

Summary of Consolidated Financial Statements for the First Quarter Ended May 31, 2004

C&S Co., Ltd.

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

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Stock exchange listings: The first section of the Tokyo Stock Exchange and Nagoya Stock Exchange

Securities Code Number: 7437

1. Preparation of Summary of Quarterly Report

(1) Standards used in preparation of financial statements: Prepared in accordance with the interim financial accounting standards in Japan.

(2) Change in accounting methods: None

(3) Changes in scope of consolidation and application of equity method: Yes (Consolidation: (New) 2 companies)

(4) Involvement of certified public accountant or audit corporation: None

(Note) Although fiscal 2005 is the first year in which C&S Co., Ltd. is disclosing quarterly results, results for the first quarter of the previous fiscal year are shown for comparison purposes. Consolidated statements of cash flows are not prepared for quarterly reporting purposes.

2. Results for the first quarter of Fiscal 2005 (March 1, 2004 to May 31, 2004)

(1) Consolidated Operating Results

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

	Total operating revenues [Total sales]		Operating income		Recurring profit			
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %		
1st. Quarter ended 5/04	43,274	[231,805]	2.3	[3.9]	6,057	15.1	6,132	32.1
1st. Quarter ended 5/03	42,314	[223,027]	-	[-]	5,263	-	4,640	-
(Ref.) Year ended 2/04	169,501	[902,247]	-		22,435	-	19,701	-

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
1st. Quarter ended 5/04	3,614	106.9	41.95	-
1st. Quarter ended 5/03	1,746	-	20.27	-
(Ref.) Year ended 2/04	7,651	-	87.78	-

(Note) Figures for the percent columns indicate percentage changes in total operating revenues, total sales excluding non-consolidated area franchisers, operating income, recurring profit and net income compared with the same quarter of the previous year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
1st. Quarter ended 5/04	211,785	113,183	53.4	1,313.72
1st. Quarter ended 5/03	195,768	106,438	54.4	1,235.41
(Ref.) Year ended 2/04	204,873	110,945	54.2	1,286.69

3. Forecast of Consolidated Results for the Six Months Ended August 31, 2004 and the Year Ended February 28, 2005

The forecast of consolidated results for the six months ended August 31, 2004 and the year ended February 28, 2005 are unchanged from April 15, 2004.

4. Overview of Consolidated Results for the First Quarter

(1) Overview of the First Quarter

C&S Co., Ltd. performed fairly well in the first quarter of fiscal 2005, the three-month period ending May 31, 2004. Although there was a decline in existing store sales in March 2004, reflecting the absence of brisk video game software sales in the same month a year ago, fair weather in April helped to drive growth in existing store sales for the first time since June 2003. CIRCLE K JAPAN Co., Ltd. (Circle K) achieved continued growth in existing store sales in May. Consequently, existing store sales at Circle K increased 0.9% year on year in the first quarter of fiscal 2005. Meanwhile, SUNKUS & ASSOCIATES INC. (Sunkus) reported a 1.8% decline in existing store sales, partly reflecting the effects of lackluster sales of alcoholic beverages due to intensified competition sparked by the liberalization of licenses to sell these beverages.

<Monthly Sales Compared With the Previous Fiscal Year>

Circle K	Circle K (%)				Sunkus	Sunkus (%)			
	May	April	May	Total		May	April	May	Total
Existing stores	(0.8)	3.1	0.5	0.9	Existing stores	(2.6)	0.8	(3.5)	(1.8)
All stores	0.5	4.9	2.3	2.5	All stores	(1.3)	2.6	(1.4)	(0.1)

During the first quarter, C&S made two companies, Sunkus Aomori Co., Ltd. (Sunkus Aomori) and Sunkus Nishi-Saitama Co., Ltd. (Sunkus Nishi-Saitama) consolidated subsidiaries, thereby increasing the number of consolidated subsidiaries to 5 as of the end of the first quarter. Looking at existing store sales at other consolidated subsidiaries, CKTOHOKU Co., Ltd. (CKTOHOKU) achieved robust growth of 12.0% in existing store sales, rebounding from a downturn in sales experienced in the same period of the previous fiscal year immediately after the transfer of its operations to Circle K. Existing store sales at Sunkus Aomori and Sunkus Nishi-Saitama decreased 3.6% and 2.5%, respectively.

