

Consolidated financial summary for the year ended February 28, 2006 (March 1, 2005 to February 28, 2006)

Circle K Sunkus 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: April 13, 2006

Prepared in accordance with the financial accounting standards in Japan.

1. Business Results for the Fiscal Year Ended February 28, 2006 (March 1, 2005 to February 28, 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 % |
| For the fiscal year | | | | | | |
| Ended Feb 28, 2006 | 184,190 [919,824] | 32.9 [28.6] | 25,785 | 39.2 | 25,031 | 41.3 |
| Ended Feb 28, 2005 | 138,619 [715,086] | 36.5 [43.4] | 18,517 | 42.2 | 17,719 | 54.0 |

| | Net Income | | Net income per share | Diluted net income per share |
|---------------------|-----------------|----------|----------------------|------------------------------|
| | Millions of yen | Change % | Yen | Yen |
| For the fiscal year | | | | |
| Ended Feb 28, 2006 | 11,498 | 22.7 | 132.77 | - |
| Ended Feb 28, 2005 | 9,372 | 86.9 | 217.55 | - |

| | Return on equity | Recurring profit ratio of total assets | Recurring profit ratio of total operating revenues |
|---------------------|------------------|--|--|
| | % | % | % |
| For the fiscal year | | | |
| Ended Feb 28, 2006 | 10.1 | 12.1 | 13.6 |
| Ended Feb 28, 2005 | 11.2 | 11.4 | 12.8 |

Notes: 1. Equity in earnings or losses of investees For the fiscal year Ended Feb 28, 2006 ¥ - million
For the fiscal year Ended Feb 29, 2005 ¥ - million

2. Average number of shares (Consolidated) during the fiscal year ended Feb 28, 2006 86,150,714 shares
the fiscal year ended Feb 28, 2005 42,806,730 shares

3. Change in accounting policies : Yes

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

4. Figures for the percent columns indicate percentage changes compared with Preceding fiscal year.

5. Consolidated financial statements will be prepared effective from the fiscal year ended February 29, 2004.
Consequently, no comparisons have been made with the corresponding periods of the previous fiscal year.

(2) Consolidated Financial Position

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------|-----------------|----------------------|----------------------------|--------------------------------|
| | Millions of yen | Millions of yen | % | Yen |
| For the fiscal year | | | | |
| Ended Feb 28, 2006 | 211,767 | 118,392 | 55.9 | 1,373.59 |
| Ended Feb 28, 2005 | 201,055 | 110,043 | 54.7 | 1,276.63 |

(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 |
| For the fiscal year | | | | |
| Ended Feb 28, 2006 | 27,210 | (1,3229) | (3,998) | 68,803 |
| Ended Feb 28, 2005 | 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 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 JPY139.29

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 14th page of appending data about matters, such as precondition of the above-mentioned forecast.

Reference

(1) Consolidated Results

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. Operating results for the fiscal year ended February 28, 2005, shown on page 1, represent the sum of operating results for the surviving company CIRCLE K JAPAN from March 1 to August 31, 2004, and those of Circle K Sunkus after the merger from September 1, 2004 to February 28, 2005. Operating results for the fiscal year ended February 2005 thus exclude results for the former SUNKUS & ASSOCIATES INC., consolidated subsidiary Sunkus Aomori Co., Ltd., and Sunkus Nishi-Saitama Co., Ltd. from March 1, 2004 to August 31, 2004. Actual operating results for the fiscal year ended February 28, 2005, including figures for these companies, and comparisons with consolidated operating results of Circle K Sunkus Co., Ltd for the fiscal year ended February 28, 2006 are presented below.

Actual consolidated operating results for the full fiscal year ended February 28, 2005 represent the sum of operating results of the former C&S Co., Ltd. before the merger (March 1, 2004 ~ August 31, 2004) and the consolidated results of Circle K Sunkus Co., Ltd. after the merger (September 1, 2004 ~ February 28, 2005) and comparisons with consolidated operating results of Circle K Sunkus Co., Ltd. for the fiscal year ended February 28, 2006.

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 % |
| For the fiscal year | | | | | | |
| Ended Feb 28, 2006 | 184,190 [919,824] | 4.2 [-1.5] | 25,785 | 5.7 | 25,031 | 6.0 |
| Ended Feb 28, 2005 | 176,843 [933,521] | 4.3 [3.5] | 24,384 | 8.7 | 23,625 | 19.9 |

| | Net Income | | Net income per share | Diluted net income per share |
|---------------------|-----------------|----------|----------------------|------------------------------|
| | Millions of yen | Change % | Yen | Yen |
| For the fiscal year | | | | |
| Ended Feb 28, 2006 | 11,498 | -9.1 | 132.77 | - |
| Ended Feb 28, 2005 | 12,654 | 65.4 | 146.19 | - |

| | Return on equity | Recurring profit ratio of total assets | Recurring profit ratio of total operating revenues |
|---------------------|------------------|--|--|
| | % | % | % |
| For the fiscal year | | | |
| Ended Feb 28, 2006 | 10.1 | 12.1 | 13.6 |
| Ended Feb 28, 2005 | 11.4 | 11.6 | 13.4 |

Notes: 1. Figures for net income per share for the fiscal year ended February 28, 2005 shown above is calculated based on the number of shares issued and outstanding at the fiscal year-end on February 28, 2005 (86,151,641 shares).

