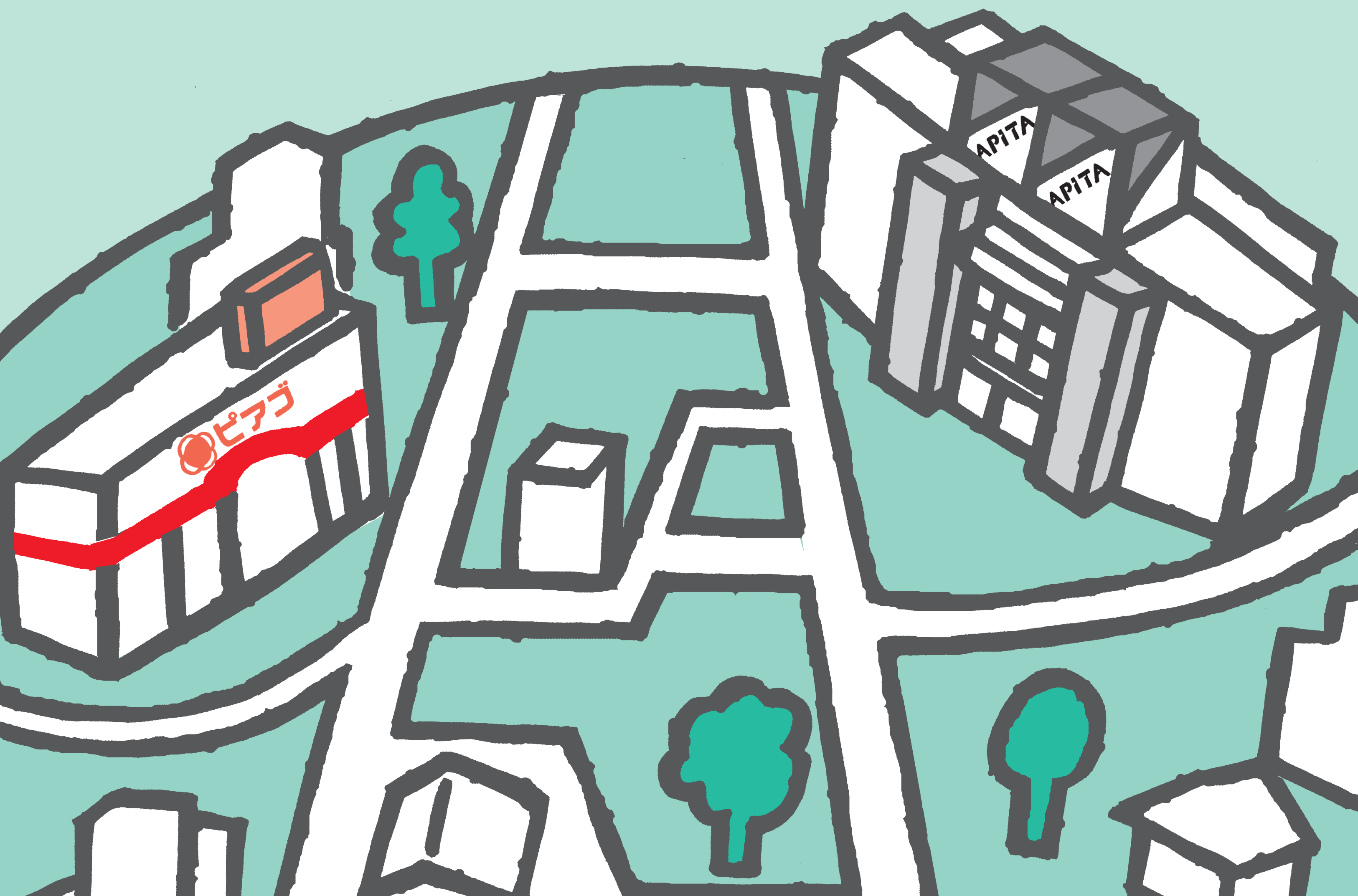
UNY

40th ANNIVERSARY
ユニー株式会社

ANNUAL REPORT 2010

UNY CO., LTD.



