

Consolidated financial summary of C&S Co., Ltd. for interim 2005 (March 1, 2004 to August 31, 2004)

CircleKSunkus 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: October 14, 2004

Prepared in accordance with the financial accounting standards in Japan.

On September 1, 2004, Circle K Sunkus Co., Ltd. (formerly CIRCLE K JAPAN Co., Ltd.) was formed through a merger with C&S Co., Ltd. and SUNKUS & ASSOCIATES INC. The new company was renamed Circle K Sunkus Co., Ltd. on the same day.

Hereby we announced consolidated financial result of C&S Co., Ltd. for interim 2005 (March 1, 2004 to August 31, 2004)

1. Results for the Six Month Period Ended August 31, 2004 (March 1, 2004 to August 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 %
Current interim period	90,417 [479,534]	3.9 [4.5]	14,210	16.1	14,186	30.9
Preceding interim period	87,062 [458,803]	7.5 [0.9]	12,238	(15.9)	10,836	(23.8)
Last fiscal year	169,501 [902,247]	7.1 [1.2]	22,435	(7.2)	19,701	(16.4)

	Net Income		Net income per share	Diluted net income per share
	Millions of yen	Change %	Yen	Yen
Current interim period	7,918	66.5	91.92	-
Preceding interim period	4,757	(34.5)	55.22	-
Last fiscal year	7,651	(33.4)	87.78	-

	Return on equity	Recurring profit ratio of total assets	Recurring profit ratio of total operating revenues
	%	%	%
Current interim period	6.9	6.7	15.7
Preceding interim period	4.4	5.4	12.4
Last fiscal year	7.1	9.9	11.6

Notes: 1. Equity in earnings or losses of investees

Current interim period	¥ - million
Preceding interim period	¥ - million
Last fiscal year	¥ - million

2. Average number of shares (Consolidated) during

Current interim period	86,154,989	shares
Preceding interim period	86,157,142	shares
Last fiscal year	86,156,983	shares

3. Change in accounting policies: None

4. Figures for the percent columns indicate percentage changes compared with Preceding interim period.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Current interim period	221,587	117,464	53.0	1,363.43
Preceding interim period	210,040	109,469	52.1	1,270.58
Last fiscal year	204,873	110,945	54.2	1,286.69

(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	23,878	(6,868)	(2,408)	67,746
Preceding interim period	23,269	(4,355)	(1,932)	56,374
Last fiscal year	27,506	(10,049)	(4,093)	52,756

(4) Scope of consolidated subsidiaries

Consolidated subsidiaries : 4 Subsidiaries or affiliates applicable of equity method: None

