

Consolidated financial summary of CircleKSunkus Co., Ltd. for interim 2006 (From March 1, 2005 to August 31, 2005)

CircleKSunkus Co., Ltd.

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Stock exchange listings: The first section of the Tokyo Stock Exchange and Nagoya Stock Exchange
Securities Code Number: 3337

Parent company: UNY Co., Ltd. (Securities Code No.8270) Ownership of parent company: 47.3%

Date of the board of directors meeting to settle accounts: October 13, 2005

Prepared in accordance with the financial accounting standards in Japan.

1. Results for the Six Month Period Ended August 31, 2005 (March 1, 2005 to August 31, 2005)

Because interim financial disclosure began in the current fiscal year, results for the preceding interim period and year-on-year comparisons are not presented.

(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 %
Current interim period	95,463 [479,110]	- [-]	15,061	-	14,730	-
Preceding interim period	- [-]	- [-]	- (-)		- (-)	
Last fiscal year	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
Current interim period	5,290	-	61.41	-
Preceding interim period	-	-	-	-
Last fiscal year	9,372	-	217.55	-

Notes: 1. Equity in earnings or losses of investees
 Current interim period - million yen
 Preceding interim period - million yen
 Last fiscal year - million yen

2. Average number of shares (Consolidated) during
 Current interim period 86,151,448 shares
 Preceding interim period - shares
 Last fiscal year 42,806,730 shares

3. Change in accounting policies: None

4. Figures for the percent columns indicate percentage changes compared with Preceding interim period.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Current interim period	222,308	113,657	51.1	1,319.29
Preceding interim period	-	-	-	-
Last fiscal year	201,055	110,043	54.7	1,276.63

Notes: Number of shares outstanding (Consolidated) at the end of
 Current interim period 86,151,033
 Preceding interim period -
 Last fiscal year 86,151,641

(3) Consolidated Cash Flow

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current interim period	29,410	(7,545)	(1,977)	78,707
Preceding interim period	-	-	-	-
Last fiscal year	12,033	(10,783)	(2,864)	58,820

(4) Scope of consolidated subsidiaries

Consolidated subsidiaries : 2 Subsidiaries or affiliates applicable of equity method: None

(5) Change in scope of consolidation and equity method

Consolidation : (Inclusion) None (Exclusion) None

(6) Consolidated Business Outlook for the fiscal year Ending February 28, 2006

	Total operating revenues [Total sales]		Recurring profit	Net income
	Millions of yen		Millions of yen	Millions of yen
For the fiscal year ending February 28, 2006	186,360	[934,810]	25,930	11,770

