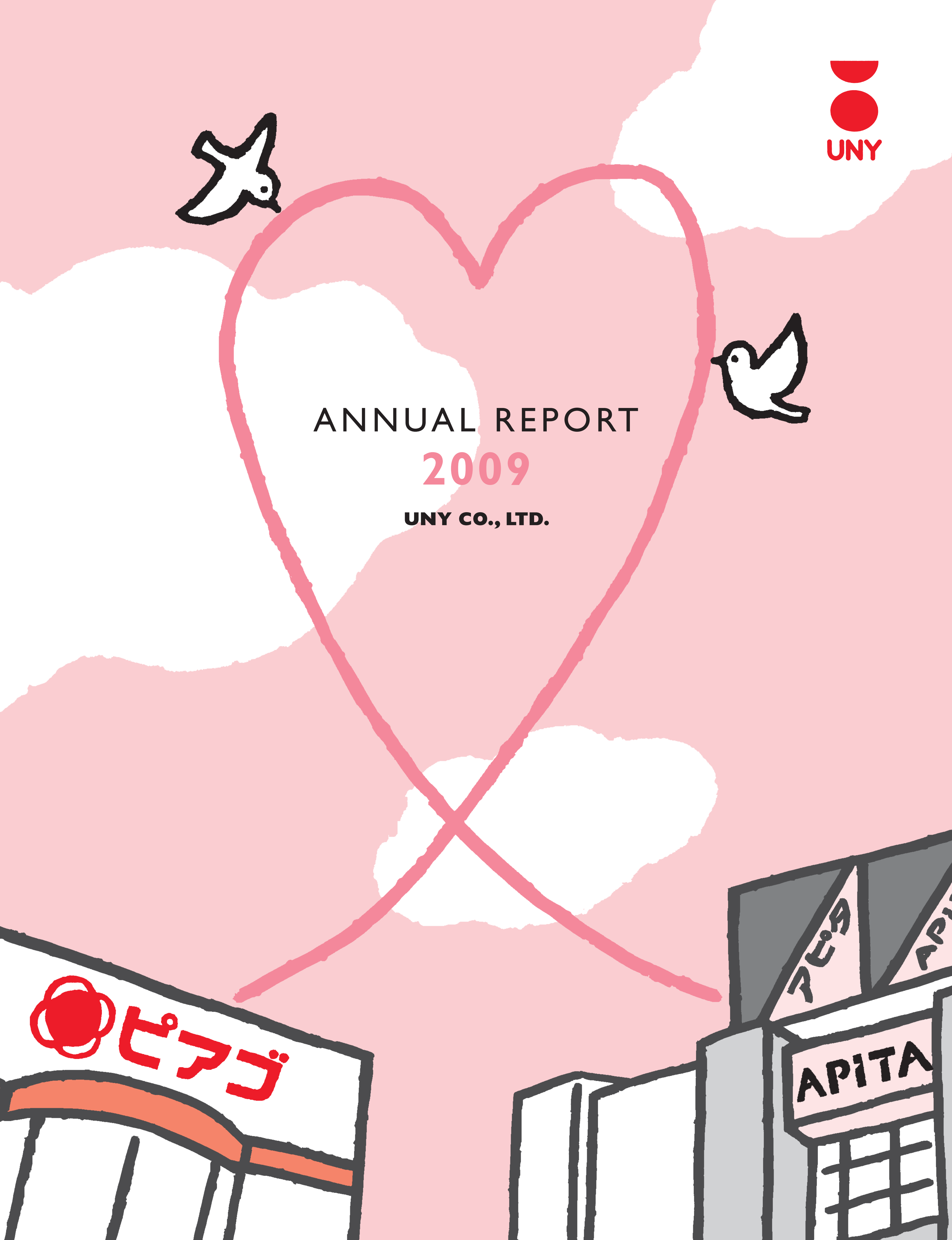
UNY

ANNUAL REPORT 2009

UNY CO., LTD.



PROFILE

The Uny Group is a conglomeration of retailers that derives its revenues primarily from superstores and convenience stores, which serve as the Group's foundation. The Group's activities span a wide spectrum of retail service domains that also include such other retail formats as specialty stores and other types of stores as well as such businesses as real estate development and credit card businesses.

- * **Superstores handle general merchandise, including food products, and operate in the Chubu, Kanto and Kansai regions.**
- * **Convenience stores handle fast foods and other high-turnover daily-use items. Offering convenient shopping through 24-hour operations, this business is being carried out through a nationwide chain of convenience stores.**
- * **Specialty stores better meet customer needs by targeting specific market segments for such apparel as kimonos, women's wear and young casual wear.**

The Group's publicly listed companies comprise Uny Co., Ltd., Sagami Co., Ltd., Circle K Sunkus Co., Ltd., Palemo Co., Ltd., Suzutan Co., Ltd., Kanemi Co., Ltd. and UCS Co., Ltd.

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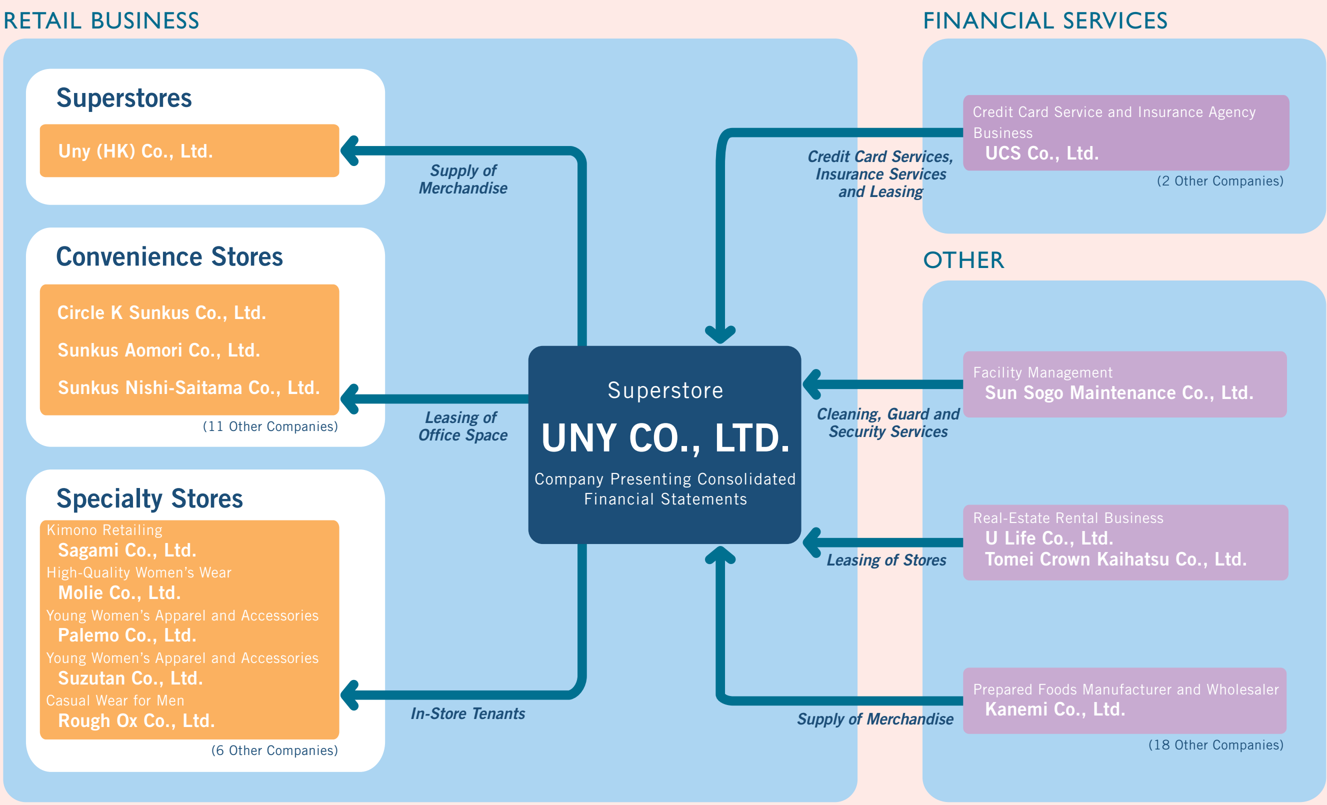


NOTES:1. In addition to the services outlined in the above chart, UCS Co., Ltd. provides insurance services, leasing and credit card services to Group companies, and Sun Sogo Maintenance Co., Ltd. provides facility maintenance services to Group companies. Kanemi Co., Ltd. supplies products to Circle K Sunkus Co., Ltd.
2. U Store Co., Ltd., one of Uny's consolidated subsidiaries, was merged with its parent company as of August 21, 2008.
3. Tomei Crown Kaihatsu Co., Ltd. was merged with Uny Co., Ltd. as of February 21, 2009. In addition, Rough Ox Co., Ltd. ceased business operations on February 20, 2009 and is currently undergoing liquidation processes.

THE UNY GROUP

(Million ¥)

		Revenues†		Net Sales		Operating Income (Loss)		Net Income (Loss)	
	Company	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Superstores	Uny Co., Ltd.	**¥768,200**	¥714,885	**¥730,082**	¥680,334	**¥13,026**	¥15,587	**¥ 26,679**	¥ 6,589
	U Store*	**71,239**	145,382	**67,897**	138,690	**558**	2,309	**(1,247)**	(3,198)
	Uny (HK)**	**12,838**	12,115	**12,794**	12,078	**471**	251	**477**	412
Convenience Stores	Circle K Sunkus***	**¥213,398**	¥206,373	**¥ 97,637**	¥ 92,475	**¥23,010**	¥21,096	**¥ 9,435**	¥ 8,580
Specialty Stores	Sagami***	**¥ 45,388**	¥ 57,526	**¥ 45,124**	¥ 57,206	**¥ 343**	¥ (2,160)	**¥ 324**	¥(12,069)
	Molie	**9,184**	8,815	**8,951**	8,577	**181**	15	**254**	27
	Palemo	**33,014**	33,796	**32,259**	33,349	**218**	1,097	**(321)**	287
	Suzutan***	**18,744**	20,432	**18,744**	20,432	**126**	118	**(185)**	(251)
	Rough Ox	**1,878**	1,997	**1,882**	2,012	**526**	223	**(665)**	(251)
Financial Services	UCS	**¥ 19,195**	¥ 19,431	**¥ 30**	¥ 138	**¥ 2,420**	¥ 2,782	**¥ 1,411**	¥ 1,772

*Because of U Store Co., Ltd.'s merger with UNY CO., LTD. on August 21, 2008, fiscal 2009 figures for U Store were calculated based on data from the period dating February 21, 2008 through August 20, 2008.
**Data for Uny (HK) is calculated at the average exchange rate during the period under review.
***Figures for Circle K Sunkus, Sagami and Suzutan are on a consolidated basis.
†Revenues in the table include intra-segment revenues.

The Uny Group will make every effort to enhance its performance by making use of synergies within the Group amid the worsening economic environment.

For fiscal 2009, ended February 20, 2009, we recorded a 2.1% decrease in operating revenues from the previous fiscal year to ¥1,190,248 million. Operating income declined 1.9% to ¥40,157 million, a figure that was within the scope of our projection. Although net income grew substantially during the fiscal year under review to ¥5,345 million, this result was ¥4,556 million short of our goal for the year. The shortfall was due to increased impairment loss on fixed assets and loss on write-down of securities caused by sluggish stock market conditions.

During the fiscal year under review, the disparity between strong and weak business segments grew even greater.

The convenience store segment was particularly buoyant, accounting for more than 50% of consolidated operating income. This was attributable to the introduction of "taspo" age verification IC cards to prevent the underage purchasing of cigarettes from vending machines. Those who are reluctant to apply for a taspo card tend to go to convenience stores instead and often end up buying other items in addition to cigarettes. This trend resulted in a 4.1% growth in same-store sales, reflecting increases in both cigarette sales and the number of customers. Moreover, operating expenses fell short of expectations due to the shift of recording system costs to the next fiscal year. As a result, operating income in the convenience store segment rose 9.5% year on year.

On the other hand, the superstore and specialty store segments were stagnant. Same-store sales at Uny superstores declined 9.2% year on year for clothing of high gross profit ratio, and 4.6% for household-related products. For the fourth quarter, in particular, same-store sales fell 12.5% and 6.4%, respectively, and operating income in this segment dropped 22.7% year on year due to the failure in improving gross profit ratio.

In the specialty store segment, we succeeded in accomplishing the first-year mission of kimono store Sagami's restructuring plan. However, we recorded a nominal operating loss in this segment due to weak sales by Palemo Co., Ltd., Suzutan Co., Ltd., Molie Co., Ltd. and Rough Ox Co., Ltd. on the back of Japanese economy's downturn.

Based on the Group restructuring program laid out in our Medium-Term Management Plan, we dissolved the unprofitable consolidated subsidiary Rough Ox, which is currently undergoing liquidation procedures. In addition, we acquired third-party shares in Tomei Crown Kaihatsu Co., Ltd., making it a fully owned subsidiary. Following the acquisition, on February 21, 2009, Tomei Crown Kaihatsu was merged into Uny Co., Ltd.

Against this backdrop, we anticipate prolonged recession and decided to revise the numerical targets set out in our Medium-Term Management Plan for fiscal 2010 and 2011.

