



I would like to thank all shareholders and other investors for their continued interest in and support for Circle K Sunkus.

Today, October 9, 2008, we announced our earnings for the first half of fiscal 2009, the year ending February 28, 2009.

Earnings are projected to decrease in fiscal 2009 because of higher expenses associated with large capital investments. Nonetheless, in the interim period, we delivered higher sales and earnings year on year, thanks to strong sales. During this period, sales grew steadily, particularly at existing stores, and there was a large improvement in average daily sales at new stores. This was mainly the result of sharp growth in sales of chilled noodles, soft drinks and other summer products due to a heat wave in July. We also benefited from higher tobacco sales as well as increased customer footfall resulting from the installation of taspo (age verifying IC card) systems in cigarette vending machines. In addition to these positive factors, our original baked goods brand *Oishii Pan Seikatsu* and original dessert brand *Cherie Dolce*, which were launched in fiscal 2008, continue to sell strongly. Our first-half performance testifies to the success of ongoing aggressive merchandising initiatives underway since fiscal 2008 to reinforce and develop mainstay product categories. For instance, we saw improvement in sales of sandwiches, which were relaunched in May, as well as better sales of processed noodles and other mainstay fast foods. Supported by these factors, existing store sales rose 2.7% year on year (non-consolidated basis) and consolidated total store sales were ¥19.5 billion higher than initial forecast. Total operating revenues increased ¥4.4 billion year on year on a consolidated basis, the result mainly of higher revenues from franchised stores due to strong sales, as well as contributions from consolidated subsidiaries. Consolidated operating income was ¥13.7 billion, ¥2.1 billion higher than in the first half of fiscal 2008. This reflected a drop in SG&A expenses from the previous fiscal year, owing to lower advertising and sales promotion expenses. On a consolidated basis, recurring profit and net income for the first half of fiscal 2009 were both much higher than initial

forecast. Please view our earnings report for further details on first-half operating results.

In the second half of fiscal 2009, as part of the *Yume WAKU2* project launched this fiscal year, we will conduct a “Friendly Competition” that engages franchised store staff across Japan in an effort to raise customer satisfaction and footfall. We also plan to expand product categories where we will develop products based on ideas submitted by franchised stores to original snacks and boxed lunches. In terms of reinforcing and developing mainstay products, we will launch an original pasta brand called *rubetta* on October 14, 2008 in order to develop our now fast-growing pasta lineup into a third hallmark Circle K Sunkus brand. Besides insisting on only great-tasting pasta noodles and sauces, we are looking to strengthen our hand in pasta by offering a more varied product lineup. In terms of enhancing regional products, we will continue expanding deployment areas for the *MOT Project*, our plan to develop “locally produced, locally consumed products.” And we will step up trials of freshly baked bread and other new products, with the view to developing product lineups that better reflect the characteristics of each store location. Meanwhile, we decided to install fryers in certain stores for the first time as a means of generating new sales. Deployment of new information systems and service equipment, which lies at the heart of our aggressive stance to moving forward in fiscal 2009, will finally begin in earnest from the second half of the current fiscal year. This will allow Circle K Sunkus to lay a strong foundation for offering advanced services.


In other news, Circle K Sunkus will unify franchise agreements for Circle K and Sunkus stores beginning with stores opening from November 2008. Ever since I was appointed president, I’ve been convinced that unifying franchise agreements is absolutely necessary to achieving our vision for Circle K Sunkus. By eliminating inconsistencies in Circle K and Sunkus store operations, the same store developers and store supervisors can take responsibility for both store brands, leading to greater operating efficiency.

Circle K Sunkus continues to face a challenging business environment as highlighted by sluggish consumer spending in a slowing Japanese economy.

Undaunted, we are embracing the challenges of developing new products and sales methods that will give us a competitive edge, while changing the way we think about things and do business. Through these and other efforts, we aim to improve sales and our overall performance.

I look forward to your continued support and understanding of Circle K Sunkus, as we endeavor to reach our goals.

October 9, 2008

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

Motohiko Nakamura, President