

Consolidated financial summary for the Six-Month Period Ended August 31,2002

C&S co., Ltd.

Securities traded: The first section of the Tokyo Stock Exchange and Nagoya Stock Exchange (Securities Code No.7437)

URL <http://www.csgrp.co.jp>

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Date of the board of directors meeting to settle accounts: October 15, 2002

Parent company: UNY Co., Ltd. (Securities Code No.8270) Ownership of parent company: 46.7%

Notes: Prepared in accordance with the Financial accounting Standards in Japan.

1. Business Results for the Six-Month Period Ended August 31,2002 (From March 1, 2002 to August 31, 2002)

(1) Consolidated operating results

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

	Total operating revenues	Increase over the preceding period	Operating income	Increase over the preceding period	Recurring profit	Increase over the preceding period
	Millions of yen	%change	Millions of yen	%change	Millions of yen	%change
Current interim period	80,956	2.9	14,550	2.7	14,227	2.4
Preceding interim period	78,658	(-)	14,956	(-)	14,571	(-)
Last fiscal year	153,889	(-)	24,545	(-)	23,378	(-)

	Net income	Increase over the preceding period	Net income per share	Diluted Net income per share
	Millions of yen	%change	Yen	Yen
Current interim period	7,262	6.1	84.28	
Preceding interim period	7,734	(-)	107.70	
Last fiscal year	11,304	(-)	131.18	

Note: Equity in earnings or loss of investees For the end of August 31, 2002 ¥ million
 For the end of August 31, 2001 ¥ million
 For the end of February 28, 2002 ¥ million

Average number of shares (Consolidated) during For the end of August 31,2002 86,164,538 shares
 For the end of August 31,2001 71,818,201 shares
 For the end of February 28, 2002 86,177,569 shares

Change in accounting policies: None

(2) Consolidated financial conditions

	Total assets	Shareholders equity	Equity ratio	Shareholders equity per share
	Millions of yen	Millions of yen	%	Yen
Current interim period	201,939	103,362	51.2	1,199.62
Preceding interim period	190,151	94,966	49.9	1,322.32
Last fiscal year	188,564	97,398	51.7	1,130.35

Notes: Number of shares outstanding (Consolidated) at the end of
August 31, 2002 86,162,640 shares
August 31, 2001 71,818,171 shares
February 28, 2002 86,166,356 shares

(3) Consolidated cash flow

	Operating activities	Investing activities	Financing activities	Ending balance of cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current interim period	19,993	10,340	1,218	47,547
Preceding interim period	21,650	9,144	1,099	44,522
Last fiscal year	28,925	19,683	3,245	39,113

(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 Equity method : (Inclusion) None (Exclusion) None

2. Consolidated Business Outlook for the Fiscal Year Ending February 28, 2003 (From March 1, 2002 to February 28, 2003)

	Total operating revenues	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
For the Fiscal year ending on February 28,2003	157,500	24,300	12,300