(5) Change in scope of consolidation and equity method

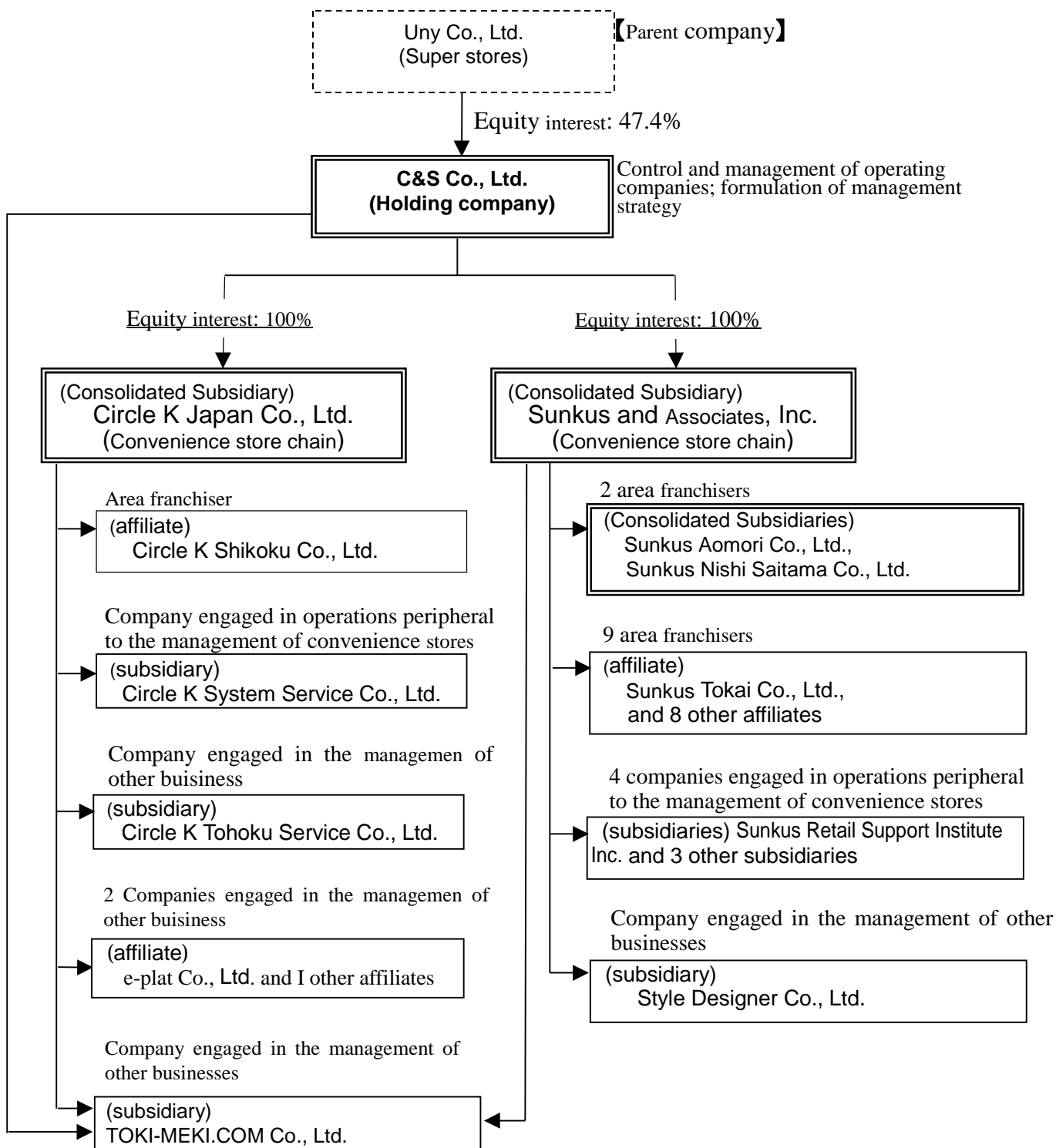
Consolidation : (Inclusion) 2 (Exclusion) 1

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 24 companies: 4 consolidated subsidiaries, Circle K Japan Co., Ltd., Sunkus and Associates, Inc., Sunkus Aomori Co., Ltd., Sunkus Nishi Saitama Co., Ltd., 8 other subsidiaries, and 12 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 36 prefectures as of the end of August 2004.

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



On June 1, 2004, CKTOHOKU Co., Ltd., subsidiary and an area franchiser of Circle K, merged with CIRCLE K JAPAN Co., Ltd.

2. Consolidated Operating Results and Financial Position

(1) Overview of Interim 2005 (six-month period from March 1, 2004 to August 31, 2004)

During interim 2005, Japan's economic and social conditions were shaped by a number of concerns that cast a pall over consumer sentiment, such as geopolitical uncertainty due to prolonged instability in Iraq and rising oil prices. Other concerns included the growing cost-burden placed on younger generations in Japan due to its aging society and various concerns about retirement exemplified by pension issues. In contrast, Japan's exports and capital expenditures were healthy, underpinned by a turnaround in corporate earnings centered on strong demand for digital home appliances occasioned by the 2004 Athens Olympics and other events. Despite lingering softness in the job market, employment has also been steadily improving. In the retail sector, despite differences in the extent of recovery in various business formats, the convenience store industry has benefited from a general recovery in sales, driven in part by a hot spell in Japan that began in July.

The C&S Group saw existing store sales for the first quarter edge down 0.3% year on year (up 0.9% for Circle K and down 1.8% for Sunkus), albeit at a slower rate than in the previous fiscal year. In the second quarter, existing store sales remained mostly the same (up 1.1% for Circle K and down 1.4% for Sunkus), supported by strong sales of beverages and chilled noodles thanks to a spell of hot weather. On the store development side, Circle K and Sunkus together opened 190 stores and closed 88, bringing the total number of stores for the group, including area franchisers, to 6,263, representing a net increase of 111 stores. Total store sales, a figure encompassing the combined sales of the Circle K Sunkus Group's five consolidated subsidiaries, increased 4.5% year on year to ¥479,534 million, ¥1,600 million higher than its original target. Excluding the effect of the addition of newly consolidated subsidiaries, total store sales still increased 2.1% year on year. Total operating revenues were up 3.9% at ¥90,417 million, reflecting an increase in Company-owned stores. However, average product markups declined due to the inclusion of a greater percentage of products with lower margins.

