

Consolidated financial summary for the Six-Month Period Ended August 31,2003

C&S co., Ltd.

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

Registered head office: Aichi Prefecture (Headquarters: Kyobashi YS Bldg.,4F,12-5,Kyobashi 1-chome,Chuo-ku,Tokyo Japan)

Company representative: Taizo Toyama, President and CEO.

For further information: Toshitaka Yamaguchi, Senior Manager of Finance and Accounting Division

Tel:(03)3561-4524 E-mail:t-yamaguchi@cgrp.co.jp

Date of the board of directors meeting to settle accounts: October 14, 2003

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

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

1. Business Results for the Six-Month Period Ended August 31,2003 (From March 1, 2003 to August 31, 2003)

(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	87,062	7.5	12,238	(15.9)	10,836	(23.8)
Preceding interim period	80,956	2.9	14,550	(2.7)	14,227	(2.4)
Last fiscal year	158,313		24,168		23,574	

	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	4,757	(34.5)	55.22	--
Preceding interim period	7,262	(6.1)	84.28	--
Last fiscal year	11,490		132.28	--

Note: a. Equity in earnings or loss of investees For the end of August 31, 2003 ¥ -- million

For the end of August 31, 2002 ¥ -- million

For the end of February28, 2003 ¥ -- million

b. Average number of shares (Consolidated) during

For the end of August 31,2003	86,157,142shares
For the end of August 31,2002	86,164,538shares
For the end of February 28, 2003	86,162,300shares

c. 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	210,040	109,469	52.1	1,270.58
Preceding interim period	201,939	103,362	51.2	1,199.62
Last fiscal year	194,487	106,083	54.5	1,230.19

Notes: Number of shares outstanding (Consolidated) at the end of
August 31, 2003 86,157,273shares
August 31, 2002 86,162,640shares
February28, 2003 86,157,541shares

(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	23,269	(4,355)	(1,932)	56,374
Preceding interim period	19,993	(10,340)	(1,218)	47,547
Last fiscal year	25,674	(18,854)	(6,540)	39,392

(4) Scope of consolidated subsidiaries

Consolidated subsidiaries : 3 Subsidiaries or affiliates applicable of equity method: None

(5) Change in scope of consolidation and equity method

Consolidation : (Inclusion) 1 (Exclusion) None Equity method : (Inclusion) None (Exclusion) None

2. Consolidated Business Outlook for the Fiscal Year Ending February 29, 2004 (From March 1, 2003 to February 29, 2004)

	Total operating revenues	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
For the Fiscal year ending on February 29,2004	168,590	18,050	7,140

