

Summary of Consolidated Financial Statements for the First Quarter Ended May 31, 2006

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: Yes

(Details)

Accounting Standard for Presentation of Net Assets in the Balance Sheet

Accounting Standard for Bonuses to Directors and Corporate Auditors

(3) Changes in scope of consolidation and application of equity method: Yes (Consolidation: (New) 3 companies)

2. Results for the first quarter of Fiscal 2007 (March 1, 2006 to May 31, 2006)

(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 5/06	47,715 [227,381]	3.3 [(2.5)]	5,997	(0.7)	5,543	(6.7)
1st Quarter ended 5/05	46,169 [233,307]	- [-]	6,041	-	5,938	-
(Ref.) Year ended 2/06	184,190 [919,824]		25,785		25,031	

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
1st Quarter ended 5/06	1,659	241.5	18.57	-
1st Quarter ended 5/05	485	-	4.94	-
(Ref.) Year ended 2/06	11,498		132.77	-

(Note) Figures for the percent columns indicate percentage changes in total operating revenues, total sales excluding ZERO NETWORKS Co., Ltd. and 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 5/06	226,198	117,924	52.1	1,368.16
1st Quarter ended 5/05	211,028	108,706	51.5	1,261.10
(Ref.) Year ended 2/06	211,767	118,392	55.9	1,373.59

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1st Quarter ended 5/06	19,093	(5,436)	(1,938)	82,040
1st Quarter ended 5/05	14,408	(3,172)	(1,912)	68,145
(Ref.) Year ended 2/06	27,210	(13,229)	(3,998)	68,803

3. Non-consolidated Dividends status of the first quarter of Fiscal 2007

	Dividends per share (yen)
Record date	End of the 1st Quarter
1st Quarter ended 5/06	-

4. Forecast of Consolidated Results for the Year Ending February 28, 2007

	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, 2006	99,710 [481,490]	14,660	6,540
For the fiscal year ending February 28, 2007	192,700 [943,230]	25,570	12,000

(Reference) Projected net income per share for Fiscal Year ending February 28,2007 : JPY139.30

(Note) 1. The forecast of consolidated results for the year ending February 28, 2007 are unchanged from April 13, 2006.

2. The above-mentioned forecast is based on projections and plans derived from assumptions based on current market conditions. Actual results may differ materially from these projections due to changes in a number of factors that could not be foreseen at the time of the projections.

5. Overview of Consolidated Results for First Quarter

(1) Qualitative Information Concerning the Overview of the First Quarter, Consolidated Operating Results, and Changes in Consolidated Financial Position

In the first quarter of fiscal 2007, the three-month period ended May 31, 2006, Circle K Sunkus reported weak overall sales, mainly reflecting a slowdown in holiday-related demand caused by generally poor weather characterized by low temperatures on many days. Existing store sales declined 5.2% at Circle K Sunkus on a cumulative basis, compared with sales in the previous fiscal year's first quarter. By convenience store chain, existing store sales decreased 4.9% at Circle K and 5.7% at Sunkus year on year.

The termination of prepaid highway toll cards in September 2005 lowered existing store sales by roughly 1.5 percentage points on a cumulative basis in the first quarter of fiscal 2007.

Consequently, total store sales, including Circle K Sunkus' four consolidated subsidiaries, fell 2.5% year on year to ¥227,381 million.

[Monthly Sales of Circle K Sunkus Compared With the Previous Fiscal Year]

	(%)			
	March	April	May	Total
Existing stores	(4.5)	(6.5)	(4.6)	(5.2)
All stores	(3.7)	(5.8)	(4.0)	(4.5)

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

On the product side, Circle K Sunkus worked to reinforce long-standing, best-selling products through a renewal of the entire pasta lineup and other initiatives. Efforts were also focused on developing local products. Both Circle K and Sunkus implemented a joint campaign called the *Zenkoku Umaimon Fair*, which featured famous local food and popular products from across Japan, from Hokkaido to Okinawa. Some examples were *Waraji Misokatsu Bento* (miso-based pork cutlet boxed lunch) from Aichi Prefecture and *Gyutanju* (grilled beef tongue over rice) from Miyagi Prefecture. In April, integration of product vendors and logistics networks in the fast food and perishable food categories got under way in the Chugoku region (starting in Okayama and Hiroshima prefectures). Plans call for steadily extending the integration process to all regions, while working to reduce costs and improve product quality by shifting to dedicated food processing centers and unifying ingredients and food product lineups.

