



Fiscal 2009 Earnings Presentation Conference

April 13, 2009



-Securities Code- 3337

Circle K Sunkus Co.,Ltd.

(Note) This presentation contains forward-looking statements that are based on projections and plans derived from assumptions based on current market conditions. Actual results may differ materially from these projections due to changes in a number of factors that could not be foreseen at the time of the projections.



Fiscal 2009 Business Results

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1. Consolidated Financial Highlights



Higher earnings underpinned by strong sales

(Stores, Yen in millions)

	FY2008	FY2009	Y-o-y	Versus Forecast
Stores opened	339	312	-27	-26
Stores closed	488	287	-201	+4
Stores at term-end	5,238	5,263	+25	-30
Total store sales	902,423	940,232	+4.2%	+0.1%
Total operating revenues	206,373	213,398	+3.4%	+0.1%
Gross profit	135,758	138,285	+1.9%	+0.2%
SG&A expenses	114,662	115,276	+0.5%	-2.0%
Operating income	21,095	23,009	+9.1%	+12.4%
Recurring profit	19,470	22,566	+15.9%	+15.4%
Net income	8,579	9,435	+10.0%	+8.0%

Note: Earnings for the fiscal year ended February 28, 2009 include equity-method investment income of ¥82 million from DO NEXT INC., a subsidiary accounted for by the equity method.

2. Factors Behind Differences Between Consolidated Business Results and Initial Forecasts

(Yen in millions)

	Versus Initial Forecast (%)	Versus Initial Forecast
Gross profit	+0.2%	+245
SG&A expenses	-2.0%	-2,293
Operating income	+12.4%	+2,539
Recurring profit	+15.4%	+3,016
Net income	+8.0%	+695

Factors Behind Differences Between Consolidated Business Results and Initial Forecasts

- **Gross profit** : Reflects increases in revenue from franchised stores (¥396 million higher than forecast), owing to the fact that store sales were ¥12,52 million higher than forecast.
The average product markup was 28.45% (0.72 of a percentage point below forecast; down 0.65 of a percentage point year on year).
- **SG&A expenses** : Chiefly reflects shortfalls against forecasts of ¥772 million, ¥228 million and ¥607 million in advertising and sales promotion expenses, store leasing expenses, and amortization of deferred expenses, respectively.
- **Non-operating income** : ¥246 million higher than forecast => interest income ¥174 million higher than forecast.
- **Consolidated subsidiaries** : ZERO NETWORKS operating income was ¥237 million higher than forecast; 99 Ichiba operating income was ¥120 million below forecast.

3. Non-consolidated Financial Highlights



(Stores, Yen in millions)

	FY2008	FY2009	Y-o-y	Versus forecast
Stores opened	284	265	-19	-15
Stores closed	459	255	-204	-5
Stores at term-end	4,929	4,939	+10	-10
Total store sales	860,041	890,856	+3.6%	+0.2%
Y-o-y change in existing store sales	-1.8%	+4.1%	-	+0.3%
Average product markup	28.99%	28.11%	-0.88%	+0.03%
Total operating revenues	189,247	190,814	+0.8%	+0.4%
Gross profit	129,789	131,072	+1.0%	+0.4%
SG&A expenses	108,313	107,889	-0.4%	-1.6%
Operating income	21,476	23,183	+8.0%	+10.8%
Recurring profit	19,702	21,979	+11.6%	+11.4%
Net income	8,648	8,277	-4.3%	+0.2%

Note: The year-on-year comparison for the average product markup represents the percentage-point change in this ratio.

4. Factors Behind Year-on-year Changes in Non-consolidated Results

(1) Total operating revenues ¥190,814 million (+¥1,566 million; +0.8% y-o-y)

(Yen in millions)

	Y-o-y change	Y-o-y change	Factors
Franchise commission from franchised stores	+2.4%	+2,314	Y-o-y change in existing store sales: +4.1% Total store sales rose ¥30,815 million year on year.
Real estate rental income	-5.4%	-317	The number of Type A stores decreased by 78 from the previous fiscal year, mainly due to the closure of 76 Type A stores.
Net sales of Company-owned stores	-0.2%	-141	The number of Company-owned stores decreased by 42 from the previous fiscal year, mainly due to the closure of 93 stores and the conversion of Company-owned stores into franchised stores.
Other total operating revenues	-4.4%	-288	—

***Franchise commission from franchised stores includes area license fees of ¥3,101 million.**

(2) SG&A expenses ¥107,889 million (-¥424 million; -0.4% y-o-y)