PROFILE

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

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

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

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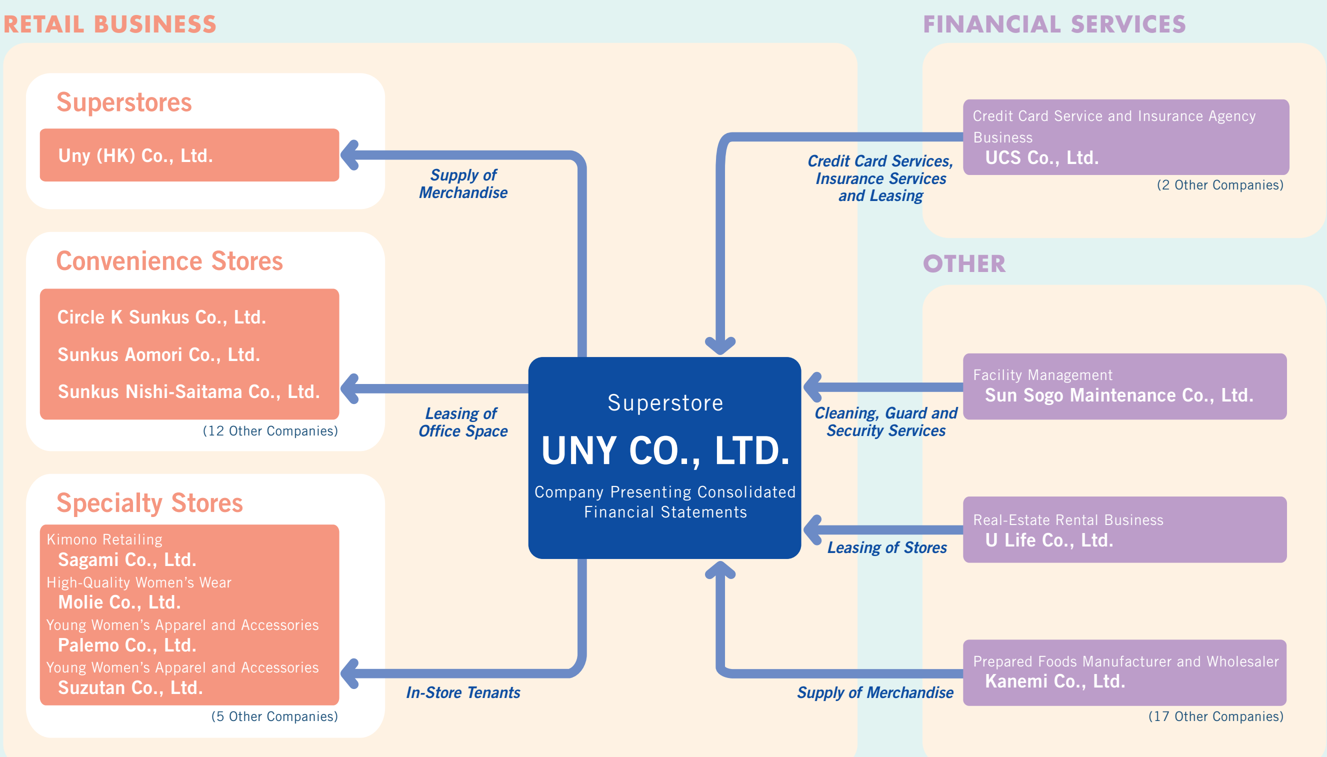


NOTE: In addition to the services outlined in the above chart, UCS Co., Ltd. provides insurance services, leasing and credit card services to Group companies, and Sun Sogo Maintenance Co., Ltd. provides facility maintenance services to Group companies. Kanemi Co., Ltd. supplies products to Circle K Sunkus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

THE UNY GROUP

(Million ¥)