(Reference) Projected net income per share JPY136.62

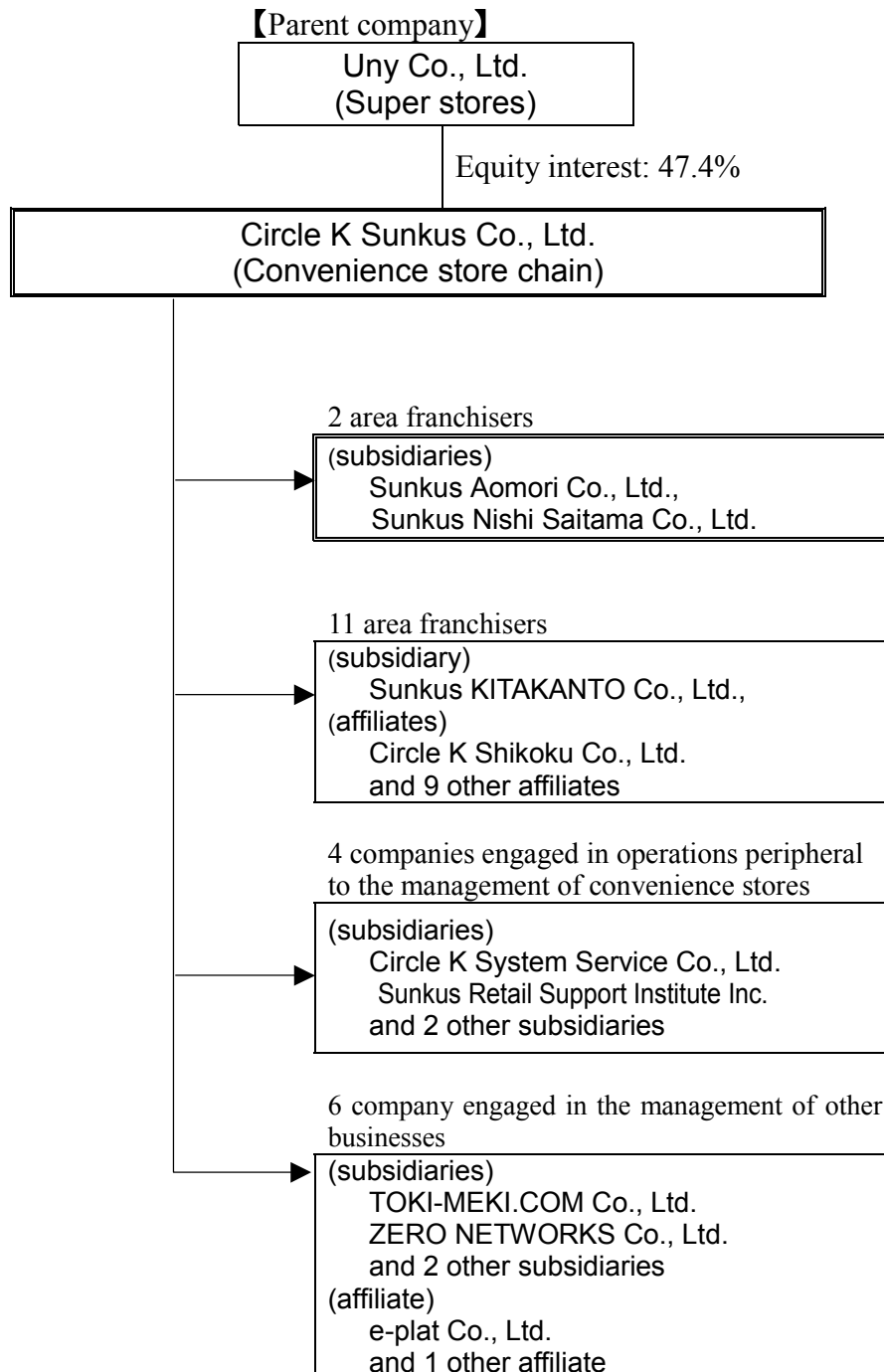
Note: The above-mentioned forecast is based on the information which is able to get hand at present, and including a potential risk and uncertainty. Therefore, actual achievements may differ from these forecast due to many factors. Please refer to 8th page of appending data about matters, such as precondition of the above-mentioned forecast.

1. Group Organization

The Circle K Sunkus Group is a member of the UNY Group, an operator of several major superstore chains, and comprises a total of 24 companies: Circle K Sunkus Co., Ltd. and two consolidated subsidiaries, Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd., 9 other subsidiaries and 12 affiliates. It is primarily engaged in the development of convenience store franchises.

With a store network extending from Hokkaido to Kagoshima, the C&S Group, including area franchisers, had a presence in 36 prefectures as of August 28, 2005.

The following chart depicts the Circle K Sunkus Group.



2. Management Policies

(1) Basic Management Policies

Circle K Sunkus' management philosophy is:

“We aim to be a company that achieves sustainable growth,
while earning the trust of society.”

Guided by this philosophy, we are committed to providing safe, high-quality and great-tasting products that engender peace of mind through our mainstay convenience store business, while also remaining earnestly engaged in social contribution and environmental protection activities. Circle K Sunkus will also fulfill social responsibilities commensurate with the size of its organization in terms of compliance, fair disclosure and in other areas. Through further reforms and creativity, Circle K Sunkus will raise its corporate value with the desire to continuously deliver value to shareholders, customers, local communities, franchisees, business partners, employees and all individual and institutional stakeholders.

(2) Basic Earnings Distribution Policy

Circle K Sunkus' basic policy is to return profits to shareholders in line with its operating results, while at the same time building up retained earnings to sustain high levels of growth and bolster its operating base. The Company's stance on returning profits to shareholders is reflected by the highest importance it attaches to dividend policy. Specifically, Circle K Sunkus prioritizes the maintenance of stable dividends and aims to pay out 20% of consolidated net income in the year under review in the form of dividends. The Company intends to raise the dividend payout ratio to 30% in the future.

Regarding dividends for the fiscal year ending February 28, 2006, Circle K Sunkus plans to pay a dividend of 19 yen per share for the interim period ended August 31, 2005, representing an effective year-on-year increase of 2 yen per share, and a year-end dividend of ¥19 per share. As a result, the dividend payout ratio for the full year is expected to be 27.8%. Retained earnings will be allocated for future system-related investments, developing new stores, revitalizing existing stores, and acquiring store fixtures for displaying new products.