1. Background to the revision of targets

(1) Performance in superstores and specialty stores centered on clothing is expected to deteriorate due to sluggish apparel sales.
- We have revised the anticipated rate of same-store sales at Uny stores for fiscal 2010 and 2011 from 98.0% to 97.6% and 97.5%, respectively, while amending that of revenue from tenant stores from 100% to 97% and 97.5%, respectively.
- We are restraining new store openings while closing unprofitable stores on the back of the downward revision of year-on-year growth in the same-store sales rate at specialty stores. Simultaneously, more efforts are being directed toward reducing labor costs and rent.

(2) In the financial services segment, UCS Co., Ltd. will reduce its loan balance by reinforcing credit administration in accordance with government regulations regarding the volume held.

(3) We have upwardly revised our projections for sales in convenience stores owing to the effect of the taspo card. However, this increase will grow less significant over time, given the gap between the actual incurrence of system costs and when they are recorded.

(4) Employment retirement benefit expenses have increased on the back of a substantial decline in pension plan assets due to sluggish share prices during the fiscal year under review.

2. Consolidated numerical targets

UNY GROUP'S TARGET FOR FISCAL 2011

(Billions of yen, unless otherwise designated)

INITIAL PLAN (announced April 2008)		REVISED PLAN	
(1) Operating income	¥51.4	(1) Operating income	¥37.8
(2) Ordinary income ratio	3.8%	(2) Ordinary income ratio	2.9%
(3) ROE	6.7%	(3) ROE	3.9%

	2009 Target	2010 Target	2011 Target	2009 Actual	2010 Target	2011 Target
Operating revenues	¥1,195.0	¥1,204.0	¥1,219.0	¥1,190.2	¥1,198.0	¥1,192.0
Operating income	39.7	41.6	51.4	40.2	34.4	37.8
Ordinary income	35.9	37.5	46.6	38.9	31.3	34.1
Net income	9.9	9.9	17.5	5.3	4.7	9.6
Ordinary income ratio*	3.0%	3.1%	3.8%	3.3%	2.6%	2.9%
ROE	4.1%	4.0%	6.7%	2.2%	1.9%	3.9%
Net income per share (yen)	49.86	49.86	88.13	27.66	23.76	48.53

* Ordinary income ratio = Ordinary income/Operating revenues

I sincerely request your continued understanding and support as we work vigorously to achieve these goals.

T. Maemura.

Tetsuro Maemura
President

SUPERSTORES

Superstores are operated by Uny Co., Ltd. and Uny (HK) Co., Ltd. The supermarket and general merchandise stores are run directly and, along with tenant businesses that provide such services as specialty shops, restaurants, travel agencies and banks, offer a pleasant and convenient shopping experience for a wide cross section of customers.

On August 21, 2008, Uny Co., Ltd. absorbed U Store Co., Ltd. in a merger.

■UNY

Uny superstores include conventional superstores operated under the Uny brand, and the more fashionable Apita stores, which have been developed over the last 20 years to address the needs of more individualistic and diversified consumers. Along with the changing times, Uny's base has shifted toward Apita stores in suburban locations, with large parking facilities alongside a broad assortment of tenant businesses. In addition, Uny opened five mall-type Apita stores during the fiscal year ended February 20, 2009.

Since absorbing U Store on August 21, 2008, Uny had been conducting its business operations under the three sales headquarters of Apita, Uny and U Store. On February 21, 2009, however, the Uny and U Store headquarters were integrated to form the Piago headquarters.

Uny defines the large-scale Apita stores as shops designed to enhance the quality of life, while medium- and small-scale Piago stores conveniently cater for life's everyday necessities. The Uny Group will conduct business operations and offer a selection of goods depending on the scale of the store.

As of February 21, 2009, Apita stores were to be found in 95 locations and Piago stores in 129 locations. In addition to these stores, there were nine U Home home-center stores.

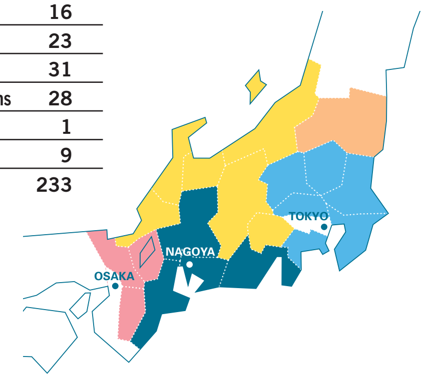
■UNY (HK)

Uny (HK), our only overseas store, is located in Hong Kong's popular Taikoo Shing shopping district. An Apita-style store, it sells a large variety of merchandise and has gained popularity as an upscale store.

In the summer of 2010, Uny (HK) plans to open its second store, in Lok Fu on the Kowloon Peninsula.

REGIONAL BREAKDOWN OF SUPERSTORES

	Uny
	No. of Stores
Tokai Region	164
Aichi Pref.	103
Gifu Pref.	22
Mie Pref.	16
Shizuoka Pref.	23
Kanto Region	31
Hokuriku/Koushinetsu Regions	28
Tohoku Region	1
Kansai Region	9
Total	233



(Million ¥)

Years ended February 20	2009	2008	2007
Revenues*	¥848,514	¥867,910	¥884,733
Operating Costs and Expenses	837,594	853,412	869,957
Operating Income	13,952	18,040	18,213
Identifiable Assets	571,156	564,920	573,441
Depreciation	17,221	16,867	17,390
Impairment Loss on Fixed Assets	6,298	12,919	6,764
Capital Expenditures	27,609	34,706	36,574

* Revenues refer to sales to external customers.

KEY SUPERSTORES

	Uny			U Store**		
Years ended February 20	2009	2008	2007	2009	2008	2007
Revenues (Million ¥)	¥ 768,200	¥ 714,885	¥ 726,792	¥ 71,239	¥145,382	¥148,705
Net Sales (Million ¥)	730,082	680,334	694,815	68,797	138,690	142,001
Sales Floor Space (m²)*	1,625,741	1,312,988	1,289,661	301,486	306,880	307,010
Newly Opened Floor Space (m²)	20,783	39,808	21,920	—	4,098	5,379
Sales per Sq. Meter (Thousand ¥)	449	518	539	228	452	463
Full-Time Employees	6,242	5,318	5,475	1,082	1,068	1,063
Sales per Employee (Million ¥)	117	128	127	64	130	134

* Sales Floor Space (m²) refers to directly operated space only.

** Because of U Store Co., Ltd.'s merger with UNY CO., LTD. on August 21, 2008, fiscal 2009 figures for U Store were calculated based on data from the period dating February 21, 2008 through August 20, 2008.

CONVENIENCE STORES

(Million ¥)

Years ended February 20	2009	2008	2007
Revenues*	¥208,489	¥201,910	¥190,557
Operating Costs and Expenses	187,407	182,651	169,134
Operating Income	21,097	19,265	21,426
Identifiable Assets	233,314	231,772	226,882
Depreciation	7,875	6,719	6,687
Impairment Loss on Fixed Assets	3,226	2,716	3,170
Capital Expenditures	17,706	13,971	12,822

* Revenues refer to sales to external customers.

	Circle K			Sunkus		
Years ended February 20	2009	2008	2007	2009	2008	2007
Number of Stores	2,846	2,809	2,898	2,093	2,119	2,205
Franchises	2,514	2,450	2,490	1,917	1,929	2,016
Own Operation	332	359	408	176	190	189
Area Franchise Stores	152	148	159	1,075	1,062	1,073

In the convenience store business, the Uny Group develops stores through Circle K Sunkus Co., Ltd., under the two brands of Circle K and Sunkus. In fiscal 2009, the convenience store market environment was characterized by even greater competition, amid the extremely difficult conditions prevailing across other competing industries. Against this backdrop, Circle K Sunkus placed increased emphasis on opening highly competitive stores, focusing on quality rather than quantity.

As part of its store development, Circle K Sunkus opened new stores in its three primary major metropolitan areas of Tokyo, Nagoya and Osaka, while restructuring its localization scheme in the Group's dominant area.

On the store operations front, Circle K Sunkus held a "Customer Satisfaction Enhancement Forum" and a "Friendliness Competition" for the first time with the aim of raising awareness of franchise store owners and staff. In addition to these efforts, Circle K Sunkus changed its uniform design to improve its brand image.

As part of its store development, Circle K Sunkus increased investment in new store openings in profitable areas, while proactively promoting the relocations of stores to restructure its area-dominant strategy and enhance chain store earnings.

As for product development, Circle K Sunkus strived to strengthen and develop its three main brands: the Cherie Dolce original dessert selection, the rubetta pasta range and Magokoro Jikomi Oishii Pan Seikatsu breads. In addition, Circle K Sunkus started to install a fryer at each store.

On the service development front, Circle K Sunkus installed a multifunction peripheral (MFP) that offers diverse services including digital image printing in all of its stores. In addition, Circle K Sunkus commenced the introduction of Karuwaza Station in-store multimedia terminals, installing them in approximately 2,500 stores as of the fiscal 2009 year-end. Circle K Sunkus also completed the installation of the Bank Time ATM service with Resona Bank undertaking the overall administrative function in the Kansai region and commenced the introduction of the service in the four prefectures of Shikoku as well as in Kagoshima, Kumamoto, Ibaraki and Tochigi. Furthermore, transactions using KARUWAZA CLUB, an in-house card service featuring the Edy prepaid electronic money function, reached approximately 1,080,000 as of February 28, 2009, while card memberships with which customers can accumulate points with their purchases totaled around 420,000.

In terms of social contribution activities, Circle K Sunkus cooperates with 12 convenience store companies that are members of the Japan Franchise Association (JFA) to develop "Safety Station Activity" at stores nationwide. This campaign is implemented with the dual theme of "developing safe and secure towns" and "nurturing healthy environments for juveniles." In addition to these activities, Circle K Sunkus takes unique initiatives to collect donations at stores, engages in emergency relief work after large-scale disasters and supports the activities of NPO groups.

In its fiscal year ending February 28, 2010, Circle K Sunkus is planning to open 319 stores and close 280 stores for a net increase of 39.

■CIRCLE K STORES

Circle K stores are primarily concentrated in the Chubu region of Japan, with a strong network in Aichi, Gifu and Mie prefectures making up their dominant area. Circle K has placed greater emphasis on securing prime locations and on profitability in the development of stores.

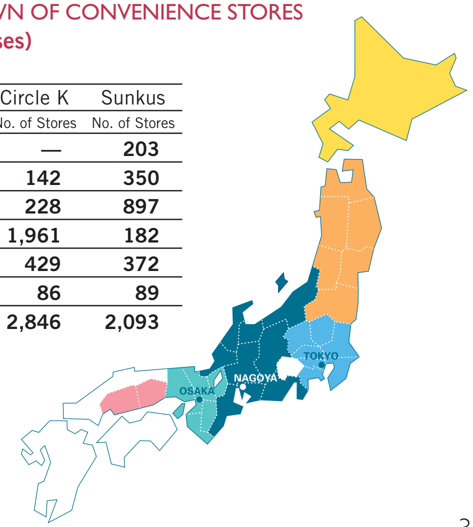
In line with initial plans and excluding area-franchise stores, Circle K opened 171 stores, and closed 134 as part of its efforts to lower the number of underperforming stores. The number of Circle K stores as of the fiscal year-end totaled 2,846, for a net increase of 37. The Circle K Group totaled 2,998 stores, which included area-franchise stores.

■SUNKUS STORES

Sunkus has a strong network of stores covering the Kanto, Tohoku and Kansai regions. During the fiscal year under review, Sunkus placed considerable emphasis on store profitability. Focusing on stores that would generate guaranteed returns, Sunkus opened 94 stores. In addition, 13 area-franchise companies opened a total of 69 stores. In unprofitable stores, Sunkus closed 120 stores, and area franchisers closed 56. As of the fiscal year-end, Sunkus stores totaled 2,093, for a net decrease of 26. Including area-franchise stores, the Sunkus network stood at 3,168 stores.

REGIONAL BREAKDOWN OF CONVENIENCE STORES (excluding area franchises)

	Circle K	Sunkus
	No. of Stores	No. of Stores
Hokkaido Pref.	—	203
Tohoku Region	142	350
Kanto Region	228	897
Chubu Region	1,961	182
Kansai Region	429	372
Chugoku Region	86	89
Total	2,846	2,093



SPECIALTY STORES

(Million ¥)

Years ended February 20	2009	2008	2007
Revenues*	¥108,208	¥122,575	¥133,600
Operating Costs and Expenses	108,212	123,852	131,572
Operating Income (Loss)	(4)	(1,277)	2,028
Identifiable Assets	48,400	65,044	75,651
Depreciation	1,433	1,744	1,932
Impairment Loss on Fixed Assets	846	6,170	982
Capital Expenditures	1,710	2,758	2,613

* Revenues refer to sales to external customers.

KEY SPECIALTY STORES

	Sagami*			Molie			Palemo			Suzutan		
Years ended February 20	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenues (Million ¥)	45,388	57,526	66,923	9,184	8,815	8,481	33,014	33,796	34,095	18,744	20,432	21,801
Net Sales (Million ¥)	45,124	57,206	66,527	8,951	8,577	8,251	32,259	33,349	33,730	18,744	20,432	21,801
Number of Stores	400	548	557	198	179	156	617	569	529	298	298	289
Newly Opened Stores	23	74	58	22	23	13	93	71	64	15	22	19
Sales Floor Space (m^2)*	53,402	74,187	77,325	25,467	22,445	19,490	112,632	103,370	94,029	44,023	44,336	42,950
Newly Opened Floor Space (m^2)	2,369	8,151	7,727	3,135	2,913	1,642	15,703	12,349	12,813	2,051	3,078	2,964
Sales per Sq. Meter (Thousand ¥)	845	771	860	351	382	423	286	323	359	426	461	508
Full-Time Employees	810	1,501	1,646	25	25	27	190	165	153	226	232	240
Sales per Employee (Million ¥)	56	38	40	358	343	306	170	202	220	83	88	91

* Sagami's financial data, such as Net Sales, are shown on a consolidated basis.

