

## Summary of Consolidated Financial Statements for the First Quarter Ended May 31, 2005

### CircleKSunkus Co., Ltd.

URL: <http://www.circleksunkus.jp>

Representative: Kiyoshi Hijikata, President

Contact: Toshitaka Yamaguchi, Executive Officer, Head of Finance and Accounting Division

Phone: +81-3-5635-3524 E-mail: [ir@circleksunkus.jp](mailto:ir@circleksunkus.jp)

Stock exchange listings: The first section of the Tokyo Stock Exchange and Nagoya Stock Exchange

Securities Code Number: 3337

### 1. Preparation of Summary of Quarterly Report

(1) Simplified Accounting Policies: Yes

The Company has adopted a simplified method.

(2) Change in accounting methods: Yes

The Company has adopted a new accounting standards for the impairment of fixed assets.

(3) Changes in scope of consolidation and application of equity method: None

(Note) The Company (formerly CIRCLE K JAPAN Co., Ltd.) was renamed Circle K Sunkus Co., Ltd. on September 1, 2004 after absorbing C&S Co., Ltd. and SUNKUS & ASSOCIATES INC. Because quarterly financial disclosure began in the current fiscal year, first quarter results for the previous fiscal year and year-on-year comparisons are not presented.

Consolidated statements of cash flows are not prepared for quarterly reporting purposes.

### 2. Results for the first quarter of Fiscal 2006 (from March 1, 2005 to May 31, 2005)

#### (1) Consolidated Operating Results

Notes: All amounts less than one million yen have been omitted.

	Total operating revenues [ Total sales ]		Operating income		Recurring profit	
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %
1st Quarter ended 5/05	46,169 [ 233,307 ]	- [ - ]	6,041	-	5,938	-
1st Quarter ended 5/04	- [ - ]	- [ - ]	-	-	-	-
(Ref.) Year ended 2/05	138,619 [ 715,086 ]		18,517		17,719	

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
1st Quarter ended 5/05	485	-	4.94	-
1st Quarter ended 5/04	-	-	-	-
(Ref.) Year ended 2/05	9,372	-	217.55	-

(Note) Figures for the percent columns indicate percentage changes in total operating revenues, total sales excluding non-consolidated area franchisers, operating income, recurring profit and net income compared with the same quarter of the previous year.

#### (2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
1st Quarter ended 5/05	211,028	108,706	51.5	1,260.64
1st Quarter ended 5/04	-	-	-	-
(Ref.) Year ended 2/05	201,055	110,043	54.7	1,276.63

### 3. Forecast of Consolidated Results for the Year Ended February 28, 2006

	Total operating revenues [ Total sales ]		Recurring profit	Net income
	Millions of yen		Millions of yen	Millions of yen
For the Six month period ending August 31, 2005	93,080	[ 483,500 ]	13,830	4,840
For the fiscal year ending February 28, 2006	181,580	[ 955,610 ]	25,930	12,550

(Reference) Projected net income per share JPY145.62

(Note) The forecast of consolidated results for the year ending February 28, 2006 are unchanged from April 14, 2005.

### 4. Overview of Consolidated Results for the First Quarter

#### (1) Overview of the First Quarter : Qualitative Information Concerning Results of Operations (Consolidated) and Changes in Financial Position (Consolidated)

In the first quarter of fiscal 2006, the three-month period ended May 31, 2005, sales were lackluster on the whole. Existing store sales at Circle K Sunkus decreased 2.1% year on year, as these sales remained lower than the first quarter of fiscal 2005 throughout the period due to a continuation of low temperatures on many days. Circle K recorded a decline of 1.1% in existing store sales, despite brisk sales mainly in the Chukyo region, which benefited from Aichi World Expo 2005, and other factors. Meanwhile, Sunkus saw existing store sales fall 3.4% year on year, owing to a sharp downturn in sales in the Hokkaido and Tohoku regions, compounded by lackluster sales of alcoholic beverages due to intensified competition triggered by the liberalization of licenses to sell these beverages.

