

Summary of Consolidated Financial Statements for the Third Quarter Ended November 30, 2005

Circle K Sunkus Co., Ltd.

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

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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: The companies adopted a simplified method.

(2) Change in accounting methods:

The companies adopted early the new accounting standard impairment of fixed assets.

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

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

2. Results for the third quarter of Fiscal 2005 (March 1, 2005 to November 30, 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 %
3rd Quarter ended 11/05	140,962 [705,856]	(46.5 [43.3])	21,516	(53.5)	21,013	(53.1)
3rd Quarter ended 11/04	96,218 [492,416]	(- [-])	14,020	(-)	13,721	(-)
(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
3rd Quarter ended 11/05	8,813	(17.9)	102.30	-
3rd Quarter ended 11/04	7,474	(-)	287.87	-
(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.

On September 1, 2004, the Company (formerly CIRCLE K JAPAN Co., Ltd.) absorbed C&S Co., Ltd. and SUNKUS & ASSOCIATES INC. Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. were also included in the scope of consolidation.

Consequently, third-quarter operating results for the year ended February 28, 2005 do not include results for C&S, SUNKUS & ASSOCIATES, Sunkus Aomori and Sunkus Nishi-Saitama for the period March 1, 2004 to August 31, 2004.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
3rd Quarter ended 11/05	215,129	115,633	53.8	1,342.24
3rd Quarter ended 11/04	201,458	108,106	53.7	1,254.83
(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, 2005

	Total operating revenues [Total sales]	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ending 2/06	186,360 [934,810]	25,930	11,770

(Reference) Projected net income per share for Fiscal Year ending February 28,2006: 136.62yen

(Note) The forecast of consolidated results for the year ended February 28, 2006 are unchanged from October 13, 2005.

*For more qualitative information on Circle K Sunkus' consolidated results, please see page 2 of the Overview of Third Quarter Consolidated Operating Results.

4. Overview of Third Quarter Consolidated Operating Results

(1) Overview of Third-quarter Performance

Third-quarter operating results were sluggish centered on existing store sales. Excluding September, when existing store sales improved marginally due to a period of stable weather, existing store sales were weak in the first half of the year, followed by a decline in customer footfall in October, when weekend weather on many days was poor, and in November, when temperatures dropped dramatically. In the nine-month period beginning March 2005, existing store sales declined 2.7% year on year (Circle K: 1.9%, Sunkus: 3.7%). Sales at all stores were also sluggish as new store openings in the first half of the year fell short of plan.

Existing store sales also dropped at consolidated subsidiaries, with Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. reporting year-on-year declines of 4.7% and 3.9%, respectively.

<Monthly Sales Compared With the Previous Fiscal Year>

Circle K Sunkus (%)

	1st. half	Sep.	Oct.	Nov.	Total
Existing stores	(2.4)	(0.6)	(4.1)	(5.2)	(2.7)
All stores	0.9	0.8	(2.9)	(4.0)	0.0

Note: The above figures are presented on a non-consolidated basis.

As a result of the above, total store sales on a non-consolidated basis fell 0.0% year on year to ¥689,659 million. Including consolidated subsidiaries, with Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd., total store sales fell 0.7% from a year earlier to ¥705,817 million.

In the period under review, Circle K Sunkus continued to focus on strengthening its offering of fast food, including expanding the number of Sunkus stores that handle oden (stewed meat, fish and vegetables). In September, the Company began selling Torosanma Aburi Yakizushi across the store chain, including Sunkus stores. This sushi product, developed in conjunction with sushi restaurant Midori Sushi, had proved popular with customers when it initially went on sale at some Circle K stores in 2004. This was followed in November by Zenkoku Umaimon Fair and other campaigns designed to take advantage of operational scale merits.

In products, Circle K Sunkus continued to push forward with the integration of related services at Circle K and Sunkus stores. In October, Circle K began handling tickets through the Ticket Pia service—a service that has been available at Sunkus stores for some time. Additionally, in November, Circle K Sunkus shifted to Japan Post's Yu-Pack parcel delivery order service. This and other similar steps were aimed at integrating product and service lines across the store chain to increase convenience for customers by taking advantage of operational scale merits. Similarly, by September 2005, Zero Bank ATMs had been installed at roughly 1,300 stores in Aichi and Gifu prefectures.

In store development, although new store openings fell short of plan, there were some signs of improvement moving into the second half of the fiscal year, illustrated by an increase in the balance of store rental contracts and other factors. In the nine-month period beginning March 2005, 131 Circle K stores and 89 Sunkus stores were opened, while 124 Circle K stores and 109 Sunkus stores were closed, centered on unprofitable locations. At consolidated subsidiaries, Sunkus Aomori opened 4 and closed 4 stores, and Sunkus Nishi-Saitama opened 3 and closed 4 stores. As a result, Circle K Sunkus stores as of November 30, 2005 totaled 5,115, a decrease of 13 stores compared to the end of the previous fiscal year. Including stores operated by the Company's consolidated subsidiaries, the number of stores totaled 5,257, a decrease of 14 over the same period.

