# ANNUAL REPORT
# 2012
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 comprised Uny Co., Ltd., Sagami Co., Ltd., Circle K Sunkus Co., Ltd., Palemo Co., Ltd., Suzutan Co., Ltd., Kanemi Co., Ltd. and UCS Co., Ltd. as of February 20, 2012.**

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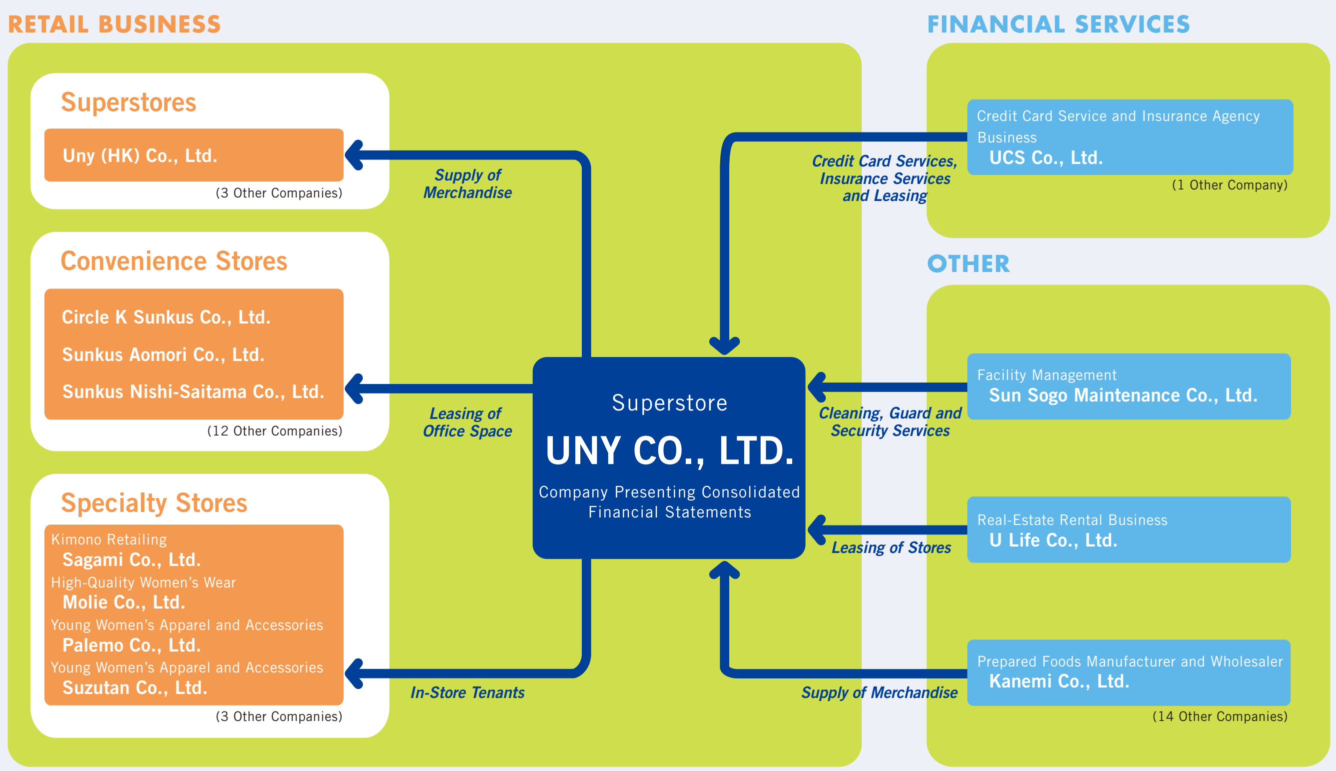



NOTE: In addition to the services outlined in the above chart, UCS Co., Ltd. provides insurance services, leasing and credit card services to Group companies, and Sun Sogo Maintenance Co., Ltd. provides facility maintenance services to Group companies. Kanemi Co., Ltd. supplies products to Circle K Sunkus Co., Ltd.

## THE UNY GROUP

(Million ¥)

| | | Revenues*** | | Net Sales | | Operating Income (Loss) | | Net Income (Loss) | |
|---|---|---|---|---|---|---|---|---|---|
| | Company | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| **Superstores** | Uny Co., Ltd. | **¥788,234** | ¥813,000 | **¥750,166** | ¥775,159 | **¥18,209** | ¥13,032 | **¥5,410** | ¥4,508 |
| | Uny (HK)* | **14,702** | 11,945 | **14,650** | 11,903 | **(92)** | 4 | **34** | 25 |
| **Convenience Stores** | Circle K Sunkus** | **¥187,799** | ¥192,305 | **¥ 67,599** | ¥ 77,379 | **¥21,958** | ¥18,572 | **¥9,378** | ¥7,165 |
| **Specialty Stores** | Sagami** | **¥ 25,953** | ¥ 29,672 | **¥ 25,759** | ¥ 29,478 | **¥ (310)** | ¥ 156 | **¥ (825)** | ¥ (26) |
| | Molie | **5,596** | 6,657 | **5,486** | 6,509 | **6** | (124) | **(73)** | (336) |
| | Palemo | **27,978** | 29,902 | **27,381** | 29,268 | **631** | 1,169 | **(191)** | 288 |
| | Suzutan** | **14,484** | 15,152 | **14,484** | 15,152 | **419** | 349 | **(239)** | 93 |
| **Financial Services** | UCS | **¥ 16,411** | ¥ 17,239 | **¥ 3** | ¥ 4 | **¥ 3,222** | ¥ 1,829 | **¥1,741** | ¥1,019 |

*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 intersegment revenues.

## Making the maximum use of Group synergies, we will enhance profitability at each Group company while striving to win in an industry where competition is escalating.

In fiscal 2012, ended February 20, 2012, we recorded a 3.0% decline in operating revenue from the previous fiscal year to ¥1,079,151 million. Nevertheless, operating income grew 25.4% to ¥44,002 million, and net income surged 37.7% to ¥8,324 million.

Principal factors behind the decline in operating revenue are as follows:

1. Progress in closing unprofitable outlets of Uny Co., Ltd. and directly-operated convenience stores
2. Sluggish sales at specialty stores due to the Great East Japan Earthquake

On the other hand, principal factors behind the substantial increase in operating income included:

1. An improved gross margin at Uny as well as increased revenue from franchise convenience stores
2. The Group companies' efforts to reduce costs

The Great East Japan Earthquake, which struck on March 11, 2011, considerably disrupted the Japanese economy.

Despite the emergence of restoration-related demand in some areas, the future prospects of the Japanese economy remain uncertain.

Further details regarding our performance during the fiscal year under review are provided in the Consolidated Financial Review portion of the Financial Section.

In the fiscal year ending February 20, 2013, Japan is facing the pressing need to restore an economy devastated by the Great East Japan Earthquake and is working to resume production activities at wrecked facilities as fast as possible while striving to recover from damage that includes the radioactive contamination of agricultural and fishery products. However, further economic slump is anticipated due in part to expected power shortages over the summer, reflecting the suspension of nuclear power plant operations following the series of nuclear accidents immediately after the Great East Japan Earthquake.

Against this backdrop, the Uny Group expects its operating income to edge up in comparison with the previous fiscal year. Because its main area of business is the Chukyo region, the Group suffered relatively minor damage from the disaster. Nevertheless, deteriorating consumer confidence reflecting stagnant business sentiment will be inevitable, and we will continue to face severe conditions. Aiming to enhance its corporate value, the Uny Group resolved to shift to a new organizational structure better equipped for smooth decision making regarding the optimal distribution of Group management resources and the maximization of Group synergies. Specifically, on February 21, 2013, the Uny Group will adopt a holding company system centered on Uny Group Holdings Co., Ltd. In the lead-up to the adoption, on February 17, 2012, Uny Co., Ltd. launched a takeover bid aimed at making Circle K Sunkus Co., Ltd. a wholly owned subsidiary, completing the process on April 2, 2012. Making the maximum use of Group synergies, we will enhance profitability at each Group company while striving to win in an industry where competition is escalating.

**Superstores**

Promoting the following three policies, Uny will work to recover its profit level.

1. Merchandising reform
   In tandem with Circle K Sunkus, we will make every effort to develop high-quality, reasonably priced products with value that customers recognize while ensuring profitability. We will then strive to expand the ratio of such products in overall product lineups and aim to expand their gross margins.
2. Hands-on approach
   Certain responsibilities, such as providing employee incentives and handling part of sales promotion expenses will be transferred to the discretion of store managers to boost in-store morale.
3. Low-cost management
   Striving to further reduce operating expenses, we will shift to an increasingly lean corporate structure.

**Convenience Stores**

In the convenience store segment, we set up "Actions for Innovation" as our management policy for fiscal 2013. Upon the shifting to the holding company system, Circle K Sunkus will develop various products jointly with Uny Co., Ltd. under the private Uny brand StyleONE, while pursuing joint initiatives in the areas of distribution and sales promotion aimed at taking maximum advantage of synergetic effects. Through these actions and efforts to develop a new store format, Circle K Sunkus will establish a solid foundation in the increasingly competitive convenience store industry.

**Specialty Stores**

With the absence of the dampening effect that the Great East Japan Earthquake had on performance in the previous fiscal year, the specialty store segment expects a substantial increase in operating revenue. Anticipating the change in the organizational structure, Sagami Co., Ltd. will strive to strengthen in-store business capabilities to gain profitability. Molie Co., Ltd. will strive to establish a sustainably profitable corporate structure by improving its product gross margin and reviewing its marketing plan. Palemo Co., Ltd. merged with Suzutan Co., Ltd. on February 21, 2012, and will aim to increase operating income by expanding the business scale as a specialty store for women's apparel and increasing the number of stores.

**Financial Services**

UCS Co., Ltd. expects modest growth in operating revenue as it anticipates slightly increased revenues from retail shopping use that should counter the ongoing decline in revenues from financing services. However, UCS anticipates declined operating income due to the increase in costs for card renewal.

Currently, UCS is aggressively shifting its card business away from a business model of expansion backed by revenue from financing services to a model that focuses on revenue based on retail shopping use. Furthermore, UCS will aim to secure sustainable business growth backed by prudent, risk-controlled financing, while increasing returns from the insurance and leasing fields, which are more stable in terms of revenue.

As a result of the aforementioned circumstances, Uny anticipates a 2.1% year-on-year decrease in consolidated operating revenue to ¥1,057,000 million for fiscal 2013 with operating income growing 3.2% from a year earlier to ¥45,400 million. Net income is expected to skyrocket 350.5% to ¥37,500 million, reflecting the effect of a ¥17,800 million gain on negative goodwill from making Circle K Sunkus Co., Ltd. into a wholly owned subsidiary of Uny Co., Ltd.

I sincerely ask for your continued understanding and support.

T. Maemura.

Tetsuro Maemura, President

# Launch of Tender Offer for Shares of Circle K Sunkus Co., Ltd., a Subsidiary of Uny Co., Ltd. and Adoption of the Holding Company System

Uny Co., Ltd. ("Uny" or the "Company") resolved to adopt the holding company system with the aim of reinforcing the Uny Group's corporate governance as well as maximizing Group synergies. As part of the process of adopting the new system, the Company launched a tender offer for shares of one of its subsidiaries, Circle K Sunkus Co., Ltd., to fully include it in the Company's scope of consolidation.

The Company secured approval for the changes in the Articles of Incorporation necessary for the adoption of the holding company system, at the Annual General Meeting of Shareholders held on May 17, 2012.

## BACKGROUND AND DETAILS OF THE ADOPTION OF THE HOLDING COMPANY SYSTEM

In recent years, the business environment surrounding the Uny Group has shown signs of gradual recovery on the back of an economic rebound overseas and the effects of government policies in addition to higher demand connected with unusual weather conditions. However, due to escalating resource and raw material prices, the strong yen and stagnant personal consumption, the current economic situation remains clouded with no sign of deflationary trends easing. Taking a longer view, the Japanese economy is anticipated to face an even severer environment, particularly for retailers, as the population decreases, leading to a shrinking consumer market and possible increase in consumption tax.

The Uny Group is adopting the holding company system in order to address such conditions as a group. The new structure will ensure that the Group can fully realize synergies regarding product procurement and cost. Simultaneously, the Group will organically combine the know-how nurtured in its food-based superstores and convenience store businesses to establish diverse store formats (mall-type shopping centers, general merchandise stores, supermarkets, convenience stores and mini supermarkets) with new product lineups. In other words, the Group will strive to develop diverse retail businesses in Japan, where rapid changes can be seen due to its aging society and declining population, while fully entering into overseas markets, particularly in burgeoning Asia.

Moreover, the Uny Group will endeavor to further enhance its corporate value by determining the most appropriate business strategies and decision-making procedures for the Group, reallocating management resources across the Group, and acquiring other supermarkets and convenience stores in dominant areas.

To improve Group value, Uny will develop and expand its structure and strategies as follows:

- **Maximize the synergy effects among Group companies by promoting collaboration throughout the Group in the realms of product development, shared distribution channels and joint marketing**

  The Company will jointly develop products with Circle K Sunkus under its private brands "StyleONE" and "PrimeONE." In addition, Uny and Circle K Sunkus will make joint efforts to reduce costs by sharing logistics centers and collaborating in the IT business.

- **Clarify the direction of the Group, including such foreign market strategies as the launch of new general merchandise stores in China and the launch of new convenience stores in foreign markets, M&A strategies to expand business scale, and new business strategies**

  In response to a shrinking domestic market, the Uny Group will aim toward becoming a global corporate group by opening stores overseas, mainly in Asia. In Japan, we will strive to gain greater dominance, particularly in the Chukyo area, by scaling up Group business through aggressive M&A strategies and new business development.

- **Optimize the apportionment of management resources within the Group through the exchange of personnel and centralized financial management, aiming for the best distribution of human and financial resources among Group companies**

  The Uny Group plans to exchange personnel and to realize optimal fund apportionment through the introduction of a cash management system to be administered mainly by the holding company.

## OUTLINE OF THE HOLDING COMPANY

On February 21, 2013, Uny Co., Ltd. will be separated into a holding company and an operating company through a company spin-off. The name of the holding company will be as indicated below. The number of directors and the management structure after the adoption of the holding company system will be determined prior to the adoption of the holding company system.

| | |
|---|---|
| Corporate name: | Uny Group Holdings Co., Ltd. |
| Address: | 1, Amaikegotanda-cho, Inazawa, Aichi (Current location of Uny Co., Ltd.) |
| Representative: | Tetsuro Maemura, Chairman and CEO (Currently Representative Director and President of Uny Co., Ltd.) |
| | Motohiko Nakamura, President and COO (Currently Representative Director and President of Circle K Sunkus Co., Ltd.) |
| Capital: | ¥10,129 million |

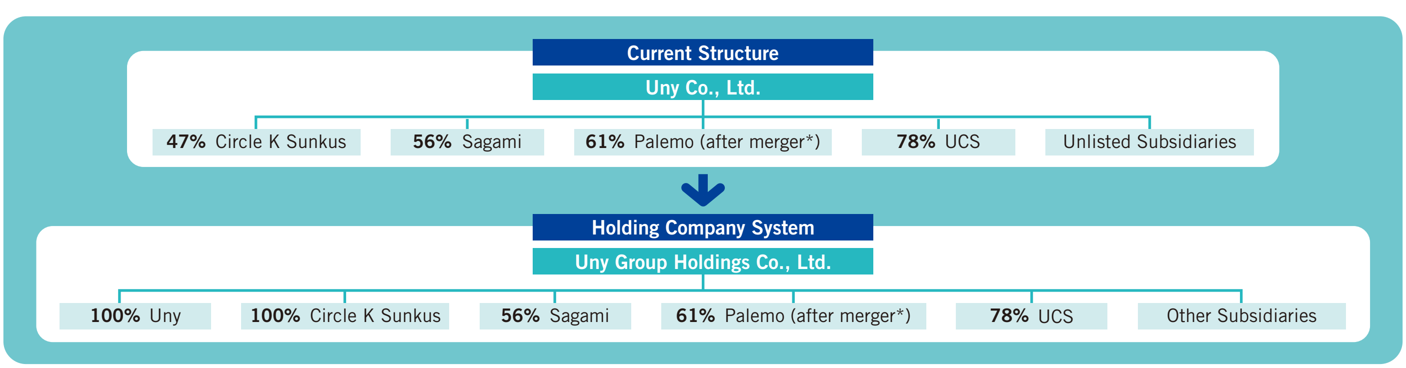
## SCHEDULE

**2012**

| | |
|---|---|
| February 17 | Commencement of tender offer for shares of Circle K Sunkus Co., Ltd., by Uny Co., Ltd. |
| April 2 | Termination of tender offer for shares of Circle K Sunkus Co., Ltd., by Uny Co., Ltd. |
| April 9 | Settlement of tender offer |
| Mid-July (planned) | Delisting Circle K Sunkus Co., Ltd. |

**2013**

| | |
|---|---|
| February 21 (planned) | Establishment of an operating company through the spinning off of Uny Co., Ltd., and adoption of the holding company system |




* Palemo Co., Ltd. absorbed Suzutan Co., Ltd. on February 21, 2012.