Turning to services, in April, Circle K Sunkus extended the purchase point system for users of Edy electronic money-enabled *KARUWAZA CLUB* house cards to all stores nationwide. As a result, *KARUWAZA CLUB* membership as of May 31, 2006 had increased to over 159,000 individuals. There also was a large increase in transaction volumes using *KARUWAZA CLUB* cards. Efforts were also focused on sales promotions such as discount services using *KARUWAZA CLUB* cards, as well as enhancing customer convenience and boosting sales. Furthermore, Circle K Sunkus began rolling out original "Zero Bank" ATMs, which offer withdrawals to be made free of charge during certain operating hours, in Mie Prefecture, following Aichi and Gifu prefectures in the previous fiscal year. Plans call for installing these ATM at all stores (231 stores as of May 31, 2006) in Mie Prefecture, in principle, by the end of July 2006.

On the store development front, in March 2006, Circle K Sunkus opened stores in Gunma Prefecture for the first time, while continuing to develop stores in areas where it already has a presence. Furthermore, the Company responded to future risks by closing stores, with the main emphasis on unprofitable stores, while actively relocating stores to prime new locations. Consequently, Circle K Sunkus, including its four consolidated subsidiaries, opened 65 stores and closed 124 during the first quarter, bringing the total number of stores as of May 31, 2006 to 5,368 stores. The total number of stores for the entire Circle K Sunkus Group, including non-consolidated area franchisers, was 6,314.

For the first quarter of fiscal 2007, consolidated total operating revenues rose 3.3% to ¥47,715 million, primarily due to the increase in consolidated subsidiaries. Operating income was down 0.7% at ¥5,997 million. Recurring profit decreased 6.7% to ¥5,543 million, chiefly reflecting an increase in the loss on cancellation of lease contracts accompanying the closure of stores ahead of schedule, centering on Company-owned stores. In the first quarter of fiscal 2007, extraordinary losses decreased 47.9% to ¥2,678 million, reflecting a 51.9% year-on-year drop in impairment losses to ¥2,398 million. Consequently, net income climbed 241.5% to ¥1,659 million.

(2) Qualitative Information Concerning Changes in Consolidated Financial Position

[1] Changes in Consolidated Financial Position

Turning to the Circle K Sunkus Group's financial position, as of May 31, 2006, total assets were ¥226,198 million, ¥14,431 million higher than at the previous fiscal year-end. Net assets declined ¥468 million to ¥117,924 million. As a result, the shareholders' equity ratio was 52.1%.

[2] Cash Flows

As of May 31, 2006, cash and cash equivalents were ¥82,040 million, ¥13,237 million, or 19.2%, higher than at the previous fiscal year-end, mainly reflecting three new consolidated subsidiaries.

Operating activities provided net cash of ¥19,093 million, 32.5% higher than in the previous fiscal year's first quarter. The main contributing factors were income before income taxes and minority interests of ¥2,948 million and an increase of ¥13,109 million in money held as agent for customers for payment of utility and other bills that are accepted at convenience stores.

Investing activities used net cash of ¥5,436 million, 71.4% more than in the same period of the previous fiscal year. The main components were a ¥3,782 million increase in property and equipment; a ¥1,490 million increase in long-term leasehold deposits and a ¥750 million payment for the purchase of investment securities to increase the Company's equity interest in subsidiaries.

Financing activities used net cash of ¥1,938 million, 1.4% more than in the corresponding period of the previous fiscal year, mainly reflecting dividends paid of ¥1,538 million.

(3) Qualitative Information on Earnings Forecasts for Fiscal 2007

As of the date of release of this report, Circle K Sunkus has not revised its forecasts for fiscal 2007, which were initially announced on April 13, 2006, as operating results were largely in line with forecasts.

*Forecasts for the interim period and full fiscal year reflect the Company's outlook, assumptions underlying plans and projections as of the date of release of this report. Actual results could therefore differ from forecasts due to a variety of factors.