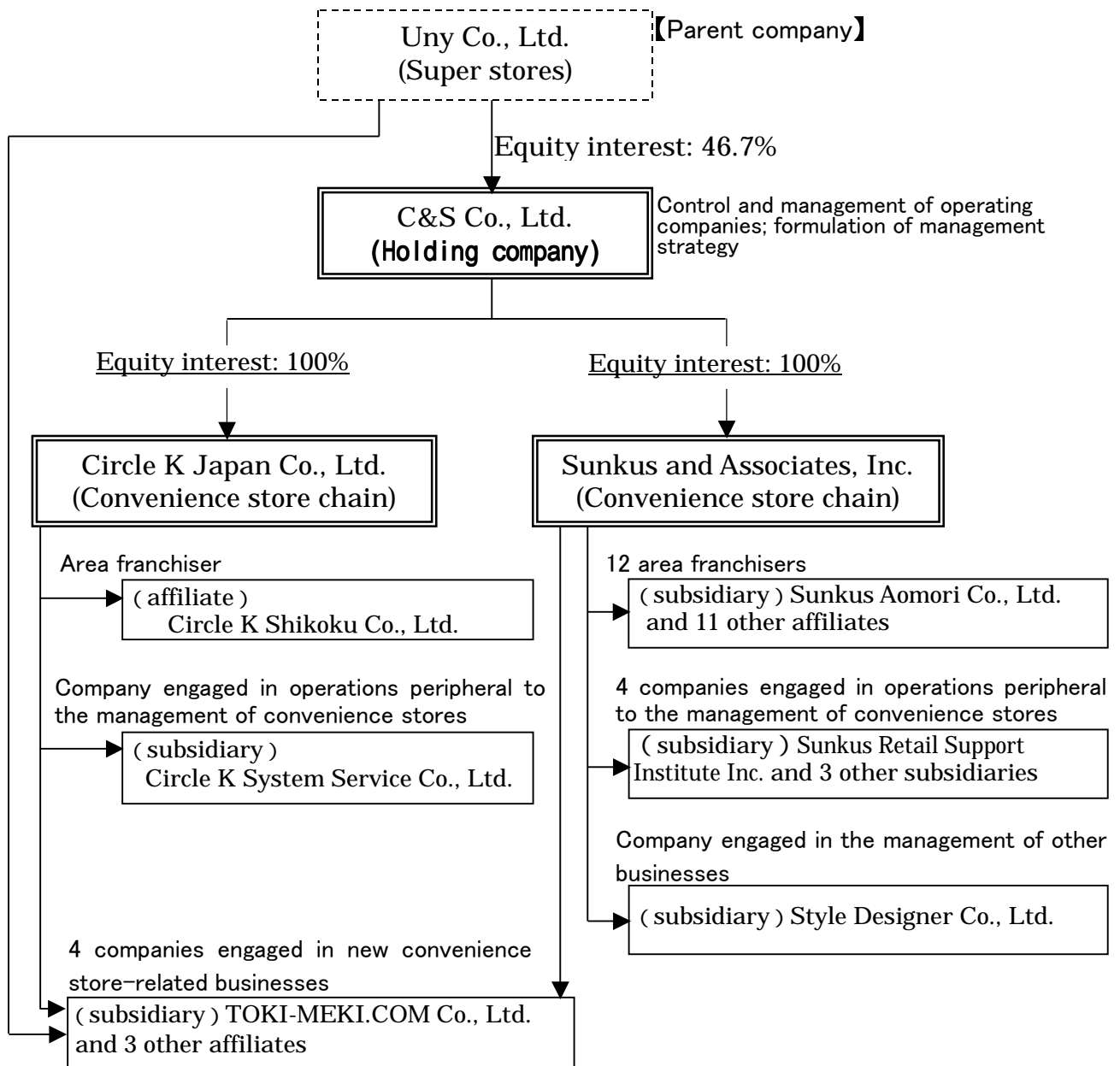
(Reference) Projected net income per share ¥ 142.75

1. Group Organization

C&S Group is a member of the Uny Group, an operator of several major superstore chains, and comprises a total of 26 companies: two wholly owned consolidated subsidiaries, Circle K Japan Co., Ltd. and Sunkus and Associates, Inc., 8 other subsidiaries, and 15 affiliates. It is primarily engaged in the development of convenience store franchises. Circle K and Sunkus oversee networks of convenience stores that also include area-franchised stores.

With a store network extending from Hokkaido to Kagoshima, the C&S Group had a presence in 35 prefectures as of the end of August 2002.

The following chart depicts the C&S Group and the roles of subsidiaries in respect to business lines.



2. Management Policies

(1) Basic Business Policy

C&S Co., Ltd. is committed to remaining one of Japan's largest convenience store operators and to achieving stable earnings growth by building upon a solid foundation comprising two wholly owned subsidiaries—Circle K Japan Co., Ltd. (Circle K) and Sunkus and Associates Inc. (Sunkus). C&S also aims to become the industry No. 1 in delivering customer, franchisee, employee and shareholder satisfaction. Achieving this goal will raise C&S' corporate value and enhance its standing as a corporate citizen.

(2) Basic Earnings Distribution Policy

C&S' 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. More specifically, it aims to pay out approximately 20% of consolidated net income in the year under review in the form of dividends. Meanwhile, C&S intends to raise the dividend payout ratio to 25% to 30% in the future.

For the six months ended August 31, 2002, C&S declared an interim dividend of ¥16 per share. In addition, C&S plans to propose a year-end dividend of ¥16 per share. As a result, the dividend payout ratio based on projected consolidated net income for the year ending February 28, 2003, will be 22.4%.

(3) Medium- to Long-Term Management Strategy

As competition intensifies in Japan's convenience store industry, C&S, the Group's holding company, is tasked with formulating overall group strategy and enhancing corporate governance. C&S is concentrating on deriving optimum benefits from a group network exceeding 6,000 stores in a range of areas from marketing to the development of information systems, e-business and other new services. For their part, Circle K and Sunkus are competing in a spirit of healthy competition while sharing know-how and information to raise the performance and operations of both companies. Specifically, the two operating companies aim to improve efficiency and promote stable earnings growth by opening quality new stores, relocating existing stores to prime locations, renovating existing stores, expanding their product lineup and enhancing the operations and competition of franchised stores, which form the backbone of business activities. Furthermore, in anticipation of an increasingly challenging operating environment, C&S has decided to establish the Integration Promotion Committee in March 2003 in order to pursue economies of scale and rationalization through profit structure reforms, and ultimately promote the integration at business activities of both operating companies. A preparatory committee will be formed in November 2002 to spearhead activities such as formulating an overall integration plan and simulating the benefits of integration, which will help C&S decide on specific implementation proposals.