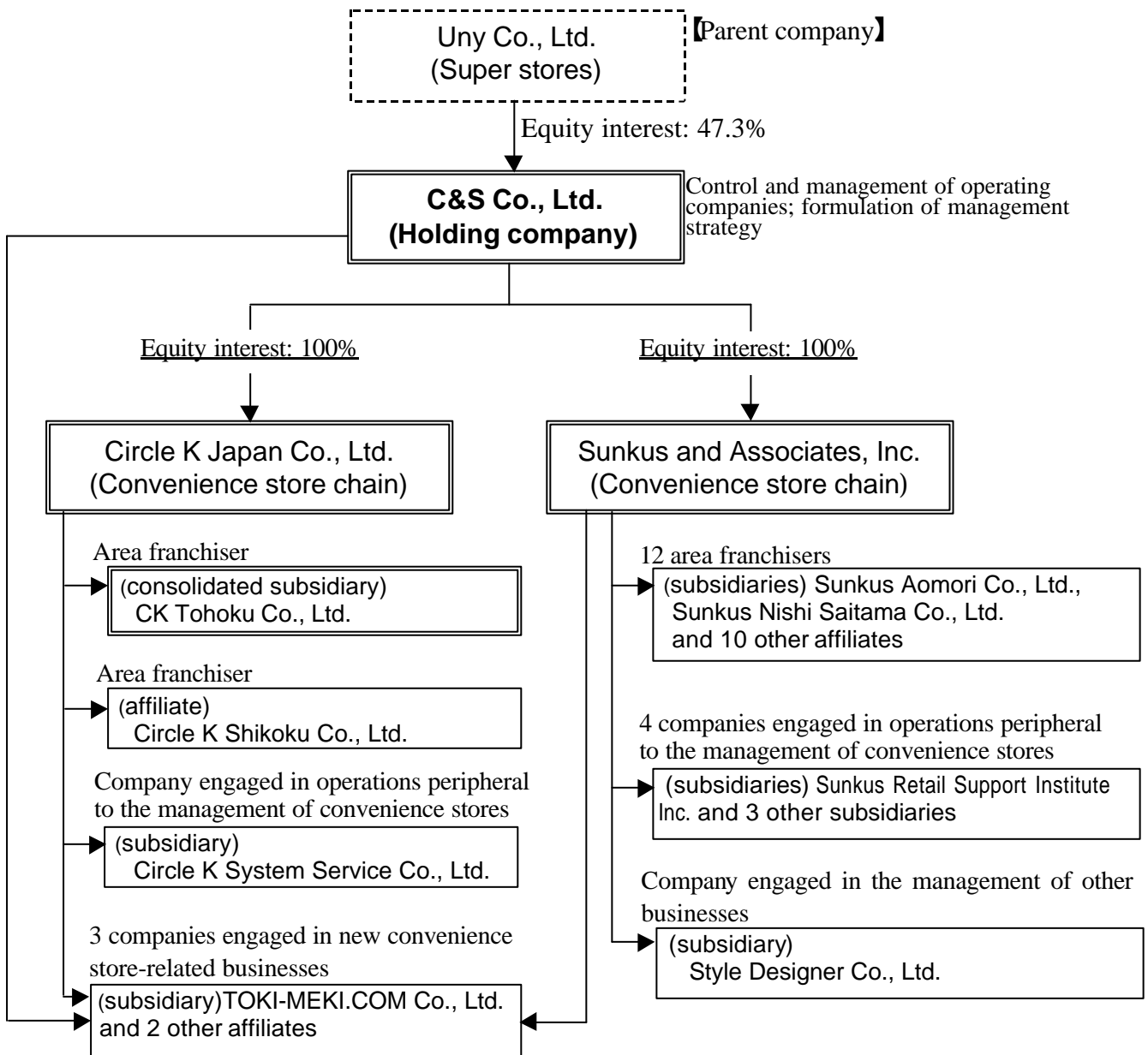
(Reference)Projected net income per share ¥ 82.87

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 25 companies: three consolidated subsidiaries, Circle K Japan Co., Ltd., Sunkus and Associates, Inc., CK Tohoku Co., Ltd., 9 other subsidiaries, and 13 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 2003.

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 maintaining 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). Ultimately, 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, C&S considers the maintenance of stable dividends its first priority and aims to pay out approximately 20% of consolidated net income in the year under review in the form of dividends. C&S intends to raise the dividend payout ratio to somewhere between 25% and 30% in the future.

For the six months ended August 31, 2003, 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 at its Annual General Meeting of Shareholders in May 2004. Structural reforms implemented in the current fiscal year are expected to lower earnings. As a result, the dividend payout ratio based on projected consolidated net income for the year ending February 29, 2004, will be 38.6%.

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

(3) Medium- to Long-Term Management Strategy

The C&S Group is working to derive optimum benefits from a group network exceeding 6,000 stores operated by Circle K, Sunkus and their area franchisers in a range of areas, from marketing to the development of information systems, creating new services and enhancing operating efficiency. From these initiatives, C&S aims to generate cash flows in line with its investments, while making new investments in revitalizing existing stores and expanding sales, and taking action to make individual stores more competitive in their local neighborhoods.

During the fiscal year ending February 29, 2004, the C&S Group is implementing several measures to further integrate its organization. This will allow the C&S Group to lower costs, while promoting cross-pollination of knowledge and activities across the entire C&S Group. In these ways, the C&S Group aims to further improve profitability and sales capabilities.