At a meeting of the Board of Directors on December 20, 2005, the Company agreed to dissolve an area franchise contract with Eiko Sunkus Co., Ltd., effective January 31, 2006.

(2) Consolidated Operating Results and Financial Position

For the nine-month period under review, the Company reported total operating revenues of ¥140,962 million, operating income of ¥21,516 million and recurring profit of ¥21,013 million. Net income was ¥8,813 million due to the booking of an impairment loss in the first half of the fiscal year.

As of November 30, 2005, total assets stood at ¥215,129 million, an increase of ¥14,074 million compared to the end of the previous fiscal year. This primarily reflected a rise in current assets due to an increase in trade receivables and the booking of net income. Total shareholders' equity rose ¥5,590 million to ¥115,633 million.

(3) Qualitative Information on Earnings Forecasts

Circle K Sunkus has not revised its current earning forecasts for the fiscal year ending February 28, 2006, which were announced on October 13, 2005.

5. Consolidated Financial Statement

(1) Consolidated balance sheet

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

(Millions of yen)

Fiscal period Account item	3rd Quarter ended November 30, 2004 (As of November 30, 2004)		3rd Quarter ended November 30, 2005 (As of November 30, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(ASSETS)		%		%		%
1. Current assets						
Cash and cash equivalents	42,920		46,919		46,917	
Due from franchised stores	3,998		3,941		3,564	
Marketable securities	17,701		22,703		12,701	
Inventories	2,498		2,869		2,213	
Deferred tax assets	934		1,429		863	
Other current assets	15,461		18,044		15,330	
Allowance for doubtful accounts	(505)		(469)		(629)	
Total current assets	83,009	41.2	95,439	44.4	80,962	40.3
2. Fixed assets						
Property and equipment						
Buildings and equipment	28,300		27,828		29,004	
Furniture and fixtures	3,586		3,603		3,531	
Land	9,537		8,864		9,537	
Other property and equipment	273		542		279	
Total property and equipment	41,698	20.7	40,838	19.0	42,353	21.0
Intangible fixed assets						
System software	5,592		3,764		5,092	
System software development in progress	113		8		73	
Excess of cost of investments over equity in net assets acquired	455		348		428	
Other intangible fixed assets	2,383		2,280		2,399	
Total intangible fixed assets	8,545	4.2	6,401	2.9	7,994	4.0
Investment and other assets						
Investment in securities	4,802		7,165		5,793	
Deferred tax assets	2,438		4,418		3,130	
Long-term leasehold deposits	54,122		54,040		54,616	
Other investment	8,052		8,375		7,545	
Allowance for doubtful accounts	(1,211)		(1,549)		(1,340)	
Total investment and other assets	68,205	33.9	72,450	33.7	69,744	34.7
Total fixed assets	118,449	58.8	119,690	55.6	120,093	59.7
Total assets	201,458	100.0	215,129	100.0	201,055	100.0

(Millions of yen)

Fiscal period Account item	3rd Quarter ended November 30, 2004 (As of November 30, 2004)		3rd Quarter ended November 30, 2005 (As of November 30, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	Composition ratio %
(LIABILITIES)						
1.Current liabilities						
Trade payable	44,312		42,418		39,034	
Due to franchised stores	2,485		2,321		3,184	
Short-term borrowings	84		184		169	
Other accounts payable	5,022		4,588		5,442	
Income taxes payable	608		5,041		2,892	
Payments received	17,404		21,173		17,670	
Allowance for bonuses to employees	1,536		1,467		722	
Other current liabilities	3,602		3,472		3,410	
Total current liabilities	75,057	37.2	80,668	37.5	72,526	36.1
2.Long-term liabilities						
Long-term borrowings	46		31		42	
Allowance for employees' retirement benefits liability	4,566		4,589		4,553	
Allowance for directors' and corporate auditors' severance benefits	59		-		68	
Leasehold deposits received	12,732		12,541		12,737	
Allowance for impairment loss on leased property	-		701		-	
Other long-term liabilities	889		962		1,083	
Total long-term liabilities	18,293	9.1	18,827	8.7	18,485	9.2
Total liabilities	93,351	46.3	99,495	46.2	91,011	45.3
(MINORITY INTEREST)						
Minority Interest	0	0.0	0	0.0	0	0.0
(SHAREHOLDERS' EQUITY)						
1.Common stock						
	8,380	4.2	8,380	3.9	8,380	4.1
2.Capital surplus						
	36,091	17.9	36,093	16.8	36,091	18.0
3.Retained earnings						
	62,931	31.2	70,222	32.7	64,829	32.2
4.Net unrealized gains on available-for-sale securities						
	706	0.4	948	0.4	748	0.4
5.Less, treasury stock						
	(2)	(0.0)	(11)	(0.0)	(5)	(0.0)
Total shareholders' equity	108,106	53.7	115,633	53.8	110,043	54.7
Total Liabilities, Minority Interest and Shareholders' Equity	201,458	100.0	215,129	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)

