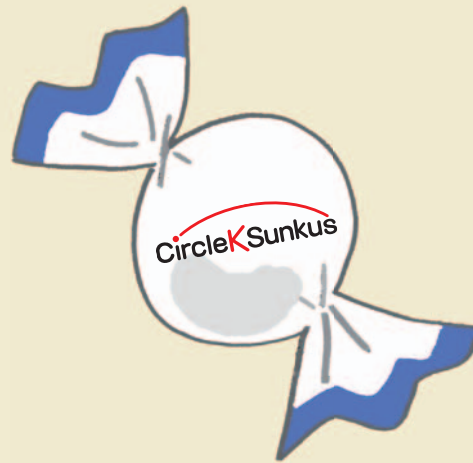
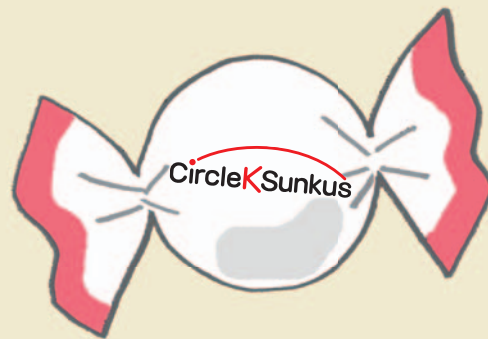
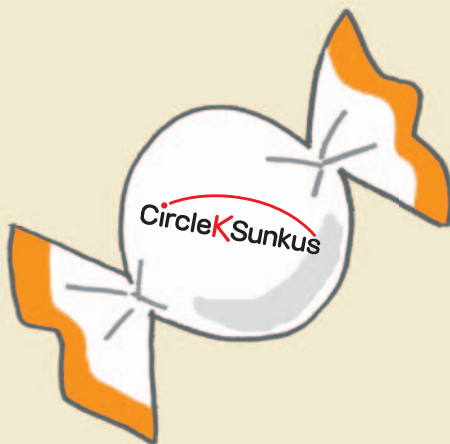


CircleK Sunkus



HAPPINESS MADE CONVENIENT!!



Annual Report 2009

For the year ended February 28, 2009

Profile

Established through a merger in September 2004, Circle K Sunkus Co., Ltd.'s main business is the management of stores and franchise business in respect to the Circle K and Sunkus convenience store chains. Circle K Sunkus is the fourth largest convenience store operator in Japan's convenience store industry, with total store sales at Circle K Sunkus proper, including area franchisers, of almost ¥1 trillion and a combined network of more than 6,000 Circle K and Sunkus stores. Going forward, we will take on various challenges in order to make our customers' lives more convenient and enjoyable in a variety of lifestyle contexts, with the aim of creating truly exciting convenience stores.

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Cautionary Statement With Respect to Forward-looking Statements

Statements in this annual report include forward-looking statements about the future performance of Circle K Sunkus Co., Ltd. that are based on assumptions and beliefs in light of information currently available. Accordingly, these statements involve certain risks and uncertainties.

Consolidated Financial Highlights

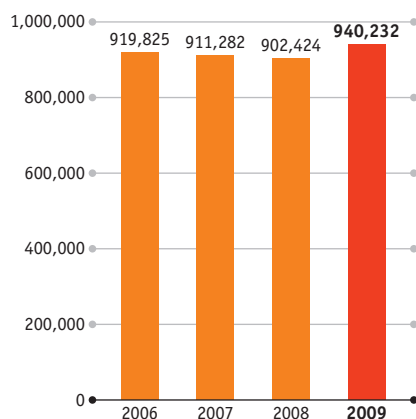
Circle K Sunkus Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2009, February 29, 2008 and February 28, 2007 and 2006.

	Millions of Yen				Thousands of U.S. Dollars
	2009	2008	2007	2006	2008
For the year:					
Total store sales	¥940,232	¥902,424	¥911,282	¥919,825	\$9,594,204
Operating revenue	213,398	206,373	194,393	184,191	2,177,531
Operating income	23,010	21,096	23,113	25,785	234,796
Income before income taxes and minority interests	17,956	15,240	18,387	19,858	183,224
Net income	9,435	8,580	10,237	11,498	96,276
At year-end:					
Total liabilities and equity	222,305	218,821	212,377	211,767	2,268,418
Total equity	130,656	124,632	119,883	118,393	1,333,224
Financial indicators:					
Return on equity (ROE)	7.4%	7.0%	8.7%	10.1%	—
Shareholders' equity ratio	58.8%	57.0%	56.4%	55.9%	—
Net income per share	112.65	102.43	119.92	132.77	1.15
Cash dividends per share	40.00	40.00	38.00	38.00	0.41
Dividend payout ratio	35.5%	39.1%	31.7%	28.2%	—
Total equity per share	1,559.97	1,487.72	1,431.27	1,373.59	15.92
Number of stores:					
Circle K	2,846	2,809	2,898	2,891	
Sunkus	2,093	2,119	2,205	2,263	
Consolidated four area franchisers	263	257	265	146	
99 Ichiba	61	52	—	—	
Total	5,263	5,238	5,369	5,300	

- Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥98 to U.S.\$1, the rate of exchange at February 28, 2009.
2. Circle K Sunkus Co., Ltd. had two consolidated subsidiaries in the fiscal year ended February 28, 2006, five consolidated subsidiaries in the fiscal year ended February 28, 2007 and six consolidated subsidiaries in the fiscal year ended February 29, 2008 and February 28, 2009.
3. The total number of stores for the fiscal years ended February 28, 2007 and February 29, 2008 includes 1 new-concept store.

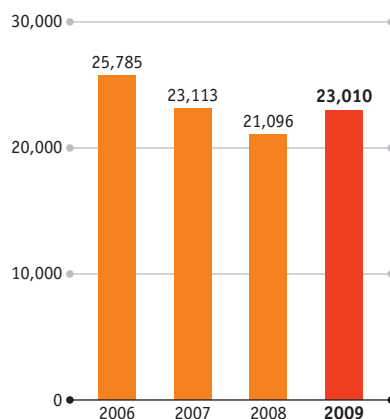
Total Store Sales

(Millions of Yen)



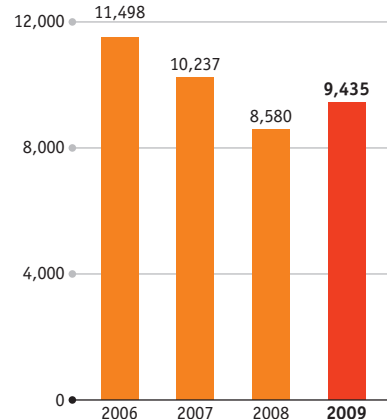
Operating Income

(Millions of Yen)



Net Income

(Millions of Yen)



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

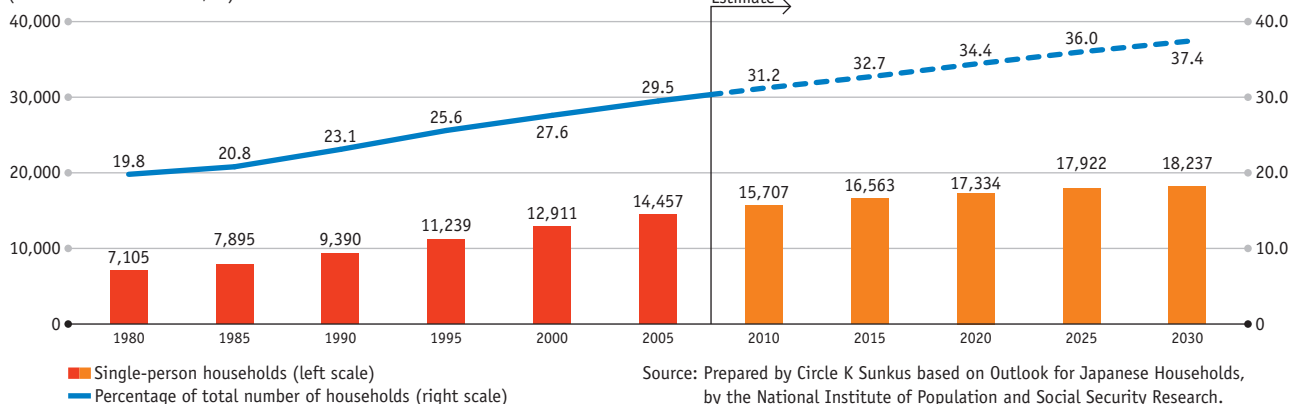
—Changes in Food Consumption Patterns Driven by a Shifting Social Structure

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

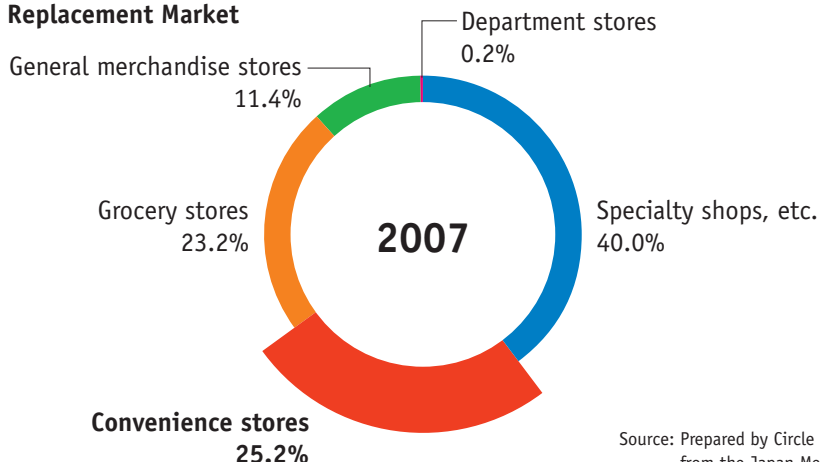
Number of Single-Person Households

(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.

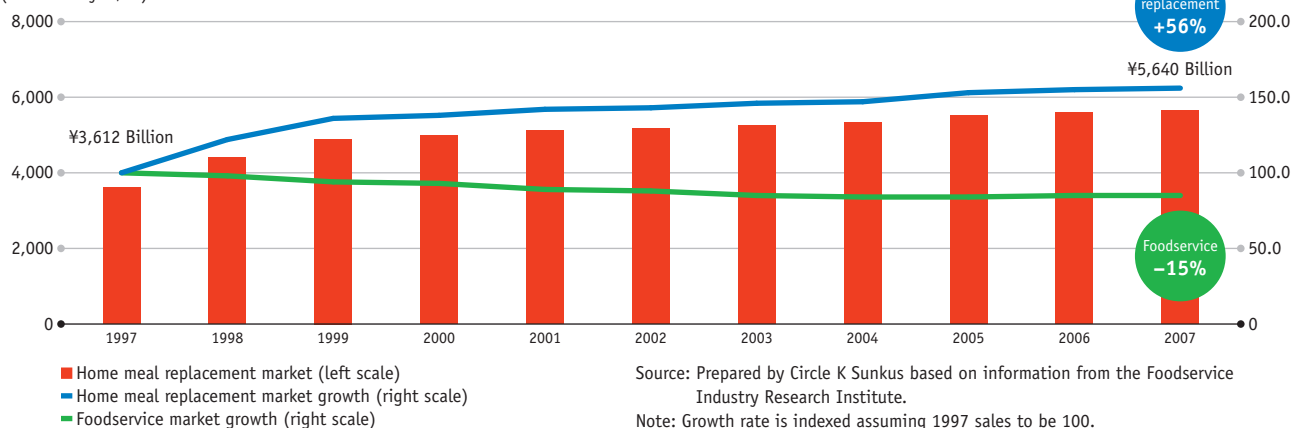
seen steady growth in its market until the late 1990s, when the market began to contract. The foodservice industry has been eclipsed by the emerging home meal replacement market, which includes convenience store boxed-lunches and delicatessen items offered at supermarkets and department stores.

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.

rubetta

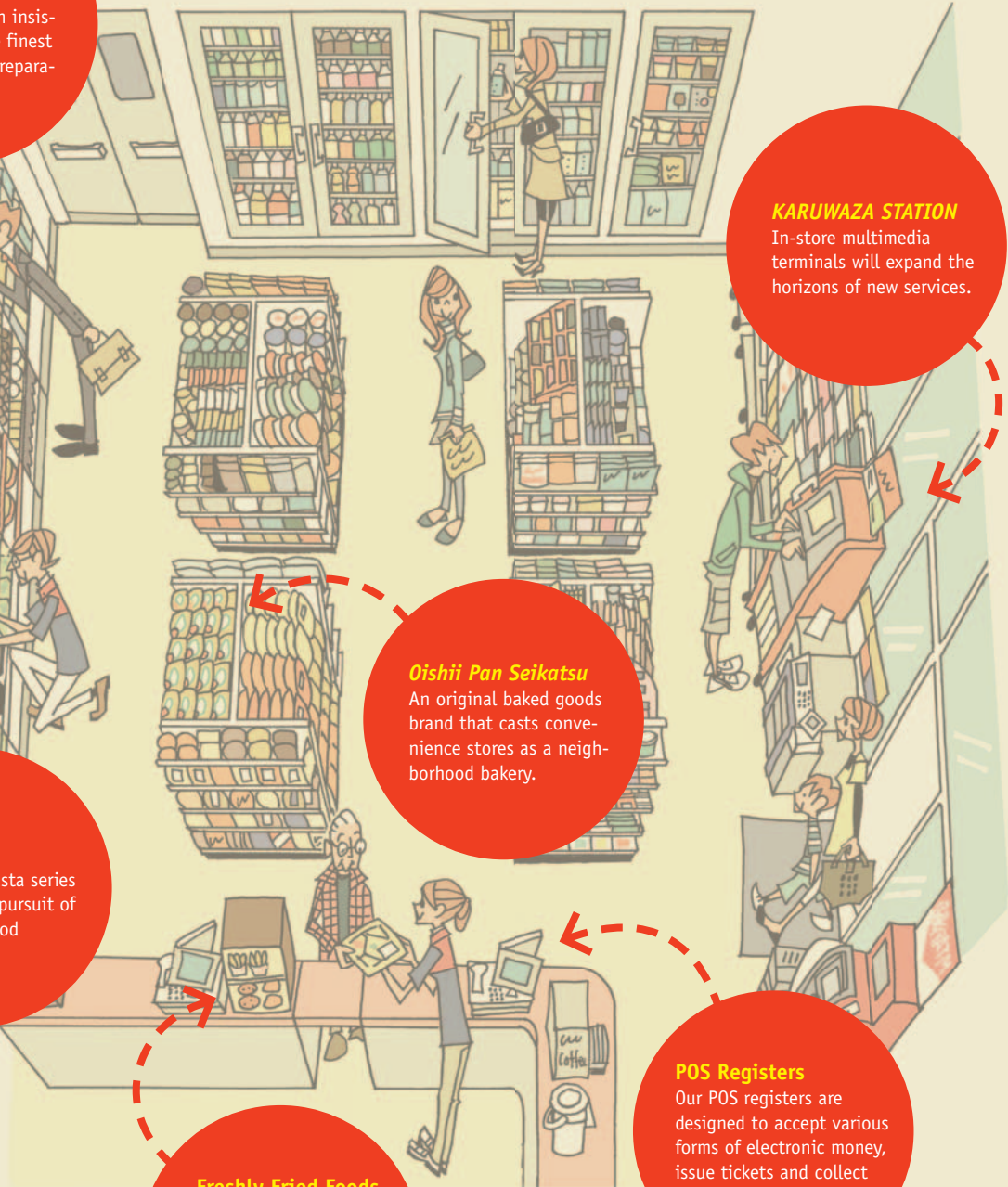
An authentic pasta series embodying our pursuit of great-tasting food

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.

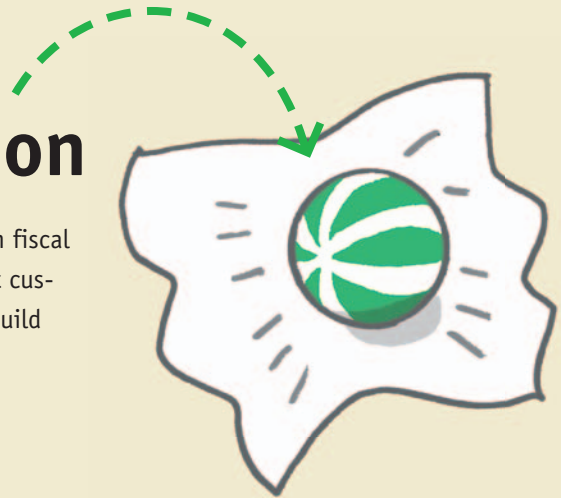


HAPPINESS MADE CONVENIENT!!

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

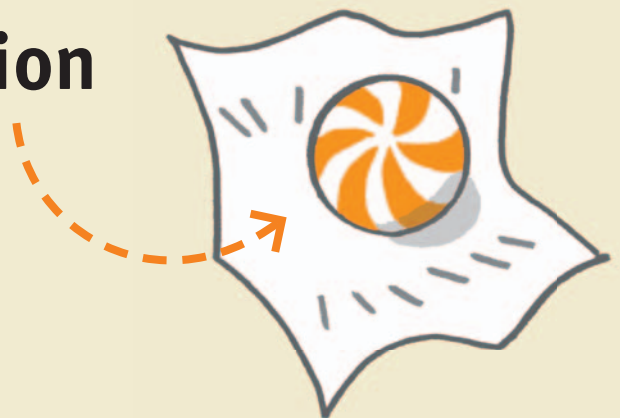
Aiming to develop stores that are better appreciated by customers, in fiscal 2010, Circle K Sunkus will continue the *Yume WAKU2* Project to boost customer satisfaction, while bolstering franchisee support measures to build stronger partnerships with franchisees.



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.



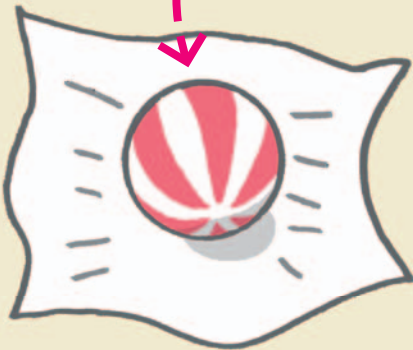


Value Creation Through Functions Offered at Stores

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.



In 2009, Circle K Sunkus Co., Ltd. celebrates the fifth anniversary of the merger that led to its formation. Over the past five years, the operating environment faced by the convenience store industry, not to mention customer needs, has undergone a seismic shift. In these fast-changing times, Circle K Sunkus will continue to embrace challenges and transform itself on many different fronts, with the aim of creating unique new value.

Motohiko Nakamura,
President

Fiscal 2009 in Review

In fiscal 2009, Circle K Sunkus' management policy was enshrined in the phrase of "Challenges and Responsibilities." Under the watchword of "Change," we tackled challenges and transformed ourselves on many different fronts. We unified franchise agreements for new stores, and launched the new *rubetta* pasta series as the third hallmark Circle K Sunkus product brand. We also made large investments in new systems and services equipment, and strove to boost customer satisfaction through the *Yume WAKU2* project. When I was appointed president of Circle K Sunkus, my goals were to unify franchise agreements and develop a hallmark product brand. Having achieved both goals and made progress on many other fronts, I feel that fiscal 2009 was a year when seeds sown in the past steadily began to produce results.

