



A very Happy New Year to all our stakeholders.

We posted significant growth in sales in 2008, thanks in large part to the launch of our original dessert brand *Cherie Dolce* and the increase in tobacco sales following the installation of taspo (age verifying IC card) systems in cigarette vending machines as well as strong sales of products such as fast foods and perishable foods. Based on our management policy of tackling new challenges and fulfilling our roles and the keyword of "Change," employees and franchised stores came together to implement a broad range of changes, including introducing new uniforms and the original pasta brand *rubetta*, hosting forums about how to improve customer satisfaction, and standardizing new store contracts. I feel a great sense of accomplishment about these actions.

Going forward, the fall in consumer confidence sparked by the financial crisis is very likely to have a significant negative impact on distributors and retailers.

For convenience stores, however, there are also positive aspects to the

current economic conditions, in terms of prices, securing of human resources, and other factors. In such times as these, it is extremely important to find the favorable winds amid the gale, striking an appropriate balance between taking an aggressive stance and fortifying our defences, as we navigate our way through the storm. In particular, this coming July will mark one year since the introduction of the age-verification taspo-card system at vending machines boosted our tobacco sales. We plan to continue posting year-on-year gains in sales by enhancing our existing products and introducing new ones, with a focus on augmenting our mainstay brands *Cherie Dolce*, *rubetta* and *Oishii Pan Seikatsu*.

In terms of products, we will also strengthen the content of our *KARUWAZA STATION* in-store multimedia terminals, and bolster service offerings. As part of our aggressive stance on moving forward, we intend to add new products tailored to the special characteristics of each store location. In 2008, we introduced fryers at selected stores ahead of schedule, and will install this equipment at additional locations over the coming fiscal year. We also conducted trial runs of fresh-baked breads and fruit juices at certain stores. At the same time, we made preparations for our proactive approach to the future by improving hardware, such as the new Store Communications Servers (SCS), and by rolling out new products and services. In 2009, we will make effective use of these in order to build up stores that will be able to stand up to, and outperform, our competitors'.

Last year, we initiated the regional headquarters system and have been making strides with initiatives that integrate operations, development, and products in each region. As society discusses the roles that convenience stores should play, some of the successful results of the regional headquarters system relevant to this discussion have been the formulation of comprehensive agreements with local governments to cooperate on regional promotion and agreements to provide material support in times of natural disaster. We will continue to actively contribute to local regions and communities. In particular, our "safety station" activities, in which stores double as public safety facilities, are an excellent example of a unique way in which convenience stores can serve the public good. As we continue to promote the MOT Project—a plan to develop “locally produced, locally consumed” products—we will create stores that have close relationships with their local communities and are truly appreciated by their customers.

As we ring in 2009, I would like to thank all of you for your ongoing patronage and support for Circle K and Sunkus stores. All of us here wish you the very best for the year ahead.

January 1, 2009

A handwritten signature in cursive script that reads "Motohiko Nakamura".

Motohiko Nakamura, President