(Yen in millions)

	Y-o-y change	Y-o-y change	Factors
Personnel expenses	-3.2%	-644	Reflects fewer Company-owned stores
Advertising and sales promotion expenses	-19.6%	-2,008	<ul style="list-style-type: none"> • Advertising expenses decreased ¥1,160 million due to fewer incentive point collection campaigns. • Sales promotion expenses decreased ¥840 million mainly due to increased acceptance of sales promotion sponsorship fees.
Store leasing expenses	+1.4%	+560	<ul style="list-style-type: none"> • The number of Type C stores increased by 176 from the previous fiscal year. • Stepped up store relocations.
Equipment leasing expenses	-0.4%	-25	Decreased due to the expiration of lease contracts for former Store Communications Servers (SCSs) and other assets. Another factor was the cancellation of lease contracts.
Depreciation and amortization	+17.4%	+1,114	Increased depreciation and amortization for various stages of the installation of the new store information system under way since the previous fiscal year.
Other	+2.3%	+580	Communications expenses rose ¥590 million mainly due to the installation of fiber-optic broadband links.

(3) Non-operating income ¥1,346 million, Non-operating expenses ¥2,550 million

(Yen in millions)

	Y-o-y change	Y-o-y change	Factors
Non-operating income	-2.0%	-0.2	—
Non-operating expenses	-19.0%	-5.9	<ul style="list-style-type: none">• Lease contract cancellation expenses decreased ¥1,316 million due to 204 fewer store closures year on year• Provisions to allowance for doubtful accounts for advances to consolidated subsidiaries rose ¥729 million.

(4) Extraordinary gains ¥409 million, Extraordinary losses ¥4,872 million

(Yen in millions)

	Y-o-y change	Y-o-y change	Factors
Extraordinary gains	-73.4%	-1,120	In the previous fiscal year, Circle K Sunkus recorded a gain of ¥1,339 million on the return of the substitutional portion of the employees' pension fund associated with the former Sunkus company.
Extraordinary losses	-7.8%	-470	<ul style="list-style-type: none">• Store closure losses declined ¥1,205 million.• Booked impairment losses of ¥2,731 million (up ¥290 million year on year)• Booked a ¥1,359 million write-down on subsidiaries' shares. (up ¥867 million year on year)

5. Consolidated Capital Expenditure and Cash Flows



(1) Capital expenditures (includes leases)

(Yen in millions)

	FY2008	FY2009	FY2010 (forecast)
New store investments	12,894	12,641	13,010
Existing store investments	2,668	2,953	2,350
System investments	4,402	10,547	5,160
Head office investments	741	215	710
Capital expenditures (1)	20,705	26,358	21,230
Leasing Expenditures (2)	13,992	10,949	9,340
Total Investments (1)+(2)	34,697	37,307	30,570

(2) Cash Flows

(Yen in millions)

	FY2008	FY2009
Net cash provided by operating activities	21,262	22,525
Net cash used in investing activities	(15,791)	(22,731)
Net cash used in financing activities	(4,168)	(3,640)
Net (decrease) increase in cash and cash equivalents	1,303	(3,846)
Cash and cash equivalents, end of the year	66,763	62,916

6. Fiscal 2010 Non-consolidated Earnings Forecasts

(Stores, Yen in millions)

	FY2009 results	FY2010 (forecast)	
		First-half	Full-year
Stores opened	265	140	290
Stores closed	255	130	270
Stores at term-end	4,939	4,949	4,959
Total store sales	890,856	462,190	907,070
Y-o-y change in existing store sales	+4.1%	+1.3%	+0.5%
Average product markup	28.11%	28.12%	28.01%
Total operating revenues	190,814	95,760	186,800
Gross profit	131,072	67,870	132,510
SG&A expenses	107,889	56,250	111,940
Operating income	23,183	11,620	20,570
Recurring profit	21,979	10,760	18,900
Net income	8,277	4,600	9,120

7. Fiscal 2010 Consolidated Earnings Forecasts



(Stores, Yen in millions)

	FY2009 results	FY2010 (forecast)	
		First-half	Full-year
Stores opened	312	159	319
Stores closed	287	135	280
Stores at term-end	5,263	5,287	5,302
Total store sales	940,232	488,540	960,110
Total operating revenues	213,398	108,250	212,120
Gross profit	138,285	71,870	140,530
SG&A expenses	115,276	60,280	120,060
Operating income	23,009	11,590	20,470
Recurring profit	22,566	11,010	19,200
Net income	9,435	4,570	9,100

[Fiscal 2010 Earnings Forecasts for Consolidated Subsidiaries]

	Four area franchisers total	99 Ichiba	ZERO NETWORKS	Retail Staff	Eliminations on consolidation
Stores opened	20	9	-	-	-
Stores closed	7	3	-	-	-
Stores at term-end	276	67	-	-	-
Total store sales	41,848	11,190	-	-	2
Total operating revenues	8,156	11,190	5,711	1,600	-1,337
Operating income	-37	-227	148	14	2

No. of consolidated subsidiaries in fiscal 2010: 7

Newly consolidated subsidiary

Retail Staff Co., Ltd.