Due to these factors, total store sales rose 3.9% to ¥231,805 million in the first quarter. Excluding the effect of the addition of 2 newly consolidated subsidiaries, the growth in total store sales was 1.5%.

In the products category, C&S is innovating manufacturing processes for boxed lunches and rice balls, spending much more time and effort on these processes in pursuit of better-tasting products. In addition, some 100 new items in the general merchandise category were launched under a common group-wide private-brand, *KACHIAL*, which combines the original products of Circle K and Sunkus. The fundamental concept behind the *KACHIAL* brand is value, trust, and reassurance, with product development also reflecting environmental considerations. In the services category, mail boxes were installed at stores nationwide in April 2004, following their installment at Circle K and Sunkus stores in the Tokai region in December 2003, through a partnership with Japan Post.

Product markups decreased 0.3 of a percentage point to 28.6% at Circle K and 0.4 of a percentage point at Sunkus to 29.1%, due partly to greater-than-expected sales of products with low product markups, such as prepaid highway toll cards and tobacco.

The number of new stores opened was 37 at Circle K and 30 at Sunkus, slightly below plans. C&S expects to meet its plans for new store openings for interim fiscal 2005, the six-month period ending August 31, 2004. There were 10 relocated new stores at Circle K and 6 at Sunkus, reflecting continued efforts to relocate stores to prime locations. Meanwhile, Circle K closed 11 stores, while Sunkus closed 10 centered on unprofitable stores. Store openings/closures at other subsidiaries were 5 openings and 8 closures at CKTOHOKU, 1 opening at Sunkus Aomori and 1 closure at Sunkus Nishi-Saitama. Consequently, the total number of stores, including area franchisers, had increased by 22 stores to 6,204 stores as of May 31, 2004, compared with the previous fiscal year-end.

For the first quarter of fiscal 2005, total operating revenues rose 2.3% over the previous first quarter to ¥43,274 million, mainly due to a strong sales showing at Circle K. Operating income climbed 15.1% to ¥6,057 million and recurring profit increased 32.1% to ¥6,132 million. Net income increased 106.9% to ¥3,614 million. There were much lower losses accompanying store closures, such as cancellation of contracts, disposal of property and equipment, and the loss on cancellation of lease contracts. Total assets increased ¥6,912 million from the previous fiscal year-end to ¥211,785 million, mainly due to the addition of two newly consolidated subsidiaries. Shareholders' equity rose ¥2,237 million to ¥113,183 million, mainly reflecting the recording of net income of ¥3,614 million in the first quarter, despite the payment of dividends and bonuses to directors and corporate auditors of ¥1,467 million.

(2)Outlook for Fiscal 2005

As mentioned above, sales trended fairly well in the first quarter. However, second-quarter sales represent a large percentage of full-year sales. Accordingly, sales trends in the near term could have a significant bearing on operating results. C&S has not revised its initial forecasts for interim fiscal 2005, the six-month period ending August 31, 2004, which were announced on April 15, 2004. The company will continue to drive further sales growth, while lowering operating expenses.

5. Consolidated Financial Statement

(1) Consolidated balance sheet

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

(Millions of yen)