		Revenues†		Net Sales		Operating Income (Loss)		Net Income (Loss)	
	Company	2010	2009	2010	2009	2010	2009	2010	2009
Superstores	Uny Co., Ltd.	**¥824,603**	¥768,200	**¥786,997**	¥730,082	**¥ 4,486**	¥13,026	**¥ 235**	¥26,679
	U Store*	—	71,239	—	67,897	—	588	—	(1,247)
	Uny (HK)**	**10,756**	12,838	**10,716**	12,794	**253**	471	**275**	477
Convenience Stores	Circle K Sunkus***	**¥194,143**	¥213,398	**¥ 83,106**	¥ 97,637	**¥15,200**	¥23,010	**¥5,555**	¥ 9,435
Specialty Stores	Sagami***	**¥ 34,532**	¥ 45,388	**¥ 34,304**	¥ 45,124	**¥ 256**	¥ 343	**¥ (108)**	¥ 324
	Molie	**8,417**	9,184	**8,227**	8,951	**359**	181	**(875)**	254
	Palemo	**29,906**	33,014	**29,198**	32,259	**472**	218	**(543)**	(321)
	Suzutan***	**16,047**	18,744	**16,047**	18,744	**(628)**	126	**(1,367)**	(185)
	Rough Ox	—	1,878	—	1,882	—	526	—	(665)
Financial Services	UCS	**¥ 18,368**	¥ 19,195	**¥ 4**	¥ 30	**¥ 1,433**	¥ 2,420	**¥ 824**	¥ 1,411

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

**Data for Uny (HK) is calculated at the average exchange rate during the period under review.

***Figures for Circle K Sunkus, Sagami and Suzutan are on a consolidated basis.

†Revenues in the table include intra-segment revenues.

MESSAGE FROM THE MANAGEMENT

The Uny Group will persevere in the market by enhancing the profitability of each Group company and creating growth strategies that reinforce competitiveness.

In fiscal 2010, ended February 20, 2010, we recorded a 4.7% decrease in operating revenues from the previous fiscal year to ¥1,134,427 million. Operating income declined 47.5% to ¥21,095 million, substantially lower than in the previous fiscal year. Consequently, we recorded a net loss of ¥4,995 million during the fiscal year under review. These results were mainly attributable to the posting of a large impairment loss on fixed assets caused by a significant decrease in store earnings as well as valuation loss on merchandise inventories that reflected a revision to accounting standards whereby the appraisal method for year-end merchandise inventories was changed from the retail inventory method to the lower of cost or market method.

Against the backdrop of anxiety amid severe economic conditions, personal consumption was lackluster in fiscal 2010, reflecting an increasing tendency among consumers to economize and cut corners to preserve their standards of living. It was thus an extremely tough year for our industry.

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

In fiscal 2011, ending February 20, 2011, the Japanese economy is expected to get back on a recovery track, thanks to upbeat foreign demand and the Japanese government's measures to stimulate the economy. However, personal consumption and corporate capital investment are expected to remain stagnant. In addition, sluggish household income will keep consumer purchasing trending toward lower-priced products, which is expected to exacerbate the current deflationary trend.

Amid such circumstances, we cannot expect a rapid recovery in consumer confidence even though we anticipate that the Uny Group will see increased profit compared with fiscal 2010. Therefore, we will persevere in the market by enhancing the profitability of each Group company and creating growth strategies that reinforce competitiveness.

Superstores

Promoting the following three policies, Uny Co., Ltd. will recover its profit level.

1. Merchandising reform
   We will make every effort to develop high-quality, reasonable 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 sales promotion expenses, now administered by the headquarters, 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 will reinforce both marketing capabilities and quality in such fields as store operation, store development and product development, with the aim of improving our earnings structure.

1. Operational efficiency enhancement and business streamlining
   Promoting the standardization of franchise contracts that previously differed according to brand, we will facilitate operational efficiency with streamlined business operations.
2. Changing earnings (cost) structure
   Based on thorough examinations of investments and expenditures, we aim to eliminate unnecessary spending and thereby increase profit.
3. Strengthening of store operations
   We aim to enhance customer satisfaction by improving customer services.
4. Reinforcing store development capability
   While pursuing store openings in high-profit locations, we will promote the relocation of stores in less profitable areas as part of restructuring our area strategy in terms of outlets.
5. Enhancing product development capability and services
   We will enhance the lineup of original brand items and strive to develop new products and services that better meet customer needs.
6. Allying with other types of business
   Reinforcing alliances with companies in other business categories, we aim to introduce a new type of convenience store.