Business activities: staffing services and management of convenience stores, etc.

Circle K Sunkus shareholding: 100%



Management Policies for Fiscal 2010

Motohiko Nakamura, President



Fiscal 2009 in Review

**Fiscal 2009 Management Policy
“Challenges and Responsibilities”**

Keyword: “Change”

1. Existing Store Sales Were 0.3% Higher Than Planned Thanks to Increased Customer Footfall

- Year-on-year change in existing store sales 4.1%
=>Contribution from higher tobacco sales: +4.9%
- Year-on-year change in customer footfall at existing stores +4.0% (+33 people)

Existing store sales are improving even in real (adjusted) terms!!

[FY2007 to FY2009: Year-on-year changes in existing store sales in real (adjusted) terms]

	FY2007	FY2008	FY2009
Year-on-year change in existing store sales in real (adjusted) terms (Note)	-2.3%	-1.8%	-0.8%
Year-on-year change in existing stores sales on a non-adjusted basis	-3.3%	-1.8%	+4.1%

(Note)

FY2007: Adjusted for the impact of the termination of prepaid highway toll cards (addition)

FY2008: No special adjustments

FY2009: Adjusted for higher tobacco sales (deduction)

2. Sharp Improvement in Average Daily Sales at New Stores

- Average daily sales at new stores ¥455,000: **Up ¥46,000 year on year**
- Steady progress with “Venture Employee System”:
29 program participants began operating their own stores.

Issue: Opened 15 stores fewer than planned; securing “volume growth” in terms of opening stores remains an issue.

(Reason) Delays in opening stores in the Kanto and Kansai regions.

3. Drastically Reduced the Number of Company-owned Stores

(Stores)

	FY2008	FY2009			
			Stores opened	Stores closed	Change from previous fiscal year-end
Company-owned stores	550	508	11	93	-42
Stores under direct management	173	193	1	28	+20
Provisional Company-owned stores	377	315	10	65	-62




- Sharply reduced the number of provisional Company-owned stores (stores operated under contract)
⇒Down 62 stores from the previous fiscal year-end

•Company-owned stores converted into franchised stores: 99 stores

•The “Operations Management Employee” system began from May 2008: 34 individuals enrolled (as of Feb. 28, 2009)

4. Enhancing and Refining the Three Core Original Brands

- Steady success with the three core original brands
=> **Becoming hallmark Circle K Sunkus products**

Fiscal 2009 Performance	 Original dessert selection <i>Cherie Dolce</i> (Launched November 2007)	 Pasta series <i>rubetta</i> (Launched October 2008)	 Original baked goods <i>Oishii Pan Seikatsu</i> (Launched May 2007)
	Y-o-Y change in sales per store	125%	122%

5. Improvement in the Average Product Markup

- => **0.03 Percentage Point Higher than Planned, up 0.14 of a Percentage Point in Real Terms Excluding the taspo Effect.**

FY2008	FY2009			Real Improvement Rate
	Target	Result	In Real Terms	
28.99%	28.08 %	28.11 %	29.13%	0.14%

- Improved product markups in various product categories, including fast food, perishable food, and processed food

6. “Change” in the Past Fiscal Year

- **Unified franchise agreements** for new stores from **November 2008**
- **Launched the Inefficiency Reduction Project**
 - => Fostered strong awareness of the need to eliminate inefficiencies throughout the Company.
- **Began installing in-store fryers** from second half of **fiscal 2009**
 - => Installed fryers at 210 stores as of February 28, 2009
- **Held customer satisfaction enhancement forums and a “Friendly Competition” for the first time, and unveiled a newly designed joint uniform**

7. Launch of New Systems and Services

[Deployment schedule]