(3) Management Targets

Circle K Sunkus is fully committed to meeting its earnings targets for the final year of its new three-year medium-term management plan, announced at the time of the merger. Key to this will be to achieve double-digit earnings growth by raising the ratio of recurring profit to total store sales to at least 3% through merger-driven improvements in management efficiency.

(4) Medium- and Long-term Management Strategy

By implementing the measures outlined above, Circle K Sunkus will work to attain the targets in its current three-year earnings plan formulated in October 2004, which runs until the fiscal year ending February 2007.

Drive forward marketing innovation based on a customer-first approach by linking strategic manufacturer and customer information.

Design systems that emphasize investment and funding returns when developing stores or making new investments.

Make the spirit of compliance an integral part of management by establishing a Compliance Promotion Office and action guidelines.

Foster a positive and open corporate culture that encourages teamwork and puts employees at ease, while structuring a new personnel system.

Promote higher efficiency by unifying operating processes.

Eliminate redundancies and fixed costs by adhering to low-cost management.

Nurture area franchisers and improve the accuracy of their management practices by offering multi-dimensional support.

Develop new businesses and business formats to drive sustainable growth at Circle K Sunkus.

Progress with the three year earnings plan has been steady in areas such as the integration of procurement and logistics. Although the Company expects the number of stores and net sales for fiscal 2006 to fall marginally short of plan targets, efforts to integrate various personnel systems and other initiatives are moving forward as planned, while management expenses at head-office divisions are being reduced faster than initially forecast. Investment efficiency is also being improved by curbing land leasing costs for new stores and taking other steps. As a result, in fiscal 2006, Circle K Sunkus expects to achieve a ratio of recurring profit to total store sales of 2.8%, representing a year-on-year improvement of 0.3 of a percentage point. The Company is also forecasting full-year consolidated recurring profit in the range of 25.9 billion yen, an increase of 9.8% compared with the sum of consolidated operating results of the former C&S Co., Ltd. in the first half of the previous year and the consolidated results of Circle K Sunkus Co., Ltd. in the second half.

(5) Issues to Be Addressed

To deliver sustainable growth, Circle K Sunkus intends to focus on boosting sales at individual stores and expanding its store network. Two equally important issues in developing the chain will be securing locations for new stores and attracting large numbers of prospective high-quality franchisees. In addition to taking lower franchise royalties compared to leading convenience store operators in the industry, Circle K Sunkus will also examine a more appealing system for prospective franchisees as part of efforts to promote the expansion of its store franchise network.

Additionally, in response to the slower pace of sales at its existing convenience stores—the Company's core business—Circle K Sunkus will work to leverage merger synergies in underperforming regions and boost the quality and performance of its entire store network. The Company is also considering other measures such as developing new products and services that can deliver a competitive advantage in the marketplace, changing its existing business model using new store formats, and launching entirely new businesses. Efforts will also focus on generating new Group synergies by collaborating with parent company Uny Co., Ltd. in procurement and other activities.

2.Consolidated Operating Results and Financial Position

(1) Overview of Interim Fiscal 2006 (March 1, 2005 to August 31, 2005)

During the fiscal 2006 interim period, Japan's economy saw a modest recovery on the back of improvements in both the corporate and household sectors. However, this was primarily driven by higher capital expenditures and stronger corporate earnings. In addition, despite a moderate increase in consumer spending, the employment market remained challenging. Personal spending, centered on clothing, recovered in the domestic retail sector thanks to the government's "Cool Biz" drive and other demand-boosting factors. However, sales of mainstay food products by convenience stores were sluggish. In the convenience store industry itself, the operating environment was even more competitive due to both intensifying competition between existing operators and the emergence of low-cost business formats and other new players in the market. Compounded by the impact of a cooler summer compared to a year earlier, when convenience store operators posted strong sales due to the unusually hot summer, sales at existing stores were down overall from fiscal 2005.

Existing store sales in the first quarter of fiscal 2006 were sluggish, partly due to lower-than-average temperatures. The Company reported stronger sales in the second quarter due to generally better weather, despite falling below sales figures from a year earlier, when an especially strong performance was achieved in July. However, month-for-month, existing stores reported lower sales in the first half of the year. As a result, Circle K Sunkus posted a year-on-year decline in consolidated existing store sales of 2.4%.

Store Operating Performance (March 1, 2005 to August 31, 2005)

	Circle K	Sunkus	Circle K Sunkus Total	Consolidated Subsidiary Total	Consolidated Total	Group Total
Total store sales (millions of yen)	262,583	205,558	468,141	10,969	479,110	572,240
Existing store sales YoY change (%)	1.4	3.5	2.4	3.8	2.4	2.5
Average daily sales per store (thousands of yen)	501	495	498	424	496	492
Stores opened	84	62	146	6	152	213
Stores closed	85	77	162	5	167	203
Total stores at period-end	2,854	2,258	5,112	144	5,256	6,349

*Consolidated subsidiaries total is the sum of results for Sunkus Nishi-Saitama Co., Ltd. and Sunkus Aomori Co., Ltd.

