
Right of leasehold	1,979		2,299		319
Right of trademarks	8		9		1
System software	3,810		7,563		3,753
System software development in progress	1,511		1,222		(289)
Right of rented house leasehold	430		425		(4)
Right of telephone	487		451		(35)
Other intangible fixed assets	30		31		0
Total intangible fixed assets	8,258	3.9	12,002	5.5	3,744
(3)Investment and other assets					
Investment in securities	4,025		3,839		(186)
Investment in affiliated company	3,610		2,696		(913)
Investments	2		2		(0)
Long-term loans receivable	461		420		(41)
Long-term loans receivable for affiliated company	332		1,417		1,085
Receivables in bankruptcy or reorganization	666		658		(8)
Long-term prepaid expenses	5,141		5,911		769
Deferred tax assets	4,159		3,275		(883)
Long-term leasehold deposits	50,504		50,382		(121)
Store leases in process	1,332		891		(440)
Other investment	558		350		(208)
Allowance for doubtful accounts	(1,315)		(2,010)		(694)
Total investment and other assets	69,480	32.3	67,835	31.3	(1,644)
Total fixed assets	122,018	56.8	126,484	58.3	4,465
Total assets	214,867	100.0	216,945	100.0	2,078

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 29, 2008)		Current fiscal year (As of February 28, 2009)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
		%			
<b>(LIABILITIES)</b>					
<b>1.Current liabilities</b>					
Trade payable	33,995		32,261		(1,734)
Due to franchised stores	2,280		1,874		(406)
Other accounts payable	5,070		6,956		1,886
Accrued expenses	869		828		(41)
Income taxes payable	3,187		4,405		1,217
Consumption taxes payable	286		104		(181)
Money held as agent	25,718		24,003		(1,714)
Income in advance	496		478		(18)
Allowance for bonuses to employees	733		777		44
Allowance for bonuses to directors	41		36		(4)
Allowance for incentive points	80		57		(22)
Facility-related notes payable	616		-		(616)
Guarantee deposits refundable within one year	701		646		(54)
Other current liabilities	4		23		19
<b>Total current liabilities</b>	<b>74,080</b>	<b>34.5</b>	<b>72,453</b>	<b>33.4</b>	<b>(1,627)</b>
<b>2.Long-term liabilities</b>					
Allowance for employees' retirement benefits liability	686		347		(339)
Allowance for debt guarantees	136		-		(136)
Guarantee deposits received	10,849		10,715		(134)
Long-term income in advance	2,765		2,308		(457)
Allowance for impairment loss on leased assets	822		721		(101)
Other long-term liabilities	42		27		(15)
<b>Total long-term liabilities</b>	<b>15,302</b>	<b>7.1</b>	<b>14,119</b>	<b>6.5</b>	<b>(1,183)</b>
<b>Total liabilities</b>	<b>89,383</b>	<b>41.6</b>	<b>86,572</b>	<b>39.9</b>	<b>(2,811)</b>

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 29, 2008)		Current fiscal year (As of February 28, 2009)		Increase (Decrease)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	
<b>(NET ASSETS)</b>						
1. Shareholder's equity						
[1]Common stock	8,380	3.9	8,380	3.9		-
[2]Capital surplus						
(1)Additional paid-in capital	36,090		36,090		-	
(2)Other capital surplus	3		2		(0)	
Total Capital surplus	36,093	16.8	36,093	16.6		(0)
[3]Retained earnings						
(1)Legal reserve	687		687		-	
(2)Other retained earnings						
General reserve	76,221		79,721		3,500	
Retained earnings carried forward	8,602		10,029		1,427	
Total Retained earnings	85,511	39.8	90,438	41.7		4,927
[4]Treasury stock	(5,025)	(2.3)	(5,028)	(2.3)		(2)
Total shareholders' equity	124,959	58.2	129,883	59.9		4,924
2. Unrealized gains or losses and translation differences, etc.						
Net unrealized gains on available-for-sale securities	524		489			(34)
Total unrealized gains or losses and translation differences, etc.	524	0.2	489	0.2		(34)
Net Assets	125,483	58.4	130,373	60.1		4,890
Total Liabilities and Net Assets	214,867	100.0	216,945	100.0		2,078