6. Consolidated Financial Statements

(1) Consolidated balance sheets

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

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (As of May 31, 2005)		Current 1st Quarter (As of May 31, 2006)		Last fiscal year (As of February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(ASSETS)		%		%		%
1. Current assets						
Cash and cash equivalents	51,242		65,036		54,800	
Due from franchised stores	3,349		3,361		3,337	
Marketable securities	17,201		17,704		14,704	
Inventories	2,822		2,293		2,122	
Deferred tax assets	1,098		1,013		1,137	
Other current assets	17,448		18,328		16,404	
Allowance for doubtful accounts	(644)		(507)		(460)	
Total current assets	92,518	43.8	107,229	47.4	92,044	43.5
2. Fixed assets						
Property and equipment						
Buildings and equipment	26,722		29,721		29,375	
Furniture and fixtures	3,413		3,821		3,726	
Land	8,772		8,892		8,864	
Other property and equipment	411		568		484	
Total property and equipment	39,319	18.7	43,004	19.0	42,451	20.0
Intangible fixed assets						
System software	4,524		3,020		3,202	
System software development in progress	73		461		8	
Excess of cost investments over equity in net assets acquired	402		-		218	
Goodwill	-		414		-	
Other intangible fixed assets	2,210		2,276		2,406	
Total intangible fixed assets	7,209	3.4	6,171	2.7	5,836	2.8
Investment and other assets						
Investment in securities	6,726		6,010		7,318	
Deferred tax assets	4,873		3,024		3,371	
Long-term leasehold deposits	53,713		54,038		54,104	
Other investment	8,027		8,204		8,110	
Allowance for doubtful accounts	(1,361)		(1,485)		(1,469)	
Total investment and other assets	71,980	34.1	69,793	30.9	71,435	33.7
Total fixed assets	118,509	56.2	118,969	52.6	119,722	56.5
Total assets	211,028	100.0	226,198	100.0	211,767	100.0

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (As of May 31, 2005)		Current 1st Quarter (As of May 31, 2006)		Last fiscal year (As of February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
(LIABILITIES)						
1. Current liabilities						
Trade payable	43,458		42,325		36,551	
Due to franchised stores	3,680		3,456		3,054	
Short-term borrowings	64		93		114	
Current portion of long-term debt	-		66		-	
Other accounts payable	4,245		4,575		5,488	
Income taxes payable	2,492		681		6,075	
Money held as agent	24,390		34,790		21,335	
Allowance for bonuses to employees	1,438		1,481		768	
Other current liabilities	3,388		3,498		3,316	
Total current liabilities	83,159	39.4	90,969	40.2	76,704	36.2
2. Long-term liabilities						
Long-term borrowings	38		94		28	
Allowance for employees' retirement benefits liability	4,590		2,332		2,399	
Leasehold deposits received	12,588		12,409		12,386	
Long-term income in advance	845		1,074		1,086	
Allowance for impairment loss on leased property	876		1,191		615	
Other long-term liabilities	222		202		153	
Total long-term liabilities	19,162	9.1	17,305	7.7	16,669	7.9
Total liabilities	102,321	48.5	108,274	47.9	93,374	44.1
(MINORITY INTEREST)						
Minority Interest	0	0.0	-	-	0	0.0
(SHAREHOLDERS' EQUITY)						
1. Common stock	8,380	4.0	-	-	8,380	4.0
2. Capital surplus	36,091	17.1	-	-	36,093	17.0
3. Retained earnings	63,532	30.1	-	-	72,907	34.4
4. Net unrealized gains on available-for-sale securities	707	0.3	-	-	1,026	0.5
5. Less, treasury stock	(6)	(0.0)	-	-	(14)	(0.0)
Shareholders' equity	108,706	51.5	-	-	118,392	55.9
Total Liabilities, Minority Interest and Shareholders' Equity	211,028	100.0	-	-	211,767	100.0

