

Circle K Sunkus

Thirty-five years have passed since the birth of convenience stores in Japan. Convenience stores have undergone a continuous transformation in step with shifts in customer lifestyles and Japanese society. Looking ahead, Circle K Sunkus is determined to continue operating progressive convenience stores that respond to the needs of the future.

Perspective

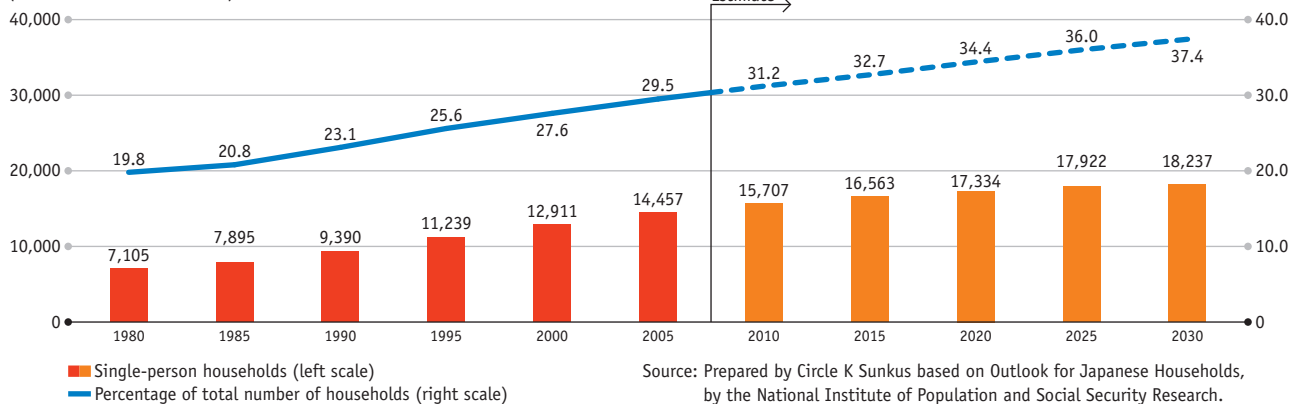
—Changes in Food Consumption Patterns Driven by a Shifting Social Structure

In the past, home-cooked meals for large households were the norm in Japan. However, against the backdrop of shifts in Japan’s social structure and consumer lifestyles, demand has been rising for dining at restaurants and other foodservice establishments, and for home meal replacement, which refers to the purchasing of pre-cooked food for consumption at home. In this manner, Japan has seen a profound transformation in food consumption patterns due to changes in its social structure, including the aging of society, an increase in single-person households, and greater participation by women in society.

The number of single-person households, in particular, has been steadily on the rise. In fact, these households are projected to account for 30% of all Japanese households by 2010. The number of elderly single-person households is also expected to grow sharply going forward, as Japanese society rapidly ages. Against the backdrop of increases in single-person households and working women, food preferences are increasingly shifting from home-made meals to sources of food outside the home. The main reasons are to save time, and to avoid the hassle and costliness of home cooking. From the 1970s, Japan’s foodservice industry had

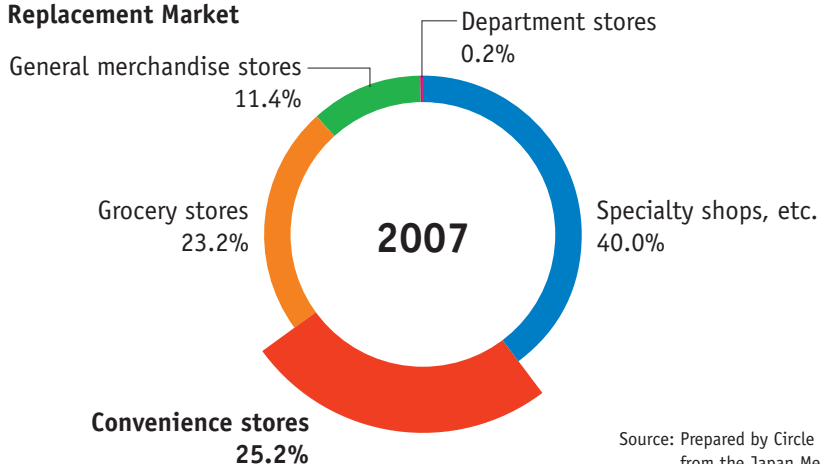
Number of Single-Person Households

(Thousands of households, %)



—Today and Tomorrow

Share of Home Meal Replacement Market



Source: Prepared by Circle K Sunkus based on information from the Japan Meal Replacement Association.