On the earnings front, consolidated operating income rose 16.1% to ¥14,210 million, higher than planned. This reflected the fact that selling, general and administrative (SG&A) expenses were ¥674 million and ¥280 million lower than projected at Circle K and Sunkus, respectively, due to cost-cutting measures continued from the previous fiscal year. Recurring profit also came in higher than planned, up 30.9% at ¥14,186 million. Consolidated net income rose 66.5% to ¥7,918 million.

Operating results for consolidated subsidiaries CIRCLE K JAPAN Co., Ltd. (Circle K) and SUNKUS & ASSOCIATES INC. (Sunkus) for interim 2005 are presented along with an overview of their businesses, as follows.

On the store development front, Circle K and Sunkus pressed forward with a record store closure program focused mainly on unprofitable stores during the previous fiscal year, closing a total of 476 stores. This resulted in a net decrease in stores. In the interim period under review, however, the number of stores closed settled down to normal levels, namely 46 at Circle K and 42 at Sunkus, enabling the Company to concentrate on developing high quality stores centered on store relocations. Faced with continued intense competition for opening new stores, Circle K Sunkus focused store development activities on profitability more than ever, with the aim of developing quality new stores that can prevail in today's fiercely competitive environment. Circle K opened 100 stores during interim 2005, slightly fewer than its plan to open 103 stores. However, its emphasis

on opening stores in prime locations resulted in average daily sales at new stores of ¥473,000, up ¥25,000 from ¥448,000 in the previous fiscal year. Circle K successfully developed four new stores in priority areas for store development in Nagoya and the eastern part of Aichi Prefecture, as part of a key store development initiative. Circle K also relocated 17 stores, more than the 16 relocations it had planned. For its part, Sunkus opened 90 stores as planned during the first half of fiscal 2005. Average daily sales at new Sunkus stores were ¥486,000, lower than initially planned but still ¥2,000 higher than ¥484,000 in the first half of the previous fiscal year. Sunkus relocated 13 stores during the interim period, fewer than its initial plan of 20 relocations, but one more than in the previous interim period. Furthermore, store development departments at Circle K and Sunkus actively worked to renegotiate leases, collect receivables, and reduce costs following on from the previous fiscal year.

In store operations, Circle K positioned improvement in single-product inventory management as a priority issue, with the aim of assembling a product lineup better matched to customer needs. Supervisor guidance on improving the quality of order placement and training systems for store staff were reinforced. More specifically, Circle K prepared a manual outlining techniques for improving the quality of order placement, and provided guidance on the main points of order placement in stores to staff members at franchised stores through Circle K seminars. Following on from the previous fiscal year, Sunkus focused on improving customer service based on its four cardinal principles of store operations. Steps were taken to improve the mindset toward store instruction. Franchised stores were provided with information on the introduction of customer satisfaction evaluations compiled by category and time period, while the Head Office shared best practices in each district across the company through announcements at conferences.

On the product side, Circle K and Sunkus put emphasis on improving the quality of products. For its part, Circle K conducted a far-reaching renewal of its product lineup, involving items such as Kodawari no Tonkatsu Bento (Premium Pork Cutlet Lunch), Ebi Furai Bento (Breaded Shrimp Lunch), rice balls prepared using the “Post-prep Salt Mixing” method, fresh salads and processed salads. Notably, Circle K implemented a plan for raising sales of delicatessen items. Based on the theme of eliminating lost sales opportunities, product and store operations initiatives were combined to propose product lineups structured for various targeted customers and time periods, as well as products lineups and displays suggesting better combinations of products for customers. Sunkus also took steps to improve its lineup of rice balls, which have been recording strong sales growth. These include an insistence on rice grown without using agrichemicals, preparation methods that tightly pack fillings in the center of rice balls, as is the case with sweet-bean fillings for steamed buns, and other creative initiatives. Sunkus also sought to raise overall sales of boxed lunches through measures to reinforce rice dishes such as increasing the volume and variety of products at stores. Furthermore, countertop fast foods were upgraded and extended to more stores. Countertop fast food lineups were also expanded to boost sales.