(4) Management Targets

To meet the challenges of a difficult economic climate, C&S expects to make initial investments needed to build a strong operating base in support of stable growth in the future. This is likely to result in modest earnings growth in the short term. In the medium-term, however, C&S is targeting annual consolidated earnings growth of at least 10% and ROE of 15%.

(5) Corporate Governance

Final decision-making authority rests with the Board of Directors of C&S. However, A Management Strategy Meeting is convened once a month to form a consensus among group companies on strategically important issues and to coordinate their activities. Directors, corporate auditors and the presidents of the two operating companies participate in these meetings.

As a listed company, C&S is directly accountable to shareholders for management, whereas the two operating companies, Circle K and Sunkus, bear responsibility for executing strategy toward achievement of targets to which they have agreed. The two operating companies are granted a certain

degree of management autonomy within the bounds of group strategy formulated by the holding company. To ensure the appropriate checks and balances are maintained, C&S directors and corporate auditors attend Board of Directors meetings of Circle K and Sunkus and review monthly and quarterly operating reports of both companies.

In addition to the preceding, C&S actively discloses financial and other information to allow shareholders, investors, the media and other institutional investors to constantly monitor the performance of management. More specifically, C&S provides news releases to the media, holds presentations for Japanese and foreign institutional investors and securities analysts and regularly conducts interviews with them. Full and fair disclosure is provided to institutional and individual, Japanese and foreign investors via C&S' homepage.

(6) Issues to Be Addressed

The Japanese economy continues to face a number of structural issues. A short-lived, fragile business recovery is expected to give way to a continued slump in consumer spending and deepening deflation. The convenience store industry is facing a challenging operating environment in terms of sales performance at existing stores. The industry as a whole has been battered by a persistent decline in purchases per customer.

Set against this backdrop, C&S will maintain a strong focus on maximizing corporate value. It will optimally allocate group resources to generate consistent earnings growth and raise the competitiveness of individual stores to achieve the most competitive economies of scale. Circle K and Sunkus will maintain a strong customer focus by improving the quality of franchised stores rather than merely resorting to price discounting. The two operating companies will open new stores that consistently turn in strong sales with the aim of boosting average daily sales at franchised stores to ¥550,000 and becoming No. 2 in the industry. The key issues to be addressed are summarized as follows:

- Consistently open high-quality stores
- Enhance location and facilities/conditions of existing stores
- Enhance the operation of franchised stores
- Improve merchandising ability
- Develop systems and infrastructure needed to deliver new products and services
- Allocate resources flexibly to improve sales and overhaul existing cost structure with a view to raising the weight of variable costs.

(7) Basic Policy Regarding Relationships Among Group Members

Parent Company

C&S is a member of the Uny Group, a retailing group comprising retailers, most notably Uny Co., Ltd. and specialty stores. Uny holds 46.7% of C&S. Although Uny and C&S 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 C&S in respect to management strategy in the operation of convenience stores.

Subsidiaries

Circle K and Sunkus are wholly owned subsidiaries of C&S Co., Ltd. Each company operates convenience stores under its own brand name. The two operating companies are granted a certain degree of management autonomy within the bounds of group strategy formulated by the holding company. The appointment of directors and remuneration however, are decided by C&S.

Affiliates

Circle K and Sunkus invest in area franchisers, companies engaged in operations peripheral to the management of convenience stores and other companies. The two operating companies provide guidance and advice to their respective affiliates in the first two categories. C&S takes part, directly and indirectly, from the perspective of maximizing group earnings, in the decision-making process and strategy formulation for e-business and other areas that are positioned as next-generation businesses.

3. Operating Results

(1) Overview of the Interim Period Ended August 31, 2002

During the six months ended August 31, 2002, Japan's economy showed signs of bottoming out, buoyed by a recovery in exports. In the first half of the fiscal year, however, the collapse of the IT bubble and reports of U.S. accounting scandals fueled growing concerns over the U.S. economy and a sharp depreciation of the U.S. dollar against the yen. These factors were exacerbated by a slumping global economy, clouding Japan's economic outlook once again. Under these circumstances, the convenience store industry continued to face a difficult operating environment. Combined with continued deflation, consumer spending remained lackluster, and competition intensified from both within and outside the industry. For the C&S Group, consolidated first-half sales at existing stores edged down 2.5% year on year. (Sales at Circle K and Sunkus fell 2.6% and 2.4%, respectively.) Against this backdrop, C&S worked to improve sales by enhancing the quality and competitiveness of franchised stores. In expanding its network, C&S continued to place even more emphasis on its long-standing principle of quality over quantity. As of August 31, 2002, C&S had increased its total number of stores by a net 129 stores compared with the previous fiscal year-end. (The total for the C&S Group including areas franchisers rose by 182 stores.)