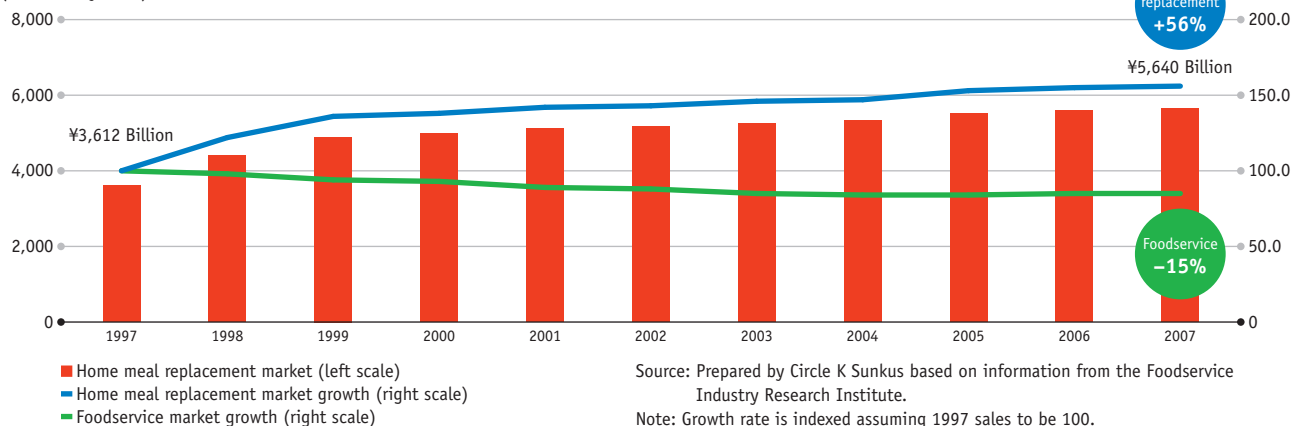
seen steady growth in its market until the late 1990s, when the market began to contract. The foodservice industry has been eclipsed by the emerging home meal replacement market, which includes convenience store boxed-lunches and delicatessen items offered at supermarkets and department stores.

The home meal replacement market has been expanding year after year, reaching a total worth of ¥5,640 billion in 2007. Whereas the foodservice market had contracted by 15% in 2007 over the preceding decade, the home meal replacement market had grown 56% over the same time

frame. Major convenience store operators have been strengthening their hand in fast food for some considerable time, with the result that the major convenience store chains now account for one-fourth of the entire home meal replacement market.

Size of Home Meal Replacement Market

(Billions of yen, %)



Source: Prepared by Circle K Sunkus based on information from the Foodservice Industry Research Institute.

Note: Growth rate is indexed assuming 1997 sales to be 100.

Circle K Sunkus —Today and Tomorrow

Prospects

—Proximity to Customers Offers an Expanding Range of Opportunities for Convenience Stores

In Japan, there are a growing number of senior citizens who find it hard to go out far for shopping, as well as single-person and double-income households that want to take care of household chores and shopping conveniently. In this context, consumers are making use of convenience stores in an increasingly diverse manner. Convenience stores are often the closest stores to neighborhoods where

shoppers live, and are open for business 24-hours a day, 365 days a year, providing a range of products and services. As such, convenience stores are well positioned to expand business opportunities not only by virtue of their convenience, but also by offering invaluable services that address customer needs.

Potential

—Driving the Continuing Convenience Store Evolution

Circle K Sunkus is focusing on developing delicious and attractive fast food products in the home meal replacement market, where there are increasingly strong consumer needs. We are conscious of the need not only to offer great-tasting food, but also to ensure food safety and reliability by not using any food preservatives or synthetic food coloring. In addition, we are also addressing the needs of health conscious customers with our *THINK BODY* series of healthy food choices. There is no end to our quest to develop impressive food products. We are developing hallmark Circle K Sunkus products, insisting on only the finest ingredients and food preparation methods in pursuit of great taste. We are also installing in-store fryers to provide the great taste that comes with freshly fried foods. And we are bolstering product lineups that better reflect the location characteristics of each store, such as our freshly baked pastry line.

