

Management Policies and Outlook for the Fiscal Year Ending February 28, 2005

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.

In light of C&S' operating results for interim 2005, ended August 31, 2004, Circle K Sunkus has revised its full-year forecasts and year-end dividend forecast for fiscal 2005, ending February 28, 2005, announced on September 1, 2004, with details as follows.

[A] Consolidated Earnings Forecasts for Circle K Sunkus Co., Ltd. for the Fiscal Year Ending February 28, 2005 (March 1, 2004 to February 28, 2005)

	Total operating revenues [Total sales]	Recurring profit	Net income
FY2005 Circle K Sunkus Co., Ltd.	Millions of yen 176,650 [940,130]	Millions of yen 23,210	Millions of yen 12,580
FY2004 C&S Co., Ltd.	169,501 [902,247]	19,701	7,651
Year-on-year change	+4.2 [+4.2] %	+17.8 %	+64.4 %

(Reference) Projected net income per share for fiscal 2005: 145.97 yen

(Reference)

The earnings forecasts listed in Table [B] below were filed with the Tokyo Stock Exchange on September 1, 2004. However, Circle K Sunkus' actual consolidated full-year earnings forecasts stated on a comparable basis with the previous fiscal year are as shown in the above Table [A]. Please refer to **Chart [A]** on page 2 for further details.

On the other hand, the figures shown in **Table [B]** represent the sum of operating results for CIRCLE K JAPAN Co., Ltd., the surviving company of the merger, based on its formal accounting period prior to the merger from March 1 to August 31, 2004, and the consolidated earnings forecast for Circle K Sunkus Co., Ltd. after the merger from September 1, 2004 to February 28, 2005. For this reason, these figures are not directly comparable with corresponding figures for the previous fiscal year. Please see **Chart [B]** on page 2 for further details.

[B] Non-consolidated Earnings Forecasts for Circle K Sunkus Co., Ltd. for Fiscal 2005, Ending February 28, 2005 (formerly CIRCLE K JAPAN Co., Ltd.) (March 1, 2004 to February 28, 2005)

	Total operating revenues [Total sales]	Recurring profit	Net income
FY 2005 (A)	134,770 Millions of yen [706,360]	17,610 Millions of yen	9,550 Millions of yen

(Reference) Projected net income per share for fiscal 2005: 110.81 yen

Notes:

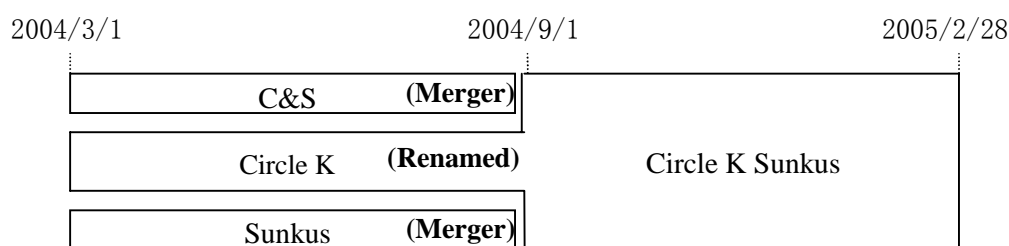
1. Circle K Sunkus will pay a merger payment of 16.00 yen per share in the form of an interim dividend to registered C&S shareholders as of August 31, 2004.
2. Circle K Sunkus will pay dividend of 20.00 yen per share to shareholders as of February 28, 2005. This includes a commemorative dividend of 2.00 yen per share to mark the merger.

*The forecasts on the previous page are based on assumptions and projections underlying Circle K Sunkus' outlook and business plans as of the date of release of this report. Accordingly, actual results may differ significantly from the above forecasts due to a variety of factors.

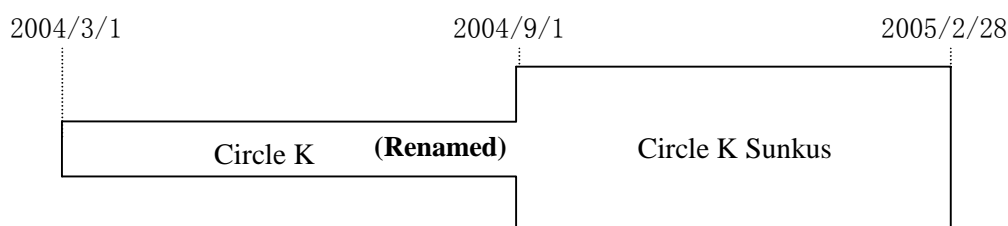
Charts

The charts below outline the relationships between the figures presented on the previous page.