## 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.**

### UNY

Uny's superstores businesses are divided into two store formats: The first is Apita stores, which primarily consist of large-scale shopping facilities operating alongside a broad assortment of business tenants and attract customers from a large area. Apita stores aim to offer satisfying and enjoyable ideas for a better quality of life.

The other format consists of small- and medium-scale Piago stores that mainly market food products and serve a more local area. In our Piago store operations, we strive as a community-oriented store chain to offer more convenient lifestyles.

As of February 20, 2012, there were nine mall-type stores, eight of which were operated by Apita, and one by Piago.

Uny Group stores are gaining dominance principally in the Tokai area covering Aichi, Gifu, Mie and Shizuoka prefectures.

In the fiscal year ending February 20, 2013, Uny is continuing to focus on the development of private brand products. By increasing the ratio of high-profit-margin private brand products to national brand items in our sales mix, we are working to improve the Group's gross margin. As part of these efforts, in August 2009 Uny launched the new private brand StyleONE, keeping material costs down and reaping the benefits of scale by collaborating with Izumiya Co., Ltd. and Fuji Co., Ltd. In the fiscal year ending February 20, 2013, the Group's consolidated subsidiary Circle K Sunkus Co., Ltd. will reinforce its StyleONE marketing efforts with the aim of further expanding profit.

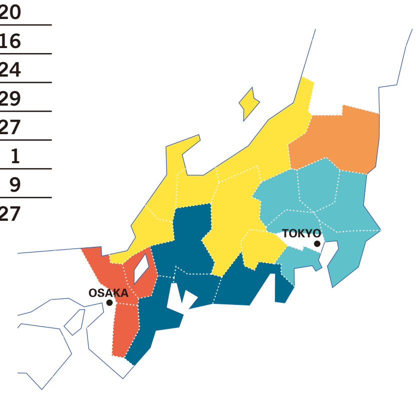
As of February 20, 2012, Apita stores were to be found in 96 locations and Piago stores in 122 locations. In addition to these stores, there were nine U Home home-center stores.

### UNY (HK)

Uny (HK) is headquartered and operates superstores in Hong Kong, where, as of February 20, 2012, it had three such outlets. The company opened its first superstore in 1987, and this facility is now carrying on business as APITA Taikoo. An Apita style superstore, the facility continues to gain popularity among local customers thanks to its wide product lineup. Uny (HK) opened its second store, UNY Lok Fu, in June 2010 and the third, PIAGO Kowloon Bay, in December 2010.


### REGIONAL BREAKDOWN OF SUPERSTORES

| | Uny |
|---|---|
| | No. of Stores |
| Tokai Region | 161 |
| Aichi Pref. | 101 |
| Gifu Pref. | 20 |
| Mie Pref. | 16 |
| Shizuoka Pref. | 24 |
| Kanto Region | 29 |
| Hokuriku/Koushinetsu Regions | 27 |
| Tohoku Region | 1 |
| Kansai Region | 9 |
| Total | 227 |




(Million ¥)

| Years ended February 20 | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues* | ¥800,285 | ¥821,992 | ¥832,382 |
| Operating Costs and Expenses | 784,420 | 811,373 | 830,334 |
| Operating Income | 18,142 | 13,080 | 4,675 |
| Identifiable Assets | 579,607 | 562,142 | 575,681 |
| Depreciation | 16,081 | 17,822 | 19,209 |
| Impairment Loss on Fixed Assets | 3,026 | 5,856 | 9,377 |
| Capital Expenditures | 12,684 | 24,507 | 33,996 |

* Revenues refer to sales to external customers.

| | Uny | | |
|---|---|---|---|
| Years ended February 20 | 2012 | 2011 | 2010 |
| Revenues (Million ¥) | 788,234 | 812,999 | 824,603 |
| Net Sales (Million ¥) | 750,165 | 775,158 | 786,997 |
| Sales Floor Space ($m^2$)* | 1,708,818 | 1,749,885 | 1,662,234 |
| Newly Opened Floor Space ($m^2$) | 11,988 | 13,033 | 21,432 |
| Sales per Sq. Meter (Thousand ¥) | 439 | 443 | 473 |
| Full-Time Employees | 5,687 | 5,903 | 6,089 |
| Sales per Employee (Million ¥) | 132 | 131 | 129 |

* Sales Floor Space ($m^2$) refers to directly operated space only.

## CONVENIENCE STORES

(Million ¥)

| Years ended February 20 | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues* | **¥187,791** | ¥192,295 | ¥194,131 |
| Operating Costs and Expenses | **167,471** | 175,363 | 180,573 |
| Operating Income | **20,328** | 16,942 | 13,570 |
| Identifiable Assets | **267,545** | 250,157 | 236,636 |
| Depreciation | **13,315** | 11,679 | 10,358 |
| Impairment Loss on Fixed Assets | **2,932** | 3,538 | 3,535 |
| Capital Expenditures | **14,779** | 14,241 | 16,106 |

* Revenues refer to sales to external customers.
** Reflecting the adoption of the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information during the fiscal year ended February 20, 2012, the Uny Group changed the segment designation of ZERO NETWORKS Co., Ltd. from the financial services segment to the convenience store segment. Figures for past fiscal years have been retroactively adjusted to reflect the new segment structure.

| | Circle K | | | Sunkus | | |
|---|---|---|---|---|---|---|
| Years ended February 20 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Number of Stores | **2,985** | 2,905 | 2,861 | **2,099** | 2,096 | 2,097 |
| Franchises | **2,853** | 2,663 | 2,585 | **2,033** | 1,987 | 1,955 |
| Own Operation | **132** | 242 | 276 | **66** | 109 | 142 |
| Area Franchise Stores | **169** | 168 | 164 | **916** | 1,105 | 1,097 |

**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.**

**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.**

**Sunkus has a strong network of stores covering the Kanto, Tohoku and Kansai regions.**

The total number of stores as of the fiscal 2012 year-end was 5,084, excluding area-franchise stores, reflecting the opening of 325 new stores and closing of 242 stores.

The convenience store market is seeing ever-intensifying competition amid an increasingly severe earnings environment. In response, we are developing a “new type of convenience store” to meet changing customer needs, while supporting improved earnings at franchisees.

On the store operations front, Circle K Sunkus is rigorously implementing solutions-driven instruction at individual stores, taking into account local needs and average daily sales, with a priority on increasing customer footfall. In addition, to meet diverse needs, we are reinforcing the development and promotion of location-based store layouts while developing such new store formats as mini supermarket-style convenience stores and convenience stores focused on fast food services.

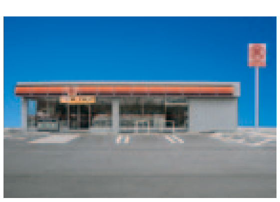
With regard to new store development, we are targeting a net increase in stores while prioritizing investment efficiency by eliminating unprofitable outlets and raising average daily sales at newly opened stores. We are also striving to bolster store profitability by reducing leasing and construction costs. Looking forward, we will continue to open mini convenience stores and pursue business alliances with companies in other retail subsectors to open stores in new locations and markets.

As for product development, we are stepping up the development of high-value-added private-brand products, while expanding our StyleOne lineup, aiming for a wide selection of goods to match Japan’s polarized consumption patterns. We are also expanding our lineup of long-life items in the delicatessen and rice dish categories. Furthermore, we are installing freshly brewed coffee dispensers in all Circle K Sunkus stores and developing new fryer-ready foods to help differentiate both chains’ countertop food offerings.

On the service development front, we are working to reinforce our range of merchandise for elderly customers offered through the *Omise de Tsuuhan* in-store online shopping service, which can be accessed via multimedia terminals, with the aim of increasing both online and regular customer footfall. Furthermore, we are pursuing ties with incentive-point exchange program partners to bolster KARUWAZA CLUB registration beyond the current roughly 1.26 million members while holding membership drives focusing on various transportation companies’ e-money users.

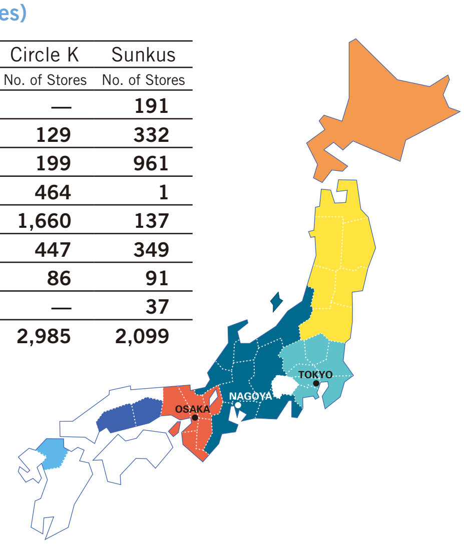
The number of ATMs installed as of February 29, 2012 was 2,548 and 1,846 under the names of ZERO BANK and Bank Time, respectively.

In the fiscal year ending February 28, 2013, Circle K Sunkus is planning to open 340 stores, close 235 stores and include one company into its scope of consolidation. As a result, the total number of stores as of February 28, 2013, will be 5,189 stores, excluding area-franchise stores.



### REGIONAL BREAKDOWN OF CONVENIENCE STORES (excluding area franchises)

| | Circle K | Sunkus |
|---|---|---|
| | No. of Stores | No. of Stores |
| Hokkaido Pref. | — | 191 |
| Tohoku Region | 129 | 332 |
| Kanto Region | 199 | 961 |
| Hokuriku/Koushinetsu Regions | 464 | 1 |
| Tokai Region | 1,660 | 137 |
| Kansai Region | 447 | 349 |
| Chugoku Region | 86 | 91 |
| Kyushu Region | — | 37 |
| Total | 2,985 | 2,099 |



## SPECIALTY STORES

(Million ¥)

| Years ended February 20 | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues* | **¥74,004** | ¥81,378 | ¥88,896 |
| Operating Costs and Expenses | **73,261** | 79,829 | 89,157 |
| Operating Income (Loss) | **745** | 1,549 | (261) |
| Identifiable Assets | **33,284** | 35,677 | 39,806 |
| Depreciation | **691** | 792 | 1,078 |
| Impairment Loss on Fixed Assets | **221** | 584 | 992 |
| Capital Expenditures | **782** | 789 | 652 |

* Revenues refer to sales to external customers.

### KEY SPECIALTY STORES

| | Sagami* | | | Molie | | | Palemo | | | Suzutan | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Years ended February 20 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Revenues (Million ¥) | **25,953** | 29,672 | 34,532 | **5,595** | 6,656 | 8,417 | **27,978** | 29,902 | 29,906 | **14,484** | 15,152 | 16,047 |
| Net Sales (Million ¥) | **25,759** | 29,477 | 34,034 | **5,486** | 6,508 | 8,227 | **27,756** | 29,639 | 29,608 | **14,484** | 15,152 | 16,047 |
| Number of Stores | **301** | 320 | 360 | **136** | 146 | 185 | **584** | 576 | 573 | **220** | 241 | 284 |
| Newly Opened Stores | **3** | 6 | 12 | **1** | 1 | 2 | **40** | 38 | 14 | **7** | 5 | 21 |
| Sales Floor Space ($m^2$) | **38,995** | 41,913 | 48,580 | **18,011** | 18,974 | 24,122 | **107,414** | 107,112 | 106,115 | **36,798** | 38,410 | 43,455 |
| Newly Opened Floor Space ($m^2$) | **251** | 702 | 1,558 | **105** | 91 | 292 | **5,774** | 5,314 | 2,467 | **1,413** | 1,548 | 3,331 |
| Sales per Sq. Meter (Thousand ¥) | **661** | 703 | 701 | **305** | 343 | 341 | **258** | 277 | 279 | **394** | 394 | 369 |
| Full-Time Employees | **624** | 666 | 735 | **21** | 22 | 23 | **133** | 146 | 165 | **143** | 144 | 204 |
| Sales per Employee (Million ¥) | **41** | 44 | 46 | **261** | 296 | 358 | **209** | 203 | 179 | **101** | 105 | 79 |

* 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 301 stores being operated by Sagami at the end of fiscal 2012.

#### MOLIE

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

At the end of fiscal 2012, 136 stores were in operation, 10 less than at the end of the previous fiscal year.

#### PALEMO

Palemo Co., Ltd. offers women's fashions for markets ranging from teens 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 2012, 584 stores were in operation, eight more than at the end of the previous fiscal year.

#### SUZUTAN

Suzutan offers casual wear for the young woman. Suzutan opened seven new stores and closed 28 unprofitable stores in the fiscal year under review, for a total of 220 stores by the fiscal year-end.

Palemo Co., Ltd. and Suzutan Co., Ltd., understanding that the two companies require a certain business scale and level of capability to pursue further growth, merged on February 21, 2012. Palemo Co., Ltd. remains as the surviving company and Suzutan Co., Ltd. as the merged company.

## FINANCIAL SERVICES

(Million ¥)

| Years ended February 20 | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues* | **¥13,164** | ¥ 14,079 | ¥ 15,287 |
| Operating Costs and Expenses | **12,171** | 14,325 | 15,839 |
| Operating Income | **4,240** | 2,914 | 2,529 |
| Identifiable Assets | **105,053** | 106,160 | 107,897 |
| Depreciation | **1,413** | 1,078 | 891 |
| Impairment Loss on Fixed Assets | **—** | — | — |
| Capital Expenditures | **1,225** | 1,746 | 1,096 |

* Revenues refer to sales to external customers.

** Reflecting the adoption of the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information during the fiscal year ended February 20, 2012, the Uny Group changed the segment designation of ZERO NETWORKS Co., Ltd. from the financial services segment to the convenience store segment. Figures for past fiscal years have been retroactively adjusted to reflect the new segment structure.

**Uny offers financial services mainly through its credit card businesses.**

#### UCS

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

The number of UCS cardholders increased 50,000 from the previous fiscal year-end, to 3.23 million. UCS offers shopping and financing services to its cardholders in addition to conducting business operations in the insurance and leasing fields. Reflecting the recent regulation capping the total amount of money that can be provided through loan transfer in accordance with the revision of the Money Lending Business Law, UCS is anticipating a substantial decline in profit.

## 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 Co., Ltd. will deliver medium- and long-term earnings growth and continue to meet the expectations of shareholders.

In addition, we have made "Three Declarations" with the aim of pursuing our raison d'être as a retail company looking to create a new lifestyle to support customers' everyday life.

(1) We are a company that offers solutions for customers' lifestyles
We will eliminate "inconvenience, dissatisfaction and uncomfortable things" in local communities.

(2) We are a company that makes new offers for customers' lifestyles
We will offer affluence, enjoyment and new value.

(3) We are a company that helps to reduce customers' cost of living
We will offer daily necessities, such as food products and commodities, as reasonably as possible. We will also place the top priority on food safety.

## 2. BASIC EARNINGS DISTRIBUTION POLICY

For the fiscal year ended February 20, 2012, Uny declared a year-end dividend of ¥10 per share. As a result, including ¥9 per share for the interim dividend, total cash dividends for the year remained on par with the previous fiscal year's ¥19 per share.

Uny's basic policy has to date ensured the continued 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. From the fiscal year ending February 20, 2013, however, the Company will pay dividends on a consolidated performance basis in accordance with a new basic policy. Under the new basic policy, annual cash dividends will be set at ¥22 per share, while we will aim to achieve a consolidated payout ratio of 30%. By doing so, Uny will strive to ensure effective fund distribution to further strengthen its financial soundness and performance.

## 3. CORPORATE GOVERNANCE

Uny's mission is to offer customers in each local community products and services of high quality and value. By enhancing customer satisfaction, Uny aims to achieve medium- and long-term earnings growth and to continue meeting the expectations of shareholders. In order to do so, Uny needs to establish friendly relationships with stakeholders while responding to changes in the business environment in a flexible and speedy manner. With this in mind, Uny has established a corporate governance structure appropriate to its business areas and is striving to enhance it.