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (As of May 31, 2005)		Current 1st Quarter (As of May 31, 2006)		Last fiscal year (As of February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(NET ASSETS)		%		%		%
1. Shareholder's equity						
Common stock	-		8,380		-	
Capital surplus	-		36,093		-	
Retained earnings	-		72,676		-	
Less, treasury stock	-		(17)		-	
Total shareholders' equity	-	-	117,133	51.8	-	-
2. Unrealized gains or losses and translation differences, etc.						
Net unrealized gains on available-for-sale securities	-		790		-	
Total unrealized gains or losses and translation differences, etc.	-	-	790	0.3	-	-
3. Minority Interest	-	-	0	0.0	-	-
Net Assets	-	-	117,924	52.1	-	-
Total Liabilities and Net Assets	-	-	226,198	100.0	-	-

(2) Consolidated statements of income

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

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (From March 1,2005 to May 31, 2005)		Current 1st Quarter (From March 1,2006 to May 31, 2006)		Last fiscal year (From March 1,2005 to February 28, 2006)	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	Composition ratio %
1. Operating revenues						
Franchise commissions from franchised stores	26,443		25,819		104,415	
Net sales reported by franchised Stores (Figures for excluding non- consolidated area franchised stores.)						
Previous 1st Quarter ¥ 216,648 million						
Current 1st Quarter ¥ 209,446 million						
Last fiscal year ¥ 852,456 million						
Total net sales of franchised and company-owned stores (Figures for exclude non- consolidated area franchised stores.)						
Previous 1st Quarter ¥ 233,307 million						
Current 1st Quarter ¥ 227,381 million						
Last fiscal year ¥ 919,824 million						
Other revenues	3,067		3,114		12,406	
2. Net sales of company-owned stores	16,658	[100.0]	18,781	[100.0]	67,368	[100.0]
Total operating revenues	46,169	100.0	47,715	100.0	184,190	100.0
3. Cost of goods sold	12,582	[75.5] 27.3	14,159	[75.4] 29.7	50,931	[75.6] 27.7
Gross profit on sales	[4,075]	[24.5]	[4,622]	[24.6]	[16,436]	[24.4]
Operating gross profit	33,587	72.7	33,555	70.3	133,259	72.3
4. Selling, general and administrative expenses	27,545	59.6	27,557	57.7	107,473	58.3
Operating income	6,041	13.1	5,997	12.6	25,785	14.0

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (From March 1,2005 to May 31, 2005)		Current 1st Quarter (From March 1,2006 to May 31, 2006)		Last fiscal year (From March 1,2005 to February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
5.Non-operating income		%		%		%
Interest income	48		50		355	
Dividend income	58		64		87	
Compensation income	137		70		497	
Other non-operating income	42		25		119	
Total non-operating income	287	0.6	211	0.4	1,059	0.6
6.Non-operating expenses						
Interest expense	6		9		28	
Loss on cancellation of lease contracts	379		641		1,657	
Loss on allowance for doubtful accounts	-		-		51	
Other non-operating expenses	4		15		76	
Total non-operating expenses	390	0.8	666	1.4	1,813	1.0
Recurring profit	5,938	12.9	5,543	11.6	25,031	13.6
7.Extraordinary gains						
Gain on sales of fixed asset	7		16		48	
Gain on sales of securities	-		-		61	
Gain on sales of investments in securities	-		-		0	
Gain on returning of substitutional portion of Employee Pension Fund	-		-		2,152	
Gain on collection of receivables	167		66		167	
Other extraordinary gains	-		-		3	
Total extraordinary gains	175	0.4	83	0.2	2,432	1.3
8.Extraordinary losses						
Loss on disposal of fixed assets	97		221		892	
Loss on write-down of investment securities	-		-		127	
Loss on cancellation of lease contracts	9		23		154	
Loss on the impairment of fixed assets	4,985		2,398		4,985	
Other extraordinary losses	48		35		1,447	
Total extraordinary losses	5,140	11.2	2,678	5.6	7,606	4.1
Income before income taxes	973	2.1	2,948	6.2	19,857	10.8
Income taxes-current	2,438	5.3	584	1.2	9,061	4.9
Income taxes-deferred	(1,951)	(4.2)	704	1.5	(701)	(0.3)
Minority interest in earnings of consolidated subsidiaries	(0)	(0.0)	(0)	(0.0)	0	0.0
Net Income	485	1.0	1,659	3.5	11,498	6.2

(3) Consolidated statements of retained earnings

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

(Millions of yen)