As a result, total store sales for the six months ended August 31, 2002, climbed 3.4% to ¥454,528 million. Total store sales, including area franchisers, were ¥556,871 million, an increase of 4.6%. The C&S Group had 6,076 stores as of August 31, 2002. Consequently, consolidated total operating revenues rose 2.9% to ¥80,956 million.

Consolidated gross profit was ¥63,231 million, an increase of 3.5%. This was attributable to brisk sales at new stores and an improvement in markups. Consolidated operating income and recurring profit were ¥14,550 million and ¥14,227 million, respectively, slightly exceeding targets. This represented, however, decreases of 2.7% and 2.4%, respectively, from the same period last year. This slight drop in earnings was consistent with forecasts. The main factors were a decrease in sales at existing stores; an increase in fixed costs, including store and equipment leasing costs and systems expenses; and an increase in store closure expenses and costs incurred to upgrade existing stores. C&S recorded losses of ¥439 million on the write down of securities holdings, including shares in TOKI-MEKI.COM Co., Ltd., the Group's e-business planning and operating arm. Consolidated net income, after deferred income taxes, was ¥7,262 million, a decrease of 6.1% year on year. However, net income exceeded C&S' target of ¥6,800 million by ¥462 million.

Consolidated cash and cash equivalents as of August 31, 2002 were ¥47,547 million, an increase of ¥8,434 million, or 21.6% higher than at the previous fiscal year end. This mainly reflected net cash provided by operating activities, despite sales declines at existing stores.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥19,995 million, 7.6% less than in the same period last year. Income before income taxes was ¥13,002 million. Significant add backs included depreciation and amortization of ¥4,896 million and an increase in accounts payable of ¥9,914 million.

Cash Flows from Investing Activities

Net cash used in investing activities climbed 13.1% to ¥10,342 million. One component was ¥4,480 million for the purchase of property and equipment related to the opening of new stores and improving store conditions at existing stores. Other significant uses of cash were ¥4,010 million for fixed leasehold deposits and ¥1,865 million for the purchase of intangible assets and long-term prepaid expenses related to the introduction of new information systems.

Cash Flows from Financing Activities

Net cash used in financing activities rose 10.8% to ¥1,218 million mainly reflecting dividends paid of ¥1,206 million.

An overview of business conditions and operating results for C&S and its consolidated subsidiaries Circle K and Sunkus for the interim period ended August 31, 2002, is provided as follows.

C&S Co., Ltd.

C&S is committed to remaining one of Japan's largest convenience store operators and to achieving stable earnings growth. It aims to become the industry No. 1 in delivering customer, franchisee, employee and shareholder satisfaction. Achieving this goal will raise C&S' corporate value and enhance its standing as a corporate citizen. Specifically, C&S will pursue economies of scale arising from a network exceeding 6,000 stores, and promote a healthy rivalry between Circle K and Sunkus. Through these initiatives, it is imperative that the C&S Group achieve consolidated earnings growth of at least 10%. The convenience store industry is experiencing intensifying competition, but is also undergoing a shakeout. In these circumstances, C&S has determined it is becoming increasingly difficult to maintain stable earnings growth with established management practices. Accordingly, it has formulated guidelines mandating structural reforms at Circle K and Sunkus in a new three-year management plan. In addition, C&S directors and corporate auditors attend Board of Directors' meetings of Circle K and Sunkus, review monthly and quarterly operating reports of both companies and provide clear and appropriate guidance. These initiatives ensure that Group companies adhere to a consistent and clearly defined policy and direction. The C&S Group aims to improve the quality of new stores and to enhance the competitiveness of individual stores. C&S acts to ensure that every level of the Group remains focused on achieving the common target of ¥550,000 in average daily sales at franchised stores.

C&S' Marketing Division, in cooperation with the marketing divisions of Circle K and Sunkus, conducts joint purchasing negotiations to improve product markups and coordinates joint promotional campaigns. In logistics, C&S continues to promote administrative integration including invoice and delivery functions. In the Kanto area, Circle K and Sunkus both use a common frozen food vendor. C&S plans to centralize distribution systems in each region, encompassing the whole logistics system, from manufacturers to frozen food vendors. C&S is currently studying the feasibility of incorporating joint delivery centers into the delivery process, not only for fast foods and daily deliveries but also for processed foods, snacks and general merchandise. This will allow an improvement in markups, cutbacks in the number of delivery vehicles, shorter deliver times, converting improved distribution into enhanced customer service.