(4) Management Targets

In the period ending February 29, 2004, C&S expects to see a temporary drop in earnings due to investments aimed at putting in place a stable foundation for future growth, including losses on store closures and higher sales promotion expenses. In the medium-term, however, C&S is targeting annual consolidated earnings growth of at least 10% and ROE of 15%.

(5) Corporate Governance

C&S has limited the size of its Board of Directors to no more than 10 directors. This will ensure that the holding company plays a central role in the decision making process, and that decisions are made rapidly from a comprehensive viewpoint.

Final decision-making authority rests with the Board of Directors of C&S. However, the presidents of the C&S Group's two operating companies—Circle K and Sunkus—participate in meetings of the Board of Directors as non-standing directors to help form and maintain a solid consensus among group companies. General managers of divisions at Circle K and Sunkus present business reports to the Board on a quarterly basis, to inform the Board of the status of operations and to share information among group companies.

(6) Issues to Be Addressed

To rise above the current climate of fierce competition between convenience stores and new entrants from different industries, C&S must form a clear vision of the kind of convenience store that customers truly need and establish store brands that enjoy strong customer support. The convenience store industry is shifting from an era of competition to a shakeout among surviving chains. With this in mind, C&S is making capital expenditures to increase sales and implementing sales promotion measures to leverage existing stores on an unprecedented scale. The key priorities are not just to improve sales capabilities, but also to maintain earnings at franchised stores. C&S is working to improve profitability by leveraging economies of scale, while reinforcing sales capabilities through measures that include constructing optimal delivery networks that provide an enhanced level of support for stores. These actions will allow C&S to fulfill its responsibilities as a Franchise Headquarters for franchised stores, and also help to improve C&S' corporate value.

Historically, Circle K and Sunkus were late in expanding their convenience store networks. The two convenience store chains have thus expanded their networks in areas far from their home ground, where expansion is time-consuming, by forming alliances with local companies. These alliances have taken the form of partnerships with area franchisers to open new stores. In the future, it will become increasingly important to consider regional strategies. Personnel and funding support for stores in outlying regions is also becoming necessary.

The C&S Group will deepen ties and remain in close contact with area franchisers, while further strengthening management guidance.

(7) Basic Policy Regarding Relationships Among Group Members

a. 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 47.3% 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.

b. Subsidiaries and affiliates

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 C&S. The appointment of directors and remuneration at both operating companies however, are decided by C&S. The two operating companies have entered into agreements with area franchisers to expand their store networks. The C&S Group has a total of 15 area franchisers, including 2 at Circle K and 13 at Sunkus. On August 2003, CKTohoku Co., Ltd., an area franchiser for Circle K stores in the Tohoku region, became a wholly owned subsidiary of Circle K Japan Co., Ltd. Circle K has sent personnel to serve as directors of CKTohoku, and also provides management guidance, funding and other forms of support to the company. C&S now has three subsidiaries that are also area franchisers,

including consolidated subsidiary CKTohoku, non-consolidated subsidiary Sunkus Aomori Co., Ltd., and Sunkus Nishi-Saitama Co., Ltd. C&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, C&S 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. C&S takes part, directly or indirectly, in strategy formulation and decision making, from the viewpoint of maximizing group earnings.

3. Operating Results and Financial Position

(1) Overview

During the six-month period ended August 31, 2003, Japan's unemployment rate and GDP showed signs of bottoming out. However, rising social insurance premiums and other factors squeezed household budgets, as the convergence of war in Iraq, the fallout from SARS and similar concerns further discouraged consumer spending.

The convenience store industry faced slower growth in demand, mainly for summer products, due to an extended rainy season and one of Japan's coolest summers in a decade. Another factor was growing competition from industry outsiders, such as supermarkets with late-night operating hours.

For its part, C&S saw second-quarter results fall lower than expected, despite first-quarter results being roughly in line with initial forecasts. This culminated in a 5.3% year-on-year decline in existing store sales, with sales at existing Circle K stores down 5.5% and Sunkus store sales 5.2% lower, mirroring an extremely challenging environment during the period under review. Amid this climate, C&S continued to place even more emphasis on its principle of quality over quantity in its drive to open new stores, bringing forward the closure of many unprofitable stores and those likely to become unprofitable in the future. As of August 31, 2003, the C&S Group had decreased its total number of its stores, including area franchisers, by a net 50 stores to a total of 6,191 stores.