In terms of sales, the deployment of taspo card systems in age-verifying cigarette vending machines certainly worked in our favor. However, strong performances by our three core original brands, namely the *Cherie Dolce* dessert selection, *Oishii Pan Seikatsu* baked goods and the new *rubetta* pasta series also helped to significantly boost sales. This reflected efforts to strengthen mainstay

products under each brand. As a result, in fiscal 2009, existing store sales rose 4.1% year on year (on a non-consolidated basis), significantly improving on the previous year's decline of 1.8%. Consolidated total store sales increased ¥37.8 billion year on year to ¥940.2 billion. We were initially forecasting a decline in earnings for fiscal 2009 due to higher spending related to large investments. However, thanks to strong sales and cost cutting through a rigorous focus on cost effectiveness, Circle K Sunkus delivered higher sales and earnings in fiscal 2009.

Revisions to the Three-Year Plan

In fiscal 2009, the first year of the Three-Year Plan, Circle K Sunkus achieved earnings growth, as detailed above. In fact, consolidated performance for fiscal 2009 far exceeded the Three-Year Plan's initial targets. Accordingly, Circle K Sunkus has revised its targets for the plan's remaining two years. In fiscal 2010, the plan's second year, we will be unable to avoid a projected drop in earnings in line with the initial Three-Year Plan, as we begin to fully incur higher expenses related to large investments. Nonetheless, in fiscal 2011, the plan's final year, we are determined to restore Circle K Sunkus to earnings growth.

Revised Consolidated Three-Year Plan

(stores, millions of yen)

	Result	Revised forecasts	
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Stores opened	312	319	330
Stores closed	287	280	291
Stores at term-end	5,263	5,302	5,341
Y-o-Y change in existing store sales	+4.1%	+0.5%	+0.5%
Average product markup	28.11%	28.01%	28.07%
Total store sales	940,232	960,110	983,880
Total operating revenues	213,398	212,120	221,880
Operating income	23,010	20,470	20,920
Recurring profit	22,566	19,200	19,270
Net income	9,435	9,100	9,190

(Notes) Y-o-Y change in existing store sales and average product markup are non-consolidated.

Converting Challenges Into Opportunity in a Difficult Business Environment

The Japanese economy is beginning to see some signs of improvement in exports and production, after experiencing a sharp downturn in the wake of the global financial crisis from the autumn of 2008. However, the outlook calls for continued weakness in consumer spending due to worsening employment conditions. In addition, overheated low-price competition among retailers and foodservice companies is also expected to fuel increasingly fierce competition across traditional and non-traditional industry and business lines. Nonetheless, the convenience store industry has traditionally been resilient to market downturns. While the drop in consumption is inevitable, I believe the key to surmounting this challenge is to accurately grasp customer needs in the context of falling consumption, and move quickly to fulfill these needs. On the other hand, although we have recently faced difficulties in signing up franchisee candidates and addressing shortfalls in store staff, the prevailing climate offers the perfect opportunity to secure outstanding human resources. Rather than being discouraged by the prevailing conditions, we are determined to accurately seize on the opportunities emerging around us to rise above our present challenges.

Fiscal 2010 Management Policy —“Challenge and Action”

Circle K Sunkus’ management policy for fiscal 2010 is “Challenge and Action.” Under this policy, our ambition is to constantly generate new ideas that will reinvent convenience stores as we know them, and bring all employees together in a concrete drive to achieve our ambitions. Amid changes in our earnings structure and Japanese society, we cannot remain competitive unless we constantly embrace new challenges. The mantra of our management policy is “Let Go and Change.” In essence, this means we must let go of past approaches and paradigms of success and transform ourselves to embrace new ways of moving forward. With an unwavering resolve, we will work to transform our mindset and build a stronger profit-driven enterprise.

Sustaining Growth by Boldly Creating New Value on Many Fronts

In these difficult times, I'm convinced that now is the time to reaffirm a fundamental principle—that every retailing business ultimately depends on the customer, and that every franchise business ultimately depends on franchisees. Staying true to this principle, we must ask ourselves what we can do to fulfill customer needs so that our stores capture the hearts of our customers. Mindful of this, in fiscal 2010 we will step up franchisee support measures. In terms of raising customer satisfaction, Head Office, franchised storeowners and store staff will continue to work as one on a range of *Yume WAKU2* project initiatives. Furthermore, from fiscal 2010, we will begin the "Franchised Store Staffing System," where we will offer staffing services to franchised stores through a subsidiary. We also plan to enhance franchisee benefits through the establishment of a new mutual aid organization.

In terms of improving the value of our products, under an aggressive merchandising policy, we have worked to enhance our mainstay products in recent years. Our three core original brands, namely the *Cherie Dolce* dessert selection, the *rubetta* pasta series and *Oishii Pan Seikatsu*

original baked goods, are producing steady results as Circle K Sunkus' hallmark products. We will continue to rigorously enhance these products so as to set ourselves apart from rival convenience store chains. In addition, we began installing in-store fryers in fiscal 2009 ahead of schedule in order to generate new sources of sales. In-store fryer installations will continue in fiscal 2010, with the aim of completing installation at 2,000 stores by the end of fiscal 2011. I believe that these in-store fryers may be useful for more than just enhancing countertop fast foods. In future, they may also help us to fortify our range of delicatessen items as we work to address shifting needs due to Japan's aging population.

Another priority in fiscal 2010 is to fulfill the needs of customers seeking the lowest possible prices given the worsening economic conditions. Here, Circle K Sunkus is offering the ¥500 *Genki Ouen Bento* series of high-quality boxed lunches at a value-priced ¥380. We are also developing value-priced original beverages and working to launch UNY Group original brand products that capture synergies with this group. In parallel, we will also provide a range of high-quality, premium products to address the increasingly dual nature of customer needs. We also intend to actively



Freshly baked pastry

We are offering fresh pastry baked in stores every day, as a product that better reflects the location characteristics of each store.



Genki Ouen Bento series of boxed lunches

We are offering the ¥500 *Genki Ouen Bento* series of boxed lunches at a value-priced ¥380 to address increasingly strong consumer preferences for low prices.

embrace the challenge of developing new product packages and sales methods that better reflect the location characteristics of each store. This will include offering freshly brewed coffee, freshly baked pastry and fresh fruit juices in stores.

Beginning with the deployment of new POS registers in fiscal 2008, Circle K Sunkus has made a steady succession of investments to raise the value of services and functions offered at stores, with the aim of enhancing convenience for customers. In fiscal 2009, we installed new Store Communication Servers, multi-use copiers, and *KARUWAZA STATION* multimedia terminals in stores. Fiber-optic broadband cable was also installed in stores to pave the way for future service businesses. We also expanded the installation of "Bank Time" ATMs to new regions. Some investors have asked us whether these investments are sufficiently necessary as to justify a drop in earnings. However, I believe that in fact these investments are absolutely essential to ensuring Circle K Sunkus' continued existence in an increasingly competitive environment and to reinventing convenience stores. In fiscal 2010, we established an Information Services Division to strengthen our hand in the services business, where competition is expected to grow increasingly fierce going forward. To

ensure that the large investments we have made generate returns, we plan to pursue new opportunities in mail-order business and other areas, as well as expand new content centered on *KARUWAZA STATION* multimedia terminals.

While making these large investments as part of efforts to move management onto the offensive, we are also fortifying our defenses through low-cost management. This entails closely examining the cost effectiveness of all investments, spending and expenditures, as well as eliminating inefficiencies, in response to the rising costs in the convenience store and franchise businesses and changes in our earnings structure. From fiscal 2009, Circle K Sunkus has been conducting an Inefficiency Reduction Project as a means of fostering greater awareness of the need to reduce costs throughout the Company and enhance cost effectiveness. As a result, in fiscal 2009, these measures helped to reduce costs in many different areas and to lift earnings year on year. From fiscal 2010, we have also worked to reduce purchasing costs for supplies and services mainly by introducing electronic tendering to the procurement process. Furthermore, following on from the unification of franchise agreements for new stores, from July 2009, Circle K Sunkus will begin unifying franchise



agreements at existing stores as they are renewed. We expect to achieve higher operating and management efficiency going forward. Through these measures, we are working to build a stronger profit-driven enterprise and establish a solid operating base.

Expanding Business Areas

In July 2009, we opened our first stores in Fukuoka Prefecture. Circle K Sunkus is a latecomer to the region. However, that is precisely why we intend to take bold new initiatives from the very start of operations as only a latecomer can, without being tied to the thinking of conventional convenience stores. In Kyushu, our goal is to establish a dominant presence in key areas as soon as possible. Together with Minami-Kyushu Sunkus Co., Ltd. an area franchiser operating stores in Kagoshima and Kumamoto prefectures, we aim to open 300 stores throughout Kyushu over the next five years.

A Corporate Culture of Seeing Things Through

In May 2009, the Company established a Listening Committee as part of the *Yume WAKU2* project. The aim is to ensure that the numerous views and requests of franchisees who interact with customers on the frontlines, and those of store supervisors, are conveyed to top management. This committee will help to expedite operational improvements and reforms. From employees, we will also call for not only requests for improvement, but also proposals that lead to new businesses and new types of convenience stores. If Circle K Sunkus is to continue to achieve growth, we need our people to be more than just idle observers. We need all employees to think and act on their own, and see through what has been decided on to the very end. We need to build a corporate culture that puts “all hands on deck”—one where all employees work as one to meet new challenges.

In this challenging environment, we will continuously embrace new challenges while letting go of past approaches and paradigms of success, as the entire Company makes a concerted effort to enhance our performance without fearing change. I look forward to your continued understanding and support for the next phase of Circle K Sunkus’ transformative journey.

July 2009



Motohiko Nakamura, President



SPECIAL FEATURE

Circle K Sunkus' VALUE Creation Initiatives

Faced with significant upheaval in the convenience store industry, Circle K Sunkus will boldly implement the following four value creation reforms, with the aim of achieving sustained growth.



Customer Value Creation

Amid increasingly fierce competition in the convenience store industry, convenience stores can no longer remain competitive based solely on traditional advantages, such as 24-hour operations and proximity to customers. To remain the convenience stores of choice for customers, stores must be fully stocked so that customers can find what they want, when they want it, in addition to offering friendly customer service. Cleanliness must also be maintained in every corner of the premises. To this end, in fiscal 2010 Circle K Sunkus will continue working to raise customer satisfaction, as well as to step up franchisee support measures like never before. The overriding goal is to maximize value for customers.

In fiscal 2010, Circle K Sunkus will hold customer satisfaction enhancement forums on a larger scale than in fiscal 2009, with the aim of developing stores that are better appreciated by customers.



Continuing the Yume WAKU2 Project

From fiscal 2009, Circle K Sunkus has conducted the Yume WAKU2 project. The project is designed to bring Circle K Sunkus employees, franchised storeowners and store staff together to develop stores that are better appreciated by customers. In the first half of fiscal 2009, the Company held 49 customer satisfaction enhancement forums at 36 locations nationwide to share a common vision for enhancing customer satisfaction. In the second half of fiscal 2009, a “Friendly Competition” was held for the first time for franchised store staff across the country. Our aim was to boost the motivation of store staff, who directly interact with customers on the frontlines. As a result of these initiatives, we achieved year-on-year improvements in terms of unique internal evaluation criteria such as customer satisfaction evaluations and Friendly Competition items. Overall, efforts to enhance customer satisfaction are steadily producing results.



In fiscal 2010, Circle K Sunkus will step up franchisee support measures to ensure that franchised storeowners and store staff can welcome customers with the very best customer service.



In fiscal 2010, we will continue to hold customer satisfaction enhancement forums on a larger scale than in the past fiscal year, to ensure that Circle K Sunkus employees and franchised stores share a common vision for enhancing customer satisfaction. By holding the Friendly Competition and thereby raising the bar of store staff in terms of personnel development, we seek to provide even better customer service than before.

In May 2009, we established a Listening Committee to take the *Yume WAKU2* project to the next level. This committee has two main priorities. The first is to utilize our framework for conveying the views and requests of franchisees who interact with customers on the frontlines to top management. This will help to expedite operational improvements and reforms. The second priority is to call on employees to submit new proposals that spur on future business expansion at Circle K Sunkus, and new ideas for reinventing convenience stores. In these and other ways, we will ensure that many different views and requests are conveyed to top management, and that outstanding opinions and proposals are put in practice.

Building Stronger Partnerships With Franchisees

In fiscal 2010, Circle K Sunkus will step up franchisee support measures to develop stores that are better appreciated by customers. In July 2009, we launched the “Franchised Store Staffing System” through Retail Staff Co., Ltd., which was established in January 2009. Under this system, store staff will be sent to franchised stores as needed when franchised storeowners take congratulation or condolence leave, take days off due to emergencies, or if there are staffing shortfalls. In November, we plan to integrate the previously separate mutual aid organizations for the Circle K and Sunkus chains into a unified Circle K Sunkus Mutual Aid Organization. The goal is to further enhance franchisee benefits and various insurance plans for franchised storeowners. It is precisely because times are difficult that Circle K Sunkus is starting these programs to solidify its commitment to forging win-win relationships with franchisees. By doing so, we seek to build trusting relationships and make Circle K and Sunkus more attractive convenience store chains in the eyes of franchisees.



Product Value Creation

We will continue to enhance our three core product brands as part of efforts to differentiate Circle K Sunkus from rival convenience store chains. In addition, we will install in-store fryers to develop new sources of sales, while refining and expanding our range of value-priced products and original brand products that address the increasingly dual nature of customer needs. In this manner, we will continue to boldly pursue an aggressive merchandising policy with the aim of enhancing product value.

Rigorously Enhancing Core Products, the Source of Circle K Sunkus' Competitiveness

Circle K Sunkus is working to enhance its core products so as to set itself apart from rival convenience store chains. We are redeveloping products from scratch, insisting on only the finest ingredients and food preparation methods, in our quest for great-tasting products, while focusing on unveiling new brands that catch the eyes of customers. Beginning with the launch of *Oishii Pan Seikatsu* original baked goods in May 2007, we unveiled the *Cherie Dolce* original dessert selection in November 2007, followed in October 2008 by the original *rubetta* pasta series. These three core product brands once again garnered strong customer support in fiscal 2009 and posted steady growth in sales. Positioning the three core product brands as its hallmark products, Circle K Sunkus will continue to rigorously refine and strengthen each brand in fiscal 2010.

The challenge of developing new product lines under these three core brands is a top priority in fiscal 2010. In *Oiishi Pan Seikatsu* original baked goods, we are refining and expanding our lineup of doughnuts, which are highly popular in the market. In the *Cherie Dolce* dessert selection, we unveiled a new line of authentic Japanese desserts made with only the finest ingredients and preparation methods. In the

rubetta pasta series, a new line of chilled pasta went on sale ahead of the summer season. These new product initiatives are designed to win further customer support and attract new loyal customers, so that we can boost sales.

Strengthening our hand in the delicatessen item category is another priority for fiscal 2010. Eyeing increasing demand for vegetables prompted by strong health consciousness, as well as a shift from eating out to consuming take-out meals that can be enjoyed at home, we launched an entirely new salad selection in May 2009, targeting fresh garden salads posting growing sales in the markets. Our challenge with this new salad selection was to develop new salad choices never before seen at convenience stores. The new lineup includes salad choices such as *Furu Furu Style* ("shake-and-eat"), which can be eaten by simply shaking the container to allow the layered salad and flavored agar-based dressing contents to mix. Another choice is *Maze Maze Style* ("stir-and-eat") salads, which provide a balanced intake of a staple food, main entrée and fresh vegetables in a single salad dish. In this manner, we have developed salad choices that are not only delicious but are also "easy to eat even when you are busy," fulfilling a need as only a convenience store can.

Fiscal 2009 Performance

	 Original Dessert Selection <i>Cherie Dolce</i> (Launched November 2007)	 Original Pasta Series <i>rubetta</i> (Launched October 2008)	 Original Baked Goods <i>Oishii Pan Seikatsu</i> (Launched May 2007)
Y-o-Y change in sales per store	+25%	+22%	+3%



Original Dessert Selection
Cherie Dolce



Original Pasta Series
rubetta



Our hallmark products have been developed with only the finest ingredients and food preparation methods in pursuit of great-tasting products. In fiscal 2010, the challenge is to develop new product lines. And going forward, we will continue to nurture our hallmark products to set ourselves apart from rival convenience store chains.



Original Baked Goods
Oishii Pan Seikatsu



The Challenge of Developing New Sources of Sales

Circle K Sunkus is bolstering its range of products that better reflect the location characteristics of each store. This is to address unique customer needs that cannot be covered in entirety by basic store product lineups, depending on the location and environment of each individual store.

From the second half of fiscal 2009, we have begun installing in-store fryers as an initiative factoring in the location characteristics of each store. Installation was completed at roughly 840 stores by the end of July 2009. We plan to install these fryers at 2,000 stores by the end of fiscal 2011 to generate new sources of sales. In addition to processed meat products such as fried chicken, for which sales remain strong, we plan to add sweets to the range of fryer items going forward. In the long term, we will also tackle the challenge of using in-store fryers to offer delicatessen items such as deep-fried foods.

In fiscal 2009, we also began sales of product packages that better reflect the location characteristics of each store. These included freshly brewed coffee, freshly baked pastry, fresh fruit juice and imported confectionery. These trials yielded positive results in terms of winning over new customer segments, boosting average spending per customer, and other improvements. Accordingly, in fiscal 2010, we will phase in these product packages at stores while keeping a close eye on the location characteristics of each store. Notably, we plan to install approximately 850 freshly brewed coffee dispensers, alongside in-store fryers, mainly at office and roadside stores. Trial sales of pasta and curry rice prepared in stores, Japanese confectionery and other items will be conducted at around 60 stores in fiscal 2010, in preparation for the start of sales from fiscal 2011.

Circle K Sunkus remains equal to the challenge of launching new products tailored to the location characteristics of each store, with the view to developing new sources of sales and exploring possible product lineups for the convenience store of the future.

We have developed a new salad section, featuring new salad choices never before seen at convenience stores.



Vege Phyto
野菜のある毎日。



Furu Furu Style (“shake-and-eat”) —“Colorful Salad” (¥230)

An easy-to-eat salad that can be enjoyed by simply shaking the container before eating to mix the colorful salad and dressing contents.

Aiming to reinvent convenience stores, we are actively working to offer products that better reflect the location characteristics of each store, and to develop new sales methods.

Product package example



Addressing the Increasingly Dual Nature of Customer Needs

Against the backdrop of the ongoing economic downturn, there are increasingly stronger customer needs for low-priced products as consumers tighten their belts. While we have no intention of becoming embroiled in price wars, we will boldly offer low-priced products in certain product lines in fiscal 2010. On the other hand, the reality is that customers also have a firm desire for high-quality, premium products. In response, the Company will offer a balanced lineup of affordable low-priced products and high-quality, premium products to address the increasingly dual nature of customer needs.

Circle K Sunkus' boxed lunch sales have been weak due to the impact of lackluster consumption and price-based competition with other industries such as the foodservice sector. To boost boxed lunch sales, Circle K Sunkus has been offering the ¥500 Genki Ouen Bento series of high-quality boxed lunches at a value-priced ¥380 for a limited six-month period from April 2009. Meanwhile, we are also selling high-quality, premium boxed lunches. By combining these two strategies, the Company aims to boost overall rice dish orders and sales.