*Group total is the sum of results for all domestic Circle K and Sunkus stores including non-consolidated area franchisers.

As a result of the above, the Company posted total store sales for the interim period of 479,110 million yen, excluding non-consolidated area franchisers. Although franchise commission from franchised stores was lower than expected, total operating revenues were marginally higher than plan targets at 95,463 million yen. On the earnings front, the Company posted operating income of 15,061 million yen, recurring profit of 14,730 million yen and net income of 5,290 million yen, all on a consolidated basis and ahead of targets. This was due to the benefits of cost reductions in head-office divisions and other areas, resulting in lower-than-expected selling, general and administrative (SG&A) expenses. The Company reported an extraordinary loss of 4,985 million yen associated with the adoption of accounting standards for the impairment of fixed assets.

Performance at Circle K Sunkus for the period ended August 31, 2005 was as follows:

In store development, the Company focused on opening stores at new types of locations capable of enhancing customer convenience. Examples included stores inside and at the gates to the Aichi World Expo 2005 site, expressway parking areas and subway stations.

During the interim period, Circle K and Sunkus both opened fewer stores than planned, with the former opening 84 stores and the latter 62. This reflected a greater emphasis on quality in new store development. Of the new stores opened by Circle K, 23 were relocations, while progress was also achieved with a scrap and build program. Centered on the Chukyo region (Aichi, Mie and Gifu prefectures), these new stores achieved a year-on-year increase in average daily sales of 111,000 yen to 569,000 yen, partly due to the short-term benefit of stores located in the temporary Expo site. Sunkus relocated 4 stores, significantly off the initially forecast pace, while average daily sales at new stores were sluggish at 464,000 yen.

In parallel, the Company closed stores unlikely to remain competitive, reduced fixed costs and improved profitability. During the period under review, Circle K and Sunkus closed 85 and 77 stores respectively. As a result, Circle K Sunkus stores as of August 31, 2005 totaled 5,112, or 5,256 if stores operated by the Company's two consolidated subsidiaries are included. At the end of the period, domestic Circle K and Sunkus stores, including those operated by non-consolidated area franchisers, totaled 6,349.

In store management, a set of proprietary guidelines called the "Six Stages of Store Management" were used to improve store operations. The main priorities are to raise the awareness of franchise store managers, enhance retail spaces by upgrading the skills of part-time store staff, and carry out thorough single-product inventory management at all stores. Specific benchmarks used to enhance store management include data collated on areas such as the level of customer satisfaction, the extent to which in-store meetings are held and the number of staff involved in product ordering.

In products, the Company worked to reinforce its lineup of mainstay products by improving flavor, and aimed to build a more unique position in the marketplace by enhancing its offering of original products. This included expanding the range of private brand KACHIAL items and working with leading apparel maker Benetton to develop a range of general merchandise products. Hogaraka Time brand, bite-size cakes and snacks launched under the KACHIAL brand last year, performed strongly, while a sales campaign rolled out from March 2005 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, proved popular with customers. Additionally, Circle K and Sunkus launched a sales campaign called "Aji no Kyoen Fair" in June. With this campaign, Kenichi Chin and Toshiro Kandagawa, two celebrity chefs who had been collaborating separately with each chain, joined forces to develop a range of dishes that leveraged the strengths and uniqueness of both Circle K and Sunkus.

In the peak July sales period, the Company used the scale of its store network to roll out a sales campaign tied in with the latest Star Wars movie. Ongoing corporate sponsorship activities were also used to boost the image of the Circle K Sunkus chains, including sponsorship of the Saitama City Cup, a soccer event.

Meanwhile, notable progress was achieved in the area of services. In Aichi and Gifu prefectures, the Company started the full-scale roll out of Zero Bank ATMs, which allow withdrawals to be made free of service charges during certain operating hours on weekdays and Saturdays. As of August 31, 2005, these ATMs had been installed in 1,092 stores. Plans call for installation to be completed in around 1,300 Circle K and Sunkus stores in Aichi and Gifu prefectures—representing almost all stores in these areas—by the end of September. In another development, Circle K and Sunkus stores nationwide began accepting Edy electronic money from April 2005. Membership of KARUWAZA CLUB, Circle K Sunkus' house credit card with Edy electronic money, has also been steadily increasing.

