



ACHIEVE "STEADY, SUSTAINABLE GROWTH"
START!

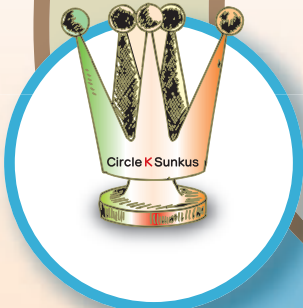
TAKE THE NEXT STEPS

KEY MILESTONE:
Respond to Japan's changing social structure

Rapidly resolve insufficient sales strength



Respond to the next generation of consumers



Annual Report 2006
For the year ended February 28, 2006

Rapidly resolve future risks

MOVING INTEGRATION FORWARD

Since its establishment in September 2004, Circle K Sunkus has taken a range of initiatives to maximize integration benefits, which are appearing as planned. With plans to complete the integration process by February 2008, Circle K Sunkus is well positioned to advance to the next stage of growth.

Establish Circle K Sunkus

Sept. 2004

Established Circle K Sunkus Co., Ltd. through merger

Conduct joint sales campaigns

Sept. 2004 onward

Conducted joint sales campaigns and sold common products by sharing successful practices

Reorganize

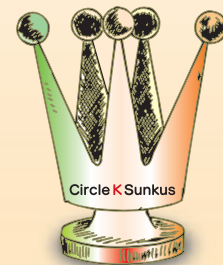
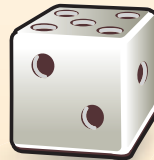
Mar. 2005

*Eliminated departments segmented by brand in conjunction with organizational reforms
Began reshuffling personnel across brands*

Integrate processed foods

Oct. 2004

*Began integration of vendor and logistics networks in the processed food category
Completed integration in Oct. 2005*



Contents

Consolidated Financial Highlights.....2

To Our Shareholders and Other Investors.....3

Addressing Two Pressing Issues to Achieve "Steady, Sustainable Growth".....8

Corporate Governance.....20

Corporate Social Responsibility (CSR).....24

Financial Section.....26

The Uny Group.....59

Investor Information.....60

Corporate Data.....61

**Install
"Zero Bank"
ATMs**

Mar. 2005

*Began installing "Zero Bank" ATMs at stores in Aichi and Gifu prefectures
Completed installations at roughly 1,300 stores as of Feb. 2006*

**Accept Edy
payments
nationwide**

Apr. 2005

Extended acceptance of Edy electronic money to all stores nationwide

**Integrate:
frozen foods**

Apr. 2005

*Began integration of vendor and logistics networks in the frozen food category
Completed integration in Feb. 2006*

*Began integration of vendor and logistics networks in the general merchandise category
Completed integration in Feb. 2006*

**Integrate:
general
merchandise**

May 2005

Consolidated Financial Highlights

Circle K Sunkus Co., Ltd.

Figures for the year ended February 28, 2006 and 2005 are for Circle K Sunkus Co., Ltd., while figures for the year ended February 29, 2004 are for C&S Co., Ltd.

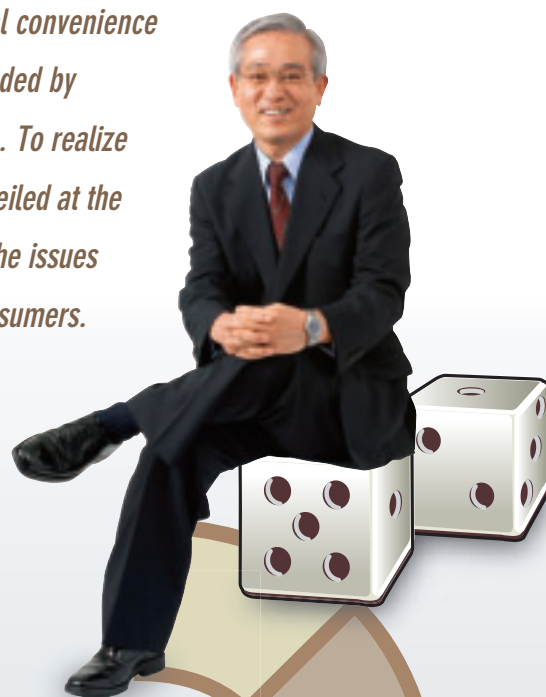
	Millions of Yen			Thousands of U.S. Dollars
	Circle K Sunkus 2006	Circle K Sunkus 2005 (Note 5)	C&S 2004	Circle K Sunkus 2006
For the year:				
Total store sales (Note 3)	¥919,825	¥933,521	¥902,248	\$7,929,526
Total operating revenues	184,191	176,843	169,501	1,587,853
Operating income	25,785	24,385	22,435	222,284
Net income	11,498	12,654	7,652	99,121
At year-end:				
Total assets	211,767	201,056	204,873	1,825,578
Total shareholders' equity	118,393	110,044	110,946	1,020,629
Number of stores (Note 4):				
Circle K	2,891	2,855	2,651	
Sunkus	2,263	2,273	2,200	
Subtotal	5,154	5,128		
Sunkus Aomori	67	67		
Sunkus Nishi-Saitama	79	76		
Total	5,300	5,271	4,851	
Number of employees	1,855	1,943	1,962	
Per share data:				
	Yen			U.S. Dollars
Net income	¥132.77	¥146.19	¥87.78	\$1.14
Cash dividends	38.00	36.00	32.00	0.33

- Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥116 to U.S.\$1, the rate of exchange at February 28, 2006.
2. For the fiscal years ended February 28, 2006 and 2005, Circle K Sunkus Co., Ltd. had two consolidated subsidiaries: Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd.
3. Total store sales represent combined net sales of franchised and Company-owned stores, excluding non-consolidated area franchised stores.
4. Number of stores excludes non-consolidated area franchised stores.
5. Figures for the fiscal year ended February 28, 2005 do not correspond to the Consolidated Statements of Income on page 58 because they are presented on basis B. For further details on these figures, please refer to page 26 of the Financial Section.

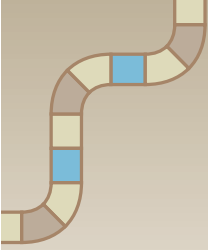
To Our Shareholders and Other Investors

ADVANCE TO SUSTAINED GROWTH

The convenience store industry faces an increasingly challenging operating environment due to intensified competition between rival convenience store chains and traditional industry outsiders, compounded by changes in Japan's society due to a declining population. To realize our vision of "steady, sustainable growth," which was unveiled at the time of the merger, we will work hard to rapidly resolve the issues we face and meet the needs of the next generation of consumers.



Kiyoshi Hijikata, President



Circle K Sunkus Posted Record Operating Income and Recurring Profit in Fiscal 2006

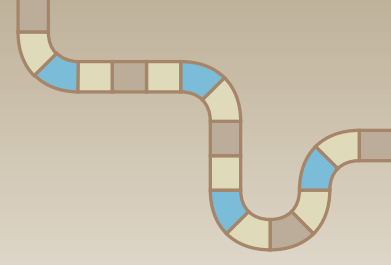
Fiscal 2006, the year ended February 28, 2006, was the second year since the merger and was positioned as a crucial year for realizing merger benefits. In fiscal 2006, we took a diverse array of initiatives. Particularly noteworthy was the integration of vendor and logistics networks, which promises to deliver substantial merger benefits. In fiscal 2006, we completed integration in the processed and frozen food categories, as well as general merchandise. This generated merger benefits according to plan by improving product mark-ups. In addition, we made significant progress in fiscal 2006 on strengthening our service offerings, extending Edy electronic money to all stores nationwide and installing “Zero Bank” ATMs at stores in Aichi and Gifu prefectures.

However, existing store sales at Circle K Sunkus decreased 3.3% year on year due to declines in customer footfall due to intensifying competition with industry outsiders and other retailers, and the impact of the termination of sale of prepaid highway toll cards in September 2005. Compounded by delays in opening new stores and an increase in store closures, total store sales were much lower than forecast, at ¥919.8 billion. However, operating income increased 5.7% to ¥25.7 billion and recurring profit grew 6.0% to ¥25.0 billion—both record highs—due partly to the aforementioned merger benefits translating into lower operating expenses. Circle K Sunkus booked impairment losses in conjunction with the early application of accounting standards for the impairment of fixed assets. Consequently, net income dropped 9.1% to ¥11.4 billion.

Ongoing Commitment to “Steady, Sustainable Growth”

Circle K Sunkus announced a Three-Year Management Plan at the time of the merger in September 2004. Efforts have been focused on taking various initiatives to achieve the plan’s goals. During the period of the three-year plan covered so far, we have faced intensifying competition from rival convenience stores and traditional industry outsiders. Other challenges have included shifting consumer needs reflecting changes in Japan’s social structure prompted by a declining population with an accelerating trend toward aging and fewer births. Against this backdrop, sales and the number of new stores opened fell short of our initial targets, and unfortunately we are unlikely to achieve the goals of the plan in its final year.

Undaunted, Circle K Sunkus remains committed to realizing its vision of “steady, sustainable growth,” which was announced at the time of the merger. We will continue to promote further integration across all departments, while pressing ahead with various structural reforms to reap more merger benefits as quickly as possible. This will be accomplished by ensuring sustained growth in both operating income and recurring profit. Furthermore, by reinforcing operations in the areas of store operations, development and products, Circle K Sunkus aims to return average daily sales per store to ¥500,000 as quickly as possible.



Working to Quickly Resolve Two Pressing Issues

We are currently facing slower-than-expected sales growth and delays in opening new stores. While there are external reasons for the problem, as I have described above, I believe there is an internal cause as well, namely, insufficient sales strength in store development, operations and products. In addition, unprofitable stores are increasing and some area franchisers are losing vitality, which are problems that could expose us to risk in the future. So, in fiscal 2007, these two issues, insufficient sales strength and future risks, will be tackled squarely by each of our divisions in order to resolve them as quickly as possible.

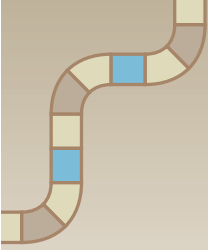
Decisive organizational reforms were implemented at the outset of the current fiscal year. Departments segmented by brand were eliminated and a new structure was adopted to facilitate greater collaboration among divisions. In addition, personnel were reshuffled across brands at both the management and staff levels. On the basis of this wholly integrated organizational structure, we intend to strengthen our sales capabilities to generate further benefits from the merger. To mitigate future risks, we will close 1,000 stores over three years, establish a new Area Franchise Management & Administration Department, and devise a system for strengthening managerial leadership at area franchisers.

Integrating Vendor and Logistics Networks in Fast Foods and Perishable Foods Categories to Create Further Merger Benefits

Circle K Sunkus has been unifying business processes in all divisions since the merger of September 2004. The first phase of this endeavor was conducted in fiscal 2005. As explained in last year's annual report, this phase involved unifying personnel systems, advertising and sales promotion activities, and campaigns, as well as initiating the integration of vendor and logistics networks in the processed food category. In the second phase, which was implemented in fiscal 2006, integration was started in the frozen food and general merchandise categories, too. By the end of fiscal 2006, integration was completed in the three categories of processed food, frozen food and general merchandise. As a result, gross profit on products improved by ¥1.8 billion.

To capture additional merger benefits, we have initiated integration of vendor and logistics networks in the fast foods and perishable foods categories, where we anticipate reaping the most benefits. The integration will be expanded regionally and is due to be completed by fiscal 2008, in two years. The merger benefits of completely integrating product vendor and logistics networks in both categories are projected to improve gross profit on products by ¥1.6 billion.

The integration will not only serve to improve gross profit on products by increasing efficiency. We will create a network of dedicated food processing centers for the Circle K Sunkus chain by consolidating rice preparation plants into vital processing centers capable of installing cutting-edge facilities and making



investments for better-tasting products. I believe that the ability to provide better-tasting products to customers will ultimately lead to stronger sales capabilities.

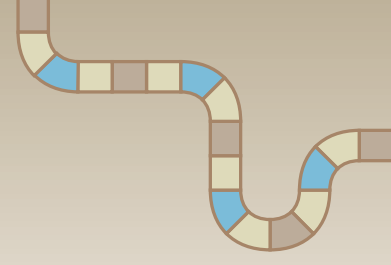
Measures Targeting the Next Generation of Consumers in Step With Changes in Society and Customer Needs

Japan's shifting social structure, driven by a declining population since 2005, is significantly altering customer needs, as well as causing disparity in income levels and shaping other developments. In response, we have been actively taking steps to meet the needs of the next generation.

Efforts are focused on enhancing our service offerings to improve customer convenience. In April 2006, we extended the purchase point system for users of Edy electronic money-enabled KARUWAZA CLUB house cards to all stores nationwide. We began rolling out "Zero Bank" ATMs at stores in Mie Prefecture in May, to be followed by stores in the Kanto region in July. "Zero Bank" ATMs allow withdrawals to be made free of charge during certain operating hours on weekdays using bankcards offered by major financial institutions. At stores in Aichi and Gifu prefectures where "Zero Bank" ATMs were installed in the previous fiscal year, we have seen higher year-on-year growth in customer footfall compared with other regions. Customers have been extremely enthusiastic about these ATMs. These and other improved service offerings give us a competitive edge and set us apart from other convenience store chains.

In February 2006, we opened our first value supermarket based on a new format called 99 Ichiba, which features an extensive lineup of vegetables, meat and other fresh food products priced mainly at ¥99. Japan is expected to see an increase in single-person and elderly households in the future, so demand is anticipated for this type of small supermarket featuring fresh foods. We will establish 10 stores this fiscal year as part of plans to open 100 stores over the next three years depending on their profitability.

We also plan to open stores around a new concept that targets customer segments that have not been adequately served by convenience stores, like women, as well as the middle-aged and elderly. The new-concept stores will conduct a variety of experiments and trials, offering freshly prepared food on-site and places to sit and eat, for example. The results will be incorporated into product and service innovations at our existing convenience stores.



Moving on the Offensive to Achieve "Steady, Sustainable Growth"

Japan's economy has continued to stage a recovery against the backdrop of strong corporate earnings, and consumer spending has shown some positive signs, but these trends have yet to provide a direct boost to the convenience store industry. Moreover, exceedingly difficult operating conditions have continued due to heightened competition from all sides. It is precisely because operating conditions are difficult that I intend to move Circle K Sunkus on the offensive and push forward with comprehensive reforms.

To achieve "steady, sustainable growth," we will work to rapidly solve the two pressing issues we face, while doing our utmost to promptly respond to changing customer needs. Through these and other actions, we aim to increase sales and earnings.

Circle K Sunkus views dividends as the most important means of returning earnings to shareholders. More specifically, we consider the maintenance of stable dividends our first priority and aim to pay out 25% of consolidated net income in the form of dividends. We raised the annual dividend for fiscal 2006 by ¥2 to ¥38 per share, which represents a payout ratio of 28.2%. In the future, we intend to increase the dividend payout ratio to 30%.

We ask for your continued support and understanding as we work to reach our goals.

July 2006

Kiyoshi Hijikata
President



Addressing Two Pressing Issues to Achieve “Steady, Sustainable Growth”

Circle K Sunkus Posted Record Operating Income and Recurring Profit in Fiscal 2006

Circle K Sunkus unveiled its Three-Year Management Plan at the time of the merger in 2004 and has been working to implement various initiatives to achieve the plan’s targets. However, we faced more intensified competition and major shifts in customer needs than envisaged by our initial plan. We have therefore been forced to revise our targets for the fiscal year ending February 28, 2007. In this section, we analyze why we were unable to reach the plan’s initial targets.

COMPARISON OF REVISED AND PREVIOUS PLAN TARGETS FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2007

(Stores/¥ millions)

	Initial 2007/2 Target (Three-Year Management Plan)	Revised 2007/2 Target	Vs. Three-Year Management Plan
Non-consolidated			
Stores opened	432	395	-37
Stores closed	226	325	+99
Change in existing stores	-1.5%	-1.6%	-0.1%
Total store sales	¥982,273	¥902,720	-¥79,553
Average product markup	29.33%	29.43%	+0.10%
Consolidated			
Total operating revenues	¥183,630	¥192,700	+¥9,070
SG&A expenses	113,590	112,550	-1,040
Operating income	30,380	27,360	-3,020
Recurring profit	28,550	25,570	-2,980
Net income	15,750	12,000	-3,750

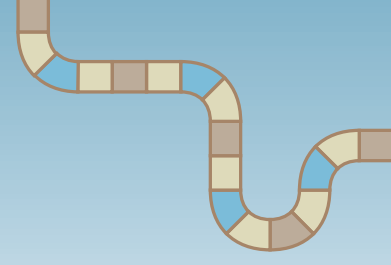
Notes:

1. The Three-Year Management Plan refers to the initial plan unveiled on October 14, 2004. Therefore, the impact of impairment losses is not reflected in net income.
2. Figures for stores opened, stores closed, changes in existing stores, sales at Circle K and Sunkus proper, and the average product markup are shown on a non-consolidated basis because of substantial changes in the scope of consolidated subsidiaries beginning in fiscal 2007.

This table compares targets for fiscal 2007 envisioned by the initial Three-Year Management Plan with revised targets for the same fiscal year. These targets were revised mainly due to the following five key factors:

1. Intensifying competition and shifts in customer needs

Circle K Sunkus faced increasing competition from not only rival convenience store chains, but also from traditional industry outsiders such as general merchandise stores and drug stores, as well as marked shifts in customer needs due to changes in Japan’s society, such as a declining population. Both these factors made our business environment more challenging than expected.



2. Delays in opening new stores

In the first year after the merger, the General Store Development Headquarters was unable to capture synergies, resulting in delays in the opening of 176 stores over the plan's three years.

3. Declining existing store sales

Existing store sales decreased year on year due to increasing competition and shifts in consumer needs as well as deteriorating competitiveness due to delays in relocating stores.


4. Additional store closures

Circle K Sunkus will close 203 additional stores over the plan's three years due to an increase in unprofitable stores and Company-owned stores, due to weak existing store sales as well as the proactive relocation of stores.

5. Changes in the plan's assumptions due to increase in consolidated subsidiaries

Circle K Sunkus has added three new consolidated subsidiaries, including companies involved in other industries, bringing the total number to five.

In terms of concrete figures, these factors had the following impact on sales and earnings:

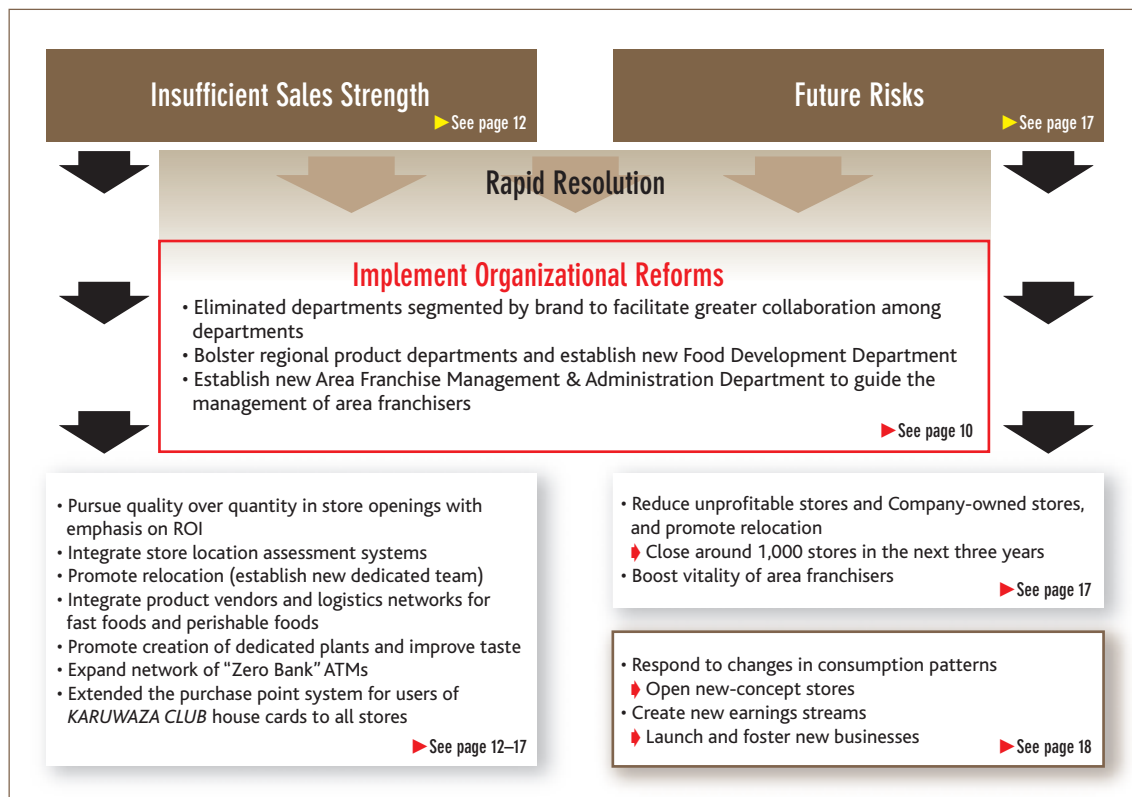
◆Opened 176 fewer stores planned over three years	Approx. ¥27.0 billion
◆Closed 203 additional stores over three years	Approx. ¥21.0 billion
◆Existing store sales lower than target	Approx. ¥31.0 billion
Total shortfall in sales	Approx. ¥79.0 billion
	
Decrease of ¥2.7 billion in operating income	

Achieving "Steady, Sustainable Growth"

Although it will be exceedingly difficult to achieve the targets for the final year of our Three-Year Management Plan, integration has been proceeding on schedule and benefits are emerging as planned. We intend to promote integration across all business divisions and reap more merger benefits at a faster pace. We will also bring about a rapid resolution to the two issues facing us and engage in initiatives to meet the needs of the next generation. Through these and other measures, we aim to achieve "steady, sustainable growth."

