

CCC Group Strengthens Operating Base for Customer Value Creation

- **Fortifies TSUTAYA operating base through business consolidation of Rentrak Japan**
- **Beefs up Internet operations bringing IMJ, Digital Scape, and Digital Hollywood under CCC umbrella**
- **Improves forecast for mid-term plan (Fiscal 2005 to 2007)**

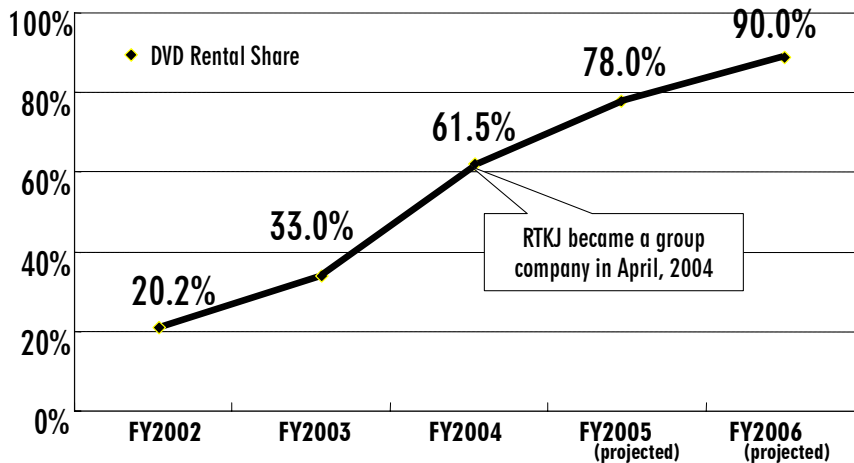
Nov. 8, 2005 (Tokyo, Japan)—Culture Convenience Club, Co., Ltd. (“CCC” headquarters: Shibuya-ku, Tokyo; President: Muneaki Masuda) announced the following consolidation of its operating base in order to reinforce its TSUTAYA platform, Internet platform, and supporting IT organization. Grounded in its guiding vision to be a “Planning company recommending lifestyles to customers” ever since foundation, CCC has grown solid Lifestyle Navigation platforms across physical and virtual domains comprising 1,163 TSUTAYA locations nationwide hosting 18.63 million TSUTAYA members, TSUTAYA online (<http://www.tsutaya.co.jp>) hosting 7.78 million members, and the T Card alliance extending credit-card functionality to 2.84 million members.

1. Fortifying TSUTAYA operating base through business consolidation of Rentrak Japan

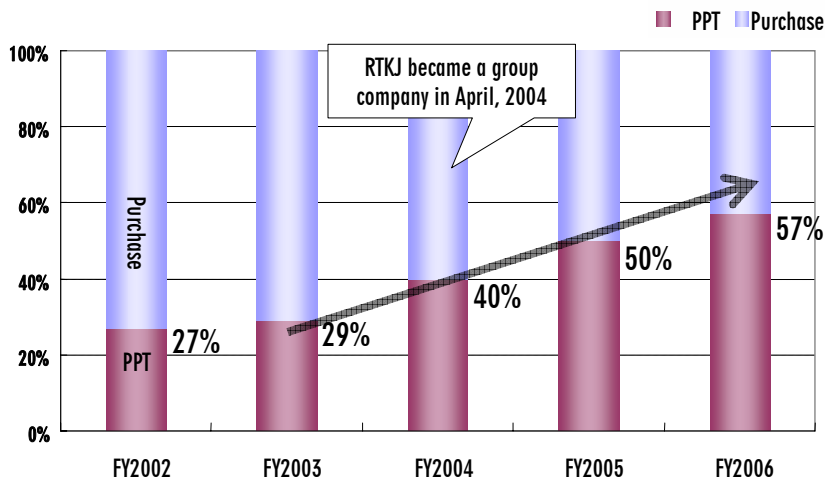
In order to accelerate the transition from VHS to DVD for TSUTAYA video rental products, CCC acquired 46.97% (45.35% as of Sep. 30, 2005) of the stock of Rentrak Japan Co., Ltd. (“RTKJ”, President: Takaaki Kusaka), engaged in the rental distribution business through the PPT (Pay Per Transaction) method, and made it a CCC group subsidiary in March 2004. Consequently, the DVD contribution ratio to video rental revenues at TSUTAYA stores surged from 33% (March, 2004) to 74% (September, 2005).