In other areas, Circle K and Sunkus commenced joint delivery for snacks, processed foods, chilled beverages, and alcoholic beverages effective October 2004, in an effort to exploit merger benefits. This has enabled the Company to improve markups and other parameters for products jointly delivered in regions where the system has been implemented. Plans are on the table to begin joint delivery of general merchandise and frozen food products during the current fiscal year.

As a result of the above initiatives, product markups for each category generally improved. However, the ratio of products with lower markups in the overall product range increased as more of these products accounted for store sales and the Company increased purchases of highway cards to meet last-minute demand before sales were terminated on September 15. Consequently, including non-consolidated area franchisers, the average product markup in the interim period at Circle K declined 0.2 of a percentage point to 28.5%, but increased 0.2 of a percentage point at Sunkus to 29.4%.

On July 1, 2005, Sunkus and Associates Tochigi Corporation transferred its area franchise agreement with Circle K Sunkus to SUNKUS KITAKANTO Co., Ltd., which was newly established through a demerger. On the same day, Circle K Sunkus acquired all the shares in SUNKUS KITAKANTO. As a result, wholly owned subsidiary SUNKUS KITAKANTO became responsible for operating the Sunkus convenience store franchise chain business in Tochigi Prefecture from July 1, 2005.

(2) Outlook for the Fiscal Year Ending February 28, 2006

Japan's economy moved back on the road to recovery, evidenced by strengthening corporate earnings and a moderate increase in capital expenditure. However, consumer attitudes are diversifying. While some consumers are demanding cheaper products for everyday items, an increasing number of people are looking for even higher levels of quality and convenience. Companies also have to respond to a growing sensitivity among consumers about product reliability and how personal information is handled. Additionally, the operating environment in the convenience store industry remains challenging. Competition continues to intensify between traditional operators in the industry as well as new business formats in other retail sectors, leading to a slower pace of new store openings and sluggish sales at existing stores.

In this climate, the Company has positioned fiscal 2006 as the year to fully realize merger benefits. Steps are now being taken to maximize the effect of its merger on operating results.

In store development, Circle K Sunkus has implemented organizational reforms, including seconding store development personnel to strategic areas, to reinforce its dominant position in the Kanto, Chukyo and Kansai areas. In Hokkaido and Tohoku—areas where the Company must leverage its existing store sales—the strategy will now shift to store relocation to raise the threshold of daily sales. Additionally, personnel appointed to new positions responsible for new area development, which were created at the beginning of the fiscal year in Store Development Headquarters, are now making preparations to open new stores in Gunma Prefecture—an area where Circle K Sunkus is yet to build a presence. In existing regional markets, the Company will also aggressively open stores in new locations where convenience stores are lacking.

In store management, Circle K Sunkus will work to more deeply ingrain into operations the thinking behind the “Six Stages of Store Operations,” a set of guidelines introduced throughout the Company. The objective is to reduce lost sales opportunities by upgrading the skills of part-time staff at franchised stores with the objective of building a framework for stores to place more detailed product orders.

On the product side, Circle K Sunkus will take actions to earn greater support from customers for its product offering, including enhancing its lineup of strong-selling, private brand KACHIAL items. Aiming to further improve the flavor of products Companywide, Circle K and Sunkus will also share information on products that proved popular in each region of their respective store networks.

In services, Circle K and Sunkus combined their separate ticket sale systems on October 1, 2005. This will allow the Company to strengthen sales promotion activities and enhance content. From November, Circle K Sunkus also plans to switch its parcel delivery agent services to Yu-Pack provided by Japan Post. In addition, Circle K Sunkus stores began accepting Edy electronic money from spring 2005. As part of this move, the Company launched KARUWAZA CLUB, a credit card incorporating Edy. Card users can now receive discounts or benefits for repeated use. All these initiatives aim to make Circle K Sunkus stores stand out in the market by offering customers even higher levels of convenience.

The integration of product vendor and logistics networks continues to progress in line with the three-year management plan. The objective is to give the Company a stronger position in product procurement by leveraging merger benefits.

Store Operating Performance Forecasts (March 1, 2005 to February 28, 2006)

	Circle K	Sunkus	Circle K Sunkus Total	Consolidated Subsidiary Total	Consolidated Total	Group Total
Total store sales (millions of yen)	511,277	402,073	913,350	21,460	934,810	1,117,370
Existing store sales YoY change (%)	1.4	2.9	2.0			
Average daily sales per store (thousands of yen)	496	487	489			
Stores opened	185	147	332	15	347	463
Stores closed	157	149	306	11	317	377
Total stores at period-end	2,883	2,271	5,154	147	5,301	6,425

*Consolidated subsidiaries total is the sum of results for Sunkus Nishi-Saitama Co., Ltd. and Sunkus Aomori Co., Ltd.