[A] Sum of the Consolidated Results of C&S Co., Ltd. for the First Half (Six Months) and Circle K Sunkus Co., Ltd. for the Second Half (Six Months) of Fiscal 2005



[B] Results for the Fiscal Year Ending February 28, 2005 for Circle K Sunkus Co., Ltd. (formerly CIRCLE K JAPAN Co., Ltd.)

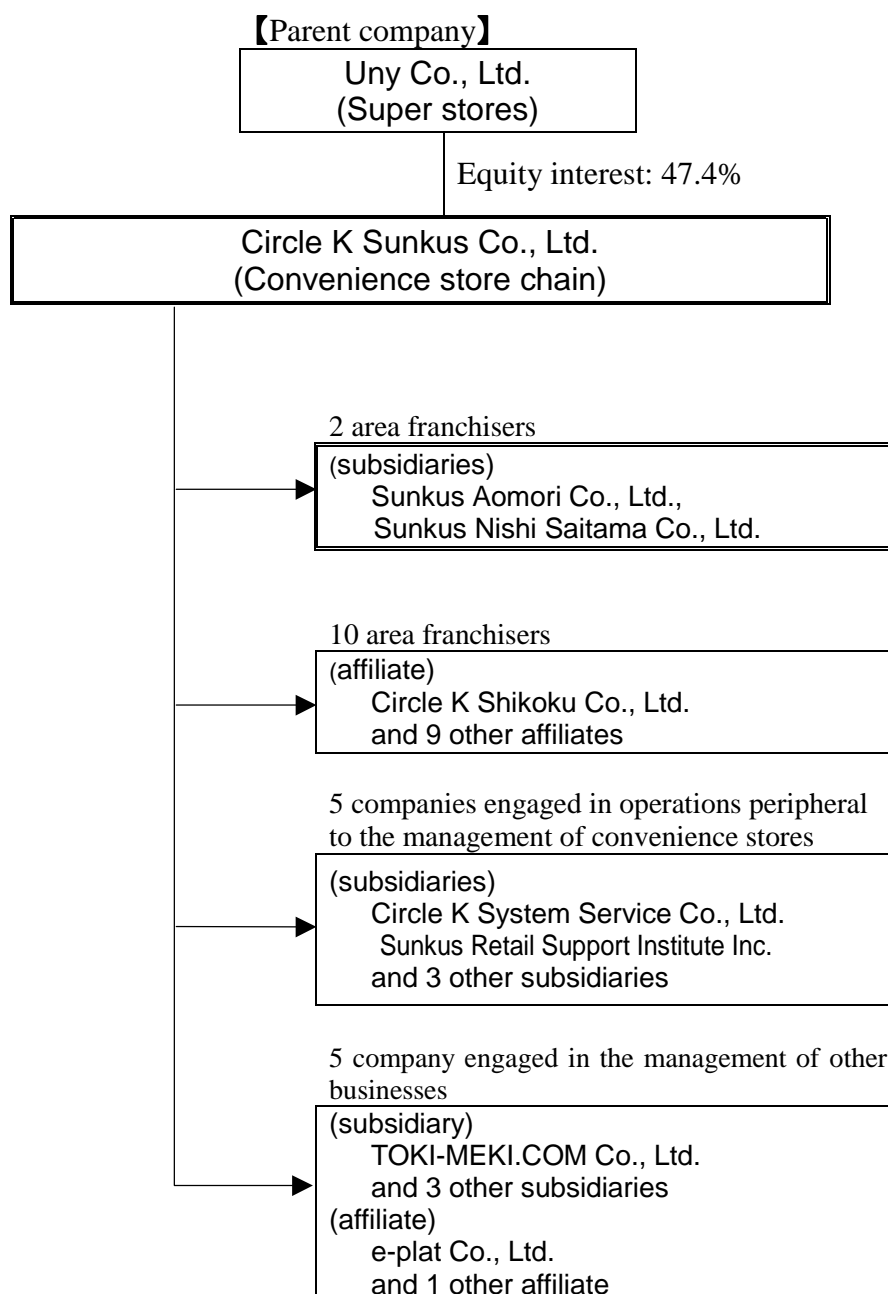


1. Group Organization

The Circle K Sunkus Group is a member of the UNY Group, an operator of several major superstore chains, and comprises a total of 23 companies: Circle K Sunkus Co., Ltd. and two consolidated subsidiaries, Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd., eight other subsidiaries and 12 affiliates. It is primarily engaged in the development of convenience store franchises.