Fiscal 2008	Fiscal 2009	Fiscal 2010
<p>New POS registers</p> <p>Completed installation at all stores in February 2008</p>	<p>New store communication servers</p> <p>Fiber-optic broadband network</p>	<p>Completed installation at all stores in February 2009</p> <p>Completed installation at all stores in February 2009</p>
<p>ATMs</p> <p>Fiscal 2009: Expanded installation to 6 Kansai prefectures, 2 Kyushu prefectures, Shikoku, Ibaraki Prefecture, Tochigi Prefecture (Installed in 3,958 stores as of February 28, 2009)</p> <p>Multi-use copy machines</p>		<p>Regional expansion</p> <p>Installation planned for Hokuriku region from May 2009</p> <p>Completed installation at all stores from February 2009</p>
<p>•Completed installation at 2,453 stores as of February 2009</p> <p>•Install at all stores by August 2009 (bar a few exceptions)</p>		<p>In-store multimedia terminals “KARUWAZA Station”</p>



Fiscal 2010 Initiatives

Fiscal 2010 Management Policy “Challenge and Action”

Key words are “Let Go and Change”

Constantly embrace bold new challenges to craft innovative convenience stores

Build a stronger profit-seeking enterprise by eliminating inefficiencies

Remember that business depends on customers, and the Head Office depends on franchised stores

1. Store Development Strategy

■ Continue opening stores with an emphasis on quality (stores)

	Stores opened (including relocated stores)	Stores closed	Net increase
Fiscal 2010 target	290 (110)	270	+20

■ Steadily sign up franchisee candidates

- No. of “Venture Employee System” participants expected to begin operating their own stores: 45 (planned)
- Newly upgrade the incentive plan for managing multiple stores from March 2009
=> Preferential royalty reduction of 4% (refund of sales promotion expenses) for every additional Type A store after 10 or more stores

■ Opened first stores in **Fukuoka** Prefecture (Opening of first store planned for summer 2009)

- => Over the next 5 years, plans call for opening 100 stores in Fukuoka Prefecture (Circle K Sunkus proper) and 300 stores throughout Kyushu (including area franchisers)

2. Store Operations Strategy

■ Bolster franchisee support measures

- **Commencement of “Franchised Store Staffing System”:** Planned for July 2009

=> Provision of staffing services to franchised stores through new subsidiary Retail Staff Co., Ltd.

- **Integration of Circle K Mutual Aid Association and Sunkus Welfare Association**

=> Planned for November 2009 Enhance franchisee benefits and conditions for various insurance plans for franchised storeowners

■ Reduce the number of Company-owned stores and related costs

- **Targeted number of Company-owned stores as of February 28, 2010: 500 stores** (508 stores as of February 28, 2009)

=> Utilize the “Venture Employee System,” the incentive plan for managing multiple stores, and the “Operations Management Employee System”

■ Provide management guidance to franchised stores focused on profitability

- **Optimize product disposals, payroll expenses, and inventories**

3. Product Development Strategy

■ Spare no effort to enhance and refine the three core brands

=> Deploy new product lines and insist on even better food materials and preparation methods

■ Bolster product packages to better reflect the location characteristics of each store

(1) Step up installation of in-store fryers

- Installation plan (cumulative no. of stores with fryers installed)
=> FY2009: 210 stores, FY2010: 960 stores, and FY2011: 2,000 stores
- Establish fryer operation system and develop distinctive delicatessen items dessert and other products

(2) Promote the roll-out of a diverse range of product packages

- FY2009: Launched imported confectionery, fruit juices, freshly baked goods, etc.

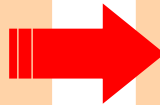
■ Developing consumer lifestyle support proposals

=> Aiming to boost faltering boxed lunch sales, with a view to lifting overall rice dish sales volume

1. The *Genki Ouen Bento* series

=> Offer a revolving monthly product lineup from April 14, for 6 months.

Boxed lunches
worth ¥450-¥500



Will be provided
at the value-priced
of **¥380!**

Launch every third week
of the month before pay days



2. Develop new original-brand beverages

- Original-brand tea-based beverages: Launch 2 items on April 14 (green tea and oolong tea) 500 ml; **¥100**
- Original-brand carbonated beverage: Launch 1 item on April 21 (cola drink) 500 ml **¥115**

■ Original-Brand Strategy—Driven by Group Synergies

Fiscal 2010 original-brand sales target: ¥30.0 billion in combined sales for 335 items under the Circle K Sunkus, +KACHIAL and e-price brands