2. Figures for the percent columns indicate percentage changes compared with Preceding fiscal year.

(2) Net Income per Share

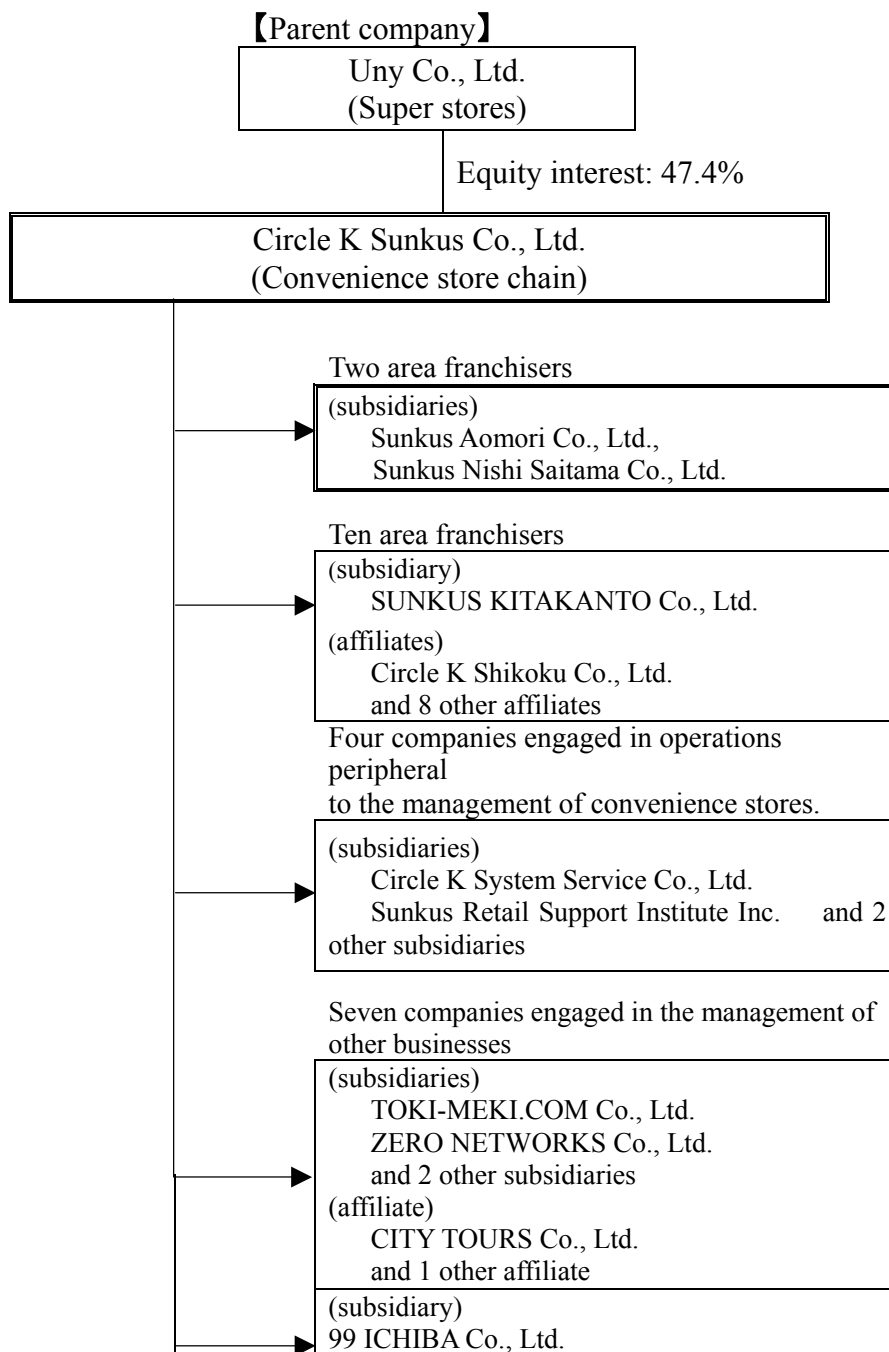
Figures for net income per share for the fiscal year ending February 28, 2005 shown on pages 1 and 36 has been calculated based on the average number of shares issued and outstanding (42,806,730) over the fiscal year, starting with the number of issued and outstanding shares of the former CIRCLE K JAPAN at the beginning of the fiscal year, prior to the merger, on March 1, 2004 (167,608), and ending with the corresponding figure for Circle K Sunkus Co., Ltd. at the fiscal year-end on February 28, 2005 (86,151,641). Consequently, figures for net income per share for the fiscal year ending February 2005 shown on pages 1 and 36 were bigger than calculated based on the number of shares issued and outstanding at the fiscal year-end on February 28, 2005 (86,151,641 shares).

3. 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., 10 other subsidiaries and 11 affiliates. It is primarily engaged in the development of convenience store franchises.

With a store network extending from Hokkaido to Kagoshima, the Circle K Sunkus Group, including area franchisers, had a presence in 36 prefectures as of February 28, 2006.

The following chart depicts the Circle K Sunkus Group.



4. 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 based on its operating results, while at the same time building up retained earnings so as to sustain high levels of growth and bolster its operating base. The Company views dividends as the most important means of returning earnings to shareholders. More specifically, Circle K Sunkus considers the maintenance of stable dividends its first priority and aims to pay out 25% 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.

For the fiscal year ended February 28, 2006, Circle K Sunkus declared an interim dividend of ¥19 per share at August 31, 2005. In addition, Circle K Sunkus plans to propose a year-end dividend of ¥19 per share at its Annual General Meeting of Shareholders in May 2006, representing an effective year-on-year increase of 2 yen per share. As a result, the dividend payout ratio for the full year is expected to be 28.2%.

Retained earnings will be allocated to investments in developing new stores, revitalizing existing ones, and acquiring store fixtures for displaying new products.

(3) Management Targets

One of Circle K Sunkus' management targets is to increase recurring profit to at least 3% of total store sales. Meanwhile, following the announcement of the Three-Year Management Plan at the time of our merger in September 2004, we have been working to generate earnings growth of 10% per year on a consolidated basis.

Circle K Sunkus is making steady progress toward these goals by consolidating product procurement and logistics networks, integrating and rationalizing head office administrative departments and taking other initiatives. Efforts to improve the return on investments, by reducing rent for new stores and other means, are also progressing. However, due to fiercer competition and shifting consumer needs resulting from factors such as an aging population compounded by a declining birthrate, we are facing slower-than-expected sales growth and more delays in opening new stores than initially envisioned by the Three-Year Management Plan. Consequently, at this point, we are pessimistic about meeting the plan's initial targets.

In the next fiscal year, the final year of the plan, we will continue to promote further integration across all departments, while pressing ahead with various structural reforms to reap many more merger benefits as quickly as possible.

To realize its vision for achieving “steady, sustainable growth,” Circle K Sunkus will work to sustain earnings growth in terms of operating income and recurring profit. Our target of generating recurring profit of at least 3% of total store sales will remain a key priority. Going further, we will reinforce sales capabilities spanning store operations, store development and products, aiming to rapidly restore average daily sales per store to ¥500,000 on an all-store basis. Another priority is to improve ROE by efficiently using shareholders’ equity to increase shareholder value.

(4) Medium-term Management Strategy

Intensifying competition in the retail sector has cut across industry lines to include the convenience store industry, which had previously been at an advantage relative to other industries. The convenience store industry is expected to see larger companies gain a growing share of the market, mirroring similar trends in other industries. Furthermore, as Japan’s population begins declining, the ongoing aging of Japanese society, compounded by its falling birthrate, will reshape both the country’s social structure and consumer culture. Against this backdrop, consumer needs are expected to undergo significant changes in the years ahead. In this challenging climate, Circle K Sunkus has positioned the following eight policies as the foundations of its management strategy. They are designed to push through the reforms needed to ensure the Company survives as an operator of leading convenience store chains:

- [1] Drive forward marketing innovation based on a customer-first approach by linking strategic manufacturer and customer information.
- [2] Design systems that emphasize investment and funding returns when developing stores or making new investments.
- [3] Make compliance an integral part of management by establishing an internal control system and corporate governance structure
- [4] Foster a positive and open corporate culture that encourages teamwork and puts employees at ease, while structuring a new personnel system.
- [5] Promote higher efficiency by unifying operating processes.
- [6] Eliminate redundancies and fixed costs by adhering to low-cost management.
- [7] Nurture area franchisers and improve the accuracy of their management practices by offering multi-dimensional support.
- [8] Develop new businesses and business formats to drive sustainable growth at Circle K Sunkus.