## (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 1,2007 to February 29, 2008)		Current fiscal year (From March 1,2008 to February 28, 2009)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
			%			%		
1.Operating revenues								
Franchise commissions from franchised stores	98,042			100,356			2,314	
Net sales reported by Franchised Stores (Figures for excluding area franchised stores.)								
Previous fiscal year ¥ 781,282 million								
Current fiscal year ¥ 812,239 million								
Total net sales of franchised and company-owned stores (Figures for exclude area franchised stores.)								
Previous fiscal year ¥ 860,041 million								
Current fiscal year ¥ 890,856 million								
Other revenues	12,446	110,488	58.4	11,840	112,196	58.8	(605)	1,708
2.Net sales of company-owned stores	<78,759>	78,759	<100.0> 41.6	<78,617>	78,617	<100.0> 41.2	<(141)>	(141)
<b>Total operating revenues</b>		189,247	100.0		190,814	100.0		1,566
3.Cost of goods sold								
Inventory at beginning of year	2,324			2,212			(111)	
Purchase amount	59,345			59,641			295	
Total	61,670			61,853			183	
Inventory at end of year	2,212			2,112			(100)	
Cost of goods sold	<59,457>	59,457	<75.5> 31.4	<59,741>	59,741	<76.0> 31.3	<283>	283
Gross profit on sales	<19,301>		<24.5>	<18,875>		<24.0>	<(425)>	
Operating gross profit		129,789	68.6		131,072	68.7		1,282
4.Selling, general and administrative Expenses		108,313	57.2		107,889	56.6		(424)
<b>Operating income</b>		21,476	11.4		23,183	12.1		1,707

(Millions of yen)

Account item	Fiscal period		Previous fiscal year (From March 1,2007 to February 29, 2008)		Current fiscal year (From March 1,2008 to February 28, 2009)		Increase (Decrease)	
	Amount		Composition ratio	Amount		Composition ratio	Amount	
			%			%		
5.Non-operating income								
Interest income	501			555			54	
Interest securities	71			111			40	
Dividend income	99			115			16	
Gain on sales of securities	85			-			(85)	
Compensation income	495			444			(50)	
Other non-operating income	120			117			(2)	
Total non-operating income		1,373	0.7		1,346	0.7		(27)
6.Non-operating expenses								
Interest expense	38			40			2	
Loss on cancellation of lease Contracts	2,837			1,521			(1,316)	
Loss on allowance for doubtful accounts	129			859			729	
Other non-operating expenses	141			129			(12)	
Total non-operating expenses		3,147	1.7		2,550	1.3		(596)
<b>Recurring profit</b>		19,702	10.4		21,979	11.5		2,277
7.Extraordinary gains								
Gain on sales of fixed asset	95			155			59	
Gain on collection of receivables	-			100			100	
Allowance for debt guarantees	-			136			136	
Gain on returning of substitutional portion of Employee Pension Fund	1,339			-			(1,339)	
Other extraordinary gains	101		0.8	18		0.2	(83)	
Total extraordinary gains		1,536			409			(1,127)
8.Extraordinary losses								
Loss on disposal of fixed assets	1,873			951			(921)	
Loss on write-down of investment securities	-			88			88	
Loss on write-down of Subsidiaries securities	492			1,271			778	
Loss on cancellation of lease contracts	475			190			(284)	
Loss on the impairment of fixed assets	2,441			2,731			290	
Provision to allowance for debt guarantees	136			-			(136)	
Other extraordinary losses	621			335			(286)	
Total extraordinary losses		6,040	3.2		5,569	2.9		(470)
<b>Income before income taxes</b>		15,198	8.0		16,819	8.8		1,620
Income taxes-current	7,119		3.4	7,755		4.5	635	
Income taxes-deferred	(569)	6,550	4.6	786	8,541	4.3	1,355	1,991
<b>Net Income</b>		8,648			8,277			(371)

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

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		General reserve	Other retained earnings	Total		
						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

**For the Fiscal 2009 (From March 1, 2008 to February 28, 2009)**

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 29, 2008	8,380	36,090	3	36,093	687	76,221	8,602	85,511	(5,025)	124,959
Changes during the period										
Dividends on retained earnings							(3,350)	(3,350)		(3,350)
Net income							8,277	8,277		8,277
Acquisition of treasury stock									(4)	(4)
Cancellation of treasury stock			(0)	(0)					2	1
Transfers between reserves						3,500	(3,500)	-		-
Changes in items other than share-holders' equity (net)										
Total	-	-	(0)	(0)	-	3,500	1,427	4,927	(2)	4,924
Balance at February 28, 2009	8,380	36,090	2	36,093	687	79,721	10,029	90,438	(5,028)	129,883

(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 29, 2008	524	524	125,483
Changes during the period			
Dividends on retained earnings			(3,350)
Net income			8,277
Acquisition of treasury stock			(4)
Cancellation of treasury stock			1
Transfers between reserves			-
Changes in items other than shareholders' equity (net)	(34)	(34)	(34)
Total	(34)	(34)	4,890
Balance at February 28, 2009	489	489	130,373