With a store network extending from Hokkaido to Kagoshima, the C&S Group, including area franchisers, had a presence in 36 prefectures as of September 1, 2004.

The following chart depicts the Circle K Sunkus Group.



2. Management Policies

(1) Basic Management Policies

Circle K Sunkus' management philosophy is:

“We aim to be a company that achieves sustainable growth,
while earning the trust of society.”

Guided by this philosophy, we are committed to providing safe, high-quality and great-tasting products that engender peace of mind through our mainstay convenience store business, while also remaining earnestly engaged in social contribution and environmental protection activities. Circle K Sunkus will also fulfill social responsibilities commensurate with the size of its organization in terms of compliance, fair disclosure and in other areas. Through further reforms and creativity, Circle K Sunkus will raise its corporate value with the desire to continuously deliver value to shareholders, customers, local communities, franchisees, business partners, employees and all individual and institutional stakeholders.

(2) Basic Earnings Distribution Policy

Circle K Sunkus' basic policy is to return profits to shareholders based on its operating results, while at the same time building up retained earnings so as to sustain high levels of growth and bolster its operating base. More specifically, Circle K Sunkus considers the maintenance of stable dividends its first priority and aims to pay out 20% of consolidated net income in the year under review in the form of dividends. The Company intends to raise the dividend payout ratio to 30% in the future.

The merger payment to registered shareholders of C&S as of August 31, 2004 is 16 yen per share. Circle K Sunkus plans to increase the year-end dividend by 4 yen per share to 20 yen per share, including a commemorative dividend of 2 yen per share occasioned by the merger. As a result, the effective dividend payout ratio calculated over the year ending February 28, 2005 for C&S Co., Ltd. and Circle K Sunkus Co., Ltd. is 24.7%.

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

(3) Management Targets

Circle K Sunkus' target for the final year of its new three-year medium-term management plan, the fiscal year ending February 28, 2007, is to raise recurring profit to 28.5 billion yen on a consolidated basis. Key to this will be to achieve double-digit earnings growth by raising the ratio of recurring profit to total store sales to at least 3% through merger-driven improvements in management efficiency.

(4) Medium-term Management Strategy

Intensifying competition in the retail sector has cut across industry lines to include the

convenience store industry, which had previously been at an advantage relative to other industries. The convenience store industry is expected to see larger companies gain a growing share of the market, mirroring similar trends in other industries. In this challenging climate, Circle K Sunkus has positioned the following eight policies as the foundations of its management strategy. They are designed to push through the reforms needed to ensure the Company survives as an operator of leading convenience store chains:

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

(5) Issues to Be Addressed

The Circle K Sunkus Group was formed through a merger on September 1, 2004, completing an initial phase of integration. However, Circle K Sunkus must form a clear vision for the new company to make a success of the merger and realize even greater merger benefits. The Company intends to press ahead with the second and third phases of integration in the fiscal years ending February 28, 2005 and 2006, respectively. The aim is to unify all operating processes, including the consolidation of vendor and logistics networks, information systems, and various personnel systems by the fiscal year ending February 28, 2007. To this end, Circle K Sunkus will continue to implement reforms aimed at realizing the goals of the new medium-term management plan prepared in October 2004.

(6) Corporate Governance—Basic Approach and Implementation Status

① Basic Approach to Corporate Governance

Engaged in the retailing sector, Circle K Sunkus always thinks from a customer-first perspective, and views winning the support and trust of area customers as a management issue of paramount importance. While playing a key role in the group strategy of the Uny Group, Circle K Sunkus views its shareholders, franchised stores, business partners and employees as key stakeholders, with a particular emphasis on relationships with shareholders. While building strong relationships with every stakeholder, Circle K Sunkus will implement measures to further improve corporate governance, including reinforcing and improving legal functions and systems, establishing a compliance system and providing proactive disclosure.

② Implementation Status of Corporate Governance Measures

The following management structure enhancements were made in conjunction with the formation of Circle K Sunkus.