Account item	Fiscal period		Previous 1st Quarter (From March 1,2005 to May 31, 2005)		Current 1st Quarter (From March 1,2006 to May 31, 2006)		Last fiscal year (From March 1,2005 to February 28, 2006)	
	Amount		Amount		Amount		Amount	
(Capital surplus)								
1. Balance of capital surplus at beginning of year		36,091		-		36,091		
2. Increase in capital surplus								
Surplus from transaction in treasury stock	0	0	-	-	1	1		
3. Balance of capital surplus at end of the 1st Quarter (year)		36,091		-		36,093		
(Retained earnings)								
1. Balance of retained earnings at beginning of year		64,829		-		64,829		
2. Increase in retained earnings								
Net income	485	485	-	-	11,498	11,498		
3. Decrease in retained earnings								
Dividends	1,723		-		3,359			
Directors' bonuses	60	1,783	-	-	60	3,419		
4. Balance of retained earnings at end of the 1st Quarter (year)		63,532		-		72,907		

(4) Consolidated Statement of Changes in Shareholders' Equity

For the First Quarter of Fiscal 2007 (From March 1, 2006 to May 31, 2006)

(Millions of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at February 28, 2006	8,380	36,093	72,907	(14)	117,366
Changes during the period					
Dividends on retained earnings			(1,636)		(1,636)
Directors' bonuses			(59)		(59)
Net income			1,659		1,659
Acquisition of treasury stock				(2)	(2)
Cancellation of treasury stock		0		0	0
Increase in consolidated subsidiaries			(194)		(194)
Changes in items other than shareholders' equity (net)					
Total	-	0	(230)	(2)	(233)
Balance at May 31, 2006	8,380	36,093	72,676	(17)	117,133

(Millions of yen)

	Unrealized gains or losses and translation differences, etc.		Minority Interest	Net assets
	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.		
Balance at February 28, 2006	1,026	1,026	0	118,392
Changes during the period				
Dividends on retained earnings				(1,636)
Directors' bonuses				(59)
Net income				1,659
Acquisition of treasury stock				(2)
Cancellation of treasury stock				0
Increase in consolidated subsidiaries				(194)
Changes in items other than shareholders' equity (net)	(235)	(235)	(0)	(235)
Total	(235)	(235)	(0)	(468)
Balance at May 31, 2006	790	790	0	117,924

(5) Consolidated Statements of cash flow

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

(millions of yen)

	Previous 1st Quarter (From March 1,2005 to May 31, 2005)	Current 1st Quarter (From March 1,2006 to May 31, 2006)	Last fiscal year (From March 1,2005 to February 28, 2006)
	Amount	Amount	Amount
1. Cash flows from operating activities:			
Income before income taxes	973	2,948	19,857
Depreciation and amortization	2,031	1,892	8,387
Loss on impairment of fixed assets	3,989	2,398	4,985
Amortization of excess of cost of investments over equity in net assets acquired	26	-	90
Amortization of goodwill	-	40	-
Loss on write-down of investment securities	-	-	127
Gain on sales of investment securities	-	-	(43)
Loss on sale of fixed assets	89	204	844
(Decrease) increase in allowance for doubtful receivables	36	(3)	(39)
Increase in accrued bonuses to employees	716	697	46
(Decrease) increase in allowance for employees' retirement benefits	36	(66)	(2,154)
Decrease in allowance for directors' and corporate auditors' severance benefits	(68)	-	(21)
Interest and cash dividends income	(107)	(115)	(442)
Interest expenses	6	9	28
Increase in trade receivables	(1,696)	(1,194)	(394)
(Decrease) increase in inventories	(608)	(108)	91
(Decrease) increase in trade and due to franchised stores payable	4,920	5,282	(2,612)
Decrease in other accounts payable and accrued expenses	(1,229)	(389)	(322)
Increase in money held as agent	6,752	13,109	3,862
Directors' and corporate auditors' bonuses payments	(60)	(59)	(60)
Loss on cancellation of lease contracts	177	329	897
Other	1,206	56	22
Sub-total	17,195	25,028	33,150
Interest and dividends received	110	114	268
Interest paid	(0)	(0)	(2)
Income taxes paid	(2,987)	(6,049)	(6,206)
Net cash provided by operating activities	14,408	19,093	27,210