	1st. Quarter ended May 31, 2003 (As of May 31, 2003)		1st. Quarter ended May 31, 2004 (As of May 31, 2004)		Fiscal Year ended February 29, 2004 (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(ASSETS)		%		%		%
1. Current assets						
Cash and cash equivalents	38,283		42,169		39,654	
Due from franchised stores	3,760		3,312		3,600	
Marketable securities	2,001		14,603		13,101	
Inventories	2,233		2,270		1,922	
Deferred tax assets	886		2,018		2,130	
Other current assets	16,934		16,465		15,414	
Allowance for doubtful accounts	(949)		(743)		(593)	
Total current assets	24,786	32.3	80,096	37.8	75,230	36.7
2. Fixed assets						
Property and equipment						
Buildings and equipment	24,786		27,601		25,980	
Furniture and fixtures	4,745		3,934		4,199	
Land	8,918		9,342		9,367	
Other property and equipment	172		193		177	
Total property and equipment	38,622	19.7	41,071	19.4	39,724	19.4
Intangible fixed assets						
System software	8,860		6,351		7,021	
System software development in progress	284		392		162	
Excess of cost of investments over equity in net assets acquired	11,787		11,546		11,224	
Other intangible fixed assets	2,591		2,394		2,362	
Total intangible fixed assets	23,523	12.0	20,685	9.8	20,770	10.1
Investment and other assets						
Investment in securities	5,831		4,928		5,820	
Deferred tax assets	5,018		4,729		4,731	
Long-term leasehold deposits	53,456		53,724		52,665	
Other investment	7,900		8,678		8,069	
Allowance for doubtful accounts	(1,734)		(2,127)		(2,140)	
Total investment and other	70,472	36.0	69,932	33.0	69,147	33.8
Total fixed assets	132,618	67.7	131,689	62.2	129,642	63.3
Total assets	195,768	100.0	211,785	100.0	204,873	100.0

(Millions of yen)

	1st. Quarter ended May 31, 2003 (As of May 31, 2003)		1st. Quarter ended May 31, 2004 (As of May 31, 2004)		Fiscal Year ended February 29, 2004 (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
(LIABILITIES)						
1.Current liabilities						
Trade payable	44,559		44,049		40,909	
Due to franchised stores	3,415		4,362		3,111	
Short-term borrowings	1,100		500		500	
Other accounts payable	4,653		4,630		6,446	
Income taxes payable	1,553		2,289		3,313	
Payments received	11,106		18,917		16,746	
Allowance for bonuses to employees	1,451		1,430		724	
Other current liabilities	3,469		3,948		4,124	
Total current liabilities	71,310	36.4	80,128	37.9	75,877	37.0
2.Long-term liabilities						
Long-term borrowings	-		67		-	
Allowance for employees' retirement benefits liability	4,244		4,573		4,499	
Allowance for directors' and corporate auditors' severance benefits	281		293		328	
Leasehold deposits received	13,299		13,021		13,023	
Other long-term liabilities	192		516		198	
Total long-term liabilities	18,018	9.2	18,473	8.7	18,049	8.8
Total liabilities	89,329	45.6	98,601	46.6	93,927	45.8
(MINORITY INTEREST)						
Minority Interest	-	-	0	0.0	-	-
(SHAREHOLDERS' EQUITY)						
1.Common stock						
	13,469	6.9	13,469	6.4	13,469	6.6
2.Capital surplus						
	26,223	13.4	26,223	12.4	26,223	12.8
3.Retained earnings						
	66,207	33.8	72,878	34.4	70,731	34.5
4.Net unrealized gains on available-for-sale securities						
	614	0.3	690	0.3	596	0.3
5.Less, treasury stock						
	(75)	(0.0)	(77)	(0.0)	(74)	(0.0)
Total shareholders' equity	106,438	54.4	113,183	53.4	110,945	54.2
Total liabilities and shareholders' equity	195,768	100.0	211,785	100.0	204,873	100.0

(2)Consolidated statement of income

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

(Millions of yen)

