

For immediate Release

## **CCC Group and Sumiya Co., Ltd., reach agreement on business and equity alliance:**

### **CCC Group to acquire 69% of Sumiya's voting rights and to reinforce operations and customer base**

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May 15, 2006 (Tokyo, Japan) — Culture Convenience Club Co., Ltd. (“CCC”, President: Muneaki Masuda), which is engaged in the TSUTAYA franchising business and Sumiya Co., Ltd. (“Sumiya”, President: Tetsu Kawabe), have reached an agreement on a business and equity alliance intended to reinforce DVD and CD distribution, and to shore up the operations base of Sumiya.

For purposes of fortifying the operations base of Sumiya, TSUTAYA Co., Ltd., will accept a private placement of 11 million Sumiya shares planned for issuance in July in exchange for 495 million yen, and will become the largest shareholder holding 69% of the voting rights. Subject to approval of a resolution made at the annual Sumiya shareholders meeting scheduled in June, Sumiya will thus become a consolidated subsidiary of the CCC Group. Sumiya contemporaneously intends to issue preferred stock to Shizuoka Bank, Ltd., in order to raise 2 billion yen in financing. Finally, the current management team is expected to resign at the annual shareholders meeting. In exchange, TSUTAYA Co., Ltd., will send board members to Sumiya.

With Shizuoka Prefecture at its center of operations, Sumiya operates a sell-thru retail chain for DVD and CD products comprising 55 corporate stores throughout the Kanto and Tokai regions with annual sales revenue of approximately 15 billion yen (for the year ended Mar. 2006), which ranks it as the sixth largest retailer in the industry. By becoming a group company and thus participating in the TSUTAYA franchise operation and obtaining know-how on store operations, IT and marketing, Sumiya will continue to operate around its Shizuoka Prefecture core under the widely familiar “Sumiya” banner, and accelerate development of lifestyle navigation-type retail locations in the prefecture jointly with TSUTAYA. Henceforth, Sumiya will integrate product procurement functions with TSUTAYA, and reduce indirect costs by driving efficiencies in logistics and the like. Consequently, the goal will be to fulfill a range of products that further satisfies customers by reinforcing the procurement capacity.

As of the end of March 2006, the CCC Group counted 882 TSUTAYA locations, 19 Virgin Megastore locations, and 225 Shinseido locations (joined in March) transacting DVD and CD sell-thru operations. The addition of 55 Sumiya locations participating through the currently planned alliance will create a chain of 1,181 locations with aggregate annual retail sales of 165 billion yen.

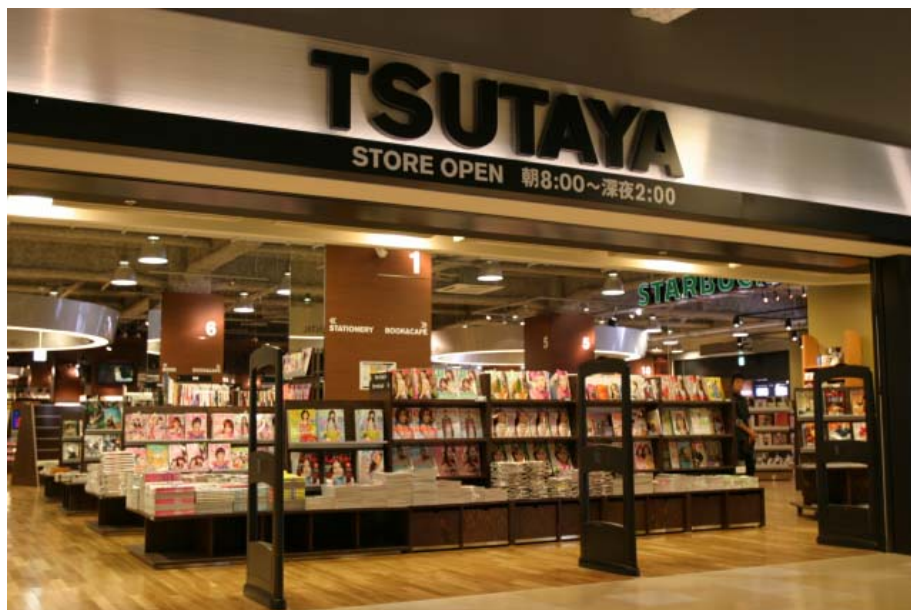
The CCC Group will continue to contribute to the creation of environments that allow customers to enjoy music in various ways by extending IT, its product database, store designs, and operations know-how to its respective brands.