CKTohoku Co., Ltd., an area franchiser for Circle K stores in Japan's Tohoku region, became a consolidated subsidiary of C&S Co., Ltd. during the period under review. Total store sales, a figure encompassing the combined sales of the C&S Group's three consolidated subsidiaries, edged up 0.9% year on year to ¥458,803 million. With the inclusion of non-consolidated area franchisers, total store sales for the Group declined 0.5% from the previous year to ¥554,229 million. Total operating revenues rose 7.5% over the same period a year earlier to ¥87,062 million.

On the earnings front, the addition of a newly consolidated subsidiary helped to lift consolidated gross profit 3.4% to ¥65,397 million. Despite this growth, operating income for the six-month period was ¥12,238 million, falling below initial plans. In line with ongoing structural reforms, C&S increased store closures substantially during the period. The resultant jump in losses on the cancellation of contracts and related costs led to consolidated recurring profit of ¥10,836 million, a decline of 23.8% compared to the same period in the previous year. Consolidated net income fell 34.5% year on year to ¥4,757 million. This decrease is attributed to an extraordinary loss of ¥333 million on the disposal of multimedia terminals, and a loss of ¥419 million on cancellation of lease contracts due to store closures and related matters.

Looking at consolidated cash flows during the interim period, net cash provided by operating activities was ¥23,269 million, 16.4% higher than in the previous fiscal year's interim period. One major component was income before income taxes of ¥9,030 million, down 30.5% from the previous year, due to lower sales at existing stores, losses from large-scale store closures, and the addition of a newly consolidated subsidiary. Other components included depreciation and amortization of ¥5,034 million, a non fund transaction and an increase in trade payables of ¥9,715 million from the previous fiscal year-end.

Investing activities, meanwhile, used net cash of ¥4,355 million, or 57.9% less than in the previous fiscal year's interim period. The significant uses of cash were ¥4,005 million for the acquisition of property and equipment related to the opening of new stores and improving store conditions at existing stores, and ¥3,234 million for long-term leasehold deposits.

Net cash used in financing activities jumped 58.5% to ¥1,932 million, a result attributed, among various factors, to cash outflows of ¥1,250 million for the repayment of short-term borrowings and ¥1,378 million for the payment of dividends.

As a result of the foregoing, cash and cash equivalents at the end of the six-month period under review were ¥56,374 million, a year-on-year increase of ¥16,981 million, or 43.1%.

C&S Co., Ltd., the holding company of the C&S Group, continued working to improve profitability and implement sales promotion measures. Teams within the Structural Reform Committee, established in April this year, played a key role in advancing these activities. The marketing team succeeded in improving product markups by 0.1 of a percentage point. The information systems team, store construction and facilities team, and back office teams strove to lower costs. The Rice Dish Sales Promotion Committee strengthened sales capabilities by increasing orders of rice dishes from stores.

On the product side, in the fast food category, C&S implemented measures to boost sales, focusing on improving the quality of rice dishes and preventing stockouts. Quality enhancement measures saw Circle K take steps to secure the most flavorful rice in a given year by partnering with Japan Agricultural (JA) Cooperatives to standardize the harvest location and brand of rice used in rice dishes at Circle K stores nationwide in every harvest year. These and other actions were taken by Circle K to improve the quality and value of products. For its part, Sunkus worked to improve the quality of mainstay boxed lunches in terms of taste, maintaining freshness and other factors. Key to this was shifting over to a system where chilled dishes are preserved at a temperature of 8°C at all times—from preparation to delivery and display—instead of at the conventional low temperature of 18°C. Other initiatives included shortening the time between delivery and peak sales hours, and lowering lost sales opportunities. In July, Circle K launched premium *Kiwami no Gu* rice balls as part of efforts to uncover new sources of demand. Specific measures to boost sales saw the C&S Group implement a plan to boost sales of rice dishes primarily at Circle K stores in the Chukyo region, and Sunkus stores in Chukyo and Kanto. This plan focused on actions to strengthen sales capabilities, such as increasing the number and range of products on shelves to enlarge product offerings at stores. As a result, despite slumping existing store sales, rice dish sales were favorable both Circle K and Sunkus.