Existing store sales at consolidated subsidiaries Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. decreased 4.4% and 2.2%, respectively from the same period in the previous fiscal year.

Consequently, total store sales rose 0.6% to ¥233,307 million.

#### <Monthly Sales of Circle K Sunkus Compared With the Previous Fiscal Year> (%)

	March	April	May	Total
Existing stores	(1.8)	(2.3)	(2.1)	(2.1)
All stores	3.5	2.4	2.5	2.8

\*The above figures are shown on a non-consolidated basis.

In the products category, Circle K Sunkus worked to upgrade longstanding bestsellers, while taking steps to reinforce original products in order to set them apart in the marketplace. This included measures to expand the lineup of products sold under KACHIAL, Circle K Sunkus' original brand, and unveil a lineup of general merchandise through a tie-up with Benetton, a world-famous apparel manufacturer. In addition, joint sales promotions at Circle K and Sunkus were also undertaken. April 2005 saw Circle K Sunkus hold a sales campaign called "Doeriya, Umiya, Genki na Nagoya! Nagoya Fair!," where the Company promoted sales of boxed lunches, delicatessen items, snacks and other products highlighting Aichi Prefecture.

In the services category, Circle K Sunkus launched Zero Bank ATMs, which allow withdrawals to be made free of service charges in certain time periods, on a full scale in Gifu and Aichi prefectures. As of May 31, 2005, these ATMs had been installed at 273 stores in the two prefectures. By autumn 2005, Circle K Sunkus plans to install these ATMs at nearly all of its 1,300 stores in Gifu and Aichi prefectures. In another development, Circle K and Sunkus stores nationwide began accepting Edy electronic money. The membership of KARUWAZA CLUB, Circle K Sunkus' house credit card with Edy electronic money, has been steadily increasing, reaching 75,000 cardholders as of May 31, 2005

Product markups were improved in categories centered on countertop fast foods, snacks and soft drinks. Due to a growing percentage of tobacco sales, which have relatively low product markups, the average product markup was held to 28.9%, 0.1 of a percentage point higher than the same period last year.

In the first quarter, Circle K and Sunkus opened fewer stores than planned, for a total of 22 and 17 stores, respectively. Average daily sales per new store were strong at new stores opened on the grounds of Aichi Expo 2005 and its parking lots and inside Toei subway station at Tokyo, but were mostly the same at other locations. Moving forward, Circle K Sunkus will continue to relocate stores to prime locations. The Company closed 35 Circle K and 37 Sunkus stores, focusing mainly on unprofitable stores. At subsidiaries, Sunkus Aomori Co., Ltd. opened one store and closed three stores while Sunkus Nishi-Saitama Co., Ltd. closed two. Consequently, as of May 31, 2005, the total number of stores, including area franchisers, was 6,309 stores, 30 less than at the previous fiscal year-end.

For the first quarter of fiscal 2006, total operating revenues climbed 6.7% year on year to ¥46,169 million. Operating income was edged down 0.3% at ¥6,041 million, mainly reflecting a 3.5% increase in SG&A expenses, due to higher advertising expenses and other factors. Recurring profit decreased 3.2% to ¥5,938 million, due to a higher loss on cancellation of lease contracts for store closures, centered on Company-owned stores, brought forward into the first quarter. Due to the early application of asset impairment accounting, Circle K Sunkus booked an impairment loss of ¥4,985 million in the first quarter of fiscal 2006, including an impairment charge of ¥332 million for stores scheduled to be closed in fiscal 2006. Net income sharply decreased 86.6% to ¥485 million, reflecting the sizable impact of impairment losses.

As of May 31, 2005, total assets were ¥211,028 million, an increase of ¥9,973 million from the previous fiscal year-end. Total liabilities rose ¥11,310 million to ¥102,321 million. The main reasons were an increase of ¥4,424 million in accounts payable for products due to seasonal factors and an increase of ¥6,720 million in payments received, including payments of utility and other bills accepted at convenience stores. Shareholders equity decreased ¥1,337 million to ¥108,706 million. The main factors were dividends paid of ¥1,723 million in the first quarter, and the decline in net income partly due to the booking of an extraordinary loss.