**Overview of Corporate Organization**

Uny strives to ensure sound corporate governance through a corporate system with a Board of Directors and a Board of Corporate Auditors.

In pursuit of prompt business execution, the Company maintains the separation of the supervisory and business execution functions of the Board of Directors and introduced an executive officer system. Executive officers are given appropriate authority to carry out their responsibilities and conduct business operations in a prompt, accountable manner. The Company holds monthly management meetings, which comprise executive officers, directors and corporate auditors, to make decisions about daily matters, report on business execution, approve internal control business strategies and discuss matters to be resolved prior to the Board of Directors' Meeting as well as other matters related to key operations.

In principle, the Board of Directors' Meeting comprises 15 directors and is held once a month to deliberate and decide on matters of importance as well as to provide oversight on each director's executive function. The term of office for directors is set at one year in order to secure a flexible management structure and clarify the responsibilities of directors.

**Internal Control System Development**

(1) Risk Management System

Uny formulated its Risk Management Rules with the purpose of establishing a risk management system. In addition, Uny formulated work manuals and guidelines for each department and holds educational and training sessions for employees in order to prevent and reduce the occurrence of possible projected risks. Having established the Risk Management Committee chaired by its president as part of such efforts, Uny addresses risks (those related to management, accidents, disasters and compliance) comprehensively while taking measures to avoid and reduce risks, monitor risks and improve current conditions. In cases of emergency, the Company will set up emergency countermeasure headquarters based on its crisis management rules to take prompt and appropriate measures to minimize damage.

(2) Compliance

Uny compiled a compliance manual, the *Ethical Corporate Behavior Standard,* that covers business execution and has been widely disseminated among employees. In addition, Uny established the Compliance Committee to conduct compliance promotion activities and education. Directly controlled by the president, the Audit Department holds regular and special audits to check compliance conditions based on compliance-related regulations and reports to the president as well as the director responsible. Moreover, the Company's Help Line for its employees and suppliers was set up to receive reports regarding instances of noncompliant behavior.

(3) Group Management System

On a regular basis, Uny holds the Group Management Meeting composed of chief executive officers from every Group company to clarify the orientation of Group management and the condition of each Group company as well as to discuss issues important to the Group. Uny also holds the Group Management Administration Committee Meeting, which comprises Group company directors responsible for business operations and administration, and the Internal Control Subcommittee Meeting, which meets on a regular basis to confirm the status of Group Internal Control Policy sharing and the state of each company's internal control system development. Serving at the Group's parent company, Uny's corporate auditors hold concurrent positions as the corporate auditors of major Group companies and conduct audits at each company. Also, corporate auditors regularly participate in the Group Corporate Auditors Meeting, which monitors and verifies the status of the internal control system development and operations within the Group.

**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' Meeting, 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 Audit Department. With expert knowledge, each member of the Audit Department implements regular audits at the Company's offices and stores along with special audits at the Company's headquarters and affiliated companies.

**Relationships with External Director and External Corporate Auditors**

Uny's external director, Kazuo Sassa, is the Senior Advisor of the Bank of Tokyo-Mitsubishi UFJ, one of the Company's major business partners and shareholders. The Company expects him to draw on his abundant knowledge and experience cultivated from his longstanding position as a manager of a financial institution to contribute to Uny's management. The Company's corporate auditors, Ikuo Tange and Naotaka Nanya, are, respectively, a certified public accountant and certified tax accountant and a lawyer. With their specialist perspectives and high degree of knowledge regarding business management, the Company expects them to provide helpful opinions regarding auditing activities. Uny registered Messrs. Tange and Nanya as independent corporate auditors on the Tokyo Stock Exchange and Nagoya Stock Exchange.

## CONSOLIDATED FINANCIAL REVIEW

### OPERATING RESULTS

**Operating Revenue by Segment**

| | Millions of Yen | | % Change | |
|---|---|---|---|---|
| Years ended February 20 | 2012 | | 2012/2011 | 2011/2010 |
| Superstores | **¥ 800,285** | **74.2%** | (2.6)% | (1.2)% |
| Convenience Stores | **187,791** | **17.4** | (2.3) | (0.9) |
| Specialty Stores | **74,004** | **6.8** | (9.1) | (8.5) |
| Financial Services | **13,164** | **1.2** | (6.5) | (7.9) |
| Other | **3,907** | **0.4** | 28.6 | (18.6) |
| Total | **¥1,079,151** | **100.0%** | (3.0)% | (1.9)% |

**Operating Income by Segment**

| | Millions of Yen | | % Change | |
|---|---|---|---|---|
| Years ended February 20 | 2012 | | 2012/2011 | 2011/2010 |
| Superstores | **¥18,142** | **41.2%** | 38.7% | 179.8% |
| Convenience Stores | **20,328** | **46.2** | 20.0 | 24.8 |
| Specialty Stores | **745** | **1.7** | (51.9) | — |
| Financial Services | **4,240** | **9.6** | 45.5 | 15.2 |
| Other | **567** | **1.3** | (7.4) | 5.5 |
| Adjustment | **(20)** | **(0.0)** | — | — |
| Total | **¥44,002** | **100.0%** | 25.4% | 66.4% |

**Revenues and Earnings**

In fiscal 2012, ended February 20, 2012, consolidated operating revenue fell 3.0% from the previous fiscal year to ¥1,079,151 million. Within this figure, net sales were down 4.2% year on year, while other operating revenue grew 3.4%. By product, sales of clothing, household goods and foods declined 5.8%, 3.9% and 3.6%, respectively.

Gross profit decreased 2.6% to ¥243,313 million. However, the gross profit margin rose 0.4 of a percentage point to 26.8%.

Selling, general and administrative (SG&A) expenses fell 2.5% to ¥370,847 million due to cutbacks in expenditure.

As a result, operating income climbed 25.4% year on year to ¥44,002 million.

In other income (expenses), net financial expenses (interest expenses less interest and dividend income) were down from ¥3,064 million in the previous fiscal year to ¥2,743 million. Also during the fiscal year under review, the Uny Group recorded a ¥8,481 million cumulative effect on adoption of accounting standard for asset retirement obligations and a ¥6,179 million impairment loss on fixed assets.

As a result, income before income taxes and minority interests grew 26.9% year on year to ¥25,858 million. Net income, after deducting ¥13,501 million in income taxes and ¥4,033 million in minority interests, was ¥8,324 million, up 37.7% from the previous fiscal year. Net income per share was ¥42.14 compared with ¥30.61 in the previous fiscal year.

Uny Co., Ltd.'s cash dividends for the fiscal year stood at ¥19.00 per share, comprising ¥9.00 for the interim dividend and ¥10.00 for the year-end dividend.

**Results by Segment**

Reflecting the adoption of the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information during the fiscal year under review, the Uny Group changed the segment designation of one of its subsidiaries. The year-on-year comparisons presented herein are calculated based on figures for the previous fiscal year retroactively adjusted to reflect the new segment structure.

***Superstores***

Operating revenue, excluding intersegment sales and transfers, in the superstore segment declined 2.6% to ¥800,285 million, while operating income soared 38.7% to ¥18,142 million.

Reflecting such negative factors as a temporary suspension of business and the shortening of business hours due to the Great East Japan Earthquake as well as the termination of the Japanese government's "eco-point" system for home appliances, same-store sales decreased 1.6% (sales of clothing, household goods and foods declined 1.2%, 2.2% and 1.5%, respectively) year on year.

On the earnings front, operating income substantially grew in the fiscal year under review. This was owing to an improved gross profit margin thanks to the promotion of merchandising reform as well as lower advertising costs and sales promotion expenses, a reduction in rental costs and a decline in depreciation thanks to the promotion of low-cost management.

The number of Uny stores as of February 20, 2012, stood at 227 after opening three new stores and closing five stores. Uny (HK) Co., Ltd. opened a new store during the fiscal year under review, bringing the total number of stores in Hong Kong to three.

***Convenience Stores***

Operating revenue in the convenience store segment decreased 2.3% year on year to ¥187,791 million, while operating income grew 20.0% to ¥20,328 million.

Unconsolidated same-store sales at Circle K Sunkus Co., Ltd. rose 3.1% year on year. Overall operating revenue, however, declined due to strategic cutbacks in the number of company-owned stores, which, in turn, led to a decrease in company-owned store sales.

On the other hand, operating income increased thanks to efforts to curb rises in SG&A expenses by reducing company-owned store related costs.

As of February 29, 2012, the total number of convenience stores, excluding 99 ICHIBA Co., Ltd. on a consolidated basis was 5,548 after opening 360 stores and closing 264 stores. The total number of stores, including unconsolidated area-franchise companies stood at 6,232.

From the fiscal year under review, Sunkus Higashi-Saitama Co., Ltd., a company operating area-franchise stores in Saitama Prefecture, was included in the scope of consolidation.

In addition, as of February 21, 2012, all the shares of 99 ICHIBA owned by Circle K Sunkus were transferred gratis to 99 ICHIBA. Although 99 ICHIBA was established as a joint venture backed by capital investment supplied by Uny and Circle K Sunkus, the company became a wholly owned subsidiary of Uny upon this gratis share transfer.

***Specialty Stores***

Operating revenue in the specialty store segment fell 9.1% year on year to ¥74,004 million, while operating income dropped 51.9% to ¥745 million.

Same-store sales at Sagami Co., Ltd. declined 5.3% year on year, resulting in decreased operating revenue in addition to an operating loss. The total number of Sagami stores as of February 20, 2012 stood at 301 after opening 3 stores and closing 22 stores.

Palemo Co., Ltd. saw a 7.7% decrease in same-store sales due to the significant impact of the Great East Japan Earthquake. As a result, both operating revenue and operating income declined. The total number of Palemo stores as of February 20, 2012 stood at 584 after opening 40 stores and closing 32 stores.

Suzutan Co., Ltd. promoted the closing of unprofitable outlets during the fiscal year under review. Owing to this effort, operating income increased despite a decline in operating revenue. In the mainstay women's clothing retail category, tops made from woven fabric, knit fabric items and skirts enjoyed strong sales, and, accordingly, same-store sales edged up 0.7% year on year. The total number of Suzutan stores as of February 20, 2012 was 220 following the opening of 7 stores and closing of 28 stores.

Given the ongoing severe business environment, Palemo and Suzutan merged on February 21, 2012 with the aim of pursuing further growth by increasing the scale of business and achieving collective strengths. After the merger, Palemo became the absorbing company and Suzutan the absorbed company.

***Financial Services***

Operating revenue in the financial services segment declined 6.5% to ¥13,164 million, while operating income soared 45.5% to ¥4,240 million.

UCS Co., Ltd. proactively provided comprehensive credit purchasing mediation, promoting the use of credit cards. However, the volume of loan transactions declined due to the shrinking financing market, reflecting the enactment of overall loan transaction regulation.

Operating income grew due to the decrease in bad debt costs thanks to an increasingly strict credit line as well as the strengthened credit management structure.

ZERO NETWORKS Co., Ltd., which has been included in the financial service segment, was reclassified into the convenience stores segment upon the adoption of the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information during the fiscal year under review.

**Sales by Merchandise Category**

| | Millions of Yen | | | | | | % Change |
|---|---|---|---|---|---|---|---|
| Years ended February 20 | **2012** | | 2011 | | 2010 | | 2012/2011 |
| **Clothing** | **¥ 175,609** | **16.3%** | ¥ 186,397 | 16.8% | ¥ 196,354 | 17.3% | (5.8)% |
| Women's clothing | **70,125** | **39.9** | 75,033 | 40.3 | 80,107 | 40.8 | (6.5) |
| Children's clothing | **16,126** | **9.2** | 16,838 | 9.0 | 18,143 | 9.2 | (4.2) |
| Men's clothing | **20,251** | **11.5** | 20,645 | 11.1 | 21,591 | 11.0 | (1.9) |
| Accessories and shoes | **22,484** | **12.8** | 24,036 | 12.9 | 25,682 | 13.1 | (6.5) |
| Lingerie | **29,777** | **17.0** | 30,811 | 16.5 | 30,804 | 15.7 | (3.4) |
| Kimonos and related accessories | **16,846** | **9.6** | 19,034 | 10.2 | 20,027 | 10.2 | (11.5) |
| | | **100.0** | | 100.0 | | 100.0 | |
| **Household Goods** | **158,515** | **14.7** | 165,022 | 14.8 | 169,004 | 14.9 | (3.9) |
| Sundry and leisure goods | **26,753** | **16.9** | 133,643 | 81.0 | 138,116 | 81.7 | (80.0) |
| Furniture, electrical appliances and others | **131,762** | **83.1** | 31,379 | 19.0 | 30,888 | 18.3 | 319.9 |
| | | **100.0** | | 100.0 | | 100.0 | |
| **Foods** | **542,251** | **50.2** | 562,465 | 50.5 | 572,576 | 50.5 | (3.6) |
| Fresh foods | **296,553** | **54.7** | 305,066 | 54.2 | 308,577 | 53.9 | (2.8) |
| Processed foods | **245,698** | **45.3** | 257,399 | 45.8 | 263,999 | 46.1 | (4.5) |
| | | **100.0** | | 100.0 | | 100.0 | |
| **Other Merchandise** | **31,240** | **2.9** | 33,030 | 3.0 | 32,990 | 2.9 | (5.4) |
| **Net Sales** | **907,615** | **84.1** | 946,914 | 85.1 | 970,924 | 85.6 | (4.2) |
| **Other Operating Revenue** | **171,536** | **15.9** | 165,867 | 14.9 | 163,503 | 14.4 | 3.4 |
| **Total** | **¥1,079,151** | **100.0%** | ¥1,112,781 | 100.0% | ¥1,134,427 | 100.0% | (3.0)% |

**Financial Position and Liquidity**

As of February 20, 2012, the Uny Group's assets totaled ¥964,595 million, an increase of ¥24,517 million from the end of the previous fiscal year. This was mainly due to an increase in cash and cash equivalents. Total net assets grew ¥6,358 million year on year to ¥347,499 million, and consolidated equity (net assets less minority interests) climbed ¥4,130 million to ¥242,900 million. As a result, the equity ratio declined 0.2 of a percentage point to 25.2%. Consolidated interest-bearing debt (long-term debt, including current portion, and short-term borrowings consisting of commercial paper and bonds) increased ¥26,356 million to ¥335,704 million. The interest-coverage ratio improved from 5.7 times to 7.6 times.

**Cash Flows**

Net cash provided by operating activities fell ¥18,306 million year on year to ¥42,159 million. Principal factors were income before income taxes and minority interests of ¥25,858 million and depreciation of ¥31,825 million along with a ¥20,448 million decrease in trade payables and income taxes paid of ¥9,220 million.

Net cash used in investing activities grew ¥7,004 million from the previous fiscal year to ¥20,652 million. This reflected ¥27,425 million paid for purchases of property and equipment and an inflow of ¥6,481 million in lease deposits repaid.

Net cash provided by financing activities totaled ¥11,412 million, a turnaround from net cash used in financing activities of ¥30,869 million in the previous fiscal year. This reflected an increase in long-term debt of ¥40,900 million and an increase in short-term borrowings of ¥30,897 million along with a repayment of long-term debt totaling ¥49,679 million.

As a result, cash and cash equivalents at the end of fiscal 2012 climbed ¥32,689 million year on year to ¥140,358 million.

In fiscal 2013, ending February 20, 2013, plans call for capital investment of ¥52.2 billion on a completion basis, compared with approximately ¥42.9 billion in fiscal 2012.

## OUTLOOK FOR FISCAL 2013

In the fiscal year ending February 20, 2013, the Japanese economy is expected to show signs of recovery due to restoration-led demand related to damage from the Great East Japan Earthquake and a slight weakening in the strength of the yen, which should improve export companies' profitability. Nevertheless, several factors are clouding future prospects, including overseas economic trends, crude oil price hikes and political uncertainty in Japan attributable to controversy regarding a rise in the consumption tax. In the retail industry, the business environment is expected to remain severe as consumers continue a trend of economizing and purchasing reasonably priced products while competition intensifies among companies inside and outside the industry.