Uny has diversified into specialty and low-cost chain store operations over the years to respond to changing consumer demands and to develop advances in store concepts. These operations are structured as subsidiaries within the Uny Group.

■SAGAMI

Sagami Co., Ltd. is the largest national chain specializing in Japanese kimonos. Sagami also operates the following boutique chains: SHAZBOT, a specialty store for caps and hats; Karako, which offers sundry goods for everyday living; WarakuyaOkame, devoted to Japanese cutlery and miscellaneous items; LIVEONCE, which offers miscellaneous interior goods; and ORANGE HOUSE, providing miscellaneous kitchen items.

There were 400 stores being operated by Sagami at the end of fiscal 2009.

■MOLIE

Molie Co., Ltd.'s selection of sensible and fashionable apparel is tailored to the needs of middle-aged and elderly women. Three main business categories are managed: Molie, representing the prestige of the married woman; Juan, offering contemporary coordinates; and Avant: midi, sophisticated urban casual wear.

At the end of fiscal 2009, 198 stores were in operation, 20 more than at the end of the previous fiscal year.

■PALEMO

Palemo Co., Ltd. offers women's fashions that range from the teen market to young working women in their twenties. It has a full range of boutique formats under the key store names Galfit, Dosch, Limestone, Bispage, incense and Siebelet.

At the end of fiscal 2009, 617 stores were in operation, 48 more than at the end of the previous fiscal year.

■SUZUTAN

Suzutan Co., Ltd. offers casual wear for the young woman. Suzutan opened 15 new stores and closed 15 unprofitable stores in the fiscal year under review, for a total of 298 stores by the fiscal year-end. In the current fiscal year, we aim to increase sales and profits by further opening 20 new stores and closing 20 unprofitable ones.

FINANCIAL SERVICES

(Million ¥)

Years ended February 20	2009	2008	2007
Revenues*	¥21,074	¥21,005	¥18,854
Operating Costs and Expenses	20,836	20,416	17,158
Operating Income	3,740	3,789	4,676
Identifiable Assets	114,333	117,209	96,910
Depreciation	836	637	393
Impairment Loss on Fixed Assets	2	2	7
Capital Expenditures	1,688	1,238	1,290

* Revenues refer to sales to external customers.

Uny offers financial services mainly through its credit card and ATM businesses.

■UCS

UCS Co., Ltd. issues UCS card, the Uny Group's house card.

The number of UCS cardholders increased 200,000 from the previous fiscal year-end, to 3.34 million. UCS offers shopping and financing services to its cardholders in addition to conducting business operations in the insurance and leasing fields.

■ZERO NETWORKS

ZERO NETWORKS Co., Ltd. conducts its ATM business under the brand names of ZERO BANK and Bank Time mainly at convenience stores.

MANAGEMENT POLICIES

1. BASIC MANAGEMENT POLICIES

The Uny Group of general merchandisers, convenience and specialty stores offers the customers in its communities an enjoyable shopping experience, as well as products and services of high quality and value. With the support of customers as its base, Uny will deliver medium- and long-term earnings growth and continue to meet the expectations of shareholders.

To accomplish this, Uny constantly reviews the products, locations and features of its stores, following the creed of "putting yourself in the customer's shoes." While increasing the service level to its customers, Uny aggressively scraps and builds stores, strives for effective utilization of management resources, and makes every effort to secure profits.

2. BASIC EARNINGS DISTRIBUTION POLICY

Uny's basic policy is to continue stable payment of cash dividends, giving due consideration to retained earnings to maintain and strengthen its financial soundness, thereby providing for the future expansion of its business.

For the fiscal year under review, Uny declared a year-end cash dividend of ¥9.0 per common share. Including the ¥9.0 per share interim, total cash dividends for the year are ¥18.0 per share, on par with the previous fiscal year. The Company plans to utilize retained earnings for capital investment including the establishment of new stores and other facility enhancements. Uny will continue to work for efficient fund distribution, the strengthening of financial soundness and improved performance.

3. GROUP MANAGEMENT POLICIES

Publicly listed companies within the Uny Group meet once a month to discuss each Group company's challenges and strategies, and to better grasp operating conditions and performance. All other Group companies meet once every two months, with Uny Co., Ltd. providing the strategic framework and overall support as required.

With the intention of benefiting shareholders by maximizing returns, each Group company adheres to the following management guidelines:

i) In order to make quick decisions grounded in practicality and based on experience, an open and flat management structure will be employed.
ii) In order to maintain and enhance price competitiveness, low-cost management will be employed.
iii) Management that is transparent to customers, shareholders, and employees will be pursued.

4. CORPORATE GOVERNANCE

Uny's basic approach to corporate governance is founded upon serving its communities by offering customers products and services of high quality and value, achieving medium- and long-term earnings growth, and continuing to meet the expectations of shareholders. The Company is putting in place structures to ensure management transparency and thorough compliance in operations. Furthermore, the Company implements various measures to promote increased in-house awareness and understanding of ethical corporate behavior.

1) Corporate Organization and Internal Control System Development

Overview of Corporate Organization

Uny strives to ensure corporate governance in accordance with the Director and Corporate Auditor Systems. The Board of Directors is the ultimate decision-making body. In principle, directors meet once a month to deliberate and determine matters of importance and to supervise the executive function.

The Company has also adopted a management meeting system. Management meetings are convened once a month and attended by directors. The primary function of each meeting is to report, discuss and determine matters relating to the daily execution of the Company's overall business activities.

Internal Control System Development

As its company-wide internal control organization, Uny established a Risk Management Committee with its president and representative director as the chair to discover and control risks and examine countermeasures against exposed risks. In addition, the Company set up a Compliance Committee under the Risk Management Committee, positioning complete compliance as the core of its risk management. In so doing, Uny is working to ensure thorough compliance and familiarity not only with the law but also with in-house regulations.

Uny's Help Line Committee was established as part of the Compliance Committee for accepting information from both inside and outside of the Company. When responding to a report, the Help Line Committee convokes an Investigation and Rogatory Commission when necessary to investigate the details surrounding reported issues and to propose countermeasures. In addition, the Company distributes its "Corporate Ethics Standards" compliance manual to all employees and promotes bimonthly compliance themes to instill thorough adherence to ethical regulations and legal compliance.

Internal Audit and Audits by Corporate Auditors

Uny has appointed four corporate auditors, including two external corporate auditors. The corporate auditors attend the Board of Directors' meetings, management meetings and other meetings of importance. Corporate auditors receive reports on Company operations from directors, review important decisions and provide management supervision in collaboration with the Internal Auditors' Office. With expert knowledge, each member of the Internal Auditors' Office implements regular audits at the Company's offices and stores, and special audits at the Company's headquarters and affiliated companies.

Relationship with External Corporate Auditors

Uny's external corporate auditors, Kazuyoshi Kouketsu and Ikuo Tange, are outside specialists who provide astute advice concerning the Company's decision-making processes from an impartial perspective. Messrs. Kazuyoshi Kouketsu and Ikuo Tange have no specific personal relationships or interests that would in any way impede Company audits.

2) Development of Risk Management System

In-house compliance and risk management promotion organizations include the aforementioned Risk Management Committee, which is chaired by the president and representative director at the Company's headquarters and Store Safety Control Committees, which are established at every store and chaired by respective store managers. The Risk Management Committee reviews and provides measures to deal with all issues related to corporate ethics and risk management. The Store Safety Control Committees serve as organizations to carry out corporate ethics and risk management activities.

FINANCIAL SECTION

CONSOLIDATED FINANCIAL REVIEW

OPERATING RESULTS

Revenues by Segment

	Millions of Yen		% Change	
	2009		2009/2008	2008/2007
Superstores	¥ **848,514**	**71.3%**	(2.2)%	(1.9)%
Convenience Stores	**208,489**	**17.5**	3.3	6.0
Specialty Stores	**108,208**	**9.1**	(11.7)	(8.3)
Financial Services	**21,074**	**1.8**	0.3	11.4
Other	**3,963**	**0.3**	39.2	136.8
Total	**¥1,190,248**	**100.0%**	(2.1)%	(1.0)%

Revenues

In fiscal 2009, ended February 20, 2009, consolidated operating revenue declined 2.1% from the previous fiscal year to ¥1,190,248 million. Within this figure, net sales were down 2.7% year on year, while other operating revenue grew 1.5%.

By segment, operating revenue in the superstore segment declined 2.2% to ¥848,514 million. During the fiscal year under review, Uny Co., Ltd. opened three new stores, including one mall-type store, and closed one store. Uny also renovated one store to significantly increase sales floor space, reopening it as a mall-type store. Reflecting the merger with U Store Co., Ltd. at the beginning of the second half of fiscal 2009, Uny Co., Ltd.'s non-consolidated net sales climbed 7.3%, while other operating revenue grew 10.3% year on year. However, the severe consumer market environment, intense market competition from large-scale stores of other companies in the same industry and the opening of new food supermarkets resulted in decreased same-store sales (excluding U Stores) of 2.9%.

In the convenience store segment, same-store sales rose 4.1% year on year. This was attributable to the May 2008 introduction of "taspo" age verification IC cards, which prevent the underage purchasing of cigarettes from vending machines and draw more customers to stores, where they often end up buying other items in addition to cigarettes. Moreover, healthy sales of the mainstay original brand items such as pasta dishes, desserts and breads contributed to the results.

The total number of convenience stores opened in fiscal 2009 stood at 312, of which 28 were 99 Ichiba stores. Through this activity, we proactively promoted store relocations to the most suitable sites. The number of stores closed totaled 287, of which 19 were 99 Ichiba stores. Operating revenue in this segment rose 3.3% year on year to ¥208,489 million, owing to sales increase in franchise stores.

In the specialty store segment, consolidated same-store sales at Sagami Co., Ltd. and Suzutan Co., Ltd. as well as unconsolidated same-store sales at Palemo Co., Ltd. recorded severe decreases of 2.5%, 9.3% and 12.4%, respectively. Despite a 1.9% decrease in same-store sales, Molie Co., Ltd. recorded an improvement in sales due to an increase in the number of its stores. As a result, operating revenue in the specialty store segment declined 11.7% year on year to ¥108,208 million.

In the financial services segment, the number of UCS cardholders increased approximately 200,000 to 3.34 million at the end of fiscal 2009, thereby expanding UCS's business foundation. The volume of loan transactions, however, fell 15.0% year on year, reflecting the company's efforts in reviewing its loan balance and credit screening process to control the level of uncollectable debts and prevent excess lending. As a result, operating revenue of UCS Co., Ltd. edged down 0.8% year on year. On the other hand, ZERO NETWORKS Co., Ltd. enjoyed a solid increase in the number of ATMs installed and transactions. Accordingly, operating revenue in this segment edged up 0.3% year on year to ¥21,074 million.

By merchandise category, sales fell 10.8% for clothing and 2.5% for household goods, while sales for foods edged up 0.7%.

Earnings

Selling, general and administrative expenses decreased 1.7% year on year to ¥409,840 million due mainly to a cut in advertising costs. As a result, operating income declined 1.9% to ¥40,157 million and the ratio of operating income to operating revenue remained on par with the previous fiscal year at 3.4%.

By segment, operating income in the superstore segment dropped 22.7% to ¥13,952 million. This was attributable to the decreased amount of net sales exceeding the increase in other operating revenue, resulting in a 2.2% decrease in operating revenue year on year. In addition, operating costs and expenses also declined 1.9%.

In the convenience store segment, operating revenue grew 3.3% year on year on the back of increased sales thanks to the positive effects from the taspo card as well as the healthy sales of mainstay, original brand products. These factors resulted in this segment recording a 9.5% jump in operating income to ¥21,097 million, while operating costs and expenses registered a modest increase of 2.6%.

During the fiscal year under review, the specialty store segment experienced exceedingly severe business conditions. Sagami, Palemo, Suzutan and Rough Ox Co., Ltd. recorded revenue decreases, while Molie and Rough Ox recorded operating losses. Furthermore, Palemo also recorded a substantial decrease in operating income. Having implemented a large-scale corporate downsizing during fiscal 2009, Sagami regained profitability after having suffered a substantial operating loss in the previous fiscal year. As a result, the specialty store segment recorded an operating loss of ¥4 million.

In the financial services segment, UCS's operating income fell 13.0% year on year, despite the increase in the number of cardholders. This was due to a decrease in loan transactions, an increase in allowance for doubtful accounts as well as an allowance for losses on interest refunds. In contrast, ZERO NETWORKS recorded a profit increase. As a result, operating income in this segment declined 1.3% to ¥3,740 million.

In other income (expenses), net financial expenses (interest expenses less interest and dividend income) totaled ¥2,598 million, up from ¥2,381 million in the previous fiscal year. In addition, equity in net earnings of affiliate grew ¥432 million year on year. Also recorded were a ¥10,562 million impairment loss on fixed assets, a ¥2,899 million loss on write-down of securities due to a stagnant stock market, and a ¥1,702 million loss on cancellation of lease contracts associated with the convenience store closures.

As a result, income before income taxes and minority interests surged 128.9% year on year to ¥23,317 million. Uny recorded ¥709 million in income taxes—deferred as well as ¥4,559 million in minority interests in losses of consolidated subsidiaries due to the application of deferred tax accounting. As a result, there was substantial growth in net income, from ¥377 million in the previous fiscal year to ¥5,345 million. Net income per share for the fiscal year under review increased from ¥2.00 to ¥27.66.