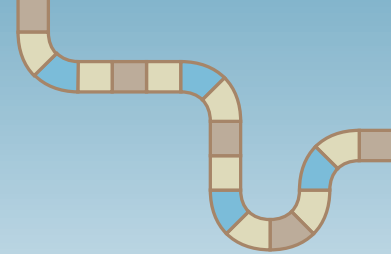
Working to Quickly Resolve Two Pressing Issues: Insufficient Sales Strength and Future Risks

Circle K Sunkus currently faces delays in opening stores and slowing growth in existing store sales. We believe that these issues are caused by insufficient sales strength in store development, operations and products. In addition, unprofitable stores are increasing and some area franchisers are losing vitality, both of which are problems that could expose us to risks in the future. In fiscal 2007, therefore, we will work to quickly resolve these two issues, namely insufficient sales strength and future risks.



ORGANIZATIONAL REFORMS

Decisive organizational reforms were implemented at the outset of the current fiscal year. Departments segmented by brand, which had been steadily phased out since the merger, were completely eliminated to form a wholly integrated organizational structure. In addition, personnel were reshuffled across brands at both the management and staff levels, reaching an all-time high of 84 individuals. With this step, we will work to step up the sharing of approaches, methods, and best practices throughout the organization.

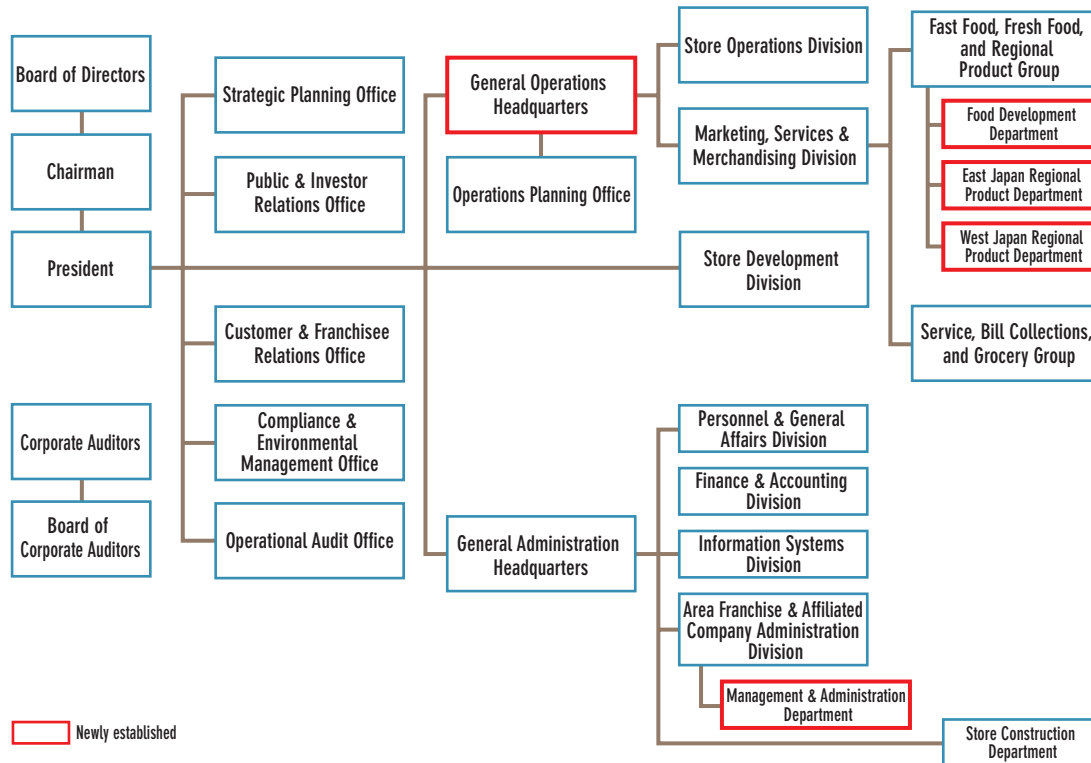


The reforms also established a mechanism for ensuring greater collaboration among departments in sales divisions. The Store Operations Division and the Marketing, Services & Merchandising Division have been placed under the new General Operations Headquarters (See chart). Unifying the strategies of these divisions in terms of products and sales approaches will enable us to provide products more closely reflecting the customer's viewpoint.

Next, we plan to unify the regional segmentation of the Store Operations Division and the Store Development Division to facilitate the sharing of information on new store properties, franchise candidates, store relocations and multiple stores. We also established a team dedicated solely to store relocations to make further progress in this field. At the same time, in the Marketing, Services & Merchandising Division, we established a new department, the Food Development Department, and we reorganized regional product departments (See chart) in order to bolster development of regional products. We plan to meet customer needs in this area by identifying new local products.

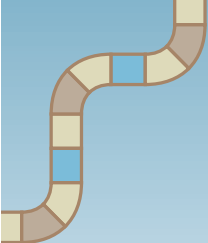
Moreover, we established the Area Franchise Management & Administration Department (See chart) to reinforce management guidance for area franchisers as well as for subsidiaries and affiliates, which are increasing as new businesses are developed.

ORGANIZATION



Newly established

(As of March 1, 2006)



Having created a single unified company with these organizational reforms, we aim to foster a greater sense of cohesion and bolster sales capabilities.

RESOLVING THE PROBLEM OF INSUFFICIENT SALES STRENGTH

In fiscal 2007, we intend to boost sales strength for store development, operations and products by carrying out the following initiatives while improving collaboration among departments.

► Store Openings With an Emphasis on Quality

Over the past few years, store development has faced extremely challenging conditions as it has been difficult to sign up franchisees and the pace of store openings has slowed. The number of store openings improved in fiscal 2006 as we relaxed certain conditions in franchisee agreements. In terms of quality, however, indicators have been worsening, including declining average daily sales per new store.

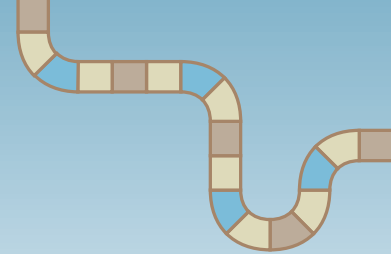
In fiscal 2007, we will still work to open the targeted number of stores, but we will also strive to improve quality by opening stores with an even greater emphasis on investment returns. In the second half of fiscal 2007, we plan to unify store location assessment systems on schedule, which is an element of the integration plan. This step aims to improve quality by leveraging the expertise of Circle K in opening suburban stores and that of Sunkus in opening urban stores—the respective strengths of each—to raise the precision of store opening assessments.

In addition, our results show that relocated stores generally achieve higher average daily sales per store than completely newly opened stores. Our plan for opening stores during fiscal 2007 calls for thirty percent of store openings to be made via relocations. As mentioned above, a team dedicated solely to store relocations has been established for Sunkus as well, which has encountered delays in relocating stores. The cooperation of the Store Operations Division is essential to promoting relocations. In fiscal 2007, we have begun holding meetings to strengthen ties between store development and operations staff and ensure that information sources on both sides are shared effectively to achieve our relocation targets.

► Aiming to Increase Existing Store Sales

Lackluster existing store sales are the result of complex, overlapping factors. At the operations level, we will strive for growth in existing store sales by clarifying the respective roles of the Head Office and franchised stores to build truly trusting relationships.

During fiscal 2007, we will also promote our training program called the Six Stage of Store Operations, which is aimed at raising managerial awareness at franchised stores and mobilizing staff members. Circle K has been involved in the program for the past four years, and Sunkus the past two years, so it is now starting to make a major contribution to staff development. Going forward, we intend to devote more attention to improving ordering precision and single-product inventory management in an effort to ensure that stores meet customer needs.



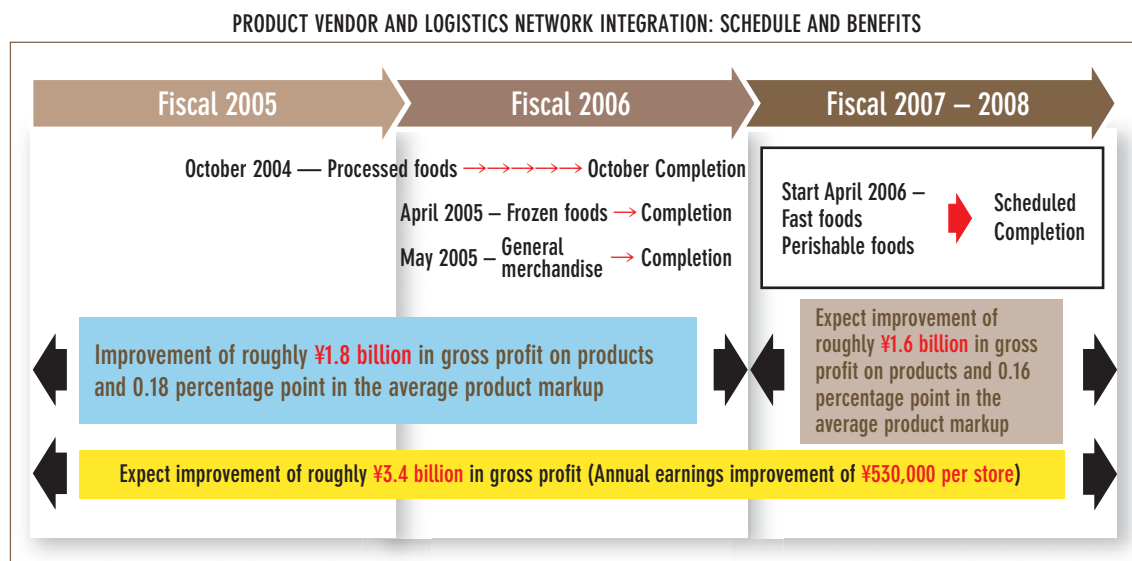
In addition, the Head Office will also create an environment that helps franchised stores think and act independently, led by store supervisors. This will further serve to improve the ability of store supervisors to provide guidance to stores. We expect the cross-brand personnel redeployment that has been under way since the merger to make a large contribution to this effort through the sharing of best practices.

Efforts will also be made to relocate stores as well as reduce the number of Company-owned stores in collaboration with the Store Development Division. In addition, the integration of vendor and logistics networks in the fast foods and perishable foods categories, which gets under way in fiscal 2007, will lead to changes in store operations due to an increase in the number of deliveries to the Sunkus chain. Collaboration will also be strengthened with the Marketing, Services & Merchandising Division to implement integration without letting changes in store operations cause disruptions at stores.

▶ Aiming to Provide Better-tasting Products

1) Start of integration of vendor and logistics networks for fast foods and perishable foods

Since the merger, Circle K Sunkus has progressively carried out the integration of product vendor and logistics networks in various product categories. The integration process began in the processed food category, including snacks, beverages, and alcoholic beverages, in October 2004, and was extended to the frozen food category in April 2005, and general merchandise in May 2005. The integration process in these categories was completed in fiscal 2006, and has had the effect of improving gross profit on products by ¥1.8 billion and the average product markup by 0.18 of a percentage point.



In fiscal 2007, we will finally initiate integration in the fast foods and perishable foods categories, where we expect to reap the most benefits. The integration was initiated in Okayama and Hiroshima prefectures in April 2006 and will be progressively extended to other regions, with a view to completing the process for all regions in two years, by fiscal 2008. Consolidating vendor and logistics networks for fast foods and perishable foods categories is anticipated to generate higher earnings, improve taste and quality, and boost sales.

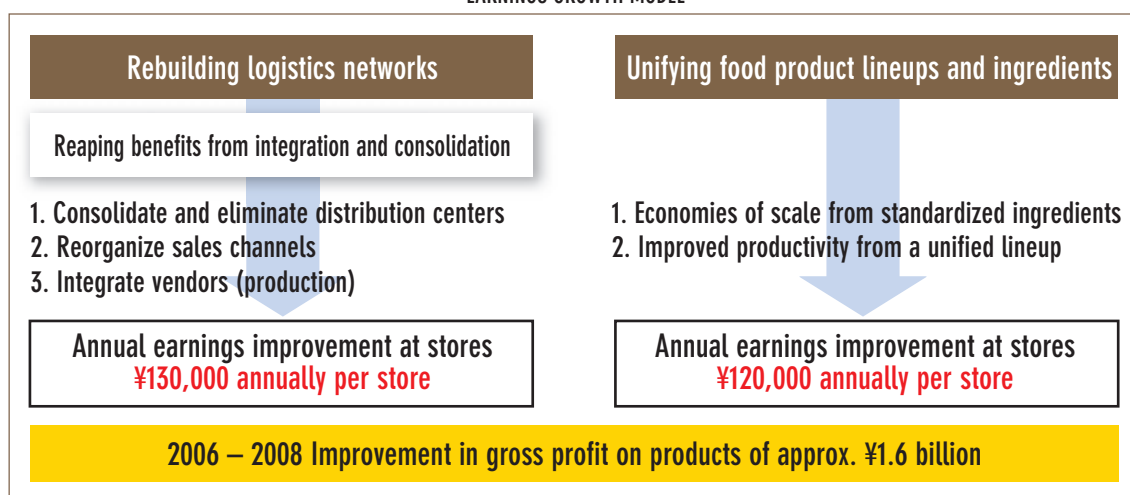
First, with regard to generating higher earnings, rebuilding logistics networks by consolidating and eliminating distribution centers and integrating vendors, reaping economies of scale by standardizing food ingredients, and improving productivity through a unified food product lineup are expected to improve gross profit on products by ¥1.6 billion and improve product markups by 0.16 of a percentage point over the two-year period from 2006 to 2008. On a per-franchised store basis, the integration will boost

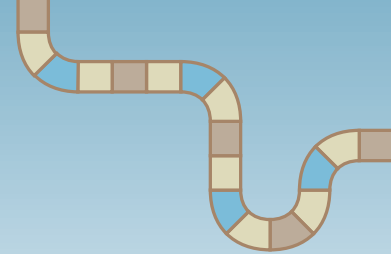
INTEGRATION SCHEDULE FOR FAST FOODS AND PERISHABLE FOODS

	Fiscal 2007					Fiscal 2008			
	April	June	September	October	November	Around Spring	Around Spring	Around Summer	Around Fall
Region	Okayama Hiroshima	Shikoku	Kyushu	Hokuriku	Kansai	Chukyo	Nagano	Kanto	Niigata
No. of Stores	179	367	85	404	962	1,891	115	1,493	71

Note: Number of stores is as of February 28, 2006.

EARNINGS GROWTH MODEL

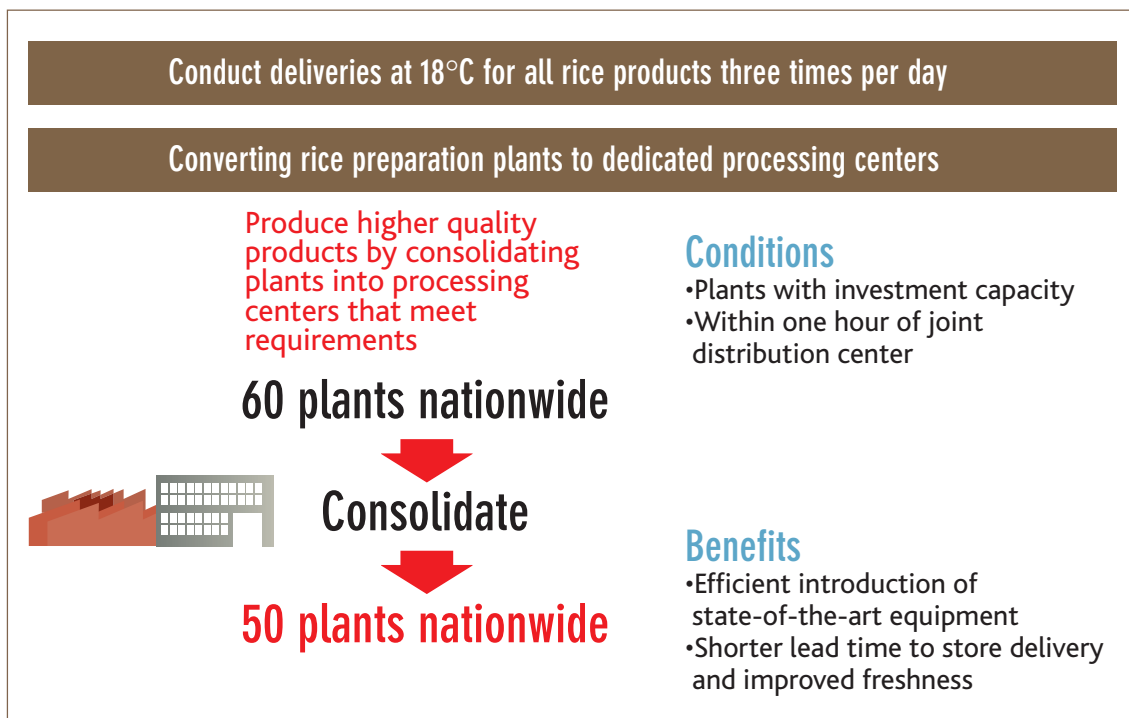


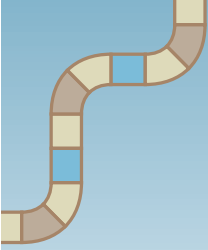


earnings by ¥250,000 annually. Additionally, food ingredients and food product lineups will be unified during fiscal 2008, so we will then be able to start on joint procurement of ingredients to create even more integration benefits.

Next, with respect to initiatives for improving taste and quality, we will establish more of our own dedicated processing centers by consolidating rice preparation plants, which make boxed lunches and rice balls, core products of convenience stores. Conversion to a dedicated center is premised on having the financial strength to make investments in better-tasting products, such as investments in introducing state-of-the-art equipment, and on being located within one hour of a joint distribution center. This initiative will serve to even out differences in quality among rice vendors and improve freshness by shortening the lead-time until store delivery, which will help in turn to improve taste. Boxed lunches chilled to 8°C, which have been provided by Sunkus since 2003, and their twice-per-day delivery system will be revamped in tandem with the integration and matched with Circle K's system in which boxed lunches in the medium temperature range (18°C) are delivered three times a day. Making deliveries three times per day will enable Sunkus to provide its customers with fresher products in a timely manner. Further, economies of scale derived from unifying product lineups and food ingredients, which currently

INTEGRATION SCHEDULE FOR FAST FOODS AND PERISHABLE FOODS





differ between Circle K and Sunkus, are anticipated to further improve quality.

Although the integration will take two years to complete, we believe that working to improve all aspects of the taste and quality of fast foods, which is a core product category for convenience stores and serves to differentiate chains from one another, will translate into higher sales.

2) Development of new products that meet customer needs

As described above, consumer needs are undergoing substantial changes due to shifts in Japan's society, such as its declining population. Regional differences are also growing due to the course the economic recovery has taken over the past few years, and there is considerable disparity in the perception of what constitutes a reasonable price for a product. In order to meet these needs, Circle K Sunkus aims to strengthen its local product offering in fiscal 2007.