In other areas, original baked goods continued to make a healthy contribution to sales. These products are marketed as the *Deli Plus Bakery* series at Circle K stores and the *Bakery Renaissance* series at Sunkus stores. Countertop fast foods also achieved a favorable sales performance, as Circle K expanded sales of *Achi Achi Buns*, which employ in-store ovens, to stores in Tokyo, Kanagawa and Niigata prefectures.

In non-food items, particularly the toy category, C&S began selling original toy figures to differentiate itself from other convenience store chains. In services, Circle K and Sunkus recorded steady sales of tickets and other items via the former's established CN Playguide system and the latter's Ticket Pia service. From July, Circle K and Sunkus became the first convenience stores to launch the *Keitai Kessai* service—a service that allows customers to pay for airline tickets and high-speed bus fees using mobile phones.

Although sales of products with high markups such as soft drinks slumped due to unseasonably low temperatures this summer, C&S made progress with negotiations on product markups thanks to larger transaction volumes, the introduction of new products and other factors, and expanded its range of private-brand products. This led to improvement in product markups. Another contributing factor was that sales of prepaid highway toll cards, which have relatively low markups, represented a lower percentage of overall sales. The result was that average product markups during the interim period ended August 31, 2003 up 0.4 of a percentage point at 28.9% at Circle K and 0.4 of a percentage point at 29.4% at Sunkus.

The C&S Group has also begun looking into creating a standardized private brand for the entire group covering general merchandise and processed foods.

On the logistics side, C&S has continued to introduce environmentally sound compressed natural gas (CNG) vehicles into its delivery fleet. Circle K has begun making joint deliveries specific to delivery temperature ranges. Sunkus worked to improve logistics efficiency, taking steps such as shifting to a system where deliveries are made twice per day in line with the start of rice-dish deliveries at chilled temperature ranges.

On the store development front, C&S faces fierce competition from industry leader Seven-Eleven Japan's aggressive push into the Chukyo region and entrants from different industries. In this climate, C&S worked to open stores serving new markets in locations such as bus terminals and large office complexes, and launched jointly planned stores with players from other industries, placing additional emphasis on developing stores with high earnings.

Circle K opened more stores than planned in the first half, at 106 new stores, while Sunkus opened fewer stores than planned, at 78 new stores. Due to a temporary lapse in demand for tobacco starting in July and the effects of the cool summer, the average daily sales at new Circle K stores were held to an increase of ¥2,000 to ¥448,000. Sales at new Sunkus stores, meanwhile, declined ¥38,000 to ¥484,000.

C&S continued to work hard to improve store conditions at existing stores to make them more competitive and boost earnings. Circle K and Sunkus relocated 14 and 12 stores, respectively. Parking lots were enlarged at 19 Circle K stores and 17 Sunkus stores. These actions were part of C&S' drive to develop new stores that can prevail in today's intensely competitive environment.

One major theme of the current fiscal year, ending February 29, 2004, is to bring forward the closure of unprofitable stores. During the first half, Circle K closed 121 stores and Sunkus 132 stores. These stores were either unprofitable or were highly likely to become unprofitable in the near future, and also included Company-owned stores with low human productivity. As of August 31, 2003, the number of Circle K stores totaled 2,695 stores, representing a net decrease of 15 stores from the previous fiscal year-end. The total number of Sunkus stores at the interim term-end was 2,203 stores, representing a net decrease of 54 stores.

Circle K's 2 area franchisers opened 17 stores and closed 10, resulting in a net increase of 7 stores to 268 stores as of August 31, 2003. Sales of Circle K's area franchised stores decreased 7.1% to ¥17,189

million. Meanwhile, Sunkus' 13 area franchisers opened 49 stores and closed 37, resulting in a net increase of 12 stores to 1,025 stores as of August 31, 2003. Sales of Sunkus' area franchised stores were favorable, rising 4.2% to ¥87,350 million.