In general merchandise, Circle K Sunkus introduced *KACHIAL*, an original brand underpinned by the concepts of safety, value and trust. The *KACHIAL* lineup features high-quality products that are highly functional and also address environmental concerns. This brand was extended to snacks and processed foods in August 2004. In the service category, Circle K and Sunkus stores in Aichi, Gifu, Mie and Shizuoka prefectures as well as Hokkaido began accepting *Edy* electronic money in July 2004. Stores have also started to offer *KARUWAZA CLUB* cards, a house credit card. Efforts were also launched to promote the use and sale of the *Osaifu Keitai*

mobile phone payment service as part of a joint campaign with NTT DoCoMo. This system is being used frequently at stores, providing added convenience to customers, improving store operations and lifting sales.

As a result of the foregoing, existing store sales in the interim period increased 1.1% at Circle K and decreased 1.4% at Sunkus. Total store sales at Circle K were ¥251,379 million, or 3.0% higher than a year earlier. Total store sales at Sunkus were up 0.8% at ¥207,312 million. Total store sales for the group, including area franchisers, increased 2.7% to ¥569,380 million.

As of August 31, 2004, Circle K proper had a network of 2,854 stores (2,967 stores group-wide, including area franchisers), including 154 stores transferred from CKTOHOKU Co., Ltd. The total number of Sunkus stores at the interim term-end was 2,248, representing a net increase of 48 stores (3,296 stores group-wide, including area franchisers). As of August 31, 2004, the total number of stores for the Circle K Sunkus Group, including area franchisers was 6,263.

Note: CIRCLE K JAPAN Co., Ltd. absorbed subsidiary CKTOHOKU Co., Ltd. on June 1, 2004 and obtained control of its 154 convenience stores. CKTOHOKU was subsequently converted into the Tohoku Business Division. For comparison purposes, figures for Circle K in the Overview of Forecasts for Fiscal 2005 exclude those for the Tohoku Business Division.

(2) Cash Flows

Looking at consolidated cash flows during the interim period, net cash provided by operating activities was ¥23,878 million, up 2.6% from a year earlier. One major component was income before income taxes of ¥13,544 million, up 50.0% from the previous year, due to the addition of two newly consolidated subsidiaries, Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. during the interim period under review. Other components included depreciation and amortization of ¥4,795 million, a non-cash entry, and an increase in trade payables, such as accounts payable.

Net cash used in investing activities totaled ¥6,868 million, or 57.7% more than in the previous year. The significant uses of cash were ¥3,963 million for the acquisition of property and equipment related to the opening of new stores and improving store conditions, and ¥4,003 million for long-term leasehold deposits.

Net cash used in financing activities totaled ¥2,408 million, or 24.7% more than the previous year. This figure included ¥1,378 million for the payment of dividends and the repayment of short-term borrowings.

As a result of the foregoing, cash and cash equivalents at the interim period-end were ¥67,746 million, ¥14,600 million, or 28.4%, higher than at the previous fiscal year-end. This excludes increases in cash and cash equivalents due to the addition of newly consolidated subsidiaries.

3. Consolidated Financial Statement

(1) Consolidated balance sheet

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

(millions of yen)

	Preceding interim period (As of August 31, 2003)		Current interim period (As of August 31, 2004)		Fiscal year ended (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
ASSETS		%		%		%
1 Current assets						
Cash and cash equivalents	45,273		53,655		39,654	
Due from franchised stores	3,129		2,888		3,600	
Marketable securities	11,101		14,801		13,101	
Inventories	2,168		2,071		1,922	
Deferred tax assets	1,039		1,172		2,130	
Other current assets	15,272		15,082		15,414	
Allowance for doubtful accounts	(799)		(455)		(593)	
<i>Total current assets</i>	77,186	36.7	89,216	40.3	75,230	36.7
2 Fixed assets						
Property and equipment						
Buildings and structures	25,626		28,483		25,980	
Furniture and fixtures	4,669		3,860		4,199	
Land	9,091		9,506		9,367	
Other property and equipment	59		128		177	
<i>Total property and equipment</i>	39,448	18.8	41,979	18.9	39,724	19.4
Intangible fixed assets						
System software	8,321		5,973		7,021	
System software development in Progress	264		257		162	
Excess of cost investments over equity in net assets acquired	12,158		11,332		11,224	
Other intangible fixed assets	2,487		2,415		2,362	
<i>Total intangible fixed assets</i>	23,231	11.1	19,979	9.0	20,770	10.1
Investments and other assets						
Investment in securities	5,832		4,732		5,820	
Deferred tax assets	5,077		4,452		4,731	
Long-term leasehold deposits	53,277		54,476		52,665	
Other investments	8,156		8,080		8,069	
Allowance for doubtful accounts	(2,169)		(1,330)		(2,140)	
<i>Total investment and other assets</i>	70,173	33.4	70,412	31.8	69,147	33.8
<i>Total fixed assets</i>	132,854	63.3	132,370	59.7	129,642	63.3
<i>Total assets</i>	210,040	100.0	221,587	100.0	204,873	100.0