Specialty Stores

The specialty store segment recorded an operating loss in fiscal 2010, reflecting the impact of consumers' reluctance to spend. In 2011, the third year of its restructuring plan, Sagami Co., Ltd. will continue to close unprofitable store branches while taking proactive measures to address issues key to maintaining and increasing the number of customers. Suzutan Co., Ltd. and Molie Co., Ltd. will also aggressively close unprofitable store branches in order to regain a profitable corporate structure.

The efforts of Palemo Co., Ltd. to close unprofitable branches in the fiscal year under review resulted in a significant decrease in the number of such stores. In fiscal 2011, Palemo plans to open new stores in order to restore profitability.

Financial Services

UCS Co., Ltd. anticipates a substantial decrease in profit based on its prediction of lower revenues from financing services and an increase in its bad-debt loss due to overall loan transaction regulations, to be put into effect from June 2010.

Given this, UCS will completely shift its card business away from its current business model of expansion backed by revenues from financing to a model that focuses on revenues based on retail shopping use. Furthermore, UCS will aim for business growth backed by prudent, risk-controlled financing as well as increased revenues from the insurance and leasing fields in which stable revenue is secured.

Amid such circumstances, we anticipate a 3.5% year-on-year decrease in operating revenues to ¥195,000 million while operating income increases 18.0% to ¥24,900 million for fiscal 2011. Net income of ¥2,500 million is anticipated, a turnaround from the net loss of ¥4,995 million in fiscal 2010.

I sincerely request your continued understanding and support.

T. Maemura.

Tetsuro Maemura
President

REVIEW OF OPERATIONS

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. As of February 20, 2010, there were seven mall-type Apita stores.

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.

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, 2011, Uny is focusing more 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 will 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.

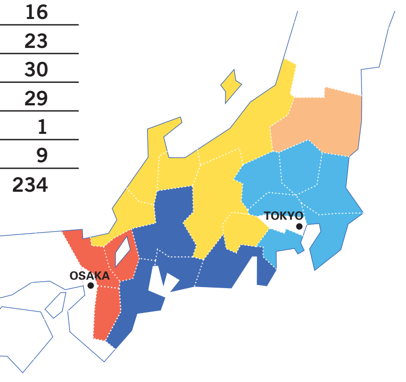
As of February 20, 2010, Apita stores were to be found in 98 locations and Piago stores in 127 locations. In addition to these stores, there were nine U Home home-center stores.

●UNY (HK)

Uny (HK), our only overseas store, is located in Hong Kong's popular Taikoo Shin shopping district. An Apita-style store, it sells a large variety of merchandise and has gained popularity as an upscale store. In June 2010, Uny (HK) plans to open its second store, in Lok Fu on the Kowloon Peninsula, and a third store is scheduled for January 2011.

REGIONAL BREAKDOWN OF SUPERSTORES

	Uny
	No. of Stores
Tokai Region	165
Aichi Pref.	105
Gifu Pref.	21
Mie Pref.	16
Shizuoka Pref.	23
Kanto Region	30
Hokuriku/Koushinetsu Regions	29
Tohoku Region	1
Kansai Region	9
Total	234



(Million ¥)

Years ended February 20	2010	2009	2008
Revenues*	**¥832,382**	¥848,514	¥867,910
Operating Costs and Expenses	**830,334**	837,594	853,412
Operating Income	**4,675**	13,952	18,040
Identifiable Assets	**575,681**	571,156	564,920
Depreciation	**19,209**	17,221	16,867
Impairment Loss on Fixed Assets	**9,377**	6,298	12,919
Capital Expenditures	**33,996**	27,609	34,706

* Revenues refer to sales to external customers.