Against this backdrop, one of the Uny Group's objectives for fiscal 2013 is to realize a "global retail business." As part of its efforts, the Group launched multi-store operations in Hong Kong and opened its first store in Shanghai, China, aiming to develop the overseas business as one of the Group's mainstays supporting future growth. Another objective will be to realize a retail business that places greater emphasis on the customer's perspective in order to create demand. Addressing areas where customers complain of inconvenience and dissatisfaction, the Uny Group will strive to create new demand for its solutions and proposals for lifestyle-related issues by offering an even wider selection of goods and services as well as comfortable store environments.

In 2013, the Uny Group will transfer to a holding company system. Before this process, the Group implemented an open bid for shares of its consolidated subsidiary, Circle K Sunkus, on February 17, 2012, to make that company a wholly owned subsidiary of Uny. On April 2, 2012, bidding closed and the deal was completed. Strengthening governance and maximizing Group synergies, the Uny Group will make continuous efforts to be a company trusted by customers and trusted by local communities both in Japan and overseas. Fulfilling its social responsibility as a retail company, the Uny Group will strive to further enhance its corporate value.

Given this, for fiscal 2013 Uny is forecasting consolidated operating revenue of ¥1,057 billion, operating income of ¥45.4 billion and net income of ¥37.5 billion, taking into consideration the recording of a gain on negative goodwill.

Management's discussion of the outlook for fiscal 2013, its plans for store openings and its forecasts of operating revenue and net income are forward-looking statements. Principal factors that may cause actual results to differ materially from those expressed in forward-looking statements made by the management of Uny include a further downturn in the domestic economy, the 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 | **2012** | 2011 | 2010 | 2009 | 2008 | **2012** |
| **For the Year** | | | | | | |
| Operating revenue | **¥1,079,151** | ¥1,112,781 | ¥1,134,427 | ¥1,190,248 | ¥1,216,246 | **$13,489,388** |
| Net sales | **907,615** | 946,914 | 970,924 | 1,017,609 | 1,046,126 | **11,345,188** |
| Cost of goods sold | **664,302** | 697,168 | 718,376 | 740,251 | 758,282 | **8,303,775** |
| Selling, general and administrative expenses | **370,847** | 380,511 | 394,956 | 409,840 | 417,010 | **4,635,588** |
| Interest expenses | **3,914** | 4,329 | 4,278 | 4,218 | 3,936 | **48,925** |
| Income before income taxes and minority interests | **25,858** | 20,374 | 627 | 23,317 | 10,187 | **323,225** |
| Net income (loss) | **8,324** | 6,046 | (4,995) | 5,345 | 377 | **104,050** |
| Purchases of property and equipment | **27,425** | 31,573 | 53,089 | 46,132 | 42,299 | **342,813** |
| Lease deposits made | **2,321** | 2,573 | 3,159 | 8,931 | 10,087 | **29,013** |
| Per share data (in Yen and U.S. Dollars): | | | | | | |
| Net income (loss) | **42.14** | 30.61 | (25.28) | 27.66 | 2.00 | **0.52** |
| Cash dividends | **19.00** | 19.00 | 18.00 | 18.00 | 18.00 | **0.24** |
| Average shares issued (in Thousands) | **198,566** | 198,566 | 198,566 | 198,566 | 189,295 | — |
| **At Year-End** | | | | | | |
| Merchandise inventories | **45,802** | 45,942 | 48,217 | 57,672 | 61,711 | **572,525** |
| Property and equipment (book value) | **442,801** | 434,457 | 432,429 | 421,798 | 414,389 | **5,535,012** |
| Total assets | **964,595** | 940,078 | 943,381 | 960,602 | 973,142 | **12,057,438** |
| Long-term debt, less current portion | **201,330** | 223,504 | 255,451 | 231,727 | 203,108 | **2,516,625** |
| Total net assets | **347,499** | 341,141 | 336,405 | 344,870 | 350,835 | **4,343,738** |
| **Profitability** | | | | | | |
| (Net sales – cost of goods sold)/Net sales (%) | **26.8** | 26.4 | 26.0 | 27.3 | 27.5 | — |
| Income before income taxes/ Operating revenue (%) | **2.4** | 1.8 | 0.1 | 2.0 | 0.8 | — |
| Net income (loss)/Operating revenue (%) | **0.8** | 0.5 | (0.4) | 0.4 | 0.0 | — |
| Net income (loss)/Total assets (%) | **0.9** | 0.6 | (0.5) | 0.6 | 0.0 | — |
| Net income (loss)/Equity [Total net assets – minority interests] (%) | **3.4** | 2.5 | (2.1) | 2.2 | 0.2 | — |
| **Financial Structure Analysis** | | | | | | |
| Equity [Total net assets – minority interests]/ Total assets (%) | **25.2** | 25.4 | 25.0 | 25.5 | 24.2 | — |
| Long-term debt/Equity [Total net assets – minority interests] (Times) | **0.8** | 0.9 | 1.1 | 0.9 | 0.9 | — |
| Income before income taxes and interest expenses/Interest expenses (Times) | **7.6** | 5.7 | 1.1 | 6.5 | 3.6 | — |
| **Turnover Analysis** | | | | | | |
| Net sales/Merchandise inventories (Times) | **19.8** | 20.6 | 20.1 | 17.6 | 17.0 | — |
| Operating revenue/Total assets (Times) | **1.1** | 1.2 | 1.2 | 1.2 | 1.2 | — |

*See Note 1 of Notes to Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEETS

UNY CO., LTD. and Consolidated Subsidiaries

| February 20, 2012 and 2011 | Millions of Yen 2012 | Millions of Yen 2011 | Thousands of U.S. Dollars 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents (Note 3) | **¥140,358** | ¥107,669 | **$ 1,754,475** |
| Short-term investments (Notes 3 and 4) | **2,310** | 1,131 | **28,875** |
| Receivables: | | | |
| Trade notes (Note 3) | **44** | 2 | **550** |
| Trade accounts (Note 3) | **62,082** | 57,306 | **776,025** |
| Short-term loans (Note 3) | **20,475** | 28,422 | **255,938** |
| Other (Notes 3 and 8) | **31,719** | 32,952 | **396,487** |
| Allowance for doubtful accounts | **(3,670)** | (4,995) | **(45,875)** |
| | **110,650** | 113,687 | **1,383,125** |
| Merchandise inventories | **45,802** | 45,942 | **572,525** |
| Deferred tax assets (Note 11) | **5,849** | 6,165 | **73,113** |
| Other current assets | **24,768** | 24,871 | **309,600** |
| Total current assets | **329,737** | 299,465 | **4,121,713** |
| **Property and equipment** (Note 5)**:** | | | |
| Land (Note 12) | **195,191** | 191,591 | **2,439,888** |
| Buildings and structures (Note 12) | **491,726** | 476,785 | **6,146,575** |
| Equipment and fixtures | **70,975** | 71,297 | **887,188** |
| Leased assets (Note 8) | **33,583** | 22,312 | **419,787** |
| Construction in progress | **1,921** | 1,917 | **24,012** |
| Total property and equipment | **793,396** | 763,902 | **9,917,450** |
| Accumulated depreciation | **(350,595)** | (329,445) | **(4,382,438)** |
| Net property and equipment | **442,801** | 434,457 | **5,535,012** |
| **Investments and other assets:** | | | |
| Lease deposits (Notes 3 and 8) | **107,865** | 118,650 | **1,348,313** |
| Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 4) | **7,917** | 7,571 | **98,963** |
| Investment securities (Notes 3 and 4) | **9,764** | 10,287 | **122,050** |
| Deferred tax assets (Note 11) | **17,102** | 17,490 | **213,775** |
| Goodwill | **12,784** | 12,871 | **159,800** |
| Other | **38,578** | 41,881 | **482,225** |
| Allowance for doubtful accounts | **(1,953)** | (2,594) | **(24,413)** |
| Total investments and other assets | **192,057** | 206,156 | **2,400,713** |
| | **¥964,595** | ¥940,078 | **$12,057,438** |

See accompanying Notes to Consolidated Financial Statements.

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| **LIABILITIES AND NET ASSETS** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings (Notes 3 and 5) | **¥ 64,891** | ¥ 33,994 | **$ 811,137** |
| Current portion of long-term debt (Notes 3 and 5) | **69,483** | 51,850 | **868,538** |
| Notes and accounts payable: | | | |
| Trade notes (Note 3) | **7,495** | 8,086 | **93,688** |
| Trade accounts (Note 3) | **81,692** | 101,132 | **1,021,150** |
| Other | **40,034** | 39,380 | **500,425** |
| | **129,221** | 148,598 | **1,615,263** |
| Accrued expenses | **18,296** | 18,358 | **228,700** |
| Income taxes payable | **8,849** | 6,050 | **110,612** |
| Other current liabilities (Note 11) | **50,306** | 49,103 | **628,825** |
| Total current liabilities | **341,046** | 307,953 | **4,263,075** |
| **Long-term liabilities:** | | | |
| Long-term debt, less current portion (Notes 3 and 5) | **201,330** | 223,504 | **2,516,625** |
| Guarantee deposits from tenants (Note 3) | **52,807** | 55,460 | **660,087** |
| Employee retirement benefit liability (Note 6) | **1,469** | 1,558 | **18,363** |
| Asset retirement obligations (Note 14) | **12,983** | — | **162,288** |
| Other long-term liabilities (Note 11) | **7,461** | 10,462 | **93,262** |
| Total long-term liabilities | **276,050** | 290,984 | **3,450,625** |
| **Commitments and contingent liabilities** (Note 9) | | | |
| **Net assets** (Note 7)**:** | | | |
| Shareholders' equity | | | |
| Common stock; | | | |
| Authorized: 600,000,000 shares | | | |
| Issued: 198,565,821 shares | **10,129** | 10,129 | **126,613** |
| Capital surplus | **58,825** | 58,825 | **735,313** |
| Retained earnings | **175,221** | 170,655 | **2,190,262** |
| Less treasury stock at cost: 1,019,378 shares in 2012 and 1,013,868 shares in 2011 | **(1,208)** | (1,204) | **(15,100)** |
| Total shareholders' equity | **242,967** | 238,405 | **3,037,088** |
| Accumulated other comprehensive income (loss) | **(67)** | 365 | **(837)** |
| Minority interests | **104,599** | 102,371 | **1,307,487** |
| Total net assets | **347,499** | 341,141 | **4,343,738** |
| | **¥964,595** | ¥940,078 | **$12,057,438** |

## CONSOLIDATED STATEMENTS OF OPERATIONS

| UNY CO., LTD. and Consolidated Subsidiaries | | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| For the Years Ended February 20, 2012, 2011 and 2010 | **2012** | 2011 | 2010 | **2012** |
| **Operating revenue:** | | | | |
| Net sales | **¥ 907,615** | ¥ 946,914 | ¥ 970,924 | **$11,345,188** |
| Other | **171,536** | 165,867 | 163,503 | **2,144,200** |
| | **1,079,151** | 1,112,781 | 1,134,427 | **13,489,388** |
| **Operating costs and expenses** (Notes 6 and 8)**:** | | | | |
| Cost of goods sold | **664,302** | 697,168 | 718,376 | **8,303,775** |
| Selling, general and administrative expenses | **370,847** | 380,511 | 394,956 | **4,635,588** |
| | **1,035,149** | 1,077,679 | 1,113,332 | **12,939,363** |
| Operating income | **44,002** | 35,102 | 21,095 | **550,025** |
| **Other income (expenses):** | | | | |
| Interest and dividend income | **1,171** | 1,265 | 1,482 | **14,638** |
| Interest expenses | **(3,914)** | (4,329) | (4,278) | **(48,925)** |
| Equity in net earnings of affiliates | **311** | 162 | 241 | **3,888** |
| (Loss) gain on sales or disposal of property and equipment | **(994)** | (1,229) | 563 | **(12,425)** |
| Loss on cancellation of lease contracts | **(1,006)** | (1,594) | (1,482) | **(12,575)** |
| Loss on write-down of securities | **(95)** | (554) | (114) | **(1,187)** |
| Impairment loss on fixed assets (Note 2(i)) | **(6,179)** | (9,978) | (14,002) | **(77,238)** |
| Cumulative effect on adoption of accounting standard for asset retirement obligations (Notes 2(p) and 14) | **(8,481)** | — | — | **(106,013)** |
| Loss on disaster | **(2,431)** | — | — | **(30,388)** |
| Settlement package received | **1,532** | — | — | **19,150** |
| Loss on valuation of inventories (Note 2(f)) | **—** | — | (4,072) | **—** |
| Miscellaneous, net | **1,942** | 1,529 | 1,194 | **24,275** |
| | **(18,144)** | (14,728) | (20,468) | **(226,800)** |
| Income before income taxes and minority interests | **25,858** | 20,374 | 627 | **323,225** |
| **Income taxes:** | | | | |
| Current | **12,259** | 8,391 | 6,183 | **153,237** |
| Deferred | **1,242** | 2,264 | (2,459) | **15,525** |
| | **13,501** | 10,655 | 3,724 | **168,762** |
| Income (loss) before minority interests | **12,357** | 9,719 | (3,097) | **154,463** |
| **Minority interests in net income of consolidated subsidiaries** | **4,033** | 3,673 | 1,898 | **50,413** |
| Net income (loss) | **¥ 8,324** | ¥ 6,046 | ¥ (4,995) | **$ 104,050** |
| | | Yen | | U.S. Dollars |
| **Per share** (in yen and U.S. dollars): | | | | |
| Net income (loss) | **¥42.14** | ¥30.61 | ¥(25.28) | **$0.52** |
| Cash dividends | **19.00** | 19.00 | 18.00 | **0.24** |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

UNY CO., LTD. and Consolidated Subsidiaries

| For the Year Ended February 20, 2012 | Millions of Yen 2012 | Thousands of U.S. Dollars 2012 |
|---|---|---|
| **Income before minority interests:** | ¥12,357 | $154,463 |
| **Other comprehensive income (loss)** (Note 15): | | |
| Net changes in unrealized gains on available-for-sale securities | (287) | (3,588) |
| Net changes in deferred gains on hedging instruments | 76 | 950 |
| Net changes in land revaluation decrement | 11 | 138 |
| Net changes in foreign currency translation adjustments | (230) | (2,875) |
| Share of other comprehensive income of affiliates accounted for using equity method | 12 | 150 |
| Total other comprehensive income (loss) | (418) | (5,225) |
| **Comprehensive income** (Note 15) | ¥11,939 | $149,238 |
| | | |
| **Comprehensive income attributable to** (Note 15): | | |
| Owners of the parent | ¥ 7,892 | $ 98,650 |
| Minority interests | 4,047 | 50,588 |

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

UNY CO., LTD. and Consolidated Subsidiaries

| For the Years Ended February 20, 2012, 2011 and 2010 | Number of Common Shares Issued | Common Stock | Capital Surplus | Retained Earnings |
|---|---|---|---|---|
| | | Millions of Yen | | |
| | | Shareholders' Equity | | |
| **Balance at February 20, 2009** | 198,565,821 | ¥10,129 | ¥58,826 | ¥176,811 |
| Net loss | — | — | — | (4,995) |
| Cash dividends | — | — | — | (3,561) |
| Reversal of land revaluation decrement | — | — | — | (93) |
| Change in equity share portion of affiliates | — | — | — | — |
| Decrease in retained earnings through inclusion of additional subsidiaries on consolidation | — | — | — | (1) |
| Effect of changes in accounting policies applied to overseas consolidated subsidiaries | — | — | — | 8 |
| Fractional shares acquired, net | — | — | (1) | — |
| Net changes other than shareholders' equity for the year | — | — | — | — |
| **Balance at February 20, 2010** | 198,565,821 | ¥10,129 | ¥58,825 | ¥168,169 |
| Net income | — | — | — | 6,046 |
| Cash dividends | — | — | — | (3,560) |
| Fractional shares acquired, net | — | — | — | — |
| Net changes other than shareholders' equity for the year | — | — | — | — |
| **Balance at February 20, 2011** | 198,565,821 | ¥10,129 | ¥58,825 | ¥170,655 |
| Net income | **—** | **—** | **—** | **8,324** |
| Cash dividends | **—** | **—** | **—** | **(3,758)** |
| Fractional shares acquired, net | **—** | **—** | **—** | **—** |
| Net changes other than shareholders' equity for the year | **—** | **—** | **—** | **—** |
| **Balance at February 20, 2012** | **198,565,821** | **¥10,129** | **¥58,825** | **¥175,221** |
| | | Thousands of U.S. Dollars | | |
| **Balance at February 20, 2011** | | $126,613 | $735,313 | $2,133,187 |
| Net income | | **—** | **—** | **104,050** |
| Cash dividends | | **—** | **—** | **(46,975)** |
| Fractional shares acquired, net | | **—** | **—** | **—** |
| Net changes other than shareholders' equity for the year | | **—** | **—** | **—** |
| **Balance at February 20, 2012** | | **$126,613** | **$735,313** | **$2,190,262** |