(2) Forecast for Fiscal Year Ending February 29, 2004

While bright spots have begun to emerge in certain sectors of Japan's economy, the operating environment for C&S is likely to remain harsh, spurred on by intensifying competition among convenience stores in Japan and the entry of players from outside the industry. In this climate, the C&S Group has designated the year ending February 29, 2004 as the year to implement the broad-ranging structural reforms necessary to set a course for qualitative growth and to take a pre-emptive approach to dealing with the issues that confront the Group.

By February 29, 2004, the C&S Group projects that the total number of stores will increase by a net 1 store to 6,242 stores. This includes 200 newly opened stores at both Circle K and Sunkus, as well as 137 newly opened stores among the Group's 15 area franchisers. Accompanying these additions will be the closure of 250 Circle K, 200 Sunkus and 86 area-franchised stores.

During the period under review, C&S terminated sales of prepaid highway toll cards in denominations of ¥30,000 and ¥50,000. The subsequent decline in sales of prepaid highway toll cards is expected to lower existing store sales, excluding area franchised stores, by 5.1% at Circle K stores and 5.3% at Sunkus stores. Excluding non-consolidated area franchisers, the C&S Group projects total store sales of ¥896,290 million, including Circle K store sales of ¥478,300 million, and Sunkus store sales of ¥398,800 million. Total store sales for the C&S Group, including non-consolidated area franchised stores, is expected to be ¥1,081,138 million, a year-on-year decrease of 1.1%.

Product markups at Circle K and Sunkus stores are forecast to improve by 0.8 percentage points and 0.6 of a percentage point, respectively, due to the drop in sales of pre-paid highway toll cards, which have relatively low markups.

While the ongoing decline in the number of Company-owned stores is likely to have a negative impact on total operating revenues for the year, the consolidation of Circle K area franchiser CKTohoku Co., Ltd. is expected to lift total operating revenues by 6.5% over the previous year to ¥168,590 million.

C&S anticipates an increase in sales promotion expenses for the full fiscal year in line with plans to boost orders for rice dishes from franchised stores—a key initiative for expanding sales starting in the next fiscal year. The company also expects to see a substantial increase in losses on store closings. These factors will likely result in a 23.4% decline in consolidated recurring profit, to ¥18,050 million. Consolidated net income is expected to fall 37.9% to ¥7,140 million. C&S intends to pay dividends for the year of ¥32 per share, the same as the previous fiscal year.

(Note) Figures cited above exclude consumption tax and other similar items

4. Consolidated financial statements

(1) Consolidated balance sheet

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

(millions of yen)

	August 31, 2003		August 31, 2002		February 28, 2003	
	Amount	% of total	Amount	% of total	Amount	% of total
ASSETS		%		%		%
1 Current assets						
Cash and cash equivalents	45,273		33,548		33,893	
Due from franchised stores	3,129		3,062		3,711	
Marketable securities	11,101		14,684		5,501	
Inventories	2,168		2,262		1,915	
Deferred tax assets	1,039		1,223		1,122	
Other current assets	15,272		16,201		15,800	
Allowance for doubtful accounts	(799)		(774)		(707)	
<i>Total current assets</i>	77,186	36.7	70,208	34.8	61,237	31.5
2 Fixed assets						
Property and equipment						
Buildings and structures	25,626		22,469		24,418	
Furniture and fixtures	4,669		5,385		4,890	
Land	9,091		8,667		8,768	
Other fixed assets	59		276		130	
<i>Total property and equipment</i>	39,448	18.8	36,799	18.2	38,208	19.7
Intangible fixed assets						
System software	8,321		10,005		9,323	
System software development in progress	264		370		--	
Excess of cost investments over equity in net assets acquired	12,158		12,346		11,972	
Other intangible fixed assets	2,487		2,330		2,100	
<i>Total intangible fixed assets</i>	23,231	11.1	25,052	12.4	23,396	12.0
Investments and other assets						
Investment in securities	5,832		6,753		6,715	
Deferred tax assets	5,077		4,931		5,187	
Long-term leasehold deposits	53,277		51,670		53,570	
Other investments	8,156		8,169		7,943	
Allowance for doubtful accounts	(2,169)		(1,645)		(1,770)	
<i>Total investment and other assets</i>	70,173	33.4	69,878	34.6	71,645	36.8
<i>Total fixed assets</i>	132,854	63.3	131,730	65.2	133,250	68.5
<i>Total assets</i>	210,040	100.0	201,939	100.0	194,487	100.0