Cash dividends at Uny stood at ¥18.00 per share, which was on par with the previous fiscal year.

Financial Position and Liquidity

As of February 20, 2009, the Uny Group's assets totaled ¥960,602 million, a decrease of ¥12,540 million from the end of the previous fiscal year. Consolidated equity (net assets less minority interests) totaled ¥244,479 million, up ¥8,854 million year on year. As a result, the equity ratio grew 1.3 percentage points to 25.5%. Consolidated interest-bearing debt (long-term debt including current portion, short-term borrowings and commercial paper) increased ¥6,950 million to ¥331,144 million. Consolidated interest-bearing debt, excluding the Group's financial services subsidiary, UCS Co., Ltd., rose ¥10,450 million year on year. The interest-coverage ratio improved from 3.6 times to 6.5 times.

Cash Flows

Net cash provided by operating activities grew ¥19,318 million to ¥56,143 million. Principal components were income before income taxes and minority interests of ¥23,317 million, depreciation costs of ¥28,036 million, impairment loss on fixed assets of ¥10,562 million, decrease in trade payables of ¥11,767 million and income taxes paid of ¥11,346 million.

Net cash used in investing activities rose ¥11,240 million to ¥58,903 million. This reflected ¥46,132 million paid for purchases of

Sales by Merchandise Category

Years ended February 20	2009		2008		2007		Change 2009/2008
	Millions of Yen						
Clothing	**¥ 241,383**	**20.3%**	¥ 270,496	22.2%	¥ 288,611	23.5%	(10.8)%
Women's clothing	**91,282**	**37.8**	99,116	36.6	103,288	35.8	(7.9)
Children's clothing	**21,845**	**9.0**	24,935	9.2	26,357	9.1	(12.4)
Men's clothing	**26,594**	**11.0**	30,007	11.1	32,100	11.1	(11.4)
Accessories and shoes	**41,220**	**17.1**	44,812	16.6	48,826	16.9	(8.0)
Lingerie	**34,003**	**14.1**	37,296	13.8	38,071	13.2	(8.8)
Kimonos and related accessories	**26,439**	**11.0**	34,330	12.7	39,969	13.8	(23.0)
		100.0		100.0		100.0	
Household Goods	**174,014**	**14.6**	178,561	14.7	183,068	14.9	(2.5)
Sundry and leisure goods	**133,516**	**76.7**	136,713	76.6	137,199	74.9	(2.3)
Furniture, electrical appliances and others	**40,498**	**23.3**	41,848	23.4	45,869	25.1	(3.2)
		100.0		100.0		100.0	
Foods	**570,700**	**47.9**	566,719	46.6	562,833	45.8	0.7
Fresh foods	**292,031**	**51.2**	293,076	51.7	298,052	53.0	(0.4)
Processed foods	**278,669**	**48.8**	273,643	48.3	264,781	47.0	1.8
		100.0		100.0		100.0	
Other Merchandise	**31,512**	**2.7**	30,350	2.5	27,199	2.2	3.8
Net Sales	**1,017,609**	**85.5**	1,046,126	86.0	1,061,711	86.4	(2.7)
Other Operating Revenue	**172,639**	**14.5**	170,120	14.0	167,235	13.6	1.5
Total	**¥1,190,248**	**100.0%**	¥1,216,246	100.0%	¥1,228,946	100.0%	(2.1)%

property and equipment, ¥8,931 million for lease deposits made and ¥8,870 million for lease deposits repaid.

Net cash provided by financing activities declined ¥5,889 million to ¥163 million. The net increase in long-term debt was ¥53,550 million, while the net decrease in short-term borrowings was ¥13,892 million. Uny also recorded repayment of long-term debt of ¥32,670 million.

As a result, cash and cash equivalents upon inclusion of additional subsidiaries on consolidation at the end of fiscal 2009 totaled ¥94,733 million, down ¥2,977 million year on year.

In fiscal 2010, ending February 20, 2010, plans call for capital investment of ¥59,800 million on a contract basis, compared with approximately ¥61,800 million in fiscal 2009.

OUTLOOK FOR FISCAL 2010

In the fiscal year ending February 20, 2010, the business environment is expected to remain severe amid sluggish economic conditions in Japan. Therefore, any positive signs of recovery in the economic situation and personal consumption remain shrouded in uncertainty. Under such circumstances, the Uny Group is also expected to face critical conditions, and accordingly the Group revised the Medium-Term Management Plan for fiscal 2009 to 2011 announced in the previous fiscal year. The Group will strive to maintain its market position by enhancing each Group company's profitability, launching growth strategies and becoming more competitive. (Please refer to page 1 for details.)

In the superstore segment, Uny Co., Ltd. will aim to create benefits of scale as well as to produce synergistic effects from its fiscal 2008 merger with U Store. In specific terms, we will generate profitability by, for example, standardizing contracts with makers to reduce cost prices as well as consolidating the suppliers and reviewing the accounts of both companies to reduce costs. In addition, we will make efforts to reduce administrative expenses by integrating both companies' headquarters functions.

In the convenience store segment, we will further develop and enhance the lineups of original brand products, while installing a fryer at each store to reinforce the lineup of food products cooked and offered at the store counter. Simultaneously, we will launch and expand the private brand products throughout the Group. On the store development front, we will continue to concentrate investment on the opening new stores in profitable areas, while maintaining the net increase in the number of stores. In terms of services provided, we plan to introduce Karuwaza Station in-store multimedia terminals at almost all the stores. Furthermore, for better convenience we will commence the installation of the Bank Time ATM service at stores in the Hokuriku region.

In the specialty store segment, we will make further efforts to improve each product's gross margin ratio by promoting the advanced development of private brand products and accelerating low-cost management. In addition, we will aggressively implement the scrapping and building of unprofitable stores to restructure our earnings basis. In Sagami's case, we will steadily promote the restructuring plan announced in the previous fiscal year.

UCS Co., Ltd. will strive to achieve a balanced earnings structure with enhanced transactions by UCS cardholders and to maintain an increasing presence in the insurance industry. Over and above these efforts, UCS will thoroughly implement low-cost management to reduce expenses. In addition, UCS will maintain an appropriate loan balance by strengthening its risk management.

Management's discussion of the outlook for fiscal 2010, its plans for store openings and its forecasts of operating revenue and net income involve the use of forward-looking statements. Principal factors that may cause actual results to differ materially from those expressed in forward-looking statements made by management include a further downturn in the domestic economy, Uny's inability to open new stores as planned and a worse-than-expected deterioration in the competitive environment of the retail industry in Japan.

SELECTED FINANCIAL DATA

UNY CO., LTD. and Consolidated Subsidiaries	Millions of Yen					Thousands of U.S. Dollars*
Years ended February 20	**2009**	2008	2007	2006	2005	**2009**
For the Year						
Operating revenue	**¥1,190,248**	¥1,216,246	¥1,228,946	¥1,202,641	¥1,191,299	**$12,662,213**
Net sales	**1,017,609**	1,046,126	1,061,711	1,037,765	1,028,794	**10,825,628**
Cost of goods sold	**740,251**	758,282	769,552	753,152	751,388	**7,875,011**
Selling, general and administrative expenses	**409,840**	417,010	412,252	405,908	398,116	**4,360,000**
Interest expenses	**4,218**	3,936	3,396	3,166	3,284	**44,872**
Income before income taxes and minority interests	**23,317**	10,187	29,266	46,454	34,853	**248,053**
Net income	**5,345**	377	9,302	16,102	10,878	**56,862**
Purchases of property and equipment	**46,132**	42,299	57,572	48,002	48,547	**490,766**
Lease deposits made	**8,931**	10,087	9,703	12,555	14,068	**95,011**
Per share data (in Yen and U.S. Dollars):						
Net income	**27.66**	2.00	49.27	84.64	56.84	**0.29**
Cash dividends	**18.00**	18.00	18.00	18.00	18.00	**0.19**
Average shares issued (in Thousands)	**198,566**	189,295	189,295	189,295	189,295	**—**
At Year-End						
Merchandise inventories	**57,672**	61,711	62,404	64,715	64,871	**613,532**
Property and equipment (book value)	**421,798**	414,389	410,194	391,366	416,131	**4,487,213**
Total assets	**960,602**	973,142	966,226	951,151	982,309	**10,219,170**
Long-term debt, less current portion	**231,727**	203,108	173,824	184,131	162,022	**2,465,181**
Total net assets**	**344,870**	350,835	364,291	—	—	**3,668,829**
Shareholders' equity**	**—**	—	—	239,145	222,612	**—**
Profitability						
(Net sales – cost of goods sold)/Net sales (%)	**27.3**	27.5	27.5	27.4	27.0	**—**
Income before income taxes/Operating revenue (%)	**2.0**	0.8	2.4	3.9	2.9	**—**
Net income/Operating revenue (%)	**0.4**	0.0	0.8	1.3	0.9	**—**
Net income/Total assets (%)	**0.6**	0.0	1.0	1.7	1.1	**—**
Net income/Shareholders' equity [Total net assets – minority interests] (%)	**2.2**	0.2	3.8	6.7	4.9	**—**
Financial Structure Analysis						
Shareholders' equity [Total net assets – minority interests]/Total assets (%)	**25.5**	24.2	25.3	25.1	22.7	**—**
Long-term debt/Shareholders' equity [Total net assets – minority interests] (Times)	**0.9**	0.9	0.7	0.8	0.7	**—**
Income before income taxes and interest expenses/Interest expenses (Times)	**6.5**	3.6	9.6	15.7	11.6	**—**
Turnover Analysis						
Net sales/Merchandise inventories (Times)	**17.6**	17.0	17.0	16.0	15.9	**—**
Operating revenue/Total assets (Times)	**1.2**	1.2	1.3	1.3	1.2	**—**

*See Note 1 of Notes to Consolidated Financial Statements.

**Effective from the year ended February 20, 2007, the UNY Group adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan ("ASBJ")), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (ASBJ Guidance No. 8).

CONSOLIDATED STATEMENTS OF INCOME

UNY CO., LTD. and Consolidated Subsidiaries		Millions of Yen		Thousands of U.S. Dollars
For the Years Ended February 20, 2009, 2008 and 2007	**2009**	2008	2007	**2009**
Operating Revenue (Note 12):				
Net sales	**¥1,017,609**	¥1,046,126	¥1,061,711	**$10,825,628**
Other	**172,639**	170,120	167,235	**1,836,585**
	1,190,248	1,216,246	1,228,946	**12,662,213**
Operating Costs and Expenses (Notes 6, 8 and 12):				
Cost of goods sold	**740,251**	758,282	769,552	**7,875,011**
Selling, general and administrative expenses	**409,840**	417,010	412,252	**4,360,000**
	1,150,091	1,175,292	1,181,804	**12,235,011**
Operating income	**40,157**	40,954	47,142	**427,202**
Other Income (Expenses):				
Interest and dividend income	**1,620**	1,555	1,343	**17,234**
Interest expenses	**(4,218)**	(3,936)	(3,396)	**(44,872)**
Equity in net earnings of affiliate	**455**	23	253	**4,840**
Loss on sales or disposal of property and equipment	**(1,976)**	(2,367)	(2,996)	**(21,021)**
Loss on cancellation of lease contracts	**(1,702)**	(2,878)	(2,045)	**(18,106)**
Loss on close-down of stores	**—**	(1,185)	(969)	**—**
Loss on write-down of securities (Note 4)	**(2,899)**	(88)	(277)	**(30,841)**
Impairment loss on fixed assets (Note 2(i))	**(10,562)**	(21,942)	(11,057)	**(112,362)**
Cumulative effect of accounting changes of subsidiaries (Note 2(r))	**—**	—	(1,257)	**—**
Gain on return of substituted portion of employee welfare pension fund (Note 2(k))	**—**	1,339	—	**—**
Miscellaneous, net	**2,442**	(1,288)	2,525	**25,979**
	(16,840)	(30,767)	(17,876)	**(179,149)**
Income before income taxes and minority interests	**23,317**	10,187	29,266	**248,053**
Income Taxes:				
Current	**12,704**	12,567	15,914	**135,149**
Deferred	**709**	(690)	457	**7,542**
	13,413	11,877	16,371	**142,691**
Income (loss) before minority interests	**9,904**	(1,690)	12,895	**105,362**
Minority Interests in Losses (Earnings) of Consolidated Subsidiaries	**4,559**	2,067	(3,593)	**48,500**
Net income	**¥ 5,345**	¥ 377	¥ 9,302	**$ 56,862**
		Yen		U.S. dollars
Per Share (in yen and U.S. dollars):				
Net income	**¥27.66**	¥ 2.00	¥49.27	**$0.29**
Cash dividends	**18.00**	18.00	18.00	**0.19**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