Circle K Sunkus is stepping up the introduction of the UNY Group's e-price lineup of low-priced original products, and premium +KACHIAL products, both of which harnesses synergies with the UNY Group in terms of procurement and product development capabilities. In fiscal 2010, we will offer a total of 335 items, including Circle K Sunkus' own original products, in addition to the aforementioned two brands. Our target is sales of ¥30.0 billion.

Commenced Trial Sales of Pharmaceuticals in June 2009

With the full enactment of Japan's amended Pharmaceutical Affairs Law on June 1, 2009, convenience stores may now sell around 90% of all over-the-counter pharmaceuticals on the market provided they are sold by a registered vendor. In response, Circle K Sunkus has commenced over-the-counter sales of around 200 types of Category 1 and Category 2 pharmaceuticals at one Company-owned store. These pharmaceuticals include cold remedies, gastrointestinal medicine, and nutritional drinks. Going forward, Circle K Sunkus will continue to explore the possibilities of pharmaceutical sales through trial sales at Company-owned stores to address strong demand for pharmaceuticals on the part of customers.



Value Creation Through Functions Offered at Stores

Convenience stores have evolved from general stores merely selling goods to places where many different services are also offered. In this process, convenience stores have established a firm position in society as vital public infrastructure. To sustain the continuing evolution of its convenience stores, Circle K Sunkus is determined to enhance functions offered at stores to achieve a higher level of customer convenience.

A Growing Range of New Possibilities With *KARUWAZA STATION* In-Store Multimedia Terminals

From fiscal 2008, Circle K Sunkus has made large investments related to new systems and services, with the aim of expanding future sales and earnings. In fiscal 2009, we installed new Store Communication Servers and multi-use copiers at all stores and began the installation of *KARUWAZA STATION* in-store multimedia terminals. Fiber-optic broadband cable was also installed in stores to pave the way for future services. Through these measures, Circle K Sunkus has put in place the infrastructure needed to realize the full potential of services going forward.

In particular, the installation of *KARUWAZA STATION* in-store multimedia terminals will allow us to offer many different new services that we could not provide previously, in addition to easing the workload of store staff. From March 2009, we began offering lottery ticket sales for the sports promotion lotteries “toto” and BIG, and we will continue to steadily phase in other forms of attractive content going forward. As part of our reorganization in fiscal 2010, we established an Information Services Division to strengthen our hand in the services business, where competition is expected to grow increasingly fierce going forward. With this new division, we will embrace even bolder challenges in the services business by pursuing new opportunities in mail-order business and other areas centered on *KARUWAZA STATION* in-store multimedia terminals.

Expanding “Bank Time” ATM Service Areas

As of February 28, 2009, Circle K Sunkus offered “Zero Bank” ATM and “Bank Time” ATM services from 3,958 stores in 21 prefectures. Installation of “Bank Time” ATMs has commenced in Ishikawa and Fukui prefectures from May 2009, Miyagi Prefecture from June 2009, and Fukushima Prefecture from July 2009. Plans also call for launching ATM services at certain stores in Toyama Prefecture from the autumn of 2009. With these steps, ATMs will have been installed at roughly 4,300 stores by the end of fiscal 2010, accounting for around 70% of all stores. Given the strong demand for ATMs installed in convenience stores, we aim to rapidly roll out “Bank Time” ATM services in cooperation with prominent local banks in regions where we have yet to expand these services.



*Installation of *KARUWAZA STATION* in-store multimedia terminals is scheduled for completion at all stores in August 2009. Going forward, we will steadily phase in attractive content that opens up new possibilities for convenience stores.*



Value Creation Through Solid Business Foundations

Faced with changes in its earning structure and in society, Circle K Sunkus is working to raise cost effectiveness through measures to transform cost consciousness across the board, and raise operating efficiency. Through these measures, we are striving to craft a stronger profit-driven enterprise and establish solid business foundations.

The Challenge of Cost Reductions Through the Inefficiency Reduction Project

Circle K Sunkus has been conducting the Inefficiency Reduction Project to rigorously reduce inefficiencies by fostering a greater awareness of the need to reduce costs throughout the Company and enhancing cost effectiveness. This project is made up of Inefficiency Elimination Committees aimed at eradicating wastefulness and a Purchasing Committee to lower purchasing costs.

From the second half of fiscal 2009, the Company has organized Inefficiency Elimination Committees at the business division level to rigorously foster an awareness of the need to raise operating efficiency and reduce inefficiencies from the three perspectives of stopping, reducing, and changing spending patterns. From fiscal 2010, the Purchasing Committee aims to reduce purchasing costs, such as employee moving costs, mobile phone rental fees, and building material costs, primarily at six internal divisions making fairly large purchases. This will be achieved by introducing electronic tendering to the procurement process and through other means.

Raising Management Efficiency by Unifying Franchise Agreements

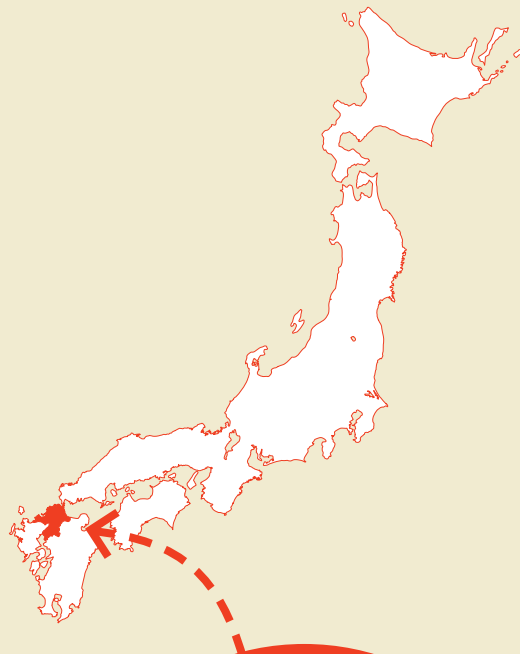
Since the merger that formed Circle K Sunkus Co., Ltd. in 2004, the Company has integrated operations in all business divisions, with the exception of franchise agreements, which had remained different at Circle K and Sunkus. In November 2008, we unified franchise agreements for new stores at Circle K and Sunkus. In July 2009, Circle K Sunkus began unifying franchise agreements at existing stores as they are renewed. Through these measures, in several years from now, the same store supervisors and store developers will be able to oversee both Circle K and Sunkus stores. This is expected to enable Circle K Sunkus to raise management efficiency further.

Through the unification of franchise agreements, we are working to further enhance management efficiency.



First Stores Opened in Fukuoka Prefecture

In July 2009, we began opening our first stores in Fukuoka Prefecture. This prefecture is a promising area for the future, with plans for the new Kyushu Shinkansen bullet train to begin full-route service in 2011. Over the next five years, we aim to open 100 stores in Fukuoka Prefecture. Together with Minami-Kyushu Sunkus Co., Ltd., an area franchiser already operating stores in Kagoshima and Kumamoto prefectures, we aim to open 300 stores throughout Kyushu. Circle K Sunkus is a latecomer to the region. However, that is precisely why we intend to take bold new initiatives from the very start of operations as only a latecomer can. At our first store, we have developed a product lineup that stands apart from other convenience store chains by offering the aforementioned product packages that better reflect the location characteristics of each store. These packages include freshly baked pastry, freshly brewed coffee dispensers, curry rice prepared in stores and fresh fruit juices. The store also features an in-store dining area. Going forward, we will continue to enhance product lineups that closely match the location characteristics of each store.



With a total population of more than 5 million, Fukuoka Prefecture is the most populous prefecture of Kyushu. The area represents a highly promising market, thanks to the planned start of full-route Kyushu Shinkansen bullet train service and other developments.



Our first store in Fukuoka Prefecture, the Sunkus Fukuoka Tenjin 2-Chome Store, is located in Kyushu's largest commercial district.



Opening ceremony with President Nakamura in attendance.



The menu board above the POS registers displays product offerings tailored to the location characteristics of the new store.

Restoring Earnings Growth in Fiscal 2011

In April 2008, Circle K Sunkus announced the Three-Year Plan starting from fiscal 2009. Under the initial plan, we had targeted lower earnings in fiscal 2009 due to higher projected costs related to the introduction of new systems and services. However, consolidated performance for fiscal 2009 far exceeded the Three-Year Plan's initial targets. This strong performance was due to an upturn in customer footfall along with higher tobacco sales as taspo card systems were installed in cigarette vending machines. Strong sales of core original products and cost savings due to a rigorous focus on cost effectiveness were also contributing factors. In light of this result, Circle K Sunkus has revised its targets for the plan's remaining two years.

Circle K Sunkus is projecting lower earnings in fiscal 2010 as initially planned. This outlook is based on higher costs related to large system investments fully incurred from fiscal 2010 and additional investments not initially factored into the plan, including investments in new products supported by the installation of in-store fryers and other initiatives, and in new services. However, the Company aims to restore earnings growth in fiscal 2011, the final year of the Three-Year Plan, due to decreased spending on investments and efforts to bolster sales capabilities and transform its earnings structure.

Consolidated Business Forecasts (Stores, millions of yen)

	Result	Revised forecasts	
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Stores opened	312	319	330
Stores closed	287	280	291
Stores at term-end	5,263	5,302	5,341
Y-o-Y change in existing store sales	+4.1%	+0.5%	+0.5%
Average product markup	28.11%	28.01%	28.07%
Total store sales	940,232	960,110	983,880
Total operating revenues	213,398	212,120	221,880
Operating income	23,010	20,470	20,920
Recurring profit	22,566	19,200	19,270
Net income	9,435	9,100	9,190

Note: Y-o-Y change in existing-store sales and average product markup are non-consolidated.

Consolidated Capital Expenditures Budget (millions of yen)

	Result	Revised forecasts	
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Existing store investments	2,953	2,350	2,680
System investments	10,547	5,160	4,630
Head office investments	215	710	710
Capital expenditures (1)	26,358	21,230	21,510
Leasing Expenditures (2)	10,949	9,340	5,540
Total Investments (1)+(2)	37,307	30,570	27,050
Total Investments of the Initial Plan	42,800	29,030	26,970

Basic Approach to Corporate Governance

With a particular emphasis on relationships with shareholders, Circle K Sunkus views all people and organizations involved in its operations, including shareholders, franchised stores, customers, local communities, business partners and employees, as key stakeholders. While building strong relationships with every stakeholder by providing proactive disclosure, and ensuring compliance in all activities, Circle K Sunkus will implement measures to further improve corporate governance, such as by putting in place and cementing a highly transparent internal control system that encompasses risk and compliance management systems. These steps will underpin efforts to enhance corporate value.

Corporate Governance Structure and Initiatives

Board of Directors (Meets monthly, in principle)

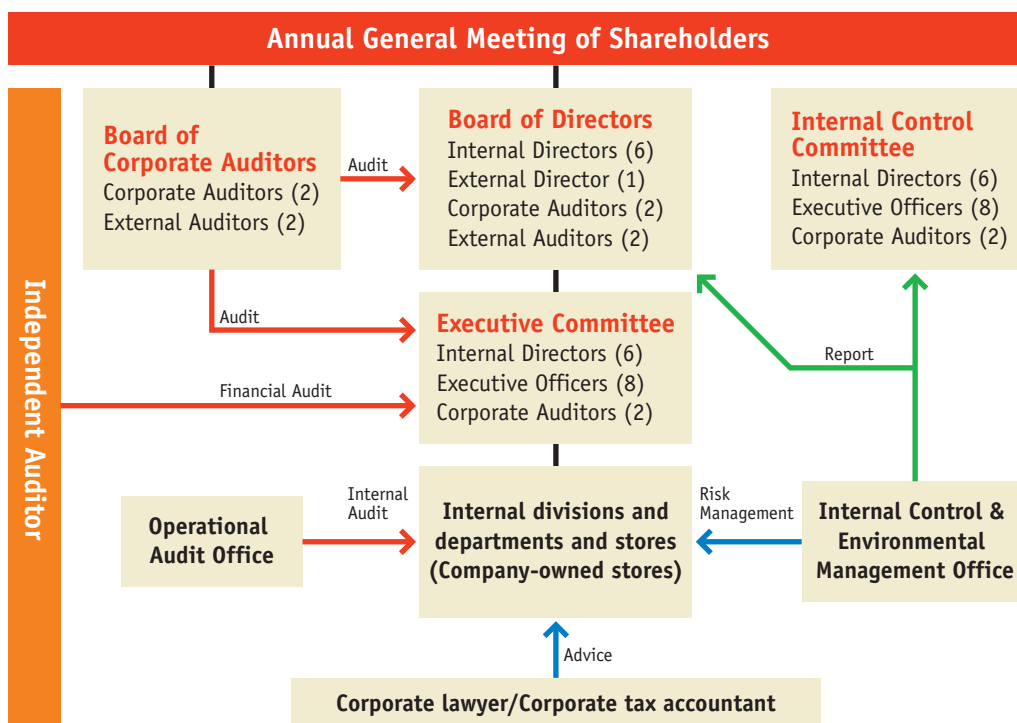
The Board of Directors is chaired by the President and determines important matters concerning management and other issues as required by law, while overseeing the execution of business operations. Internal and external directors and corporate auditors attend meetings. In fiscal 2009, the Board of Directors held 16 meetings, including extraordinary meetings. Circle K Sunkus has set the terms of directors at one year to clarify their objectives and responsibilities.

Executive Committee (Meets twice a month, in principle)

The Executive Committee is chaired by the President and is made up of directors, corporate auditors and executive officers. It held 24 meetings in fiscal 2009. At these meetings, the Executive Committee extensively discusses management issues, supports management decision-making by the Board of Directors and oversees the execution of business operations.

Corporate Governance Structure

(As of May 20, 2009)



Board of Corporate Auditors (Meets monthly, in principle)

The Board of Corporate Auditors comprises four corporate auditors, including two external auditors. The corporate auditors attend important internal meetings, such as Board of Directors' meetings, to receive reports on the Company's management plans, the status of its overall compliance and risk management systems and other matters. Based on these reports, the corporate auditors offer their opinions from an impartial perspective, and rigorously audit the performance of directors and executive officers. In fiscal 2009, the Board of Corporate Auditors held 14 meetings, including extraordinary meetings.

Internal Control Committee (Meets twice a month, in principle)

The Internal Control Committee is chaired by the President and comprises directors, executive officers and corporate auditors. It held 6 meetings in fiscal 2009. The committee regularly receives reports on the establishment and operation of the internal control system from the Internal Control & Environmental Management Office to monitor Company-wide progress on putting in place this system and to conduct crisis management. The Internal Control & Environmental Management Office coordinates internal control and compliance activities across the Company and implements concrete measures to reinforce the management structure.

Activities of External Directors and External Corporate Auditors

Director Koji Sasaki attended 8 out of 12 regular meetings of the Board of Directors held during fiscal 2009, and expressed opinions mainly from a broad perspective as appropriate on matters such as retail industry trends and the Group's current status.

Corporate Auditor Akira Katsuragawa attended 9 out of 12 regular meetings of the Board of Directors, and 11 out of 14 meetings of the Board of Corporate Auditors held during fiscal 2009. Mr. Katsuragawa expressed opinions as appropriate mainly based on his specialized expertise as a certified tax accountant. In addition, Corporate Auditor Yoshiaki Tsuzuki attended all regular meetings of the Board of Directors and Board of Corporate Auditors held during

fiscal 2009. Mr. Tsuzuki expressed opinions as appropriate mainly based on his specialized expertise concerning finance and accounting.

Notes: Mr. Katsuragawa and Mr. Tsuzuki retired as of the Ordinary General Meeting of Shareholders held on May 20, 2009.

Executive Officer System

Circle K Sunkus has introduced an Executive Officer system to clarify responsibilities for management and business execution. Under this system, directors are mainly responsible for supervising business execution and deciding on important management issues for the entire Company, such as the formulation of management strategies. Meanwhile, significant authority has been vested in executive officers to expedite business execution.

Internal Audits

The Company has assigned three individuals to the Operational Audit Office, which reports directly to the President. This office regularly audits the appropriateness, legality and efficacy of the business activities of internal divisions and offices, and Company-owned stores.

Independent Auditor

The Company has entered into an audit agreement with KPMG AZSA & Co. This independent auditor performs financial audits of the Company while maintaining close cooperation with the corporate auditors and the Operational Audit Office. Furthermore, the corporate auditors confirm audit plans with the independent auditor, receive reports on the findings of financial audits, and exchange views with the independent auditor.

Remuneration for Directors and Corporate Auditors, and the Independent Auditor

Remuneration for Directors and Corporate Auditors

Remuneration for directors is reviewed every year in line with each director's accomplishments and contributions to the Company's performance during the fiscal year. Remuneration for directors and corporate auditors in the fiscal year ended February 28, 2009 is outlined in the following table.

(millions of yen)

Remuneration	Directors	173 (Incl. external directors: 3)
	Corporate Auditors	47 (Incl. external auditors: 4)

* The above remuneration includes bonuses paid to directors and corporate auditors.

Remuneration Paid to the Independent Auditor

(millions of yen)

Remuneration for services stipulated by Article 2-1 of the Certified Public Accountants Law	50
Other remuneration	8

Internal Control System Initiatives

Circle K Sunkus is working to enhance its internal control system for ensuring proper and efficient execution of business operations and the reliability of financial reporting, based on the implementation of its management philosophy and action guidelines.

The Internal Control Committee monitors Company-wide progress on putting in place an internal control system and conducts crisis management. In addition, the Internal Control & Environmental Management Office coordinates internal control and compliance activities across the Company and implements concrete measures to reinforce the management structure.

Risk Management

The Company is bolstering its risk management system in order to properly respond to all manner of risks associated with its business activities. Through this risk management system, the Company strives to understand risks that may impede efforts to realize its management philosophy or achieve the Group's objectives, as well as to continuously monitor risk at each relevant department. At the same time, the Company makes every effort to prevent risks from materializing and to minimize any effects and implement remedial measures if they do. The Company has formulated Risk Management Guidelines to guide these activities. Based on these guidelines, the Company continuously reviews measures to raise the efficiency of and optimize management with respect to Group-wide risks and departmental operational risks. At the same time, the Company implements measures to improve business operations in order to achieve its business objectives.

Compliance

The Company has formulated Compliance Rules and works to improve them in order to earn the trust of stakeholders and enhance corporate value. These rules call for compliance with not only laws and regulations, but also with internal rules, directives from related government agencies, corporate ethics, and social norms. Efforts are also focused on awareness-building measures designed to boost employee awareness and understanding of compliance. For example, the Company holds e-learning-based training courses for all employees.

In addition, the Company has set up and operates an internal reporting hotline called "ES Call" as a system for reporting violations of laws and corporate ethics, or breaches of social norms. In addition, we have established and monitor another reporting hotline called "CS Call" that links the Company with its suppliers' food preparation centers so that it can obtain information on food safety and reliability.

To prevent relationships with antisocial forces, the Company cooperates closely with police, lawyers and other external parties while seeking to ensure that all directors and employees thoroughly understand the tactics employed by antisocial forces to make illegitimate requests and how to deal with them.