Note: Because fiscal 2006 was the first year in which Circle K Sunkus Co., Ltd. reported quarterly results, direct comparisons with the same period of the previous fiscal year cannot be shown. For reference purposes, the above figures have been compared with the consolidated results of C&S Co., Ltd. for the three-month period from March to May 2004.

## **(2) Qualitative Information Concerning Forecasts for Fiscal 2006**

As of the date of release of this report, Circle K Sunkus has not revised its forecasts for fiscal 2006, which were initially announced on April 14, 2005, as operating results were largely in line with forecasts.

## 5. Consolidated Financial Statement

### (1) Consolidated balance sheet

Notes: All amounts less than one million yen have been omitted.

(Millions of yen)

	1st Quarter ended May 31, 2005 (As of May 31, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio %	Amount	Composition ratio %
(ASSETS)				
1. Current assets				
Cash and cash equivalents	51,242		46,917	
Due from franchised stores	3,349		3,564	
Marketable securities	17,201		12,701	
Inventories	2,822		2,213	
Deferred tax assets	1,098		863	
Other current assets	17,448		15,330	
Allowance for doubtful accounts	(644)		(629)	
Total current assets	92,518	43.8	80,962	40.3
2. Fixed assets				
Property and equipment				
Buildings and equipment	26,722		29,004	
Furniture and fixtures	3,413		3,531	
Land	8,772		9,537	
Other property and equipment	411		279	
Total property and equipment	39,319	18.7	42,353	21.0
Intangible fixed assets				
System software	4,524		5,092	
System software development in progress	73		73	
Excess of cost of investments over equity in net assets acquired	402		428	
Other intangible fixed assets	2,210		2,399	
Total intangible fixed assets	7,209	3.4	7,994	4.0
Investment and other assets				
Investment in securities	6,726		5,793	
Deferred tax assets	4,873		3,130	
Long-term leasehold deposits	53,713		54,616	
Other investment	8,027		7,545	
Allowance for doubtful accounts	(1,361)		(1,340)	
Total investment and other	71,980	34.1	69,744	34.7
Total fixed assets	118,509	56.2	120,093	59.7
Total assets	211,028	100.0	201,055	100.0

(Millions of yen)

	1st Quarter ended May 31, 2005 (As of May 31, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio
		%		%
(LIABILITIES)				
1.Current liabilities				
Trade payable	43,458		39,034	
Due to franchised stores	3,680		3,184	
Short-term borrowings	64		169	
Other accounts payable	4,245		5,442	
Income taxes payable	2,492		2,892	
Payments received	24,390		17,670	
Allowance for bonuses to employees	1,438		722	
Other current liabilities	3,388		3,410	
Total current liabilities	83,159	39.4	72,526	36.1
2.Long-term liabilities				
Long-term borrowings	38		42	
Allowance for employees' retirement benefits liability	4,590		4,553	
Allowance for directors' and corporate auditors' severance benefits	-		68	
Leasehold deposits received	12,588		12,737	
Other long-term liabilities	1,944		1,083	
Total long-term liabilities	19,162	9.1	18,485	9.2
Total liabilities	102,321	48.5	91,011	45.3
(MINORITY INTEREST)				
Minority Interest	0	0.0	0	0.0
(SHAREHOLDERS' EQUITY)				
1.Common stock				
	8,380	4.0	8,380	4.1
2.Capital surplus				
	36,091	17.1	36,091	18.0
3.Retained earnings				
	63,532	30.1	64,829	32.2
4.Net unrealized gains on available-for-sale securities				
	707	0.3	748	0.4
5.Less, treasury stock				
	(6)	(0.0)	(5)	(0.0)
Total shareholders' equity	108,706	51.5	110,043	54.7
Total liabilities and shareholders' equity	211,028	100.0	201,055	100.0

**(2) Consolidated statement of income**

Notes: All amounts less than one million yen have been omitted.