KEY SUPERSTORES

	Uny			U Store**		
Years ended February 20	2010	2009	2008	2010	2009	2008
Revenues (Million ¥)	**¥ 824,603**	¥ 768,200	¥ 714,885	—	¥ 71,239	¥145,382
Net Sales (Million ¥)	**786,997**	730,082	680,334	—	68,797	138,690
Sales Floor Space (m²)*	**1,662,234**	1,625,741	1,312,988	—	301,486	306,880
Newly Opened Floor Space (m²)	**21,432**	20,783	39,808	—	—	4,098
Sales per Sq. Meter (Thousand ¥)	**473**	449	518	—	228	452
Full-Time Employees	**6,089**	6,242	5,318	—	1,082	1,068
Sales per Employee (Million ¥)	**129**	117	128	—	64	130

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

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

CONVENIENCE STORES

(Million ¥)

Years ended February 20	2010	2009	2008
Revenues*	**¥188,900**	¥208,489	¥201,910
Operating Costs and Expenses	**175,700**	187,407	182,651
Operating Income	**13,212**	21,097	19,265
Identifiable Assets	**233,918**	233,314	231,772
Depreciation	**10,358**	7,875	6,719
Impairment Loss on Fixed Assets	**3,529**	3,226	2,716
Capital Expenditures	**7,512**	17,706	13,971

* Revenues refer to sales to external customers.

	Circle K			Sunkus		
Years ended February 20	2010	2009	2008	2010	2009	2008
Number of Stores	**2,861**	2,846	2,809	**2,097**	2,093	2,119
Franchises	**2,585**	2,514	2,450	**1,955**	1,917	1,929
Own Operation	**276**	332	359	**142**	176	190
Area Franchise Stores	**164**	152	148	**1,097**	1,075	1,062

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 2010 year-end was 6,166, including area-franchise stores, reflecting the opening of 341 new stores and closing of 314 stores.

The convenience store market is seeing ever-intensifying competition with stores in other industrial categories, such as restaurants and drugstores. Amid an increasingly severe earnings environment, we will continue to implement measures to support improved earnings at franchisees by pursuing further cost reductions and improving productivity, so that franchisees and the Head Office can work as one to expand one another's earnings.

On the store operations front, we place utmost priority on "enhancing customer satisfaction" and "increasing franchise stores' earnings." In addition, we are strictly cutting Head Office costs while stepping up our support of franchise stores in order to boost marketing capability and profitability at each store.

With regard to new store development, we are looking to improve the efficiency of new store investment. Based on in-depth surveys of markets and prospective locations for new stores, we will eliminate unprofitable outlets.

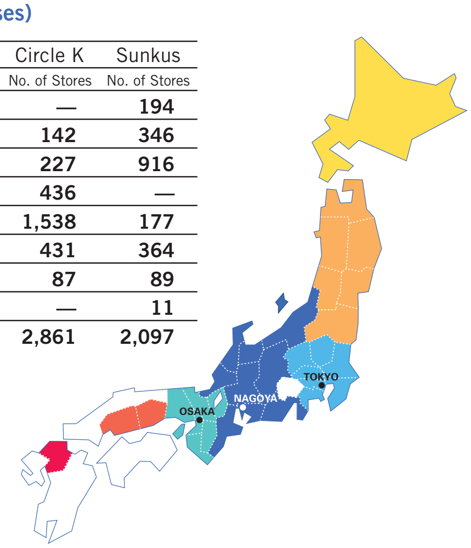
As for product development, we are working hard to introduce products and retail spaces to meet customers' diversifying lifestyle needs. For example, we intend to adopt a variety of merchandising approaches, such as time-limited sales and the introduction of combination menus for morning and evening, when customer traffic is noticeably lighter. In addition, we will strive to offer long-life items among our lineups of breads and delicatessen items. Furthermore, we will enhance our lineups of food products cooked and offered at the store counter by fully utilizing fryers and coffee machines, as well as steamers to newly introduce steamed buns, while enhancing the quality of our original dessert brand Cherie Dolce.