(5) Issues to Be Addressed

To realize its vision for achieving “steady, sustainable growth,” Circle K Sunkus is tackling the following issues:

- [1] Deliver additional merger benefits by promoting further consolidation of operations
- [2] Develop differentiated products and services that give Circle K Sunkus competitive advantages
- [3] Establish support framework, and provide ample head-office guidance to franchisees to enhance customer satisfaction
- [4] Improve store development capabilities across the board
- [5] Tackle future risks associated with stores and regions with lackluster sales
- [6] Unveil new store concepts and develop new businesses

The Circle K Sunkus Group was formed through a merger on September 1, 2004, that saw CIRCLE K JAPAN absorb C&S Co., Ltd. and SUNKUS & ASSOCIATES INC. and change its name to Circle K Sunkus Co., Ltd. The completion of this merger marked the first phase of integration for the Circle K Sunkus group. Fiscal 2006, the year ended February 28, 2006, was positioned as the second phase of integration. As part of its key management policy of realizing merger benefits, Circle K Sunkus reinforced efforts to unify operating processes. In terms of organizational reforms, Circle K Sunkus eliminated its former store brand-oriented business unit system and transferred personnel between Circle K and Sunkus, aiming to build a unified organizational structure. On the product front, vendor and logistics networks were consolidated in the general merchandise and frozen foods categories, which followed similar moves in the beverages, snacks, processed foods, and alcoholic beverages categories. Steps were also taken to reap greater economies of scale, including unifying ticket sales services, and conducting joint sales campaigns.

Fiscal 2007 is positioned as the third phase of integration. Circle K Sunkus aims to unify various personnel systems, and extend the consolidation of vendor and logistics networks to include the fast food and fresh food categories.

In March 2006, aiming to further unify its organization, Circle K Sunkus eliminated its headquarters system, which had previously consisted of separate store operations and development units for each store brand. These units were integrated into the Store Operations Division and Store Development Division. The goals of unifying the organization are to ensure the same operating methods, procedures and approaches are shared across the group, as well as expedite decision-making. Furthermore, the General Operations Headquarters has been established to coordinate the activities of the Store Operations Division and Marketing, Services & Merchandising Division. By facilitating seamless collaboration and communication between store operations and product departments, Circle K Sunkus aims to reinforce its product development and sales capabilities.

(6) Corporate Governance—Basic Approach and Implementation Status

[1]Basic Approach to Corporate Governance

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

[2]Implementation Status of Corporate Governance Measures

Based on a management framework centered on a corporate auditor system, Circle K Sunkus' policy is to reduce its Board of Directors to around ten members, a size deemed appropriate for focusing decision-making on overall management issues. An executive officer system has been introduced to delegate primary decision-making authority for the management of day-to-day operations to executive officers in order to expedite decision-making. Circle K Sunkus' management framework is further underpinned by a robust auditing framework of five corporate auditors, including two external auditors.

The corporate auditors attend important internal meetings, such as Board of Directors meetings, to receive reports on the Company's management plans, the status of its overall compliance and risk management systems, and other matters. Based on these reports, the corporate auditors offer their

opinions from an impartial perspective, and rigorously audit the performance of directors and executive officers.

Based on relevant laws and regulations, the Company's articles of incorporation and its management philosophy and vision, Circle K Sunkus has formulated a Code of Behavior for all its employees, including directors. This code is designed to clearly explain the Company's management stance in terms of compliance and business ethics to all stakeholders.

In addition, Circle K Sunkus has consolidated head office divisions through integration, while enhancing internal management structures. The Company has established a Legal Affairs Office to improve document management. A Compliance Promotion Office was also formed to develop concrete measures to reinforce internal management systems, such as our response to the enforcement of the Personal Information Protection Law in April 2005. Circle K Sunkus has also put in place an Operational Audit Office to perform audits to ensure that stores and offices are conducting operations appropriately and efficiently.

Following approval by the Ordinary General Meeting of Shareholders in May 2005, Circle K Sunkus has created a Board of Directors consisting of ten members, one of whom is an external director. During fiscal 2006, the Board of Directors held 22 meetings to approve legally mandated matters and key management decisions, while supervising the execution of the Company's operations. The Board of Corporate Auditors consists of five members, two of whom are external auditors. The corporate auditors attended important internal meetings, such as Board of Directors meetings, and audited the performance of directors and executive officers chiefly by monitoring the status of the internal control system and internal risk surveys.

In December 2005, Circle K Sunkus introduced the "ES Call" internal reporting system, in preparation for the enforcement of the Public Interest Whistleblower Protection Law in April 2006. The Company has strengthened its internal monitoring system by creating a mechanism whereby all executives and employees can anonymously report illegal actions, as well as violations of corporate ethics and social norms, and offer suggestions for improvement.

In March 2006, the Compliance Promotion Office and Corporate Communications & Environmental Affairs Office were reorganized into the Compliance & Environmental Management Office and the Public & Investor Relations Office. In conjunction with this move, Circle K Sunkus has assigned a director to oversee the Compliance & Environmental Management Office, which will coordinate compliance activities across the Company, while providing training and awareness-building programs in collaboration with other departments. The Compliance & Environmental Management Office is also responsible for gathering internal information via the "ES Call" internal reporting system, and providing feedback to the Board of Directors and relevant departments.

The director in charge of the Compliance & Environmental Management Office is also responsible for the Customer & Franchisee Relations Office, Operational Audit Office, and Public & Investor Relations Office. This is part of efforts to conduct active environmental and social contribution activities, as well as establish a company-wide risk management system.

In response to the new Company Law due to come into force in May 2006, Circle K Sunkus plans to formulate a "Fundamental Policy on Creating an Internal Control System" in May this year. Based on this fundamental policy, the Company will begin establishing a concrete internal control system.

[3] Personal, Capital, Business or Other Relationships Between the Company and External Directors or External Auditors

Circle K Sunkus has appointed Koji Sasaki and Yoshiaki Tsuzuki, directors of parent company UNY Co., Ltd., as external director and external auditor, respectively, to facilitate group-wide communication and monitor the legality of the performance of directors. In light of legal and other considerations, Circle K Sunkus has also appointed Akira Katsuragawa, a certified tax accountant, as external auditor.