The Information Systems Division oversees the integration, development, planning and maintenance of integration systems for the two operating companies. In March 2002, the accounting systems of Circle K and Sunkus were successfully integrated. With this step, the integration of all information systems from individual stores to both operating companies and head office is now complete. In the six months ended August 31, 2002, C&S completed a review and recommendation of the new store support information system introduced during the previous fiscal year. It also completed development of a ticketing system for the Ticket Pia and CN PlayGuide ticketing services, a new barcode EAN128 system relating to bill payment agency services and a data warehouse system scheduled for introduction in October 2002.

C&S is advancing several projects relating to financial services and e-business as part of efforts to provide high-quality services and thereby attract more customers to its stores. Specifically, C&S is looking to install ATMs at more stores, issue its own electronic money and introduce a barcode reader service accessible via mobile phones. In order to secure a captive customer base, C&S will establish an effective e-CRM system to stay on top of an increasingly competitive market. Furthermore, C&S and its two operating companies have invested in companies with the goal of developing e-businesses. As a shareholder, C&S will closely monitor the management of these companies, including TOKI-MEKI.COM Co., Ltd., in which C&S and its two operating companies are investors.

In consideration for the services described above, C&S received group management and administration income of ¥351 million and dividend income totaling ¥2,201 million from Circle K and Sunkus during the six months ended August 31, 2002.

As a result, non-consolidated operating revenue was ¥2,552 million, non-consolidated recurring profit was ¥2,167 million and net income ¥2,213 million. Corresponding figures for the same period last year include the operating results for the former Circle K for the four-month period from March 1, 2001 to June 30, 2001. Accordingly, comparisons with the same period last year are not made.

Circle K Japan Co., Ltd.

During the six months ended August 31, 2002, the Circle K Group opened a total of 140 stores. This figure breaks down into 19 new stores opened by Circle K's 2 area franchisers and 121 new stores opened by Circle K proper, which includes 13 relocated stores. Circle K proper opened 13 stores more than its targeted 108 new stores. In opening new stores, precedence was given to securing prime sites and remaining sharply focused on profitability. However, new stores got off to a slow start due to several factors. These included adverse economic conditions in certain regions, delays in obtaining alcohol and tobacco licenses around the time the new stores were being opened. Land-use regulations also delayed the building of parking lots at certain stores. Despite these setbacks, average daily sales at new stores rose ¥5,000 to ¥446,000. In keeping with its focus on profitability, Circle K is now adopting stricter criteria for opening new stores, and is seeking to develop new stores in major metropolitan and inner city areas, as prescribed by an extensive study of prospective locations. Circle K is actively relocating stores in the Chukyo region to cope with the fierce competition likely to follow the arrival of Japan's No.1 convenience store chain in this region.

Store Operations

Circle K views the arrival of Seven-Eleven Japan in the Chukyo region as a prime opportunity to advance reforms and grow. This belief was behind Circle K's drive to sharpen its focus on frontline operations and change the mindset of head office employees and franchisees. The "Happy Project Campaign," ongoing since 2000, has played a major role, outlining specific measures to enhance customer satisfaction that include improving store management and productivity through the introduction of a new format for work schedules and implementing training programs to enhance the skills of employees. Meanwhile, Circle K has vigorously promoted greater use of information systems to maintain appropriate quantities of products on shelves based on quantitative data. We continue to take a range of initiatives to minimize lost sales opportunities. These include a new mobile-phone system introduced last year that enables Circle K supervisors to advise store managers on a real-time basis using NTT DoCoMo's i-mode service together with a system for placing additional orders. Despite these initiatives, sales at existing stores were down 2.6% year on year, a disappointing result caused by several factors, including challenging economic conditions and the effects of low temperatures and typhoons on demand. Circle K proper closed 47 unprofitable stores, bringing the number of stores at the interim term-end to 2,657 stores, representing a net increase of 74 stores. The Circle K Group, including area franchisers, had 2,912 stores at the interim term-end.

Products

On the product side, Circle K continued to promote tie-ups plans with a wide variety of media, with the dual goals of delivering new hit products and improving quality in fast foods. However, these efforts did not drive higher sales of other products. Soft drinks sales slumped due to the lack of a hit product and the effects of low temperatures on demand. Sales of DHC cosmetics and health foods peaked out, while magazine, general merchandise and game software sales were slow. Meanwhile, tobacco sales put up a good fight. In the services category, Circle K has enhanced its own ticket merchandising activities, and has partnered with CN Playguide to bolster box office functions. These initiatives are aimed at setting Circle K apart from competing convenience store chains and attracting more customers. The average markup for all products for six months ended August 31, 2002 was 28.4%, an increase of just over 0.1 percentage point year on year. This result mainly reflected the favorable outcome of joint purchasing negotiations led by C&S' Marketing Division and efforts to improve markups for all products.

As a result, Circle K's total store sales for the six months ended August 31, 2002, climbed 3.0% year on year to ¥246,837 million. Total store sales including area franchisers were ¥265,337 million, an increase of 3.4%. Total operating revenues climbed 1.6% to ¥47,689 million. Recurring profit was down 3.5% at ¥8,125 million. Net income declined 9.6% to ¥4,419 million.