On the service development front, we will strengthen our marketing plan, utilizing our loyal customer base and purchasing information by expanding membership in KARUWAZA CLUB in-house card service. The number of ATMs installed as of February 28, 2010 was 2,576 and 1,401 under the names of ZERO BANK and Bank Time, respectively.

In the fiscal year ending February 28, 2011, Circle K Sunkus is planning to open 394 stores and close 322 stores to achieve a total of 6,291 stores, including area-franchise stores.

REGIONAL BREAKDOWN OF CONVENIENCE STORES
(excluding area franchises)

	Circle K	Sunkus
	No. of Stores	No. of Stores
Hokkaido Pref.	—	194
Tohoku Region	142	346
Kanto Region	227	916
Hokuriku/Koushinetsu Regions	436	—
Tokai Region	1,538	177
Kansai Region	431	364
Chugoku Region	87	89
Kyushu Region	—	11
Total	2,861	2,097



SPECIALTY STORES

(Million ¥)

Years ended February 20	2010	2009	2008
Revenues*	**¥88,896**	¥108,208	¥122,575
Operating Costs and Expenses	**89,157**	108,212	123,852
Operating Income (Loss)	**(261)**	(4)	(1,277)
Identifiable Assets	**39,806**	48,400	65,044
Depreciation	**1,078**	1,433	1,744
Impairment Loss on Fixed Assets	**992**	846	6,170
Capital Expenditures	**652**	1,710	2,758

* Revenues refer to sales to external customers.

KEY SPECIALTY STORES

	Sagami*			Molie			Palemo			Suzutan		
Years ended February 20	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Revenues (Million ¥)	**34,532**	45,388	57,526	**8,417**	9,184	8,815	**29,906**	33,014	33,796	**16,047**	18,744	20,432
Net Sales (Million ¥)	**34,034**	45,124	57,206	**8,227**	8,951	8,577	**29,608**	32,259	33,349	**16,047**	18,744	20,432
Number of Stores	**360**	400	548	**185**	198	179	**573**	617	569	**284**	298	298
Newly Opened Stores	**12**	23	74	**2**	22	23	**14**	93	71	**21**	15	22
Sales Floor Space (m^2)*	**48,580**	53,402	74,187	**24,122**	25,467	22,445	**106,115**	112,632	103,370	**43,455**	44,023	44,336
Newly Opened Floor Space (m^2)	**1,558**	2,369	8,151	**292**	3,135	2,913	**2,467**	15,703	12,349	**3,331**	2,051	3,078
Sales per Sq. Meter (Thousand ¥)	**701**	845	771	**341**	351	382	**279**	286	323	**369**	426	461
Full-Time Employees	**735**	810	1,501	**23**	25	25	**165**	190	165	**204**	226	232
Sales per Employee (Million ¥)	**46**	56	38	**358**	358	343	**179**	170	202	**79**	83	88

* 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 360 stores being operated by Sagami at the end of fiscal 2010.

●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, sophisticated urban casual wear.

At the end of fiscal 2010, 185 stores were in operation, 13 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 2010, 573 stores were in operation, 44 less than at the end of the previous fiscal year.

●SUZUTAN

Suzutan Co., Ltd. offers casual wear for the young woman. Suzutan opened 21 new stores and closed 35 unprofitable stores in the fiscal year under review, for a total of 284 stores by the fiscal year-end. In the fiscal year ending February 20, 2011, we will introduce drastic structural reforms to achieve profitability. With this in mind, we plan to close 47 unprofitable stores, while opening five new stores.

FINANCIAL SERVICES

(Million ¥)

Years ended February 20	2010	2009	2008
Revenues*	**¥20,518**	¥21,074	¥21,005
Operating Costs and Expenses	**21,047**	20,836	20,416
Operating Income	**2,905**	3,740	3,789
Identifiable Assets	**110,656**	114,333	117,209
Depreciation	**891**	836	637
Impairment Loss on Fixed Assets	**6**	2	2
Capital Expenditures	**9,690**	1,688	1,238

* Revenues refer to sales to external customers.

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

●UCS

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

The number of UCS cardholders increased 135,000 from the previous fiscal year-end, to 3.11 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.