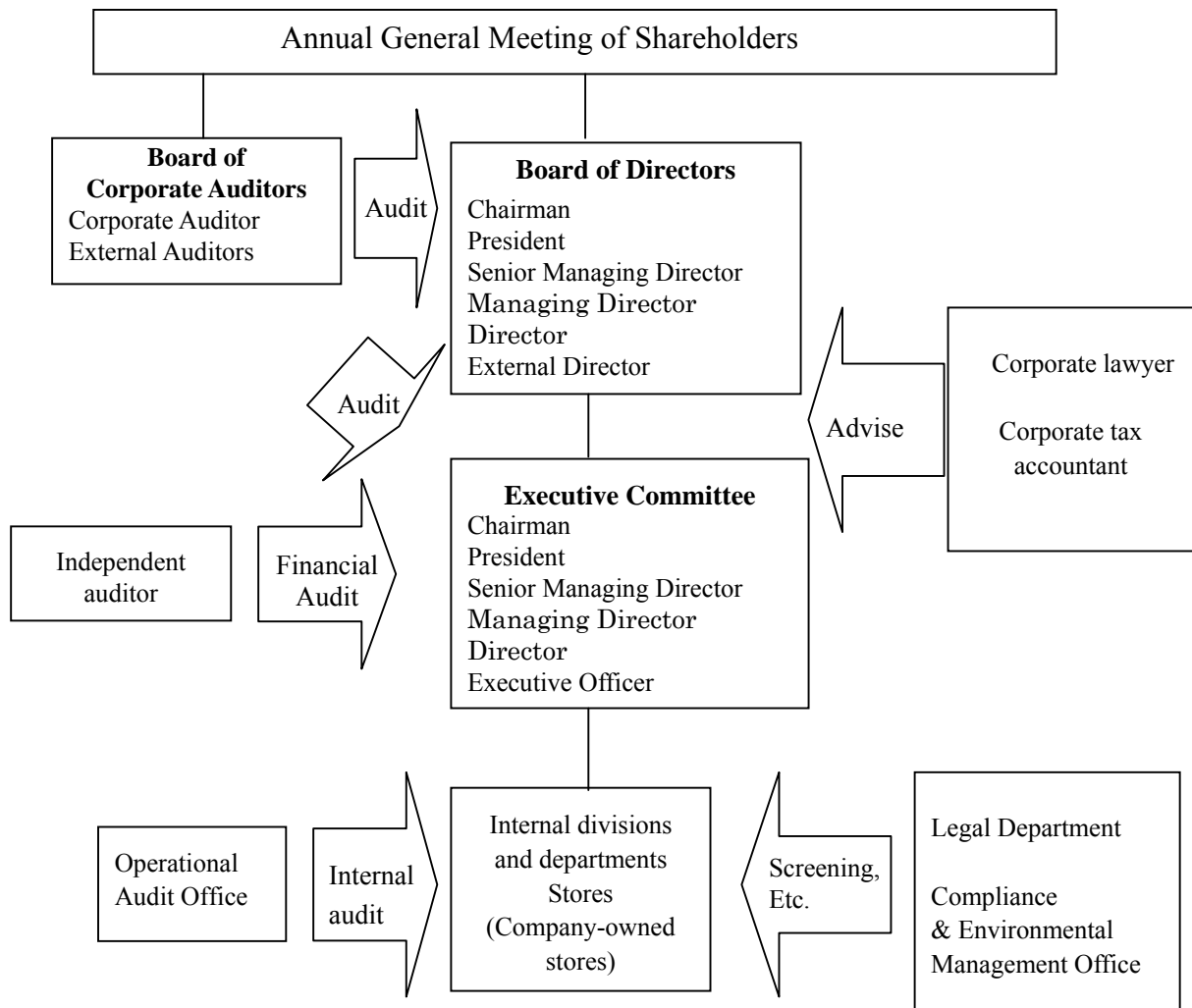
There are no conflicts of interest between the Company and its external directors or external auditors with respect to business or any other form of relationship.

[4] Independent Auditor, Legal Counsel and Other Third Parties

Circle K Sunkus has concluded an audit agreement with independent auditor Chuo Aoyama PricewaterhouseCoopers to perform financial audits of Circle K Sunkus in collaboration with the corporate auditors.

Circle K Sunkus receives legal advice from its corporate lawyer as necessary and consults attorneys, tax accountants, and other professionals with extensive expertise and experience in relevant fields when such expertise is required. In this manner, Circle K Sunkus seeks to conform with laws and regulations, while ensuring that actions are taken in the best interest of the Company and its stakeholders at all times.

Circle K Sunkus' corporate governance structure as of March 1, 2006 is shown in the chart below:



[5] Compensation and Other Remuneration for Directors, Corporate Auditors, and Independent Auditor
 Compensation and other remuneration offered by Circle K Sunkus to directors, corporate auditors, and the independent auditor in the fiscal year ended February 28, 2006 were as follows:

| | | | (Millions of yen) |
|---|----------|-----|-------------------------------|
| Remuneration | Director | 189 | (Incl. external directors: 2) |
| | Auditor | 54 | (Incl. external auditors: 3) |
| Appropriations for directors' and corporate auditors' bonuses | Director | 52 | (Incl. external directors: 0) |
| | Auditor | 7 | (Incl. external auditors: 0) |
| Retirement bonuses approved by shareholders | Director | 21 | |

Audit fees and other remuneration to be offered by Circle K Sunkus to the independent auditor are as follows:

| | (Millions of yen) |
|---|-------------------|
| Remuneration for audit certification based on audit agreement | 46 |
| Other remuneration | - |

(7) Basic Policy Regarding Relationships Among Group Members

[1] Parent Company

Circle K Sunkus is a member of the Uny Group, a retailing group comprising retailers, most notably Uny Co., Ltd. and specialty stores. Uny holds a voting interest of 47.4% in Circle K Sunkus.

Circle K Sunkus works closely with Uny in fields such as product development, where the two can combine strengths within the Group, and through business alliances. Although Uny and Circle K Sunkus both operate in the retail sector, the two companies have different business models—superstores and convenience stores, respectively. Accordingly, the parent company respects the autonomy of Circle K Sunkus in respect to management strategy in the operation of convenience stores. With the exception of concurrent directorships between the Company and Uny, there is no exchange of personnel or funds between the two companies at this time.

[2] Subsidiaries and Affiliated Companies

Circle K and Sunkus have entered into agreements with area franchisers to expand their store networks. The Company has a total of 12 area franchisers, including three subsidiaries and nine affiliates companies. The consolidated subsidiaries are Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. The Company's policy regarding the management of area franchisers, irrespective of whether they are subsidiaries or affiliates, is to provide personnel and funding support as necessary. While respecting the distinctive characteristics of each region, Circle K Sunkus will work to capture Group-wide synergies and determine the return on investments in expanding store networks in each region.

Circle K and Sunkus invest in area franchisers, as well as companies engaged in operations peripheral to convenience store operations and other businesses. Circle K Sunkus takes part, directly or indirectly, in strategy formulation and decision making, from the viewpoint of maximizing group earnings.

5. Consolidated Operating Results and Financial Position

(1) Overview of Fiscal Year ended February 28, 2006

During fiscal 2006, the year ended February 28, 2006, Japan's economy continued to stage a gradual recovery after shaking off a slowdown in exports and production output. Higher corporate earnings led to improved employment and income levels, benefiting the overall household sector. Against this backdrop, there was a modest upturn in consumer spending, but this was not sufficient to drive an overall improvement in retail performance, resulting in a disparity in the recovery across different business formats. Casting a pall over consumer sentiment were concerns such as the growing cost burden placed on younger working generations in Japan due to its aging society with fewer children, and uncertainty about retirement exemplified by pension issues. Changes in consumer spending patterns reflecting growing income disparity across various segments of society, as well as increasing regional differences, were also evident. In the retail sector, as mentioned above, the recovery has been uneven across business formats. Consumer spending has been improving mainly on the back of higher demand for apparel, fueled by last summer's popular "Cool Biz" trend, and for premium brand goods against the backdrop of a stronger economy and improving share prices. On the other hand, spending on food and other products, the mainstay offering of convenience stores, has been slow to pick up. In the convenience store industry, intensifying competition with peer companies has been compounded by fiercer competition with traditional industry outsiders such as supermarkets, drug stores, and discount retailers. Against this background, the convenience store industry saw a year-on-year decrease in existing store sales over the full fiscal year.