*Group total is the sum of results for all domestic Circle K and Sunkus stores including non-consolidated area franchisers.

*Consolidated subsidiaries total is the sum of results for Sunkus Nishi-Saitama Co., Ltd. and Sunkus Aomori Co., Ltd.

*Group total is the sum of results for all domestic Circle K and Sunkus stores including non-consolidated area franchisers.

Supported by the above initiatives, Circle K Sunkus is projecting total operating revenues of 186,360 million yen. On the earnings front, due to lower SG&A expenses, the Company is forecasting firm increases in both consolidated operating income, to 27,450 million yen, and recurring profit, to 25,930 million yen. Although interim net income declined due to an extraordinary loss related to the early adoption of accounting standards for the impairment of fixed assets in the first half of the year, Circle K Sunkus expects to post full-year net income of 11,770 million yen. This forecast is based on a projected extraordinary gain of 1,712 million yen related to the return of the substitutional portion of the Uny Group's employee pension plan before the end of the year, in accordance with accounting standards for retirement benefits.

(3) Financial Position

As of August 31, 2005, total assets stood at 222,308 million yen, an increase of 21,252 million yen compared to the end of the previous fiscal year. Total shareholders' equity rose 3,613 million yen to 113,657 million yen, primarily due to an increase in net unrealized gains on available-for-sale securities related to the recovery in securities markets. As a result, the shareholders' equity ratio was 51.1%.

(4) Cash Flows

Net cash provided by operating activities was 29,410 million yen. This primarily reflected income before income taxes of 9,048 million yen, an extraordinary loss of 4,985 million yen associated with the early adoption of accounting standards for the impairment of fixed assets, and increase in accounts payable and due to franchised stores of 8,617 million yen related to large-scale purchases of highway cards to meet last-minute demand prior to the termination of sales.

Net cash used in investing activities totaled 7,545 million yen. Significant uses of cash included 3,903 million yen for the acquisition of property and equipment related to the opening of new stores and improving store conditions, and 3,265 million yen for long-term leasehold deposits. Other components included cash used of 1,677 million yen for the purchase of investment securities.

Net cash used in financing activities totaled 1,977 million yen, chiefly including 1,723 million yen for the payment of dividends.

As of August 31, 2005, cash and cash equivalents totaled 78,707 million yen, 19,887 million yen higher than the end of the previous fiscal year.

(5) Business Risks

Risks related to the Circle K Sunkus Group's business and other activities may have a significant impact on investment decisions. Some of these are listed below. Forward-looking statements contained in this document are based on management's assumptions in light of information available as of August 31, 2005.

1. Economic Trends, Natural Disasters and Other Factors

The Circle K Sunkus Group manages its convenience store business based on its “dominant” strategy. The Group sees this business as playing an important role in society in the event of 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 shifts in consumer spending due to domestic economic trends, or changes in the natural environment such as unseasonable weather.

2. 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 provide customers with peace of mind. Food safety is also ensured using an inspection and control system that involves the implementation of food safety 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.

3. 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 cards. To prevent the leak or corruption of this information, Circle K Sunkus takes appropriate security measures in information management, including computer systems.

However, there is a risk that unforeseen events such as 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.

4. Litigation

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 employees to understand and practice compliance. To this end, the Group has established a Compliance Promotion Office to strengthen internal control systems. However, the Group is open to the risk of litigation in the course of its operations. Legal action taken against Circle K Sunkus, or the result of such action, could impact the operating results and financial position of the Group.

5. 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 due to a long-term economic downturn are 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.

6. Impairment of Assets

The Circle K Sunkus Group holds a portfolio of securities to aid its entry into new business fields, support trading relations over the long term and enable it to take other actions. The Group's operating results and financial position could be impacted if these securities lose significant market value, or the companies in which they are held experience deterioration in their financial position.

Additionally, the Group adopted accounting standards for the impairment of fixed assets from the period under review. Based on these standards, the Group's operating results and financial position could be impacted if store performance deteriorates due to worsening operating conditions or land values drop significantly.

7. Employee Retirement Benefits

The Circle K Sunkus Group calculates employee retirement benefit obligations and retirement benefit expenses based on actuarial calculations of the discount rate, the expected rate of return on pension assets and other items. The Group's operating results and financial position could be impacted by significant fluctuations in the market value of pension assets, interest rates and other preconditions associated with these calculations.