We plan to make standard products offered nationwide represent about 60-70% of our lineup and raise the percentage of regional products to around 30-40% to precisely respond to local market needs in terms of taste, price and product selection. We will also uncover long-cherished local flavors and undiscovered culinary treasures in each region to put product development more in touch with local regions. In order to strengthen local product offerings, we reorganized regional product departments, which had been dispersed by region, into two departments to create a system capable of pooling strengths and capacities.

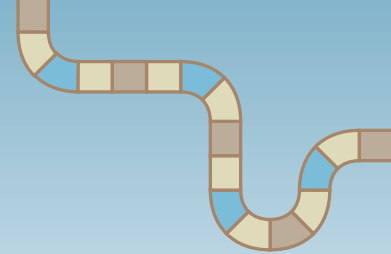
Moreover, with customers becoming increasingly health conscious, we will develop products around the concepts of health and balanced nutrition to target not only the core customer segment of convenience stores, people in their twenties and thirties, but also segments that have not traditionally been addressed, namely, middle aged and elderly individuals and women. In July, we will unveil a new rice brand, Balance Shokudo, that gives consideration to calories and balanced ingredients, with the intention of providing a product lineup that appeals to a wide range of customer segments.

▶ Strengthening Services to Make Stores More Convenient

1) Extending the Purchase Point System for Users of the KARUWAZA CLUB House Card

Circle K Sunkus is working hard to introduce new services leveraging its extensive network of convenience stores. By offering greater convenience, these services aim to encourage customers to visit stores more frequently.

In July 2004, we introduced the option of paying with Edy electronic money and started the KARUWAZA CLUB, Circle K Sunkus' membership club. The Edy-enabled KARUWAZA CLUB house card makes shopping exceptionally convenient. Customers pay by simply placing the card on the reader, so cash charges and payments are completed almost instantaneously. In addition, the card's purchase point system, which was started on a trial basis in Hokkaido, was extended to all stores nationwide in April 2006. We are actively developing other service promotions using the KARUWAZA CLUB house card as well, includ-



ing the KARUWAZA discount service and KARUWAZA stamp service.

In conjunction with these initiatives, Edy transactions at our stores increased significantly from fiscal 2006. Edy charges were up 65% from the previous year, while Edy payments rose 175%, owing to expansion in the scale of the market for Edy in Japan. As of May 31, 2006, the number of KARUWAZA CLUB cards sold reached roughly 660,000 and club membership surpassed 159,000 members. We intend to increase the number of captive customers by continuing to provide attractive services to members.

2) Expanding “Zero Bank” ATM Services to Mie Prefecture and the Four Prefectural Districts of the Kanto Region

In March 2005, “Zero Bank” ATMs, an original brand of Circle K Sunkus, were unveiled at stores in Aichi and Gifu prefectures. We conducted our own surveys and research in an effort to develop an ATM that would be easy for customers to use and that would leverage our convenience store infrastructure. The most attractive feature of these ATMs is that they enable customers holding cash cards issued by some 1,600 partner financial institutions to benefit from a free-of-charge withdrawal facility during certain operating hours on weekdays and Saturdays. The number of transactions processed by “Zero Bank” ATMs in Aichi and Gifu prefectures, where the service was first launched, has been growing steadily. At stores in Aichi and Gifu prefectures where “Zero Bank” ATMs were first installed in the previous fiscal year, we have seen higher year-on-year growth in customer footfall compared with other regions.

We began rolling out “Zero Bank” ATMs at stores in Mie Prefecture in May, to be followed by stores in the four prefectural districts of the Kanto region in July. Plans call for the installation of ATMs at around 3,000 stores by the end of fiscal 2007. We intend to continue negotiating partnerships with banks, with the goal of installing these ATMs at all stores by the end of fiscal 2009.

Region	Number of stores	Partner banks	Installation period
Aichi and Gifu prefectures	1,321	Ogaki Kyoritsu Bank, Ltd.	March to September 2005 (Completed)
Mie Prefecture	231	THE MIE BANK, LTD.	May to July 2006 (Planned)
Tokyo and Kanagawa, Chiba, and Saitama prefectures	1,405	The Tokyo Star Bank, Limited	July 2006 to February 2007 (Planned)

Note: The number of stores is as of February 28, 2006.

Initiatives to Mitigate Risk

In fiscal 2007, we plan to work toward the resolution of problems that could expose us to risk in the future. Against the backdrop of lackluster existing store sales, store ownership has been shifting from franchised to Company-owned stores and unprofitable stores have been increasing. In fiscal 2006, we closed 309 stores, which was more than targeted by our store closure plan. While actively promoting store relocations, we

plan to close some 1,000 stores over the next three years, primarily those that are Company-owned or unprofitable. By closing less competitive stores, we aim to raise the overall competitiveness of our stores.

In addition, due to some area franchisers losing vitality, in fiscal 2006, we converted some area franchisers into subsidiaries and terminated some area franchise agreements. Based on this, organizational reforms are being carried out to strengthen management guidance for area franchisers through the establishment of the Area Franchise Management & Administration Department. Going forward, we intend to further bolster ties with area franchisers, strengthen management guidance, and capture synergies across the Group.

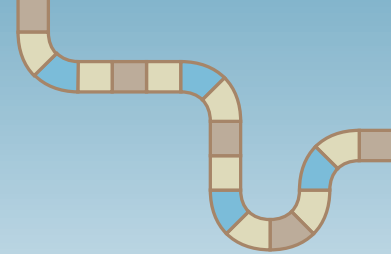
Initiatives to Satisfy the Next Generation of Consumers

Consumption patterns are changing and diversifying as Japan's declining population engenders changes in society. In response, Circle K Sunkus plans to launch and foster new businesses and open stores based on entirely new concepts.

In February 2006, we opened a store based on a new format called 99 Ichiba. The store is a small-sized supermarket featuring an extensive lineup of fresh foods, mainly priced at ¥99. 99 Ichiba Co, Ltd., owned jointly by Circle K Sunkus and parent company UNY CO., LTD., will be in charge of store development. Combining UNY's know-how in fresh foods with our expertise in operating convenience stores, 99 Ichiba stocks around 4,000 to 6,000 items—more than regular convenience stores—including fresh foods, processed foods, fast foods like boxed lunches and bread, and general merchandise. Around 80% of the products it handles are priced at ¥99, but some lines of fast food and general merchandise are priced at ¥199, ¥299, and ¥399. Quality meets customer standards. This new store format, which is neither supermarket nor convenience store, will be fostered as a new business in order to meet the diversifying needs of customers. Development is planned with a view to generating synergies with the convenience store business of Circle K Sunkus.

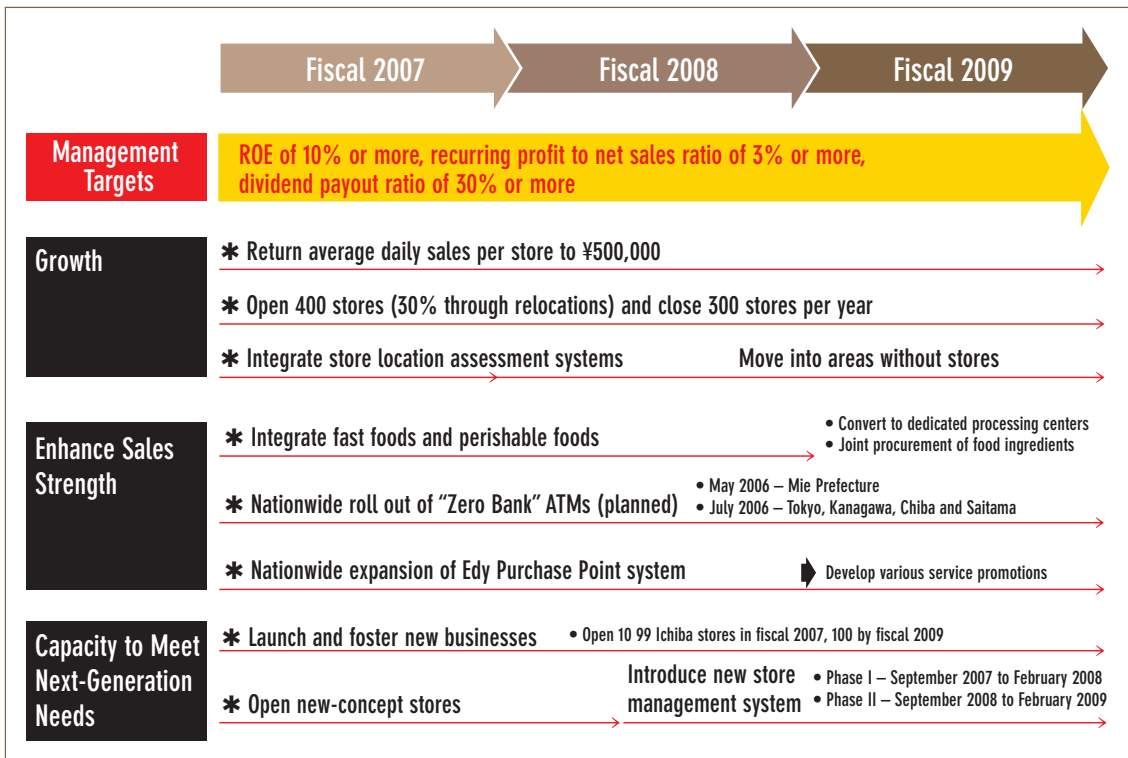
With the population declining, middle-aged and elderly customers will continue to increase in number, as will working women. So in fiscal 2007, we plan to open stores based on an entirely new concept that target customer segments that have not been adequately served by Circle K Sunkus. The new-concept stores will conduct a variety of experiments and trials, offering freshly prepared food on-site and places to sit and eat, and innovative product offerings, for example. The results will be reflected in efforts to reinforce our existing convenience stores.





Three-year Timeline

The following shows the schedule for Circle K Sunkus' activities over the next three years. We intend to faithfully carry out these activities in order to continue to realize "steady, sustainable growth."



Basic Approach to Corporate Governance

With a particular emphasis on relationships with shareholders, Circle K Sunkus views all people and organizations involved in its operations, including shareholders, franchised stores, customers, local communities, business partners and employees, as key stakeholders. While building strong relationships with every stakeholder by providing proactive disclosure, and ensuring compliance in all activities, Circle K Sunkus will implement measures to further improve corporate governance, such as putting in place and cementing a highly transparent internal control system that encompasses compliance and risk management systems. These steps will underpin efforts to enhance corporate value.

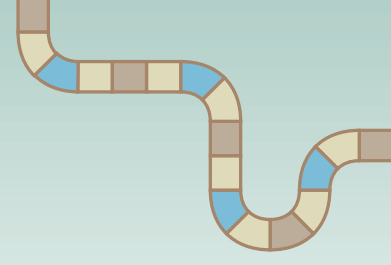
Implementation Status of Corporate Governance Measures

(1) Description of Main Corporate Governance Bodies

Circle K Sunkus' policy is to limit its Board of Directors to a size deemed appropriate for focusing decision-making on overall management issues. 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 the execution of business operations. Circle K Sunkus' governance structure is further underpinned by audits conducted by corporate auditors. As part of their audits, corporate auditors attend important internal meetings, such as Board of Directors meetings, to receive reports on the Company's management plans, the status of its overall compliance and risk management systems, and other matters. Based on these reports, the corporate auditors offer their opinions from an impartial perspective, and rigorously audit the performance of directors and executive officers. Circle K Sunkus has also appointed two outside auditors to enhance transparency.

(2) Establishment of Internal Control System

Circle K Sunkus has established a system for monitoring management based on supervision of business execution by the Board of Directors, and audits conducted by individual corporate auditors and the Board of Corporate Auditors. Furthermore, the Company has established the Operational Audit Office to serve as an internal auditing division and the Legal Affairs Office as a division for investigating issues from a legal perspective, thus improving document management. In addition, the Company works to enhance its internal management framework by regularly and consistently auditing and investigating the appropriateness, legality and efficacy of business activities in light of guidelines on occupational authority and delegation, as well as other internal rules and regulations. Additionally, the Company has established a Compliance & Environmental Management Office overseen by a director to coordinate compliance activities across the Company and implement concrete measures to reinforce the internal management structure. In addition,



Boards of Directors and Corporate Auditors



Kiyoshi Hijikata



Yasuhiko Fuma



Akira Ishihara



Taizo Toyama



Toshifumi Hirano



Teruyasu Ando



Kazuo Takahashi



Motohiko Nakamura



Koji Sasaki



Tsunemitsu Miyazaki



Toshitaka Yamaguchi



Akira Katsuragawa



Yoshiaki Tsuzuki

PRESIDENT
Kiyoshi Hijikata

SENIOR MANAGING DIRECTORS
Yasuhiko Fuma
Head of General Administration Headquarters

Akira Ishihara
Head of General Operations Headquarters

ADVISOR AND DIRECTOR
Taizo Toyama

DIRECTORS
Toshifumi Hirano
Head of Area Franchise & Affiliated Company Administration Division

Teruyasu Ando
Head of Store Operations Division

Kazuo Takahashi
Head of Customer & Franchisee Relations Office and Compliance & Environmental Management Office

Motohiko Nakamura
Head of Marketing, Services & Merchandising Division

DIRECTOR (External Director)
Koji Sasaki
President of UNY CO., LTD.

CORPORATE AUDITORS
Tsunemitsu Miyazaki

Toshitaka Yamaguchi

CORPORATE AUDITORS (External Auditors)
Akira Katsuragawa

Yoshiaki Tsuzuki
Senior Managing Director of UNY CO., LTD.

EXECUTIVE OFFICERS
Fujihito Matsumiya
Head of Store Development Division

Masayoshi Abe
Deputy Head of Store Development Division

Kiyoshi Aida
Deputy Head of Store Development Division
Circle K Region No. 3

Kazuyoshi Morikawa
General Manager of Store Development Promotion Department of Store Development Division

Katsunori Hakamata
Head of Strategic Planning Office

Kunio Takasu
Head of Personnel & General Affairs Division

(As of May 24, 2006)

Circle K Sunkus convenes meetings of the Disciplinary Committee to strictly deal with wrongful, illegal, or otherwise inappropriate actions.

(3) Establishment of Risk Management System

Circle K Sunkus considers its primary risks to be associated with food safety, information systems, lawsuits, the financial condition of area franchisers, and natural disasters. Circle K Sunkus puts specific departments in charge of each risk and requires each department to continuously monitor and endeavor to prevent each risk from materializing. In the event that risks materialize, the Company takes rapid and appropriate responses to minimize any damages or losses.

The Compliance & Environmental Management Office, which oversees risks across the Company, identifies primary risks, and establishes rapid and appropriate lines of communication and emergency response systems, in the event that a contingency materializes in each primary risk category. At the same time, this office is responsible for monitoring risk management in cooperation with various departments, and coordinating and supervising risk management at each department. Directors and executive officers in charge of each risk or relevant risk-management department regularly report on risk management-related issues to the Board of Directors.

Remuneration for Directors and Corporate Auditors

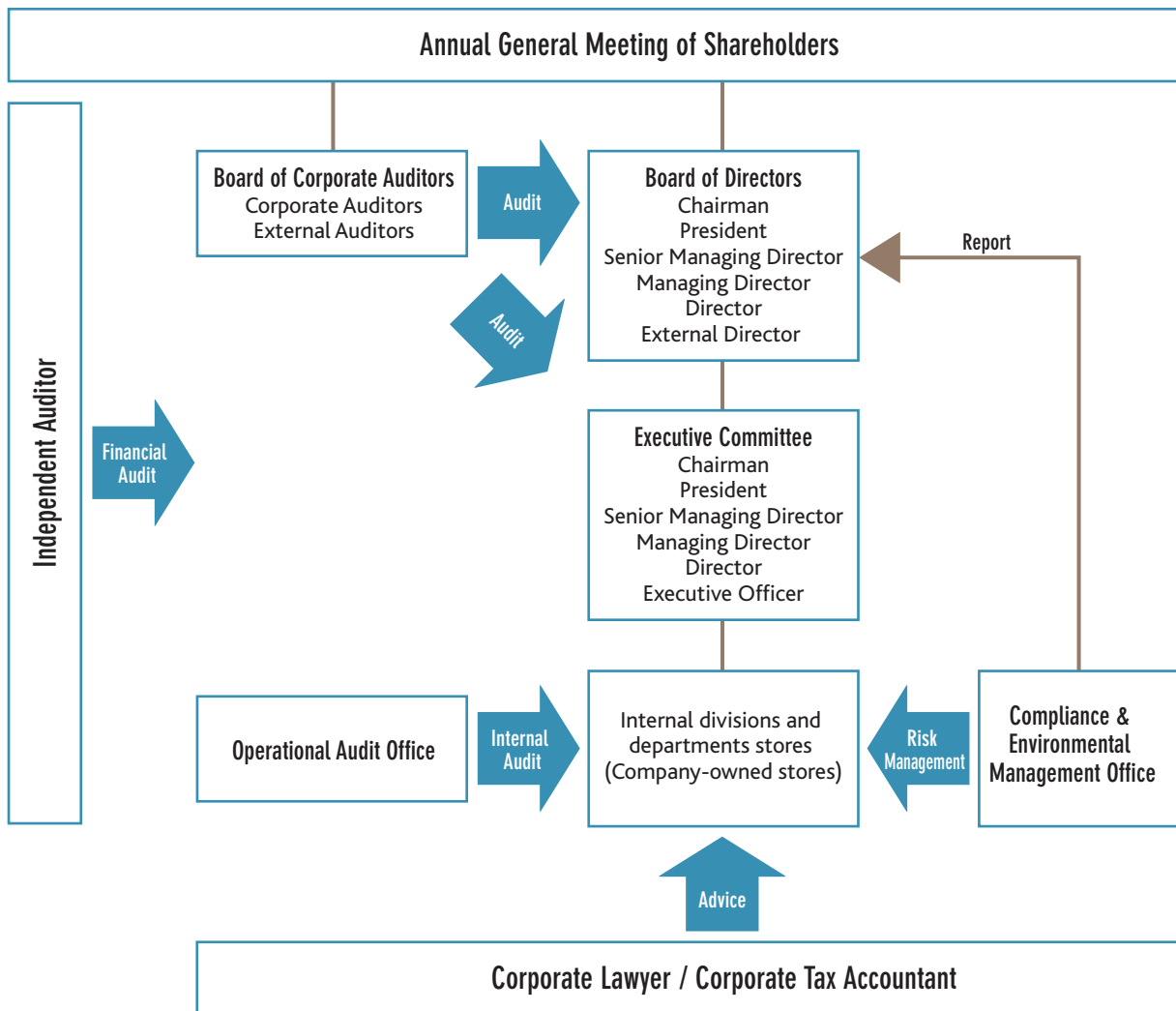
Remuneration for directors is reviewed every year in line with each director's accomplishments and contributions to the company's performance during the fiscal year. Remuneration for directors and corporate auditors in the fiscal year ended February 28, 2006 is outlined in the table below.

As part of efforts to amend the remuneration system for directors and corporate auditors, the Board of Directors and Board of Corporate Auditors approved resolutions to abolish the retirement benefit system for directors and corporate auditors at meetings held in April 2005.

(¥ millions)

• Remuneration	Directors Auditors	¥189 (Incl. external directors: 2) 54 (Incl. external auditors: 3)
• Appropriations for directors' and corporate auditors' bonuses	Directors Auditors	52 (Incl. external directors: 0) 7 (Incl. external auditors: 0)
• Retirement bonuses approved by shareholders	Director	21

CORPORATE GOVERNANCE STRUCTURE (As of March 1, 2006)



Guided by our mission statement of aiming “to be a company that achieves steady, sustainable growth, while earning the trust of society,” the Circle K Sunkus Group regularly conducts environmental programs and socially beneficial activities at its nationwide network of more than 6,300 Circle K and Sunkus stores, leveraging its ties with local communities.

Environmental Activities

Circle K Sunkus’ environmental philosophy is to “reduce the environmental impact of our corporate activities as much as possible to protect the global environment and leave a pristine natural environment behind for future generations.” Based on this philosophy, we are engaged in a diverse array of environmental activities centered on our environmental management system.