In the first half of fiscal 2006, existing store sales at Circle K Sunkus decreased 2.4% year on year on a consolidated basis, partly reflecting the previous year's stronger first-half sales due to an unusually hot summer. In the second half, existing store sales were slow due to factors such as a drop-off in customer footfall. This mainly reflected the termination of prepaid highway toll cards in September 2005, as well as low temperatures nationwide during the New Year holidays, when the Chukyo, Kansai, Kanto and other regions saw heavy snowfall. As a result, existing store sales at Circle K Sunkus for fiscal 2006 declined 3.3% year on year on a consolidated basis.

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

(Millions of yen, stores)

| | Circle K | Sunkus | Circle K Sunkus Total | Consolidated Subsidiaries Total | Consolidated Total |
|---|----------|---------|--------------------------|------------------------------------|--------------------|
| Total store sales | 505,160 | 393,581 | 898,741 | 21,082 | 919,824 |
| Existing store sales YoY change (%) | ▲2.5 | ▲4.2 | ▲3.3 | - | ▲3.3 |
| Average daily sales per store (thousands of yen) | 487 | 483 | 485 | - | - |
| Stores opened | 196 | 139 | 335 | 13 | 348 |
| Stores closed | 160 | 149 | 309 | 10 | 319 |
| Total stores at period-end | 2,891 | 2,263 | 5,154 | 146 | 5,300 |

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

As a result of the foregoing, total store sales, a figure encompassing the combined sales of the Circle K Sunkus Group's consolidated subsidiaries, were ¥919,824 million. Total operating revenues were ¥184,190 million and consolidated operating income was ¥25,785 million. Recurring profit and net income were ¥25,031 million and ¥11,498 million, respectively. In fiscal 2006, Circle K Sunkus booked an extraordinary gain of ¥2,152 million on the return of the substitutional portion of the

Employees' Pension Fund. The Company also booked an extraordinary loss of ¥4,985 million on the impairment of fixed assets.

The following is an overview of Circle K Sunkus' businesses during fiscal 2006.

Figures for the number of stores, product markups, sales and other operating results exclude consolidated subsidiaries Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. unless otherwise stated.

In store development, the Company focused on opening stores at new types of locations capable of enhancing customer convenience. These included stores inside and at the gates to the Aichi World Expo 2005 site, in expressway parking areas, subway stations in Tokyo, the JRA Tokyo Race Course, and university campuses.

During fiscal 2006, Circle K Sunkus opened 335 stores, which was fewer than planned. Of the new stores opened, 79 were relocations, indicating progress with the scrap-and-build program. In terms of average daily sales per new store, Circle K achieved a strong ¥446,000, ¥7,000 higher than the previous fiscal year, centered on new stores in the Chukyo region. Meanwhile, Sunkus recorded average daily sales of ¥390,000 per new store, ¥45,000 less than in the previous fiscal year. Consequently, Circle K Sunkus reported average daily sales of ¥424,000 per new store, down ¥9,000 year on year.

In parallel, the Company closed stores unlikely to remain competitive in the future, reduced fixed costs, and improved profitability. As part of these efforts, Circle K Sunkus closed 309 stores in fiscal 2006.

As a result, Circle K Sunkus had a total of 5,154 stores as of February 28, 2006, or a total of 5,300 stores including stores operated by the Company's two consolidated subsidiaries.

In store management, a set of proprietary guidelines called the "Six Stages of Store Operations" was 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 customer satisfaction, the number of in-store meetings, the number of staff involved in product ordering and other parameters.

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 makers and fashion companies to develop original general merchandise, cosmetics and other products. *Hogaraka Time* 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 the tastes of Aichi Prefecture, proved popular with customers. In June, Circle K and Sunkus launched a sales campaign called "*Aji no Kyoen Fair*," which brought together Kenichi Chin and Toshiro Kandagawa, two celebrity chefs who had been working separately with each chain. In September, *oden* (stewed meat, fish and vegetables), which is offered at all Circle K stores, was extended to roughly 1,600 Sunkus stores, and *Chibita no Oden*, a popular product at Circle K, was also introduced to Sunkus stores. Furthermore, Circle K Sunkus reported record sales of *Torosanma Aburiyaki Sushi*, which was made available at all Circle K and Sunkus

stores nationwide. This sushi product, developed in conjunction with sushi restaurant Midori Sushi, had proven highly popular with customers when it initially went on sale at certain Circle K stores in the Kanto region and Shizuoka Prefecture in 2004. In these and other ways, efforts to maximize the strengths of both chains, as well as various initiatives to share best practices, are steadily delivering results.

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, and a massive publicity campaign through TV commercials and other advertisements. Ongoing corporate sponsorship activities were also used to boost the image of the Circle K Sunkus chains, including sponsorship of the Saitama City Cup soccer event. Circle K Sunkus also became an official sponsor of “bj League,” Japan’s new professional basketball league formed in November 2005.

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 in March, which allow withdrawals to be made free of charge during certain operating hours on weekdays. By the end of September 2005, these ATMs had been installed at nearly 1,300 Circle K and Sunkus stores in Aichi and Gifu Prefectures—representing almost all stores in these areas. This is a highly attractive service that enables customers holding cash cards issued by some 1,600 partner financial institutions to benefit from the free-of-charge withdrawal facility during certain operating hours on weekdays. In another development, Circle K and Sunkus stores nationwide began accepting Edy electronic money from April 2005. Membership of *KARUWAZA CLUB*, Circle K Sunkus’ Edy electronic money-enabled house credit card, has also been steadily increasing. As of February 28, 2006, Circle K Sunkus had sold roughly 530,000 *KARUWAZA CLUB* cards, and membership had grown to roughly 110,000. Efforts were focused on offering greater benefits for customers using a diverse sales promotion plan, including product discount and electronic stamp services for card users. Circle K Sunkus also took steps to attract more customers to stores and create a more distinct presence in the convenience store sector.

In addition, Circle K Sunkus unified its ticket handling services, previously conducted separately by Circle K and Sunkus, into a single service—Ticket Pia. This has enabled Circle K Sunkus to unify efforts to reinforce sales promotion initiatives and enhance content. Circle K Sunkus also rolled out *Net Preca*, a service that allows various number code-based prepaid cards to be issued online at the point of sales. Cards handled include prepaid cards for electronic money used in online games and Internet shopping, both of which are growing markets. *Net Preca* eliminates shortages of prepaid card stocks and related opportunity losses at stores, as well as offering strong growth prospects.

In November, Circle K Sunkus switched its parcel delivery order service at all stores to Japan Post’s *Yu-Pack* service. This decision was taken from the standpoint of enhancing customer convenience. Efforts have been focused on making the most of the network infrastructure of Japan Post and Circle K Sunkus through a broad partnership encompassing not only the *Yu-Pack* service and in-store post boxes, but also enhancing direct deliveries of gifts from producing regions.

In October 2004, Circle K Sunkus began integrating logistics operations and unifying deliveries to Circle K and Sunkus stores, as well as consolidating vendors, in the snack, processed food, soft drink, and alcoholic beverage categories. The goal was to maximize merger benefits across the entire group. These integration processes were completed in all regions in October 2005. Going further, Circle K Sunkus began integrating vendor and logistics networks in the processed and frozen food categories, as well as general merchandise, in April 2005. These processes were completed in February 2006.