Terms of a basic accord at this time provide for consolidating the business of RTKJ through a stock swap with CCC, subsequent to the CCC corporate partition described below, for the following purposes: To further reinforce product availability and acquisition capacity, and to develop next-generation DVD measures in TSUTAYA Operations; to enlarge expertise among the two companies through the exchange of human resources; and to create synergy between TSUTAYA online and RTKJ’s home-delivery DVD rental business DISCAS that uses the Internet. In Fiscal 2006 after consolidation, approximately **1,200 million yen** of current RTKJ income derived from a minority interest will be added to CCC’s net income.

■ DVD Share of TSUTAYA Video Rental Revenues



■ PPT Share of TSUTAYA Video Rental Revenues



2. Beefing up Internet operation by bringing IMJ, DS and DH under CCC umbrella

The CCC Group has thus far engaged in Internet operations with TSUTAYA online as the core business, developing an entertainment portal, e-commerce (Internet mail order), mobile service (micro payment), and advertising. In May 2005, CCC established CCC Communications Co., Ltd., in a joint venture with IMJ (President; Takahito Kashino, "IMJ"), marking an entry into the growing Internet advertising agency market. At nearly the same time, the CCC Group invested in a 10% stake of IMJ.

The latest arrangement brings IMJ into the CCC Group through the acquisition of 55.0% of IMJ shares (45.1% transferred from Mr. Muneaki Masuda and 10% previously held by CCC Group). The move will drive a full-fledged launch of an Internet advertising business with value to retail customers by matching the CCC Group membership base to IMJ's stellar clients. In addition, reinforcing a foundation of customer value through entertainment at the core will proceed for the Internet platform.

In a contemporaneous transaction that will boost human resources supporting its

Internet & IT platforms, CCC will acquire from Mr. Muneaki Masuda and his asset management company, Masuda & Partners (“M&P”) 49.7% of the shares of Digital Scape (President: Yukihiro Fujikawa, “DS”), a broker and temporary placement agency for human resources specializing in digital designers and IT engineers, and 54.2% of the shares of Digital Hollywood (President: Shinsuke Fujimoto, “DH”), an operator of institutions that teach digital content creation (academies, undergraduate and graduate university schools).

3. Transition to Holding Company

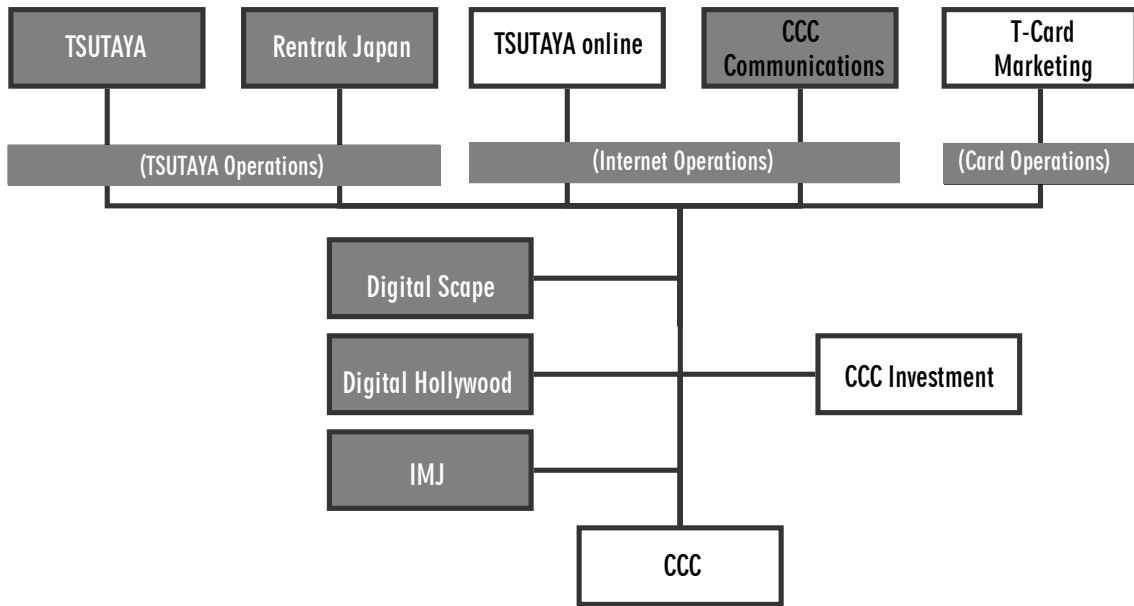
The CCC Group has engaged in businesses across three platforms up until now, namely, TSUTAYA Stores, TSUTAYA Online, and T Card, as a Lifestyle Navigator for retail customers. New demands emerging with the diversification of customer needs and advances in principally IT-related technology fundamentals, however, now call for swift responses.