(millions of yen)

	August 31, 2003		August 31, 2002		February 28, 2003	
	Amount	% of total	Amount	% of total	Amount	% of total
<u>LIABILITIES</u>		%		%		%
1 Current liabilities						
Trade payables	47,678		44,983		37,963	
Due to franchised stores	4,696		4,629		3,094	
Short-term borrowings	1,150		2,300		1,650	
Current portion of bonds	--		3,000		--	
Other accounts payable	5,399		4,726		4,937	
Income taxes payable	4,240		5,978		4,868	
Payments received	14,470		10,361		14,979	
Allowance for bonuses to employees	785		774		736	
Other current liabilities	4,166		4,260		3,664	
Total current liabilities	82,586	39.3	81,014	40.1	71,894	37.0
2 Long-term liabilities						
Allowance for employees' retirement benefits	4,324		4,141		4,140	
Allowance for directors' and corporate auditors' severance benefits	296		333		370	
Guarantee deposits received	13,178		12,964		11,861	
Other long-term liabilities	184		122		137	
Total long-term liabilities	17,983	8.6	17,561	8.7	16,509	8.5
Total liabilities	100,570	47.9	98,576	48.8	88,404	45.5
<u>SHAREHOLDERS' EQUITY</u>						
1 Common stock	13,469	6.4	13,469	6.7	13,469	6.9
2 Additional paid-in-capital	26,223	12.5	26,223	13.0	26,223	13.5
3 Retained earnings	69,216	32.9	63,082	31.2	65,932	33.9
4 Net unrealized gains on available-for-sale securities	634	0.3	653	0.3	532	0.2
5 Less, treasury stock	(73)	(0.0)	(66)	(0.0)	(74)	(0.0)
Total shareholders' equity	109,469	52.1	103,362	51.2	106,083	54.5
Total liabilities and shareholders' equity	210,040	100.0	201,939	100.0	194,487	100.0

(2) Consolidated statement of income

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

(millions of yen)

	August 31, 2003		August 31, 2002		February 28, 2003	
	Amount	% of total	Amount	% of total	Amount	% of total
1 Operating revenues	58,282	66.9	57,319	70.8	111,244	70.3
Sales reported by franchised stores (excluding area franchised stores)						
Current interim period	430,891					
Preceding interim period	430,024					
Last fiscal year	844,820					
Sales of total chain store (excluding area franchised stores)						
Current interim period	454,528					
Preceding interim period	458,803					
Last fiscal year	891,889					
2 Net sales of company-owned stores	28,779	33.1	23,636	29.2	47,069	29.7
Total operating revenues	87,062	100.0	80,956	100.0	158,313	100.0
3 Cost of goods sold	21,664	24.9	17,724	21.9	35,582	22.5
Gross profit	65,397	75.1	63,231	78.1	122,731	77.5
4 Selling, general and administrative expenses	53,159	61.1	48,681	60.1	98,562	62.2
Operating Income	12,238	14.0	14,550	18.0	24,168	15.3
5 Non-operating income	437	0.5	399	0.5	685	0.4
6 Non-operating expenses	1,838	2.1	722	0.9	1,279	0.8
Recurring profit	10,836	12.4	14,227	17.6	23,574	14.9
7 Extraordinary gains	38	0.1	171	0.2	76	0.0
8 Extraordinary losses	1,844	2.1	1,396	1.7	2,589	1.6
Income before income taxes	9,030	10.4	13,002	16.1	21,061	13.3
Income taxes-current	4,127	4.7	6,345	7.8	10,244	6.4
Income taxes-deferred	145	0.2	(605)	(0.7)	(673)	(0.4)
Net Income	4,757	5.5	7,262	9.0	11,490	7.3