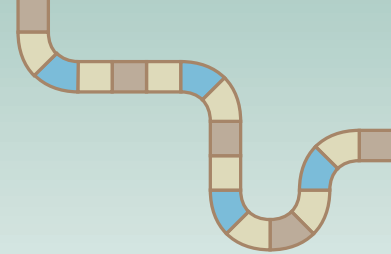
Circle K Sunkus conducts environmental activities on an ongoing basis at its Head Office, regional offices and all stores, ranging from energy and resource conservation programs, to reducing waste volumes and delivery frequencies, promoting the introduction of low-pollution vehicles and developing eco-conscious products. Further, Circle K Sunkus opened an eco-conscious store on the premises of the 2005 Aichi World Expo, which began in March 2005, featuring recycled materials and energy-saving equipment. In addition, we plan to continue recycling resources using all conceivable techniques and methods, including sorting of recyclable wastes and producing fertilizer from food waste.

Social Contribution Activities

Convenience stores are points of contact with large numbers of consumers. Leveraging this infrastructure, Circle K Sunkus collects donations through fundraising boxes placed in all Circle K and Sunkus stores, in addition to contributing a portion of earnings generated by its activities to supporting NPOs for the purpose of providing humanitarian assistance.

Store Fundraising Activities

In addition to the usual organizations receiving donations, in fiscal 2006, Circle K Sunkus contributed to emergency relief funds in overseas regions affected by unforeseeable natural disasters, such as hurricanes and earthquakes.



	Collection period	Organization receiving donations	Donations	
Circle K	April to July 2005	The National Federation of All Japan Guide Dog Training Institutions "Nationwide Guide Dog Campaign"	¥ 13,081,982	
	August to November 2005	Japanese Red Cross Society "Relief Fund for Overseas Disaster Victims"	¥ 3,446,488	
	December 2005 to March 2006	Japan Environmental Action Network (JEAN) "Environmental Preservation Fund"	¥ 11,070,538	
Sunkus	March 2005 to February 2006	Japan UNICEF	¥ 21,348,496	
			Circle K Sunkus Total	¥48,967,504

	Collection period	Organization receiving donations	Contributions
Circle K Sunkus	September 2005	Emergency relief for survivors of Hurricane Katrina in the U.S.	¥14,236,756
	October to November 2005	Emergency relief for victims of the Pakistan earthquake	¥14,042,670

NPO Support Activities

NPO Kokkyo naki Kodomotachi (KnK)

Kokkyo naki Kodomotachi (KnK) operates youth homes that accept underprivileged children in Cambodia, Vietnam and other countries and foster self-reliance.

NPO Japan Team of Young Human Power (JHP)

The Japan Team of Young Human Power builds and renovates schools, mainly in Cambodia.

In February 2006, JHP opened its first junior high school in Cambodia nicknamed "Everyone's Dream School." Since opening its first elementary school in December 2003 using donations collected by Circle K Sunkus, JHP had constructed three elementary and junior high schools by 2006. Some 1,700 students are studying at these schools.



School built by JHP in Cambodia



Pupils attending "Everyone's Dream School"

NPO Family House

Family House provides lodging for families of children from all over Japan who are battling serious illnesses such as cancer. These facilities help ease the economic burden on families who come to Tokyo from other parts of Japan to seek treatment for their child.

- Notes: 1. Figures in the Store Results section on pages 27 to 34 of the MD&A are shown on a non-consolidated basis.
2. In the MD&A, all year-on-year comparisons are drawn with reference to figures presented on **basis B** in the previous fiscal year to reflect the merger that formed Circle K Sunkus Co., Ltd. in the fiscal year ended February 28, 2005.



Financial Section

Operating Results for the Fiscal Year Ended February 28, 2005

Basis A: First-half non-consolidated operating results of CIRCLE K JAPAN Co., Ltd., the surviving company + Second-half consolidated operating results of Circle K Sunkus Co., Ltd. after the merger

- The audited financial statements and accompanying notes on pages 40 to 57 are presented on **basis A**.
- Operating results presented on basis A exclude first-half operating results of SUNKUS & ASSOCIATES INC. (from March 1, 2004 to August 31, 2004)

Basis B: First-half consolidated operating results of C&S Co., Ltd. before the merger + Second-half consolidated operating results of Circle K Sunkus Co., Ltd. after the merger

- Please see page 58 for unaudited financial statements presented on **basis B**.



Investors'
Guide

This graphic indicates that further details are available in Circle K Sunkus INVESTORS' GUIDE (IG) 2006. Certain figures in this annual report differ from corresponding figures in the IG due to differences in rounding methods.

Management's Discussion and Analysis of Operations and Financial Position

(As of February 28, 2006)

BUSINESS ENVIRONMENT

In fiscal 2006, the year ended February 28, 2006, Japan's economy continued to stage a gradual recovery, underpinned by improving corporate earnings. However, the recovery has been uneven across business formats in the retail sector. Consumer spending has been climbing mainly on the back of higher demand for premium brand goods against the backdrop of a stronger economy and stock market, as well as for apparel. On the other hand, spending on food and other products has been slow to pick up. In the convenience store sector, intensifying competition within the industry has been compounded by increasing competition with retailing sectors such as supermarkets, drug stores, and discount retailers. Against this background, the convenience store industry as a whole saw a year-on-year decrease in existing store sales for the full fiscal year.

STORE RESULTS

Investors Guide P.14-15/P.19/P.25-27

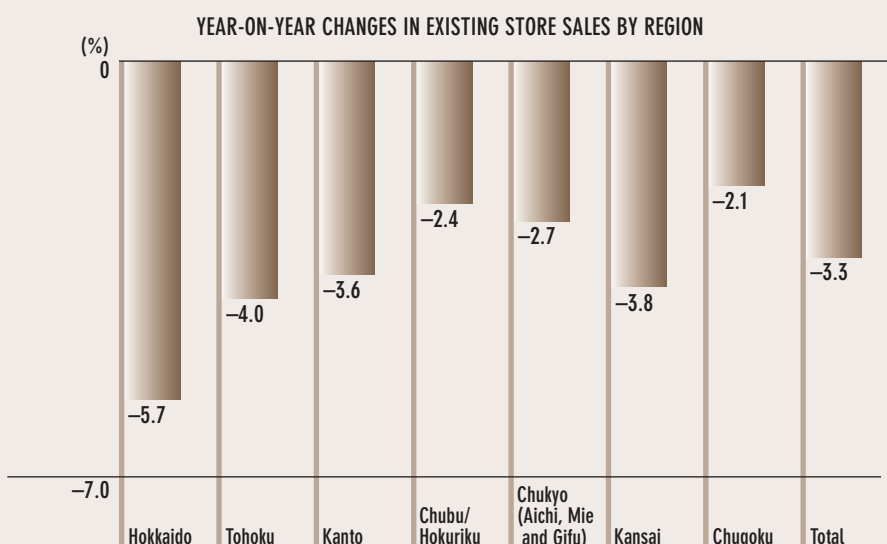
Sales and Existing Store Sales (YoY Comparisons)

In the first half of fiscal 2006, Circle K Sunkus posted slower sales, centering on summertime products such as beverages and chilled noodles. This was partly because the weather was not as favorable for sales as in the previous fiscal year, when sales benefited from an unusually hot summer. In the second half, existing store sales were affected primarily by a drop-off in customer footfall due to a harsh winter that saw temperatures fall below yearly averages nationwide and heavy snowfall in northern Japan and other areas. The termination of sales of prepaid highway toll cards in September 2005 also impacted sales. As a result, existing store sales at Circle K Sunkus for fiscal 2006 declined 3.3% year on year. By region, Circle K Sunkus performed well in the three prefectures comprising the Chukyo region, partly benefiting from

the Aichi World Expo 2005, but struggled in Hokkaido and the Tohoku region, as well as in the Kanto and Kansai regions. The termination of sales of prepaid highway toll cards lowered existing store sales by 0.6%.

Sales at Circle K and Sunkus proper, including franchised stores, decreased 1.0% year on year to ¥898,742 million, hit hard by existing store sales falling 1.3% short of target, as well as by additional store closures and delays in opening new stores. Total store sales for the Circle K Sunkus Group, including area franchisers, decreased 0.9% year on year to ¥1,099,611 million.

Turning to the outlook for fiscal 2007, Japan's economy is projected to remain on a gradual recovery course in step with continued growth in consumer spending and capital expenditures. Meanwhile, convenience stores will need to address significant changes in customer needs, against the backdrop of Japan's shifting social structure that is driven by a declining population



Note: Figures exclude area franchisers.

accompanied by more older people and fewer births.

The convenience store industry will continue to face a difficult operating environment. This trend is being fueled by a fiercer level of competition transcending business or industry lines, encompassing not only rival convenience store chains but also traditional industry outsiders. In light of this challenging business environment, Circle K

Sunkus expects existing store sales for fiscal 2007 to decrease 1.6%, once again falling below the previous year. Based on these assumptions, sales at Circle K and Sunkus proper, including franchised stores, are projected to increase 0.4% year on year to ¥902,720 million. Total store sales for the Circle K Sunkus Group, including area franchisers, are forecast at ¥1,103,390 million, up 0.3% year on year.

Looking at the convenience store industry as a whole, the major convenience store chains posted weaker existing store sales. This mainly reflected the fact that consumer spending on food and daily necessities has yet to improve, as well as intensifying competition from traditional industry outsiders and the year's harsh winter. Furthermore, all major convenience store chains except Seven-Eleven posted larger year-on-year decreases in existing store sales than in the prior fiscal year due to the termination of sales of prepaid highway toll cards. This development had a particularly big impact on Circle K Sunkus, where prepaid highway toll cards represent a comparatively high percentage of sales.

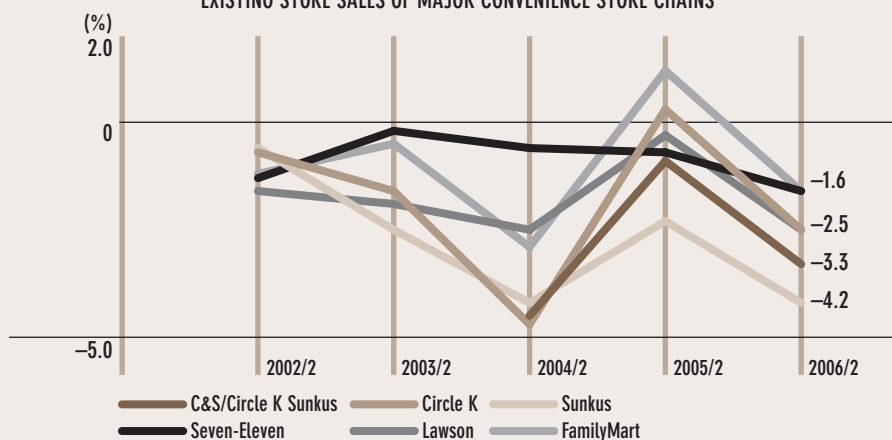
OVERVIEW OF STORES

Investors' Guide P.12/P.14-15/P.18/P.27

Stores Opened/Closed and Number of Stores at Fiscal Year-end

In the first half of fiscal 2006, Circle K Sunkus opened 41 fewer stores than planned, due to continuing difficulties

EXISTING STORE SALES OF MAJOR CONVENIENCE STORE CHAINS



Source: Financial reports prepared by each company.

Note: All major convenience store chains except Seven-Eleven were adversely affected by the termination of sales of prepaid highway toll cards in denominations of ¥30,000 and ¥50,000 in the February 2004 fiscal year, and ¥10,000 in the February 2006 fiscal year.

STORES OPENED/CLOSED

	Fiscal 2005			Fiscal 2006			(Stores)
	Circle K Sunkus	Circle K	Sunkus	Circle K Sunkus	Circle K	Sunkus	
Franchised and Company-owned stores							
Stores opened	346	193	153	335	196	139	
Stores relocated	65	51	14	82	63	19	
Stores closed	223	143	80	309	160	149	
Net increase (decrease)	123	50	73	26	36	-10	
Fiscal year-end	5,128	2,855	2,273	5,154	2,891	2,263	
Area franchisers							
Stores opened	127	25	102	121	22	99	
Stores closed	63	11	52	114	4	110	
Net increase (decrease)	64	14	50	7	18	-11	
Fiscal year-end	1,211	126	1,085	1,218	144	1,074	
Total	6,339	2,981	3,358	6,372	3,035	3,337	

Note: The change in the number of stores closed by Sunkus' area franchisers during the fiscal year ended February 28, 2006 includes 44 stores closed by Eiko Sunkus Co., Ltd., as a result of the dissolution of Circle K Sunkus Co., Ltd.'s area franchise agreement with this company on January 31, 2006.

in attracting franchisees during the fiscal year. Midway through the fiscal year, Circle K Sunkus lowered its target for opening new stores and relaxed certain conditions in its franchisee agreements to facilitate franchisee recruitment. Revisions entailed lowering the minimum age and granting exemptions to guarantor requirements. Responding to changes in the neighborhoods surrounding some stores, Circle K Sunkus opened more new stores by relocating existing ones to better locations in the same regions. As a result, in fiscal 2006, Circle K Sunkus opened 335 stores, including 82 relocations, surpassing its revised full-year target by 3 stores.

Average daily sales per new store were lackluster on the whole. Circle K Sunkus recorded average daily sales of ¥424,000 per store, ¥13,000 less than in the previous fiscal year. This decline was largely attributable to a substantial ¥45,000 decrease in average daily sales per new store at Sunkus, reflecting the relocation of only 19 Sunkus stores due to delays, compounded by the termination of sales of prepaid highway toll cards.

Circle K Sunkus also closed more Company-owned stores than initially planned, as well as stores unlikely to remain competitive in the future. As part of these efforts, 309 stores were closed in fiscal 2006, including 101 Company-owned stores. However, the number of Company-owned stores increased by 84 on a net basis as of the fiscal year-end, reflecting the conversion of numerous franchised stores into Company-owned stores due to weak existing store sales.

As of February 28, 2006, Circle K Sunkus had a total of 5,154 stores, a

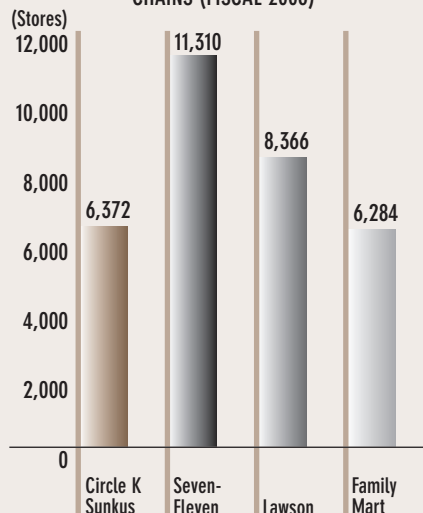
net increase of 26 stores. The Group's 13 area franchisers had a network of 1,218 stores, a net increase of 7 stores. The total number of stores for the Circle K Sunkus Group, including area franchisers, was 6,372.

In fiscal 2007, Circle K Sunkus will emphasize store profitability even more in order to open high-quality stores. New stores opened via relocations have been achieving high average daily sales per store on the whole. Circle K Sunkus will therefore work to improve average daily sales per new store by stepping up relocations in key regions such as Kanto and Chukyo. More specifically, Circle K Sunkus has crafted an organization to facilitate store relocations at Sunkus, which has encountered delays in relocating stores so far, by taking steps that include the formation of a project team devoted to store relocations. In March 2006, Circle K Sunkus opened its first store in Gunma Prefecture. Plans call for opening 10 more stores in this prefecture during fiscal 2007. Through

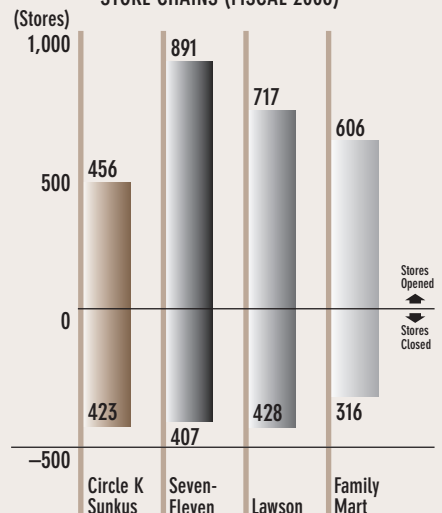
these and other measures, Circle K Sunkus plans to open 395 stores, including 131 relocations. This comprises 215 Circle K and 180 Sunkus stores. As of March 1, 2006, the number of outstanding contracts to be signed for new stores was 200. With the planned closure of 325 stores in fiscal 2007, Circle K Sunkus is projecting a net increase of 70 stores. Consequently, by February 28, 2007, the Company projects that the total number of stores at Circle K Sunkus will reach 5,224, while the total for the Group, including area franchisers, is projected to increase to 6,510 stores.

In fiscal 2006, although the industry as a whole struggled to sign up franchisees, the major convenience stores chains opened more stores than in the previous fiscal year. Meanwhile, the major convenience store operators each closed more than 300 stores. Only two convenience store chains, Lawson and FamilyMart, posted net increases in the number of stores over the previous fiscal year.

NO. OF STORES OF MAJOR CONVENIENCE STORE CHAINS (FISCAL 2006)



STORES OPENED/CLOSED OF MAJOR CONVENIENCE STORE CHAINS (FISCAL 2006)

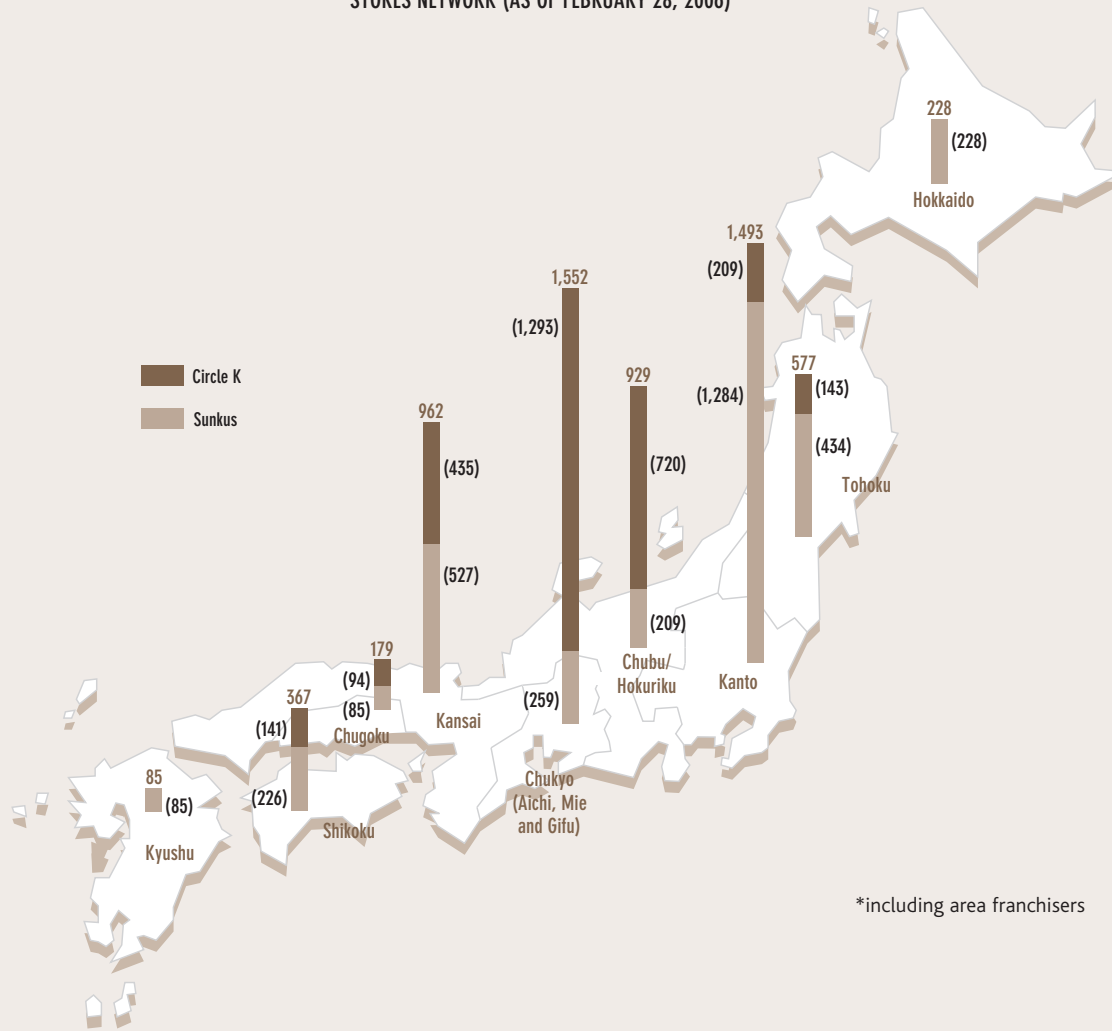


Notes: 1. Figures for Circle K Sunkus include area franchisers.