(millions of yen)

	Previous 1st Quarter (From March 1,2005 to May 31, 2005)	Current 1st Quarter (From March 1,2006 to May 31, 2006)	Last fiscal year (From March 1,2005 to February 28, 2006)
	Amount	Amount	Amount
2. Cash flows from investing activities:			
Decrease in marketable securities	500	-	700
Increase in property and equipment	(1,440)	(3,782)	(8,067)
Decrease in property and equipment	72	94	321
Increase in intangible fixed assets and long-term prepaid expenses	(1,164)	(840)	(2,991)
Increase in investment securities	(1,000)	(750)	(1,869)
Decrease in investment securities	-	-	25
Payments for the acquisition of newly consolidated subsidiaries	-	117	-
Proceeds from long-term advances received	3	48	412
Increase in loans receivable	(574)	(721)	(2,649)
Correction of loans receivable	545	704	2,755
Increase in long-term leasehold deposits	(1,198)	(1,490)	(6,691)
Collection of fixed leasehold deposits	1,081	1,173	4,780
Other	1	9	43
Net cash used in investing activities	(3,172)	(5,436)	(13,229)
3. Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(105)	(125)	(55)
Repayments of long-term debt	(3)	(65)	(14)
Dividends paid	(1,628)	(1,538)	(3,359)
Increase in guarantee deposits received	262	279	1,188
Decrease in guarantee deposits received	(437)	(485)	(1,750)
Other	0	(2)	(7)
Net cash used in financing activities	(1,912)	(1,938)	(3,998)
4. Net change in cash and cash equivalents	9,324)	11,718	9,983
5. Cash and cash equivalents at beginning of year	58,820	68,803	58,820
6. Net change in cash and cash equivalents by consolidation of newly subsidiaries	-	1,518	-
7. Cash and cash equivalents, end of the 1st Quarter (year)	68,145	82,040	68,803

Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

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

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (As of May 31, 2005)		Current 1st Quarter (As of May 31, 2006)		Last fiscal year (As of February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
(ASSETS)						
1. Current assets						
Cash and cash equivalents	50,617		62,205		54,312	
Due from franchised stores	3,211		3,155		3,218	
Marketable securities	17,201		17,704		14,704	
Inventories	2,760		2,181		2,070	
Deferred tax assets	1,066		986		1,135	
Short-term loans receivable for subsidiaries	320		440		740	
Other accounts receivable	11,056		11,356		9,514	
Other current assets	6,629		6,988		6,858	
Allowance for doubtful accounts	(569)		(474)		(464)	
Total current assets	92,294	44.2	104,543	47.2	92,089	43.9
2. Fixed assets						
Property and equipment						
Buildings	20,652		21,755		22,445	
Furniture and fixtures	3,406		3,768		3,703	
Land	8,772		8,892		8,864	
Other property and equipment	5,259		6,059		6,098	
Total property and equipment	38,091	18.2	40,477	18.3	41,111	19.6
Intangible fixed assets						
System software	4,523		3,009		3,202	
System software development in progress	73		461		8	
Other intangible fixed assets	2,193		2,368		2,389	
Total intangible fixed assets	6,790	3.3	5,838	2.6	5,600	2.7
Investment and other assets						
Investment in securities	4,987		4,511		4,900	
Investment in subsidiaries and affiliated company	2,339		4,452		3,099	
Long-term loans receivable for subsidiaries	172		57		61	
Deferred tax assets	4,776		2,836		3,271	
Long-term leasehold deposits	52,930		52,355		53,145	
Other investment	7,514		7,646		7,718	
Allowance for doubtful accounts	(1,197)		(1,225)		(1,245)	
Total investment and other assets	71,522	34.3	70,635	31.9	70,951	33.8
Total fixed assets	116,404	55.8	116,951	52.8	117,664	56.1
Total assets	208,699	100.0	221,494	100.0	209,753	100.0