UNY CO., LTD. and Consolidated Subsidiaries	Millions of Yen		Thousands of U.S. Dollars
February 20, 2009 and 2008	**2009**	2008	**2009**
ASSETS			
Current Assets:			
Cash and cash equivalents	**¥ 94,733**	¥ 97,710	**$ 1,007,798**
Short-term investments (Notes 4 and 5)	**7,276**	3,926	**77,404**
Notes and accounts receivable:			
Trade notes	**21**	29	**223**
Trade accounts	**53,481**	50,023	**568,947**
Other	**17,870**	27,812	**190,106**
Allowance for doubtful accounts	**(5,338)**	(4,385)	**(56,787)**
	66,034	73,479	**702,489**
Merchandise inventories	**57,672**	61,711	**613,532**
Deferred tax assets (Note 11)	**4,863**	5,095	**51,734**
Other current assets	**68,325**	70,792	**726,862**
Total current assets	**298,903**	312,713	**3,179,819**
Property and Equipment (Note 5):			
Land	**182,350**	184,371	**1,939,894**
Buildings and structures	**451,781**	433,272	**4,806,181**
Equipment and fixtures	**71,228**	68,018	**757,745**
Construction in progress	**13,234**	10,187	**140,787**
Total property and equipment	**718,593**	695,848	**7,644,607**
Accumulated depreciation	**(296,795)**	(281,459)	**(3,157,394)**
Net property and equipment	**421,798**	414,389	**4,487,213**
Investments and Other Assets:			
Lease deposits (Notes 5 and 8)	**142,450**	149,801	**1,515,426**
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 4)	**8,034**	7,705	**85,468**
Investment securities (Note 4)	**11,185**	12,295	**118,989**
Deferred tax assets (Note 11)	**19,143**	17,930	**203,649**
Goodwill	**14,771**	17,144	**157,138**
Other	**47,113**	44,090	**501,202**
Allowance for doubtful accounts	**(2,795)**	(2,925)	**(29,734)**
Total investments and other assets	**239,901**	246,040	**2,552,138**
	¥ 960,602	¥ 973,142	**$10,219,170**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Short-term borrowings (Note 5)	**¥ 76,128**	¥ 90,020	**$ 809,872**
Current portion of long-term debt (Note 5)	**23,289**	31,066	**247,755**
Notes and accounts payable:			
Trade notes	**10,562**	11,654	**112,362**
Trade accounts	**84,297**	94,972	**896,777**
Other	**42,068**	40,528	**447,532**
	136,927	147,154	**1,456,671**
Accrued expenses	**16,808**	17,278	**178,808**
Income taxes payable	**6,987**	6,420	**74,330**
Other current liabilities (Note 11)	**49,096**	55,083	**522,298**
Total current liabilities	**309,235**	347,021	**3,289,734**
Long-Term Liabilities:			
Long-term debt, less current portion (Note 5)	**231,727**	203,108	**2,465,181**
Guarantee deposits from tenants	**58,843**	57,165	**625,990**
Employee retirement benefit liability (Note 6)	**2,936**	6,226	**31,234**
Other long-term liabilities (Note 11)	**12,991**	8,787	**138,202**
Total long-term liabilities	**306,497**	275,286	**3,260,607**
Commitments and Contingent Liabilities (Note 9)			
Net Assets (Note 7)**:**			
Shareholders' equity			
Common stock;			
Authorized: 600,000,000 shares			
Issued: 198,565,821 shares in 2009 and 189,295,483 shares in 2008	**10,129**	10,129	**107,755**
Capital surplus	**58,826**	49,486	**625,809**
Retained earnings	**176,811**	174,961	**1,880,968**
Less, treasury stock at cost: 752,690 shares in 2009 and 601,543 shares in 2008	**(1,161)**	(800)	**(12,351)**
Total shareholders' equity	**244,605**	233,776	**2,602,181**
Accumulated gains from valuation and translation adjustments	**(126)**	1,849	**(1,341)**
Minority interests	**100,391**	115,210	**1,067,989**
Total net assets	**344,870**	350,835	**3,668,829**
	¥960,602	¥973,142	**$10,219,170**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

UNY CO., LTD. and Consolidated Subsidiaries

For the Years Ended February 20, 2009, 2008 and 2007	Number of Common Shares Issued	Millions of Yen Shareholders' Equity Common Stock	Capital Surplus	Retained Earnings
Balance at February 20, 2006	189,295,483	¥ 10,129	¥ 49,486	¥ 171,908
Net income	—	—	—	9,302
Cash dividends	—	—	—	(3,399)
Bonuses to directors and corporate auditors	—	—	—	(112)
Reversal of land revaluation decrement	—	—	—	(442)
Decrease in retained earnings through inclusion of additional subsidiaries on consolidation	—	—	—	(92)
Fractional shares acquired, net	—	—	1	—
Change in equity share portion of subsidiary	—	—	—	—
Net changes other than shareholders' equity for the year	—	—	—	—
Balance at February 20, 2007	189,295,483	10,129	49,487	177,165
Net income	—	—	—	377
Cash dividends	—	—	—	(3,398)
Reversal of land revaluation decrement	—	—	—	(295)
Increase in retained earnings through inclusion of additional subsidiaries on consolidation	—	—	—	1,112
Fractional shares acquired, net	—	—	(1)	—
Net changes other than shareholders' equity for the year	—	—	—	—
Balance at February 20, 2008	189,295,483	10,129	49,486	174,961
Net income	**—**	**—**	**—**	**5,345**
Cash dividends	**—**	**—**	**—**	**(3,397)**
Reversal of land revaluation decrement	**—**	**—**	**—**	**(98)**
Increase due to merger of a subsidiary	**9,270,338**	**—**	**9,344**	**—**
Change in equity share portion of affiliates	**—**	**—**	**—**	**—**
Fractional shares acquired, net	**—**	**—**	**(4)**	**—**
Net changes other than shareholders' equity for the year	**—**	**—**	**—**	**—**
Balance at February 20, 2009	**198,565,821**	**¥ 10,129**	**¥ 58,826**	**¥ 176,811**

	Thousands of U.S. Dollars Common Stock	Capital Surplus	Retained Earnings
Balance at February 20, 2008	$107,755	$526,447	$1,861,287
Net income	**—**	**—**	**56,862**
Cash dividends	**—**	**—**	**(36,138)**
Reversal of land revaluation decrement	**—**	**—**	**(1,043)**
Increase due to merger of a subsidiary	**—**	**99,404**	**—**
Change in equity share portion of affiliates	**—**	**—**	**—**
Fractional shares acquired, net	**—**	**(42)**	**—**
Net changes other than shareholders' equity for the year	**—**	**—**	**—**
Balance at February 20, 2009	**$107,755**	**$625,809**	**$1,880,968**

See accompanying Notes to Consolidated Financial Statements.

		Millions of Yen						
		Accumulated Gains from Valuation and Translation Adjustments						
Treasury Stock	Total Shareholders' Equity	Net Unrealized Gains on Available-for-Sale Securities	Net Deferred Gains on Hedging Instruments	Land Revaluation Decrement	Foreign Currency Translation Adjustments	Total Accumulated Gains from Valuation and Translation Adjustments	Minority Interests	Total Net Assets
¥ (601)	¥ 230,922	¥ 9,869	¥ —	¥(1,343)	¥ (303)	¥ 8,223	¥ 123,164	¥ 362,309
—	9,302	—	—	—	—	—	—	9,302
—	(3,399)	—	—	—	—	—	—	(3,399)
—	(112)	—	—	—	—	—	—	(112)
—	(442)	—	—	—	—	—	—	(442)
—	(92)	—	—	—	—	—	—	(92)
(126)	(125)	—	—	—	—	—	—	(125)
12	12	—	—	—	—	—	—	12
—	—	(308)	47	439	(29)	149	(3,311)	(3,162)
(715)	236,066	9,561	47	(904)	(332)	8,372	119,853	364,291
—	377	—	—	—	—	—	—	377
—	(3,398)	—	—	—	—	—	—	(3,398)
—	(295)	—	—	—	—	—	—	(295)
—	1,112	—	—	—	—	—	—	1,112
(85)	(86)	—	—	—	—	—	—	(86)
—	—	(6,506)	(131)	289	(175)	(6,523)	(4,643)	(11,166)
(800)	233,776	3,055	(84)	(615)	(507)	1,849	115,210	350,835
—	**5,345**	**—**	**—**	**—**	**—**	**—**	**—**	**5,345**
—	**(3,397)**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,397)**
—	**(98)**	**—**	**—**	**—**	**—**	**—**	**—**	**(98)**
—	**9,344**	**—**	**—**	**—**	**—**	**—**	**—**	**9,344**
(205)	**(205)**	**—**	**—**	**—**	**—**	**—**	**—**	**(205)**
(156)	**(160)**	**—**	**—**	**—**	**—**	**—**	**—**	**(160)**
—	**—**	**(1,676)**	**59**	**97**	**(455)**	**(1,975)**	**(14,819)**	**(16,794)**
¥ (1,161)	**¥ 244,605**	**¥ 1,379**	**¥ (25)**	**¥ (518)**	**¥ (962)**	**¥ (126)**	**¥ 100,391**	**¥ 344,870**

				Thousands of U.S. Dollars				
$ (8,510)	$2,486,979	$ 32,500	$(894)	$(6,543)	$ (5,393)	$ 19,670	$1,225,638	$3,732,287
—	**56,862**	**—**	**—**	**—**	**—**	**—**	**—**	**56,862**
—	**(36,138)**	**—**	**—**	**—**	**—**	**—**	**—**	**(36,138)**
—	**(1,043)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,043)**
—	**99,404**	**—**	**—**	**—**	**—**	**—**	**—**	**99,404**
(2,181)	**(2,181)**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,181)**
(1,660)	**(1,702)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,702)**
—	**—**	**(17,830)**	**628**	**1,032**	**(4,841)**	**(21,011)**	**(157,649)**	**(178,660)**
$(12,351)	**$2,602,181**	**$ 14,670**	**$(266)**	**$(5,511)**	**$(10,234)**	**$ (1,341)**	**$1,067,989**	**$3,668,829**

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNY CO., LTD. and Consolidated Subsidiaries		Millions of Yen		Thousands of U.S. Dollars
For the Years Ended February 20, 2009, 2008 and 2007	**2009**	2008	2007	**2009**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	**¥ 23,317**	¥ 10,187	¥ 29,266	**$ 248,053**
Adjustments for:				
Depreciation	**28,036**	26,388	26,681	**298,255**
Impairment loss on fixed assets	**10,562**	21,942	11,057	**112,362**
Loss on sales or disposal of property and equipment	**1,976**	2,367	2,996	**21,021**
Net decrease in employee retirement benefit liability	**(2,709)**	(5,021)	(2,765)	**(28,819)**
Changes in operating assets and liabilities:				
Trade receivables	**(3,635)**	(5,132)	(4,925)	**(38,670)**
Inventories	**3,094**	770	2,373	**32,915**
Trade payables	**(11,767)**	(5,194)	(458)	**(125,181)**
Other, net	**21,338**	9,491	23,331	**227,000**
Subtotal	**70,212**	55,798	87,556	**746,936**
Interest and dividends received	**1,278**	1,304	1,148	**13,596**
Interest paid	**(4,001)**	(4,019)	(3,288)	**(42,564)**
Income taxes paid	**(11,346)**	(16,258)	(15,781)	**(120,702)**
Net cash provided by operating activities	**56,143**	36,825	69,635	**597,266**
Cash Flows from Investing Activities:				
Property and equipment:				
Purchases	**(46,132)**	(42,299)	(57,572)	**(490,766)**
Proceeds from sales	**1,917**	2,332	3,081	**20,393**
Lease deposits made	**(8,931)**	(10,087)	(9,703)	**(95,011)**
Lease deposits repaid	**8,870**	8,989	8,951	**94,362**
Net (increase) decrease in short-term investments	**(4,539)**	395	(2,969)	**(48,287)**
Increase in cash through acquisition of subsidiary (Note 3)	**—**	—	116	**—**
Other, net	**(10,088)**	(6,993)	(14,446)	**(107,319)**
Net cash used in investing activities	**(58,903)**	(47,663)	(72,542)	**(626,628)**
Cash Flows from Financing Activities:				
Increase in long-term debt	**53,550**	60,500	42,280	**569,681**
Repayment of long-term debt	**(32,670)**	(52,625)	(30,467)	**(347,553)**
(Decrease) increase in short-term borrowings	**(13,892)**	5,804	(3,014)	**(147,787)**
Net decrease in guarantee deposits from tenants	**(1,148)**	(1,867)	(2,532)	**(12,213)**
Dividends paid to shareholders	**(3,397)**	(3,398)	(3,399)	**(36,138)**
Dividends paid to minority shareholders	**(2,108)**	(2,201)	(2,278)	**(22,426)**
Other, net	**(172)**	(161)	(5,166)	**(1,830)**
Net cash provided by (used in) financing activities	**163**	6,052	(4,576)	**1,734**
Effect of exchange rate changes on cash and cash equivalents	**(474)**	(178)	(18)	**(5,042)**
Net decrease in cash and cash equivalents	**(3,071)**	(4,964)	(7,501)	**(32,670)**
Cash and cash equivalents at beginning of year	**97,710**	102,121	108,104	**1,039,468**
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	**94**	553	1,518	**1,000**
Cash and cash equivalents at end of year	**¥ 94,733**	¥ 97,710	¥102,121	**$1,007,798**

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNY CO., LTD. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of UNY CO., LTD. (the "Company") and its consolidated subsidiaries (together with the Company, the "UNY Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at February 20, 2009, which was ¥94 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost. 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 principally deferred as goodwill or negative goodwill and amortized over five years, except with regard to the acquisition of the former SUNKUS & ASSOCIATES INC. ("SUNKUS"). The goodwill resulting from the acquisition of SUNKUS, measured by the excess of the acquisition cost over the underlying equity in the net assets, is being amortized over 20 years from the year ended February 20, 2000. All significant intercompany accounts and transactions have been eliminated on consolidation.