2. Figures for each convenience store chain represent stores in Japan only, excluding those of consolidated subsidiaries.

Source: Financial reports prepared by each company.

STORES NETWORK (AS OF FEBRUARY 28, 2006)



*including area franchisers

STORES BY GEOGRAPHIC REGION (AS OF FEBRUARY 28, 2006)

	Circle K		Sunkus		Total	
	Count	Share	Count	Share	Count	Share
Hokkaido	228	3.6%	—	—	228	6.8%
Tohoku	577	9.1%	143	4.7%	434	13.0%
Kanto	1,493	23.4%	209	6.9%	1,284	38.5%
Chubu / Hokuriku	929	14.6%	720	23.7%	209	6.3%
Chukyo (Note 2)	1,552	24.3%	1,293	42.6%	259	7.8%
Kansai	962	15.1%	435	14.3%	527	15.8%
Chugoku	179	2.8%	94	3.1%	85	2.5%
Shikoku	367	5.8%	141	4.7%	226	6.8%
Kyushu	85	1.3%	—	—	85	2.5%
Total	6,372	100.0%	3,035	100.0%	3,337	100.0%
No. of prefectures covered	36	—	26	—	33	—

Notes: 1. Figures include area franchisers.

2. The Chukyo region comprises Aichi, Mie and Gifu prefectures.

Store Sales, Average Daily Sales and Customers Per Store, and Average Purchase Per Customer

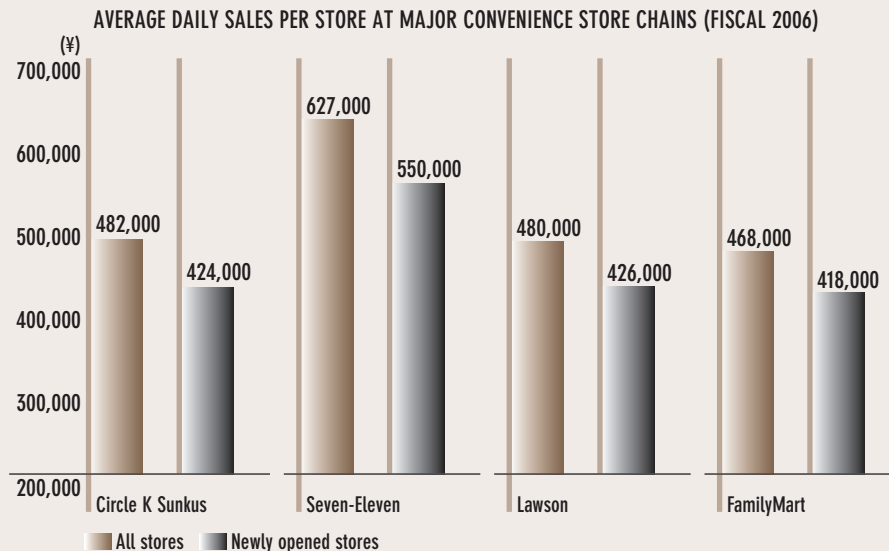
Despite Japan's ongoing economic recovery, consumer spending on food and daily necessities handled by convenience stores has yet to improve. Further impacted by the termination of sales of prepaid highway toll cards, aver-

age daily sales per store decreased ¥11,000 on an existing-store and all-store basis from the previous fiscal year.

Looking at the number of customers visiting stores, customer footfall saw a particularly large decline in the fourth quarter, partly due to an unusually cold winter. By contrast, "Zero Bank" ATMs, which allow withdrawals to be made free of charge during certain operating

hours on weekdays, helped to curb the decline in customer footfall at stores in Aichi and Gifu prefectures, the area where these machines were installed. In these prefectures, there was a smaller decline in customer footfall compared with the nationwide average. Meanwhile, the average purchase per customer decreased partly due to the termination of sales of prepaid highway toll cards.

In fiscal 2006, all major convenience store chains suffered year-on-year declines in average daily sales per store. Seven-Eleven Japan recorded average daily sales per store in the order of ¥600,000, but the three other major convenience store chains were in the upper ¥400,000 range due to the impact of the termination of sales of prepaid highway toll cards.



Note: Figures exclude area franchisers.
Source: Financial reports prepared by each company.

AVERAGE DAILY SALES, AVERAGE NUMBER OF DAILY CUSTOMERS, AND AVERAGE PURCHASE PER CUSTOMER AT COMPANY AND FRANCHISED STORES

	Fiscal 2005						Fiscal 2006					
	Circle K Sunkus		Circle K		Sunkus		Circle K Sunkus		Circle K		Sunkus	
	Value	Change	Value	Change	Value	Change	Value	Change	Value	Change	Value	Change
Existing stores												
Average daily sales per store	¥496,000	—	¥494,000	0.4%	¥500,000	-0.8%	¥485,000	-2.2%	¥487,000	-1.4%	¥483,000	-3.4%
Average number of daily customers per store	826	—	775	0.6%	892	1.5%	821	-0.6%	776	0.1%	878	-1.6%
Average purchase per customer	601	—	638	-0.2%	560	-2.3%	591	-1.7%	628	-1.6%	550	-1.8%
Average daily sales at all stores	¥493,000	—	¥493,000	1.0%	¥495,000	-1.0%	¥482,000	-2.2%	¥485,000	-1.6%	¥479,000	-3.2%
Average daily sales at newly opened stores	¥437,000	—	¥439,000	-1.8%	¥435,000	-4.0%	¥424,000	-3.0%	¥446,000	1.6%	¥390,000	-10.3%

Note: Figures exclude area franchisers.

Product Details and Markup Rates

Fast foods: Rice dishes, bread, noodles, delicatessen snacks, and countertop fast foods

In fiscal 2006, the main thrust of product development was to create a unified fast foods lineup leveraging best practices at Circle K and Sunkus. However, overall sales in the rice dish category decreased year on year, reflecting lackluster sales of boxed lunches, as well as the fact that popular rice ball products, the primary component of sales growth in this category, ran their course. In the processed noodles category, overall sales declined due to a drop-off mainly in sales of chilled noodles, following the previous fiscal year's hot summer. Meanwhile, Circle K saw baked goods perform well due to the launch of the Hot Palette series of pastries baked using specialized ovens in stores. Sunkus benefited from higher sales of delicatessen items, lifted by solid demand for soups with generous

amounts of meat and vegetables. Sales of countertop fast foods recorded significant growth, paced by strong-selling Chinese steamed dumplings and fried chicken, as well as by the sale of oden (stewed meat, fish and vegetables) at more Sunkus stores. As a result, overall fast foods sales remained on a par with the previous fiscal year's level.

Perishable foods: Milk, chilled beverages, pastries, bread, desserts, and fresh food items

Sales of desserts, centering on a large lineup of original products, helped to boost perishable foods sales. In the chilled beverage category, dairy drinks packaged in cups and value-priced tea-based beverages packaged in paper cartons performed well. However, original baked goods struggled throughout the year despite a renewal of the lineup, as these products were unable to fully meet customer needs. Consequently, perishable food sales decreased 0.9% from the previous fiscal year.

Processed foods: Alcoholic beverages, soft drinks, snacks, instant noodles, ice cream, and dried foods

Overall sales in the snack category, which includes chewing gum, chocolate, and candy, were lackluster, although Hogaraka Time—an original lineup of value-priced snacks packaged in single-serving sizes—continued to perform well in fiscal 2006. In addition, Circle K Sunkus posted lower sales of soft drinks and ice cream, reflecting the hot summer of the previous fiscal year and sluggish sales of tea-based beverages. Furthermore, sales of alcoholic beverages fell due to lower demand for Hoppo-shu (low-malt beer) and regular beer, following alcohol licensing deregulation and the launch of a beer-flavored alcoholic beverage offered in a price range with a low tax rate. Consequently, overall processed food sales were sluggish, declining 3.6% year on year.

SALES BY PRODUCT AND PRODUCT MARKUPS

	Fiscal 2005				Fiscal 2006			
	Sales Growth	Share	Markup		Sales Growth	Share	Markup	
				Change				Change
Fast foods	0.9%	20.2%	34.9%	—	0.0%	20.4%	35.3%	0.4%
Perishable foods	1.2	12.4	33.3	—	-0.9	12.5	33.5	0.3
Processed foods	-0.4	32.8	34.6	—	-3.6	32.1	35.4	0.7
Non-food items	4.3	28.6	19.4	—	0.9	29.3	19.2	-0.2
Services	-2.8	6.0	7.8	—	-6.5	5.7	7.7	-0.1
Total	2.7%	100.0%	28.79%	-0.09%	-1.0%	100.0%	29.05%	0.26%

Notes: 1. Sales growth and share figures represent those for all stores of Circle K and Sunkus.
 2. Product markups for Sunkus include area franchisers.

Non-food items: Magazines, newspapers, tobacco, cosmetics, general merchandise

As traditional industry outsiders such as ¥100 discount shops and drug stores came to the fore, Circle K Sunkus once again recorded weak sales of general merchandise, cosmetics products and daily necessities in fiscal 2006. In addition, sales of newspapers and magazines were down due to slow sales of weekly magazines and other periodicals. However, tobacco sales, which represent roughly 18% of overall sales, continued to hold firm. Strong growth also came from sales of original toys, notably Circle K Sunkus' series of miniature cars. As a result, sales in the non-food items category increased 0.9% year on year.

Services: Prepaid highway toll cards, tickets, stamps, and parcel delivery

Sales of advance cinema tickets were higher, boosted by exclusive ticket sales of advance tickets for certain movies at Circle K and Sunkus. Tickets to the Aichi World Expo 2005 sold well, albeit for a

limited time frame. Higher sales were also recorded by the Net Preca service, which was rolled out in fiscal 2006, as well as prepaid cards, underpinned partly by the growing online game market and Internet shopping markets. However, the termination of sales of high-priced prepaid highway toll cards weighed heavily on sales. Consequently, the service category saw a large year-on-year decrease of 6.5% in overall sales from the previous fiscal year.

As a result, total product sales decreased 1.0% year on year.

Product Markups

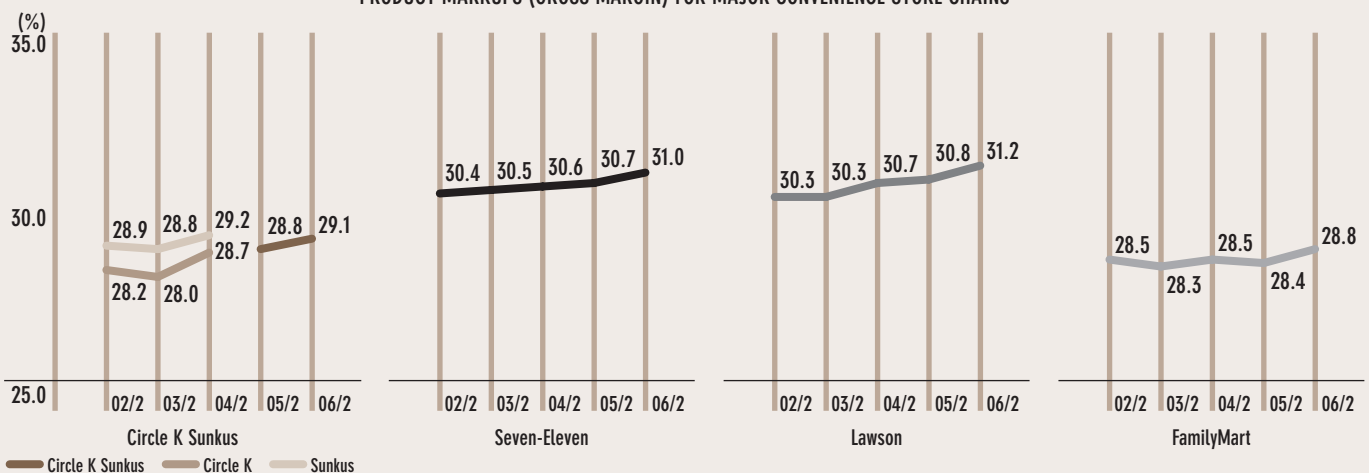
In October 2004, Circle K Sunkus began integrating product vendors and logistics operations in the processed food category. In fiscal 2006, Circle K Sunkus extended the integration process to the frozen food and general merchandise categories, and completed integration in all regions. Although this has not begun to fully contribute to an improvement in product markups in fiscal 2006, product markups in the processed food category improved by

0.7 of a percentage point overall. Meanwhile, the termination of sales of prepaid highway toll cards, which have low markups, had the effect of improving the average product markup by 0.15 of a percentage point. These improvements outweighed the impact of strong sales of tobacco, where markups remain low. Consequently, the average product markup for fiscal 2006 improved 0.26 of a percentage point to 29.05%, 0.04 of a percentage point higher than forecast.

For fiscal 2007, Circle K Sunkus projects that products with relatively low markups, such as tobacco and service category products such as tickets, will once again represent a greater percentage of sales. In fiscal 2007, categories where integration was completed in fiscal 2006 will begin contributing to product markups on a full-year basis. As a result, Circle K Sunkus is targeting an improvement of 0.38 of a percentage point in the average product markup in fiscal 2007.

All major convenience store chains achieved higher product markups in

PRODUCT MARKUPS (GROSS MARGIN) FOR MAJOR CONVENIENCE STORE CHAINS



Note: Figures for Sunkus include area franchisers.
Source: Financial reports prepared by each company.

fiscal 2006. This was partly because all chains except Seven-Eleven saw improvements in product markups due to the termination of sales of prepaid highway toll cards, which have low markups. However, Circle K Sunkus has yet to raise the average product markup to 30%. To this end, the Company will work to improve markups by continuing the vendor and logistics integration process and by expanding its lineup of appealing, original products.

Investors' Guide P.20-21

AREA FRANCHISERS

Circle K Sunkus and its area franchisers each develop store networks. The Company establishes area franchisers as joint venture companies with

prominent local firms to operate franchised stores in specific regions. Area franchisers receive expertise and guidance from the Company on their respective convenience store chains.

The Company provides guidance to area franchisers on topics such as store development, operations and accounting, while at the same time supplying them with products, information systems and other items. Fees from area franchisers are paid to the Company in return. The Circle K Sunkus Group maximizes scale merits across the Group, including at area franchisers, with regard to product policies and developing its store network.

As of February 28, 2006, the Circle K Sunkus Group had 13 area franchisers

who operated 1,218 stores in 21 prefectures. In fiscal 2006, consolidated subsidiaries Sunkus Aomori Co., Ltd. and Sunkus Nishi-Saitama Co., Ltd. both reported higher operating income of ¥61 million and ¥96 million, respectively.

Circle K Sunkus respects the autonomy of management at area franchisers. While carefully considering returns on investments from a Group-wide perspective, the Company provides personnel and funding support for area franchisers as necessary.

In fiscal 2006, Circle K Sunkus converted one area franchiser into a subsidiary, and dissolved its area franchise agreement with another.

AREA FRANCHISERS

Company	Date of agreement	2006/2				
		Number of stores (Stores)		Sales (¥ million)		Area license fees (¥ million)
			Change		Change	
Sunkus Aomori Co., Ltd.*	1994. 3. 1	67	0	¥ 9,578	-2.5%	
Sunkus Nishi-Saitama Co., Ltd.*	1987. 2. 28	79	3	11,504	-1.2%	
Sunkus Kitakanto Co., Ltd. (Note 1)	1997. 3. 12	33	-4	5,510	-6.2%	
Circle K Shikoku Co., Ltd.	1996. 5. 14	144	18	21,320	12.3%	
Sunkus Higashi-Saitama Co., Ltd.	1988. 7. 19	67	-8	10,145	-5.5%	
Sunkus Tokai Co., Ltd.	1989. 9. 6	98	9	14,588	1.2%	
Sunkus Keihanna Co., Ltd.	1989. 10. 26	119	0	19,321	-2.1%	
Sunkus Nishi-Shikoku Co., Ltd. (Note 2)	1992. 8. 27	94	3	13,684	-4.6%	
Sunkus and Associates Higashi-Shikoku Co., Ltd.	1995. 1. 12	132	-1	22,571	-4.1%	
Sunkus Hokulia Corporation	1995. 1. 24	89	5	15,444	1.4%	
Sunkus and Associates Toyama Co., Ltd.	1996. 7. 2	80	6	13,573	12.4%	
Minami-Kyushu Sunkus Co., Ltd.	1998. 8. 21	85	12	12,698	26.6%	
CVS Bay Area Inc.	1997. 1. 14	131	8	27,485	3.4%	
Total		1,218	51	¥197,426	-	¥3,199

Notes: 1. As of July 1, 2005, the area franchise agreement between the Company and Sunkus and Associates Tochigi Corporation was transferred to SUNKUS KITAKANTO Co., Ltd., which was newly established through a demerger. On the same day, the Company acquired all shares in SUNKUS KITAKANTO Co., Ltd. for conversion into a wholly owned subsidiary.

2. On March 1, 2006, the Company acquired all shares of Sunkus Nishi-Shikoku Co., Ltd. for conversion into a wholly owned subsidiary.

3. Circle K Sunkus Co., Ltd. dissolved its area franchise agreement with area franchiser Eiko Sunkus Co., Ltd. on January 31, 2006. Through store closures and the transfer of certain stores, Eiko Sunkus Co., Ltd. has exited Sunkus' area franchise business in Hokkaido's eastern region.

Reference: Recent Performance of Eiko Sunkus Co., Ltd.

(FY 2006) Sales: 3,443 million yen / Stores opened: 0 / Stores closed: 44

* Consolidated subsidiaries

(As of February 28, 2006)

As of July 1, 2005, the area franchise agreement between the Company and Sunkus and Associates Tochigi Corporation was transferred to SUNKUS KITAKANTO Co., Ltd., which was newly established through a demerger. On the same day, the Company acquired all shares in SUNKUS KITAKANTO Co., Ltd. for conversion into a wholly owned subsidiary.

More recently, as of January 31, 2006, Circle K Sunkus Co., Ltd. dissolved its area franchise agreement with area franchiser Eiko Sunkus Co., Ltd. on January 31, 2006. Through store closures and the transfer of certain stores, Eiko Sunkus Co., Ltd. has exited Sunkus' area franchise business in eastern Hokkaido.

Beginning with fiscal 2007, SUNKUS KITAKANTO Co., Ltd. and Sunkus Nishi-Shikoku Co., Ltd. will become consolidated subsidiaries of Circle K Sunkus Co., Ltd. On March 1, 2006, the Company acquired all shares of Sunkus Nishi-Shikoku Co., Ltd., making this

company a wholly owned subsidiary.

In fiscal 2007, Circle K Sunkus established the Area Franchise Management & Administration Department to offer even stronger management guidance to area franchisers. Going forward, the Circle K Sunkus Group will work to capture group-wide synergies by deepening collaboration with area franchisers, while further strengthening management guidance.

Investors
Guide P.22-23

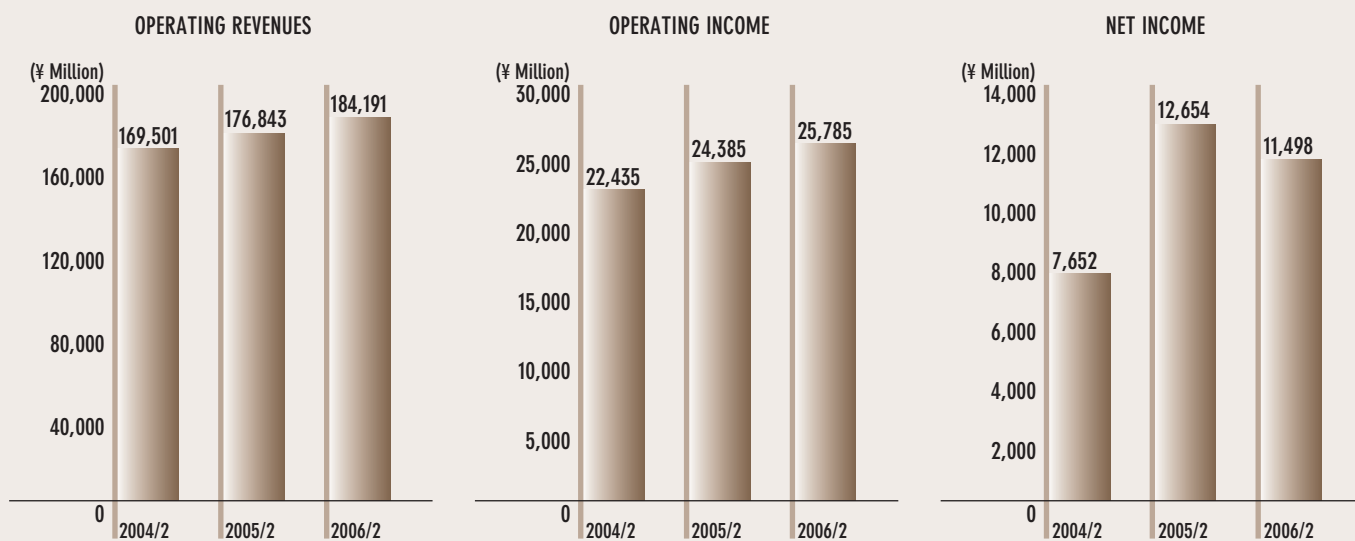
CONSOLIDATED OPERATING RESULTS FOR FISCAL 2006

In fiscal 2006, sales at Circle K and Sunkus proper, including franchised stores, decreased ¥13,697 million year on year, resulting in a ¥849 million decline in franchise commissions from franchised stores. However, net sales of Company-owned stores rose ¥8,492 million year on year as a result of an increase of 84 in Company-owned stores in response to slowing sales.