In-store services are also evolving on a daily basis. These include 24-hour bill collection agency services allowing customers to pay utility and other bills anytime, a pickup service for products purchased at Internet mail-order sites, and ATM services. Our newly installed multi-use copy machines enable printing of digital camera photos in stores. We are currently installing *KARUWAZA STATION* in-store multimedia terminals. Through these terminals, we are offering lottery ticket sales for the Sports Promotion Lottery “toto” and concert ticket sales, and we intend to continue steadily phasing in a range of attractive content that will expand the horizons of convenience stores.

Cherie Dolce

An original dessert brand developed with an insistence on only the finest ingredients and preparation methods.

KARUWAZA STATION

In-store multimedia terminals will expand the horizons of new services.

Oishii Pan Seikatsu

An original baked goods brand that casts convenience stores as a neighborhood bakery.

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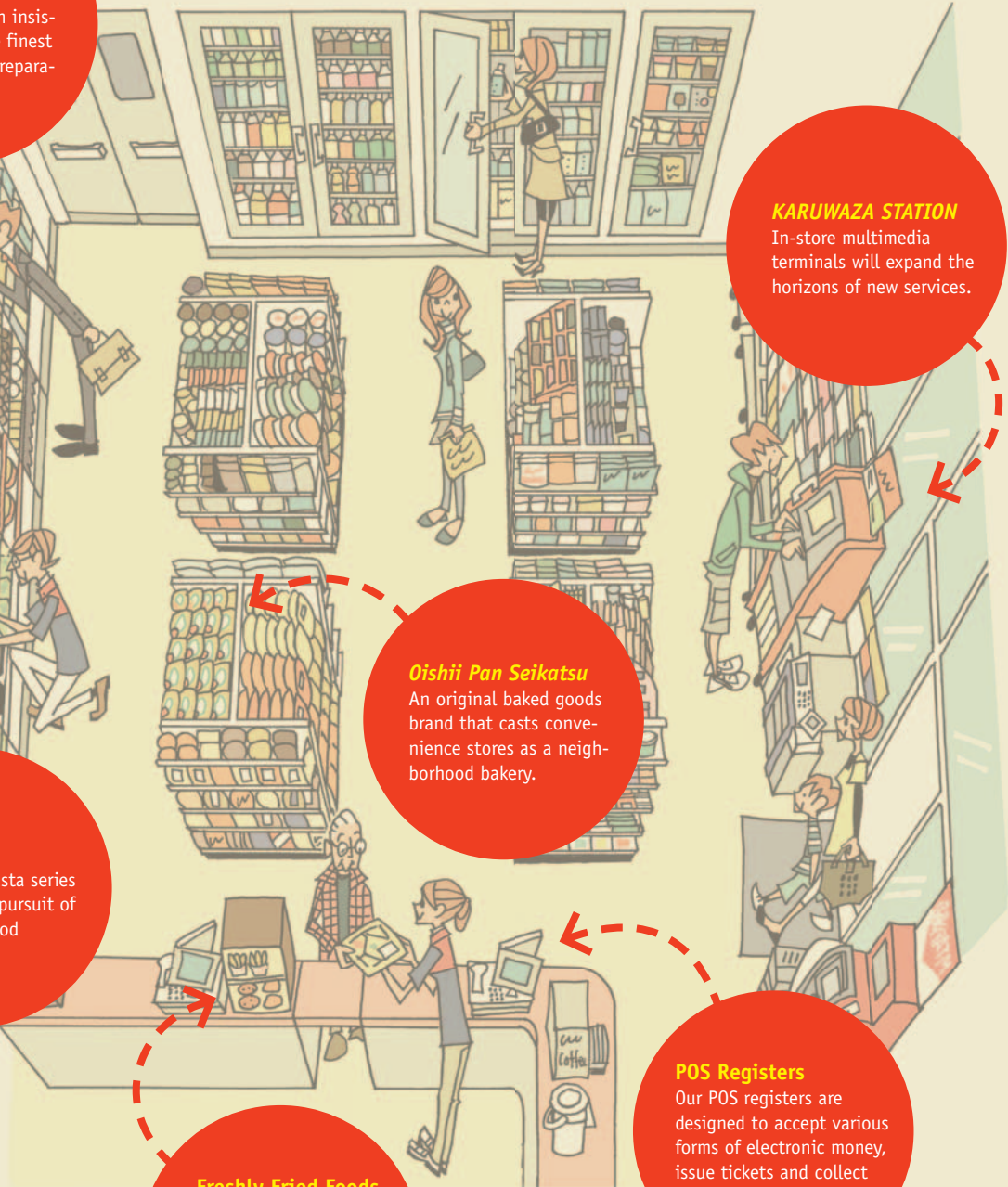
An authentic pasta series embodying our pursuit of great-tasting food

Freshly Fried Foods

In-store fryers will enable us to provide delicious freshly fried foods to enhance countertop fast foods.