**(continued)**

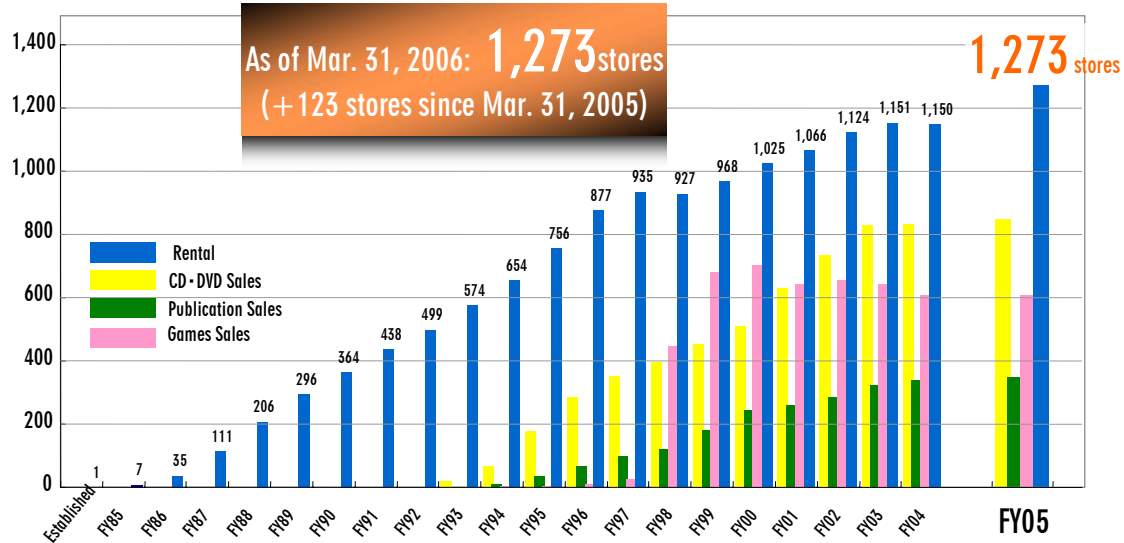
■ Sumiya Store Photo: Sumiya Mishima Store