4. Service Development Strategy

■ Established the new **Information Services Division**

=> Open up new possibilities in direct mail-order and other businesses

■ Develop **KARUWAZA STATION** terminals to their fullest potential

=> Installation planned for completion at all stores by August 31, 2009 (barring a few exceptions)

=> Offer many different kinds of content, following the launch of lottery sales for “toto” and “BIG” in March 2009

■ Expand deployment of **“Bank Time” ATMs**

=> Expand installation to stores in the Hokuriku region from May 2009

=> Installation planned at approximately 4,200 stores (roughly 70% of stores due for installation) by fiscal 2010

5. In-house Projects

■ *Yume WAKU2* project: **Listening Committee**

- Build a framework for ensuring that the broad range of views and requests of franchisees, employees and others are conveyed to top management.
=> Expedite actions and operational improvements

■ **Inefficiency Reduction Project:**

Inefficiency Elimination Committees and Purchasing Committee

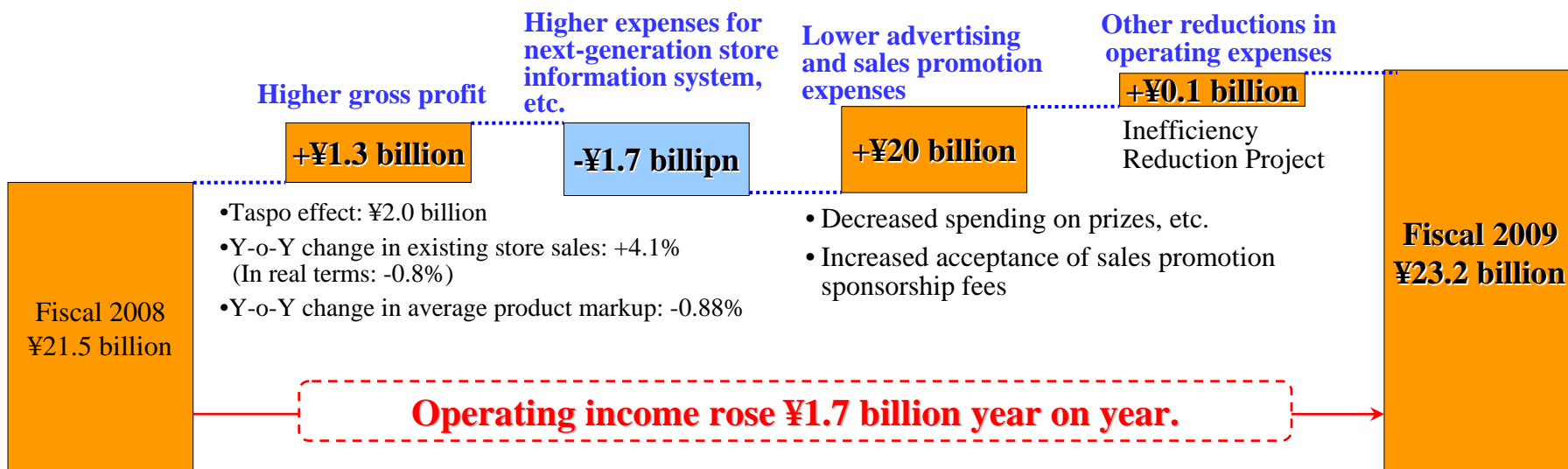
- Foster a strong awareness of the need to eliminating inefficiencies throughout the Company
- Established the new Purchasing Committee in fiscal 2010
=> Aims to reduce purchasing costs through electronic tendering

■ **Responding to the enforcement of the amended Pharmaceutical Affairs Law from June 1, 2009**