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise over which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or 15% to 19% owned enterprise that meets certain criteria. For the years ended February 20, 2009, 2008 and 2007, the number of companies that were not more than 50% owned enterprises, but were nevertheless classified as consolidated subsidiaries based on the judgment of the Company in accordance with the accounting standard was seven, eight, and seven respectively.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 20, 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Consolidated subsidiaries:			
Domestic	**21**	24	22
Overseas	**3**	2	2
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	**2**	1	1
Unconsolidated subsidiaries, stated at cost	**12**	13	14
Affiliates, stated at cost	**13**	13	14

The overseas consolidated subsidiaries located in China have adopted accounting principles generally accepted in China (see Note 1). No adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation as allowed under the Japanese GAAP effective at the current fiscal year-end, and there are no material differences of accounting principles between China and Japan.

Although the fiscal year-end of certain consolidated subsidiaries differs from the consolidated fiscal year-end of the Company, the Company has consolidated their accounts as of their year-end because the difference was not more than three months. Significant transactions for the period between the subsidiaries' year-end and the Company's year-end have been adjusted on consolidation.

(b) Cash equivalents

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

(c) Investments and marketable securities

The UNY Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale." The classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Debt securities for which the UNY Group has both the positive intention and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. 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 component of net assets, net of applicable income taxes. Gains and losses on the disposition of investment securities are computed by the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities 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.

(d) Accounting for derivatives

Certain transactions classified as hedging transactions are accounted for under a deferral method. According to the special treatment permitted by the accounting standard for financial instruments, hedging interest rate swap contracts are accounted for on an accrual basis and recorded net of interest expenses generated from borrowings, if certain conditions are met. Foreign currency exchange forward contracts are accounted for to translate foreign currency denominated assets and liabilities at such contracts rates as an interim measure if certain hedging criteria are met.

The gains and losses for revalued compound instruments, including embedded derivatives, are included in "miscellaneous" of other income (expenses) in the accompanying consolidated statements of income for the years ended February 20, 2009, 2008 and 2007, where such embedded derivatives cannot be separated from the host contract.

(e) Allowance for doubtful accounts

An allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience for a certain past period.

(f) Inventories

Inventories are stated at cost, determined principally by the retail method. Fresh foods are stated at cost, determined by the last purchase price.

(g) Property and equipment and depreciation

Property and equipment, including significant renewals and additions, are stated at cost and are depreciated principally by the straight-line method for the overseas consolidated subsidiaries and by the declining balance method for the Company and its domestic consolidated subsidiaries at rates based on the estimated useful life of the asset, except as mentioned below.

The buildings of the Company and its domestic consolidated subsidiaries acquired on and after April 1, 1998 are depreciated by the straight-line method. The Company and its domestic consolidated subsidiaries capitalize property with a cost of ¥100,000 or more and depreciate property that is more than ¥100,000 but less than ¥200,000 over three years on a straight-line basis.

In accordance with the amendment of the Corporation Tax Law of Japan, effective from the fiscal year ended February 20, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for property and equipment acquired on and after April 1, 2007 pursuant to the amended Corporation Tax Law of Japan. As a result, operating income and income before income tax and minority interests for the year ended February 20, 2008 were ¥462 million less, respectively, than what would have been recorded with the previous accounting method.

As for property and equipment acquired before April 1, 2007, the Company and its domestic subsidiaries previously depreciated the assets up to the depreciable limit of 5% of the acquisition cost, in accordance with the Corporation Tax Law of Japan. Effective from the year ended February 20, 2009, the remaining residual value is depreciated over five years using the straight-line method from the fiscal year in which the depreciable limit of 5% of the acquisition cost is reached, pursuant to the amended Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests for the year ended February 20, 2009 were ¥369 million ($3,926 thousand) less, respectively, than what would have been recorded with the previous accounting method.

The leased property of a certain consolidated subsidiary engaged in leasing operations as lessor was recorded at cost in property and equipment in the accompanying consolidated balance sheets and is being depreciated over the term of the lease contract by the straight-line method to the estimated disposal value at the lease termination date.

(h) Leases

With regard to financing leases that do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic consolidated subsidiaries as lessee is not capitalized, and the related rental and lease expenses are charged to income as incurred, as accepted by the "Opinion Concerning Accounting Standard for Leases" issued by the Business Accounting Council of Japan ("BACJ") and the related practical guidelines issued by the Japanese Institute of Certified Public Accountants ("JICPA"), which are effective from the current fiscal year-end.

(i) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by BACJ and the related practical guidance issued by ASBJ. 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 the impaired asset or a group of assets to the recoverable amount, which is to be measured as the higher of the asset's net selling price or 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 UNY Group are principally grouped into cash generating units, such as stores, other than idle or unused property. The UNY Group determines if assets are impaired by comparing their undiscounted expected cash flows to the carrying amounts in the accounting records. An impairment loss is recognized if undiscounted expected cash flows are less than the carrying amount of the asset. The recoverable amounts of assets were measured based on their net selling prices primarily from appraisal valuations or amounts of operating cash flows discounted by interest rates. The discount rates for fiscal years ended February 20, 2009, 2008 and 2007 ranged from 3.1% to 7.4%, from 3.9% to 8.1% and from 2.9% to 6.3% respectively.

For the years ended February 20, 2009, 2008 and 2007, the UNY Group recognized impairment losses on fixed assets of ¥10,562 million ($112,362 thousand), ¥21,942 million and ¥11,057 million, respectively, as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Superstores, convenience stores, specialty stores and other property	**¥10,464**	¥21,906	¥10,971	**$111,319**
Idle property	**98**	36	86	**1,043**
Total	**¥10,562**	¥21,942	¥11,057	**$112,362**

(j) Revaluation of land

In accordance with the Law Concerning Revaluation of Land of Japan, one of the consolidated subsidiaries elected the one-time revaluation to restate the cost of land used for business at a value rationally reassessed effective February 20, 2002, reflecting appropriate adjustments for land shape and other factors and based on appraisal values issued by the Japanese National Tax Agency or municipal property tax bases. According to the law, the amount equivalent to the tax effect on the difference between the original book value and sound reassessed value is recorded as deferred tax liability for revaluation account. The rest of the difference, net of the tax effect and minority interests portion, is recorded as a component of net assets in the land revaluation decrement account in the accompanying consolidated balance sheets. At February 20, 2009 and 2008, the difference of the carrying value of land used for business after reassessment over the market value of such land at the respective fiscal year-end amounted to ¥449 million ($4,777 thousand) and ¥470 million, respectively.

(k) Employee retirement benefits

Employees who terminate their service with the UNY Group are entitled to retirement benefits generally determined by the current basic rate of pay, length of service and conditions under which the termination occurs. Such retirement and severance benefits to employees are principally covered by a non-contributory pension plan (the "plan") such as corporate pension fund plans funded in outside insurance companies and trust banks.

The UNY Group principally recognizes retirement benefits for employees, including pension cost and related liability, based on the actuarial present value of projected benefit obligation using the actuarial appraisal approach and the value of 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 actuality being different from what was assumed and from changes in assumptions are amortized on a straight-line basis over five to ten years, a period within the remaining service years of employees from the year following the year in which they arise. Past service costs are amortized on a straight-line basis over five to ten years, a period within the remaining service years of employees.

In conjunction with the Defined Benefit Enterprise Pension Plan Law, SUNKUS, currently a part of a consolidated subsidiary, received approvals 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 July 29, 2005 and an approval for returning the assets relating to the substituted portion of the employee welfare pension fund on September 1, 2007. SUNKUS then recognized an extinguishment of the retirement benefit obligation with respect to such substituted portion during the year ended February 20, 2008 and recorded ¥1,339 million as other income for the year ended February 20, 2008. SUNKUS's welfare pension fund plan also received approval from the Minister of Health, Labor and Welfare of Japan on September 1, 2007 to merge into the UNY Group's corporate pension fund plan.

(l) Severance indemnities for officers

Until May 2005, the UNY Group paid severance indemnities to directors and corporate auditors upon the approval of the shareholders, and the Company and its principal consolidated subsidiaries provided for this liability at the amount that would have been payable assuming such directors and corporate auditors terminated their service at the balance sheet date. In May 2005, the Company and its principal consolidated subsidiaries terminated the severance benefit plan for directors and corporate auditors, and the shareholders of the companies approved paying the severance indemnities benefits granted prior to the termination date of the severance benefit plan. At February 20, 2009 and 2008, the unpaid portion of these severance indemnity benefits was included in other long-term liabilities in the accompanying consolidated balance sheets.

(m) Accounting for allowance for losses for interest repayments

An allowance for losses for interest repayments is provided by one of the consolidated subsidiaries engaged in financial services to customers based on anticipated losses, taking into consideration the historical repayment of claims from the customers for the refund of interest that exceed the upper limit for interest rates prescribed under the Interest Rate Restriction Law of Japan. Effective from the year ended February 20, 2007, the consolidated subsidiary adopted the "Application of Auditing for Provision of Allowance for Loss for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" of the Industry Audit Practice Committee Report No. 37, which was issued by JICPA on October 13, 2006 to clarify the guidelines for calculating the allowance for losses on interest repayments and a reasonable period for estimation. As a result of the adoption, the consolidated subsidiary recorded ¥832 million as other expenses in the accompanying consolidated statements of income for the year ended February 20, 2007 to account for the difference between the amount recalculated in accordance with the above report and the balance at the previous fiscal year-end. In addition, operating income and income before income taxes and minority interests for the year ended February 20, 2007 were ¥360 million and ¥1,192 million less, respectively, than what would have been recorded with the previous accounting method. The accrued amounts of ¥2,527 million ($26,883 thousand) and ¥2,211 million at February 20, 2009 and 2008, respectively, were included in other long-term liabilities.

(n) Allowance for sales promotion

Certain consolidated subsidiaries grant points to customers as member cardholders in a "Point card system" on purchases of merchandise. These points are awarded in proportion to purchase amounts and may be redeemed for future merchandise. For the years ended February 20, 2009, 2008 and 2007, two, three and two consolidated subsidiaries, respectively, provided an allowance for sales promotion based on the estimates at the fiscal year-end under the point card system. During the year ended February 20, 2007, because one consolidated subsidiary changed its accounting method to provide for the allowance rather than record expense at the time the points were used, operating income was ¥27 million more and income before income taxes and minority interests ¥128 million less than what would have been recorded with the previous accounting method. In addition, an additional consolidated subsidiary changed its accounting method to provide the allowance from the year ended February 20, 2008. As a result, operating income and income before income taxes and minority interests for the year ended February 20, 2008 were ¥80 million less than what would have been recorded with the previous accounting method.

(o) Provisions

For the years ended February 20, 2009 and 2008, one of the consolidated subsidiaries provided an allowance for future losses on its business restructuring, including for its items such as the close-down of stores, loss on disposal of inventory and discontinued operations, based on its best estimates as of the current fiscal year-end. In addition, for the year ended February 20, 2008, another consolidated subsidiary provided an allowance for future losses on guarantees. At February 20, 2009 and 2008, these provisions aggregated ¥1,136 million ($12,085 thousand) and ¥3,870 million, respectively.

(p) Accounting change for gift certificates

The Company issues gift certificates to customers and records the receipts as liabilities. Until the year ended February 20, 2007, after a certain period from issuance, the Company stopped recording unused gift certificates as liabilities and recorded them as other income at issuance prices, considering the possibility of fulfillment of the obligation. However, in accordance with the "Auditing Treatment Concerning Reserve Under the Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Auditing and Assurance Practice Committee Report No. 42 issued on April 13, 2007), effective from the year ended February 20, 2008, the Company changed its accounting method to record the whole amount of unused gift certificates as a liability based on the Company's historical analysis that most of the gift certificates were used and collected. As a result, the Company recorded ¥1,874 million of the cumulative effect of this accounting change as other expenses, and operating income and income before income taxes and minority interests for the year ended February 20, 2008 were ¥363 million and ¥2,237 million less, respectively, than what would have been recorded with the previous accounting method.

(q) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in current earnings.

For the financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated at the average rates of exchange prevailing during the fiscal year. Translation differences, after allocating portions attributable to minority interests, are reported as foreign currency translation adjustments in a separate component of net assets in the accompanying consolidated balance sheets.

(r) Accounting change for revenue recognition

From the year ended February 20, 2007, one of the consolidated subsidiaries adopted a method to recognize revenue at the time of delivery of the merchandise to the customer in order to comply with the UNY Group accounting policies. The subsidiary previously recognized the revenue when cash payment was received subsequent to the contract with the customer. As a result, for the year ended February 20, 2007, as the cumulative effect of this accounting change of ¥1,257 million was recorded, operating income was ¥633 million more and income before income taxes and minority interests ¥624 million less than what would have been recorded with the previous accounting method.

(s) Income taxes

Income taxes are accounted for by 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 and operating loss carryforwards. 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.

(t) 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" has been adopted. Enterprise taxes based on "added value amount" and "capital amount" are included in selling, general and administrative expenses pursuant to "Practical Treatment for Presentation of Sized-Based Corporate Enterprise Taxes in the Statement of Income" (ASBJ Report of Practical Issues No. 12).

(u) Accounting standard for directors' bonuses

From the year ended February 20, 2007, the UNY Group adopted "Accounting Standard for Directors' Bonuses (ASBJ Statement No. 4)". The standard requires that the directors' bonuses, including those for corporate auditors, be accounted for as an expense of the accounting period in which such bonuses are accrued. Until the year ended February 20, 2006, bonuses to directors and corporate auditors were recorded as a part of the appropriation of retained earnings in the fiscal year when a proposed appropriation of retained earnings for directors' and corporate auditors' bonuses was approved by the Board of Directors and/or the shareholders. Because the UNY Group has accrued such bonuses, operating income and income before income taxes and minority interests were ¥183 million less, respectively, for the year ended February 20, 2007 than what would have been recorded with the previous accounting method.