Through these measures, the Company has improved product markups in the above target categories.

Combined with the beneficial impact of the termination of prepaid highway toll card sales on September 15, the average product markup for Circle K Sunkus in fiscal 2006 was 29.05%, 0.26 of a percentage point higher than in the previous fiscal year. (The termination of prepaid highway toll card sales had the effect of raising the average product markup by roughly 0.16 of a percentage point.)

(2) Financial Position

As of February 28, 2006, total assets were ¥10,711 million higher at ¥211,767 million, mainly due to increases in the purchase of investment securities. Total shareholders' equity was ¥118,392 million, up ¥8,348 million from the previous fiscal year-end. This mainly reflected higher net unrealized gains on available-for-sale securities related to improving stock prices, and higher retained earnings due to an increase in net income. Consequently, the shareholders' equity ratio was 55.9% as of February 28, 2006.

(4) Cash Flows

Operating activities provided net cash of ¥27,210 million, 126.1% higher than in the previous fiscal year. The main contributing factors were income before income taxes and minority interests of ¥19,857 million; an impairment loss of ¥4,985 million, which was booked as an extraordinary loss following the adoption of new asset impairment accounting standards; and an increase in payments received from customers for utility and other bills that are accepted at convenience stores.

Investing activities used net cash of ¥13,229 million, 22.7% more than in the previous fiscal year. The main components were an ¥8,067 million increase in property and equipment chiefly to open new stores and upgrade existing ones; a ¥6,691 million increase in long-term leasehold deposits; and a ¥1,869 million payment for the purchase of investment securities.

Financing activities used net cash of ¥3,998 million, 39.5% higher than in the previous fiscal year, mainly reflecting dividends paid of ¥3,359 million.

Consequently, as of February 28, 2006, cash and cash equivalents were ¥68,803 million, up ¥9,983 million, or 17.0%, from the previous fiscal year-end.

Cash Flow Indices

| | FY 2005 | FY 2006 |
|---|----------|----------|
| Shareholders' equity ratio(%) | 54.7 | 55.9 |
| Shareholders' equity ratio using fair value (%) | 105.0 | 110.0 |
| Average debt repayment period (years) | 0.1 | 0.1 |
| Interest coverage ratio (times) | 11,536.3 | 12,774.7 |

(Notes)

Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio using fair value = Market capitalization / Total assets

Average debt repayment period = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flow / Interest payments

*Each index is calculated using consolidated figures.

*Market capitalization is calculated by multiplying the share price at the fiscal year-end by the number of shares issued and outstanding at the fiscal year-end, excluding treasury stock.

*Operating cash flow represents net cash provided by (used in) operating activities as presented on the consolidated statement of cash flows. Interest-bearing debt represents liabilities shown on the balance sheet for which interest is paid by the Company. Interest payments represent interest paid as shown on the consolidated statements of cash flows.

(4) 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 electronic money-enabled KARUWAZA CLUB 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, casualty 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 & Environmental Management 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. Outlook for the Fiscal Year Ending February 28, 2007

Japan's economy is projected to remain on a gradual recovery course in step with continued growth in consumer spending and capital expenditures. Meanwhile, Japan's population should continue to fall with an accelerating trend toward an older society with fewer births. The resulting changes in the nation's social structure will directly reshape its consumer culture, prompting major qualitative changes in customer needs.

The convenience store industry will continue to face a difficult operating environment as fewer new stores are opened, existing stores struggle to grow, and more stores become unprofitable. This trend is fueled by a fiercer level of competition transcending business or industry lines, encompassing not only rival convenience store chains but also traditional industry outsiders.

To surmount these challenges, Circle K Sunkus has positioned the fiscal year ending February 28, 2007 as the year to promote structural reforms so that it can achieve steady, sustainable growth. More specifically, Circle K Sunkus intends to move onto the offensive to speed up innovation across a diverse array of business processes.

In store development, Circle K Sunkus' first priority will be to conclude agreements with promising prospective franchisees. To this end, Circle K Sunkus will review its royalties on gross profit generated by franchised stores, which are relatively low for a major convenience store chain, relax certain franchisee requirements and take other steps to attract more franchisees. Meanwhile, the highest priority of store development is profitability. Circle K Sunkus will improve the precision of its property location assessment system, and delegate authority to regional supervisors to facilitate rapid and flexible decision-making. The objective is to conduct store development activities that emphasize both quality and volume. To mitigate future risks, Circle K Sunkus will relocate stores in regions with slowing sales by enhancing its scrap-and-build program. In March 2006, Circle K Sunkus opened its first store in Gunma Prefecture, showing that new regions will continue to be actively considered and developed going forward.

In store management, Circle K Sunkus will work to more deeply ingrain the principles of the "Six Stages of Store Operations" at all stores. The goal is to implement reforms that create stores offering the highest level of customer satisfaction by upgrading the skills of part-time store staff, putting in place a highly precise order placement system, improving customer service and taking other steps. Furthermore, a General Operations Headquarters will be established in fiscal 2007 to coordinate the activities of the Store Operations Division and Marketing, Services & Merchandising Division. With this step, Circle K Sunkus aims to reinforce its product development and sales capabilities by facilitating seamless collaboration and communication between store operations and product departments.

In products, we will expand the integration of vendor and logistics networks to include the fast food and processed food categories. Beginning with the Chugoku region, specifically Okayama and Hiroshima prefectures, in April 2006, Circle K Sunkus plans to steadily extend this approach to other regions too, with the view to completing the process by the fiscal year ending February 29, 2008. In parallel with vendor consolidation, the Company will also set up its own network of dedicated food processing centers to integrate products and food ingredients. The goal is to reduce the cost of ingredients by reaping economies of scale while enhancing product quality. On the services front,

Circle K Sunkus plans to extend the purchase point system for users of Edy electronic money-enabled *KARUWAZA CLUB* house cards to all stores nationwide from April. The following May, Circle K Sunkus will begin rolling out “Zero Bank” ATMs at stores in Mie Prefecture, followed by stores in Tokyo, Kanagawa, Chiba and Saitama prefectures beginning in July. Through these and other initiatives, Circle K Sunkus seeks to actively roll out services that give it a competitive edge over other business formats and stand out from other companies.

Circle K Sunkus has decided to convert ZERO NETWORKS Co., Ltd., the contractor for “Zero Bank” ATM operations, into a consolidated subsidiary in the fiscal year ending February 29, 2008.

In addition to these initiatives, Circle K Sunkus will work to introduce greater innovation in its core convenience store business. Plans call for unveiling a store format based on an entirely new concept during fiscal 2007. This experimental project is aimed at staying on top of changes in Japan’s social structure and consumer culture. In February 2006, Circle K Sunkus opened its first *99 Ichiba* store, a small supermarket offering fresh foods uniformly priced at ¥99. Subsidiary 99 Ichiba Co., Ltd. will be responsible for its operation. Circle K Sunkus intends to develop *99 Ichiba* into a second core business alongside convenience stores, while strengthening its operations with the view to capturing synergies with Circle K Sunkus’ core convenience store business.