Fiscal period Account item	3rd Quarter ended November 30, 2004 (As of November 30, 2004)		3rd Quarter ended November 30, 2005 (As of November 30, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
1.Operating revenues		%		%		%
Franchise commissions from franchised stores	52,514		80,408		77,153	
Net sales reported by franchised Stores (Figures for excluding non- consolidated area franchised stores.)						
3rd Quarter ended November 30, 2004 456,709 million yen						
3rd Quarter ended November 30, 2005 654,581 million yen						
Fiscal Year ended February 28, 2005 664,706 million yen						
Total net sales of franchised and Company-owned stores (Figures for excluding non- consolidated area franchised stores.)						
3rd Quarter ended November 30, 2004 492,416 million yen						
3rd Quarter ended November 30, 2005 705,817 million yen						
Fiscal Year ended February 28, 2005 715,086 million yen						
Other revenues	7,997		9,317		11,086	
2.Net sales of company-owned stores	35,706	(100.0)	51,236	(100.0)	50,379	(100.0)
Total operating revenues	96,218	100.0	140,962	100.0	138,619	100.0
3.Cost of goods sold	27,160	(76.1) 28.2	38,643	(75.4) 27.4	38,410	(76.2) 27.7
Gross profit on sales	8,546	(23.9)	12,593	(24.6)	11,968	(23.8)
Operating gross profit	69,058	71.8	102,318	72.6	100,208	72.3
4.Selling, general and administrative expenses	55,037	57.2	80,802	57.3	81,691	58.9
Operating income	14,020	14.6	21,516	15.3	18,517	13.4

(Millions of yen)

Fiscal period Account item	3rd Quarter ended November 30, 2004 (As of November 30, 2004)		3rd Quarter ended November 30, 2005 (As of November 30, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
5.Non-operating income		%		%		%
Interest income	127		218		250	
Dividend income	152		79		158	
Compensation income	123		445		213	
Other non-operating income	58		86		104	
Total non-operating income	462	0.5	830	0.5	727	0.5
6.Non-operating expenses						
Interest expense	19		20		26	
Loss on cancellation of lease contracts	685		1,210		1,224	
Loss on allowance for doubtful accounts	-		70		90	
Other non-operating expenses	56		31		185	
Total non-operating expenses	761	0.8	1,333	0.9	1,526	1.1
Recurring profit	13,721	14.3	21,013	14.9	17,719	12.8
7.Extraordinary gains						
Gain on sales of fixed asset	52		37		59	
Gain on sales of securities	-		61		-	
Gain on sales of investments in securities	26		-		26	
Gain on return of allowance for doubtful accounts	31		-		-	
Gain from recovery of bad debts	-		167		-	
Other extraordinary gains	-		1		-	
Total extraordinary gains	110	0.1	266	0.2	86	0.0
8.Extraordinary losses						
Loss on disposal of fixed assets	555		497		833	
Loss on write-down of investment securities	-		-		58	
Loss on cancellation of lease contracts	67		100		171	
Loss on the impairment of fixed assets	-		4,985		-	
Other extraordinary losses	100		763		100	
Total extraordinary losses	723	0.8	6,346	4.5	1,164	0.8
Income before income taxes	13,108	13.6	14,932	10.6	16,641	12.0
Income taxes-current	2,736	2.8	8,108	5.8	5,020	3.6
Income taxes-deferred	2,897	3.0	(1,988)	(1.5)	2,248	1.6
Minority interest in earnings of consolidated subsidiaries	(0)	(0.0)	0	0.0	(0)	(0.0)
Net Income	7,474	7.8	8,813	6.3	9,732	6.8

(3) Consolidated statement of retained earnings

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

(Millions of yen)

Fiscal period Account item	3rd Quarter ended November 30, 2004 (As of November 30, 2004)		3rd Quarter ended November 30, 2005 (As of November 30, 2005)		Fiscal Year ended February 28, 2005 (As of February 28, 2005)	
	Amount		Amount		Amount	
(Capital surplus)						
1. Balance of capital surplus at beginning of the period		36,090		36,091		36,090
2. Increase in capital surplus						
Surplus from transaction in treasury stock	0	0	1	1	0	0
3. Balance of capital surplus at end of period		36,091		36,093		36,091
(Retained earnings)						
1. Balance of retained earnings at beginning of the period		12,761		64,829		12,761
2. Increase in retained earnings						
Net income	7,474		8,813		9,372	
Increase resulting from the merger	43,827	51,301	-	8,813	43,827	53,200
3. Decrease in retained earnings						
Dividends	1,100		3,359		1,100	
Directors' bonuses	30	1,131	60	3,419	30	1,131
4. Balance of retained earnings at end of the period		62,931		70,222		64,829