Consequently, operating revenues climbed 4.2% to ¥184,191 million.

Consolidated selling, general and administrative (SG&A) expenses decreased 0.2% year on year to ¥107,474 million, partly owing to cost savings arising from merger benefits. The early adoption of new accounting standards for the impairment of fixed assets reduced depreciation expenses and leasing fees by ¥262 million and ¥323 million, respectively. As a result, consolidated operating income rose 5.7% to ¥25,785 million.

In fiscal 2006, Circle K Sunkus booked a gain of ¥2,152 million on the return of the substitutional portion of the Employees Pension Fund of the Uny Group to the Japanese Government. Meanwhile, the Company booked an impairment loss on fixed assets of ¥4,985 million on March 1, 2005, following the early adoption of new accounting standards for the impairment of fixed assets in fiscal



Note: Figures for fiscal 2004 represent the consolidated operating results of C&S Co., Ltd. while those for fiscal 2005 represent those of Circle K Sunkus Co., Ltd. on basis B (Please see page 26).

2006. In addition, the loss on cancellation of lease contracts increased ¥199 million due to the closure of 319 stores, 98 more than projected at the beginning of fiscal 2006, but the loss on sales or disposal of property and equipment fell ¥152 million, partly due to impairment charges. Consequently, income before income taxes decreased 10.3% to ¥19,858 million, and net income declined 9.1% to ¥11,498 million.

In fiscal 2007, the Circle K Sunkus Group will have 5 consolidated subsidiaries due to the addition of 3 consolidated subsidiaries. Circle K Sunkus is projecting total operating revenues of ¥192.7 billion because of an increase in the number of consolidated subsidiaries and stores. On the earnings front, through efforts to reduce SG&A expenses, Circle K Sunkus is targeting consolidated operating income of ¥27,360 million. However, because Circle K Sunkus expects to book another impairment loss of around ¥2.0

billion in fiscal 2007, consolidated net income is forecast at ¥12.0 billion.

For fiscal 2007, Circle K Sunkus' 5 consolidated subsidiaries are projecting total store sales of ¥40,510 million, operating revenues of ¥10,869 million, and operating income of ¥30 million.

Investors' Guide P.23

CONSOLIDATED FINANCIAL POSITION

Total current assets climbed ¥11,082 million to ¥92,045 million from a year earlier. This mainly reflected an increase of ¥9,983 million in cash and cash equivalents, the largest component of liquidity on hand. Due from franchised stores decreased ¥227 million from a year earlier to ¥3,337 million.

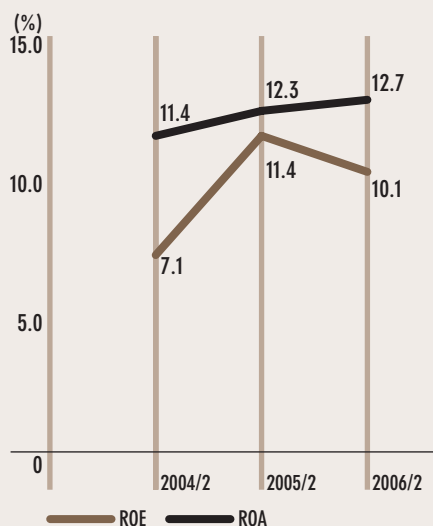
Net property and equipment rose only ¥97 million to ¥42,451 million, mainly due to impairment losses on fixed assets.

Investments and other assets declined ¥468 million from the previous fiscal year-end to ¥77,271 million.

In fiscal 2006, software decreased ¥1,889 million due to impairment charges. Long-term leasehold deposits fell ¥247 million owing to a decrease in guarantee deposits in line with store leasing agreements, despite the net increase in the number of stores. Meanwhile, investment securities rose ¥846 million from a year earlier mainly due to purchases of euroyen bonds. Furthermore, investments in and long-term loans to unconsolidated subsidiaries and affiliates were ¥564 million higher than a year earlier, reflecting the conversion of an area franchiser into a subsidiary as well as additional and new investments in non-consolidated subsidiaries.

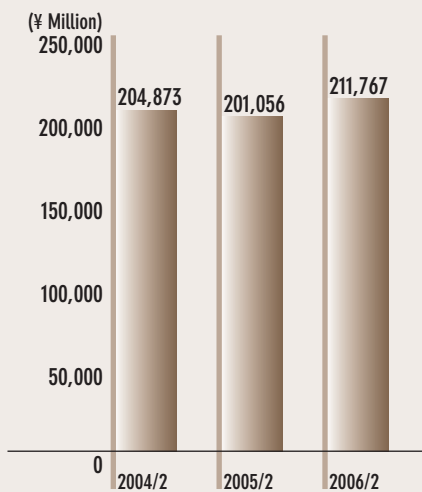
Total current liabilities were ¥76,705 million, down ¥4,179 million from a year earlier. Trade accounts payable decreased ¥2,482 million in line with the termination of sales of prepaid highway toll cards, a relatively high-priced item in the Company's

RETURN ON EQUITY (ROE) AND RETURN ON ASSETS (ROA)



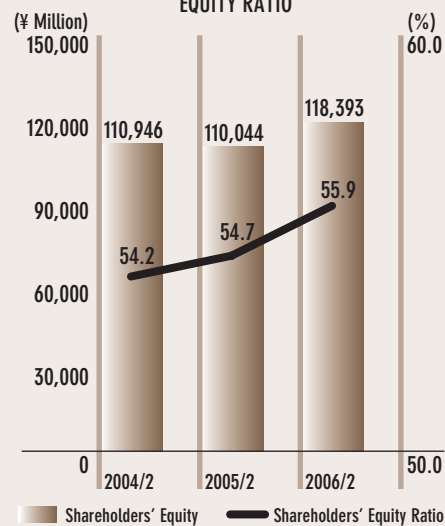
Notes: 1. ROA = (Operating income + Interest and dividend income) / Total assets (Yearly average) x 100
2. ROE = Net income / Shareholders' equity (Yearly average) x 100

TOTAL ASSETS



Note: Figures for fiscal 2004 represent the consolidated operating results of C&S Co., Ltd., while those for fiscal 2005 represent those of Circle K Sunkus Co., Ltd. on basis B (Please see page 26).

SHAREHOLDERS' EQUITY AND SHAREHOLDERS' EQUITY RATIO



product lineup. Money held as agent increased ¥3,666 million from a year earlier, with 75% of this increase reflecting higher volume of payments from customers for utility and other bills that are accepted at convenience stores, while roughly 20% came from customers recharging their Edy electronic money cards. Circle K Sunkus did not record any accrued severance benefits for officers in fiscal 2006, following the approval of a resolution to abolish the severance benefit system for officers at a meeting of the Board of Directors held on April 14, 2005. This resolution is part of reforms to the remuneration system for officers. Of impairment losses of ¥4,985 million booked by Circle K Sunkus in fiscal 2006, ¥995 million represents impairment on lease assets. Of this amount, outstanding liabilities as of February 28, 2006 are presented on the balance sheet as impairment on lease assets of ¥615 million.

Total shareholders' equity was ¥118,393 million, ¥8,349 million higher than a year earlier. This increase was attributable to net changes in unrealized gains on available-for-sale securities against the backdrop of improving stock prices and higher retained earnings in line with net income growth. The shareholders' equity ratio was 55.9% and shareholders' equity per share was ¥1,373.59.

CASH FLOWS

Operating activities provided net cash of ¥27,210 million. The main contributing factors were income before income taxes and minority interests of ¥19,858 million; an impairment loss on fixed assets of ¥4,985 million; and an increase in money held as agent for payments of utility and other bills that are accepted at convenience stores.

Investing activities used net cash of ¥13,229 million. The main components were an ¥8,067 million increase in property and equipment chiefly to open new stores and upgrade existing ones and a ¥6,691 million increase in long-term leasehold deposits for new stores.

Consequently, free cash flow, which is net cash provided by operating activities minus net cash used in investing activities, amounted to ¥13,981 million.

Financing activities used net cash of ¥3,998 million, mainly reflecting dividends paid of ¥3,359 million.

Consequently, as of February 28,

2006, cash and cash equivalents were ¥68,803 million, up ¥9,983 million, from the previous fiscal year-end.

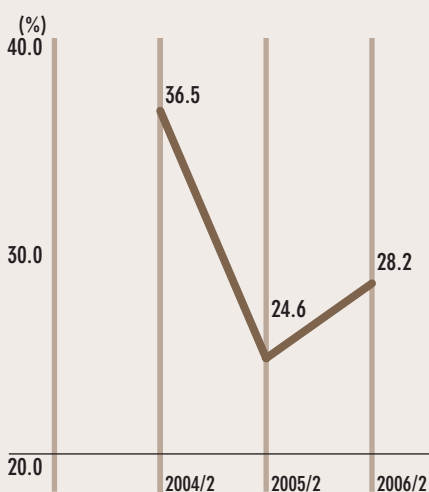
Investors' Guide P.24

RETURNING PROFITS TO SHAREHOLDERS

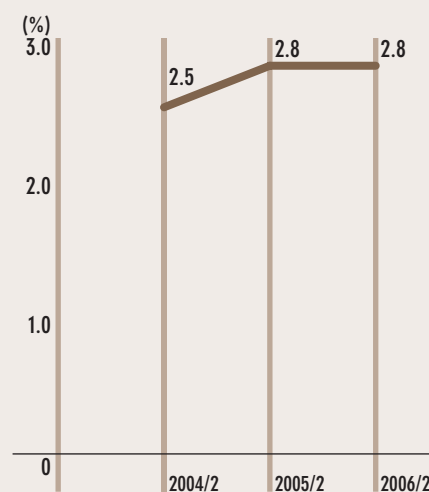
Circle K Sunkus returns profits to shareholders in line with business results while maintaining the internal reserves necessary to create a strong business base and sustain a high level of growth potential. Circle K Sunkus considers the maintenance of stable dividends its first priority and aims to pay out 25% of consolidated net income in the year under review in the form of dividends. Circle K Sunkus intends to raise the dividend payout ratio to 30% in the future.

In fiscal 2006, Circle K Sunkus declared interim and year-end dividends of ¥19 per share. As a result, the annual dividend for fiscal 2006 increased ¥2 from the previous year to ¥38 per share, representing a dividend payout ratio of 28.2%.

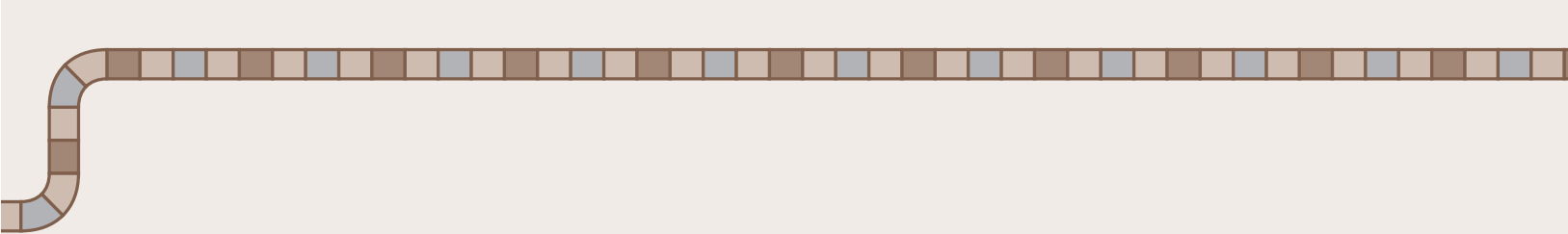
DIVIDEND PAYOUT RATIO



RATIO OF DIVIDENDS TO SHAREHOLDERS' EQUITY



Note: Because profits declined in the fiscal 2004 reporting period due to restructuring costs, the dividend payout ratio for fiscal 2004 was unusually high.



Circle K Sunkus does not plan to purchase treasury stock for the foreseeable future, as internal reserves are required to fund investments in revitalizing existing stores to make them still more competitive, in addition to developing new ones, acquiring store fixtures for displaying new products, and bringing a new information system on-stream as planned in fiscal 2007. However, Circle K Sunkus will consider other means of returning profits to shareholders, such as dividend payments in line with earnings growth.

BUSINESS RISKS

Risks related to the Circle K Sunkus Group's business and other activities may have a significant impact on investment decisions. Some of these are listed below. Forward-looking statements contained in this document are based on management's assumptions in light of information available as of February 28, 2006.

[1] Economic Trends, Natural Disasters and Other Factors

The Group believes that convenience stores have an important role to play in society in the event of a disaster, through the provision of vital support to affected communities. However, an unexpected disaster, unforeseen accident or similar event could halt the Group's logistics system, leading to opportunity losses. Additionally, the Group's operating results and financial position could be impacted by shifts in consumer spending due to domestic economic trends, or changes in the natural environment such as unseasonable weather.

[2] Food Product Safety

The Circle K Sunkus Group gives the highest priority to food safety. The Group has already eliminated the use of preservatives and artificial coloring from mainstay products such as rice balls and boxed lunches. Circle K Sunkus also develops new products to consistently offer items that help to build trust among customers. Food safety is also ensured using an inspection and control system that involves the implementation of food safety and other inspections at stores. However, the food industry has faced a range of issues in recent years, including BSE, bird flu and genetically modified food products. Although Circle K Sunkus takes steps to identify and take preventive measures to deal with these and other risks, an unforeseen event could impact the Group's operating results and financial position.

[3] Information Systems

The Group holds franchise store information through its franchise business, and personal information on customers and other individuals gained from sales promotion campaigns and purchases made with Edy electronic money-enabled KARUWAZA CLUB cards. To prevent the leak or corruption of this information, Circle K Sunkus takes appropriate security measures in information management, including computer systems.

However, there is a risk that unforeseen events such as unauthorized access, casualty or infection by computer viruses could result in the leak of internal information, which could prevent the Group from carrying out its operations and other activities.

[4] Litigation

In the course of its business activities, the Circle K Sunkus Group works to ensure compliance with all relevant laws and regulations, while encouraging all employees to understand and practice compliance. To this end, the Group has established a Compliance & Environmental Management Office to strengthen internal control systems. However, the Group is open to the risk of litigation in the course of its operations. Legal action taken against Circle K Sunkus, or the result of such action, could impact the operating results and financial position of the Group.

[5] Area Franchisers

The Group grants permission to third parties to operate stores through area franchisers. In area franchiser operations, the characteristics of each region are respected and importance is given to profitability through synergies with other parts of the Group and results-driven business development in each area. Nonetheless, deteriorating operating performance in some areas due to a long-term economic downturn are a cause for concern. In dealing with this situation, the Group's policy is to provide the necessary personnel and financial support to area franchisers. However, an unforeseen situation could impact the Group's operating results and financial position.



OUTLOOK

Circle K Sunkus is facing fiercer competition from rival convenience store chains and traditional industry outsiders, as well as from shifting consumer needs prompted by a declining population with an accelerating trend toward aging and fewer births. Against this backdrop, Circle K Sunkus is encountering slower-than-expected sales growth and delays in opening new stores. Consequently, at this point, the Company cannot be fully optimistic about meeting the targets of the Three-Year Management Plan unveiled at the time of the merger. In response, Circle K Sunkus will continue to promote further integration across all departments, while pressing ahead with various structural reforms to reap many more merger benefits as quickly as possible.

Integration under way since the merger has been proceeding on schedule in all departments. Beginning in April this year, Circle K Sunkus will finally expand the integration of vendor and logistics networks to include the fast foods and perishable foods categories. Plans call for steadily extending this approach to new regions and completing the process by the end of fiscal 2008. The goal is to generate additional integration benefits. The Company will also set up its own network of dedicated food processing centers and integrate products and food ingredients, aiming to reduce the cost of ingredients by reaping economies of scale while enhancing product quality.

Furthermore, in April 2006, Circle K Sunkus extended the purchase point system for users of Edy electronic money-enabled KARUWAZA CLUB

house cards to all stores. Circle K Sunkus plans to begin rolling out “Zero Bank” ATMs at stores in Mie Prefecture in May, followed by stores in the Kanto region in July, aiming to install these ATMs at all stores by fiscal 2009. By enhancing these and other service offerings, Circle K Sunkus aims to set itself apart from other companies.

Japan’s shifting social structure, which is characterized by the 2005 start of a population decline as well as growing disparity in income levels and other developments, is significantly altering customer needs. In response, Circle K Sunkus has been taking many steps to meet the needs of the next generation. In February 2006, Circle K Sunkus opened its first discount store based on a new format called 99 Ichiba, which features an extensive lineup of fresh foods priced mainly at ¥99. Circle K Sunkus also plans to unveil a store format based on an entirely new concept during fiscal 2007. Plans also call for rolling out a new store information system in fiscal 2008.

Circle K Sunkus remains committed to realizing its vision of achieving “steady, sustained growth,” announced at the time of the merger. This will be accomplished by ensuring sustained growth in both operating income and recurring profit. Furthermore, by reinforcing operations in the areas of store operations, development, and products, Circle K Sunkus aims to return average daily sales per store to ¥500,000 as quickly as possible.

