



Allow me to begin by extending my appreciation to our shareholders and other investors for their understanding and loyal support.

Today, October 9, 2007, Circle K Sunkus released its interim business results for the fiscal year ending February 2008.

This fiscal year, we are taking steps to strengthen sales capabilities, guided by our management policy of shifting to an “intensive quality-driven growth path.” During the first half of the year, above all else, we placed emphasis on quality in store openings. The result was a vast improvement in average daily sales at new stores, up ¥23,000 when compared to the same period a year earlier. An improvement trend was also seen at existing stores, as more robust sales promotion measures led to a smaller rate of decline, among other improvements. Since the merger, while working to steadily expand the number of product categories, we have pushed forward with integrating our vendor and logistics networks. In July, these efforts culminated in the integration for all fast food and perishable food category products being completed ahead of schedule. Now more than ever, we have a framework in place for offering reliable, safe, healthy and great-tasting products to our customers. Leveraging this advantage, we intend to take a more aggressive merchandising approach as we promote the development of top-selling products. In terms of services, the number of *KARUWAZA CLUB* members surpassed 270,000. One factor in this growth was the transition to cardless membership registration, as we sought to increase customer footfall by attracting more members.

Total store sales on a consolidated basis for the first half of the year declined 1.2% year on year to ¥463.4 billion. While signs of recovery were evident, particularly at existing stores, sales were impacted by the closure of 249 stores, or 21 more stores than a year earlier. These closures, however, were in line with one of our major initiatives for the year—paring back the number of unprofitable and Company-owned stores. Another initiative is to enhance support for franchised stores. We also aggressively invested in ways designed to improve sales, all of which pushed selling, general and administrative expenses up 5.0% compared to a year ago. Accordingly, operating income declined 18.4% to ¥11.5 billion on a consolidated basis.

The year-on-year increase in store closures, meanwhile, resulted in higher store closure expenses, and as a result both recurring profit and net income were lower than in the corresponding period of the previous fiscal year. These expenses were nonetheless lower than expected due to fewer closures than initially planned. Together with improved profitability from consolidated subsidiaries, recurring profit and net income were higher than anticipated. For more details regarding interim performance, please refer to our earnings report.

Despite tough challenges with respect to sales and business performance, Circle K Sunkus views the return of a suitable level of profits to shareholders and other investors as a key management issue. In light of a wide range of considerations, including the medium-term earnings environment and financial position, we have decided to raise the full-year dividend by ¥2 per share. As a result, we plan to pay an annual dividend of ¥40 per share.

Since taking office this past May, I have worked hard to bolster sales capabilities, while making my presence felt at our stores both as president and as head of our General Operations Headquarters. Our efforts to boost quality met with some success during the first half of the year, but we are still only halfway there, and I am not yet satisfied. As we look ahead, my goal is to boost sales and overall performance through tangible gains in quality. To do this, we will remain doggedly committed to strengthening sales capabilities in every division.

In closing, I ask our shareholders and other investors for their continued support of Circle K Sunkus.

October 9, 2007

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

Motohiko Nakamura, President