On March 1, 2006, Circle K Sunkus converted area franchiser Sunkus Nishi-Shikoku Co., Ltd. into a wholly owned subsidiary. Consequently, Sunkus Nishi-Shikoku will be treated as a consolidated subsidiary of Circle K Sunkus beginning in fiscal 2007. Furthermore, Circle K Sunkus has decided to treat wholly owned subsidiary SUNKUS KITAKANTO Co., Ltd. as a consolidated subsidiary beginning in fiscal 2008.

Through these and other initiatives, Circle K Sunkus will rapidly tackle the range of issues it faces, while pressing ahead with the innovation needed to achieve steady, sustainable growth.

Store Operating Performance Forecasts (March 1, 2006 to February 28, 2007)

(Millions of yen, stores)

| | Circle K | Sunkus | Circle K Sunkus Total | Consolidated Subsidiaries Total | Consolidated Total |
|-------------------------------------|----------|---------|--------------------------|------------------------------------|-----------------------|
| Total store sales | 509,725 | 392,995 | 902,720 | 40,509 | 943,230 |
| Existing store sales YoY change (%) | ▲1.5 | ▲1.8 | ▲1.6 | - | - |
| Stores opened | 215 | 180 | 395 | 37 | 432 |
| Stores closed | 160 | 165 | 325 | 20 | 345 |
| Total stores at period-end | 2,946 | 2,278 | 5,224 | 290 | 5,514 |

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

For fiscal 2007, Circle K Sunkus is forecasting total operating revenues on a consolidated basis of ¥192.7 billion, an increase of 4.6% year on year, due to a higher number of stores. On the earnings front, due to planned reductions in SG&A expenses, Circle K Sunkus is projecting consolidated operating income of ¥27,360 million, up 6.1% year on year, recurring profit of ¥25,570 million, 2.2% higher, and net income of ¥12.0 billion, an increase of 4.4%.

3. Consolidated Financial Statement

(1) Consolidated balance sheet

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

(millions of yen)

| | Fiscal year ended February 28, 2005 (As of February 28, 2005) | | Fiscal year ended February 28, 2006 (As of February 28, 2006) | |
|---|---|----------------------|---|----------------------|
| | Amount | Composition ratio | Amount | Composition ratio |
| ASSETS | | % | | % |
| 1 Current assets | | | | |
| Cash and cash equivalents | 46,917 | | 54,800 | |
| Due from franchised stores | 3,564 | | 3,337 | |
| Marketable securities | 12,701 | | 14,704 | |
| Inventories | 2,213 | | 2,122 | |
| Prepaid expenses | 3,241 | | 3,381 | |
| Deferred tax assets | 863 | | 1,137 | |
| Other accounts receivable | 8,299 | | 9,138 | |
| Other current assets | 3,789 | | 3,883 | |
| Allowance for doubtful accounts | (629) | | (460) | |
| <i>Total current assets</i> | 80,962 | 40.3 | 92,044 | 43.5 |
| 2 Fixed assets | | | | |
| Property and equipment | | | | |
| Buildings and structures | 29,004 | | 29,375 | |
| Equipment | 23 | | 18 | |
| Furniture and fixtures | 3,531 | | 3,726 | |
| Land | 9,537 | | 8,864 | |
| Other property and equipment | 256 | | 466 | |
| <i>Total property and equipment</i> | 42,353 | 21.0 | 42,451 | 20.0 |
| Intangible fixed assets | | | | |
| System software | 5,092 | | 3,202 | |
| System software development in Progress | 73 | | 8 | |
| Excess of cost investments over equity in net assets acquired | 428 | | 218 | |
| Other intangible fixed assets | 2,399 | | 2,406 | |
| <i>Total intangible fixed assets</i> | 7,994 | 4.0 | 5,836 | 2.8 |
| Investments and other assets | | | | |
| Investment in securities | 5,793 | | 7,318 | |
| Deferred tax assets | 3,130 | | 3,371 | |
| Long-term leasehold deposits | 54,616 | | 54,104 | |
| Other investments | 7,545 | | 8,110 | |
| Allowance for doubtful accounts | (1,340) | | (1,469) | |
| <i>Total investment and other assets</i> | 69,744 | 34.7 | 71,435 | 33.7 |
| <i>Total fixed assets</i> | 120,093 | 59.7 | 119,722 | 56.5 |
| <i>Total assets</i> | 201,055 | 100.0 | 211,767 | 100.0 |

(millions of yen)

| | Fiscal year ended February 28, 2005 (As of February 28, 2005) | | Fiscal year ended February 28, 2006 (As of February 28, 2006) | |
|---|---|----------------------|---|----------------------|
| | Amount | Composition ratio | Amount | Composition ratio |
| LIABILITIES | | % | | % |
| 1 Current liabilities | | | | |
| Trade payables | 39,034 | | 36,551 | |
| Due to franchised stores | 3,184 | | 3,054 | |
| Short-term borrowings | 169 | | 114 | |
| Other accounts payable | 5,442 | | 5,488 | |
| Income taxes payable | 2,892 | | 6,075 | |
| Payments received | 17,670 | | 21,335 | |
| Allowance for bonuses to employees | 722 | | 768 | |
| Other current liabilities | 3,410 | | 3,316 | |
| <i>Total current liabilities</i> | 72,526 | 36.1 | 76,704 | 36.2 |
| 2 Long-term liabilities | | | | |
| Long-term borrowings | 42 | | 28 | |
| Allowance for employees' retirement benefits | 4,553 | | 2,399 | |
| Allowance for directors' and corporate auditors' severance benefits | 68 | | — | |
| Guarantee deposits received | 12,737 | | 12,386 | |
| Allowance for impairment loss on leased property | — | | 615 | |
| Other long-term liabilities | 1,083 | | 1,240 | |
| <i>Total long-term liabilities</i> | 18,485 | 9.2 | 16,669 | 7.9 |
| <i>Total liabilities</i> | 91,011 | 45.3 | 93,374 | 44.1 |
| MINORITY INTEREST | | | | |
| Minority Interest | 0 | 0.0 | 0 | 0.0 |
| SHAREHOLDERS' EQUITY | | | | |
| 1 Common stock | 8,380 | 4.1 | 8,380 | 4.0 |
| 2 Capital surplus | 36,091 | 18.0 | 36,093 | 17.0 |
| 3 Retained earnings | 64,829 | 32.2 | 72,907 | 34.4 |
| 4 Net unrealized gains on available-for- sale securities | 748 | 0.4 | 1,026 | 0.5 |
| 5 Less, treasury stock | (5) | (0.0) | (14) | (0.0) |
| Total shareholders' equity | 110,043 | 54.7 | 118,392 | 55.9 |
| Total liabilities and shareholders' equity | 201,055 | 100.0 | 211,767 | 100.0 |