Consolidated Balance Sheets

Circle K Sunkus Co., Ltd.
February 28, 2006 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current assets:			
Cash and cash equivalents	¥ 68,803	¥ 58,820	\$ 593,129
Short-term investments (Note 5)	701	799	6,043
Accounts receivable:			
Due from franchised stores (Note 6)	3,337	3,564	28,767
Other	9,139	8,300	78,784
	12,476	11,864	107,551
Inventories	2,123	2,214	18,302
Deferred tax assets (Note 16)	1,137	864	9,802
Prepaid expenses and other current assets	7,266	7,031	62,638
Allowance for doubtful accounts	(461)	(629)	(3,974)
Total current assets	92,045	80,963	793,491
Property and equipment, at cost	75,715	74,703	652,716
Less, accumulated depreciation	(33,264)	(32,349)	(286,759)
Net property and equipment (Note 7)	42,451	42,354	365,957
Investments and other assets:			
Investment securities (Note 5)	4,903	4,057	42,267
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 8)	2,479	1,915	21,371
Long-term leasehold deposits	55,138	55,385	475,328
Software	3,203	5,092	27,612
Excess of cost of investments over equity in net assets acquired	218	429	1,879
Deferred tax assets (Note 16)	3,372	3,131	29,069
Other	9,428	9,071	81,276
Allowance for doubtful accounts	(1,470)	(1,341)	(12,672)
	77,271	77,739	666,130
	¥211,767	¥201,056	\$1,825,578

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current liabilities:			
Short-term borrowings (Note 10)	¥ 100	¥ 155	\$ 862
Current maturities of long-term debt (Note 10)	14	14	121
Accounts payable:			
Trade	36,552	39,034	315,103
Due to franchised stores (Note 9)	3,054	3,185	26,328
Other	5,489	5,443	47,319
	45,095	47,662	388,750
Income taxes payable	6,075	2,893	52,371
Money held as agent	21,336	17,670	183,931
Other current liabilities	4,085	4,132	35,215
Total current liabilities	76,705	72,526	661,250
Long-term debt (Note 10)	28	42	241
Guarantee deposits received	12,386	12,738	106,776
Employee retirement benefit liability (Note 11)	2,400	4,554	20,690
Accrued severance benefits for officers	—	68	—
Long-term deferred credit and other long-term liabilities	1,855	1,083	15,992
Commitments and contingent liabilities (Notes 12 and 13)			
Minority interests in consolidated subsidiaries	0	1	0
Shareholders' equity (Notes 15 and 19):			
Common stock, no par value—			
Authorized: 180,000,000 shares,			
Issued: 86,183,226 shares in 2006 and 2005	8,380	8,380	72,241
Capital surplus	36,094	36,092	311,155
Retained earnings	72,908	64,829	628,517
Net unrealized gains on available-for-sale securities	1,026	748	8,845
Less, treasury stock, at cost—34,296 shares in 2006 and 31,585 shares in 2005	(15)	(5)	(129)
	118,393	110,044	1,020,629
	¥211,767	¥201,056	\$1,825,578

Consolidated Statements of Income

Circle K Sunkus Co., Ltd.
For the Years Ended February 28, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Operating revenues:			
Franchise commission from franchised stores	¥104,416	¥ 77,153	\$ 900,138
Net sales of Company-owned stores	67,368	50,379	580,758
Other operating revenues	12,407	11,087	106,957
	184,191	138,619	1,587,853
Operating costs and expenses (Note 17):			
Cost of goods sold	50,932	38,410	439,069
Selling, general and administrative expenses	107,474	81,691	926,500
	158,406	120,101	1,365,569
Operating income	25,785	18,518	222,284
Other income (expenses):			
Interest and dividend income	443	409	3,819
Interest expenses	(29)	(27)	(250)
Loss on sales or disposal of property and equipment	(844)	(773)	(7,276)
Loss on cancellation of lease contracts	(1,811)	(1,396)	(15,612)
Gain on returning of substitutional portion of Employee Pension Fund (Note 2 (j))	2,152	–	18,552
Impairment loss on fixed assets (Note 3)	(4,985)	–	(42,974)
Miscellaneous, net (Note 5)	(853)	(89)	(7,353)
	(5,927)	(1,876)	(51,094)
Income before income taxes	19,858	16,642	171,190
Income taxes (Note 16)	8,360	7,270	72,069
Minority interests in net income (loss) of subsidiaries	0	(0)	0
Net income	¥ 11,498	¥ 9,372	\$ 99,121

Per share:	Yen		U.S. Dollars
Net income	¥132.77	¥217.55	\$1.14
Cash dividends	38.00	20.00	0.33

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Circle K Sunkus Co., Ltd.
For the Years Ended February 28, 2006 and 2005

	Millions of Yen					
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Treasury stock
Balance at February 29, 2004	167,608	¥8,380	¥36,091	¥12,761	¥ 547	¥ –
Net income	–	–	–	9,372	–	–
Cash dividends	–	–	–	(1,101)	–	–
Bonuses to directors and corporate auditors	–	–	–	(31)	–	–
Increase due to the merger	86,015,618	–	–	43,828	–	–
Net changes in unrealized gains on available-for-sale securities, net of applicable income taxes	–	–	–	–	201	–
Net changes in fractional shares	–	–	1	–	–	(5)
Balance at February 28, 2005	86,183,226	8,380	36,092	64,829	748	(5)
Net income	–	–	–	11,498	–	–
Cash dividends	–	–	–	(3,359)	–	–
Bonuses to directors and corporate auditors	–	–	–	(60)	–	–
Net changes in unrealized gains on available-for-sale securities, net of applicable income taxes	–	–	–	–	278	–
Net changes in fractional shares	–	–	2	–	–	(10)
Balance at February 28, 2006	86,183,226	¥8,380	¥36,094	¥72,908	¥1,026	¥(15)

	Thousands of U.S. Dollars					
Balance at February 28, 2005		\$72,241	\$311,138	\$558,870	\$6,448	\$ (43)
Net income		–	–	99,121	–	–
Cash dividends		–	–	(28,957)	–	–
Bonuses to directors and corporate auditors		–	–	(517)	–	–
Net changes in unrealized gains on available-for-sale securities, net of applicable income taxes		–	–	–	2,397	–
Net changes in fractional shares		–	17	–	–	(86)
Balance at February 28, 2006		\$72,241	\$311,155	\$628,517	\$8,845	\$(129)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Circle K Sunkus Co., Ltd.
For the Years Ended February 28, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 19,858	¥ 16,642	\$ 171,190
Adjustments for:			
Depreciation and amortization	8,388	8,075	72,310
Impairment loss on fixed assets	4,985	—	42,974
Loss on sales or disposal of property and equipment	844	773	7,276
Loss on cancellation of lease contracts	898	669	7,741
(Increase) decrease in trade receivables	(394)	297	(3,397)
Decrease (increase) in inventories	91	(75)	785
Decrease in trade payables	(2,613)	(6,633)	(22,526)
Decrease in other accounts payable and accrued expenses	(276)	(1,734)	(2,379)
Increase (decrease) in money held as agent	3,862	(339)	33,293
Other, net	(2,493)	(871)	(21,491)
Subtotal	33,150	16,804	285,776
Interest and dividends received	268	309	2,310
Interest paid	(2)	(1)	(17)
Income taxes paid	(6,206)	(5,078)	(53,500)
Net cash provided by operating activities	27,210	12,034	234,569
Cash flows from investing activities:			
Increase in property and equipment	(8,067)	(6,567)	(69,543)
Increase in long-term leasehold deposits	(6,691)	(4,983)	(57,681)
Increase in long-term investments and other assets	(7,098)	(4,229)	(61,190)
Net decrease (increase) in short-term investments	700	(88)	6,035
Decrease in property, long-term investments and other assets	7,883	4,988	67,957
Other	44	96	379
Net cash used in investing activities	(13,229)	(10,783)	(114,043)
Cash flows from financing activities:			
Repayment of long-term debt	(14)	(7)	(121)
Net (decrease) increase in short-term borrowings	(55)	155	(474)
Increase in guarantee deposits received	1,188	1,220	10,241
Decrease in guarantee deposits received	(1,751)	(1,748)	(15,095)
Dividends paid	(3,359)	(1,104)	(28,957)
Money paid due to the merger	—	(1,376)	—
Other	(7)	(5)	(60)
Net cash used in financing activities	(3,998)	(2,865)	(34,466)
Net increase (decrease) in cash and cash equivalents	9,983	(1,614)	86,060
Cash and cash equivalents at beginning of year	58,820	34,781	507,069
Increase due to the merger	—	25,653	—
Cash and cash equivalents at end of year	¥ 68,803	¥ 58,820	\$ 593,129

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Circle K Sunkus Co., Ltd.
For the Years Ended February 28, 2006 and 2005

1. Basis of Financial Statements

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Circle K Sunkus Co., Ltd. (the "Company") and its consolidated subsidiaries (together with the Company, the "Circle K Sunkus Group") have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of the Kanto Finance Bureau of Japan.

The primary business of the Circle K Sunkus Group is to conduct management of stores and franchise operations in respect to the Circle K and Sunkus convenience store chains. Segment information is not shown because the Circle K Sunkus Group operates predominantly in a single industry during the years ended February 28, 2006 and 2005.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries, Sunkus Aomori Co., Ltd. ("Sunkus Aomori") and Sunkus Nishi-Saitama Co., Ltd. ("Sunkus Nishi-Saitama"), which are area franchisers of "Sunkus" stores and had been subsidiaries of former SUNKUS & ASSOCIATES INC. ("SUNKUS"). The results of operations of Sunkus Aomori and Sunkus Nishi-Saitama from September 1, 2004 have been included in the accompanying consolidated statements of income because Sunkus Aomori and Sunkus Nishi-Saitama became the Company's subsidiaries at September 1, 2004 as a result of the merger of the Company and SUNKUS (Note 4). Investments in unconsolidated subsidiaries and affiliates are stated at cost, as unconsolidated subsidiaries and affiliates had no significant effect on the consolidated results of the operations. The difference between the acquisition cost of investments in subsidiaries and the underlying equity in the net assets adjusted based on the fair value at the time of acquisition are deferred and amortized over five years. All significant inter-company accounts and transactions have been eliminated on consolidation.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 28, 2006 and 2005 was as follows:

	2006	2005
Consolidated subsidiaries	2	2
Unconsolidated subsidiaries, stated at cost	10	8
Affiliates, stated at cost	11	12

(c) Principal shareholder

UNY CO., LTD. ("UNY") directly owned 40,746 thousand shares of common stock of the Company at February 28, 2006, which represented 47.4% of the total voting interest of the Company at the balance sheet date. UNY has also significant influence to the Company. Accordingly, the Company is a subsidiary of UNY.

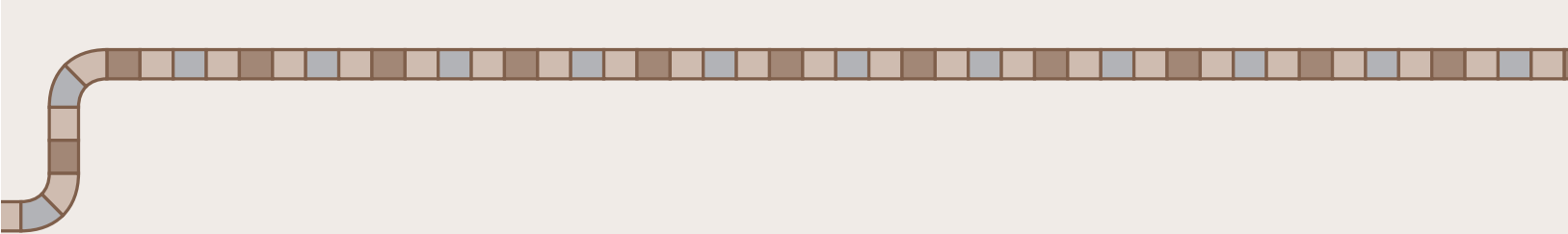
(d) U.S. dollar amounts

The Circle K Sunkus Group maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Yen into dollars at a rate of ¥116 to US\$1, the approximate rate of exchange at February 28, 2006. The inclusion of such dollar amounts is solely for the convenience of the readers outside Japan and is not intended to imply that Yen and the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at ¥116 to US\$1 or at any other rate.

2. Summary of Significant Accounting Policies

(a) Franchise agreement and basis of recognizing franchise commission

The Company is an exclusive franchiser in Japan of the "Circle K" stores and "Sunkus" stores for retail sales of daily necessities to consumers. The Company enters into the franchise agreements to allow each independent franchisee to operate the relatively small-sized convenience stores using specific designs and the name of "Circle K" or "Sunkus" and provides them with related managerial or technical know-how. Under the agreements, all franchised stores are provided with a variety of services and advice on the operation of convenience stores from the Company as the franchiser. In return, such franchised stores are required to pay continuing franchise commission to the Company based on certain percentages



of the respective franchised store's gross margin (net sales less cost of goods sold) on a monthly basis. As the franchiser, the Company accounts for such franchise commission on an accrual basis by reference to the gross margin earned by each franchised store and the applicable commission percentage.

For the years ended February 28, 2006 and 2005, net sales which were reported by franchised stores as a calculation basis for franchise commission were ¥852,456 million (\$7,348,759 thousand) and ¥664,706 million, respectively.

The term of a franchise agreement is effective for ten years from the commencement date of a franchised store, and may be renewed upon expiration subject to renegotiation of contract terms between the Company and the franchisee.

As a normal course of franchise operation, the Company generally acquires furniture, fixtures and equipment designed for the Circle K stores and Sunkus stores or lease them as lessee under the long-term noncancelable lease agreements (See Note 12). The Company also leases land and/or buildings for its own Company-owned stores or the franchised stores as lessee principally under the long-term cancelable lease agreements with a few months' advance notice. The Company pays to the landlords leasehold deposits equivalent to approximately several months' rent, which are noninterest bearing and principally refundable on an installment basis. These deposits are recorded as "Long-term leasehold deposits" in the accompanying consolidated balance sheets.

In relation to the franchise agreement, the Company also enters into the lease agreement with each franchisee to lease land and/or buildings for the store spaces, as lessor. These leases are normally for the same terms as the franchise agreement, and the guarantee deposits received from franchised stores which are included in "Guarantee deposits received" in the accompanying consolidated balance sheets are refundable for their major portion on an installment basis and are noninterest bearing.

(b) Area franchise agreement

The Company entered into area franchise agreements with thirteen companies (area franchisers) located throughout Japan. The agreement provides each area franchiser with a right to operate its own "Circle K" or "Sunkus" convenience stores and to be franchisers in limited areas determined by the respective agreement. Each area franchiser is required to pay a license fee to the Company based on certain percentages of revenue from its franchising business. Such license fee is included in "Franchise commission from franchised stores" in the accompanying consolidated statements of income.

(c) Cash equivalents

The Circle K Sunkus Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(d) Inventories valuation

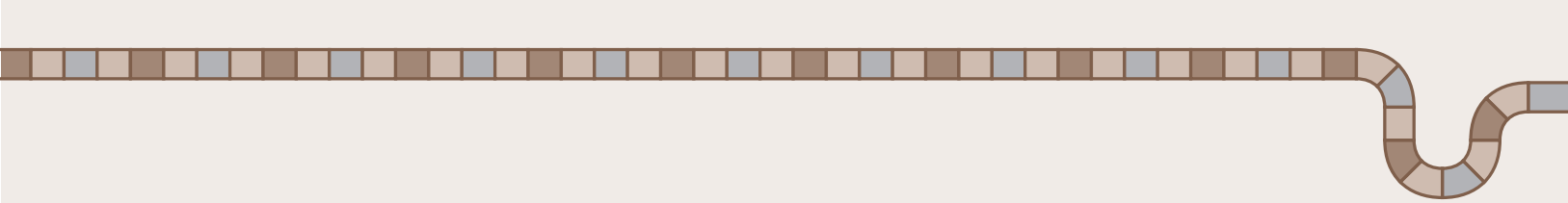
Merchandise inventories are stated at cost, being determined by the retail method. Supplies are stated at cost, being determined by the last purchase price.

(e) Investments and marketable securities

The Circle K Sunkus Group classifies certain investments in debt and equity securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting method as stipulated by the accounting standard of financial instruments. Marketable securities with market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on disposition of marketable securities are computed by the moving average method. Nonmarketable securities without available market quotations are carried at cost determined by the moving average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables and a general reserve for other receivables calculated based on the prior loss experience for a certain past period.



(g) Property and equipment, and depreciation

Property and equipment, including significant renewals and additions, are stated at cost, and have been depreciated by the declining-balance method at rates based on the estimated useful lives of the assets, except that the buildings acquired on and after April 1, 1998 have been depreciated by the straight-line method. The aggregate expenditures capitalized for the property of not less than ¥100,000 and below ¥200,000 each are amortized over a three-year period by the straight-line method.

Expenditure on maintenance and repairs is charged to operating income as incurred. Upon the disposal of property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded as income or expense.

(h) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property is not capitalized and the relating rental and lease expenses are charged to income as incurred.

(i) Software

Software is amortized by the straight-line method over a five-year period as estimated useful lives.

(j) Employee retirement benefit liability

Employees who terminate their service with the Circle K Sunkus Group are entitled to retirement and severance benefits determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs. Such retirement and severance benefits for employees are covered by a noncontributory welfare pension plan organized by UNY, its subsidiaries and affiliates ("UNY" Group) including the Company and the employees taken in from SUNKUS on the occasion of the merger are covered by the same noncontributory welfare pension plan or qualified pension plan as the plans organized by SUNKUS. Consolidated subsidiaries have lump-sum retirement benefit plans.

The Circle K Sunkus Group has principally recognized the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the fiscal year-end. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized on a straight-line basis over eight to ten years as a certain period within remaining service lives of employees from the next year in which they arise. Unrecognized past service cost is amortized on a straight-line basis over ten years as a certain period within remaining service lives of employees.

In conjunction with enforcement of the Defined Benefit Enterprise Pension Plan Law, the Company, as a member of the noncontributory welfare pension plan organized by UNY, its subsidiaries and affiliates, received approval from the Minister of Health, Labor and Welfare of Japan, for exemption from payment of future benefit regarding the substituted portion of the employee welfare pension fund on February 17, 2003 and received an approval for returning the assets relating to the substituted portion of the employee welfare pension fund on January 1, 2006, and then recognized an extinguishment of the retirement benefit obligation with respect to such substituted portion during the year ended February 28, 2006. As a result, the Company recorded this effect of ¥2,152 million (\$18,552 thousand) as other income on the consolidated statements of income for the year ended February 28, 2006. The Company, as the member of the noncontributory welfare pension plan of UNY Group, also received an approval from the Minister of Health, Labor and Welfare of Japan on January 1, 2006 to transfer from the employee welfare pension fund plan to the corporate pension fund plan.

In addition, the Company received an approval from the Minister of Health, Labor and Welfare of Japan, for exemption from payment of future benefit regarding the substituted portion of the employee welfare pension fund organized by SUNKUS on July 29, 2005. As of February 28, 2006, pension plan assets equivalent to the amount to be returned to the Japanese government amounted to ¥1,538 million (\$13,259 thousand). As the Company has not elected to apply for the transitional accounting treatment specified in paragraph 44-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), the Company has not recognized an extinguishment of retirement benefit obligation with respect to such substituted portion as of the date of the approval. If the Company had applied for the transitional treatment as of the fiscal years ended February 28, 2006, an income of ¥605 million (\$5,216 thousand) for an extinguishment of the retirement benefit obligation would have been recognized on the accompanying consolidated statements of income.

(k) Accrued severance benefits for officers

Until May 2005, the Circle K Sunkus Group paid severance benefits to directors and corporate auditors, which were subject to the approval of the shareholders. The Circle K Sunkus Group provided for this liability at the amount which would be payable assuming all directors and corporate auditors terminate their service at the balance sheet date.

At May 25, 2005 the Circle K Sunkus Group terminated the severance benefits plan for directors and corporate auditors and the shareholders of the Company approved to pay the severance benefits granted prior to the termination date of the severance benefits plan. The Circle K Sunkus Group recorded such benefits of ¥57 million (\$491 thousand) in other long-term liabilities.

(l) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(m) Enterprise taxes

With the implementation of the 'Revision of the Local Tax Law' issued on March 31, 2003, a local corporate enterprise tax base such as "added value amount" and "capital amount" was newly introduced from the fiscal year beginning on and after April 1, 2004. Enterprise taxes based on "added value amount" and "capital amount" amounted to ¥353 million (\$3,043 thousand) and were included in selling, general and administrative expenses for the year ended February 28, 2006, pursuant to "Practical Treatment for Presentation of Sized Based-Corporate Enterprise Taxes in the Statement of Income" (Accounting Standards Board, Report of Practical Issues No.12).

(n) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders. Bonuses to be paid to directors and corporate auditors are recorded as a part of the appropriation of retained earnings instead of being charged to income, as permitted by Japanese accounting standards.

(o) Accounting for consumption tax

The consumption tax imposed on the Circle K Sunkus Group's revenues from customers is withheld by them at the time the revenue is received and is paid subsequently to the national and local governments. The consumption tax withheld upon revenue receipts and consumption tax paid by the Circle K Sunkus Group on the purchases of products, merchandise and services from vendors are not included in operating revenues and operating costs and expenses, respectively, in the accompanying consolidated statement of income.

(p) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

3. Accounting Change—Adoption of New Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council of Japan issued "Accounting Standard for Impairment of Fixed Assets", which is effective for the fiscal years beginning on and after April 1, 2005, with earlier adoption permitted. The Accounting Standards Board of Japan issued related practical guidance on October 31, 2003. The Circle K Sunkus Group has adopted this new accounting standard and related practical guidance from the year ended February 28, 2006. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset's net selling price and value in use. Fixed assets include land, buildings and structures, and equipment and fixtures as well as intangible assets and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets.

For the purpose of recognition and measurement of an impairment loss, fixed assets of the Circle K Sunkus Group are principally grouped into cash-generating units, such as stores. The Circle K Sunkus Group determines if assets are impaired based on the analysis of significant downfalls of the fair value of lands, the schedules of closing stores and ongoing operating losses of stores. An impairment loss is recognized if undiscounted expected cash flows are less than the carrying amount of the asset. Recoverable amounts of the assets were measured based on their net selling prices primarily for appraisal valuations or amounts of operating cash flows discounted by interest rate of 8.0%.

For the year ended February 28, 2006, the Circle K Sunkus Group recognized an impairment loss on fixed assets of ¥4,985 million (\$42,974 thousand) as follows:

	Millions of Yen	Thousands of U.S. Dollars
Convenience stores		
Buildings and structures	¥2,115	\$18,233
Furniture, fixtures and equipment	161	1,388
Land	766	6,603
Leased property and equipment	995	8,578
Other	948	8,172
Total	¥4,985	\$42,974

As a result of adoption of this new accounting standard, operating income increased by ¥896 million (\$7,724 thousand) and income before income taxes and minority interests decreased by ¥3,696 million (\$31,862 thousand), as compared with the previous accounting method.