Internal Controls Over Financial Reporting

Effective from fiscal 2010, Circle K Sunkus has established the Committee for Internal Controls Over Financial Reporting supervised by the president, to discuss and determine the evaluation and reporting of internal controls over financial reporting. The committee, chaired by the director in charge of the Finance & Accounting Division, will promptly address matters related to internal controls over financial reporting, to ensure the reliability of financial reporting as required by the Financial Instruments and Exchange Law of Japan.

Circle K Sunkus' management philosophy is as follows: "We aim to be a company that achieves steady sustainable growth, while earning the trust of society." Guided by this philosophy, the Circle K Sunkus Group regularly conducts environmental programs and socially beneficial activities at its nationwide network of more than 6,000 Circle K and Sunkus stores, leveraging its ties with local communities.

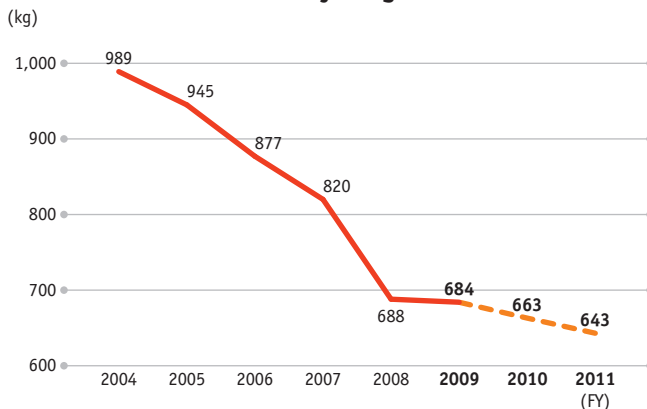
Environmental Activities

Using Fewer Plastic Shopping Bags

Circle K Sunkus is working to use fewer plastic shopping bags at stores with the aim of promoting the 3Rs—Reduce, Reuse, and Recycle—with respect to containers and packaging waste. By fiscal 2011, the year ending February 28, 2011, Circle K Sunkus aims to reduce the total weight of shopping bags used per store by 35% compared with the fiscal 2001 level, in partnership with various members of the Japan Franchise Association.

In 2003 and 2005, we trimmed excess material from plastic shopping bags to make them lighter, and in 2007 we began requesting the cooperation of customers at stores and distributing reusable shopping bags to them at no charge, in addition to reducing the size of plastic shopping bags. These efforts are starting to produce steady results. Despite a 4.1% year-on-year increase in customer footfall in fiscal 2009 due to the introduction of tapso card systems into age-verifying cigarette vending machines, Circle K Sunkus achieved its fiscal 2009 target for reducing plastic shopping bag usage thanks to the foregoing initiatives.

Plastic Shopping Bag Usage per Circle K and Sunkus Store by Weight



Furthermore, following the introduction of new uniforms in fiscal 2009, Circle K Sunkus recycled its old store uniforms into roughly 320,000 reusable shopping bags, and distributed them at no charge to customers in May 2009. This marks the first time in the convenience store industry that an operator has not just recycled uniforms, but also converted them into reusable shopping bags for the benefit of customers.



Old store uniforms were recycled into roughly 320,000 reusable shopping bags.

Promoting Carbon Offset Activities

From December 2008, Circle K Sunkus has offered a service that allows *KARUZAWA CLUB* card members to exchange their points for CO₂ emissions rights or a pre-paid card with emissions rights. By providing customers with an easy way to participate in carbon offset activities, this service will contribute to achieving the greenhouse gas emissions reduction targets set out in the Kyoto Protocol.

Social Contribution Activities

Convenience stores are points of contact with large numbers of consumers. Leveraging this infrastructure, Circle K Sunkus collects donations through fundraising boxes placed in all Circle K and Sunkus stores, in addition to contributing a portion of earnings generated by its activities to supporting NPOs for the purpose of providing humanitarian assistance.

Store Fundraising Activities

In addition to the usual organizations receiving donations, in fiscal 2009, Circle K Sunkus once again contributed to an emergency relief fund in an overseas region affected by an unforeseeable natural disaster, specifically an earthquake.

Results of Fiscal 2009 Fundraising Activities

Collection period	Organization receiving donations	Donations
April to July 2008	The National Federation of All Japan Guide Dog Training Institutions "Nationwide Guide Dog Campaign"	¥31,020,292
August to November 2008	National Land Afforestation Promotion Organization	¥21,631,718
December 2008 to March 2009	Japan UNICEF	¥26,649,115
Total		¥79,301,125

Fiscal 2009 Emergency Relief Activities in Response to Major Disasters

Collection period	Assistance and outline of support activities
June 2007	The Iwate-Miyagi Nairiku Earthquake in 2008 <ul style="list-style-type: none"> • Store fundraising contributions: ¥2,033,243 • Emergency relief supplies
May to June 2007	Earthquake in Sichuan Province, China <ul style="list-style-type: none"> • UNY Group store fundraising contributions: ¥47,895,020

NPO Support Activities

NPO Family House

Family House provides lodging for families of children from all over Japan who are battling serious illnesses such as cancer. These facilities help ease the economic burden on families who come to Tokyo from other parts of Japan to seek treatment for their child.

NPO Japan Team of Young Human Power (JHP)

The Japan Team of Young Human Power builds and renovates schools, mainly in Cambodia.

Circle K Sunkus has supported the construction of schools in Cambodia since fiscal 2004. In February 2009, the sixth school nicknamed "Everyone's Dream School" was opened at Svay Romeat Secondary School.



Some 3,600 children are studying at six Cambodian schools opened with assistance from Circle K Sunkus.



A Certificate of Appreciation from Minister Im Sethy of the Ministry of Education, Youth and Sports of the Kingdom of Cambodia was awarded in recognition of Circle K Sunkus' construction of schools.

Boards of Directors, Corporate Auditors and Executive Officers

(As of May 20, 2009)



Kiyoshi Hijikata



Motohiko Nakamura



Teruyasu Ando



Kazuo Takahashi



Katsumi Yamada



Toshitaka Yamaguchi



Koji Sasaki



Kunio Takasu



Masaaki Yoshiki



Hideshige Haruki



Tatsumi Yoshida

CHAIRMAN

Kiyoshi Hijikata

PRESIDENT

Motohiko Nakamura

MANAGING DIRECTOR

Teruyasu Ando

Head of Strategic Planning Office

DIRECTORS

Kazuo Takahashi

Head of Area Franchise Division

Katsumi Yamada

Head of Personnel & General Affairs Division
and Information Systems Division

Toshitaka Yamaguchi

Head of Finance & Accounting Division

DIRECTOR (External Director)

Koji Sasaki

Chairman of UNY Co., Ltd.

CORPORATE AUDITORS

Kunio Takasu

Masaaki Yoshiki

CORPORATE AUDITORS (External Auditors)

Hideshige Haruki

Tatsumi Yoshida

Corporate Auditor of UNY Co., Ltd.

EXECUTIVE OFFICERS

Mikio Kanamori

Head of Store Operations Division

Yasutoshi Saito

Head of Merchandising Division

Naoyoshi Tsukamoto

Head of Information Services Division

Kozo Matsuda

Head of Store Development Division

Akira Kugaya

Head of Regional Division No.1
(Hokkaido & Tohoku)

Katsuji Sato

Head of Regional Division No.2 (Kanto)

Kiyoshi Aida

Head of Regional Division No.3 (Chubu)

Jun Takahashi

Head of Regional Division No.4
(Western Honshu)

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This graphic indicates that further details are available in the Circle K Sunkus Investors' Guide (IG) 2009. Certain figures in this annual report differ from corresponding figures in the IG due to differences in rounding methods.

Management's Discussion and Analysis of Operations and Financial Position

(as of February 28, 2009)

Note 1: Unless stated otherwise, figures for store results on pages 31 to 36 of the MD&A are shown on a non-consolidated basis.

Business Environment


In fiscal 2009, the year ended February 28, 2009, the Japanese economy experienced a sharp drop in exports due to the global recession triggered by the financial crisis and credit crunch since fall 2008, as well as the yen's appreciation. Japan's economy worsened far more rapidly and deeply than initially expected, with real GDP for the October–December quarter of 2008 falling at the second fastest rate in the post-war period. Furthermore, consumer spending weakened in fiscal 2009, as household incomes were affected by job and payroll cuts following weak corporate earnings.

In the retail industry, even as falling gasoline and raw materials prices put a stop to rising product prices, consumers showed a stronger preference for lower prices while increasingly tightening their belts because of poor business conditions and unease about the future. In this context, the retail industry saw non-food product sales in the apparel and housing-related sectors weaken; sales of luxury goods and other products were also down. Meanwhile, food sales grew steadily, benefiting from a shift in consumer preferences back to home meal replacement—take-out meals that can be enjoyed at home—and home-cooked meals, as well as weather conditions that included a heat wave. Notably in the convenience store industry, overall

sales of summer products were lifted by severe heat in July 2008. Sales of tobacco and incidental purchases also rose as taspo card (age verifying IC card) systems were installed in cigarette vending machines, leading to a significant improvement in earnings on the whole.

Note 2: As part of an initiative to prevent underage smoking, "age verifying cigarette vending machines" compatible with taspo cards were introduced from 2008. Because taspo cards are now needed to purchase cigarettes from vending machines, but not at convenience stores, tobacco purchases by smokers without taspo cards rose at convenience stores.

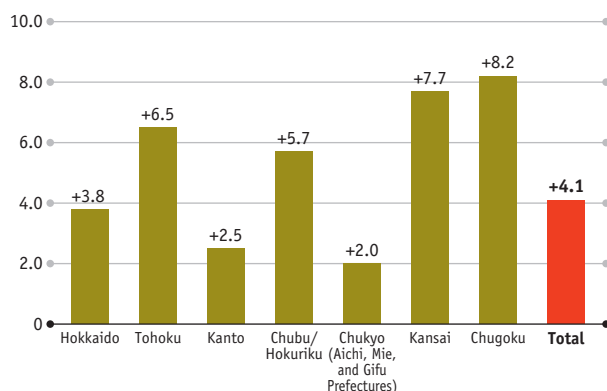
Store Results

 P.2/P.12/P.17/P.30-32

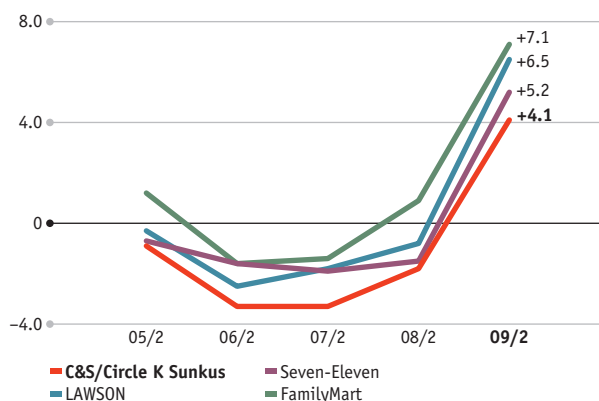
Sales and Existing Store Sales (Y-o-Y Comparisons)

In fiscal 2009, Circle K Sunkus saw an upturn in customer footfall along with higher tobacco sales as taspo card systems were installed in cigarette vending machines from May 2008. Supported by higher incidental purchases of canned coffee and other products, as well as strong sales of mainstay original products such as pasta, desserts and baked goods, existing store sales in fiscal 2009 rose by a substantial 4.1% year on year on a non-consolidated basis. The taspo card effect lifted existing store sales by 4.9 percentage points. Therefore, excluding the taspo card effect, actual existing store sales declined by 0.8% year-on-year. Nonetheless, Circle K Sunkus' existing store sales are steadily improving in year-on-year terms.

Year-on-Year Changes in Existing Store Sales by Region (%)



Existing Store Sales of Major Convenience Store Chains (%)



Source: Financial reports prepared by each company.
 Note: All major convenience store chains except Seven-Eleven were adversely affected by the termination of sales of prepaid highway toll cards in denominations of ¥10,000 in the second and first halves of the February 2006 and 2007 fiscal years, respectively.

Consequently, sales at Circle K and Sunkus proper, including franchised stores, increased 3.6% year on year to ¥890,857 million.

In fiscal 2010, the Japanese economy is expected to see companies' earnings power weaken amid waning global demand, while companies are expected to increasingly scale back capital expenditures and reduce payroll expenses through layoffs. There are also concerns that flagging household income may put off any improvement in consumer spending, leading to a protracted recession. In this climate, the convenience store industry faces fiercer competition across traditional and non-traditional business formats such as foodservice establishments and drugstores. This comes amid a realignment and shakeout of small and medium-sized convenience store chains by Japan's largest convenience store chains. Against this backdrop, Circle K Sunkus expects to continue facing a challenging business environment.

In this climate, in fiscal 2010, Circle K Sunkus will continue working to further refine its mainstay original products. In response to social developments such as weakening consumption and deflation, the Company will also provide premium boxed lunches at value prices. In addition, Circle K Sunkus aims to enhance ordering precision by making full use of the Store Information System, for which installation in stores was completed in the previous fiscal year. At the same time, the Company seeks to boost customer footfall by offering many different kinds of content via *KARUWAZA STATION* in-store multimedia terminals that are currently being installed. Factoring these trends, as well as a 1.1 percentage point boost from taspo cards, into forecasts, Circle K Sunkus is projecting a year-on-year increase in existing store sales of 0.5% for fiscal 2010. Circle K Sunkus expects sales at Circle K

and Sunkus proper, including franchised stores, to increase 1.8% year on year to ¥907,070 million.

In terms of existing store sales in the convenience store industry during the fiscal year under review, all major convenience store chains recorded a sharp year-on-year increase over fiscal 2008, mainly due to higher customer footfall, tobacco sales and demand for incidental purchases accompanying the introduction of taspo card systems.



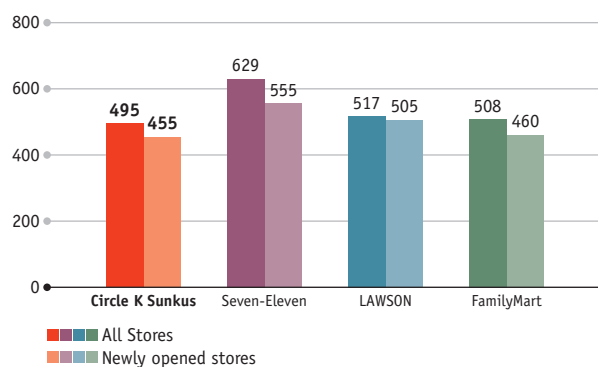
P.12/P.32

Average Daily Sales and Average Number of Customers Per Store, and Average Purchase per Customer

In fiscal 2009, Circle K Sunkus saw an upturn in customer footfall, which increased by 4.0% year on year, as taspo card systems were successively installed in cigarette vending machines from March 2008. Meanwhile, the average purchase per customer was largely unchanged from the

Average Daily Sales at Major Convenience Store Chains (Fiscal 2009)

(thousands of yen)



Source: Financial reports prepared by each company and news reports.


Average Daily Sales, Average Number of Customers, and Average Purchase per Customer

(yen)

	Fiscal 2007		Fiscal 2008		Fiscal 2009	
		Change		Change		Change
Existing stores						
Average daily sales per store	¥476,000	-3.3%	¥472,000	-1.8%	¥498,000	4.1%
Average number of daily customers per store	811	-2.8%	806	-1.8%	849	4.0%
Average purchase per customer	¥ 586	-0.7%	¥ 586	0.0%	¥ 587	0.0%
Average daily sales at all stores	¥470,000	-2.5%	¥468,000	-0.4%	¥495,000	5.8%
Average daily sales at newly opened stores	¥394,000	-7.1%	¥409,000	3.8%	¥455,000	11.2%

previous fiscal year. Consequently, average daily sales per store rose by ¥27,000 and ¥20,000 on an all-store and existing-store basis, respectively.

However, from the fourth quarter of fiscal 2009, when clear signs of an economic slowdown began to emerge, Circle K Sunkus has posted larger year-on-year declines in average purchase per customer. With consumers increasingly tightening their belts, the Company has also begun to see fewer items purchased per customer.

 P.8-9/P.14-16/P.31-32

Stores Opened/Closed and Number of Stores at Fiscal Year-end

In fiscal 2009, Circle K Sunkus continued opening stores with an emphasis on quality, as it strives to implement strategies for opening stores by region. The number of stores opened by relocating existing stores to new

locations reached an all-time high of 120, contributing positively to average daily sales per new store. This was mainly the result of the full-year contribution of the “Owner Relocation System” established in 2008. Consequently, Circle K Sunkus produced results in terms of enhancing the quality of new stores, as highlighted by substantial year-on-year improvement of ¥46,000 in average daily sales per new store to ¥455,000.

During fiscal 2009, Circle K Sunkus opened 265 stores, 15 stores fewer than planned. The Company continued to face stiff competition for both properties and storeowner candidates from not only other convenience store chains but also other business formats. This widened the shortfall in the number of stores opened relative to plans, particularly in the greater Tokyo metropolitan area, including central Tokyo. In this climate, it has become increasingly difficult for Circle K Sunkus to secure franchisee candidates

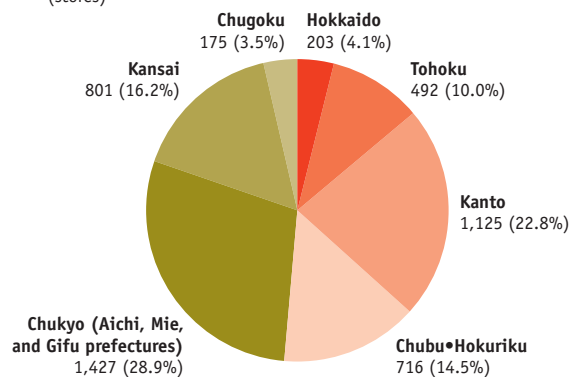
Stores Opened/Closed

(stores)

	Circle K Sunkus		
	Fiscal 2007	Fiscal 2008	Fiscal 2009
Stores opened	307	284	265
Stores relocated	103	98	120
Stores closed	357	459	255
Net increase	(50)	(175)	10
Fiscal year-end	5,104	4,929	4,939

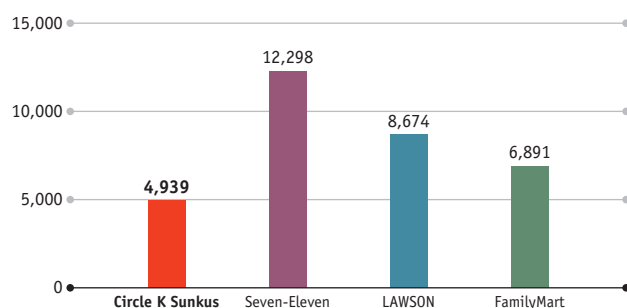
Stores by Geographic Region

(stores)



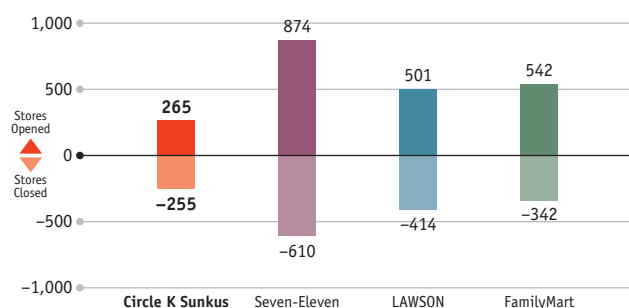
Total Number of Stores at Fiscal Year-end

(stores)



Stores Opened/Closed of Major Convenience Store Chains

(stores)



Note: Figures for each convenience store chain represent stores in Japan only, excluding those of consolidated subsidiaries.
Source: Financial reports prepared by each company and news reports.

in major cities such as Tokyo and Osaka. In fiscal 2009, the Company made progress with the “Venture Employee System,” which was launched in September 2006 to sign up franchisee candidates. In fiscal 2009, 29 program participants began operating their own franchised stores. Meanwhile, Circle K Sunkus closed 255 stores in fiscal 2009, 204 fewer than in the previous year, after largely completing a drive to close unprofitable stores in fiscal 2008. As a result, Circle K Sunkus had a total of 4,939 stores as of February 28, 2009, a net increase of 10 stores.