In conjunction with enforcement of the Defined Benefit Enterprise Pension Plan Law, employees of the former CIRCLE K JAPAN Co., Ltd. enrolled in the noncontributory welfare pension plan organized by parent company Uny Co., Ltd. and its main domestic subsidiaries, received approval from the Minister of Health, Labor and Welfare of Japan on February 17, 2003 for exemption from payment of future benefit regarding the substituted portion of the employee pension fund. As of August 31, 2005, pension plan assets equivalent to the amount to be returned to the Japanese Government amounted to ¥1,948 million (minimum liability reserve). Assuming that this amount was returned to the Japanese Government on August 31, 2005, Circle K Sunkus would have recognized an estimated extraordinary gain of 1,712 million yen in accordance with accounting treatment specified in paragraph 44-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants).

3. Consolidated Financial Statement

(1) Consolidated balance sheet

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

(millions of yen)

	Current interim period (As of August 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	55,804		46,917	
Due from franchised stores	3,178		3,564	
Marketable securities	23,503		12,701	
Inventories	3,339		2,213	
Deferred tax assets	1,230		863	
Other current assets	15,752		15,330	
Allowance for doubtful accounts	(462)		(629)	
<i>Total current assets</i>	102,346	46.0	80,962	40.3
2 Fixed assets				
Property and equipment				
Buildings and structures	27,625		29,004	
Furniture and fixtures	3,782		3,531	
Land	8,857		9,537	
Other property and equipment	413		279	
<i>Total property and equipment</i>	40,678	18.3	42,353	21.0
Intangible fixed assets				
System software	4,156		5,092	
System software development in Progress	-		73	
Excess of cost investments over equity in net assets acquired	375		428	
Other intangible fixed assets	2,269		2,399	
<i>Total intangible fixed assets</i>	6,800	3.1	7,994	4.0
Investments and other assets				
Investment in securities	7,209		5,793	
Deferred tax assets	4,640		3,130	
Long-term leasehold deposits	54,179		54,616	
Other investments	7,942		7,545	
Allowance for doubtful accounts	(1,490)		(1,340)	
<i>Total investment and other assets</i>	72,481	32.6	69,744	34.7
<i>Total fixed assets</i>	119,961	54.0	120,093	59.7
<i>Total assets</i>	222,308	100.0	201,055	100.0

(millions of yen)

	Current interim period (As of August 31, 2005)		Fiscal year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio
<u>LIABILITIES</u>		%		%
1 Current liabilities				
Trade payables	46,703		39,034	
Due to franchised stores	4,123		3,184	
Short-term borrowings	49		169	
Other accounts payable	7,532		5,442	
Income taxes payable	5,878		2,892	
Payments received	20,822		17,670	
Allowance for bonuses to employees	785		722	
Other current liabilities	3,602		3,410	
<i>Total current liabilities</i>	89,506	40.3	72,526	36.1
2 Long-term liabilities				
Long-term borrowings	35		42	
Allowance for employees' retirement benefits	4,625		4,553	
Allowance for directors' and corporate auditors' severance benefits	-		68	
Guarantee deposits received	12,661		12,737	
Allowance for impairment loss on leased property	789		-	
Other long-term liabilities	1,031		1,083	
<i>Total long-term liabilities</i>	19,143	8.6	18,485	9.2
<i>Total liabilities</i>	108,650	47.0	91,011	45.3
<u>MINORITY INTEREST</u>				
Minority Interest	0	0.0	0	0.0
<u>SHAREHOLDERS' EQUITY</u>				
1 Common stock	8,380	3.8	8,380	4.1
2 Capital surplus	36,092	16.2	36,091	18.0
3 Retained earnings	68,337	30.7	64,829	32.2
4 Net unrealized gains on available-for- sale securities	855	0.4	748	0.4
5 Less, treasury stock	(8)	(0.0)	(5)	(0.0)
Total shareholders' equity	113,657	51.1	110,043	54.7
Total liabilities and shareholders' equity	222,308	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)