Sunkus & Associates Inc.

During the six months ended August 31, 2002, the Sunkus Group opened a total of 148 new stores. This figure breaks down into 63 new stores opened by Sunkus' 13 area franchisers and 85 new stores opened by Sunkus proper, which includes 10 relocated stores. The number of new stores opened by Sunkus proper fell below the its targeted 123 new stores mainly because of the cancellation of planned

new stores for which franchise agreements had already been reached. However, average daily sales at new stores reached ¥522,000, a sharp increase over the ¥494,000 recorded in the same period last year. In addition to relocating stores, Sunkus also actively enhanced facilities at existing stores. Actions included rebuilding 6 stores, enlarging parking areas and expanding floor space at 55 stores. In Hokkaido and Tohoku, where a regional economic downturn is fanning fierce competition, Sunkus has instituted organizational changes to emphasize its move to enhance store facilities in the region.

Store Operations

On the store operations front, Sunkus worked to improve the standard of its stores and foster a mindset focused on frontline operations at its Head Office, from a customer-first perspective. Sunkus is strongly advising all stores to improve the accuracy of order placement so as to minimize lost sales opportunities. Key to this is encouraging store owners and managers to allow other store staff, including part-time employees, to actively participate in the order placement process together with promoting greater use of Sunkus' new Store Support Information System. Also, Sunkus took action to improve the business standards of franchised stores at 60 stores, including replacing store managers. Head office directors and employees played an active role in enhancing the competitiveness of stores, through such positive actions as making frequent visits to franchised stores in order to resolve issues as quickly as possible. However, sales at existing stores for the six months ended August 31, 2002 fell 2.4% due to adverse economic conditions, especially slower sales in Hokkaido and Tohoku. Sunkus proper closed 30 unprofitable stores, bringing the number of stores at the interim term-end to 2,193 stores, representing a net increase of 55 stores. Including area franchisers, the Sunkus Group had a network of 3,164 stores at the interim term-end.

Products

On the product side, Sunkus recorded slower sales of rice dishes due to the absence of a hit product in the themed rice dish category, which performed well in the same period last year. Soft drink sales also slumped due to the absence of a hit product and the effects of low temperatures on demand. Sales of alcoholic beverages also struggled. Meanwhile, pastries, tobacco, pre-paid highway toll cards and tickets posted a strong performance. Sunkus managed to steadily boost tickets sales through such initiatives as the June 30 start of ticket sales via Ticket Pia. Viewing tickets as a strategic product capable of attracting more customers into its stores, Sunkus is actively promoting ticket sales. The average markup for all products for six months ended August 31, 2002 was 29.0%, largely on a par with the same period last year. An improvement in markups achieved through joint purchasing negotiations by C&S' Marketing Division, were offset by slower sales of products with relatively high markups such as rice dishes and soft drinks, and a greater share of low-markup product sales such as tobacco and services relative to total sales.

As a result, Sunkus' total store sales for the six months ended August 31, 2002, climbed 4.0% year on year to ¥207,691 million. Total store sales, including area franchisers, were ¥291,533 million, an increase of 5.8%. Total operating revenues climbed 4.9% to ¥33,266 million. Recurring profit was down 6.0% at ¥6,510 million. Net income declined 9.0% to ¥3,204 million.

(2) Forecast for the Fiscal year Ending February 28, 2003

The outlook for Japan's economy is becoming bleaker, amid growing concerns about the future of the global economy as a whole. Clouding the outlook further is the sharp loss of confidence in the U.S. economy and a stronger yen relative to the U.S. dollar. Therefore, weak general economic conditions and a slump in consumer spending are likely to persist in Japan for some time. The convenience store industry is likely to face intensifying competition, and the operating environments of existing C&S Group stores are expected to become increasingly challenging.

In this climate, to enhance the competitiveness of existing stores, the C&S Group is vigorously relocating stores to prime locations, upgrading store facilities and raising the standard of its stores. C&S is re-educating franchised stores, specifically by driving home the importance of reaffirming basic principles of retailing such as friendly service and keeping shelves stocked with a variety of products. In the area of opening new stores, C&S is placing even more emphasis on quality over quantity, in order to maintain stable earnings growth. Furthermore, C&S will concentrate on promoting the sales of distinctive products in the fast food category, which saw rice dish sales slump in the first half of the current fiscal year, as well as in the bread and ticket-sales categories. Operating expenses will be tightly supervised through measures to convert fixed costs into variable costs, including applying performance-linked remuneration structures to directors and employees.