(3) Consolidated statement of retained earnings

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

(millions of yen)

	Six month period Ended August 31, 2003		Six month period Ended August 31, 2002		Fiscal Year ended February 28, 2003	
	Amount		Amount		Amount	
(Capital surplus)						
1. Beginning balance of capital surplus		26,223		26,223		26,223
2. Increase in capital surplus		-		-		-
3. Decrease in capital surplus		-		-		-
4. Ending balance of capital surplus		26,223		26,223		26,223
(Earned surplus)						
1. Beginning balance of earned surplus		65,932		57,134		57,134
2. Increase in earned surplus						
Net income	4,757	4,757	7,262	7,262	11,490	11,490
3. Decrease in earned surplus						
Surplus from transaction in treasury stock	1		-		-	
Dividends	1,378		1,206		2,584	
Directors' bonuses	93	1,473	107	1,314	107	2,692
4. Ending balance of earned surplus		69,216		63,082		65,932

(4) Consolidated Statements of cash flow

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

(millions of yen)

	August 31, 2003	August 31, 2002	February 28, 2003
	Amount	Amount	Amount
1 Cash flows from operating activities:			
Income before income taxes	9,030	13,002	21,061
Depreciation and amortization	5,034	4,896	10,070
Amortization of goodwill	436	374	748
Loss on write-down of investment securities	32	324	554
Gain or loss on sale of fixed assets	1,015	839	1,533
Increase or decrease in allowance for doubtful receivables	250	(14)	43
Increase or decrease in accrued bonuses to employees	49	12	(25)
Increase in allowance for employees' retirement benefits	183	55	54
Increase or decrease in allowance for directors' and corporate auditors' severance benefits	(74)	29	66
Interest and cash dividends income	(153)	(143)	(337)
Interest expenses	12	51	77
Increase or decrease in other accounts receivable	940	(2,296)	(273)
Increase in inventories	36	(61)	285
Increase in trade payable	10,189	9,914	1,359
Increase or decrease in deposits received	283	(2,082)	1,704
Directors' and corporate auditors' bonuses payments	(93)	(107)	(107)
Other	381	752	95
Sub-total	27,555	25,545	36,910
Interest and dividends received	159	142	263
Interest paid	(5)	(39)	(80)
Income taxes paid	(4,440)	(5,655)	(11,419)
Net cash provided by operating activities	23,269	19,993	25,674
2 Cash flows from investing activities:			
Decrease in marketable securities	--	--	1,000
Increase in property and equipment	(4,005)	(4,480)	(9,299)
Decrease in property and equipment	242	162	310
Increase in intangible fixed assets and long-term prepaid expenses	(1,406)	(1,865)	(3,094)
Increase in investment securities	--	(2,702)	(5,118)
Decrease in investment securities	1,000	1,300	3,000
Net proceeds from acquisition of newly consolidated subsidiary	254	--	--
Increase in loans receivable	(785)	(876)	(1,926)
Correction of loans receivable	786	992	1,799
Increase in long-term leasehold deposits	(3,234)	(4,010)	(8,062)
Correction of fixed leasehold deposits	2,720	1,288	2,660
Other	72	(147)	(122)
Net cash used in investing activities	(4,355)	(10,340)	(18,854)
3 Cash flows from financing activities:			
Proceeds from short-term borrowings	750	4,500	22,350
Repayment of short-term borrowings	(1,250)	(4,500)	(23,000)
Repayments of long-term debt	--	--	(3,000)
Dividends paid	(1,378)	(1,206)	(2,584)
Increase in guarantee deposits received	766	662	1,130
Repayments of guarantee deposits received	(819)	(664)	(1,417)
Other	(0)	(10)	(19)
Net cash used in financing activities	(1,932)	(1,218)	(6,540)
4 Net change in cash and cash equivalents	16,981	8,434	279
5 Cash and cash equivalents at beginning of year	39,392	39,113	39,113
6 Cash and cash equivalents at end of year	56,374	47,547	39,392