A Smaller Board of Directors

Circle K Sunkus has reduced the size of its Board of Directors to eight members and expedited decision-making by focusing proceedings on important decisions related to overall management issues. Meanwhile, the existing corporate auditor system has been retained under a robust auditing framework of five corporate auditors, including three standing corporate auditors. One external director and external auditor have each been invited from the Board of Directors of Uny Co., Ltd., the parent company of Circle K Sunkus, to ensure that information is effectively shared among group companies.

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

Introduction of Executive Officer System and Delegation of Authority

An executive officer system has been introduced to delegate primary decision-making authority for the management of day-to-day operations to executive officers in order to expedite decision-making. Meanwhile, the general managers of the two Circle K and Sunkus business units are both senior managing directors granted considerable decision-making authority over the management of convenience store chains. This structure facilitates the speedy management of convenience store operations.

Internal Structures

Circle K Sunkus has consolidated head office divisions through integration, while enhancing internal management structures. In addition to the existing General Affairs Division, a Legal Affairs Office has been established to improve document management. The Company has also

established a Compliance Promotion Office to develop concrete measures to reinforce internal management systems. Circle K Sunkus has also put in place various offices reporting directly to the president, including the Strategic Planning Office, Operational Audit Office, Customer & Franchisee Relations Office and Corporate Communications & Environmental Affairs Office. Under this framework, Circle K Sunkus will maintain a sincere commitment to fair disclosure, environmental protection and social contribution activities.

(7) Basic Policy Regarding Relationships Among Group Members

Parent Company

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

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

Subsidiaries and Affiliated Companies

Circle K and Sunkus have entered into agreements with area franchisers to expand their store networks. The Company has a total of 14 area franchisers, including two subsidiaries, ten affiliates and two other companies. The consolidated subsidiaries are Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. The Company's policy regarding the management of area franchisers, irrespective of whether they are subsidiaries or affiliates, is to provide personnel and funding support as necessary. While respecting the distinctive characteristics of each region, 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.Outlook for the Fiscal Year Ending February 28, 2005

Faced with ongoing difficulties in the operating environment surrounding the convenience store industry, the Circle K Sunkus Group has pursued greater economies of scale and rationalization benefits following the September 2004 merger, on top of various measures to reinforce its sales

capabilities. These include offering attractive products at stores and greater convenience for customers through such initiatives as accepting a broader range of payment methods. Under the keywords of “WAKU WAKU?,” Circle K Sunkus aims to develop stores that offer an exciting shopping experience to customers through friendly service; safe and attractive products that engender peace of mind; and service category products that offer greater customer convenience.

During the fiscal year from March 1, 2004 to February 28, 2005, the Company plans to open a total of 400 new Circle K and Sunkus stores and close 223. By February 28, 2005, this is projected to result in a net increase of 331 stores to 5,182 stores, including 154 stores operated by CKTOHOKU Co., Ltd., which has merged with the Company.

Area franchisers, meanwhile, are scheduled to open 128 stores and close 69. With 528 new stores planned and the scheduled closure of 292 stores for the group as a whole, the Circle K Sunkus Group projects that the total number of stores will increase to 6,388 stores by February 28, 2005. The Group is forecasting total store sales, including area franchisers, of 1,115,600 million yen for the year. This figure assumes a decline of 0.7% in existing store sales, with Circle K, and Sunkus posting projected sales of 505,600 million yen and 408,000 million yen, respectively.

As a result of the foregoing, the Circle K Sunkus Group is projecting total operating revenues of 138,430 yen million, recurring profit of 17,310 yen million and net income of 9,310 yen million.

For the fiscal year from March 1, 2004 to February 28, 2005, operating results are best represented to shareholders by the consolidated results of C&S Co., Ltd. for the period from March to August 2004 before the merger, and those of the new company Circle K Sunkus for the period from September to 2004 to February 2005 after the merger. A breakdown of performance forecasts for the fiscal year is provided below.

(millions of yen)

	C&S Co., Ltd. (consolidated) (Mar.2004 - Aug.2004)	Circle K Sunkus Co., Ltd. (consolidated) (Sep. 2004 - Feb. 2005)	Total (Mar. 2004-Feb. 2005)	
				Y-o-Y change (%)
Total store sales	479,534	460,595	940,130	+4.2%
Total operating revenues	90,417	86,232	176,650	+4.2%
Recurring profit	14,186	9,023	23,210	+17.8%
Net income	7,918	4,661	12,580	+64.4%

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