(v) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or the shareholders. See Note 2(u) for the accounting for bonuses to directors and corporate auditors.

(w) 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 year. Diluted net income per share is not disclosed because the UNY Group had no diluted common shares for the three years ended February 20, 2009, 2008 and 2007. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

3. ACQUISITION

In March 2006, Circle K Sunkus Co., Ltd. acquired a 100% interest in the issued and outstanding shares of common stock of SUNKUS NISHISHIKOKU CO., LTD. ("NISHISHIKOKU") for an aggregate amount of ¥603 million. NISHISHIKOKU is an area franchiser for SUNKUS stores in the Nishi-Shikoku region of Japan. A summary of the assets and liabilities of NISHISHIKOKU is as follows:

	Millions of Yen
Current assets	¥ 906
Noncurrent assets	1,650
Goodwill	97
Current liabilities	(1,590)
Noncurrent liabilities	(450)
Common stock owned by Circle K Sunkus Co., Ltd.	(10)
Acquisition cost	603
Cash and cash equivalents held by NISHISHIKOKU	(719)
Increase in cash presented on the accompanying consolidated statements of cash flows	¥ (116)

4. INVESTMENTS

At February 20, 2009 and 2008, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Marketable securities—bonds	**¥ 167**	¥ 59	**$ 1,776**
Joint money trust	**6,000**	3,000	**63,830**
Time deposits with an original maturity of more than three months	**1,109**	867	**11,798**
	¥7,276	¥3,926	**$77,404**

At February 20, 2009 and 2008, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Marketable securities:			
Equity securities	**¥ 8,026**	¥ 8,753	**$ 85,383**
Bonds	**2,158**	2,528	**22,958**
Others	**37**	68	**393**
	10,221	11,349	**108,734**
Other nonmarketable securities	**964**	946	**10,255**
	¥11,185	¥12,295	**$118,989**

Held-to-maturity debt securities, which are not marketable, are included in investment securities. Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. Gross unrealized gains and losses for marketable securities at February 20, 2009 and 2008 are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair and Carrying Value
	Millions of Yen			
At February 20, 2009:				
Marketable securities:				
Equity securities	**¥5,739**	**¥2,636**	**¥(349)**	**¥ 8,026**
Bonds	**2,452**	**1**	**(128)**	**2,325**
Others	**49**	**—**	**(12)**	**37**
	¥8,240	**¥2,637**	**¥(489)**	**¥10,388**
At February 20, 2008:				
Marketable securities:				
Equity securities	¥3,649	¥5,303	¥(199)	¥ 8,753
Bonds	2,753	—	(166)	2,587
Others	48	20	—	68
	¥6,450	¥5,323	¥(365)	¥11,408
	Thousands of U.S. Dollars			
At February 20, 2009:				
Marketable securities:				
Equity securities	**$61,053**	**$28,042**	**$(3,712)**	**$ 85,383**
Bonds	**26,085**	**11**	**(1,362)**	**24,734**
Others	**522**	**—**	**(128)**	**394**
	$87,660	**$28,053**	**$(5,202)**	**$110,511**

The UNY Group sold available-for-sale securities and recorded realized gains of ¥116 million ($1,234 thousand), ¥3,573 million and ¥379 million for the years ended February 20, 2009, 2008 and 2007, respectively, and recorded realized losses of ¥10 million ($106 thousand) and ¥1 million for the years ended February 20, 2009 and 2007, respectively, on the accompanying consolidated statements of income. During the years ended February 20, 2009, 2008 and 2007, the UNY Group recorded a loss on the write-down of available-for-sale securities and investments in unconsolidated subsidiaries and affiliates due to other-than-temporary impairments in value amounting to ¥2,899 million ($30,841 thousand), ¥88 million and ¥277 million, respectively.

At February 20, 2009, expected maturities of held-to-maturity debt securities and available-for-sale securities were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥6,201	$65,968
Due after one year through five years	2,183	23,223
Due after five years through ten years	200	2,128
Due after ten years	50	532
	¥8,634	$91,851

At February 20, 2009 and 2008, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Investments, accounted for by the equity method for one significant affiliate and at cost for others	**¥7,756**	¥7,452	**$82,511**
Interest bearing long-term loans	**278**	253	**2,957**
	¥8,034	¥7,705	**$85,468**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at February 20, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term unsecured bank loans with interest rates ranging from 0.46% to 1.252% per annum at February 20, 2009	**¥19,128**	¥32,520	**$203,489**
Commercial paper at interest rates ranging from 0.27% to 1.505% per annum at February 20, 2009	**57,000**	57,500	**606,383**
	¥76,128	¥90,020	**$809,872**

At February 20, 2009 and 2008, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans principally from banks and insurance companies due through 2017 at interest rates ranging from 0.66% to 2.9% per annum at February 20, 2009:			
Collateralized	**¥ 2,116**	¥ 3,040	**$ 22,511**
Unsecured	**237,900**	216,134	**2,530,852**
2.13% notes due in April 2010	**5,000**	5,000	**53,191**
0.56% notes due in May 2010	**5,000**	5,000	**53,191**
1.26% notes due in September 2010	**5,000**	5,000	**53,191**
	255,016	234,174	**2,712,936**
Less, current maturities	**(23,289)**	(31,066)	**(247,755)**
	¥231,727	¥203,108	**$2,465,181**

The aggregate annual maturities of long-term debt at February 20, 2009 are summarized as follows:

Years ending February 20,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 23,289	$ 247,755
2011	35,782	380,660
2012	49,051	521,819
2013	52,018	553,383
2014	58,018	617,213
Thereafter	36,858	392,106
	¥255,016	$2,712,936

Certain assets of the UNY Group that were pledged as collateral for long-term debt at February 20, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term investments as time deposits	**¥ —**	¥ 3	**$ —**
Land	**1,073**	4,483	**11,415**
Buildings and structures	**5,388**	6,932	**57,319**
Lease deposits	**173**	275	**1,840**

Debts for the pledged assets above as of February 20, 2009 and 2008 were long-term loans (including the current portion) in the amount of ¥2,116 million ($22,511 thousand) and ¥3,040 million, respectively.

As is customary in Japan, substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstances, request additional security for these loans and may treat any security so furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The banks have never requested the UNY Group to submit such additional security. Also, as is customary in Japan, the Company and certain of its subsidiaries have time deposits with the banks from which they have short-term and long-term borrowings. However, there are no agreements with any banks which would require maintaining such deposits.

6. EMPLOYEE RETIREMENT BENEFITS

The UNY Group principally has a non-contributory defined benefit pension plan and a lump-sum retirement benefit plan that substantially cover all full-time employees.

The following table reconciles the benefit liability and net periodic retirement benefit expense as of and for the years ended February 20, 2009, 2008 and 2007:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Projected benefit obligation	**¥ 82,337**	¥ 88,006	**$ 875,926**
Fair value of pension plan assets at end of year	**(57,302)**	(77,506)	**(609,596)**
Projected benefit obligation in excess of pension plan assets	**25,035**	10,500	**266,330**
Less, unrecognized transitional provision	**(116)**	(133)	**(1,234)**
Less, unrecognized actuarial differences (loss)	**(29,455)**	(13,313)	**(313,351)**
Unrecognized past service costs	**7,256**	8,623	**77,191**
	2,720	5,677	**28,936**
Prepaid pension cost	**216**	549	**2,298**
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	**¥ 2,936**	¥ 6,226	**$ 31,234**

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Component of net periodic retirement benefit expense:				
Service cost	**¥ 3,139**	¥ 3,031	¥ 2,939	**$ 33,394**
Interest cost	**1,732**	1,849	1,963	**18,425**
Expected return on pension plan assets	**(3,083)**	(3,486)	(3,262)	**(32,798)**
Transitional provision	**17**	17	17	**181**
Amortization of actuarial differences	**2,915**	1,976	2,627	**31,011**
Amortization of past service costs	**(1,346)**	(1,319)	(1,290)	**(14,319)**
Net periodic retirement benefit expense	**¥ 3,374**	¥ 2,068	¥ 2,994	**$ 35,894**

Major assumptions used in the calculation of the above information for the years ended February 20, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method	Straight-line method
Discount rate	0.5%~2.0%	0.5%~2.0%	0.5%~2.0%
Expected rate of return on pension plan assets	2.0%~4.0%	2.0%~4.0%	2.0%~4.0%
Amortization period of past service costs	5 to 10 years	6 to 10 years	6 to 10 years
Amortization period of actuarial differences	5 to 10 years	5 to 10 years	5 to 10 years
Amortization period of transitional provision	15 years for one subsidiary	15 years for one subsidiary	15 years for one subsidiary

7. NET ASSETS

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the former Japanese Commercial Code. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At February 20, 2009 and 2008, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥2,532 million ($26,936 thousand) at February 20, 2009 and 2008, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on May 19, 2009, the shareholders approved cash dividends amounting to ¥1,781 million ($18,947 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 20, 2009 and are recognized in the period in which they are approved by the shareholders.

8. LEASE COMMITMENTS

(a) Lessee

The UNY Group leases stores and office buildings that are generally under long-term noncancelable lease agreements. These leases are normally for terms of 20 years, with annual rental charges negotiated every two or three years. Under such lease agreements, lease deposits are required which generally bear no interest for the first 10 years after the original agreement date. A major portion of the deposits is refundable over the succeeding 10 years in equal installments with nominal interest. The remaining portion is refundable upon termination of the lease and is non-interest bearing.

The Company and certain domestic consolidated subsidiaries also lease computer equipment, store fixtures, private power generation equipment and vehicles under one- to twenty-year noncancelable lease agreements. As disclosed in Note 2(h), the leased property of the Company and its domestic consolidated subsidiaries under such noncancelable lease agreements categorized as financing leases is not capitalized, and the related rental and lease expenses are charged to income as incurred as accepted by the "Opinion Concerning Accounting Standard for Leases" issued by BACJ and the related practical guideline issued by JICPA. If the leased property of the UNY Group had been capitalized, the related accounts would have been increased/(decreased) at February 20, 2009 and 2008 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Property and equipment, net of accumulated depreciation*1	**¥29,155**	¥27,535	**$310,159**
Lease obligations as liabilities*2	**31,680**	30,302	**337,021**
Allowance for impairment loss on leased property	**(1,670)**	(1,917)	**(17,766)**
Net effect on retained earnings at year-end	**¥ (855)**	¥ (850)	**$ (9,096)**

Additionally, income before income taxes and minority interests would have been ¥45 million ($479 thousand) less and ¥32 million more for the years ended February 20, 2009 and 2008, respectively.

*1 Pro forma depreciation of the leased property is computed by the straight-line method over the term of the lease, 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 term of the lease.

The aggregate future minimum payments for noncancelable operating leases and financing leases, excluding the imputed interest portion, at February 20, 2009 and 2008, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Financing leases as lessee:			
Due within one year	**¥ 8,333**	¥ 8,376	**$ 88,649**
Due after one year	**23,347**	21,926	**248,372**
	¥ 31,680	¥ 30,302	**$ 337,021**
Operating leases as lessee:			
Due within one year	**¥ 17,085**	¥ 15,722	**$ 181,755**
Due after one year	**128,845**	123,595	**1,370,692**
	¥145,930	¥139,317	**$1,552,447**

Gross rental and lease expense, consisting of minimum rental payments for all operating leases and financing leases for the years ended February 20, 2009, 2008 and 2007 was ¥105,549 million ($1,122,862 thousand), ¥105,504 million and ¥103,656 million, respectively. For the years ended February 20, 2009, 2008 and 2007, lease expense for noncancelable lease agreements categorized as financing leases amounted to ¥9,511 million ($101,181 thousand), ¥9,620 million and ¥10,373 million, respectively.

(b) Lessor

The UNY Group leases portions of its floor space to tenants under sublease agreements that are generally cancelable upon six months' advance notice. Rental payments are based upon minimum payments plus a percentage of the tenant's sales. Other operating revenue in the accompanying consolidated statements of income includes such sublease rentals received from tenants.

A certain consolidated subsidiary engaged in leasing operations as lessor enters into various lease agreements with third parties principally for the lease of vehicles, with the leased property recorded as property and equipment. The effect of the finance lease adjustment is not material. The aggregate future minimum lease commitments to be received for non-cancelable lease agreements, excluding the imputed interest, at February 20, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Financing leases as lessor:			
Due within one year	**¥ 96**	¥ 94	**$1,021**
Due after one year	**198**	275	**2,107**
	¥294	¥369	**$3,128**
Operating leases as lessor:			
Due within one year	**¥112**	¥ 72	**$1,192**
Due after one year	**195**	105	**2,074**
	¥307	¥177	**$3,266**

9. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan commitments

A certain consolidated subsidiary engaged in providing financial services to customers has entered into card cashing agreements that permit customers to extend their loans up to designated amounts. The outstanding balance of unexercised commitments relating to the above agreements as of February 20, 2009 and 2008 amounted to ¥879,182 million ($9,353,000 thousand) and ¥1,095,628 million, respectively. As most of these agreements are entered into with credit card members without exceptions, the unused amount does not necessarily represent actual future cash flow requirements.