4. Merger

As of June 1, 2004, the Company merged with CKTOHOKU Co., Ltd. ("CKTOHOKU"), which had been an area franchiser of "Circle K" stores wholly owned by the Company.

The assets and the liabilities inherited through the merger with CKTOHOKU were summarized as follows:

	Millions of Yen
Current assets	¥ 1,938
Noncurrent assets	2,390
Total assets	4,328
Current liabilities	(2,218)
Noncurrent liabilities	(1,368)
Total liabilities	(3,586)
Net assets inherited	¥ 742

As of September 1, 2004, the Company also merged with C&S Co., Ltd. ("C&S") and its wholly owned subsidiary, SUNKUS. The Company renamed to Circle K Sunkus Co., Ltd. on this merger.

The assets and the liabilities inherited through the merger with C&S were summarized as follows:

	Millions of Yen
Current assets	¥ 4,245
Noncurrent assets	6,121
Total assets	10,366
Current liabilities	(874)
Noncurrent liabilities	(3,877)
Total liabilities	(4,751)
Net assets inherited	¥ 5,615

The assets and the liabilities inherited through the merger with SUNKUS were summarized as follows:

	Millions of Yen
Current assets	¥ 33,396
Noncurrent assets	54,087
Total assets	87,483
Current liabilities	(43,063)
Noncurrent liabilities	(4,904)
Total liabilities	(47,967)
Net assets inherited	¥ 39,516

5. Investments

At February 28, 2006 and 2005, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Marketable securities – bonds	¥701	¥699	\$6,043
Time deposits with an original maturity of more than three months	–	100	–
	¥701	¥799	\$6,043

At February 28, 2006 and 2005, investments securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Marketable securities:			
Equity securities	¥2,776	¥2,038	\$23,931
Bonds	1,875	1,631	16,164
Total marketable securities	4,651	3,669	40,095
Other nonmarketable securities	252	388	2,172
	¥4,903	¥4,057	\$42,267

During the years ended February 28, 2006 and 2005, the Circle K Sunkus Group recorded a loss on write-down of available-for-sale securities and investments in affiliates due to a permanent diminution in value in the amounts of ¥127 million (\$1,095 thousand) and ¥58 million, respectively, on the accompanying consolidated statements of income.

Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized. At February 28, 2006 and 2005, gross unrealized gains and losses for marketable securities are summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Millions of Yen				
At February 28, 2006:				
Marketable securities:				
Equity securities	¥ 933	¥1,848	¥ (5)	¥2,776
Bonds	2,700	1	(125)	2,576
	¥3,633	¥1,849	¥(130)	¥5,352

At February 28, 2005:				
Marketable securities:				
Equity securities	¥ 775	¥1,263	¥ –	¥2,038
Bonds	2,339	62	(71)	2,330
	¥3,114	¥1,325	¥ (71)	¥4,368

Thousands of U.S. Dollars

At February 28, 2006:				
Marketable securities:				
Equity securities	\$ 8,043	\$15,931	\$ (43)	\$23,931
Bonds	23,276	9	(1,078)	22,207
	\$31,319	\$15,940	\$(1,121)	\$46,138

Expected maturities of debt securities for available-for-sale at February 28, 2006 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 701	\$ 6,043
Due after one year through five years	–	–
Due after five years through ten years	1,875	16,164
	¥2,576	\$22,207

6. Accounts Receivable: Due from Franchised Stores

Under the franchise agreement, the Company as franchiser and the consolidated subsidiaries as area franchisers are responsible for providing architectural and designing services with respect to the respective franchised stores' facilities, for training of the franchisees' personnel, and for the centralized processing of invoices from suggested vendors of merchandise and subsequent payments of amounts payable to such vendors.

The EDP system of the Circle K Sunkus Group generates a record of merchandise purchased by each franchised store and accumulates the amounts payable to respective vendors. Under the agreement, the Circle K Sunkus Group, as a representative for all franchised stores, pays the amounts payable to the vendors on behalf of them. When the merchandise is received by each franchised store, the Circle K Sunkus Group records the cost of the merchandise in "Accounts receivable: Due from franchised stores" account since such costs shall be subsequently recovered from respective franchised stores.

"Accounts receivable: Due from franchised stores" account in the accompanying consolidated balance sheets represents the net amounts recoverable from the franchised stores.

7. Property and Equipment

At February 28, 2006 and 2005, property and equipment consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Land	¥ 8,864	¥ 9,538	\$ 76,414
Buildings and structures	50,245	48,639	433,147
Machinery, equipment and vehicles	246	268	2,121
Furniture and fixtures	15,894	16,002	137,017
Construction in progress	466	256	4,017
	75,715	74,703	652,716
Less, accumulated depreciation	(33,264)	(32,349)	(286,759)
	¥ 42,451	¥ 42,354	\$ 365,957

8. Investments in and Long-term Loans to Unconsolidated Subsidiaries and Affiliates

At February 28, 2006 and 2005, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Investments in:			
Unconsolidated subsidiaries, stated at cost	¥2,328	¥1,600	\$20,069
Affiliates, stated at cost	89	139	767
Interest bearing long-term loans	62	176	535
	¥2,479	¥1,915	\$21,371

9. Accounts Payable: Due to Franchised Stores

The cost of merchandise supplied to the franchised stores is debited as "Accounts receivable: Due from franchised stores" account as described in Note 6 above.

On the contrary, all franchised stores make remittances of cash proceeds from daily sales to the Circle K Sunkus Group. In certain instances, the remittance from a franchised store exceeds the balance of "Accounts receivable: Due from franchised stores" account. In the accompanying consolidated balance sheet, such negative balances are shown as "Accounts payable: Due to franchised stores".

10. Short-term Borrowings and Long-term Debt

Short-term borrowings represented unsecured bank loans bearing interest rates of 1.9% per annum at February 28, 2006.

At February 28, 2006 and 2005, long-term debt consisted of following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Unsecured loans from banks and other financial institutions due through 2009 with interest rates of 1.9% per annum at February 28, 2006	¥ 42	¥ 56	\$ 362
Less, current maturities	(14)	(14)	(121)
	¥ 28	¥ 42	\$ 241

The aggregate annual maturities of long-term debt at February 28, 2006 was as follows:

Years ending February 28,	Millions of Yen	Thousand of U.S. Dollars
2007	¥14	\$121
2008	14	121
2009	14	120
	¥42	\$362

11. Employee Retirement Benefits

The following table reconciles the benefit obligation and net periodic retirement benefit expense as at or for the years ended February 28, 2006 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation *	¥12,478	¥16,610	\$107,569
Fair value of pension plan assets at end of year	(8,728)	(8,006)	(75,241)
Project benefit obligation in excess of pension plan assets	3,750	8,604	32,328
Less, unrecognized actuarial differences (loss)	(2,339)	(4,780)	(20,164)
Unrecognized past service costs	989	730	8,526
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	¥ 2,400	¥ 4,554	\$ 20,690

* The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law as of February 28, 2005.

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Component of net periodic retirement benefit expense:			
Service cost	¥ 717	¥ 536	\$ 6,181
Interest cost	313	256	2,698
Expected return on pension plan assets	(319)	(231)	(2,750)
Amortization of actuarial differences	634	456	5,466
Amortization of past service costs	(120)	(97)	(1,035)
Net periodic retirement benefit expense	¥1,225	¥ 920	\$10,560

Major assumptions used in calculation of the above information for the years ended February 28, 2006 and 2005 were as follows:

	2006	2005
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	4.0%	4.0%
Amortization of unrecognized actuarial differences	8 to 10 years	8 to 10 years
Amortization of unrecognized past service cost	10 years	10 years

12. Lease Commitments

The Circle K Sunkus Group leases store and office spaces principally under long-term cancelable lease agreements. The Circle K Sunkus Group also leases computer equipment, store fixtures and equipment principally under five-year noncancelable lease agreements. (See also Note 2(a))

As disclosed in Note 2(h), the leased property for noncancelable financing leases of the Circle K Sunkus Group is not capitalized as permitted by the accounting standard for leases of Japan. If the leased property of the Company had been capitalized, the related accounts would have been increased/(decreased) at February 28, 2006 and 2005, as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Property and equipment, net of accumulated depreciation * ¹	¥19,782	¥24,875	\$ 170,534
Lease obligations as liabilities * ²	20,890	25,444	180,086
Allowance for impairment loss on leased property	(615)	–	(5,302)
Net effect on retained earnings at year-end	¥ (493)	¥ (569)	\$ (4,250)

Additionally, for the years ended February 28, 2006 and 2005, income before income taxes would have been increased by ¥76 million (\$655 thousand) and ¥35 million, respectively.

Notes: *¹ Pro forma depreciation of the leased property is computed by the straight-line method over the lease contract terms, assuming the leased property had been capitalized.

*² Pro forma interest on lease obligations for financing leases is computed by the interest method over the lease contract terms.

Future minimum payments for noncancelable finance leases, excluding the imputed interest, and operating leases at February 28, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Finance leases:			
Due within one year	¥ 7,566	¥ 8,115	\$ 65,224
Due after one year	13,324	17,329	114,862
	¥20,890	¥25,444	\$180,086
Operating leases:			
Due within one year	¥1,085	¥ 621	\$ 9,354
Due after one year	1,099	537	9,474
	¥2,184	¥1,158	\$ 18,828

13. Contingent Liabilities

At February 28, 2006 and 2005, contingent liabilities in respect of guarantees of indebtedness of unconsolidated subsidiaries, affiliates, franchisees and others amounted to ¥4,244 million (\$36,586 thousand) and ¥4,782 million, respectively.

14. Derivative Instruments

The Circle K Sunkus Group does not hold or has not issued any derivative instruments.

15. Shareholders' Equity

The authorized number of shares of common stock without par value is 180 million at February 28, 2006.

At February 28, 2006 and 2005, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal reserve of the Company in the amount of ¥688 million (\$5,931 thousand) at February 28, 2006 and 2005, respectively. The Corporate Law of Japan in force on May 1, 2006 provides that an amount equivalent to at least 10% of dividends as an appropriation of retained earnings shall be appropriated as legal reserve until a total amount of additional paid-in capital and such legal reserve equals 25% of common stock. The legal reserve is not available for distribution as dividends but may be transferred to common stock or retained earnings by proper actions of the Board of Directors and/or shareholders of the Company.

16. Income Taxes

Income taxes for the years ended February 28, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Income taxes:			
Current	¥9,061	¥5,021	\$78,112
Deferred	(701)	2,249	(6,043)
	¥8,360	¥7,270	\$72,069

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets at February 28, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Enterprise tax accruals	¥ 479	¥ 242	\$ 4,129
Allowance for doubtful accounts	666	683	5,741
Employee retirement benefit liability	968	1,837	8,345
Long-term deferred credit	540	691	4,655
Accrued bonus	344	289	2,966
Write-down of investment securities	408	542	3,517
Impairment loss on fixed assets	1,490	–	12,845
Other	668	628	5,759
Less, valuation allowance	(361)	(411)	(3,112)
	5,202	4,501	44,845
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(693)	(506)	(5,974)
	(693)	(506)	(5,974)
Net deferred tax assets	¥4,509	¥3,995	\$38,871

In assessing realizability of deferred tax assets, management of the Circle K Sunkus Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which these temporary differences become deductible. At February 28, 2006 and 2005, a valuation allowance was established to reduce the deferred tax assets to the extent that the management of the Circle K Sunkus Group believes that the amount of the deferred tax assets is expected to be realizable.

The difference between the effective Japanese statutory tax rate and the actual effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended February 28, 2006 and 2005 was not material.

17. Additional Income Statement Information

Additional income statement information for the years ended February 28, 2006 and 2005 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Payroll and remuneration expenses	¥21,093	¥15,280	\$181,836
Advertising expenses	10,496	7,733	90,483
Depreciation	7,426	7,022	64,017
Utility expenses	2,240	2,072	19,310
Rental and lease expenses	45,983	34,178	396,405
Amortization of excess of cost of investments over equity in net assets acquired	90	54	776

18. Related Party Transactions

During the year ended February 28, 2006, the Company recorded the cost in the way of termination of area franchise agreement with Eiko Sunkus Co., Ltd., a subsidiary of the Company, in the amount of ¥271 million (\$2,336 thousand).

19. Subsequent Event

On May 24, 2006, the appropriations of retained earnings were approved at the annual general meeting of shareholders of the Company as follows:

	Millions of Yen	Thousand of U.S. Dollars
Cash dividends	¥1,637	\$14,112
Bonuses to directors and corporate auditors	60	517

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Dai Nagoya Building
3-28-12, Meieki, Nakamura-ku
Nagoya, 450-8565 Japan
Telephone 81-52-551-3001
Facsimile 81-52-551-3005

Report of Independent Auditors

To the Board of Directors and Shareholders of
Circle K Sunkus Co., Ltd.

We have audited the accompanying consolidated balance sheets of Circle K Sunkus Co., Ltd. and its consolidated subsidiaries as of February 28, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Circle K Sunkus Co., Ltd. and its consolidated subsidiaries as of February 28, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, effective for the year ended February 28, 2006, Circle K Sunkus Co., Ltd. and its consolidated subsidiaries have adopted a new accounting standard for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers
Nagoya, Japan
June 2, 2006

For reference only (Unaudited)

Presented below is the sum of operating results of C&S and its consolidated subsidiaries for the period from March 1, 2004 to August 31, 2004, that is the period before the merger with the Company, and the results of Circle K Sunkus and its consolidated subsidiaries for the period from September 1, 2004 to February 28, 2005, that is the period after the merger with C&S and SUNKUS for the 12 months ended February 28, 2005.

	Millions of Yen		Thousands of U.S. Dollars
	2006 (Audited)	12 months ended February 28, 2005 (Unaudited)	2006 (Audited)
Operating revenues:			
Franchise commission from franchised stores	¥104,416	¥105,265	\$ 900,138
Net sales of Company-owned stores	67,368	58,877	580,758
Other operating revenues	12,407	12,701	106,957
	184,191	176,843	1,587,853
Operating costs and expenses:			
Cost of goods sold	50,932	44,744	439,069
Selling, general and administrative expenses	107,474	107,714	926,500
	158,406	152,458	1,365,569
Operating income	25,785	24,385	222,284
Other income (expenses):			
Interest and dividend income	443	542	3,819
Interest expenses	(29)	(33)	(250)
Loss on sales or disposal of property and equipment	(844)	(997)	(7,276)
Loss on cancellation of lease contracts	(1,811)	(1,613)	(15,612)
Gain on returning of substitutional portion of Employee Pension Fund	2,152	–	18,552
Impairment loss on fixed assets	(4,985)	–	(42,974)
Miscellaneous, net	(853)	(134)	(7,353)
	(5,927)	(2,235)	(51,094)
Income before income taxes	19,858	22,150	171,190
Income taxes	8,360	9,495	72,069
Less, minority interests in net income of subsidiaries	0	1	0
Net income	¥ 11,498	¥ 12,654	\$ 99,121
		Yen	U.S. Dollars
Per share:			
Net income	¥132.77	¥146.19	\$1.14
Cash dividends	38.00	20.00*	0.33

* The annual dividend for fiscal 2005, the year ended February 28, 2005, was effectively ¥36 per share, including a merger payment of ¥16 per share equivalent to the interim dividend.



The Uny Group

The Uny Group, of which Circle K Sunkus is a member, is a retailing group with total annual sales of approximately ¥2 trillion. The consolidated subsidiaries of Uny, excluding Circle K Sunkus, are as follows.

Consolidated Subsidiaries*

- Sagami Co., Ltd. (kimono retailing)
- U Store Co., Ltd. (superstores)
- Molie Co., Ltd. (high-quality women's wear)
- Palemo Co., Ltd. (young women's apparel and accessories)
- Suzutan Co., Ltd. (young women's apparel and accessories)
- Rough Ox Co., Ltd. (casual wear for men)
- Uny (HK) Co., Ltd. (superstore)
- U Life Co., Ltd. (real-estate rental business)
- Tomei Crown Kaihatsu Co., Ltd. (real-estate rental business)
- UCS Co., Ltd. (credit card service and insurance service)
- Sun Sogo Maintenance Co., Ltd. (facility management)

*In addition to the companies listed above, the Uny Group includes six Sagami subsidiaries and two Suzutan subsidiaries.

(As of February 20, 2006)

Investor Information

Number of shares

Authorized: 180,000,000

Issued: 86,183,226

Securities code number

3337

Securities traded (Common stock)

First Section, Tokyo and Nagoya stock exchanges

Transfer agent

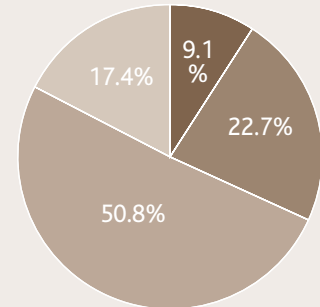
The Sumitomo Trust & Banking Co., Ltd.

5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

Number of shareholders

16,277

Breakdown by type of investors



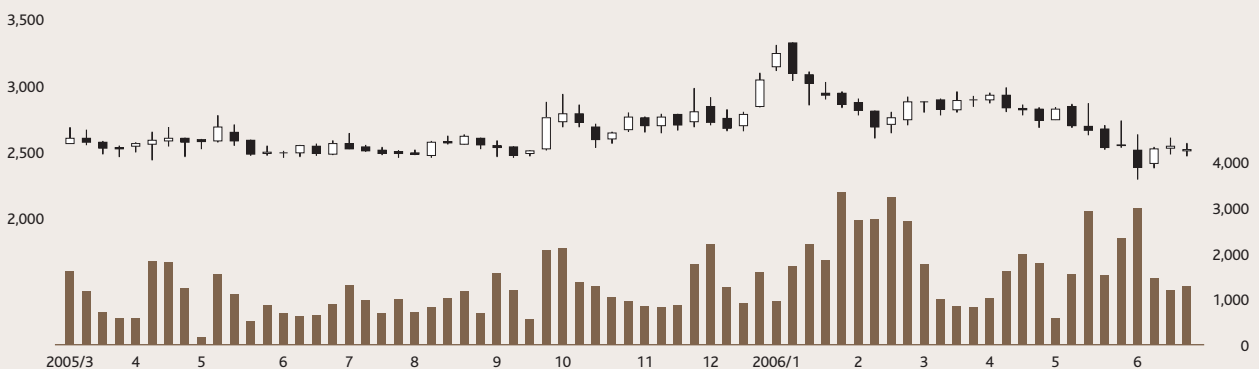
- Individuals and others
- Financial institutions
- Other Japanese corporations
- Foreign investors and others

(As of February 28, 2006)

Stock price/Turnover

(¥)

(Thousands of shares)



Corporate Data

Corporate name

Circle K Sunkus Co., Ltd.

Registered head office

1 Gotanda-cho, Amaike, Inazawa-shi, Aichi, Japan

Headquarters

Shiohama Bldg., 20-1 Shiohama 2-chome,
Koto-ku, Tokyo 135-8539, Japan

Telephone

+81-3-5635-3939 (main)

URL

<http://www.circleksunkus.jp>

Date of establishment

July 2, 2001

* Date on which an operating company was formed through the business separation method following the establishment of CIRCLE K JAPAN Co., Ltd. on January 26, 1984, and the subsequent change in its name to C&S Co., Ltd. on July 1, 2001 upon its conversion to a pure holding company.

Commencement of operations

September 1, 2004

Capital

¥8,380 million

Fiscal year-end

End of February

Number of employees

1,803 (non-consolidated)

Business activities

Management of stores and franchise business in respect to the Circle K and Sunkus convenience store chains.

Total store sales

¥1,099,611 million (Figures include area franchisers.)

Number of stores

6,372 (Figures include area franchisers.)

Consolidated subsidiaries

Sunkus Aomori Co., Ltd.

Sunkus Nishi-Saitama Co., Ltd.

(As of February 28, 2006)



Circle K Sunkus Co.,Ltd.

Shiohama Bldg., 20-1 Shiohama 2-chome,
Koto-ku, Tokyo 135-8539, Japan
Telephone: +81-3-5635-3939
<http://www.circleksunkus.jp>



This report was produced from recycled paper and soy ink.

Printed in Japan