In order to cope immediately with the changes in customer needs and technologies and to offer continually maximum customer value, CCC intends to achieve faster decision-making in each operation and a maneuverable reorganization that maximizes customer value. The entire group is aiming to maximize corporate value by clarifying the profitability of each business and associated authority and responsibilities for improved management efficiencies.

Effective March 1, 2006, CCC will spin off its franchising business in a corporate partition and will transform to a holding company structure, in order to reinforce its management base. The new company inheriting the franchising business will be TSUTAYA Co., Ltd., and Mr. Muneaki Masuda, currently the president of CCC, is planning to become the president for both companies.

After completing the transition to a holding company structure, CCC will regard the respective operating companies as clients, and take charge of strategies development, external corporate relations, and development of shared assets (human resources, IT, customer database) for maximizing productivity at each of the operating companies on behalf of the entire group.

■ CCC Group Company Organization (Beginning March 1, 2006)

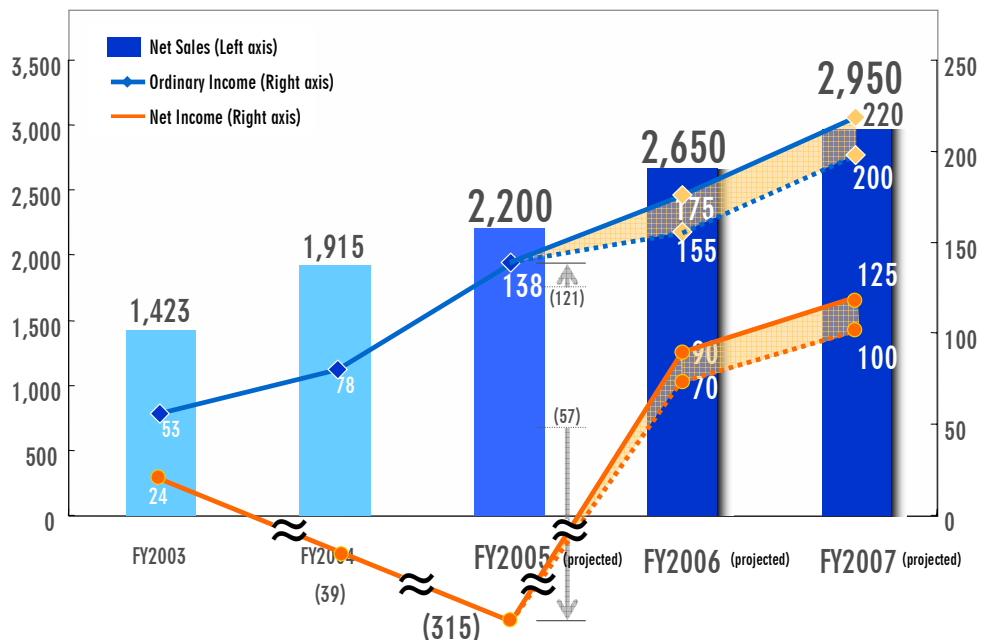


4. Improved Mid-term Plan (downward revision of net income for Fiscal 2005 from consolidated one-time write-offs)

As the outcome of this series of business platform reinforcements, the company revises its Fiscal 2006 ordinary income upward from 15.5 billion yen to 17.5 billion yen, and its Fiscal 2007 ordinary income upward from 20.0 billion yen to 22.0 billion yen.

By writing off a one-time consolidation adjustment that comes from the RTKJ business consolidation and the transfer of shares from Mr. Muneaki Masuda and M&P, forecast net income for the current year will be revised downward from income of 6.5 billion yen (initial estimate) to a net loss of 31.5 billion yen.

■ CCC Group Consolidated Performance Growth (Unit: 100 million yen)