In the current fiscal year, C&S projects that Circle K and Sunkus will open 230 and 200 new stores, respectively. The area franchisers affiliated with these two operating companies will collectively open 168 new stores. In total, the C&S Group expects to open 598 stores. Meanwhile, a total of 208 stores are expected to be closed. This figure breaks down into 103 Circle K stores, 60 Sunkus stores and 45 area franchiser-affiliated stores. By February 28, 2003, C&S' network of stores is projected to reach 6,284 stores, a net increase of 390 stores. C&S projects total operating revenues of ¥895,500 million, an increase of 4.1% year on year. This projection assumes year-on-year declines in sales at existing stores of 1.8% and 1.7% for Circle K and Sunkus, respectively, and a decrease of 1.8% for the entire C&S Group. Consolidated group net sales, including area franchisers, are projected at ¥1,099,200 million, up 5.1% year on year. Markups at Circle K are forecast to improve by 0.1 percentage points, while overall markups at Sunkus are likely to remain mostly the same as last year. The main reason is that Sunkus intends to actively promote ticket sales, which have relatively low markups.

Based on these assumptions, C&S projects consolidated operating revenues of ¥157,500 million, an increase of 2.3%. On the earnings front, although C&S will pursue low-cost operations, the Company intends to aggressively relocate stores to enhance competitiveness, and also expects to incur higher costs arising from closing unprofitable stores. Taking these factors into account, C&S forecasts consolidated recurring profit to climb 3.9% to ¥24,300 million year on year, and consolidated net income to rise 8.8% to ¥12,300 million.

Note:

Figures cited above exclude consumption tax and other similar items.

4.

(1) Consolidated balance sheet

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

(millions of yen)

	August 31, 2002		August 31, 2001		February 28, 2002	
	Amount	% of total	Amount	% of total	Amount	% of total
ASSETS				%		%
Current assets						
Cash and cash equivalents	33,548		28,773		29,114	
Due from franchised stores	3,062		3,373		4,161	
Marketable securities	14,684		16,253		11,010	
Inventories	2,262		2,534		2,200	
Deferred tax assets	1,223		1,476		1,282	
Other current assets	16,201		12,790		14,366	
Allowance for doubtful accounts	774		764		1,047	
Total current assets	70,208	34.8	64,437	33.9	61,089	32.4
Fixed assets						
Property and equipment						
Buildings and structures	22,469		19,392		20,743	
Furniture and fixtures	5,385		6,145		5,748	
Land	8,667		8,050		8,056	
Other fixed assets	276		252		348	
Total property and equipment	36,799	18.2	33,841	17.8	34,897	18.5
Intangible fixed assets						
System software	10,005		9,342		9,754	
System software development in Progress	370		1,907		1,566	
Consolidated adjustment account	12,346		13,094		12,720	
Other intangible fixed assets	2,330		2,817		2,601	
Total intangible fixed assets	25,052	12.4	27,162	14.3	26,642	14.1
Investment and other assets						
Investment in securities	6,753		6,270		5,302	
Deferred tax assets	4,931		3,474		4,352	
Long-term leasehold deposits	51,670		50,349		51,124	
Other investments	8,169		6,118		6,544	
Allowance for doubtful accounts	1,645		1,503		1,387	
Total investment and other assets	69,878	34.6	64,710	34.0	65,935	35.0
Total fixed assets	131,730	65.2	125,714	66.1	127,474	67.6
Total assets	201,939	100.0	190,151	100.0	188,564	100.0

millions of yen)

	August 31, 2002		August 31, 2001		February 28, 2002	
	Amount	% of total	Amount	% of total	Amount	% of total
<u>LIABILITIES</u>						%
Current liabilities						
Trade payables	44,983		42,274		37,020	
Due to franchised stores	4,629		4,640		2,677	
Short-term borrowings	2,300		2,400		2,300	
Current portion of long-term debt	-		700		-	
Current portion of bonds	3,000		-		3,000	
Other accounts payable	4,726		3,829		4,742	
Income taxes payable	5,978		6,023		6,149	
Deferred taxes	-		-		66	
Payments received	10,361		10,181		13,332	
Allowance for bonuses to employees	774		819		762	
Other current liabilities	4,260		4,755		4,560	
Total current liabilities	81,014	40.1	75,623	39.8	74,612	39.5
Long-term liabilities						
Bonds	-		3,000		-	
Allowance for employees' retirement benefits	4,141		4,040		4,085	
Allowance for directors' and corporate auditors' severance benefits	333		268		304	
Leasehold deposits received	12,964		12,240		12,068	
Other long-term liabilities	122		11		95	
Total long-term liabilities	17,561	8.7	19,561	10.3	16,553	8.8
Total liabilities	98,576	48.8	95,185	50.1	91,165	48.3
<u>SHAREHOLDERS' EQUITY</u>						
Common stock	13,469	6.7	13,469	7.1	13,469	7.1
Additional paid-in-capital	26,223	13.0	26,223	13.8	26,223	13.9
Retained earnings	63,082	31.2	54,713	28.7	57,134	30.3
Net unrealized gains on available-for-sale securities	653	0.3	565	0.3	627	0.4
Less, treasury stock	66	0.0	4	0.0	55	0.0
Total shareholders' equity	103,362	51.2	94,966	49.9	97,398	51.7
Total liabilities and shareholders' equity	201,939	100.0	190,151	100.0	188,564	100.0