In terms of franchise agreement type, in fiscal 2009, Type A stores continued to decline in number, while Type C stores once again increased. Although Circle K Sunkus has been facing increasing difficulty year after year in securing locations suited to Type A stores, the Company has been stepping up the opening of Type A stores, opening 14 Type A stores in fiscal 2009. On the other hand, more and more new Type C stores have been opened, primarily inside buildings. As a result, Type C stores now account for roughly 90% of all new stores. Furthermore, Circle K Sunkus has been working to reduce the number of Company-owned stores since the previous fiscal year; in fiscal 2009, it

closed 93 Company-owned stores. In addition, the Company utilized the “Venture Employee System” and the “Operations Management Employee” system launched in May 2008 to help convert Company-owned stores into franchised stores. Overall, the number of Company-owned stores was reduced by 42 stores compared with the previous fiscal year-end.

In fiscal 2010, Circle K Sunkus will continue to open stores with an emphasis on quality, as it strives to implement strategies for opening stores by region to reestablish a dominant presence in key areas. In particular, the Company aims to improve average daily sales at new stores by opening more stores in the highly profitable Kanto and Chukyo regions. Furthermore, in terms of securing volume, the number of outstanding contracts to be signed for new stores was 151 at the beginning of the fiscal year, while 45 program participants in the “Venture Employee System” are expected to begin operating their own franchised stores, which will help us to secure outstanding franchisee candidates. Circle K Sunkus expects to open 290 stores, including 110 relocations, in line with plans to open its first stores in Fukuoka Prefecture from fiscal 2010. Meanwhile,

Types of Franchise Agreement

	Type A	Type C
Franchise agreements	The owner of the facility, who has received franchisee approval, sets up and runs the store with his/her own investment.	The Company rents the property and recruits the store manager separately to run the store.
Contract period	120 monthly accounting period (10 years)	
Investments required by franchisees	¥32.3 million	¥7.3 million
Contracted cash segregated as deposits	¥3.0 million, borne by franchisees	
Commission for setting up store	¥1.0 million	
Education and training expenses	¥0.3 million	
Franchise membership fees	¥0.5 million	
Part of payments for purchased products	¥1.2 million	
Merchandise, equipment and consumables	¥4.3 million, borne by franchisees	
Land, buildings and internal remodeling	¥25.0 million, borne by franchisees	Borne by the Company
Rent	Borne by franchisees	Borne by the Company
Royalty percentage (Relative to monthly gross profit)	14%–30%; 30% on average	37%–62%; 47% on average
Minimum revenue guarantee	Annual net sales of franchised stores ¥23.0 million (¥19.0 million + annual sales x 6%) ≤ ¥27.0 million	Annual net sales of franchised stores ¥20.0 million (¥14.0 million + annual sales x 6%) ≤ ¥22.0 million
Change in type of agreement	None	Upgrade to Type A if satisfactory performance achieved over two years following the opening of the store

Notes: 1. The average royalty percentage was calculated assuming average daily store sales of ¥495,000 and an average product markup of 28.11% for the year ended February 28, 2009.
2. The monetary figures given for “Merchandise, equipment and consumables” and “Land, buildings and internal remodeling” are amounts for an average store; the actual amount will differ for each store.

it plans to close 270 stores, resulting in a net increase of 20 stores. Consequently, Circle K Sunkus expects to have 4,959 stores as of February 28, 2010.

In fiscal 2009, Circle K Sunkus posted a net increase in the number of stores, after registering a net decrease in the previous year. All the major convenience store chains opened more stores than in the previous fiscal year.



Product Details and Markup Rates

Circle K Sunkus has been working to nurture and refine its mainstay products. In fiscal 2009, these mainstay products generated steady sales growth and contributed to improvement in overall sales. The *Cherie Dolce* original dessert selection and *Oishii Pan Seikatsu* original baked goods brand continued to achieve strong sales in fiscal 2009, the second year since their launch. As a result, overall perishable food sales remained largely on a par with the previous fiscal year.

In the fast food category, processed noodle sales were higher year on year thanks to strong sales from the *rubetta* pasta range launched in October 2008. Meanwhile, sales of rice dishes such as boxed lunches improved through the first half of fiscal 2009, due to stronger consumer preferences

for home meal replacement—eating take-out meals at home—over eating out at restaurants. This partly reflected soaring gasoline and food ingredient prices in the first half. However, overall rice dish sales weakened in part because consumers tightened their belts, shifting from home meal replacement to home-cooked meals in the wake of the economic slowdown from fall 2008. Consequently, overall fast food sales declined 3.2% year on year.

In the processed food category, overall sales decreased 2.0% year on year mainly due to lackluster sales of soft drinks and sluggish overall sales of alcoholic beverages. These weak sales were partly offset by brisk sales of original snacks, premium original-brand instant noodles, and other products.

In the non-food items category, overall sales rose 16.8% year on year, underpinned by a sharp increase of 29.8% in tobacco sales as taspo card systems were installed in cigarette vending machines. However, Circle K Sunkus once again recorded weak sales of general merchandise, cosmetics products and daily necessities in fiscal 2009 due to the impact of discount sales by traditional industry outsiders such as ¥100 discount shops, and drug stores. In addition, sales of magazines and other periodicals declined, as some publications were suspended or went out of print due to the influence of the internet.

Number of Stores by Franchise Agreement Type

(stores)

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Type A	1,498	1,322	1,244
Share	29.3%	26.8%	25.2%
Type E	543	482	436
Share	10.6%	9.8%	8.8%
Type C	2,465	2,575	2,751
Share	48.3%	52.2%	55.7%
Company-owned stores	598	550	508
Share	11.7%	11.2%	10.3%

Note: Type E agreement: This agreement lies between Type A and Type C agreements. The average royalty percentage for Type E agreements is approximately 44%. Type E agreements specific to Sunkus were abolished in September 2004 with some exceptions such as relocations.

Fast food:

Rice dishes, sandwiches, noodles, delicatessen snacks, and countertop fast foods

Perishable food:

Milk, chilled beverages, pastries, bread, desserts, and fresh food items

Processed food:

Alcoholic beverages, soft drinks, snacks, instant noodles, ice cream, and dried foods

Non-food items:

Magazines, newspapers, tobacco, cosmetics, general merchandise

Service:

Prepaid highway toll cards, tickets, stamps, and parcel delivery

In the services category, overall sales decreased 3.9% year on year. Sales were hit hard by weak sales of film tickets, where there were fewer blockbuster films than in fiscal 2008, as well as sluggish sales of professional baseball games and concert tickets.

As a result of the foregoing, total product sales increased 3.6% year on year.

The average product markup for Circle K Sunkus in fiscal 2009 was 28.11%, down 0.88 of a percentage point from the previous fiscal year, the result of much higher sales of low-margin tobacco products. This was despite improvement in product markups on a category-by-category basis. The taspo card effect reduced the average product markup

by around 1.0 percentage point. Excluding this effect, the average product markup actually improved 0.14 of a percentage point year on year.

For fiscal 2010, Circle K Sunkus is projecting year-on-year deterioration in the average product markup of 0.10 of a percentage point to 28.01%. This projection assumes that the taspo card effect will reduce the average product markup by 0.21 of a percentage point.

Consolidated Operating Results for Fiscal 2009

 P.2/P.20-21

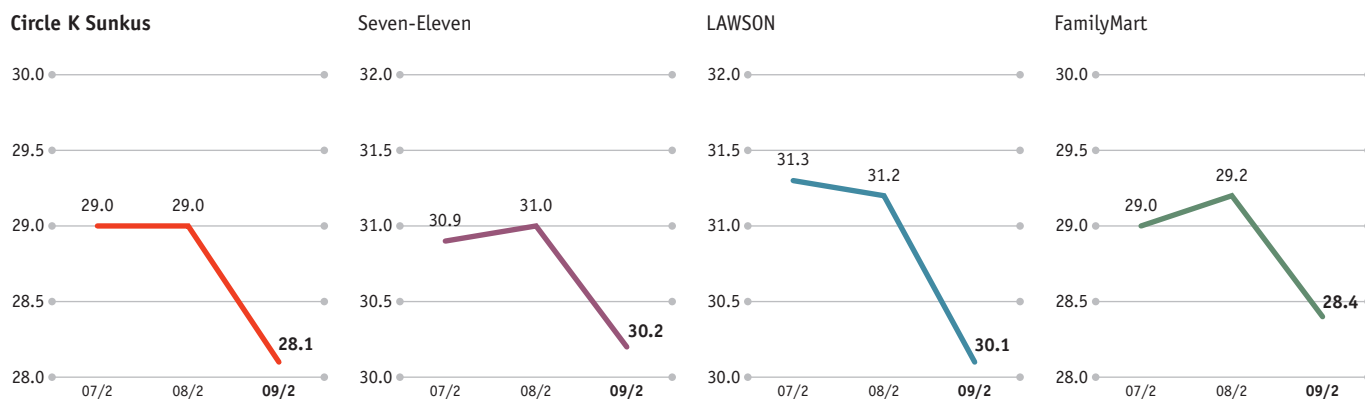
The Company's operating revenue is drawn from franchise commissions from franchised stores, license fees from area franchisers, net sales of Company-owned stores and other operating revenue. In fiscal 2009, franchise commissions

Sales by Product and Product Markups

	Fiscal 2007				Fiscal 2008				Fiscal 2009			
	Sales Growth	Share	Markup		Sales Growth	Share	Markup		Sales Growth	Share	Markup	
			Change				Change				Change	
Fast food	-4.9%	20.0%	35.7%	0.4%	-4.0%	19.5%	36.0%	0.3%	-3.2%	18.2%	36.2%	0.2%
Perishable food	-0.4%	12.8%	33.7%	0.2%	2.2%	13.3%	34.2%	0.5%	0.0%	12.8%	34.4%	0.2%
Processed food	-4.1%	31.7%	35.6%	0.2%	-2.6%	31.3%	36.0%	0.4%	-2.0%	29.6%	36.5%	0.5%
Non-food items	0.3%	30.2%	18.5%	-0.7%	-1.8%	30.1%	18.2%	-0.3%	16.8%	34.0%	16.6%	-1.6%
Service	-10.1%	5.3%	7.7%	0.0%	7.8%	5.8%	6.7%	-1.0%	-3.9%	5.4%	6.4%	-0.3%
Total	-2.9%	100.0%	28.97%	-0.08%	-1.5%	100.0%	28.99%	0.02%	3.6%	100.0%	28.11%	-0.88%

Markups (Gross Margin) for Major Convenience Store Chains Over the Past Five Years

(%)



Source: Financial reports prepared by each company and news reports.

from franchised stores rose 2.4% year on year to ¥103,818 million as a result of strong sales. Net sales of Company-owned stores climbed 5.6% year on year to ¥97,637 million, reflecting year-on-year increases of 76.0% in net sales of consolidated subsidiary 99 ICHIBA Co., Ltd. and 12.7% in operating revenue of ZERO NETWORKS Co., Ltd., respectively. Consequently, operating revenue increased 3.4% to ¥213,398 million.

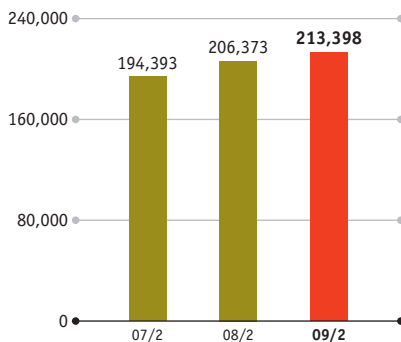
Consolidated selling, general and administrative (SG&A) expenses were held to an increase of 0.5% year on year to ¥115,276 million, thanks to reductions in overhead expenses due to rigorous monitoring of cost effectiveness, despite higher spending related to large investments in new systems and services. The main factors behind the change in SG&A expenses were as follows. There was an

increase of 17.2% in depreciation following the deployment of new systems. Another factor was an increase of 1.9% in rental and lease expenses, despite a drop in lease expenses when the lease period for the former store information system expired. This was mainly attributable to higher rental and lease expenses mainly due to an increase in the number of Type C franchise agreement stores, and the promotion of store relocations. Meanwhile, advertising expenses declined 17.8% mainly due to the changes in implementation methods for sales promotions and increased acceptance of sales promotion sponsorship fees. In addition, payroll and remuneration expenses decreased 0.6% due to fewer Company-owned stores. As a result, consolidated operating income increased 9.1% to ¥23,010 million.

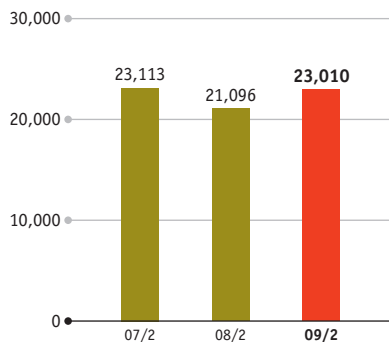
Consolidated Operating Results

(millions of yen)

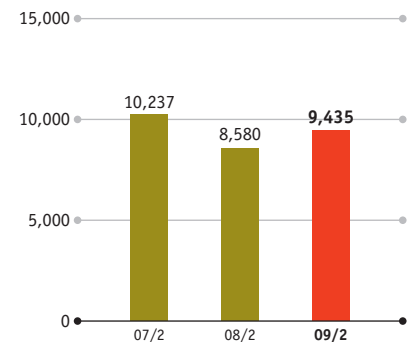
Operating revenue



Operating income

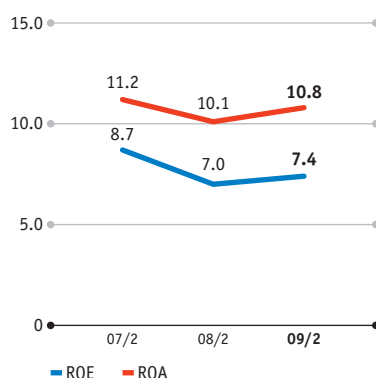


Net income



Return on Equity (ROE) and Return on Assets (ROA)

(%)



Notes: 1. ROA = (Operating income + Interest and dividend income) / Total assets (Yearly average) x 100
2. ROE = Net income / Total equity (Yearly average) x 100

In fiscal 2009, Circle K Sunkus closed 201 fewer stores than in fiscal 2008, following the realignment of unprofitable stores as a result of a massive store closure program in the previous fiscal year. Consequently, Circle K Sunkus posted sharp decreases in expenses related to store closures, specifically declines of 45.8% in the loss on sales or disposal of property and equipment, and 43.6% in the loss on cancellation of lease contracts. Meanwhile, the Company booked an impairment loss on fixed assets of ¥3,226 million, up 18.8% year on year. As a result of the foregoing, income before income taxes and minority interests rose 17.8% to ¥17,956 million and net income climbed 10.0% to ¥9,435 million. Net income per share amounted to ¥112.65.

Looking at projections for fiscal 2010, Circle K Sunkus expects operating revenue to decline 0.6% to ¥212,120 million, mainly due to lower sales from Company-owned stores reflecting a decline in the number of these stores. In fiscal 2010, Circle K Sunkus expects to incur higher capital expenditures related to investments in new store information systems and new services. Consequently, SG&A expenses are projected to increase 4.2%. As a result, operating income is projected to fall 11.0% to ¥20,470 million, while net income for fiscal 2010 is projected to decrease 3.6% to ¥9,100 million.

Consolidated Subsidiaries

 P.18

In fiscal 2009, Circle K Sunkus had six consolidated subsidiaries comprising four area franchisers; ZERO NETWORKS Co., Ltd., which is contracted to conduct original ATM operations; and 99 ICHIBA Co., Ltd., which operates small fresh food supermarkets.

Sales of the above four area franchisers rose 7.6% year on year, thanks to higher tobacco sales accompanying the installation of taspo card systems in cigarette vending machines. As a result, the four area franchisers restored operating profitability in fiscal 2009. In fiscal 2009, ZERO NETWORKS began installing original ATMs in Kagoshima Prefecture, Kumamoto Prefecture, the four Shikoku prefectures, Ibaraki Prefecture and Tochigi Prefecture. This brought the number of original ATMs installed at stores to 3,463 as of February 28, 2009, 986 more than a year earlier. Supported by high public awareness in regions where ATM installation was completed by the end of fiscal 2008, steady growth in usage of these ATMs, and lower-than-planned SG&A expenses, ZERO NETWORKS reported operating income of ¥288 million, roughly ¥400 million better than forecast. Meanwhile, 99 ICHIBA Co., Ltd. revised its fiscal 2009 targets for store openings and earnings in the second half, based on poor average daily sales per new store in the first half. Despite efforts to enhance its earnings structure, 99 ICHIBA posted an operating loss of ¥521 million for fiscal 2009.

Business Performance of Consolidated Subsidiaries

(stores, millions of yen)

	Fiscal 2009			Fiscal 2010 (Forecast)			
	Four area franchisers total	ZERO NETWORKS	99 ICHIBA	Four area franchisers total	ZERO NETWORKS	99 ICHIBA	Retail Staff Co., Ltd.
Stores opened	19	–	28	20	–	9	–
Stores closed	13	–	19	7	–	3	–
Fiscal year-end	263	–	61	276	–	67	–
Total store sales	¥39,681	–	¥9,693	¥41,848	–	¥11,190	–
Total operating revenue	8,660	¥5,382	9,700	8,156	¥5,711	11,190	¥1,600
Operating income (loss)	82	288	(521)	(37)	148	(227)	14

Reference: Circle K Sunkus' consolidated subsidiaries are listed below. Retail Staff Co., Ltd. will become a consolidated subsidiary in fiscal 2010, bringing the number of consolidated subsidiaries to 7.