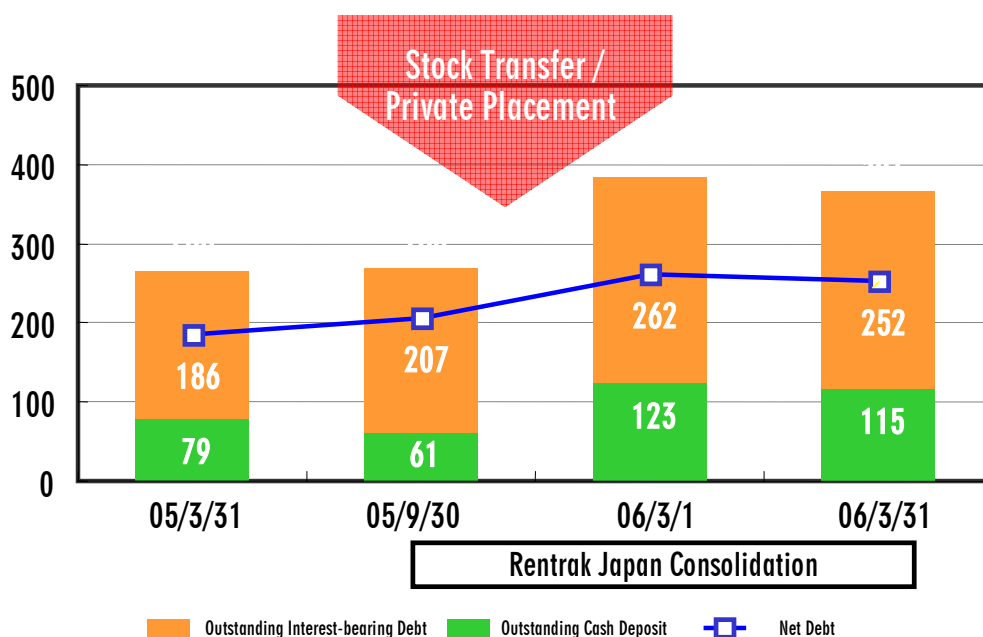
5. Private placement with M&P and Mr. Muneaki Masuda provides reinforcing capital increase

Since current income for the year ending Mar. 31, 2006, is estimated to be a loss of 31.5 billion yen after one-time write-offs affect the consolidation adjustment account, CCC will complete a third-party placement with M&P and Mr. Muneaki Masuda in order to reinforce equity. Both parties have already agreed to the placement. The capital increase of 10.5 billion yen will correspond to the after-tax proceeds gained by their pending stock transfers to CCC.

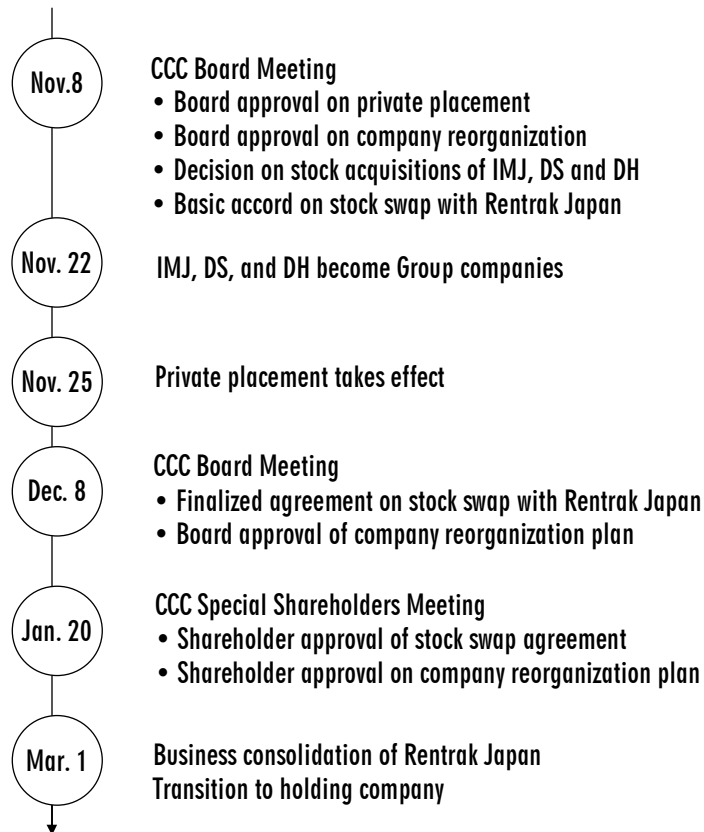
■ Earnings Per Share

		FY2005	FY2006	FY2007
Aug. 9 Mid-Term Plan	Net Income	5.7 billion yen	7 billion yen	10 billion yen
	EPS (Total no. of outstanding shares: 51.4 million shares)	110.8 yen	136.1 yen	194.4 yen
Nov. 8 Mid-Term Plan	Net Income	(31.5) billion yen <small>(after consolidated one-time write-offs)</small>	9 billion yen	12.5 billion yen
	EPS (Total no. of outstanding shares: 62.4 million shares)	(504.6) yen	144.2 yen	200.2 yen

■ Interest-Bearing Debt Balance (Unit: 100 million yen)



6. Future Schedule



About Culture Convenience Club, Co., Ltd.

Headquarters: Yebisu Garden Place 21st Floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo

Representative: Muneaki Masuda, President

Lines of Business: Sales and rentals of videos, DVDs, CDs, books, magazines, game software and other entertainment content through the franchise chain operation of 1,158 TSUTAYA stores with a combined membership of 18.63 million members (as of September 30). Operator of TSUTAYA online Internet service, entertainment portal site, since July 1999.

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