	Current interim period (From March 1, 2005 to August 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 commission from franchised stores	54,496		77,153	
Net sales reported by franchised stores (Figures for exclude non-consolidated area franchised stores.)				
Current interim period	444,347 million			
Last fiscal year	664,706 million			
Net sales of franchised and company-owned stores (Figures for exclude non-consolidated area franchised stores.)				
Current interim period	479,110 million			
Last fiscal year	715,086 million			
Other operating revenues	6,203		11,086	
2 Net sales of company-owned stores	34,763		50,379	
<i>Total operating revenues</i>	95,463	100.0	138,619	100.0
3 Cost of goods sold	26,234	27.5	38,410	27.7
<i>Gross profit</i>	69,229	72.5	100,208	72.3
4 Selling, general and administrative expenses	54,167	56.7	81,691	58.9
<i>Operating Income</i>	15,061	15.8	18,517	13.4
5 Non-operating income	562	0.5	727	0.5
6 Non-operating expenses	893	0.9	1,526	1.1
<i>Recurring profit</i>	14,730	15.4	17,719	12.8
7 Extraordinary gains	278	0.3	86	0.0
8 Extraordinary losses	5,961	6.2	1,164	0.8
<i>Income before income taxes</i>	9,048	9.5	16,641	12.0
Income taxes-current	5,705	6.0	5,020	3.6
Income taxes-deferred	(1,948)	(2.0)	2,248	1.6
Minority interest in earnings of consolidated subsidiaries	0	0.0	(0)	(0.0)
<i>Net Income</i>	5,290	5.5	9,372	6.8

(3) Consolidated statement of retained earnings

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

(millions of yen)

	Current interim period (From March 1, 2005 to August 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	1	0
3. Balance of capital surplus at end of the 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	5,290	9,372
Increase resulting from the merger	-	43,827
3. Decrease in retained earnings		
Dividends	1,723	1,100
Directors' bonuses	60	30
4. Balance of retained earnings at end of the period	68,373	64,829

(4) Consolidated Statements of cash flow

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

(millions of yen)

	Current interim period (From March 1,2005 to August 31, 2005)	Fiscal Year ended February 28, 2005 (From March 1,2004 to February 28, 2005)
	Amount	Amount
1 Cash flows from operating activities:		
Income before income taxes	9,048	16,641
Depreciation and amortization	4,211	8,075
Amortization of excess of cost of investments over equity in net assets acquired	53	53
Loss on write-down of investment securities	-	58
Gain on sales of investment securities	(61)	(26)
Gain or loss on sale of fixed assets	282	773
Loss on impairment of fixed assets	4,985	-
Decrease in allowance for doubtful receivables	(16)	(185)
Increase in accrued bonuses to employees	63	5
Increase or decrease in allowance for employees' retirement benefits	71	(3)
Increase or decrease in allowance for directors' and corporate auditors' severance benefits	(21)	16
Interest and cash dividends income	(249)	(409)
Interest expenses	14	26
Decrease in other accounts receivable	655	297
Increase or decrease in inventories	(1,125)	(74)
Increase or decrease in trade payable and due to franchised stores	8,617	(6,633)
Increase or decrease in other accounts payable	2,253	(1,739)
Increase or decrease in deposits received	3,231	(339)
Directors' and corporate auditors' bonuses payments	(60)	(30)
Loss on cancellation of lease contract	387	668
Other	(397)	(370)
Sub-total	31,944	16,803
Interest and dividends received	162	308
Interest paid	(1)	(1)
Income taxes paid	(2,694)	(5,077)
Net cash provided by operating activities	29,410	12,033
2 Cash flows from investing activities:		
Payments to fixed deposits	-	(100)
Proceeds from fixed deposits	-	12
Decrease in marketable securities	700	-
Increase in property and equipment	(3,903)	(6,567)
Decrease in property and equipment	164	410
Increase in intangible fixed assets and long-term prepaid expenses	(1,805)	(2,246)
Increase in investment securities	(1,677)	(1,089)
Decrease in investment securities	0	47
Increase in acceptance of long-term advance received profit	5	593
Increase in loans receivable	(1,344)	(1,485)
Correction of loans receivable	1,389	1,545
Increase in long-term leasehold deposits	(3,265)	(4,983)
Correction of fixed leasehold deposits	2,186	2,984
Other	3	96
Net cash used in investing activities	(7,545)	(10,783)

	Current interim period (From March 1, 2005 to August 31, 2005)	Fiscal Year ended February 28, 2005 (From March 1, 2004 to February 28, 2005)
	Amount	Amount
3 Cash flows from financing activities:		
Net proceeds from short-term borrowings	(120)	155
Repayments of long-term debt	(7)	(7)
Dividends paid	(1,723)	(1,103)
Payments of merger payment	-	(1,375)
Increase in guarantee deposits received	740	1,219
Repayments of guarantee deposits received	(865)	(1,747)
Other	(1)	(4)
Net cash used in financing activities	(1,977)	(2,864)
4 Net change in cash and cash equivalents	19,887	(1,614)
5 Cash and cash equivalents at beginning of year	58,820	34,780
6 Increase due to merger	-	25,653
7 Cash and cash equivalents at end of period	78,707	58,820