See accompanying Notes to Consolidated Financial Statements.

| | | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Accumulated Other Comprehensive Income (Loss) | | | | | | |
| 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 Other Comprehensive Income (Loss) | Minority Interests | Total Net Assets |
| ¥(1,161) | ¥244,605 | ¥1,379 | ¥(25) | ¥(518) | ¥ (962) | ¥(126) | ¥100,391 | ¥344,870 |
| — | (4,995) | — | — | — | — | — | — | (4,995) |
| — | (3,561) | — | — | — | — | — | — | (3,561) |
| — | (93) | — | — | — | — | — | — | (93) |
| (1) | (1) | — | — | — | — | — | — | (1) |
| — | (1) | — | — | — | — | — | — | (1) |
| — | 8 | — | — | — | — | — | — | 8 |
| (40) | (41) | — | — | — | — | — | — | (41) |
| — | — | 265 | 58 | 93 | (288) | 128 | 91 | 219 |
| ¥(1,202) | ¥235,921 | ¥1,644 | ¥ 33 | ¥(425) | ¥(1,250) | ¥ 2 | ¥100,482 | ¥336,405 |
| — | 6,046 | — | — | — | — | — | — | 6,046 |
| — | (3,560) | — | — | — | — | — | — | (3,560) |
| (2) | (2) | — | — | — | — | — | — | (2) |
| — | — | 465 | (29) | — | (73) | 363 | 1,889 | 2,252 |
| ¥(1,204) | ¥238,405 | ¥2,109 | ¥ 4 | ¥(425) | ¥(1,323) | ¥ 365 | ¥102,371 | ¥341,141 |
| **—** | **8,324** | **—** | **—** | **—** | **—** | **—** | **—** | **8,324** |
| **—** | **(3,758)** | **—** | **—** | **—** | **—** | **—** | **—** | **(3,758)** |
| **(4)** | **(4)** | **—** | **—** | **—** | **—** | **—** | **—** | **(4)** |
| **—** | **—** | **(285)** | **77** | **5** | **(229)** | **(432)** | **2,228** | **1,796** |
| **¥(1,208)** | **¥242,967** | **¥1,824** | **¥ 81** | **¥(420)** | **¥(1,552)** | **¥ (67)** | **¥104,599** | **¥347,499** |

| | | Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|---|---|
| $(15,050) | $2,980,063 | $26,363 | $ 50 | $(5,313) | $(16,537) | $4,563 | $1,279,637 | $4,264,263 |
| **—** | **104,050** | **—** | **—** | **—** | **—** | **—** | **—** | **104,050** |
| **—** | **(46,975)** | **—** | **—** | **—** | **—** | **—** | **—** | **(46,975)** |
| **(50)** | **(50)** | **—** | **—** | **—** | **—** | **—** | **—** | **(50)** |
| **—** | **—** | **(3,563)** | **963** | **63** | **(2,863)** | **(5,400)** | **27,850** | **22,450** |
| **$(15,100)** | **$3,037,088** | **$22,800** | **$1,013** | **$(5,250)** | **$(19,400)** | **$ (837)** | **$1,307,487** | **$4,343,738** |

## 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, 2012, 2011 and 2010 | **2012** | 2011 | 2010 | **2012** |
| **Cash flows from operating activities:** | | | | |
| Income before income taxes and minority interests | **¥ 25,858** | ¥ 20,374 | ¥ 627 | **$ 323,225** |
| Adjustments for: | | | | |
| Depreciation | **31,825** | 31,714 | 31,829 | **397,813** |
| Impairment loss on fixed assets | **6,179** | 9,978 | 14,002 | **77,238** |
| Loss (gain) on sales or disposal of property and equipment | **994** | 1,229 | (563) | **12,425** |
| Net decrease in employee retirement benefit liability | **(128)** | (1,020) | (379) | **(1,600)** |
| Changes in operating assets and liabilities: | | | | |
| Trade receivables | **(4,819)** | (9,098) | 5,292 | **(60,238)** |
| Inventories | **251** | 2,331 | 8,875 | **3,138** |
| Trade payables | **(20,448)** | (2,052) | 15,727 | **(255,600)** |
| Other, net | **14,995** | 14,605 | (3,483) | **187,437** |
| Subtotal | **54,707** | 68,061 | 71,927 | **683,838** |
| Interest and dividends received | **957** | 998 | 1,170 | **11,963** |
| Interest paid | **(4,285)** | (4,217) | (3,794) | **(53,563)** |
| Income taxes paid | **(9,220)** | (4,377) | (11,382) | **(115,250)** |
| Net cash provided by operating activities | **42,159** | 60,465 | 57,921 | **526,988** |
| **Cash flows from investing activities:** | | | | |
| Property and equipment: | | | | |
| Purchases | **(27,425)** | (31,573) | (53,089) | **(342,813)** |
| Proceeds from sales | **556** | 654 | 2,907 | **6,950** |
| Lease deposits made | **(2,321)** | (2,573) | (3,159) | **(29,013)** |
| Lease deposits repaid | **6,481** | 8,348 | 7,361 | **81,013** |
| Net (increase) decrease in short-term investments and investment securities | **(1,063)** | 1,453 | 795 | **(13,287)** |
| Other, net | **3,120** | 10,043 | 4,852 | **39,000** |
| Net cash used in investing activities | **(20,652)** | (13,648) | (40,333) | **(258,150)** |
| **Cash flows from financing activities:** | | | | |
| Increase in long-term debt | **40,900** | 14,500 | 53,600 | **511,250** |
| Repayment of long-term debt | **(49,679)** | (36,542) | (23,274) | **(620,988)** |
| Increase (decrease) in short-term borrowings | **30,897** | 409 | (42,543) | **386,213** |
| Net decrease in guarantee deposits from tenants | **(2,024)** | (1,915) | (1,724) | **(25,300)** |
| Dividends paid to shareholders | **(3,758)** | (3,560) | (3,561) | **(46,975)** |
| Dividends paid to minority shareholders | **(1,807)** | (1,803) | (1,815) | **(22,588)** |
| Other, net | **(3,117)** | (1,958) | (1,132) | **(38,962)** |
| Net cash provided by (used in) financing activities | **11,412** | (30,869) | (20,449) | **142,650** |
| Effect of exchange rate changes on cash and cash equivalents | **(230)** | (57) | (283) | **(2,875)** |
| Net increase (decrease) in cash and cash equivalents | **32,689** | 15,891 | (3,144) | **408,613** |
| Cash and cash equivalents at beginning of year | **107,669** | 91,778 | 94,733 | **1,345,862** |
| Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation | **—** | — | 189 | **—** |
| Cash and cash equivalents at end of year | **¥140,358** | ¥107,669 | ¥91,778 | **$1,754,475** |

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 (IFRS).

Prior to the year ended February 20, 2009, the accounts of the Company's overseas consolidated subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2(a), the accounts of the consolidated overseas subsidiaries from the year ended February 20, 2010 have been prepared in accordance with IFRS, with adjustments for the specified six items as applicable. 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, 2012, which was ¥80 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.

In preparing these consolidated financial statements, certain reclassifications were made to the original Japanese consolidated financial statements in order to present them in a form that would be more familiar to readers outside Japan. In addition, 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 and amortized on a straight-line basis over the period from five years to twenty years on a straight-line basis. The negative goodwill resulting from the acquisition, measured by the excess of the underlying equity in the net assets over the acquisition cost, is credited to income, except for those resulting from acquisitions incurred before April 1, 2010, which are amortized over five years. The negative goodwill of ¥1,233 million ($15,413 thousand) and ¥2,018 million at February 20, 2012 and 2011, respectively, was included in other long-term liabilities in the accompanying consolidated balance sheets. 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 a 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, 2012, 2011 and 2010, 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 nine, eight and seven, respectively.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 20, 2012, 2011 and 2010 was as follows:

| | **2012** | 2011 | 2010 |
|---|---|---|---|
| Consolidated subsidiaries: | | | |
| Domestic | **21** | 20 | 20 |
| Overseas | **1** | 1 | 2 |
| Unconsolidated subsidiaries and affiliates, accounted for by the equity method | **1** | 1 | 2 |
| Unconsolidated subsidiaries, stated at cost | **12** | 11 | 11 |
| Affiliates, stated at cost | **10** | 12 | 13 |

The Company has adopted the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18") from the year ended February 20, 2010. PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare its consolidated financial statements using the overseas subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"). In this case, adjustments for the following six items are required in the consolidation process so that the impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adoption of PITF No. 18 effective February 21, 2009, retained earnings at February 21, 2009 was increased by ¥8 million.

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, net of applicable income taxes, are reported as other comprehensive income. 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 and currency swaps 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.

**(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**

The Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", effective from the year ended February 20, 2010. The Company and its consolidated domestic subsidiaries previously stated inventories at cost, determined principally by the retail method. Fresh foods are stated at cost, determined by the last purchase price.

The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. As a result of the adoption of ASBJ Statement No. 9, operating income was ¥367 million less and income before income taxes and minority interests ¥4,439 million less for the year ended February 20, 2010, than the amounts that would have been recorded under the previous accounting method.

**(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.

**(h) Leases**

Effective from the year ended February 20, 2010, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard requires that all finance lease transactions be accounted for in a manner similar to that used for ordinary sale and purchase transactions. Prior to February 21, 2009, the Company and its domestic consolidated subsidiaries had accounted for finance leases that did not transfer ownership of the leased property to the lessee with accounting treatment similar to that used for operating lease transactions, with the disclosure of certain "as if capitalized" information as permitted by the previous account standard.

The effect of the adoption of the revised accounting standard on the balance sheet as of February 20, 2010 was to increase other current assets and leased assets by ¥281 million and ¥11,573 million, respectively, and to increase other current liabilities and long-term debt, less current portions by ¥1,401 million and ¥6,056 million, respectively, compared to the amounts that would have been recorded without the adoption of the revised standards.

(Accounting for leases as lessee)

Effective from the year ended February 20, 2010, the Company and its domestic consolidated subsidiaries capitalize the assets used under finance leases that commenced on and after February 21, 2009, except for certain immaterial or short-term finance leases which are accounted for as operating leases in accordance with the revised standard. Depreciation of leased assets capitalized in finance lease transactions is computed by the straight-line method over the lease term as the useful life with the assumption of no residual value. As permitted, finance leases which commenced prior to February 21, 2009 and have been accounted for with accounting treatment similar to that used for operating leases continue to be accounted for with accounting treatment similar to that used for operating leases with the disclosure of certain "as if capitalized" information.

(Accounting for leases as lessor)

Effective from the year ended February 20, 2010, a certain consolidated subsidiary engaged primarily in leasing operations as lessor recognizes "lease investments assets" for finance leases that do not transfer ownership of the leased assets to the lessee, in a manner similar to the accounting treatment for ordinary sale transactions. The "lease investments assets" account was presented as current assets in the accompanying consolidated balance sheets. The total amount equivalent to interest is allocated over the lease term and the consolidated subsidiary recognizes it as income at the due date of each lease payment as permitted by the revised standard. With the respect to finance leases which commenced prior to February 21, 2009, the appropriate book value of fixed assets, net of accumulated depreciation, as of February 20, 2009, was recognized as the value of the lease investment assets at the beginning of the year ended February 20, 2010. Interest revenue from these finance lease contracts is calculated by the straight-line method over the remaining lease period, instead of using the interest method as the principal method of the revised accounting standard. Prior to February 21, 2009, the consolidated subsidiary accounted for all lease contracts with accounting treatment similar to that used for operating leases as permitted by the previous accounting standard, and, as lessor, the leased assets were recorded at cost and depreciated by the straight-line method over the term of the lease to the amount equivalent to the estimated disposal value at the lease termination date.

**(i) Accounting standard for impairment of fixed assets**

The Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" and the related practical guidance. 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. According to the standard, 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 levels 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 whether an asset is impaired by comparing the undiscounted expected cash flow to the carrying amount in the accounting records. An impairment loss is recognized if the undiscounted expected cash flow is less than the carrying amount of the asset. The recoverable amount of an asset was measured based on the net selling price primarily from appraisal valuation or operating cash flow discounted by the applicable interest rate. The discount rates for the years ended February 20, 2012, 2011 and 2010 ranged from 2.1% to 3.6%, from 2.3% to 4.1% and from 2.7% to 5.0%, respectively.

For the years ended February 20, 2012, 2011 and 2010, the UNY Group recognized impairment losses on fixed assets as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Superstores, convenience stores, specialty stores and other property | **¥6,157** | ¥9,970 | ¥13,335 | **$76,963** |
| Idle property | **22** | 8 | 667 | **275** |
| Total | **¥6,179** | ¥9,978 | ¥14,002 | **$77,238** |

**(j) Revaluation of land**

In accordance with the Law Concerning Revaluation of Land in 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, an 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 land revaluation decrement account in other comprehensive income in the accompanying consolidated balance sheets. At February 20, 2012 and 2011, the difference between the carrying value of land used for business after reassessment over the market value of the land at the respective fiscal year-end amounted to ¥551 million ($6,888 thousand) and ¥512 million, respectively.

**(k) Employee retirement benefits**

Employees who terminate their service with the UNY Group are entitled to retirement benefits determined generally 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 the 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 arising from changes in the projected benefit obligation or the value of pension plan assets resulting from the actuality being different from what was assumed or from changes in the assumptions themselves, 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.

Effective from the fiscal year ended February 20, 2011, the Company and its consolidated domestic subsidiaries adopted ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The revised accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no impact on the consolidated financial statements for the year ended February 20, 2011.

**(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. 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, 2012 and 2011, the unpaid portion of these severance indemnity benefits, ¥127 million ($1,588 thousand) and ¥142 million, respectively, was included in other current or long-term liabilities in the accompanying consolidated balance sheets.

**(m) Accounting for allowance for loss on interest repayments**

An allowance for loss on interest repayments is provided by one of the consolidated subsidiaries engaged in financial services based on anticipated losses taking into consideration the historical repayment of claims of customers seeking the refund of interest that exceeded the upper limit for interest rates prescribed under the Interest Rate Restriction Law of Japan. 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" (Audit Practice Committee Report No. 37, issued," which was issued by the Japanese Institute of Certified Public Accountants on October 13, 2006) to clarify the guidelines for calculating the allowance for loss on interest repayments and a reasonable period for estimation. An allowances of ¥2,217 million ($27,713 thousand) and ¥3,175 million at February 20, 2012 and 2011, respectively, were included in other long-term liabilities in the accompanying consolidated balance sheets.

**(n) Allowance for sales promotion**

Certain consolidated subsidiaries grant points to customers as member card-holders 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, 2012, 2011 and 2010, two consolidated subsidiaries have provided an allowance for sales promotions based on the estimates at the fiscal year-end under the point card system. Allowances of ¥1,085 million ($13,563 thousand) and ¥922 million at February 20, 2012 and 2011, respectively, were included in other current liabilities in the accompanying consolidated balance sheets.

**(o) Provisions**

For the years ended February 20, 2010, two consolidated subsidiaries recorded a provision of ¥156 million for an allowance for future losses on business restructuring, including for items such as the close-down of stores, the disposal of inventory and discontinued operations, based on its best estimates. At February 20, 2012 and 2011, no provision was recorded, as such provision was reversed during the year ended February 20, 2011.

**(p) Accounting changes**

(Accounting change for commissions)

Until the year ended February 20, 2009, the UNY Group had recorded commissions received from suppliers for outsourced delivery services as "Other" in operating revenue. With the integration of logistic centers to improve transportation efficiency, the UNY Group decided to record such commissions as a deduction from expenses relating to delivery center operations included in selling, general and administrative expenses to further clarify their relationship with expenses, effective from the year ended February 20, 2010. As a result of this change, for the year ended February 20, 2010, operating revenue and operating costs and expenses decreased by ¥1,617 million, respectively, in comparison with what would have been recorded under the previous accounting policy. However, this change had no impact on operating income.