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (As of May 31, 2005)		Current 1st Quarter (As of May 31, 2006)		Last fiscal year (As of February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
(LIABILITIES)						
1. Current liabilities						
Trade payable	42,476		40,361		35,622	
Due to franchised stores	3,489		3,186		2,898	
Other accounts payable	4,123		3,925		5,361	
Income taxes payable	2,490		578		6,062	
Money held as agent	23,739		33,647		20,904	
Allowance for bonuses to employees	1,413		1,426		754	
Other current liabilities	3,331		3,374		3,239	
Total current liabilities	81,065	38.8	86,499	39.1	74,844	35.7
2. Long-term liabilities						
Allowance for employees' retirement benefits liability	4,571		2,312		2,379	
Leasehold deposits received	12,475		12,085		12,275	
Long-term income in advance	845		1,074		1,086	
Allowance for impairment loss on leased property	804		1,093		570	
Other long-term liabilities	54		70		54	
Total long-term liabilities	18,751	9.0	16,635	7.5	16,366	7.8
Total liabilities	99,816	47.8	103,134	46.6	91,211	43.5
(SHAREHOLDERS' EQUITY)						
1. Common stock						
	8,380	4.0	-	-	8,380	4.0
2. Capital surplus						
Additional paid-in capital	36,090		-		36,090	
Other capital surplus	1		-		2	
Total capital surplus	36,091	17.3	-	-	36,093	17.2
3. Retained earnings						
Legal reserve	687		-		687	
Voluntary reserve	60,421		-		60,421	
Unappropriated retained earnings	2,600		-		11,948	
Total retained earnings	63,709	30.5	-	-	73,057	34.8
4. Net unrealized gains on available-for-sale securities						
	707	0.4	-	-	1,026	0.5
5. Less, treasury stock						
	(6)	(0.0)	-	-	(14)	(0.0)
Shareholders' equity	108,883	52.2	-	-	118,542	56.5
Total Liabilities, Minority Interest and Shareholders' Equity	208,699	100.0	-	-	209,753	100.0

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (As of May 31, 2005)		Current 1st Quarter (As of May 31, 2006)		Last fiscal year (As of February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(NET ASSETS)		%		%		%
1. Shareholder's equity						
Common stock	-	-	8,380	3.8	-	-
Capital surplus						
Additional paid-in capital	-		36,090		-	
Other capital surplus	-		3		-	
Total Capital surplus	-	-	36,093	16.3	-	-
Retained earnings						
Legal reserve	-		687		-	
Other retained earnings						
General reserve	-		68,921		-	
Retained earnings carried forward	-		3,501		-	
Total Retained earnings	-	-	73,110	33.0	-	-
Treasury stock	-	-	(17)	(0.0)	-	-
Total shareholders' equity	-	-	117,566	53.1	-	-
2. Unrealized gains or losses and translation differences, etc.						
Net unrealized gains on available-for-sale securities	-		793		-	
Total unrealized gains or losses and translation differences, etc.	-	-	793	0.3	-	-
Net Assets	-	-	118,359	53.4	-	-
Total Liabilities and Net Assets	-	-	221,494	100.0	-	-

(2)Non-consolidated statements of income

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

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (From March 1,2005 to May 31, 2005)		Current 1st Quarter (From March 1,2006 to May 31, 2006)		Last fiscal year (From March 1,2005 to February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
1.Operating revenues		%		%		%
Franchise commissions from franchised stores	25,971		24,961		102,517	
Net sales reported by franchised Stores (Figures for excluding non- consolidated area franchised stores.)						
Previous 1st Quarter ¥ 211,778 million						
Current 1st Quarter ¥ 200,710 million						
Last fiscal year ¥ 833,009 million						
Total net sales of franchised and company-owned stores (Figures for exclude non- consolidated area franchised stores.)						
Previous 1st Quarter ¥ 227,993 million						
Current 1st Quarter ¥ 217,749 million						
Last fiscal year ¥ 898,741 million						
Other revenues	3,060		3,095		12,364	
2.Net sales of company-owned stores	16,214	[100.0]	17,039	[100.0]	65,732	[100.0]
Total operating revenues	45,246	100.0	45,095	100.0	180,613	100.0
3.Cost of goods sold	12,246	[75.5] 27.1	12,860	[75.5] 28.5	49,693	[75.6] 27.5
Gross profit on sales	[3,967]	[24.5]	[4,178]	[24.5]	[16,038]	[24.4]
Operating gross profit	32,999	72.9	32,235	71.5	130,919	72.5
4.Selling, general and administrative expenses	26,977	59.6	26,416	58.6	105,220	58.3
Operating income	6,021	13.3	5,818	12.9	25,699	14.2