(2) Consolidated statement of income

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

(millions of yen)

	August 31, 2002		August 31, 2001		February 28, 2002	
	Amount	% of total	Amount	% of total	Amount	% of total
Operating revenues	57,319	70.8	55,148	70.1	107,719	70.0
Sales reported by franchised stores (excluding area franchised stores)						
Current interim period	430,891					
Preceding interim period	415,922					
Last fiscal year	814,271					
Sales of total chain store (excluding area franchised stores)						
Current interim period	454,528					
Preceding interim period	439,432					
Last fiscal year	860,441					
Net sales of company-owned stores	23,636	29.2	23,509	29.9	46,169	30.0
Total operating revenues	80,956	100.0	78,658	100.0	153,889	100.0
Cost of goods sold	17,724	21.9	17,538	22.3	34,670	22.5
Gross profit	63,231	78.1	61,119	77.7	119,219	77.5
Cost of selling, general and administrative expenses	48,681	60.1	46,162	58.7	94,673	61.5
Operating Income	14,550	18.0	14,956	19.0	24,545	16.0
Non-operating income	399	0.5	275	0.3	617	0.4
Non-operating expenses	722	0.9	660	0.8	1,785	1.2
Recurring profit	14,227	17.6	14,571	18.5	23,378	15.2
Extraordinary gains	171	0.2	68	0.1	138	0.1
Extraordinary losses	1,396	1.7	901	1.1	2,390	1.6
Income before income taxes	13,002	16.1	13,738	17.5	21,125	13.7
Income taxes-current	6,345	7.8	5,962	7.6	10,440	6.8
Income taxes-deferred	605	0.7	41	0.1	620	0.4
Net Income	7,262	9.0	7,734	9.8	11,304	7.3

(3) Consolidated cash flow statement

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

(millions of yen)

	August 31, 2002	August 31, 2001	February 28, 2002
	Amount	Amount	Amount
Cash flows from operating activities:			
Income before income taxes and others	13,002	13,738	21,125
Depreciation	4,896	4,995	10,573
Amortization of goodwill	374	374	748
Gain or loss on sale of fixed assets	839	833	1,636
Increase or decrease in allowance for doubtful receivables	14	40	208
Increase or decrease in accrued bonuses to employees	12	16	73
Increase in allowance for employees' retirement benefits	55	26	71
Increase or decrease in allowance for directors' and corporate auditors' retirement and severance benefits	29	196	161
Interest and cash dividends income	143	166	313
Interest expenses	51	61	123
Increase or decrease in other accounts receivable	2,296	166	685
Increase in inventories	61	441	107
Increase in accounts payable	9,914	10,187	3,009
Increase or decrease in deposits received	2,082	-	2,199
Directors' and corporate auditors' bonuses payments	107	101	101
Other	1,076	2,613	584
Sub-total	25,545	26,553	39,038
Interest and dividends received	142	199	248
Interest paid	39	50	95
Income taxes paid	5,655	5,052	10,266
Net cash provided by operating activities	19,993	21,650	28,925
Cash flows from investing activities:			
Increase in property and equipment	4,480	4,547	9,335
Decrease in property and store facilities	162	393	693
Increase in intangible fixed assets and long-term prepaid expenses	1,865	2,968	5,979
Increase in investment securities	2,702	458	746
Decrease in investment securities	1,300	1,500	1,901
Increase in loans receivable	876	91	664
Correction of loans receivable	992	156	304
Increase in fixed leasehold deposits	4,010	3,948	7,576
Correction of fixed leasehold deposits	1,288	1,153	1,897
Other	147	333	177
Net cash used in investing activities	10,340	9,144	19,683
Cash flows from financing activities:			
Proceeds from short-term borrowings	4,500	-	2,300
Repayment of short-term borrowings	4,500	-	2,400
Repayments of long-term debt	-	200	900
Dividends paid	1,206	1,041	2,190
Increase in guarantee deposits received	662	999	4,394
Repayments of guarantee deposits received	664	852	4,395
Other	10	5	154
Net cash used in financing activities	1,218	1,099	3,245
Net change in cash and cash equivalents	8,434	11,406	5,996
Cash and cash equivalents at beginning of year	39,113	33,116	33,116
Cash and cash equivalents at end of year	47,547	44,522	39,113