(Adoption of accounting standards for asset retirement obligations)

Effective from the fiscal year ended February 20, 2012, the Company and its domestic consolidated subsidiaries have adopted ASBJ Statement No. 18, "Accounting Standards for Asset Retirement Obligations," and "Guidance on Accounting Standards for Assets Retirement Obligations." As a result of adoption of these standards, operating income and income before income taxes and minority interests were ¥537 million ($6,713 thousand) and ¥8,717 million ($108,963 thousand) less, respectively, for the year ended February 20, 2012 than the amounts that would have been recorded without change. The cumulative effect at the beginning of the year ended February 20, 2012 was recorded as other expenses in the accompanying consolidated statements of operations and the balance of the asset retirement obligations at the beginning of the year ended February 20, 2012 amounted to ¥13,087 million ($163,588 thousand).

**(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 prevailing at the fiscal year-end. Transactions in foreign currencies are recorded based on 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 other comprehensive income in the accompanying consolidated balance sheets.

**(r) 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 promulgation date.

**(s) 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).

**(t) 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.

**(u) Per share data**

Net income (loss) per share is computed by dividing income/loss 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 years ended February 20, 2012, 2011 and 2010. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared as applicable to the respective year.

**(v) Comprehensive income**

Effective from the year ended February 20, 2012, the Company adopted ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income", and revised ASBJ Statement No. 22, "Revised

Accounting Standard for Consolidated Financial Statements." As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended February 20, 2012. The consolidated balance sheet as of February 20, 2011 and the consolidated statements of changes in net assets for the years ended February 20, 2011 and 2010 have been modified to conform with the new presentation rules of 2012.

## 3. FINANCIAL INSTRUMENTS

Effective from the fiscal year ended February 20, 2011, the UNY Group adopted the revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", and the revised ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments." Information on financial instruments for the years ended February 20, 2012 and 2011, required pursuant to the revised accounting standards, is set forth below.

**(1) Qualitative information on financial instruments**
**(a) Policy for financial instruments**

The UNY Group has a policy of raising funds primarily through borrowings, commercial paper, bonds and securitized receivables from banks and other financial institutions and to invest its cash surplus, if any, in low-risk, highly liquid financial instruments. Derivative transactions are used for the purpose of hedging against the risk of future fluctuations in trade accounts payable denominated in foreign currencies and fluctuations in interest rates on borrowings. The UNY Group does not hold any derivative transactions for speculative purposes.

**(b) Financial instruments and risk management**

The UNY Group is exposed to credit risk principally with respect to receivables. In order to reduce the credit risk associated with these receivables, the UNY Group assesses prospective debtors' creditworthiness and performs credit management based on internal rules. Surplus cash is generally invested in low-risk financial instruments. The UNY Group holds the securities of certain entities with which the companies do business, and this exposes them to the risk of market price fluctuation. The UNY Group regularly monitors the financial status of the issuers and the fair value of the instruments in order to mitigate the risk.

The leases to which companies are lessees generally require deposits that expose them to loss if the lessor defaults. In order to reduce the risk of default, payment dates and deposit balances are strictly managed and the financial condition of the lessor is monitored.

Payables such as trade notes and accounts payable are generally due within one year. A portion of the trade accounts are denominated in foreign currencies and exposed to the risk of fluctuations in the value of currencies. To reduce the risk, foreign exchange forward contracts are entered into.

Short-term borrowings are used mainly to finance operating activities, and long-term debt for capital investment. Borrowings with variable interest rates expose the UNY Group to the risks associated with the fluctuation in the interest rates. In connection with some of these borrowings, interest rate swap contracts are entered into with the object of controlling the risk of interest rate fluctuation. A subsidiary providing financial services manages its liquidity risk by employing a number of procurement methods, securing commitment lines from multiple financial institutions and maintaining a balance of short-term and long-term financing that is adjusted to reflect the market environment.

Guarantee deposits from tenants are related mainly to store lease agreements with tenants and are paid back in installments or in a one-time payment for the store lease agreements period.

**(c) Supplemental information on fair value**

The fair value of financial instruments includes values based on market prices as well as reasonable estimates when market prices are not available. Since certain assumptions are used in the computation of the reasonable estimates, the result may be different if alternative assumptions are used.

**(2) Fair values of financial instruments**

The fair and carrying values of the financial instruments included in the consolidated balance sheets at February 20, 2012 and 2011, other than those for which the fair value was extremely difficult to determine, are set forth in the table below.

| | Millions of Yen | | |
|---|---|---|---|
| | Carrying Value | Fair Value | Difference |
| At February 20, 2012: | | | |
| Financial assets: | | | |
| (1) Cash and cash equivalents | ¥140,358 | ¥140,358 | ¥ — |
| (2) Trade notes and accounts receivable | 62,126 | | |
| Less allowance for doubtful accounts[*1] | (3,251) | | |
| Less deferred installment income | (96) | | |
| | 58,779 | 58,837 | 58 |
| (3) Short-term investments | 2,310 | 2,310 | — |
| (4) Short-term loans | 20,475 | | |
| Less allowance for doubtful accounts [*1] | (179) | | |
| | 20,296 | 20,355 | 59 |
| (5) Investment securities | | | |
| Listed affiliate's stocks | 6,817 | 6,948 | 131 |
| Available-for-sale securities | 8,998 | 8,998 | — |
| (6) Lease deposits, including current portion | 78,852 | | |
| Less allowance for doubtful accounts | (431) | | |
| | 78,421 | 76,042 | (2,379) |
| Total | ¥315,979 | ¥313,848 | ¥(2,131) |
| Financial liabilities: | | | |
| (1) Trade notes and accounts payable | ¥ 89,187 | ¥ 89,187 | ¥ — |
| (2) Short-term borrowings | 5,391 | 5,391 | — |
| (3) Commercial paper | 59,500 | 59,500 | — |
| (4) Bank loans, including current portion | 255,217 | 259,490 | 4,273 |
| (5) Guarantee deposits from tenants, including current portion | 15,377 | 15,018 | (359) |
| Total | ¥424,672 | ¥428,586 | ¥ 3,914 |
| Derivative transactions | ¥ 136 | ¥ 136 | ¥ — |

| | Millions of Yen | | |
|---|---|---|---|
| | Carrying Value | Fair Value | Difference |
| At February 20, 2011: | | | |
| Financial assets: | | | |
| (1) Cash and cash equivalents | ¥107,669 | ¥107,669 | ¥ — |
| (2) Trade notes and accounts receivable | 57,308 | | |
| Less allowance for doubtful accounts*1 | (4,511) | | |
| Less deferred installment income | (97) | | |
| | 52,700 | 52,775 | 75 |
| (3) Short-term investments | 1,131 | 1,131 | — |
| (4) Short-term loans | 28,422 | | |
| Less allowance for doubtful accounts *1 | (176) | | |
| | 28,246 | 28,246 | — |
| (5) Investment securities | | | |
| Listed affiliate's stocks | 6,611 | 6,952 | 341 |
| Available-for-sale securities | 9,505 | 9,505 | — |
| (6) Lease deposits, including current portion | 87,761 | | |
| Less allowance for doubtful accounts | (504) | | |
| | 87,257 | 84,352 | (2,905) |
| Total | ¥293,119 | ¥290,630 | ¥(2,489) |
| Financial liabilities: | | | |
| (1) Trade notes and accounts payable | ¥109,218 | ¥109,218 | ¥ — |
| (2) Short-term borrowings | 7,494 | 7,494 | — |
| (3) Commercial paper | 26,500 | 26,500 | — |
| (4) Bank loans, including current portion | 263,960 | 268,549 | 4,589 |
| (5) Guarantee deposits from tenants, including current portion | 17,920 | 17,697 | (223) |
| Total | ¥425,092 | ¥429,458 | ¥ 4,366 |
| Derivative transactions | ¥ — | ¥ — | ¥ — |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | Carrying Value | Fair Value | Difference |
| At February 20, 2012: | | | |
| Financial assets: | | | |
| (1) Cash and cash equivalents | **$1,754,475** | **$1,754,475** | **$ —** |
| (2) Trade notes and accounts receivable | **776,575** | | |
| Less allowance for doubtful accounts*1 | **(40,637)** | | |
| Less deferred installment income | **(1,200)** | | |
| | **734,738** | **735,463** | **725** |
| (3) Short-term investments | **28,875** | **28,875** | **—** |
| (4) Short-term loans | **255,938** | | |
| Less allowance for doubtful accounts *1 | **(2,238)** | | |
| | **253,700** | **254,437** | **737** |
| (5) Investment securities | | | |
| Listed affiliate's stocks | **85,212** | **86,850** | **1,638** |
| Available-for-sale securities | **112,475** | **112,475** | **—** |
| (6) Lease deposits, including current portion | **985,650** | | |
| Less allowance for doubtful accounts | **(5,387)** | | |
| | **980,263** | **950,525** | **(29,738)** |
| Total | **$3,949,738** | **$3,923,100** | **$(26,638)** |
| Financial liabilities: | | | |
| (1) Trade notes and accounts payable | **$1,114,837** | **$1,114,837** | **$ —** |
| (2) Short-term borrowings | **67,388** | **67,388** | **—** |
| (3) Commercial paper | **743,750** | **743,750** | **—** |
| (4) Bank loans, including current portion | **3,190,212** | **3,243,625** | **53,413** |
| (5) Guarantee deposits from tenants, including current portion | **192,213** | **187,725** | **(4,488)** |
| Total | **$5,308,400** | **$5,357,325** | **$ 48,925** |
| Derivative transactions | **$ 1,700** | **$ 1,700** | **$ —** |

*1 Allowance for doubtful accounts earmarked for trade notes, trade accounts and short-term loans are deducted from the carrying amount.

**Notes**

**(a) The calculation methods for fair value of financial instruments, securities and derivative transactions are summarized as follows:**

Assets:

(1) Cash and cash equivalents and (3) Short-term investments

The carrying value is deemed to approximate the fair value since such instruments are scheduled to be settled in a short period of time. The fair value is determined by the quoted price obtained from the relevant financial institution.

(2) Trade notes and accounts receivable and (4) Short-term loans

The fair value of trade notes and accounts receivable with short-term settlements and those associated with entities going bankrupt or potentially bankrupt are determined by deducting the relevant estimated credit loss from the carrying value, which is deemed to approximate the fair value. The fair value of trade accounts relating to the financial services business is calculated by discounting the sum of future interest and principal using the rates that would apply to similar new contracts at the balance sheet date.

(5) Investment securities

The fair values of stocks and bonds are based on prices listed on stock exchanges or prices presented by the counterparty financial institutions.

(6) Lease deposits, including current portion

The fair value of a lease deposit is the present value calculated by discounting the future collectable cash flow, using the risk-free rate based on treasury bonds.

Liabilities:

(1) Trade notes and accounts payable, (2) Short-term borrowings and (3) Commercial paper

The book value is deemed to approximate the fair value since such instruments are scheduled to be settled in a short period of time.

(4) Bank loans, including the current portion

The fair value of a bank loan is calculated by discounting the sum of principal and interest by the rate which would be expected to be used if a new loan were borrowed under similar circumstances. The fair value of a bank loan with a variable interest rate subject to special treatment for interest rate swaps is calculated by discounting the sum of the principal amount together with the corresponding interest rate swap contract by a reasonably-estimated rate.

(5) Guarantee deposits from tenants, including the current portion

The fair value of a guarantee deposits is calculated by discounting the sum of the principal and interest by the risk-free rate based on treasury bonds.

Derivatives:

See Note 10, "Derivative Financial Instruments."

**(b) The following were not included in the tables above because the fair value was extremely difficult to determine:**

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Unlisted stocks | **¥ 696** | ¥ 704 | **$ 8,700** |
| Unconsolidated subsidiaries' and affiliates' stocks | **621** | 528 | **7,763** |
| Lease deposits | **39,263** | 41,163 | **490,788** |
| Guarantee deposits from tenants | **38,483** | 38,508 | **481,038** |

These items were not included in the tables because it was impractical to determine the fair value as they had no quoted market price and the future cash flow could not be estimated.

**(c) The redemption schedule for financial assets at February 20, 2012 and 2011 is as follows:**

| | Millions of Yen | | |
|---|---|---|---|
| | Due within One Year | Due after One Year through Five Years | Due after Five Years |
| At February 20, 2012: | | | |
| Cash and deposits | **¥127,659** | **¥ —** | **¥ —** |
| Trade notes and accounts receivable | **46,349** | **9,326** | **1,005** |
| Short-term loans | **9,293** | **10,470** | **705** |
| Investment securities | | | |
| Held-to-maturity bonds | **—** | **495** | **50** |
| Lease deposits | **11,210** | **35,245** | **32,397** |
| Total | **¥194,511** | **¥55,536** | **¥34,157** |

| | Millions of Yen | | |
|---|---|---|---|
| | Due within One Year | Due after One Year through Five Years | Due after Five Years |
| At February 20, 2011: | | | |
| Cash and deposits | ¥100,772 | ¥ — | ¥ — |
| Trade notes and accounts receivable | 41,468 | 8,215 | 816 |
| Short-term loans | 12,024 | 15,172 | 1,219 |
| Investment securities | | | |
| Held-to-maturity bonds | — | 200 | 50 |
| Lease deposits | 11,373 | 38,038 | 38,350 |
| Total | ¥166,637 | ¥61,625 | ¥40,435 |
| | Thousands of U.S. Dollars | | |
| At February 20, 2012: | | | |
| Cash and deposits | **$1,595,738** | **$ —** | **$ —** |
| Trade notes and accounts receivable | **579,363** | **116,575** | **12,563** |
| Short-term loans | **116,162** | **130,875** | **8,813** |
| Investment securities | | | |
| Held-to-maturity bonds | **—** | **6,188** | **625** |
| Lease deposits | **140,125** | **440,562** | **404,962** |
| Total | **$2,431,388** | **$694,200** | **$426,963** |

**(d) The redemption schedule for bank loans at February 20, 2012 and 2011 is as follows:**

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Due within One Year | Due after 1 Year through 2 Years | Due after 2 Years through 3 Years | Due after 3 Years through 4 Years | Due after 4 Years through 5 Years | Due after 5 Years |
| Long-term debt: | | | | | | |
| As of February 20, 2012 | **¥65,908** | **¥63,938** | **¥72,228** | **¥15,654** | **¥29,489** | **¥8,000** |
| As of February 20, 2011 | 49,555 | 65,758 | 59,788 | 72,078 | 15,504 | 1,277 |
| | Thousands of U.S. Dollars | | | | | |
| Long-term debt: | | | | | | |
| As of February 20, 2012 | **$823,850** | **$799,225** | **$902,850** | **$195,675** | **$368,613** | **$100,000** |

## 4. INVESTMENTS

At February 20, 2012 and 2011, short-term investments consisted of time deposits with an original maturity of more than three months.

At February 20, 2012 and 2011, investment securities consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Marketable securities: | | | |
| Equity securities | **¥8,418** | ¥ 9,216 | **$105,225** |
| Bonds | **534** | 236 | **6,675** |
| Others | **46** | 53 | **575** |
| | **8,998** | 9,505 | **112,475** |
| Other nonmarketable securities | **766** | 782 | **9,575** |
| | **¥9,764** | ¥10,287 | **$122,050** |

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, 2012 and 2011 are summarized as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair and Carrying Value |
| At February 20, 2012: | | | | |
| Marketable securities: | | | | |
| Equity securities | **¥5,719** | **¥3,128** | **¥(429)** | **¥8,418** |
| Bonds | **550** | **—** | **(16)** | **534** |
| Others | **49** | **—** | **(3)** | **46** |
| | **¥6,318** | **¥3,128** | **¥(448)** | **¥8,998** |
| At February 20, 2011: | | | | |
| Marketable securities: | | | | |
| Equity securities | ¥5,761 | ¥3,699 | ¥(244) | ¥9,216 |
| Bonds | 250 | — | (14) | 236 |
| Others | 49 | 4 | — | 53 |
| | ¥6,060 | ¥3,703 | ¥(258) | ¥9,505 |
| | Thousands of U.S. Dollars | | | |
| At February 20, 2012: | | | | |
| Marketable securities: | | | | |
| Equity securities | **$71,488** | **$39,100** | **$(5,363)** | **$105,225** |
| Bonds | **6,875** | **—** | **(200)** | **6,675** |
| Others | **612** | **—** | **(37)** | **575** |
| | **$78,975** | **$39,100** | **$(5,600)** | **$112,475** |

During the years ended February 20, 2012, 2011 and 2010, the UNY Group recorded a loss on the write-down of available-for-sale securities due to other-than-temporary impairment in value amounting to ¥37 million ($463 thousand), ¥75 million and ¥114 million, respectively.