- Sunkus Aomori Co., Ltd. (Area franchisers)
- SUNKUS KITAKANTO Co., Ltd. (Area franchisers)
- ZERO NETWORKS Co., Ltd. (Contracted to conduct original ATM Operations)
- Retail Staff Co., Ltd. (Staffing services for stores)
- Sunkus Nishi-Saitama Co., Ltd. (Area franchisers)
- Sunkus Nishi-Shikoku Co., Ltd. (Area franchisers)
- 99 ICHIBA Co., Ltd. (Operator of small supermarkets selling fresh foods)

In terms of the outlook for fiscal 2010, the four area franchisers are projecting an operating loss of ¥37 million due to increased costs associated with continuing investments in new systems. ZERO NETWORKS is projecting operating income of ¥148 million, despite higher projected SG&A expenses for reinforcing sales promotion and advertising initiatives, in line with plans to install original ATMs in the Hokuriku region. 99 ICHIBA plans to curb the pace of store openings to enhance its earnings structure. From fiscal 2010, Retail Staff Co., Ltd., which is engaged in staffing activities for stores, will become a consolidated subsidiary of Circle K Sunkus Co., Ltd.

Consolidated Financial Position

 P.2/P.21

Total current assets decreased ¥1,916 million from the previous fiscal year-end to ¥92,328 million. This mainly reflected decreases of ¥3,846 million in cash and cash equivalents, and ¥2,121 million in other accounts receivable, due to lower transaction volume using Edy electronic money. These decreases were partly offset by an increase of ¥3,100 million in short-term investments.

Net property and equipment rose ¥2,218 million from the previous fiscal year-end to ¥49,573 million. This mainly reflects an increase of ¥3,943 million in buildings and structures, as Type C franchise agreements, where Circle K Sunkus supplies new stores for franchisees, now account for more than 90% of all new stores. Another factor was an

increase of ¥1,483 million in furniture and fixtures that was mainly due to the improvement of store functions chiefly at existing stores.

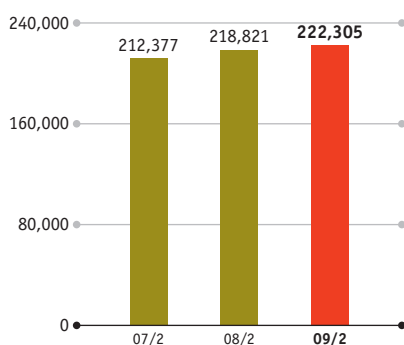
Investments and other assets rose ¥3,182 million from a year earlier to ¥80,404 million. This was mainly because of an increase in software of ¥3,750 million due to software development mainly needed for new Store Communication Servers and *KARUWAZA STATION* in-house multimedia terminals installed in fiscal 2009. Another reason was an increase of ¥324 million in investments in and long-term loans to unconsolidated subsidiaries and affiliates.

Total current liabilities decreased ¥1,359 million from a year ago to ¥77,092 million. This mainly reflected a decrease of ¥1,807 million in trade accounts payable as fiscal 2009 had one day fewer than fiscal 2008, which ended on a leap-year day on February 29, 2008. Another factor was a decrease of ¥1,700 million in money held as agent in line with lower transaction volume, including payments from customers for utility and other bills that are accepted at convenience stores and proceeds from customers recharging their Edy electronic money cards. On the other hand, income taxes payable rose ¥1,170 million.

Total long-term liabilities decreased ¥1,181 million from a year earlier to ¥14,557 million. This mainly reflected a decline of ¥334 million in the employee retirement benefit liability due to an increase in pension contributions.

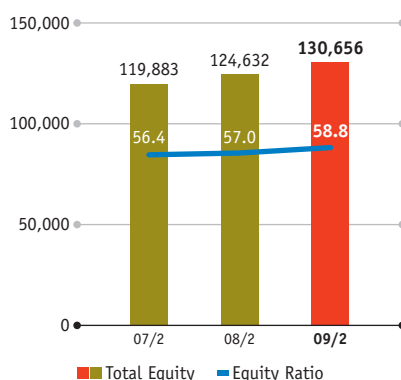
Total Liabilities and Equity

(millions of yen)



Total Equity/Equity Ratio

(millions of yen, %)



Total equity increased ¥6,024 million to ¥130,656 million. This change was attributable to an increase of ¥6,085 million in retained earnings from a year earlier, which reflected net income of ¥9,435 million, despite payments of ¥3,350 million for dividends. Consequently, the equity ratio was 58.8%, and total equity per share was ¥1,559.97.

Capital Expenditures



P.2/P.20

In fiscal 2009, system investments were ¥10,547 million, ¥6,145 million more than in the previous fiscal year, mainly reflecting the full-scale installation of new Store Communication Servers and fiber-optic cable as well as the roll-out of *KARUWAZA STATION* in-store multimedia terminals. Consequently, total investments, including investments treated as leases, rose ¥2,610 million to ¥37,307 million.

In fiscal 2010, Circle K Sunkus expects to reduce system investments by half from fiscal 2009, although the installation of *KARUWAZA STATION* terminals will continue through the first half. Accordingly, the Company is budgeting for total investments of ¥30,570 million, ¥6,737 million less than in fiscal 2009.

Consolidated Cash Flows



P.2/P.20

In fiscal 2009, operating activities provided net cash of ¥22,526 million, ¥1,264 million more than in the previous fiscal year. This was mainly attributable to an increase of ¥2,716 million in income before income taxes and minority

interests, in line with strong sales. Other contributing factors included a decrease in trade receivables, ¥1,819 million more than in fiscal 2008, due to lower transaction volume using Edy electronic money, and a decrease of ¥4,735 million in money held as agent for payment of utility and other bills.

Net cash used in investing activities was ¥22,732 million, ¥6,941 million more than in the previous fiscal year. This was mainly attributable to an increase of ¥2,147 million in acquisition of property and equipment, chiefly to open new stores and improve the functions of existing ones. Another factor was an increase of ¥5,076 million in acquisition of long-term investments and other assets, mainly stemming from software development needed for new Store Communication Servers and *KARUWAZA STATION* in-store multimedia terminals.

Consequently, free cash flow, which is net cash provided by operating activities minus net cash used in investing activities, was a negative ¥206 million, a reversal of ¥5,677 million from the previous fiscal year.

Financing activities used net cash of ¥3,640 million, ¥528 million less than in the previous fiscal year. This mainly reflected dividends paid of ¥3,351 million and repayments for guarantee deposits received of ¥1,253 million due to the repayment of guarantee deposits upon closing stores.

Consequently, as of February 28, 2009, cash and cash equivalents were ¥62,917 million, ¥3,846 million less than a year earlier.


Capital Expenditures

(millions of yen)

	2007/2	2008/2	2009/2	2010/2 (Forecast)
New store investments	¥14,990	¥12,894	¥12,641	¥13,010
Existing store investments	2,339	2,668	2,953	2,350
System investments	2,392	4,402	10,547	5,160
Head office investments	1,498	741	215	710
Capital expenditures < 1 >	21,219	20,705	26,358	21,230
Leasing expenditures < 2 >	6,021	13,992	10,949	9,340
Total investments < 1+2 >	27,240	34,697	37,307	30,570
Depreciation and amortization	6,694	6,804	7,887	10,470

Note: Capital expenditures represent the sum of increases in property and equipment, intangible fixed assets, long-term prepaid expenses, and leasehold deposits. Investments treated as operating expenses are excluded from capital expenditures.

Returning Profits to Shareholders

 P.2/P.22

Circle K Sunkus regards dividends as the most important means of returning earnings to shareholders. The Company's basic policy is to return profits to shareholders based on earnings growth, while building up retained earnings to bolster the operating base as necessary to sustain business growth into the future. More specifically, Circle K Sunkus considers the maintenance of stable dividends its first priority as it returns earnings to shareholders while carefully monitoring its medium-term earnings outlook, capital expenditure plans and financial position, with the aim of paying out at least 30% of consolidated net income as dividends.

In fiscal 2009, Circle K Sunkus declared interim and year-end dividends of ¥20 per share. As a result, the annual dividend for fiscal 2009 was ¥40 per share, representing a dividend payout ratio of 35.5% and a ratio of dividends to total equity of 2.6%.

Retained earnings will be earmarked for investments related to store information systems, and for investments in developing new stores, revitalizing existing ones, and procuring product displays and other equipment for new products.

Outlook

In fiscal 2010, the Japanese economy is expected to worsen further due to the global economic slowdown. Consumer spending is also expected to deteriorate even more than before due to concerns over falling income and job unease caused by weak corporate performances.

In this context, Circle K Sunkus' basic policy is to "Let Go and Change." Under this policy, with an unwavering determination and a fresh mindset, the Company is jettisoning and changing past approaches. It has redoubled its commitment to constantly embracing new challenges and taking concrete actions to build convenience store chains that offer even stronger customer and franchisee satisfaction.

In fiscal 2010, Circle K Sunkus will continue to refine the three core original brands representing its hallmark products, with the aim of setting itself apart from rival convenience store chains. Installing in-store fryers at a faster pace is another priority; we plan to install fryers in

roughly 2,000 stores by fiscal 2011. Elsewhere, the Company is focusing on original UNY Group brand products that harness synergies across the group. Here Circle K Sunkus will offer an expanded range of products under the high-value-added +KACHIAL brand and in the affordable e-price lineup. Furthermore, in response to recent social developments such as weakening consumption and deflation, the Company will offer ¥500 boxed lunches at a value price for 6 consecutive months. The goal is to satisfy the needs of customers preferring low prices, with a view to boosting overall rice dish category orders and sales. In service category products, the Company will continue to launch attractive content going forward, as highlighted by the March 2009 launch of lottery ticket sales for the Sport Promotion Lottery "toto" via *KARUWAZA STATION* terminals. These terminals are currently being installed in stores. Furthermore, from July 2009, Circle K Sunkus will begin the "Franchised Store Staffing System." Under this system, store staff will be sent to franchised stores as needed when regular staff take congratulation or condolence leave, or if there are any other staffing shortfalls. In addition, the Company will work to step up franchisee support measures, mainly by expanding franchisee benefits and various insurance plans for franchised storeowners. In addition, the Company will continue to open new stores, giving first priority to profitability, while at the same time aiming to maintain net increases in stores. The Company will also open its first stores in Fukuoka Prefecture by summer 2009, with the aim of establishing a dominant presence in key areas as rapidly as possible. On the other hand, in response to changes in its earnings structure, Circle K Sunkus is conducting an Inefficiency Reduction Project as a means of fostering a greater awareness of the need to eliminate inefficiencies throughout the Company and enhancing cost effectiveness. Through this project, the Company is rigorously working to reduce inefficiencies.

In fiscal 2010, Circle K Sunkus is projecting lower earnings due to higher costs related to large system investments fully incurred from fiscal 2009. However, the Company aims to restore earnings growth in fiscal 2011 by working to bolster sales capabilities and transform our earnings structure.

Area Franchisers

Investors' Guide P.28-29

Circle K Sunkus and its area franchisers each develop store networks. The Company establishes area franchisers as joint venture companies with prominent local firms to operate franchised stores in specific regions. Area franchisers receive expertise and guidance from the Company on their respective convenience store chains. The Company provides guidance to area franchisers on topics such as store development, operations and accounting, while at the same time supplying them with products, information systems and other items. Fees from area franchisers are paid to the Company in return. The Circle K Sunkus Group maximizes scale merits across the Group, including at area franchisers, with regard to product policies and developing its store network.

Circle K Sunkus respects the autonomy of management at area franchisers. While carefully considering returns on investments from a Group-wide perspective, the Company provides personnel and funding support for area franchisers as necessary. Going forward, the Circle K Sunkus Group will

work to capture group-wide synergies by deepening collaboration with area franchisers, while further strengthening management guidance. As of February 28, 2009, the Circle K Sunkus Group had 13 area franchisers who operated 1,227 stores in 21 prefectures. In fiscal 2009, area franchisers posted sales of ¥204,345 million, up 6.0% year on year.

Business Risks

The Circle K Sunkus Group's Risk Management Guidelines set forth Company-wide risks that, if they materialize, may impede efforts to achieve Group-wide objectives. Three major risk areas have been identified: (1) reliability of financial reporting; (2) compliance with laws and regulations concerning business activities; and (3) business activities. As of February 29, 2009, the Group recognizes the following five areas as major risks associated with the aforementioned "(3) business activities." Circle K Sunkus will make every effort to prevent these kinds of events from occurring and to respond promptly if they occur. However, an unforeseen event could have an impact on the Circle K Sunkus Group's operating results and financial position.

Area Franchisers

(As of February 28, 2009)

Company	Equity interest	Date of agreement	Number of stores (stores)		2009/2 Sales (millions of yen)		Area license fees (millions of yen)
				Change		Change	
Sunkus Aomori Co., Ltd.*	100.0%	1994. 3. 1	64	1	¥ 9,289	6.5%	
Sunkus Nishi-Saitama Co., Ltd.*	100.0%	1987. 2.28	80	5	12,443	8.0%	
SUNKUS KITAKANTO Co., Ltd.*	100.0%	1997. 3.12	36	1	5,416	10.9%	
Sunkus Nishi-Shikoku Co., Ltd.*	100.0%	1992. 8.27	83	-1	12,532	6.7%	
Circle K Shikoku Co., Ltd.	35.0%	1996. 5.14	152	4	25,518	10.8%	
Sunkus Higashi-Saitama Co., Ltd.	19.0%	1988. 7.19	67	1	9,854	4.5%	
Sunkus Tokai Co., Ltd.	19.0%	1989. 9. 6	103	2	16,712	7.7%	
Sunkus Keihanna Co., Ltd.	19.0%	1989.10.26	99	-3	17,574	0.7%	
Sunkus and Associates Higashi-Shikoku Co., Ltd.	19.0%	1995. 1.12	134	-4	20,574	4.2%	
Sunkus Hokuria Co., Ltd.	19.0%	1995. 1.24	93	5	16,429	5.5%	
Sunkus and Associates Toyama Co., Ltd.	19.0%	1996. 7. 2	78	-4	13,801	1.7%	
Minami-Kyushu Sunkus Co., Ltd.	19.0%	1998. 8.21	103	7	15,449	11.0%	
CVS Bay Area Inc.	2.4%	1997. 1.14	135	3	28,748	4.3%	
Total			1,227	17	¥204,345	6.0%	¥3,101

* Consolidated subsidiaries

[1] Food Product Safety

The Circle K Sunkus Group gives the highest priority to food safety. The Group has already eliminated the use of preservatives and artificial coloring from mainstay products such as rice balls and boxed lunches. Circle K Sunkus also develops new products to consistently offer items that help to build trust among customers. Food safety is also ensured through an inspection and control system and other inspections at stores. However, the food industry has faced a range of issues in recent years, including BSE, bird flu and genetically modified food products. Although Circle K Sunkus takes steps to identify and take preventive measures to deal with these and other risks, an unforeseen event could impact the Group's operating results and financial position.

[2] Information Systems

The Group holds franchise store information through its franchise business, and personal information on customers and other individuals gained from sales promotion campaigns and purchases made with Edy electronic money enabled *KARUWAZA CLUB* cards. To prevent the leak or corruption of customers' information, Circle K Sunkus takes appropriate security measures in information management, including computer systems. However, there is a risk that unforeseen events such as disasters, unauthorized access, or infection by computer viruses could result in the leak of internal information, which could prevent the Group from carrying out its operations and other activities.

[3] Litigation

The Group's business operations are subject to food safety, fair trading, environmental protection and other laws and regulations, as well as licenses granted by government agencies. In the course of its business activities, the Circle K Sunkus Group works to ensure compliance with all relevant laws and regulations, while encouraging all directors and employees to understand and practice compliance. To this end, the Group has established an Internal Control & Environmental Management Office to strengthen internal control systems. However, the Group may incur additional expenses as a result of unforeseen changes in laws and regulations or government policies, and is open to the risk

of litigation in the course of its operations. These changes or legal action taken against Circle K Sunkus, or the result of such action, could impact the operating results and financial position of the Group.

[4] Area Franchisers

The Group grants permission to third parties to operate stores through area franchises. In area franchiser operations, the characteristics of each region are respected and importance is given to profitability through synergies with other parts of the Group and results-driven business development in each area. Nonetheless, deteriorating operating performance in some areas amid changes in consumption patterns, intensifying competition, and growing disparity in income and regional economic performance is a cause for concern. In dealing with this situation, the Group's policy is to provide the necessary personnel and financial support to area franchisers. However, an unforeseen situation could impact the Group's operating results and financial position.

[5] Disasters and Other Factors

The Group defines disasters as natural disasters such as earthquakes and typhoons, terrorist acts, and crimes targeting companies. The Group believes that convenience stores have an important role to play in society in the event of such a disaster, through the provision of vital support to affected communities. However, an unexpected disaster, unforeseen accident or similar event could halt the Group's logistics system, leading to opportunity losses. Additionally, the Group's operating results and financial position could be impacted by changes in the natural environment such as unseasonable weather.