(b) Contingent liabilities

At February 20, 2009 and 2008, the UNY Group was contingently liable for guarantees of the indebtedness of unconsolidated subsidiaries, affiliates, franchisees and others in the amounts of ¥3,747 million ($39,862 thousand) and ¥3,942 million, respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The UNY Group is a party to derivative financial instruments such as foreign currency exchange contracts and interest rate contracts in the normal course of business. The UNY Group enters into these instruments to reduce its own exposure to fluctuations in exchange rates and interest rates for hedging purposes. The UNY Group is exposed to the risk of credit loss in the event of nonperformance by the other parties. However, the UNY Group does not expect nonperformance by the counterparties as the counterparties of the derivative transactions are limited to major banks with relatively high credit ratings. At February 20, 2009 and 2008, all outstanding derivative financial instruments were accounted for by hedge accounting.

11. INCOME TAXES

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at February 20, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets–current:			
Allowance for doubtful accounts	**¥ 1,667**	¥ 883	**$ 17,734**
Accrued bonuses	**1,592**	1,646	**16,936**
Operating loss carryforwards	**1,450**	1,018	**15,425**
Other	**4,209**	5,017	**44,777**
Less, valuation allowance	**(2,649)**	(3,469)	**(28,181)**
	6,269	5,095	**66,691**
Net of deferred tax liabilities–current	**(1,406)**	—	**(14,957)**
Deferred tax assets–current portion	**¥ 4,863**	¥ 5,095	**$ 51,734**
Deferred tax liabilities–current:			
Loss on write-down of merchandise inventories and other	**1,527**	—	**16,244**
Net of deferred tax assets–current	**(1,406)**	—	**(14,957)**
Deferred tax liabilities–current portion	**¥ 121**	¥ —	**$ 1,287**
Deferred tax assets–noncurrent:			
Impairment loss on fixed assets	**¥ 22,337**	¥ 21,068	**$ 237,628**
Operating loss carryforwards	**10,265**	7,611	**109,202**
Loss on write-down of securities	**3,297**	1,123	**35,074**
Advance received	**1,603**	1,196	**17,053**
Intercompany profits	**1,181**	1,181	**12,564**
Other	**5,456**	6,466	**58,043**
Less, valuation allowance	**(21,881)**	(16,547)	**(232,777)**
	22,258	22,098	**236,787**
Net of deferred tax liabilities–noncurrent	**(3,115)**	(4,168)	**(33,138)**
Deferred tax assets–noncurrent portion	**¥ 19,143**	¥ 17,930	**$ 203,649**
Deferred tax liabilities–noncurrent:			
Unrealized gains on available-for-sale securities	**¥ 758**	¥ 1,680	**$ 8,064**
Gain on sale of property	**2,253**	2,300	**23,968**
Other	**621**	220	**6,606**
	3,632	4,200	**38,638**
Net of deferred tax assets–noncurrent	**(3,115)**	(4,168)	**(33,138)**
Deferred tax liabilities–noncurrent portion included in other long-term liabilities	**¥ 517**	¥ 32	**$ 5,500**
Deferred tax liabilities for revaluation (see Note 2(j)) included in other long-term liabilities	**¥ 85**	¥ 85	**$ 904**

In assessing the realizability of deferred tax assets, management of the UNY Group considers whether 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 future taxable income during the periods in which those temporary differences become deductible. At February 20, 2009 and 2008, a valuation allowance was established to reduce the deferred tax assets to the extent that management of the UNY Group believed that the amount of the deferred tax assets was expected to be realizable.

The reconciliation of the difference between the Japanese statutory effective tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended February 20, 2009, 2008 and 2007, was as follows:

	Percentage of Pre-Tax Income		
	2009	2008	2007
Japanese statutory effective tax rate	**40.3%**	40.2%	40.2%
Increase (decrease) due to:			
Local minimum taxes—per capita levy	**5.0**	11.4	3.9
Amortization of goodwill	**3.1**	8.1	3.3
Change in valuation allowance	**10.6**	60.7	14.4
Adjustments for sale of land under revaluation	**—**	(2.9)	(2.1)
Other	**(1.5)**	(0.9)	(3.8)
Effective income tax rate	**57.5%**	116.6%	55.9%

12. BUSINESS COMBINATIONS

On August 21, 2008, the Company absorbed U. STORE CO., LTD ("U STORE"), a consolidated subsidiary of the Company, in a merger. This merger was expected to improve management efficiency of UNY Group, build more stable earning bases and strengthen management resources through the integration of operational know-how for small-scale stores, the improvement of the gross-margin ratio and the consolidation of their headquarters. An outline of this business combination is as follows:

(a) Name and line of business of the combined entity

U STORE CO., LTD: Superstores

(b) Legal form of business combination

A merger by absorption with UNY CO., LTD. as the surviving company

(c) Exchange rate and number of shares issued

The Company allocated to the minority shareholders of U STORE 0.83 shares of the Company common stock for 1 share of U STORE common stock, and 9,270,338 shares of common stock was issued by the Company.

(d) Summary of accounting treatment

In accordance with the Accounting standard for Business Combinations issued by BACJ, this merger was accounted for as a transactions with minority shareholders. The acquisition cost of additional shares of common stock of U STORE amounted to ¥9,345 million ($99,415 thousand), and the difference between the additional acquisition cost and the decrease in minority interests was recognized as negative goodwill.

13. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties in the year ended February 20, 2009 were as follows:

Attribution	Name	Business	Percentage of Shares with Voting Rights	Description of the Group's Transaction
Companies owned by the Company's directors and their close relatives	Koba Inc.	Sales of women's apparel and accessories	—	Purchase of women's apparel and accessories

Transaction Amount (Millions of yen)	Transaction Amount (Thousands of U.S. dollars)	Account	Balances (Millions of yen)	Balances (Thousands of U.S. dollars)
¥35	$372	Trade accounts	¥2	$21

14. SEGMENT INFORMATION

The UNY group operates in five segments: "Superstores," "Convenience stores," "Specialty stores," "Financial services," and "Other business." A summary of information classified by lines of business of the UNY Group for the three years ended February 20, 2009 is as follows:

	Millions of Yen							
	Superstores	Convenience Stores	Specialty Stores	Financial Services	Other	Total	Elimination of Intersegment Transactions	Consolidated Total
For the year 2009:								
Operating revenue:								
External customers	**¥848,514**	**¥208,489**	**¥108,208**	**¥ 21,074**	**¥ 3,963**	**¥1,190,248**	**¥ —**	**¥1,190,248**
Intersegment sales/transfers	**3,032**	**15**	**—**	**3,502**	**16,844**	**23,393**	**(23,393)**	**—**
	851,546	**208,504**	**108,208**	**24,576**	**20,807**	**1,213,641**	**(23,393)**	**1,190,248**
Operating costs and expenses	**837,594**	**187,407**	**108,212**	**20,836**	**19,403**	**1,173,452**	**(23,361)**	**1,150,091**
Operating income	**¥ 13,952**	**¥ 21,097**	**¥ (4)**	**¥ 3,740**	**¥ 1,404**	**¥ 40,189**	**¥ (32)**	**¥ 40,157**
Identifiable assets	**¥571,156**	**¥233,314**	**¥ 48,400**	**¥114,333**	**¥25,468**	**¥ 992,671**	**¥(32,069)**	**¥ 960,602**
Depreciation	**17,221**	**7,875**	**1,433**	**836**	**671**	**28,036**	**—**	**28,036**
Impairment loss on fixed assets	**6,298**	**3,226**	**846**	**2**	**190**	**10,562**	**—**	**10,562**
Capital expenditures	**27,609**	**17,706**	**1,710**	**1,688**	**238**	**48,951**	**—**	**48,951**
For the year 2008:								
Operating revenue:								
External customers	¥867,910	¥201,910	¥122,575	¥ 21,005	¥ 2,846	¥1,216,246	¥ —	¥1,216,246
Intersegment sales/transfers	3,542	6	—	3,200	16,247	22,995	(22,995)	—
	871,452	201,916	122,575	24,205	19,093	1,239,241	(22,995)	1,216,246
Operating costs and expenses	853,412	182,651	123,852	20,416	17,941	1,198,272	(22,980)	1,175,292
Operating income	¥ 18,040	¥ 19,265	¥ (1,277)	¥ 3,789	¥ 1,152	¥ 40,969	¥ (15)	¥ 40,954
Identifiable assets	¥564,920	¥231,772	¥ 65,044	¥117,209	¥26,402	¥1,005,347	¥(32,205)	¥ 973,142
Depreciation	16,867	6,719	1,744	637	421	26,388	—	26,388
Impairment loss on fixed assets	12,919	2,716	6,170	2	135	21,942	—	21,942
Capital expenditures	34,706	13,971	2,758	1,238	3,791	56,464	—	56,464
For the year 2007:								
Operating revenue:								
External customers	¥884,733	¥190,557	¥133,600	¥ 18,854	¥ 1,202	¥1,228,946	¥ —	¥1,228,946
Intersegment sales/transfers	3,437	3	—	2,980	15,373	21,793	(21,793)	—
	888,170	190,560	133,600	21,834	16,575	1,250,739	(21,793)	1,228,946
Operating costs and expenses	869,957	169,134	131,572	17,158	15,736	1,203,557	(21,753)	1,181,804
Operating income	¥ 18,213	¥ 21,426	¥ 2,028	¥ 4,676	¥ 839	¥ 47,182	¥ (40)	¥ 47,142
Identifiable assets	¥573,441	¥226,882	¥ 75,651	¥ 96,910	¥20,695	¥ 993,579	¥(27,353)	¥ 966,226
Depreciation	17,390	6,687	1,932	393	279	26,681	—	26,681
Impairment loss on fixed assets	6,764	3,170	982	7	134	11,057	—	11,057
Capital expenditures	36,574	12,822	2,613	1,290	5,427	58,726	—	58,726

	Thousands of U.S. Dollars							
	Superstores	Convenience Stores	Specialty Stores	Financial Services	Other	Total	Elimination of Intersegment Transactions	Consolidated Total
For the year 2009:								
Operating revenue:								
External customers	**$9,026,745**	**$2,217,968**	**$1,151,149**	**$ 224,191**	**$ 42,160**	**$12,662,213**	**$ —**	**$12,662,213**
Intersegment sales/transfers	**32,255**	**160**	**—**	**37,255**	**179,191**	**248,861**	**(248,861)**	**—**
	9,059,000	**2,218,128**	**1,151,149**	**261,446**	**221,351**	**12,911,074**	**(248,861)**	**12,662,213**
Operating costs and expenses	**8,910,574**	**1,993,692**	**1,151,191**	**221,660**	**206,415**	**12,483,532**	**(248,521)**	**12,235,011**
Operating income	**$ 148,426**	**$ 224,436**	**$ (42)**	**$ 39,786**	**$ 14,936**	**$ 427,542**	**$ (340)**	**$ 427,202**
Identifiable assets	**$6,076,128**	**$2,482,064**	**$ 514,894**	**$1,216,308**	**$270,936**	**$10,560,330**	**$(341,160)**	**$10,219,170**
Depreciation	**183,202**	**83,776**	**15,245**	**8,894**	**7,138**	**298,255**	**—**	**298,255**
Impairment loss on fixed assets	**67,000**	**34,319**	**9,000**	**21**	**2,022**	**112,362**	**—**	**112,362**
Capital expenditures	**293,713**	**188,362**	**18,191**	**17,957**	**2,532**	**520,755**	**—**	**520,755**

Information for geographic segment and overseas sales is not shown because the total sales of consolidated subsidiaries outside Japan and overseas sales were not material and did not require disclosure.

KPMG

Independent Auditors' Report

To the Board of Directors of UNY CO., LTD.

We have audited the accompanying consolidated balance sheets of UNY CO., LTD. (the "Company") and its consolidated subsidiaries (together with the Company, "UNY Group") as of February 20, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the UNY Group's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits. The consolidated statement of income,changes in net assets and cash flows of the UNY Group for the year ended February 20, 2007 was audited by other auditors who have ceased operations and whose report dated May 17, 2007, expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 UNY Group as of February 20, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the two years in the period ended February 20, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 2(p), the Company changed the accounting for gift certificates from the year ended February 20, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 20, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
May 19, 2009

CORPORATE DATA

BOARD OF DIRECTORS

(As of May 19, 2009)

Chairman

Koji Sasaki

President

Tetsuro Maemura

Senior Managing Director

Kunio Matsuda

Managing Director

Hitoshi Shibuya

Directors

Tadashi Oda

Mitsuo Maeda

Fumito Tezuka

Norio Sako

Takeshi Murase

Jiro Koshida

Akira Ito

Akiyoshi Kanou

Takamasa Ogawa

Toshikazu Nishikawa

Corporate Auditors

Tatsumi Yoshida

Shinichi Miyai

Kazuyoshi Kouketsu

Ikuo Tange

INVESTOR INFORMATION

(As of February 20, 2009)

Stock Listings

Tokyo Stock Exchange

Nagoya Stock Exchange

Securities Code Number

8270

Common Stock

Authorized: 600,000,000 shares

Issued: 198,565,821 shares

Number of Shareholders

8,227

Stock Transfer Agent

The Sumitomo Trust and Banking Company, Limited

CONSOLIDATED SUBSIDIARIES

(As of February 20, 2009)

Sagami Co., Ltd. (kimono retailing)

Circle K Sunkus Co., Ltd. (convenience stores)

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)

Sun Reform Co., Ltd. (reform and repair)

NOTES:1. In addition to the above list, the Uny Group includes three Sagami subsidiaries, six Circle K Sunkus subsidiaries, two Suzutan subsidiaries and one Palemo subsidiary.

2. Tomei Crown Kaihatsu Co., Ltd. was merged with Uny Co., Ltd. as of February 21, 2009. In addition, Rough Ox Co., Ltd. ceased business operations as of February 20, 2009 and is currently undergoing liquidation processes.

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