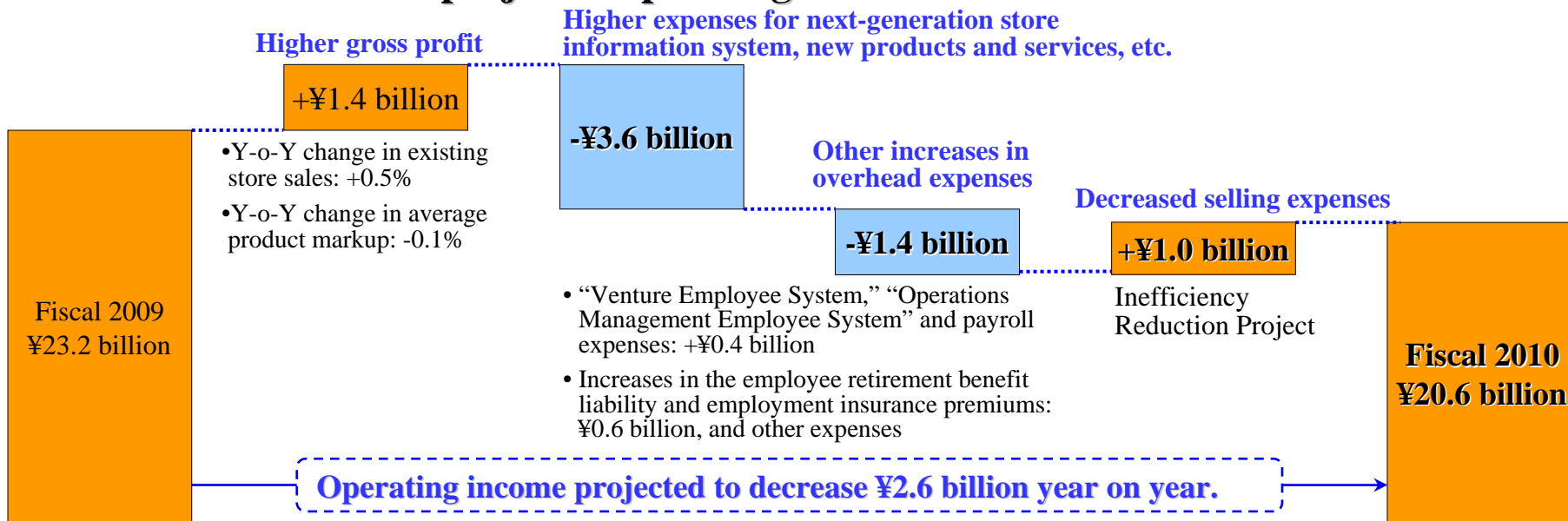
- Recruit qualified and registered sales persons, open trial stores and take other actions
=> Look at new possibilities for selling pharmaceuticals going forward

3. Factors Behind Changes in Operating Income (Non-consolidated)

■ Factors behind higher operating income for fiscal 2009



■ Factors behind lower projected operating income for fiscal 2010



4. The Revised Three Year Plan

■ Consolidated Capital Expenditures Budget

(Yen in millions)

	FY 2009 result	FY 2010 (revised forecasts)	FY 2010 (revised forecasts)
New store investments	12,641	13,010	13,490
Existing store investments	2,953	2,350	2,680
System investments	10,547	5,160	4,630
Head office investments	215	710	710
Capital expenditures (1)	26,358	21,230	21,510
Leasing Expenditures (2)	10,949	9,340	5,540
Total Investments (1)+(2)	37,307	30,570	27,050
Total Investments of the Initial Plan	42,800	29,030	26,970

■ Main Impacts on Earnings

(Yen in billion)

	FY 2009 result	FY 2010 (revised forecasts)	FY 2010 (revised forecasts)
Next-generation store information system	-1.1	-2.7	+0.2
Multi-use copy machines, <i>KARUWAZA STATION</i> , ATMs	-0.5	-0.4	-0.4
Expenses related to new products and services, such as in-store fryer items	-0.1	-0.5	-0.6
Total	-1.7	-3.6	-0.8
Total of the Initial Plan	-3.2	-3.4	+1.2

(Note) “Main impacts on earnings” are shown on a non-consolidated basis.

■ Consolidated Business Forecasts

(Stores, Yen in millions)

	FY 2009 result	FY 2010 (revised forecasts)	FY 2010 (revised forecasts)
Stores opened	312	319	330
Stores closed	287	280	291
Stores at term-end	5,263	5,302	5,341
Y-o-y change in existing store sales	+4.1%	+0.5%	+0.5%
Average product markup	28.11%	28.01%	28.07%
Total store sales	940,232	960,110	983,880
Total operating revenues	213,398	212,120	221,880
Operating income	23,009	20,470	20,920
Recurring profit	22,566	19,200	19,270
Net income	9,435	9,100	9,190

(Note) 1. Y-o-y change in existing-store sales and average product markup are non-consolidated.

5. Shareholder Return Policy

Basic Policy

Aim to pay out at least 30% of consolidated net income in the form of dividends and maintain a stable dividend

Share buybacks will be considered while carefully monitoring capital investment plans and the Company's financial position

[Consolidated basis]

(Yen)

	FY2007	FY2008	FY2009
Net income per share	102.4	112.7	108.7
Dividends per share (For the year)	40 (+2)	40 (±0)	40 (±0)
Payout ratio	39.1%	35.5%	36.8%
Return on equity (ROE)	7.0%	7.4%	6.8%