(Millions of yen)

	1st Quarter ended May 31, 2005 (From March 1, 2005 to May 31, 2005)		Fiscal Year ended February 28, 2005 (From March 1, 2004 to February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio
1. Operating revenues		%		%
Franchise commissions from franchised stores	26,443		77,153	
( Net sales reported by franchised stores (Figures for exclude non- consolidated area franchised stores.)				
1st Quarter ended May 31, 2005 ¥ 216,648 million				
Fiscal Year ended February 28, 2005 ¥ 664,706 million				
Total net sales of franchised and company-owned stores (Figures for exclude non- consolidated area franchised stores.)				
1st Quarter ended May 31, 2005 ¥ 233,307 million				
Fiscal Year ended February 28, 2005 ¥ 715,086 million				
Other operating revenues	3,067		11,086	
2. Net sales of company-owned stores	16,658		50,379	
<b>Total operating revenues</b>	46,169	100.0	138,619	100.0
3. Cost of goods sold	12,582	27.3	38,410	27.7
Gross profit on sales	4,075		11,968	
Operating gross profit	33,587	72.7	100,208	72.3
4. Selling, general and administrative expenses	27,545	59.6	81,691	58.9
<b>Operating income</b>	6,041	13.1	18,517	13.4

(Millions of yen)

	1st Quarter ended May 31, 2005 (From March 1,2005 to May 31, 2005)		Fiscal Year ended February 28, 2005 (From March 1,2004 to February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio
		%		%
5.Non-operating income	287	0.6	727	0.5
Interest income	48		250	
Dividend income	58		158	
Compensation income	137		213	
Other non-operating income	42		104	
6.Non-operating expenses	390	0.8	1,526	1.1
Interest expense	6		26	
Loss on cancellation of lease Contracts	379		1,224	
Transfer to allowance for doubtful accounts	-		90	
Other non-operating expenses	4		185	
<b>Recurring profit</b>	5,938	12.9	17,719	12.8
7.Extraordinary gains	175	0.4	86	0.0
Gain on sales of fixed asset	7		59	
Gain on sales of investments in securities	-		26	
Other extraordinary gains	167		-	
8.Extraordinary losses	5,140	11.2	1,164	0.8
Loss on disposal of fixed assets	97		833	
Loss on write-down of investment securities	-		58	
Loss on cancellation of lease contracts	9		171	
Loss on the impairment of fixed assets	4,985		-	
Other extraordinary losses	48		100	
<b>Income before income taxes</b>	973	2.1	16,641	12.0
Income taxes-current	2,438	5.3	5,020	3.6
Income taxes-deferred	(1,951)	(4.2)	2,248	1.6
Minority interest in earnings of consolidated subsidiaries	0	0.0	0	0.0
<b>Net Income</b>	485	1.0	9,732	6.8

**(3) Consolidated statement of retained earnings**

Notes: All amounts less than one million yen have been omitted.

(Millions of yen)

	1st Quarter ended May 31, 2005 (From March 1,2005 to May 31, 2005)		Fiscal Year ended February 28, 2005 (From March 1,2004 to February 28, 2005)	
	Amount		Amount	
(Capital surplus)				
1. Balance of capital surplus at beginning of the period		36,091		36,090
2. Increase in capital surplus				
Surplus from transaction in treasury stock	0	0	0	0
3. Balance of capital surplus at end of period		36,091		36,091
(Retained earnings)				
1. Balance of retained earnings at beginning of the period		64,829		12,761
2. Increase in retained earnings				
Net income	485		9,372	
Increase resulting from the merger	-	485	43,827	53,200
3. Decrease in retained earnings				
Dividends	1,723		1,100	
Directors' bonuses	60	1,783	30	1,131
4. Balance of retained earnings at end of the period		63,532		64,829