(2) Consolidated statement of income

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

(millions of yen)

| | Fiscal Year ended February 28, 2005 (From March 1, 2004 to February 28, 2005) | | Fiscal Year ended February 28, 2006 (From March 1, 2005 to February 28, 2006) | |
|--|--|----------------------|--|----------------------|
| | Amount | Composition ratio | Amount | Composition ratio |
| 1 Operating revenues | | | | |
| Franchise commission from franchised stores | 77,153 | | 104,415 | |
| Net sales reported by franchised stores (Figures for exclude non-consolidated area franchised stores.) | | | | |
| Fiscal year ended Feb.28, 2005 | 664,706 | | | |
| Fiscal year ended Feb.28, 2006 | 852,456 | | | |
| Net sales of franchised and company-owned stores (Figures for exclude non-consolidated area franchised stores.) | | | | |
| Fiscal year ended Feb.28, 2004 | 715,086 | | | |
| Fiscal year ended Feb.28, 2005 | 919,824 | | | |
| Other operating revenues | 11,086 | | 12,406 | |
| 2 Net sales of company-owned stores | 50,379 | | 67,368 | |
| <i>Total operating revenues</i> | 138,619 | 100.0 | 184,190 | 100.0 |
| 3 Cost of goods sold | 38,410 | 27.7 | 50,931 | 27.7 |
| <i>Gross profit</i> | 100,208 | 72.3 | 133,259 | 72.3 |
| 4 Selling, general and administrative expenses | 81,691 | 58.9 | 107,473 | 58.3 |
| <i>Operating Income</i> | 18,517 | 13.4 | 25,785 | 14.0 |
| 5 Non-operating income | 727 | 0.5 | 1,059 | 0.6 |
| 6 Non-operating expenses | 1,526 | 1.1 | 1,813 | 1.0 |
| <i>Recurring profit</i> | 17,719 | 12.8 | 25,031 | 13.6 |
| 7 Extraordinary gains | 86 | 0.0 | 2,432 | 1.3 |
| 8 Extraordinary losses | 1,164 | 0.8 | 7,606 | 4.1 |
| <i>Income before income taxes</i> | 16,641 | 12.0 | 19,857 | 10.8 |
| Income taxes-current | 5,020 | 3.6 | 9,061 | 4.9 |
| Income taxes-deferred | 2,248 | 1.6 | (701) | (0.3) |
| Minority interest in earnings of consolidated subsidiaries | 0 | 0.0 | 0 | 0.0 |
| <i>Net Income</i> | 9,372 | 6.8 | 11,498 | 6.2 |

(3) Consolidated statement of retained earnings

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

(millions of yen)

| | Fiscal Year ended February 28, 2005 (From March 1, 2004 to February 28, 2005) | Fiscal Year ended February 28, 2006 (From March 1, 2005 to February 28, 2006) |
|--|--|--|
| | Amount | Amount |
| (Capital surplus) | | |
| 1. Balance of capital surplus at beginning of the period | 36,090 | 36,091 |
| 2. Increase in capital surplus | | |
| Surplus from transaction in treasury stock | 0 | 1 |
| 3. Balance of capital surplus at end of the period | 36,091 | 36,093 |
| (Retained earnings) | | |
| 1. Balance of retained earnings at beginning of the period | 12,761 | 64,829 |
| 2. Increase in retained earnings | | |
| Net income | 9,372 | 11,498 |
| Increase resulting from the merger | 43,827 | — |
| 3. Decrease in retained earnings | | |
| Dividends | 1,100 | 3,359 |
| Directors' bonuses | 30 | 60 |
| 4. Balance of retained earnings at end of the period | 64,829 | 72,907 |

(4) Consolidated Statements of cash flow

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

(millions of yen)

| | Fiscal Year ended February 28, 2005 (From March 1, 2004 to February 28, 2005) | Fiscal Year ended February 28, 2006 (From March 1, 2005 to February 28, 2006) |
|--|--|--|
| | Amount | Amount |
| 1 Cash flows from operating activities: | | |
| Income before income taxes | 16,641 | 19,857 |
| Depreciation and amortization | 8,075 | 8,387 |
| Loss on impairment of fixed assets | — | 4,985 |
| Amortization of excess of cost of investments over equity in net assets acquired | 53 | 90 |
| Loss on write-down of investment securities | 58 | 127 |
| Gain on sales of investment securities | (26) | (43) |
| Gain or loss on sale of fixed assets | 773 | 844 |
| Decrease in allowance for doubtful receivables | (185) | (39) |
| Increase or decrease in accrued bonuses to employees | 5 | 46 |
| Increase or decrease in allowance for employees' retirement benefits | (3) | (2,154) |
| Increase in allowance for directors' and corporate auditors' severance benefits | 16 | 21 |
| Interest and cash dividends income | (409) | (442) |
| Interest expenses | 26 | 28 |
| Decrease in other accounts receivable | 297 | (394) |
| Increase or decrease in inventories | (74) | 91 |
| Increase in trade payable | (6,633) | (2,612) |
| Decrease in other accounts payable | (1,739) | (322) |
| Increase in deposits received | (339) | 3,862 |
| Directors' and corporate auditors' bonuses payments | (30) | (60) |
| Compensation expenses | 668 | 897 |
| Other | (370) | 22 |
| Sub-total | 16,803 | 3,3150 |
| Interest and dividends received | 308 | 268 |
| Interest paid | (1) | (2) |
| Income taxes paid | (5,077) | (6,206) |
| Net cash provided by operating activities | 12,033 | 27,210 |
| 2 Cash flows from investing activities: | | |
| Payments to time deposits | (100) | — |
| Proceeds from time deposits | 12 | — |
| Decrease in marketable securities | — | 700 |
| Increase in property and equipment | (6,567) | (8,067) |
| Decrease in property and equipment | 410 | 321 |
| Increase in intangible fixed assets and long-term prepaid expenses | (2,246) | (2,991) |
| Increase in investment securities | (1,089) | (1,869) |
| Decrease in investment securities | 47 | 25 |
| Net proceeds from acquisition of newly consolidated subsidiary | — | — |
| Increase in acceptance of long-term advance received profit | 593 | 412 |
| Increase in loans receivable | (1,485) | (2,649) |
| Correction of loans receivable | 1,545 | 2,755 |
| Increase in long-term leasehold deposits | (4,983) | (6,691) |
| Correction of fixed leasehold deposits | 2,984 | 4,780 |
| Other | 96 | 43 |
| Net cash used in investing activities | (10,783) | (10,783) |

(millions of yen)

| | Fiscal Year ended February 28, 2005 (From March 1,2004 to February 28, 2005) | Fiscal Year ended February 28, 2006 (From March 1,2005 to February 28, 2006) |
|---|---|---|
| | Amount | Amount |
| 3 Cash flows from financing activities: | | |
| Net proceeds from short-term borrowings | 155 | (55) |
| Repayments of long-term debt | (7) | (14) |
| Dividends paid | (1,103) | (3,359) |
| Payments of merger payment | (1,375) | — |
| Increase in guarantee deposits received | 1,219 | 1,188 |
| Repayments of guarantee deposits received | (1,747) | (1,750) |
| Other | (4) | (7) |
| Net cash used in financing activities | (2,864) | (3,998) |
| 4 Net change in cash and cash equivalents | (1,614) | 9,983 |
| 5 Cash and cash equivalents at beginning of year | 34,780 | 58,820 |
| 6 Net change in cash and cash equivalents by consolidation of newly subsidiaries | 25,653 | — |
| 7 Cash and cash equivalents at end of period | 58,820 | 68,803 |