(millions of yen)

	Preceding interim period (As of August 31, 2003)		Current interim period (As of August 31, 2004)		Fiscal year ended (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
<u>LIABILITIES</u>		%		%		%
1 Current liabilities						
Trade payables	47,678		46,919		40,909	
Due to franchised stores	4,696		5,247		3,111	
Short-term borrowings	1,150		14		500	
Other accounts payable	5,399		6,423		6,446	
Income taxes payable	4,240		4,386		3,313	
Payments received	14,470		17,721		16,746	
Allowance for bonuses to employees	785		780		724	
Other current liabilities	4,166		4,075		4,124	
<i>Total current liabilities</i>	82,586	39.3	85,567	38.6	75,877	37.0
2 Long-term liabilities						
Long-term borrowings	-		49		-	
Allowance for employees' retirement benefits	4,324		4,554		4,499	
Allowance for directors' and corporate auditors' severance benefits	296		50		328	
Guarantee deposits received	13,178		12,973		13,023	
Other long-term liabilities	184		925		198	
<i>Total long-term liabilities</i>	17,983	8.6	18,554	8.4	18,049	8.8
<i>Total liabilities</i>	100,570	47.9	104,122	47.0	93,927	45.8
<u>MINORITY INTEREST</u>						
Minority Interest	-	-	0	0.0	-	-
<u>SHAREHOLDERS' EQUITY</u>						
1 Common stock	13,469	6.4	13,469	6.1	13,469	6.6
2 Capital surplus	26,223	12.5	26,223	11.8	26,223	12.8
3 Retained earnings	69,216	32.9	77,182	34.8	70,731	34.5
4 Net unrealized gains on available-for- sale securities	634	0.3	670	0.3	596	0.3
5 Less, treasury stock	(73)	(0.0)	(81)	(0.0)	(74)	(0.0)
Total shareholders' equity	109,469	52.1	117,464	53.0	110,945	54.2
Total liabilities and shareholders' equity	210,040	100.0	221,587	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)

	Preceding interim period (From March 1, 2003 to August 31, 2003)		Current interim period (From March 1, 2004 to August 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	58,282	66.9	60,903	67.4	114,354	67.5
<p>Net sales reported by franchised stores (Figures for exclude non-consolidated area franchised stores.)</p> <p>Current interim period 450,020 million Preceding interim period 430,024 million Last fiscal year 847,100 million</p> <p>Net sales of franchised and company- owned stores (Figures for exclude non-consolidated area franchised stores.)</p> <p>Current interim period 479,534 million Preceding interim period 458,803 million Last fiscal year 902,247 million</p>						
2 Net sales of company-owned stores	28,779	33.1	29,513	32.6	55,147	32.5
<i>Total operating revenues</i>	87,062	100.0	90,417	100.0	169,501	100.0
3 Cost of goods sold	21,664	24.9	22,340	24.7	41,754	24.6
<i>Gross profit</i>	65,397	75.1	68,076	75.3	127,747	75.4
4 Selling, general and administrative expenses	53,159	61.1	53,865	59.6	105,311	62.2
<i>Operating Income</i>	12,238	14.0	14,210	15.7	22,435	13.2
5 Non-operating income	437	0.5	612	0.7	847	0.5
6 Non-operating expenses	1,838	2.1	637	0.7	3,581	2.1
<i>Recurring profit</i>	10,836	12.4	14,186	15.7	19,701	11.6
7 Extraordinary gains	38	0.1	142	0.2	82	0.0
8 Extraordinary losses	1,844	2.1	784	0.9	4,860	2.8
<i>Income before income taxes</i>	9,030	10.4	13,544	15.0	14,923	8.8
Income taxes-current	4,127	4.7	4,437	4.9	7,847	4.6
Income taxes-deferred	145	0.2	1,187	1.3	(574)	(0.3)
Minority interest in earnings of consolidated subsidiaries	-	-	0	0.0	-	-
<i>Net Income</i>	4,757	5.5	7,918	8.8	7,651	4.5