POS Registers

Our POS registers are designed to accept various forms of electronic money, issue tickets and collect utility and other bills.

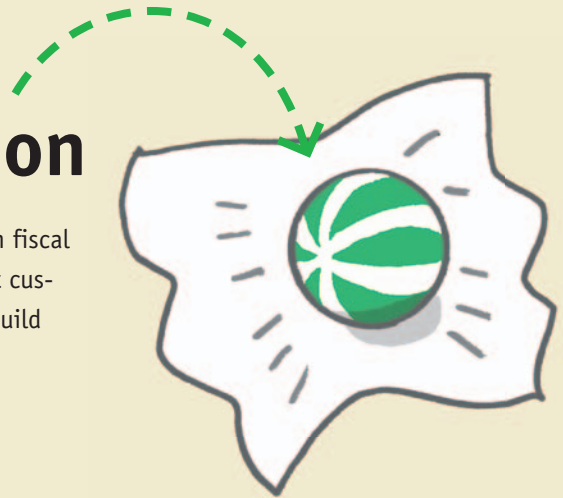


HAPPINESS MADE CONVENIENT!!

Circle K Sunkus aims to stay on top of the shifting needs of the times by enhancing the quality of each individual store. In this process, our top priority is to build solid business foundations for stores in Japan, rather than pursuing expansion alone. In fiscal 2010, Circle K Sunkus will embrace challenges on many different fronts to achieve the following four value creation initiatives.

Customer Value Creation

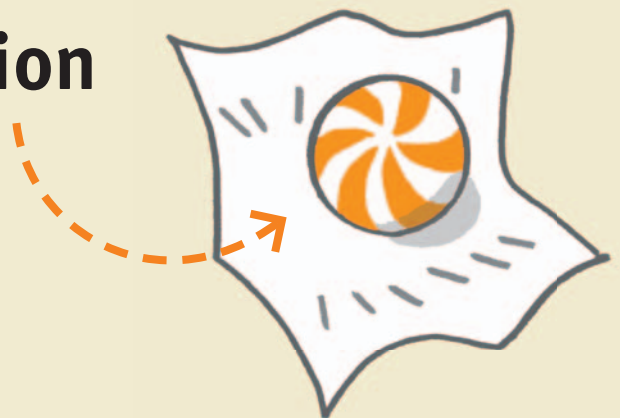
Aiming to develop stores that are better appreciated by customers, in fiscal 2010, Circle K Sunkus will continue the *Yume WAKU2* Project to boost customer satisfaction, while bolstering franchisee support measures to build stronger partnerships with franchisees.



Constant Pursuit

Product Value Creation

The challenge of developing new product lines under these three core brands is a top priority in fiscal 2010. To address shifting social conditions and lifestyles, Circle K Sunkus is working to enhance product lineups that better reflect the location characteristics of each store. To this end, we are launching value-priced boxed lunches and stepping up the installation of in-store fryers that allow us to provide delicious freshly fried foods.



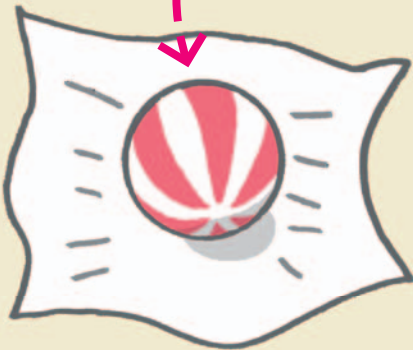


Value Creation Through Functions Offered at Stores

From fiscal 2008, Circle K Sunkus has made large investments related to new systems and services, with the aim of boosting customer convenience. We will phase in attractive content via *KARUWAZA STATION* in-store multimedia terminals, for which installation will be completed at all stores (excluding certain stores) in fiscal 2010. In addition, ATM service areas will be expanded to new regions.

of Value

Value Creation Through Solid Business Foundations



Circle K Sunkus is continuing efforts to enhance cost effectiveness through the Inefficiency Reduction Project, with the view to crafting a stronger profit-driven enterprise. In addition, we will start working to reduce purchasing costs in fiscal 2010. We will also begin unifying franchise agreements at existing stores as they are renewed.