(Millions of yen)

Fiscal period Account item	Previous 1st Quarter (From March 1,2005 to May 31, 2005)		Current 1st Quarter (From March 1,2006 to May 31, 2006)		Last fiscal year (From March 1,2005 to February 28, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
5.Non-operating income		%		%		%
Interest income	47		48		348	
Dividend income	58		64		87	
Compensation income	137		70		495	
Other non-operating income	33		20		96	
Total non-operating income	276	0.6	203	0.5	1,028	0.6
6.Non-operating expenses						
Interest expense	5		6		21	
Loss on cancellation of lease contracts	369		611		1,637	
Loss on allowance for doubtful accounts	-		-		51	
Other non-operating expenses	8		14		72	
Total non-operating expenses	383	0.8	683	1.4	1,782	1.0
Recurring profit	5,915	13.1	5,389	12.0	24,944	13.8
7.Extraordinary gains						
Gain on sales of fixed asset	7		16		44	
Gain on sales of securities	-		-		61	
Gain on sales of investments in securities	-		-		0	
Gain on returning of substitutional portion of Employee Pension Fund	-		-		2,152	
Gain on collection of receivables	167		66		167	
Other extraordinary gains	-		-		3	
Total extraordinary gains	175	0.4	83	0.2	2,429	1.3
8.Extraordinary losses						
Loss on disposal of fixed assets	97		217		891	
Loss on write-down of investment securities	-		-		244	
Loss on cancellation of lease contracts	9		30		151	
Loss on the impairment of fixed assets	4,683		2,216		4,683	
Other extraordinary losses	45		35		1,324	
Total extraordinary losses	4,836	10.7	2,499	5.6	7,296	4.0
Income before income taxes	1,254	2.8	2,973	6.6	20,077	11.1
Income taxes-current	2,437	5.4	483	1.1	9,054	5.0
Income taxes-deferred	(1,864)	(4.1)	740	1.6	(642)	(0.4)
Net Income	681	1.5	1,749	3.9	11,665	6.5
Unappropriated retained earnings- carried forward	1,919		-		1,919	
Interim cash dividends	-		-		1,636	
Unappropriated retained earnings- at end of the 1st Quarter (year)	2,600		-		11,948	

(3) Non-Consolidated Statement of Changes in Shareholders' Equity

For the First Quarter of Fiscal 2007 (From March 1, 2006 to May 31, 2006)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total share-holders' equity
		Additional paid-in capital	Other capital surplus	Total		Other retained earnings		Total		
					General reserve	Retained earnings carried forward				
Balance at February 28, 2006	8,380	36,090	2	36,093	687	60,421	11,948	73,057	(14)	117,516
Changes during the period										
Dividends on retained earnings							(1,636)	(1,636)		(1,636)
Directors' bonuses							(59)	(59)		(59)
Net income							1,749	1,749		1,749
Acquisition of treasury stock									(2)	(2)
Cancellation of treasury stock			0	0					0	0
Transfers between reserves						8,500	(8,500)	-		-
Changes in items other than share-holders' equity (net)										
Total	-	-	0	0	-	8,500	(8,446)	53	(2)	50
Balance at May 31, 2006	8,380	36,090	3	36,093	687	68,921	3,501	73,110	(17)	117,566

(Millions of yen)

	Unrealized gains or losses and translation differences, etc.		Net assets
	Net unrealized gains on available-for-sale securities	Total unrealized gains or losses and translation differences, etc.	
Balance at February 28, 2006	1,026	1,026	118,542
Changes during the period			
Dividends on retained earnings			(1,636)
Directors' bonuses			(59)
Net income			1,749
Acquisition of treasury stock			(2)
Cancellation of treasury stock			0
Transfers between reserves			-
Changes in items other than shareholders' equity (net)	(233)	(233)	(233)
Total	(233)	(233)	(182)
Balance at May 31, 2006	793	793	118,359