	1st. Quarter ended May 31, 2003 (From March 1,2003 to May 31, 2003)		1st. Quarter ended May 31, 2004 (From March 1,2004 to May 31, 2004)		Fiscal Year ended February 29, 2004 (From March 1,2003 to February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
1.Operating revenues		%		%		%
Franchise commissions from franchised stores	25,208		26,102		101,772	
Net sales reported by franchised stores (Figures for exclude non- consolidated area franchised stores.)						
1st. Quarter ended May 31, 2003 ¥ 209,036 million						
1st. Quarter ended May 31, 2004 ¥ 217,818 million						
Fiscal Year ended February 29, 2004 ¥ 847,100 million						
Total net sales of franchised and company-owned stores (Figures for exclude non- consolidated area franchised stores.)						
1st. Quarter ended May 31, 2003 ¥ 223,027 million						
1st. Quarter ended May 31, 2004 ¥ 231,805 million						
Fiscal Year ended February 29, 2004 ¥ 902,247 million						
Other operating revenues	3,115		3,184		12,581	
2.Net sales of o company-owned stores	13,990	(100.0)	13,987	(100.0)	55,147	(100.0)
Total operating revenues	42,314	100.0	43,274	100.0	169,501	100.0
3.Cost of goods sold	10,533	(75.3) 24.9	10,608	(75.8) 24.5	41,754	(75.7) 24.6
Gross profit on sales	3,457	(24.7)	3,379	(24.2)	13,393	(24.3)
Operating gross profit	31,780	75.1	32,666	75.5	127,747	75.4
4.Selling, general and administrative expenses	26,517	62.7	26,608	61.5	105,311	62.2
Operating income	5,623	12.4	6,057	14.0	22,435	13.2

(Millions of yen)

	1st. Quarter ended May 31, 2003 (From March 1,2003 to May 31, 2003)		1st. Quarter ended May 31, 2004 (From March 1,2004 to May 31, 2004)		Fiscal Year ended February 29, 2004 (From March 1,2003 to February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
		%		%		%
5.Non-operating income	222	0.5	369	0.9	847	0.5
Interest income	57		49		321	
Dividend income	35		184		54	
Compensation income	91		96		304	
Other non-operating income	37		38		166	
6.Non-operating expenses	844	2.0	295	0.7	3,581	2.1
Interest expense	6		8		23	
Loss on cancellation of lease contracts	819		250		3,422	
Other non-operating expenses	18		35		134	
Recurring profit	4,640	10.9	6,132	14.2	19,701	11.6
7.Extraordinary gains	27	0.1	95	0.2	82	0.0
Gain on sales of fixed asset	24		27		82	
Gain on sales of investments in securities	-		67		-	
Gain on return of allowance for doubtful accounts	2		0		-	
8.Extraordinary losses	1,104	2.6	250	0.6	4,860	2.8
Loss on disposal of fixed assets	459		100		2,163	
Loss on write-down of investment securities	-		-		531	
Loss on cancellation of lease contracts	238		37		711	
Other extraordinary losses	406		112		1,454	
Income before income taxes	3,564	8.4	5,977	13.8	14,923	8.8
Income taxes-current	1,447	3.4	2,311	5.3	7,847	4.6
Income taxes-deferred	369	0.9	51	0.1	(574)	(0.3)
Minority interest in earnings of consolidated subsidiaries	-	-	(0)	(0.0)	-	-
Net Income	1,746	4.1	3,614	8.4	7,651	4.5

(3) Consolidated statement of retained earnings

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

(Millions of yen)

	1st. Quarter ended May 31, 2003 (From March 1,2003 to May 31, 2003)		1st. Quarter ended May 31, 2004 (From March 1,2004 to May 31, 2004)		Fiscal Year ended February 29, 2004 (From March 1,2003 to February 29, 2004)	
	Amount		Amount		Amount	
(Capital surplus)						
1. Balance of capital surplus at beginning of the period		26,223		26,223		26,223
2. Increase in capital surplus		-		-		-
3. Decrease in capital surplus		-		-		-
4. Balance of capital surplus at end of period		26,223		26,223		26,223
(Retained earnings)						
1. Balance of retained earnings at beginning of the period		65,932		70,731		65,932
2. Increase in retained earnings						
Net income	1,746	1,746	3,614	3,614	7,651	7,651
3. Decrease in retained earnings						
Losses on disposal of treasury stock	1,378		1,378		2,757	
Dividends	93		89		93	
Directors' bonuses	-	1,472	0	1,467	2	2,852
4. Balance of retained earnings at end of the period		66,207		72,878		70,731