Consolidated Balance Sheets

Circle K Sunkus Co., Ltd. and Consolidated Subsidiaries
February 28, 2009 and February 29, 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 62,917	¥ 66,763	\$ 642,010
Short-term investments (Note 3)	6,100	3,000	62,245
Accounts receivable:			
Due from franchised stores (Note 4)	3,542	3,208	36,143
Other	7,576	9,697	77,306
	11,118	12,905	113,449
Inventories	2,494	2,542	25,449
Deferred tax assets (Note 14)	1,289	1,051	13,153
Prepaid expenses and other current assets	8,761	8,331	89,398
Allowance for doubtful accounts	(351)	(348)	(3,582)
Total current assets	92,328	94,244	942,122
Property and equipment (Notes 5 and 6):			
Property and equipment, at cost	87,984	83,125	897,796
Less accumulated depreciation	(38,411)	(35,770)	(391,949)
Net property and equipment	49,573	47,355	505,847
Investments and other assets:			
Investment securities (Note 3)	3,845	4,033	39,235
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 7)	1,125	801	11,479
Long-term leasehold deposits	53,910	54,185	550,102
Software (Note 6)	7,594	3,844	77,490
Goodwill (Note 6)	–	58	–
Deferred tax assets (Note 14)	3,275	4,160	33,418
Other (Note 6)	12,136	11,629	123,837
Allowance for doubtful accounts	(1,481)	(1,488)	(15,112)
Total investments and other assets	80,404	77,222	820,449
Total assets	¥222,305	¥218,821	\$2,268,418

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current liabilities:			
Accounts payable:			
Trade	¥ 34,282	¥ 36,089	\$ 349,816
Due to franchised stores (Note 8)	2,038	2,496	20,796
Other	8,129	5,863	82,949
	44,449	44,448	453,561
Income taxes payable	4,474	3,304	45,653
Money held as agent	24,931	26,631	254,398
Other current liabilities	3,238	4,068	33,041
Total current liabilities	77,092	78,451	786,653
Long-term liabilities:			
Guarantee deposits received	10,978	11,096	112,020
Employee retirement benefit liability (Note 9)	375	709	3,827
Other long-term liabilities	3,204	3,933	32,694
Total long-term liabilities	14,557	15,738	148,541
Commitments and Contingent liabilities (Notes 11, 12 and 13):			
Equity (Note 10):			
Common stock:			
Authorized: 180,000,000 shares in 2009 and 2008			
Issued: 86,183,226 shares in 2009 and 2008	8,380	8,380	85,510
Capital surplus	36,093	36,094	368,296
Retained earnings	90,721	84,636	925,724
Less treasury stock, at cost:			
2,427,385 shares in 2009 and 2,425,708 shares in 2008	(5,028)	(5,026)	(51,306)
Total shareholders' equity	130,166	124,084	1,328,224
Other components of equity	490	524	5,000
Minority interests	–	24	–
Total equity	130,656	124,632	1,333,224
Total liabilities and equity	¥222,305	¥218,821	\$2,268,418

Consolidated Statements of Income

Circle K Sunkus Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Operating revenue:			
Franchise commissions from franchised stores	¥103,818	¥101,388	\$1,059,368
Net sales of Company-owned stores	97,637	92,475	996,296
Other operating revenue	11,943	12,510	121,867
	213,398	206,373	2,177,531
Operating costs and expenses (Note 15):			
Cost of goods sold	75,112	70,614	766,449
Selling, general and administrative expenses	115,276	114,663	1,176,286
	190,388	185,277	1,942,735
Operating income	23,010	21,096	234,796
Other income (expenses):			
Interest and dividend income	764	675	7,796
Interest expenses	(43)	(44)	(439)
Loss on sales or disposal of property and equipment	(999)	(1,843)	(10,194)
Loss on cancellation of lease contracts	(1,907)	(3,384)	(19,459)
Gain on return of substitutional portion of Employee Pension Fund (Note 2(l))	–	1,339	–
Impairment loss on fixed assets (Note 6)	(3,226)	(2,716)	(32,919)
Miscellaneous, net (Note 3)	357	117	3,643
	(5,054)	(5,856)	(51,572)
Income before income taxes and minority interests	17,956	15,240	183,224
Income taxes (Note 14)	8,545	6,762	87,193
Minority interests in losses of consolidated subsidiaries	(24)	(102)	(245)
Net income	¥ 9,435	¥ 8,580	\$ 96,276

	Yen	U.S. dollars
Per share:		
Net income	¥112.65	¥102.43
Cash dividends	40.00	40.00
		\$ 1.15
		0.41

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Circle K Sunkus Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2009 and February 29, 2008

	Millions of yen									
	Shareholders' equity						Other components of equity			
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Total other components of equity	Minority interests	Total equity
Balance at February 28, 2007	86,183,226	¥ 8,380	¥ 36,094	¥ 79,617	¥ (5,021)	¥ 119,070	¥ 813	¥ 813	¥ 0	¥ 119,883
Net income	-	-	-	8,580	-	8,580	-	-	-	8,580
Cash dividends	-	-	-	(3,266)	-	(3,266)	-	-	-	(3,266)
Decrease in retained earnings through inclusion of additional subsidiaries in consolidation	-	-	-	(295)	-	(295)	-	-	-	(295)
Net change in treasury stock	-	-	-	-	(5)	(5)	-	-	-	(5)
Changes other than shareholders' equity for the year	-	-	-	-	-	-	(289)	(289)	24	(265)
Balance at February 29, 2008	86,183,226	8,380	36,094	84,636	(5,026)	124,084	524	524	24	124,632
Net income	-	-	-	9,435	-	9,435	-	-	-	9,435
Cash dividends	-	-	-	(3,350)	-	(3,350)	-	-	-	(3,350)
Net change in treasury stock	-	-	(1)	-	(2)	(3)	-	-	-	(3)
Changes other than shareholders' equity for the year	-	-	-	-	-	-	(34)	(34)	(24)	(58)
Balance at February 28, 2009	86,183,226	¥8,380	¥36,093	¥90,721	¥(5,028)	¥130,166	¥490	¥490	¥ -	¥130,656

	Thousands of U.S. dollars									
Balance at February 29, 2008	\$ 85,510	\$ 368,306	\$ 863,632	\$ (51,285)	\$ 1,266,163	\$ 5,347	\$ 5,347	\$ 245	\$ 1,271,755	
Net income	-	-	96,276	-	96,276	-	-	-	96,276	
Cash dividends	-	-	(34,184)	-	(34,184)	-	-	-	(34,184)	
Net change in treasury stock	-	(10)	-	(21)	(31)	-	-	-	(31)	
Changes other than shareholders' equity for the year	-	-	-	-	-	(347)	(347)	(245)	(592)	
Balance at February 28, 2009	\$85,510	\$368,296	\$925,724	\$(51,306)	\$1,328,224	\$5,000	\$5,000	\$ -	\$1,333,224	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Circle K Sunkus Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 17,956	¥ 15,240	\$ 183,224
Adjustments for:			
Depreciation and amortization	8,614	7,260	87,898
Impairment loss on fixed assets	3,226	2,716	32,919
Loss on sales or disposal of property and equipment	999	1,843	10,194
Loss on cancellation of lease contracts	849	1,512	8,663
Decrease in trade receivables	1,997	178	20,377
Decrease in inventories	48	18	490
Decrease in trade payables	(2,265)	(714)	(23,112)
Increase in other accounts payable and accrued expenses	1,466	42	14,959
Increase (decrease) in money held as agent	(1,603)	3,132	(16,357)
Decrease in employee retirement benefit liabilities	(334)	(1,558)	(3,408)
Other, net	(2,163)	(1,237)	(22,072)
Subtotal	28,790	28,432	293,775
Interest and dividends received	473	417	4,827
Interest paid	(1)	(3)	(10)
Income taxes paid	(6,736)	(7,584)	(68,735)
Net cash provided by operating activities	22,526	21,262	229,857
Cash flows from investing activities:			
Acquisition of property and equipment	(11,762)	(9,615)	(120,020)
Acquisition of long-term investments and other assets	(8,643)	(3,567)	(88,194)
Proceeds from sales of property, long-term investments and other assets	1,820	1,171	18,571
Payments for long-term leasehold deposits	(5,949)	(6,271)	(60,704)
Proceeds from redemption of long-term leasehold deposits	4,645	5,462	47,398
Net increase in short-term investments	(3,000)	(3,000)	(30,612)
Other	157	29	1,602
Net cash used in investing activities	(22,732)	(15,791)	(231,959)
Cash flows from financing activities:			
Proceeds from guarantee deposits received	967	714	9,867
Repayments for guarantee deposits received	(1,253)	(1,614)	(12,786)
Dividends paid	(3,351)	(3,264)	(34,194)
Purchase of treasury stock	(5)	(5)	(51)
Other	2	1	21
Net cash used in financing activities	(3,640)	(4,168)	(37,143)
Net increase (decrease) in cash and cash equivalents	(3,846)	1,303	(39,245)
Cash and cash equivalents at beginning of year	66,763	64,957	681,255
Increase in cash and cash equivalents upon inclusion of additional subsidiaries in consolidation	—	503	—
Cash and cash equivalents at end of year	¥ 62,917	¥ 66,763	\$ 642,010

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Circle K Sunkus Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2009 and February 29, 2008

1. Basis of Consolidated Financial Statements

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Circle K Sunkus Co., Ltd. (the "Company") and its consolidated subsidiaries (together with the Company, the "Circle K Sunkus Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instrument and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

(b) Principal shareholder

UNY CO., LTD. ("UNY") directly owned 40,746 thousand shares of common stock of the Company at February 28, 2009, an amount which represented 48.8% of the total voting interests of the Company at the balance sheet date. UNY also had, and continues to have, significant influence over the Company. Accordingly, the Company is a subsidiary of UNY.

(c) U.S. dollar amounts

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at February 28, 2009, which was ¥98 to U.S.\$1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(d) Reclassification

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in the 2009 statements.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Under the control or influence concept, the Company fully consolidates those companies in which it is able to exercise control over operations either directly or indirectly, and the Company applies the equity method to those companies over which the Circle K Sunkus Group has the ability to exercise significant influence. Investments in unconsolidated subsidiary that have a significant effect on the consolidated results of operations are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material. All significant inter-company accounts and transactions have been eliminated in consolidation. The fiscal year-end date of consolidated subsidiaries is the same as the consolidated fiscal year-end date of the Company.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 28, 2009 and February 29, 2008 was as follows:

	2009	2008
Consolidated subsidiaries	6	6
Unconsolidated subsidiary, accounted for by the equity method	1	0
Unconsolidated subsidiaries, stated at cost	6	6
Affiliates, stated at cost	9	9

(b) Franchise agreement and basis of recognizing franchise commissions

The Company is the exclusive franchiser in Japan of Circle K stores and Sunkus stores for retail sales of daily necessities to consumers. The Company enters into franchise agreements to allow independent franchisees to operate the relatively small-sized convenience stores using specific designs and the name “Circle K” or “Sunkus” and provides them with related managerial or technical know-how. Under the agreements, all franchised stores are provided with a variety of services and advice on the operation of the convenience stores from the Company as the franchiser. In return, the franchised stores are required to pay continuing franchise commissions to the Company based on certain percentages of the respective franchised store’s gross margin (net sales less cost of goods sold) on a monthly basis. As the franchiser, the Company accounts for such franchise commissions on an accrual basis by reference to the gross margin earned by each franchised store and the applicable commission percentage.

For the years ended February 28, 2009 and February 29, 2008, net sales, which were reported by franchised stores as the basis for calculating franchise commissions, were ¥847,490 million (\$8,647,857 thousand) and ¥814,407 million, respectively.

The term of a franchise agreement is typically ten years from the commencement date of a franchised store and may be renewed upon expiration subject to renegotiation of contract terms between the Company and the franchisee.

In the normal course of franchise operations, the Company generally acquires furniture, fixtures and equipment designed for Circle K stores and Sunkus stores or leases them as lessee under long-term non-cancelable lease agreements (See Note 11). The Company also leases land and/or buildings for its own Company-owned stores or the franchised stores as lessee principally under long-term cancelable lease agreements with a few months’ advance notice. The Company pays the landlords leasehold deposits equivalent to approximately several months’ rent. The deposits are noninterest bearing and principally refundable on an installment basis and recorded as “Long-term leasehold deposits” in the accompanying consolidated balance sheets.

The Company also enters into lease agreements as lessor with each franchisee to lease land and/or buildings for the store spaces. These leases are normally for the same term as the franchise agreement, and the guarantee deposits received from franchised stores are refundable on an installment basis (the major portion), are noninterest bearing and are included in “Guarantee deposits received” in the accompanying consolidated balance sheets.

(c) Area franchise agreements

The Company has entered into area franchise agreements with thirteen companies (area franchisers) located throughout Japan. The agreements provide each area franchiser with a right to operate its own “Circle K” or “Sunkus” convenience stores and to be franchisers in limited areas determined by the respective agreement. Each area franchiser is required to pay a license fee to the Company based on a certain percentage of revenue from its franchising business. The license fees are included in “Franchise commissions from franchised stores” in the accompanying consolidated statements of income.

(d) Cash equivalents

The Circle K Sunkus Group considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) Inventories

Merchandise inventories are stated at cost, determined by the retail method. Supplies are stated at cost, determined by the last purchase price.

(f) Investments and marketable securities

The Circle K Sunkus Group classifies certain investments in debt and equity securities as “held-to-maturity,” “trading” or “available-for-sale.” The classification determines the applicable accounting method as stipulated by the accounting standard for financial instruments. Marketable securities with market quotations for available-for-sale securities are stated at fair value, and the net unrealized gains or losses on these securities are reported as a component of equity, net of applicable income taxes. Gains and losses on the disposition of investment securities are computed by the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost, determined by the moving average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(g) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for at the aggregate amount of estimated credit loss based on an individual financial review of doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience of a certain past period.

(h) Property and equipment and depreciation

Property and equipment, including significant renewals and additions, are stated at cost and are depreciated by the declining balance method at rates based on the estimated useful life of the asset, except as mentioned below.

Buildings acquired on and after April 1, 1998 are depreciated by the straight-line method. The Company and its consolidated subsidiaries capitalize property with a cost of ¥100,000 or more and depreciate property that is ¥100,000 or more but less than ¥200,000 over three years on a straight-line basis.

For property and equipment acquired before April 1, 2007, the Company and its consolidated subsidiaries previously depreciated up to the depreciable limit of 5% of the acquisition cost in accordance with the Corporation Tax Law of Japan. Effective from the year ended February 29, 2008, the remaining residual value is depreciated over five years using the straight-line method from the fiscal year in which the depreciable limit of 5% of the acquisition cost is reached, pursuant to the amended Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests for the year ended February 28, 2009 was ¥58 million (\$592 thousand) less than it would have been with the previous accounting method.

In accordance with the amendment of the Corporation Tax Law of Japan, effective from the fiscal year ended February 29, 2008, the Company and its consolidated subsidiaries have changed the depreciation method for property and equipment acquired on or after April 1, 2007 to the method provided by the amended Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests for the year ended February 29, 2008 decreased by ¥142 million, as compared with the previous accounting method.

(i) Leases

With regard to financing leases that do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property is not capitalized, and the related rental and lease expenses are charged to income as incurred, in accordance with the “Opinion Concerning Accounting Standard for Leases” issued by the Business Accounting Council of Japan (“BACJ”) and the related practical guidelines issued by the Japanese Institute of Certified Public Accountants (“JICPA”), which are effective from the current fiscal year-end.

(j) Software

Software is amortized by the straight-line method over the estimated useful life of five years.

(k) Impairment of fixed assets

The Circle K Sunkus Group reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, which is to be measured as the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and structures and equipment and fixtures, as well as intangible assets, and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets.

(l) Employee retirement benefit liability

Employees who terminate their service with the Circle K Sunkus Group are entitled to retirement and severance benefits determined by the basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. Such retirement and severance benefits for employees are covered by a noncontributory pension plan organized by UNY, its subsidiaries and affiliates (together, the "UNY" Group), including the Company. Consolidated subsidiaries have lump-sum retirement benefit plans.

The Circle K Sunkus Group principally recognizes retirement benefits, including pension cost and related liability, based on the actuarial present value of projected benefit obligation using an actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end. Unrecognized actuarial differences arising from the projected benefit obligation or pension plan assets being different from that assumed or from changes in assumptions are amortized on a straight-line basis over eight to ten years, a period within the remaining service years of the employees, from the year following the year in which they arise. Unrecognized past service costs are amortized on a straight-line basis over ten years, a period within the remaining service years of the employees.

Until August 31, 2007, the employees who transferred from SUNKUS & ASSOCIATES INC. ("SUNKUS") on the occasion of the merger were covered by the same noncontributory welfare pension plan or qualified pension plan as the plans organized by SUNKUS. In conjunction with the Defined Benefit Enterprise Pension Plan Law, the Company, as a member of the noncontributory welfare pension plan organized by SUNKUS, received approval from the Minister of Health, Labor and Welfare of Japan to be exempt from payment of future benefits regarding the substituted portion of the employee welfare pension fund on July 29, 2005 and received approval to return the assets relating to the substituted portion of the employee welfare pension fund on September 1, 2007. The Company subsequently recognized the termination of the retirement benefit obligation with respect to the substituted portion during the year ended February 29, 2008. As a result, the Company recorded ¥1,339 million as other income on the consolidated statements of income for the year ended February 29, 2008. The Company also received approval from the Minister of Health, Labor and Welfare of Japan to transfer from the employee welfare pension fund plan to a corporate pension fund plan.

(m) Directors' bonuses

Directors' bonuses, including those for corporate auditors, are accrued at the year end for the year to which such bonuses are attributable.

(n) Allowance for incentive points

The allowance for incentive points granted to members of *KARUWAZA CLUB*, which is the Company's original club for customers, is provided in the amount estimated for the future use of incentive points, as a reasonable estimation has become available.

(o) Allowance for debt guarantees

For the year ended February 29, 2008, an allowance for debt guarantees was provided to prepare for losses arising from the fulfillment of debt guarantees in an amount estimated based on the financial condition of the parties' for whom guarantees were provided and other factors.

(p) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(q) Enterprise taxes

With the implementation of the "Revision of the Local Tax Law" issued on March 31, 2003, a local corporate enterprise tax base such as "added value amount" and "capital amount" has been adopted. Enterprise taxes based on "added value amount" and "capital amount" are included in selling, general and administrative expenses pursuant to "Practical Treatment for Presentation of Sized-Based Corporate Enterprise Taxes in the Statement of Income" (ASBJ, Report of Practical Issues No. 12).

(r) Consumption tax

The consumption tax imposed on the Circle K Sunkus Group's customer revenues is withheld at the time the revenue is received and is subsequently paid to the national and local governments. The consumption tax withheld upon the receipt of revenue and the consumption tax paid by the Circle K Sunkus Group on the purchases of products, merchandise and services from vendors are not included in either operating revenue or operating costs and expenses in the accompanying consolidated statements of income.

(s) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(t) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is not disclosed, because the Circle K Sunkus Group had no diluted common shares for the years ended February 28, 2009 or February 29, 2008. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

3. Investments

At February 28, 2009 and February 29, 2008, short-term investments consisted of a joint money trust.

At February 28, 2009 and February 29, 2008, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Marketable securities:			
Equity securities	¥1,690	¥1,856	\$17,245
Bonds	1,977	1,959	20,173
Total marketable securities	3,667	3,815	37,418
Other nonmarketable securities	178	218	1,817
	¥3,845	¥4,033	\$39,235

During the years ended February 28, 2009 and February 29, 2008, the Circle K Sunkus Group recorded a loss on the write-down of available-for-sale securities and investments in unconsolidated subsidiaries and affiliates due to a permanent diminution in value in the amount of ¥92 million (\$939 thousand) and ¥19 million, respectively. This loss is reflected in the accompanying consolidated statements of income.

Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount in an equity account until realized. At February 28, 2009 and February 29, 2008, gross unrealized gains and losses for marketable securities were summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
		Millions of yen		
At February 28, 2009:				
Marketable securities:				
Equity securities	¥ 847	¥852	¥ (9)	¥1,690
Bonds	2,000	2	(25)	1,977
	¥2,847	¥854	¥(34)	¥3,667

At February 29, 2008:

Marketable securities:				
Equity securities	¥ 938	¥ 961	¥ (43)	¥ 1,856
Bonds	2,000	-	(41)	1,959
	¥ 2,938	¥ 961	¥ (84)	¥ 3,815

Thousands of U.S. dollars

At February 28, 2009:

Marketable securities:				
Equity securities	\$ 8,643	\$8,694	\$ (92)	\$17,245
Bonds	20,408	20	(255)	20,173
	\$29,051	\$8,714	\$(347)	\$37,418

At February 28, 2009, expected maturities of available-for-sale debt securities were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥6,100	\$62,245
Due after one year through five years	1,977	20,173
	¥8,077	\$82,418

4. Accounts Receivable: Due from Franchised Stores

Under franchise agreements, the Company as franchiser and the consolidated subsidiaries as area franchisers are responsible for providing architectural and designing services with respect to the respective franchised store facilities, for training of franchisee personnel, and for the centralized processing of invoices from suggested vendors of merchandise and the subsequent payment of amounts payable to such vendors.

The EDP system of the Circle K Sunkus Group generates a record of merchandise purchased by each franchised store and accumulates the amounts payable to respective vendors. Under the agreement, the Circle K Sunkus Group, as a representative of all franchised stores, pays the amounts payable to the vendors on behalf of the franchised stores. When the merchandise is received by each franchised store, the Circle K Sunkus Group records the cost of the merchandise in "Accounts receivable: Due from franchised stores" account, since such costs will be subsequently recovered from the respective franchise stores.

The "Accounts receivable: Due from franchised stores" account in the accompanying consolidated balance sheets represents the net amounts recoverable from the franchised stores.