At February 20, 2012 and 2011, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Investments accounted for by the equity method for one significant affiliate and at cost for others | **¥7,438** | ¥7,138 | **$92,975** |
| Interest bearing long-term loans | **479** | 433 | **5,988** |
| | **¥7,917** | ¥7,571 | **$98,963** |

## 5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at February 20, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Short-term unsecured bank loans with interest rates ranging from 0.18% to 0.84% per annum at February 20, 2012 | **¥ 5,391** | ¥ 7,494 | **$67,387** |
| Commercial paper at interest rates ranging from 0.114% to 0.119% per annum at February 20, 2012 | **59,500** | 26,500 | **743,750** |
| | **¥64,891** | ¥33,994 | **$811,137** |

At February 20, 2012 and 2011, long-term debt consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Loans principally from banks and insurance companies due through 2019 at interest rates ranging from 0.445% to 2.9% per annum at February 20, 2012: | | | |
| Collateralized | **¥ 882** | ¥ 1,380 | **$ 11,025** |
| Unsecured | **254,335** | 262,580 | **3,179,188** |
| Capitalized lease obligations | **15,596** | 11,394 | **194,950** |
| | **270,813** | 275,354 | **3,385,163** |
| Less current maturities | **(69,483)** | (51,850) | **(868,538)** |
| | **¥201,330** | ¥223,504 | **$2,516,625** |

The aggregate annual maturities of long-term debt at February 20, 2012 are summarized as follows:

| Years ending February 20, | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥ 69,483 | $ 868,538 |
| 2014 | 67,554 | 844,425 |
| 2015 | 75,898 | 948,725 |
| 2016 | 18,254 | 228,175 |
| 2017 | 30,809 | 385,113 |
| Thereafter | 8,815 | 110,187 |
| | ¥270,813 | $3,385,163 |

Certain assets of the UNY Group that were pledged as collateral for long-term debt at February 20, 2012 and 2011 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Buildings and structures | **¥3,343** | ¥4,408 | **$41,788** |

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 or the years ended February 20, 2012, 2011 and 2010:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Projected benefit obligation | **¥77,368** | ¥77,937 | **$967,100** |
| Fair value of pension plan assets at end of year | **(67,641)** | (67,823) | **(845,513)** |
| Projected benefit obligation in excess of pension plan assets | **9,727** | 10,114 | **121,587** |
| Less unrecognized transitional provision | **(67)** | (83) | **(837)** |
| Less unrecognized actuarial differences (loss) | **(13,704)** | (13,757) | **(171,300)** |
| Unrecognized past service costs | **3,314** | 4,584 | **41,425** |
| | **(730)** | 858 | **(9,125)** |
| Prepaid pension cost | **2,199** | 700 | **27,488** |
| Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets | **¥ 1,469** | ¥ 1,558 | **$ 18,363** |

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Components of net periodic retirement benefit expense: | | | | |
| Service cost | **¥3,143** | ¥3,060 | ¥3,050 | **$39,288** |
| Interest cost | **1,530** | 1,557 | 1,616 | **19,125** |
| Expected return on pension plan assets | **(2,346)** | (2,379) | (2,266) | **(29,325)** |
| Transitional provision | **17** | 17 | 17 | **212** |
| Amortization of actuarial differences | **3,971** | 4,160 | 4,757 | **49,638** |
| Amortization of past service costs | **(1,270)** | (1,317) | (1,340) | **(15,875)** |
| Net periodic retirement benefit expense | **¥5,045** | ¥5,098 | ¥5,834 | **$63,063** |

Major assumptions used in the calculation of the above information for the years ended February 20, 2012, 2011 and 2010 were as follows:

| | **2012** | 2011 | 2010 |
|---|---|---|---|
| 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%~3.5%** | 2.0%~3.8% | 2.0%~4.0% |
| Amortization period of past service costs | **5 to 10 years** | 5 to 10 years | 5 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

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 Japanese Corporate Law ("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, 2012 and 2011, respectively, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥2,532 million ($31,650 thousand) at both February 20, 2012 and 2011.

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 17, 2012, the shareholders approved cash dividends amounting to ¥1,978 million ($24,725 thousand). The appropriation has not been accrued in the consolidated financial statements as of February 20, 2012 as such appropriations 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 a term of 20 years, with annual rental charges negotiated every two or three years. Under such lease agreements, lease deposits are required and 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 three-to twenty-year' noncancelable lease agreements. As disclosed in Note 2(h), as lessee, finance lease transactions which did not transfer ownership of the leased assets to the lessee and which commenced prior to February 21, 2009 were accounted for by accounting treatment similar to that used for operating leases. If the leased property of the UNY Group had been capitalized for such finance lease contracts, the related accounts would have been increased (decreased) at February 20, 2012 and 2011 as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Property and equipment, net of accumulated depreciation*1 | **¥ 9,673** | ¥14,830 | **$120,912** |
| Lease obligations as liabilities*2 | **11,458** | 17,180 | **143,225** |
| Allowance for impairment loss on leased property | **(891)** | (1,306) | **(11,138)** |
| Net effect on retained earnings at year-end | **¥ (894)** | ¥ (1,044) | **$ (11,175)** |

*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, 2012 and 2011, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Financing leases as lessee: | | | |
| Due within one year | **¥ 5,151** | ¥ 5,830 | **$ 64,387** |
| Due after one year | **6,307** | 11,350 | **78,838** |
| | **¥ 11,458** | ¥ 17,180 | **$ 143,225** |
| Operating leases as lessee: | | | |
| Due within one year | **¥ 14,067** | ¥ 15,216 | **$ 175,838** |
| Due after one year | **86,707** | 99,699 | **1,083,837** |
| | **¥100,774** | ¥114,915 | **$1,259,675** |

Gross rental and lease expense, consisting of minimum rental payments for all operating leases and financing leases, for the years ended February 20, 2012, 2011 and 2010 was ¥95,854 million ($1,198,175 thousand), ¥99,448 million and ¥103,157 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 operations 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. These lease investment assets at February 20, 2012 and 2011 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Future lease receivables | **¥293** | ¥280 | **$3,663** |
| Estimated residual values | **32** | 41 | **400** |
| Unearned imputed interest income | **(61)** | (67) | **(763)** |
| Lease investment assets included in other receivables | **¥264** | ¥254 | **$3,300** |

The aggregate annual maturities of these lease receivables as of February 20, 2012 were as follows:

| Years ending February 20, | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥100 | $1,250 |
| 2014 | 81 | 1,013 |
| 2015 | 59 | 737 |
| 2016 | 35 | 438 |
| 2017 | 18 | 225 |
| | ¥293 | $3,663 |

The aggregate future minimum lease commitments to be received for noncancelable operating lease agreements at February 20, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Operating leases as lessor: | | | |
| Due within one year | **¥186** | ¥151 | **$2,325** |
| Due after one year | **289** | 223 | **3,613** |
| | **¥475** | ¥374 | **$5,938** |

## 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, 2012 and 2011 amounted to ¥802,327 million ($10,029,088 thousand) and ¥836,750 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, 2012 and 2011, the UNY Group was contingently liable for guarantees of the indebtedness of affiliates, franchisees and others in the amount of ¥3,813 million ($47,663 thousand) and ¥3,938 million, respectively.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

The UNY Group is a party to derivative financial instruments such as foreign currency exchange forward contracts and interest rate swap 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. In connection with these instruments, the UNY Group is exposed to the risk of credit loss in the event of nonperformance by a counterparty. However, the UNY Group does not expect nonperformance by the counterparties to the derivative transactions because the way Group' use of counterparties is limited to major banks with relatively high credit ratings. At February 20, 2012 and 2011, all outstanding derivative financial instruments were accounted for by hedge accounting.

Derivative transactions to which hedge accounting is applied at February 20, 2012 and 2011 were as follows:

(1) Currency related transactions

| | Millions of Yen | | |
|---|---|---|---|
| | Contract Amount | | Fair Value |
| | Total | Due after One Year | |
| At March 31, 2012: | | | |
| Derivatives accounted for by deferral hedge accounting: | | | |
| Forward contracts to buy US dollars | **¥ 3,284** | **¥ —** | **¥131** |
| Currency options to sell US dollars | **344** | **—** | **—** |
| Currency options to buy US dollars | **344** | | **5** |
| Derivatives, accounted for by method translating to assign to the related liabilities: | | | |
| Forward contracts to buy US dollars | **19** | **—** | *2 |
| Currency swaps—receipt: US dollars/ payment: Japanese yen | **23,000** | **23,000** | *2 |
| At March 31, 2011: | | | |
| Derivatives, accounted for by method translating to assign to the related liabilities: | | | |
| Forward contracts to buy US dollars | ¥ 3,508 | ¥ — | ¥ 7 |
| Currency swaps—receipt: US dollars/ payment: Japanese yen | 9,000 | 9,000 | *2 |
| | Thousands of U.S. Dollars | | |
| At March 31, 2012: | | | |
| Derivatives, accounted for by deferral hedge accounting: | | | |
| Forward contracts to buy US dollars | **$ 41,050** | **$ —** | **$1,638** |
| Currency options to sell US dollars | **4,300** | **—** | **—** |
| Currency options to buy US dollars | **4,300** | **—** | **63** |
| Derivatives, accounted for by method translating to assign to the related liabilities: | | | |
| Forward contracts to buy US dollars | **238** | **—** | *2 |
| Currency swaps—receipt: US dollars/ payment: Japanese yen | **287,500** | **287,500** | *2 |

*1 The fair value is measured at the price obtained from the corresponding financial institution.

*2 Derivative instruments, such as forward contracts or currency interest rate swap contracts, are accounted for by hedge accounting such that the derivative instruments are not separated from the hedged trade accounts or bank loans. Therefore, the fair value of such derivative instruments is reflected in the calculation of the related trade accounts or bank loans.

(2) Interests rate related transactions

| | Millions of Yen | | |
|---|---|---|---|
| | Contract Amount | | Fair Value |
| | Total | Due after One Year | |
| At March 31, 2012: | | | |
| Derivatives, accounted for by special treatment of interest rate swap contracts: | | | |
| Interest rate swaps—receive floating/ pay fixed | **¥74,050** | **¥50,600** | **¥** *1 |
| At March 31, 2011: | | | |
| Derivatives, accounted for by special treatment of interest rate swap contracts: | | | |
| Interest rate swaps—receive floating/ pay fixed | ¥90,000 | ¥70,200 | ¥ *1 |
| | Thousands of U.S. Dollars | | |
| At March 31, 2012: | | | |
| Derivatives, accounted for by special treatment of interest rate swap contracts: | | | |
| Interest rate swaps—receive floating/ pay fixed | **$925,625** | **$632,500** | **$** *1 |

*1 Derivative instruments such as interest rate swap contracts are accounted for by hedge accounting such that the derivative instruments are not separated from the hedged bank loans. Therefore, the fair value of such derivative instruments is reflected in the calculation of the related bank loans.

## 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, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Deferred tax assets— current: | | | |
| Accrued bonuses | **¥ 2,566** | ¥ 2,316 | **$ 32,075** |
| Accrued enterprise taxes | **749** | 551 | **9,363** |
| Allowance for doubtful accounts | **431** | 1,100 | **5,387** |
| Operating loss carryforwards | **—** | 2,231 | **—** |
| Other | **2,618** | 2,608 | **32,725** |
| Less valuation allowance | **(460)** | (2,638) | **(5,750)** |
| | **5,904** | 6,168 | **73,800** |
| Net of deferred tax liabilities — current | **(55)** | (3) | **(687)** |
| Deferred tax assets — current portion | **¥ 5,849** | ¥ 6,165 | **$ 73,113** |
| Deferred tax liabilities— current: | | | |
| Deferred gains on hedges and other | **59** | 3 | **737** |
| Net of deferred tax assets — current | **(55)** | (3) | **(687)** |
| Deferred tax liabilities— current portion | **¥ 4** | ¥ — | **$ 50** |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Deferred tax assets—noncurrent: | | | |
| Impairment loss on fixed assets | ¥22,281 | ¥25,422 | $278,513 |
| Operating loss carryforwards | 9,182 | 8,499 | 114,775 |
| Asset retirement obligations | 4,640 | — | 58,000 |
| Loss on write-down of securities | 1,061 | 1,045 | 13,263 |
| Allowance for doubtful accounts | 1,058 | 1,499 | 13,225 |
| Allowance for losses for interest payment | 867 | 1,278 | 10,837 |
| Other | 3,579 | 4,149 | 44,737 |
| Less valuation allowance | (20,146) | (20,257) | (251,825) |
| | 22,522 | 21,635 | 281,525 |
| Net of deferred tax liabilities—noncurrent | (5,420) | (4,145) | (67,750) |
| Deferred tax assets—noncurrent portion | ¥17,102 | ¥17,490 | $213,775 |
| Deferred tax liabilities—noncurrent: | | | |
| Gain on sale of property | ¥ 2,255 | ¥ 2,599 | $ 28,188 |
| Capitalized dismantling and restoration cost of leased property | 1,548 | — | 19,350 |
| Unrealized gains on available-for-sale securities | 903 | 1,213 | 11,287 |
| Other | 1,414 | 926 | 17,675 |
| | 6,120 | 4,738 | 76,500 |
| Net of deferred tax assets—noncurrent | (5,420) | (4,145) | (67,750) |
| Deferred tax liabilities—noncurrent portion included in other long-term liabilities | ¥ 700 | ¥ 593 | $ 8,750 |
| Deferred tax liabilities for revaluation (see Note 2(j)) included in other long-term liabilities | ¥ 75 | ¥ 85 | $ 938 |

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, 2012 and 2011, a valuation allowance was established to reduce the deferred tax assets to the amount that management of the UNY Group believed the deferred tax assets were expected to be realizable.

The reconciliation of the difference between the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of operations for the years ended February 20, 2012, 2011 and 2010 was as follows:

| | Percentage of Pre-Tax Income | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| Statutory tax rate | 40.3% | 40.3% | 40.3% |
| Increase (decrease) due to: | | | |
| Local minimum taxes—per capita levy | 4.2 | 5.3 | 180.4 |
| Amortization of goodwill | 3.0 | 3.4 | 104.7 |
| Change in valuation allowance | 0.8 | 3.4 | 288.2 |
| Effect on income tax rate changes | 6.4 | — | — |
| Other | (2.5) | (0.1) | (19.5) |
| Effective income tax rate | 52.2% | 52.3% | 594.1% |

On December 2, 2011, the "Act for Partial Amendment of the Income Taxes Act, etc. for the Purpose of Creating a Tax System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117, 2011) were promulgated. Accordingly, the corporate income tax rate will be lowered and a special restoration surtax will be imposed from the fiscal years beginning on or after April 1, 2012. As a result of these changes in tax rates, net deferred tax assets decreased by ¥1,524 million ($19,050 thousand) and net unrealized gains on available-for-sale securities increased by ¥128 million ($1,600 thousand) as of February 20, 2012. Deferred income tax expense increased by ¥1,652 million ($20,650 thousand) for the year ended February 20, 2012.

## 12. FAIR VALUE OF RENTAL PROPERTY

Effective from the fiscal year ended February 20, 2011, the Company adopted the revised ASBJ Statement No. 20, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," and its related guidance. This accounting standard requires companies to disclose information about property that is classified as investment property, idle property that is not expected to be used in the future and rental property held to earn rental revenue.

At February 20, 2012 and 2011, the UNY Group owned commercial facilities and rental property, including land, for leases in Aichi Prefecture and other areas. For the years ended February 20, 2012 and 2011, the UNY Group recorded net rental income from rental property in the amount of ¥6,077 million ($75,963 thousand) and ¥5,483 million, respectively, in the accompanying consolidated statements of operations, while the UNY Group recorded impairment loss of ¥629 million ($7,863 thousand) and ¥990 million, respectively.

Information about the fair value of those properties as of and for the years ended February 20, 2012 and 2011 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Carrying value at the beginning of year | ¥44,234 | ¥44,200 | $552,925 |
| Net changes during the year | 655 | 34 | 8,188 |
| Carrying value at the end of year | ¥44,889 | ¥44,234 | $561,113 |
| Fair value at the end of year * | ¥43,476 | ¥43,897 | $543,450 |

* Fair value was measured at reasonable estimated values based principally on real estate appraisal standards by using index and other reconciliations.

## 13. RELATED PARTY TRANSACTIONS

Significant transactions with related parties in the years ended February 20, 2012, 2011 and 2010 were not material and did not require disclosure.