(3) Consolidated statement of retained earnings

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

(millions of yen)

	Preceding interim period (From March 1,2003 to August 31, 2003)		Current interim period (From March 1,2004 to August 31, 2004)		Fiscal Year ended February 29, 2004 (From March 1,2003 to February 29, 2004)	
	Amount		Amount		Amount	
(Capital surplus)						
1. Balance of retained earnings at beginning of the period		26,223		26,223		26,223
2. Balance of capital surplus at end of the 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	4,757	4,757	7,918	7,918	7,651	7,651
3. Decrease in retained earnings						
Dividends	1,378		1,378		2,757	
Directors' bonuses	93		89		93	
Losses on disposal of treasury stock	1	1,473	0	1,467	2	2,852
4. Balance of retained earnings at end of the period		69,216		77,182		70,731

(4) Consolidated Statements of cash flow

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

(millions of yen)

	Preceding interim period (From March 1,2003 to August 31, 2003)	Current interim period (From March 1,2004 to August 31, 2004)	Fiscal Year ended February 29, 2004 (From March 1,2003 to February 29, 2004)
	Amount	Amount	Amount
1 Cash flows from operating activities:			
Income before income taxes	9,030	13,544	14,923
Depreciation and amortization	5,034	4,795	9,932
Amortization of excess of cost of investments over equity in net assets acquired	436	427	872
Loss on write-down of investment securities	32	34	531
Gain on sales of investment securities	-	(67)	-
Gain or loss on sale of fixed assets	1,015	357	2,080
Increase or decrease in allowance for doubtful receivables	250	(1,194)	15
Increase or decrease in accrued bonuses to employees	49	45	(11)
Increase in allowance for employees' retirement benefits	183	38	359
Decrease in allowance for directors' and corporate auditors' severance benefits	(74)	(291)	(42)
Interest and cash dividends income	(153)	(360)	(376)
Interest expenses	12	16	23
Decrease in other accounts receivable	940	1,585	705
Increase or decrease in inventories	36	(109)	283
Increase in trade payable	10,189	6,960	1,836
Increase in deposits received	283	633	2,544
Directors' and corporate auditors' bonuses payments	(93)	(89)	(93)
Other	381	(7)	3,341
Sub-total	27,555	26,318	36,926
Interest and dividends received	159	295	275
Interest paid	(5)	(0)	(8)
Income taxes paid	(4,440)	(2,735)	(9,686)
Net cash provided by operating activities	23,269	23,878	27,506
2 Cash flows from investing activities:			
Increase in property and equipment	(4,005)	(3,963)	(8,117)
Decrease in property and equipment	242	373	426
Increase in intangible fixed assets and long-term prepaid expenses	(1,406)	(1,887)	(2,273)
Increase in investment securities	-	(170)	(552)
Decrease in investment securities	1,000	118	1,000
Net proceeds from acquisition of newly consolidated subsidiary	254	-	254
Increase in acceptance of long-term advance received profit	-	561	-
Increase in loans receivable	(785)	(890)	(1,531)
Correction of loans receivable	786	731	1,535
Increase in long-term leasehold deposits	(3,234)	(4,003)	(6,484)
Correction of fixed leasehold deposits	2,720	2,127	5,590
Other	72	133	101
Net cash used in investing activities	(4,355)	(6,868)	(10,049)

	Preceding interim period (From March 1,2003 to August 31, 2003)	Current interim period (From March 1,2004 to August 31, 2004)	Fiscal Year ended February 29, 2004 (From March 1,2003 to February 29, 2004)
	Amount	Amount	Amount
3 Cash flows from financing activities:			
Proceeds from short-term borrowings	750	2,130	1,650
Repayment of short-term borrowings	(1,250)	(2,945)	(2,800)
Repayments of long-term debt	-	(8)	-
Dividends paid	(1,378)	(1,378)	(2,757)
Increase in guarantee deposits received	766	757	1,406
Repayments of guarantee deposits received	(819)	(956)	(1,590)
Other	(0)	(7)	(1)
Net cash used in financing activities	(1,932)	(2,408)	(4,093)
4 Net change in cash and cash equivalents	16,981	14,600	13,363
5 Cash and cash equivalents at beginning of year	39,392	52,756	39,392
6 Net change in cash and cash equivalents by consolidation of newly subsidiaries	-	389	-
7 Cash and cash equivalents at end of period	56,374	67,746	52,756