5. Property and Equipment

At February 28, 2009 and February 29, 2008, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land	¥ 8,505	¥ 8,816	\$ 86,786
Buildings and structures	61,493	57,550	627,480
Machinery, equipment and vehicles	137	189	1,398
Furniture and fixtures	17,044	15,561	173,918
Construction in progress	805	1,009	8,214
	87,984	83,125	897,796
Less accumulated depreciation	(38,411)	(35,770)	(391,949)
	¥ 49,573	¥ 47,355	\$ 505,847

6. Impairment of Fixed Assets

For the purpose of recognition and measurement of an impairment loss, fixed assets of the Circle K Sunkus Group are principally grouped into cash generating units, such as stores. The Circle K Sunkus Group determines whether assets are impaired based on an analysis of significant downfalls in the fair value of land, the schedules of closing stores and the ongoing operating losses of stores. An impairment loss is recognized if undiscounted expected cash flows are less than the carrying amount of an asset. The recoverable amounts of assets were measured based on their net selling prices primarily from appraisal valuations or amounts of operating cash flows discounted by interest rates of 7.4% and 8.1% for the years ended February 28, 2009 and February 29, 2008, respectively. For the year ended February 28, 2009, the Circle K Sunkus Group recognized an impairment loss on goodwill after assuming the recoverable amount to be nil due to a significant decline in actual value.

For the years ended February 28, 2009 and February 29, 2008, the Circle K Sunkus Group recognized impairment losses on fixed assets of ¥3,226 million (\$32,918 thousand) and ¥2,716 million, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Convenience stores:			
Land	¥ 41	¥ 523	\$ 419
Buildings and structures	1,873	1,297	19,112
Furniture, fixtures and equipment	233	141	2,378
Software	30	–	306
Goodwill	58	6	592
Leased property and equipment	722	624	7,367
Other	269	125	2,745
Total	¥3,226	¥2,716	\$32,919

7. Investments in and Long-term Loans to Unconsolidated Subsidiaries and Affiliates

At February 28, 2009 and February 29, 2008, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Investments in:			
Unconsolidated subsidiaries and affiliates, stated at cost	¥1,107	¥768	\$11,296
Interest bearing long-term loans	18	33	183
	¥1,125	¥801	\$11,479

8. Accounts Payable: Due to Franchised Stores

The cost of merchandise supplied to franchised stores is debited as "Accounts receivable: Due from franchised stores" account as described in Note 4 above.

All franchised stores make remittances of cash proceeds from daily sales to the Circle K Sunkus Group. In certain instances, the remittance from a franchised store exceeds the balance of the "Accounts receivable: Due from franchised stores" account. In the accompanying consolidated balance sheet, such negative balances are shown as "Accounts payable: Due to franchised stores."

9. Employee Retirement Benefits

The following table reconciles the benefit obligation and net periodic retirement benefit expense as of and for the years ended February 28, 2009 and February 29, 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ 9,373	¥ 9,877	\$ 95,643
Fair value of pension plan assets at end of year	(6,627)	(8,849)	(67,622)
Project benefit obligation in excess of pension plan assets	2,746	1,028	28,021
Less unrecognized actuarial differences (loss)	(3,631)	(1,754)	(37,051)
Unrecognized past service costs	1,260	1,435	12,857
Total amount of employee retirement benefit liability recognized on the consolidated balance sheets	¥ 375	¥ 709	\$ 3,827

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Component of net periodic retirement benefit expense:			
Service cost	¥ 600	¥ 626	\$ 6,123
Interest cost	196	225	2,000
Expected return on pension plan assets	(351)	(362)	(3,582)
Amortization of actuarial differences	386	387	3,939
Amortization of past service costs	(175)	(148)	(1,786)
Net periodic retirement benefit expense	¥ 656	¥ 728	\$ 6,694

Major assumptions used in the calculation of the above information for the years ended February 28, 2009 and February 29, 2008 were as follows:

	2009	2008
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	4.0%	4.0%
Amortization of unrecognized actuarial differences	8 to 10 years	8 to 10 years
Amortization of unrecognized past service costs	10 years	10 years

10. Equity

The Japanese Corporate Law (“the Law”) became effective on May 1, 2006, replacing the former Japanese Commercial Code. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders’ meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At February 28, 2009 and February 29, 2008, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal reserve of the Company in the amount of ¥688 million (\$7,020 thousand) at February 28, 2009 and ¥688 million at February 29, 2008.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders’ meeting held on May 20, 2009, the shareholders approved cash dividends amounting to ¥1,675 million (\$17,092 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 28, 2009, but are recognized in the period in which they are approved by the shareholders.

11. Lease Commitments

The Circle K Sunkus Group leases store and office spaces principally under long-term cancelable lease agreements. The Circle K Sunkus Group also leases computer equipment, store fixtures and equipment principally under five-year noncancelable lease agreements. (See also Note 2(b))

As disclosed in Note 2(i), the leased property for noncancelable financing leases of the Circle K Sunkus Group is not capitalized as permitted by the accounting standard for leases in Japan. If the leased property of the Company had been capitalized, amounts in the related accounts would have been increased (decreased) at February 28, 2009 and February 29, 2008 as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Property and equipment, net of accumulated depreciation *1	¥28,415	¥26,436	\$289,949
Lease obligations as liabilities *2	29,783	27,852	303,908
Allowance for impairment loss on leased property	(818)	(915)	(8,347)
Net effect on retained earnings at year-end	¥ (550)	¥ (501)	\$ (5,612)

Additionally, for the years ended February 29, 2008 and February 28, 2009, income before income taxes and minority interests would have been ¥49 million (\$500 thousand) and ¥12 million less, respectively.

Notes. *1. Pro forma depreciation of the leased property is computed by the straight-line method over the term of the lease, assuming the leased property had been capitalized.

*2. Pro forma interest on lease obligations under financing leases is computed by the interest method over the term of the lease.

Future minimum payments for noncancelable finance leases, excluding the imputed interest, and operating leases at February 28, 2009 and February 29, 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finance leases:			
Due within one year	¥ 7,713	¥ 7,737	\$ 78,704
Due after one year	22,070	20,115	225,204
	¥29,783	¥27,852	\$303,908
Operating leases:			
Due within one year	¥ 904	¥ 691	\$ 9,224
Due after one year	728	310	7,429
	¥ 1,632	¥ 1,001	\$ 16,653

12. Contingent Liabilities

At February 28, 2009 and February 29, 2008, contingent liabilities in respect to guarantees of indebtedness of unconsolidated subsidiaries and affiliates, franchisees and others amounted to ¥3,615 million (\$36,888 thousand) and ¥3,766 million, respectively.

13. Derivative Instruments

The Circle K Sunkus Group does not hold or has not issued any derivative instruments.

14. Income Taxes

Income taxes for the years ended February 28, 2009 and February 29, 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Income taxes:			
Current	¥7,876	¥7,265	\$80,367
Deferred	669	(503)	6,826
	¥8,545	¥6,762	\$87,193

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets at February 28, 2009 and February 29, 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Enterprise tax accruals	¥ 371	¥ 279	\$ 3,786
Allowance for doubtful accounts	627	620	6,398
Accrued bonuses	333	311	3,398
Depreciation	35	142	357
Employee retirement benefit liability	151	285	1,541
Impairment loss on fixed assets	2,619	2,200	26,724
Long-term deferred income	847	1,042	8,643
Write-down of investment securities	449	413	4,581
Long-term deferred credit	466	484	4,755
Other	1,442	1,128	14,714
Less valuation allowance	(2,446)	(1,340)	(24,959)
	4,894	5,564	49,938
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(330)	(353)	(3,367)
	(330)	(353)	(3,367)
Net deferred tax assets	¥ 4,564	¥ 5,211	\$ 46,571

In assessing the realizability of deferred tax assets, management of the Circle K Sunkus Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. At February 28, 2009 and February 29, 2008, a valuation allowance was established to reduce the deferred tax assets to the amount management believed could be realized.

The reconciliation of the difference between the Japanese statutory effective tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the year ended February 28, 2009 and February 29, 2008 was as follows:

	Percentage of pre-tax income	
	2009	2008
Japanese statutory effective tax rate	40.25%	40.27%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.90	1.02
Tax exempt income	(0.27)	(0.25)
Local minimum taxes per capita levy	0.70	1.28
Change in valuation allowance	6.16	2.43
Other	(0.15)	(0.38)
Effective income tax rate	47.59%	44.37%

15. Additional Income Statement Information

Additional income statement information for the years ended February 28, 2009 and February 29, 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Payroll and remuneration expenses	¥21,795	¥21,935	\$222,398
Advertising expenses	9,109	11,084	92,949
Depreciation	7,887	6,729	80,480
Utility expenses	2,417	2,435	24,663
Rental and lease expenses	49,650	48,716	506,633
Amortization of goodwill	—	75	—

16. Related Party Transactions

During the years ended February 28, 2009 and February 29, 2008, the Circle K Sunkus Group had operational transactions with unconsolidated subsidiaries, an affiliate and a UNY Group company. A summary of the significant transactions with these parties for the years ended February 28, 2009 and February 29, 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Sale of investment securities	¥ 140	¥ –	\$ 1,429
Property and equipment lease contract cancellation expenses	167	–	1,704
Acceptance of commercial paper	24,495	23,995	249,949
Cost on disposal of leased equipment	–	61	–

17. Segment Information

The primary business of the Circle K Sunkus Group is the management of stores and franchise operations in respect to the Circle K and Sunkus convenience store chains. Segment information is not shown because the Circle K Sunkus Group operated predominantly in a single industry during the years ended February 28, 2009 and February 29, 2008.



Independent Auditors' Report

To the Shareholders and Board of Directors of
Circle K Sunkus Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Circle K Sunkus Co., Ltd. (the "Company") and its consolidated subsidiaries as of February 28, 2009 and February 29, 2008, and the related consolidated statements of income, changes in equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Circle K Sunkus Co., Ltd. and its consolidated subsidiaries as of February 28, 2009 and February 29, 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
May 20, 2009

The UNY Group

(As of February 20, 2009)

The UNY Group, of which Circle K Sunkus is a member, is a retailing group with total annual sales of approximately ¥2 trillion. The consolidated subsidiaries of UNY, excluding Circle K Sunkus, are as follows:

Consolidated Subsidiaries

Sagami Co., Ltd. (kimono retailing)
Molie Co., Ltd. (high-quality women's wear)
Palemo Co., Ltd. (young women's apparel and accessories)
Suzutan Co., Ltd. (young women's apparel and accessories)
Rough Ox Co., Ltd. (casual wear for men)
Uny (HK) Co., Ltd. (superstore)
U Life Co., Ltd. (real-estate rental business)
Tomei Crown Kaihatsu Co., Ltd. (real-estate rental business)
UCS Co., Ltd. (credit card service and insurance service)
Sun Sogo Maintenance Co., Ltd. (facility management)
Sun Reform Co., Ltd. (reform and repair)

Notes: 1. In addition to the above list, the UNY Group includes three Sagami subsidiaries, two Suzutan subsidiaries and one Palemo subsidiary.

2. Tomei Crown Kaihatsu Co., Ltd. was merged with UNY Co., Ltd. as of February 21, 2009. In addition, Rough Ox Co., Ltd. ceased business operations as of February 20, 2009 and is currently undergoing liquidation processes.



An APITA general merchandise store operated by UNY Co., Ltd.

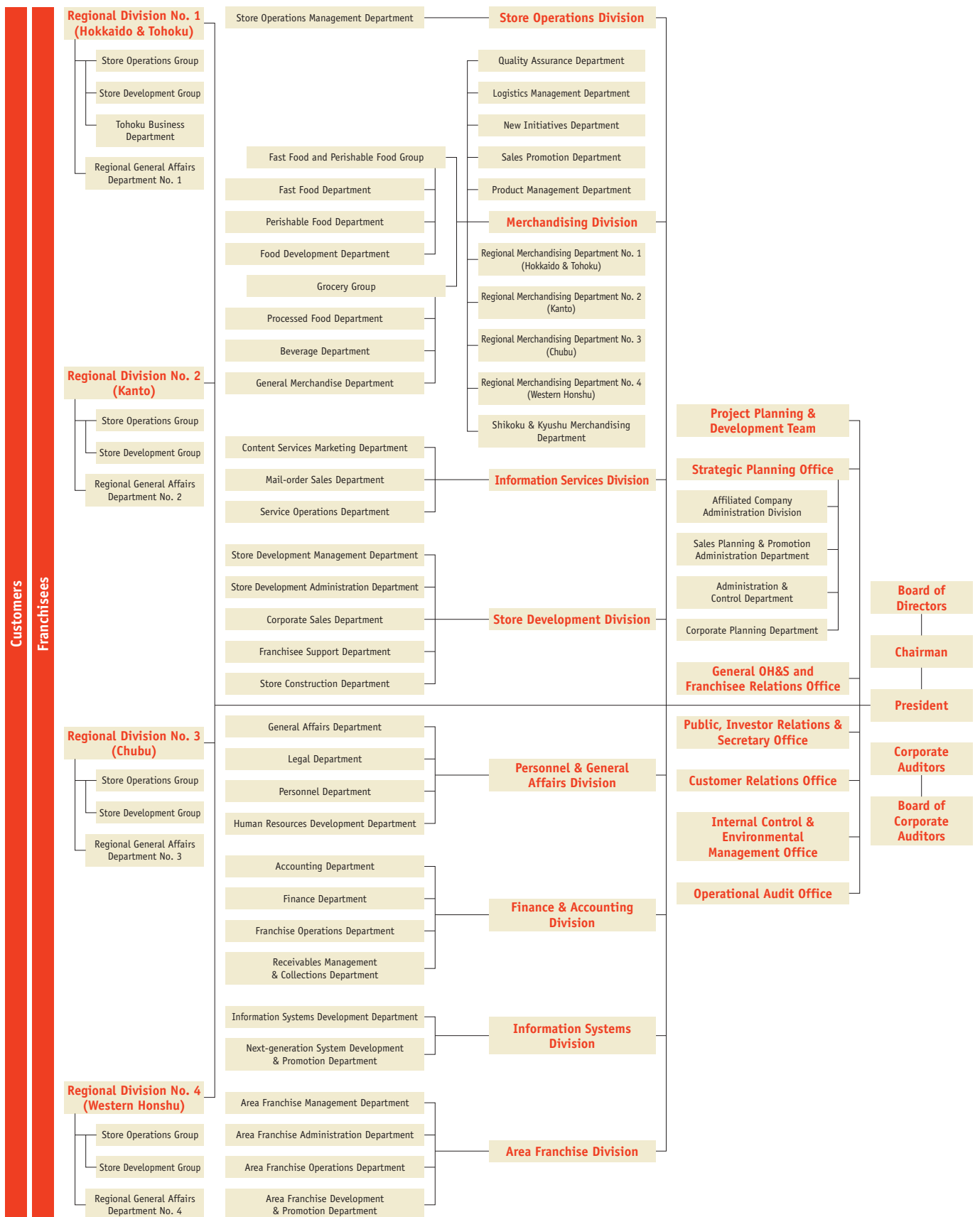


+ KACHIAL

Products under the original “+KACHIAL” brand were jointly developed by UNY Group companies based on the concept of offering high-quality products at inexpensive prices. In this manner, the UNY Group is working to capture synergies.

Organization

(As of March 1, 2009)



Investor Information

(As of February 28, 2009)

Number of shares

Authorized: 180,000,000

Issued: 86,183,226

Securities code number

3337

Securities traded (Common stock)

First Section, Tokyo and Nagoya stock exchanges

Transfer agent

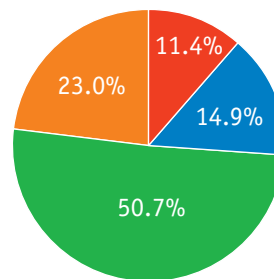
The Sumitomo Trust and Banking Co., Ltd.

5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

Number of shareholders

20,968

Breakdown by type of investors

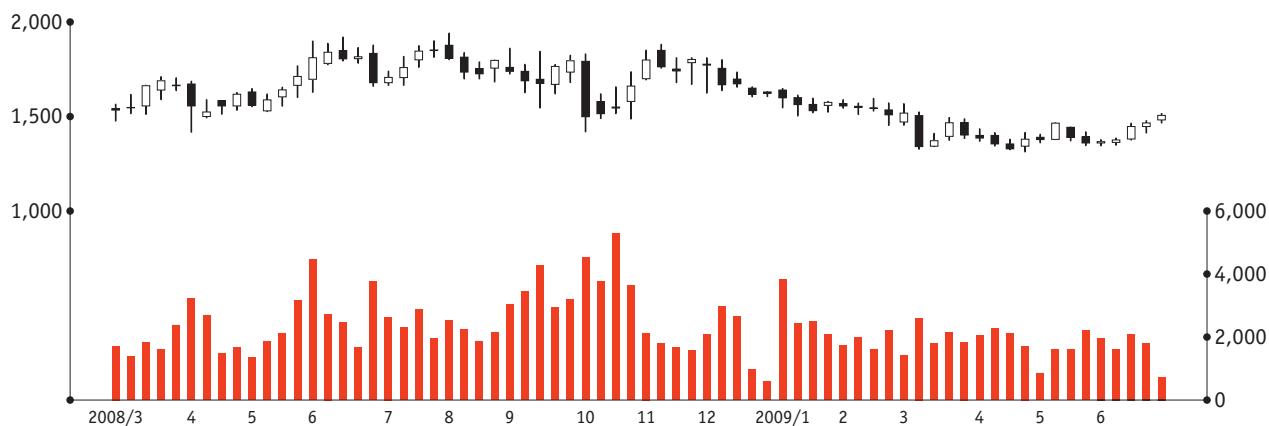


- Individuals and others
- Financial institutions
- Other Japanese corporations
- Foreign investors and others

Stock price/Turnover

(¥)

(thousands of shares)



Corporate Data

(As of February 28, 2009)

Corporate name

Circle K Sunkus Co., Ltd.

Registered head office

1 Gotanda-cho, Amaike, Inazawa-shi, Aichi, Japan

Headquarters

Harumi Center Bldg., 2-5-24 Harumi,
Chuo-ku, Tokyo 104-8538, Japan

Telephone

+81-3-6220-9000 (main)

URL

<http://www.circleksunkus.jp/english/index.html>

Date of establishment

July 2, 2001

* Date on which an operating company was formed through the business separation method following the establishment of CIRCLE K JAPAN Co., Ltd. on January 26, 1984, and the subsequent change in its name to C&S Co., Ltd. on July 1, 2001 upon its conversion to a pure holding company.

Commencement of operations

September 1, 2004

Capital

¥8,380 million

Fiscal year-end

End of February

Number of employees

1,739 (non-consolidated)

Business activities

Management of stores and franchise business in respect to the Circle K and Sunkus convenience store chains.

Total store sales

¥1,095,202 million (Figure includes area franchisers.)

Number of stores

6,166 (Figure includes area franchisers.)

Consolidated subsidiaries

Sunkus Aomori Co., Ltd.

Sunkus Nishi-Saitama Co., Ltd.

SUNKUS KITAKANTO Co., Ltd.

Sunkus Nishi-Shikoku Co., Ltd.

ZERO NETWORKS Co., Ltd.

99 ICHIBA Co., Ltd.

Circle K Sunkus Co., Ltd.

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Printed in Japan