■ TSUTAYA Store Photo: TSUTAYA Sapporo Kotoni Store

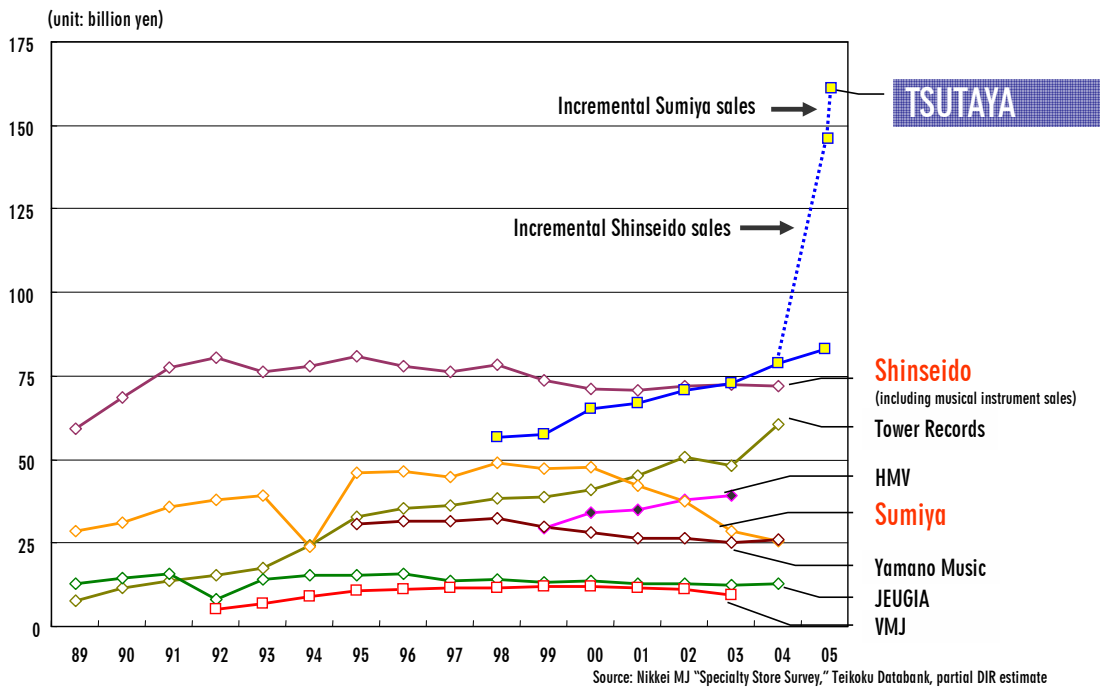


## ■ TSUTAYA Store Growth

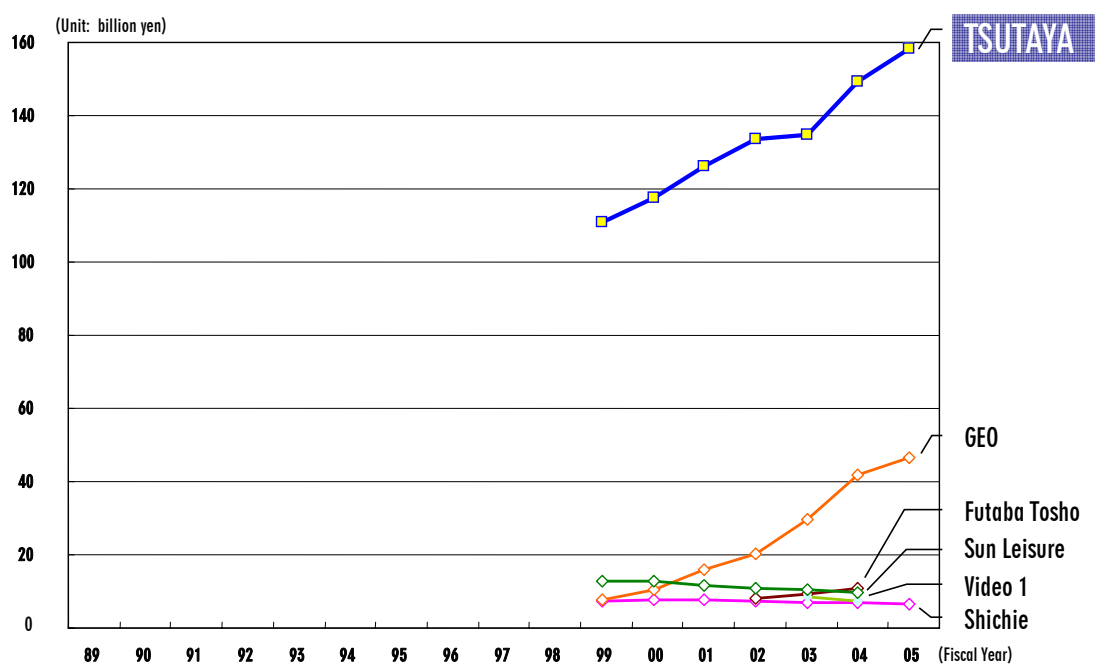


	Est.	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	
Rental		1	7	35	111	206	296	364	438	499	574	654	756	877	935	927	968	1,025	1,066	1,124	1,151	1,150	1,273
CD-DVD Sales											19	64	177	283	353	396	450	508	629	734	828	834	847
Publication Sales											12	35	65	98	120	180	242	257	285	325	359	348	
Games Sales											1	2	5	10	26	446	681	701	645	656	645	606	607

## ■ CD/DVD Sales Market Growth



## ■ Rental Market Growth



Source: Nikkei MJ "Specialty Store Survey," Teikoku Databank

### About Culture Convenience Club Co., Ltd.

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

Representative: Muneaki Masuda, President

Lines of Business: Lifestyle navigation business through TSUTAYA stores, TSUTAYA online (Internet), and T-Card (membership). The franchise chain of 1,273 TSUTAYA stores has a combined membership of 18.85 million members (as of March 31, 2006). TSUTAYA online membership consists of 9 million members.

### About TSUTAYA Co., Ltd.

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

Representative: Muneaki Masuda, President

Lines of Business: TSUTAYA franchising at the core for the development of lifestyle navigation retailing through books, DVDs, CDs, and games.

### About Sumiya Co., Ltd.

Headquarters: 1-5-13, Gofuku-cho, Aoi-ku, Shizuoka, Shizuoka-ken

Representative: Tetsu Kawabe, President

Lines of Business: Retail and wholesale of music and video software, musical instruments, audio-visual appliances, telecommunication devices, home furnishings, and books; operation of music and PC instruction classes; and video and musical instrument rental businesses.

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