



I'd like to use this opportunity to thank all shareholders and other investors for their continued interest in Circle K Sunkus.

Today, July 2, 2007, we announced earnings for the first quarter of fiscal 2008, the year ending February 29, 2008.

In fiscal 2008, Circle K Sunkus' management policy is to shift to an "intensive, quality-driven growth path." Guided by this policy, we prioritized quality over quantity in opening new stores while boldly closing mainly unprofitable stores. In the first quarter, existing store sales at Circle K Sunkus decreased 1.1% year on year on a non-consolidated basis, falling slightly below target. Despite this, we saw an improvement in sales mainly in the Kanto region, helped by favorable weather and the benefits of proactive sales promotions, such as incentive-point collection campaigns. Furthermore, Circle K Sunkus opened 71 stores, including 10 by 99 Ichiba Co., Ltd., which became a consolidated subsidiary in the first quarter of fiscal 2008, and closed 142 stores, for a net decrease of 71 stores. Despite opening fewer stores than planned, average daily sales per new store improved by ¥33,000 from the first quarter of the previous fiscal year. As a result, consolidated total store sales fell only 0.7% year on year to ¥225.7 billion. Despite higher consolidated operating revenue reflecting the addition of one newly consolidated subsidiary, operating income decreased 17.8% to ¥4,929 million, mainly due to an increase of 4.1% in selling, general and administrative (SG&A) expenses. Incidentally, we are projecting a drop in earnings for fiscal 2008 in line with plans to close 483 stores during the fiscal year. Meanwhile, earnings surpassed targets in the first quarter of fiscal 2008. Please view our earnings reports for further details on first-quarter operating results.

The integration of product vendor and logistics networks under way since the merger of 2004 is due for completion in all product categories by fall 2007. Going forward, we will unify original product brands and standardize food ingredients to generate more integration benefits and offer even

better-tasting products. And shifting from our internal focus on integration, we will now channel our energies outward to finally move merchandising onto the offensive. Furthermore, we reinforced services in the first quarter based on my belief that services hold the key to future growth in the convenience store business. In May 2007, Circle K Sunkus unveiled a pickup service for products purchased at Internet mail-order sites in order to unearth new customer needs. In regard to *KARUWAZA CLUB*, the Company has been enabling individuals to register as cardless members since April to grow its loyal customer base by signing up more new members. *KARUWAZA CLUB* membership has increased by more than 80,000 individuals since the first quarter of fiscal 2007 to surpass the 240,000 mark. Turning to ATM services, Circle K Sunkus reached a basic agreement with Resona Bank on a partnership to successively install ATMs at stores in the Kansai region from February 2008 under the original brand *Bank Time*, for which Resona Bank will be the main bank for ATM services. In the second half of fiscal 2008, Circle K Sunkus will begin to roll out a broadband communications system in parallel with its next-generation store support system. This move will put in place infrastructure indispensable to offering next-generation services. Our goal is to further enhance convenience for customers.

We are still far from seeing our shift to quality generate concrete results. Although existing store sales are improving, growth remains weak and average daily sales per new store have yet to reach targets. Looking ahead, we will continue to prioritize the frontline at all times as we quicken the pace of initiatives to strengthen sales capabilities across all divisions, with the aim of increasing sales. Your continued support and understanding will be as vital as ever.

July 2, 2007

A handwritten signature in black ink that reads "Motohiko Nakamura". The signature is written in a cursive, flowing style.

Motohiko Nakamura, President