## 14. ASSET RETIREMENT OBLIGATIONS

As described in Note 2(p), effective from the fiscal year ended February 20, 2012, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 18, "Accounting Standards for Asset Retirement Obligations," and its related guidance. The asset retirement obligations are based upon estimated future restoration obligations pursuant to the real estate lease contracts for stores and other facilities and calculated based on the estimated store operational periods ranging from two to fifty years following each of the lease contracts and discounted by discount rates of 0.2% to

2.2%. The activities of asset retirement obligations accounted for the year ended February 20, 2012 were as follow.

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| At the beginning of year *1 | ¥13,087 | $163,588 |
| New additions | 532 | 6,650 |
| Changes in estimated obligations and accretion | 216 | 2,700 |
| Settlement payments | (512) | (6,400) |
| Other | (133) | (1,663) |
| At the end of year *2 | ¥13,190 | $164,875 |

*1 The balance of asset retirement obligations at the beginning of the year ended February 20, 2012 was calculated based on the retroactive adoption of the new accounting standard.

*2 Regarding some stores and offices under the real estate leasing agreements, the Company and its domestic consolidated subsidiaries have obligations related to the cost of restoring the property to its original state at the time of moving out. However, since some lease properties have leases with terms that are uncertain and there are no plans to move out at this time, it is impossible to reasonably estimate the amount of asset retirement obligation. Therefore, no asset retirement obligation has been recorded for such obligations.

## 15. COMPREHENSIVE INCOME

Comprehensive income for the year ended February 20, 2011 was as follows.

| | Millions of Yen |
|---|---|
| **Comprehensive income attributable to:** | |
| Owners of parent | ¥ 6,409 |
| Minority interests | 3,695 |
| **Total comprehensive income** | ¥10,104 |

Other comprehensive income for the year ended February 20, 2011 was as follows.

| | Millions of Yen |
|---|---|
| **Other comprehensive income:** | |
| Net changes in unrealized gains on available-for-sale securities | ¥456 |
| Net changes in deferred gains on hedging instruments | (29) |
| Net changes in foreign currency translation adjustments | (55) |
| Share of other comprehensive income of affiliates accounted for using equity method | 14 |
| Total other comprehensive income | ¥386 |

## 16. SIGNIFICANT SUBSEQUENT EVENTS

**(a) Tender offer for shares of Circle K Sunkus Co., Ltd., a consolidated subsidiary of the Company**

On February 16, 2012, the Board of Directors of the Company resolved to acquire the shares of Circle K Sunkus Co., Ltd. ("CKS") through a tender offer and to make it into a wholly-owned subsidiary of the Company. The tender offer commenced on February 17, 2012 and was completed on April 2, 2012. As a result of this tender offer, the aggregate purchase cost on the transfer of shares amounted to ¥71,209 million ($890,112 thousand) and the equity share holding of CKS became equivalent to 96.4%.

**(b) Debt financing**

In April 2012, the Company financed the tender offer above with short-term unsecured borrowing of ¥36,000 million ($450,000 thousand).

**(c) Adoption of a holding company system by a company split**

To adopt a holding company system effective February 21, 2013, on April 9, 2012, based on the resolution of the Board of Directors of the Company, the Company entered into a company split agreement with a 100% owned subsidiary to have it succeed to the Company's entire business operations, excluding any business pertaining or relating to the control and the management of the subsidiaries and affiliates of the Company by way of an absorption type company split, which is planned effective February 21, 2013. Then, the Company will become a pure holding company. The company split agreement and the modification to the articles of incorporation of the Company for an amendment of its trade name and the purpose of business were approved by shareholders at the shareholders' meeting held on May 17, 2012.

**Purpose and background for adoption of the Holding company system**

The recent economic condition of the UNY Group has been slightly resilient, supported by recovery of foreign economies, governmental policy effects, and large amount of consumption arising due to weather conditions. Closer to home in the domestic market, however, there are no clear sign of recovery from deflation (as can be seen in the inflating prices of resources and raw materials), the appreciating yen, and week personal consumption. In the future, the Japanese economy will possibly suffer due to decreasing population, shrinking consumer markets, and increasing consumption taxes, causing retailers including UNY Group to face an even more severe environment.

In such circumstances, from about September 2011, the Company started to consider management strategies for the UNY Group in future. As a result, the Company has reached the conclusion that it is critical for the UNY Group to operate a diversified retail business on account of the rapidly changing domestic market and aging population, and to make inroads, at the same time, into growing and expanding foreign markets by organically linking the know-how of food-based general retailers with the know-how of the convenience store business.

Also, the company has come to the conclusion that the UNY Group will need to absorb additional food-based supermarkets, convenience stores, and other similar stores in the dominant area, with the aim of achieving better customer satisfaction and creating new demand.

## 17. SEGMENT INFORMATION

Effective February 21, 2011, the Company adopted ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments an Enterprise and Related Information", which require disclosure based on an operating segment model as the segment reporting bases. Information about industry segments as of and for the year ended February 20, 2011 and 2010 has been restated in conformity with the requirement of the new standard in the table below.

**(a) General information about reportable segments:**

The reportable segments of the UNY Group are the business units for which the Company is able to obtain financial information separately in order for the Board of Directors of the Company to conduct periodic investigation to determine the distribution of management resources and evaluate business results. The Company has identified its business units by products and/or services provided to the customers. As a result, the UNY Group categorizes its business into four reportable segments: "Superstores," "Convenience stores," "Specialty stores," and "Financial services."

**(b) Basis of measurement about reportable segment profit, segment assets and other material items:**

The accounting methods used for the reportable segments are consistent with the accounting methods described in Note 2, "Summary of Significant Accounting Policies,". Segment income for each reportable segment is presented on an operating income basis, and intersegment profit is accounted for based on prices of ordinary transactions with independent third parties.

### (c) Information about segment revenue, segment income, segment assets and other items

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Superstores | Convenience Stores | Specialty Stores | Financial Services | Other | Total | Adjustment | Consolidated Total |
| **For the year 2012:** | | | | | | | | |
| Operating revenue: | | | | | | | | |
| External customers | **¥800,285** | **¥187,791** | **¥74,004** | **¥ 13,164** | **¥ 3,907** | **¥1,079,151** | **¥ —** | **¥1,079,151** |
| Intersegment sales | **2,277** | **8** | **2** | **3,247** | **15,638** | **21,172** | **(21,172)** | **—** |
| Total | **802,562** | **187,799** | **74,006** | **16,411** | **19,545** | **1,100,323** | **(21,172)** | **1,079,151** |
| Segment income | **¥ 18,142** | **¥ 20,328** | **¥ 745** | **¥ 4,240** | **¥ 567** | **¥ 44,022** | **¥ (20)** | **¥ 44,002** |
| Segment assets | **¥579,607** | **¥267,545** | **¥33,284** | **¥105,053** | **¥11,319** | **¥ 996,808** | **¥ (32,213)** | **¥ 964,595** |
| Other items: | | | | | | | | |
| Depreciation | **¥ 16,081** | **¥ 13,315** | **¥ 691** | **¥ 1,413** | **¥ 325** | **¥ 31,825** | **¥ —** | **¥ 31,825** |
| Investments in affiliated companies accounted for by the equity method | **5,978** | **840** | **—** | **—** | **—** | **6,818** | **—** | **6,818** |
| Increase in property and equipment and intangible assets | **12,684** | **14,779** | **782** | **1,225** | **1,055** | **30,525** | **—** | **30,525** |
| For the year 2011: | | | | | | | | |
| Operating revenue: | | | | | | | | |
| External customers | ¥821,992 | ¥192,295 | ¥81,378 | ¥ 14,079 | ¥ 3,037 | ¥1,112,781 | ¥ — | ¥1,112,781 |
| Intersegment sales | 2,461 | 10 | — | 3,160 | 16,129 | 21,760 | (21,760) | — |
| Total | 824,453 | 192,305 | 81,378 | 17,239 | 19,166 | 1,134,541 | (21,760) | 1,112,781 |
| Segment income | ¥ 13,080 | ¥ 16,942 | ¥ 1,549 | ¥ 2,914 | ¥ 612 | ¥ 35,097 | ¥ 5 | ¥ 35,102 |
| Segment assets | ¥562,142 | ¥250,157 | ¥35,677 | ¥106,160 | ¥10,890 | ¥ 965,026 | ¥ (24,948) | ¥ 940,078 |
| Other items: | | | | | | | | |
| Depreciation | ¥ 17,822 | ¥ 11,679 | ¥ 792 | ¥ 1,078 | ¥ 343 | ¥ 31,714 | ¥ — | ¥ 31,714 |
| Investments in affiliated companies accounted for by the equity method | 5,803 | 808 | — | — | — | 6,611 | — | 6,611 |
| Increase in property and equipment and intangible assets | 24,507 | 14,241 | 789 | 1,746 | 92 | 41,375 | — | 41,375 |
| For the year 2010: | | | | | | | | |
| Operating revenue: | | | | | | | | |
| External customers | ¥832,382 | ¥194,131 | ¥88,896 | ¥ 15,287 | ¥ 3,731 | ¥1,134,427 | ¥ — | ¥1,134,427 |
| Intersegment sales | 2,627 | 12 | — | 3,081 | 15,868 | 21,588 | (21,558) | — |
| Total | 835,009 | 194,143 | 88,896 | 18,368 | 19,599 | 1,156,015 | (21,558) | 1,134,427 |
| Segment income | ¥ 4,675 | ¥ 13,570 | ¥ (261) | ¥ 2,529 | ¥ 580 | ¥ 21,093 | ¥ 2 | ¥ 21,095 |
| Segment assets | ¥575,681 | ¥236,636 | ¥39,806 | ¥107,897 | ¥11,174 | ¥ 971,194 | ¥ (27,813) | ¥ 943,381 |
| Other items: | | | | | | | | |
| Depreciation | ¥ 19,209 | ¥ 10,358 | ¥ 1,078 | ¥ 891 | ¥ 293 | ¥ 31,829 | ¥ — | ¥ 31,829 |
| Investments in affiliated companies accounted for by the equity method | 5,749 | 789 | — | — | — | 6,538 | — | 6,538 |
| Increase in property and equipment and intangible assets | 33,996 | 16,106 | 652 | 1,096 | 1,609 | 53,459 | — | 53,459 |

| | Thousands of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Superstores | Convenience Stores | Specialty Stores | Financial Services | Other | Total | Adjustment | Consolidated Total |
| **For the year 2012:** | | | | | | | | |
| Operating revenue: | | | | | | | | |
| External customers | **$10,003,563** | **$2,347,388** | **$925,050** | **$ 164,550** | **$ 48,837** | **$13,489,388** | **$ —** | **$13,489,388** |
| Intersegment sales | **28,462** | **100** | **25** | **40,588** | **195,475** | **264,650** | **(264,650)** | **—** |
| Total | **10,032,025** | **2,347,488** | **925,075** | **205,138** | **244,312** | **13,754,038** | **(264,650)** | **13,489,388** |
| Segment income | **$ 226,775** | **$ 254,100** | **$ 9,313** | **$ 53,000** | **$ 7,087** | **$ 550,275** | **$ (250)** | **$ 550,025** |
| Segment assets | **$ 7,245,088** | **$3,344,313** | **$416,050** | **$1,313,162** | **$141,487** | **$12,460,100** | **$(402,662)** | **$12,057,438** |
| Other items: | | | | | | | | |
| Depreciation | **$ 201,013** | **$ 166,438** | **$ 8,638** | **$ 17,662** | **$ 4,062** | **$ 397,813** | **$ —** | **$ 397,813** |
| Investments in affiliated companies accounted for by the equity method | **74,725** | **10,500** | **—** | **—** | **—** | **85,225** | **—** | **85,225** |
| Increase in property and equipment and intangible assets | **158,550** | **184,738** | **9,775** | **15,313** | **13,187** | **381,563** | **—** | **381,563** |

**(d) Enterprise-wide information:**

Geographic information was not shown because operating revenues to external customers in Japan and property and equipment in Japan accounted for more than 90% of the total related balances.

**(e) Information about impairment loss on fixed assets by reported segments**

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Superstores | Convenience Stores | Specialty Stores | Financial Services | Other | Total | Reconciliation | Consolidated Total |
| **For the year 2012:** | | | | | | | | |
| Impairment loss on fixed assets | **¥3,026** | **¥2,932** | **¥221** | **¥—** | **¥—** | **¥6,179** | **¥—** | **¥6,179** |
| | Thousands of U.S. Dollars | | | | | | | |
| **For the year 2012:** | | | | | | | | |
| Impairment loss on fixed assets | **$37,825** | **$36,650** | **$2,763** | **$—** | **$—** | **$77,238** | **$—** | **$77,238** |

**(f) Information about amortization and unamortized balances of goodwill by reported segments**

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Superstores | Convenience Stores | Specialty Stores | Financial Services | Other | Total | Reconciliation | Consolidated Total |
| **For the year 2012:** | | | | | | | | |
| Amortization of goodwill | **¥ —** | **¥ 1,895** | **¥—** | **¥—** | **¥—** | **¥ 1,895** | **¥—** | **¥ 1,895** |
| Amortization of negative goodwill | **784** | **2** | **1** | **—** | **—** | **787** | **—** | **787** |
| **As of February 20, 2012:** | | | | | | | | |
| Balance of goodwill | **—** | **12,782** | **—** | **—** | **2** | **12,784** | **—** | **12,784** |
| Balance of negative goodwill incurred before April 1, 2010 | **1,233** | **—** | **—** | **—** | **—** | **1,233** | **—** | **1,233** |
| | Thousands of U.S. Dollars | | | | | | | |
| **For the year 2012:** | | | | | | | | |
| Amortization of goodwill | **$ —** | **$ 23,688** | **$—** | **$—** | **$—** | **$ 23,688** | **$—** | **$ 23,688** |
| Amortization of negative goodwill | **9,800** | **25** | **13** | **—** | **—** | **9,838** | **—** | **9,838** |
| **As of February 20, 2012:** | | | | | | | | |
| Balance of goodwill | **—** | **159,775** | **—** | **—** | **25** | **159,800** | **—** | **159,800** |
| Balance of negative goodwill incurred before April 1, 2010 | **15,413** | **—** | **—** | **—** | **—** | **15,413** | **—** | **15,413** |

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, the "UNY Group") as of February 20, 2012 and 2011, and the related consolidated statements of operations for each of the three years in the period ended February 20, 2012, the consolidated statement of comprehensive income for the year ended Feburuary 20, 2012 and the related consolidated statements of changes in net assets and cash flows for each of the three years in the period ended February 20, 2012, all 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.

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 the UNY Group as of February 20, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 20, 2012, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings in the Notes to Consolidated Financial Statements:

(1) As discussed in Note 2(p), the Company and its domestic consolidated subsidiaries have adopted a new accounting standard for asset retirement obligations effective from the year ended February 20, 2012.
(2) As described in Note 16, significant subsequent events relating to a tender offer for shares of Circle K Sunkus Co., Ltd., a debt financing and an adoption of a holdings company system by a company split, are disclosed.
(3) As discussed in Note 2(f), the Company and its domestic consolidated subsidiaries adopted a new accounting standard for measurement of inventories effective from the year ended February 20, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 20, 2012 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 of the Notes to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
Nagoya, Japan
May 17, 2012

## BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of May 17, 2012)

**Chairman**

Koji Sasaki

**President**

Tetsuro Maemura

**Senior Managing Directors**

Norio Sako

Jiro Koshida

**Managing Directors**

Fumito Tezuka

Takamasa Ogawa

**Directors**

Takeshi Murase

Akira Ito

Miyoji Ando

Keizo Kishimoto

Kiyoharu Matsunami

Yuzuru Yoshida

Minoru Umemoto

Toshikazu Nishikawa

Kazuo Sassa

**Corporate Auditors**

Tatsumi Yoshida

Akira Ito

Ikuo Tange

Naotaka Nanya

## INVESTOR INFORMATION

(As of February 20, 2012)

**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**

9,451

**Stock Transfer Agent**

The Sumitomo Trust and Banking Company, Limited

## CONSOLIDATED SUBSIDIARIES

(As of February 20, 2012)

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)

Uny (HK) Co., Ltd. (superstores)

U Life Co., Ltd. (real-estate rental business)

UCS Co., Ltd. (credit card services)

Sun Sogo Maintenance Co., Ltd. (facility management)

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

NOTE: In addition to the above list, the Uny Group includes two Sagami subsidiaries, nine Circle K Sunkus subsidiaries and one Suzutan subsidiary.

For further information, contact:

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