●ZERO NETWORKS

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

MANAGEMENT POLICIES

1. BASIC MANAGEMENT POLICIES

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

In addition, Uny has made “Three Declarations” as a retail company looking to create a new lifestyle, with the aim of achieving a retail business that enjoys the trust and satisfaction of customers in local communities.

(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.

2. BASIC EARNINGS DISTRIBUTION POLICY

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

For the fiscal year ended February 20, 2010, Uny Co., Ltd. declared a year-end cash dividend of ¥9.0 per common share. Including the ¥9.0 per share interim dividend, total cash dividends for the year are ¥18.0 per share, on par with the previous fiscal year. The Company plans to utilize retained earnings for capital investment, including in the establishment of new stores and other facility enhancements.

3. CORPORATE GOVERNANCE

Uny’s basic approach to corporate governance is to set up necessary business execution and auditing functions in order to best serve its stakeholders by pursuing mutual prosperity through fair trade with suppliers, offering customers products and services of high quality and value, achieving medium- and long-term earnings growth, and continuing to meet the expectations of shareholders.

Corporate Organization and Internal Control System Development

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 14 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

Uny’s risk management is controlled by the Risk Management Committee chaired by its president and representative director, while compliance activities are administered by the Compliance Committee, which is directly linked to Store Safety Control Committees established at individual stores.

Uny’s compliance manual, the Ethical Corporate Behavior Standard, is distributed to all employees, and the Company chooses particular laws and regulations as well as in-house rules as the subject of “monthly compliance themes,” conducting across-the-board checks of compliance conditions based on these themes and striving to resolve conflicts, if any.

The Company’s Help Line can be accessed not only from inside the Company through a special in-house telephone line, but also from suppliers via an outside agency in the form of e-mail in order to pursue thorough compliance.

In accordance with the in-house Risk Management Rules, Uny defines risks to be aware of, compiles a list of such risks and takes countermeasures against them under the leadership of the department responsible. Every fiscal year, Uny evaluates any mishaps and verifies the efficacy of existing countermeasures. Based on this, the Company reevaluates its risk management list in light of legal amendments and precedents that could affect its corporate management. In doing so, the Company is making continuous efforts to improve its system and countermeasures.

At the Group level, Uny regularly holds Group Management Meetings that are convened by the Company’s Chairman and President and composed of chief executive officers from each Group company. The Group Management Meetings serve to clarify the orientation of Group management and the condition of each Group company. Furthermore, at the bimonthly Group Management Administration Committee Meeting, which is composed of responsible directors from each listed company, Uny confirms the status of the Group’s Internal Control Policy sharing and the condition of each company’s internal control system development. Aside from this, other committees and subcommittees deal with matters related to financial reporting, compliance and risk management on a regular basis and develop follow-up plans for practical business applications.

Internal Audit and Audits by Corporate Auditors

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

Relationship with External 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 a shareholder. Uny’s external corporate auditors, Kazuyoshi Kouketsu and Ikuo Tange, are outside specialists, and have no specific personal relationships or interests that would in any way impede Company audits.

FINANCIAL SECTION

CONSOLIDATED FINANCIAL REVIEW

OPERATING RESULTS

Revenues by Segment

	Millions of Yen		% Change	
Years ended February 20	**2010**		2010/2009	2009/2008
Superstores	**¥ 832,382**	**73.4%**	(1.9)%	(2.2)%
Convenience Stores	**188,900**	**16.7**	(9.4)	3.3
Specialty Stores	**88,896**	**7.8**	(17.8)	(11.7)
Financial Services	**20,518**	**1.8**	(2.6)	0.3
Other	**3,731**	**0.3**	(5.9)	39.2
Total	**¥1,134,427**	**100.0%**	(4.7)%	(2.1)%

Revenues and Earnings

In fiscal 2010, ended February 20, 2010, consolidated operating revenue fell 4.7% from the previous fiscal year to ¥1,134,427 million. Within this figure, net sales were down 4.6% year on year, while other operating revenue dropped 5.3%. By product, sales of clothing fell 18.7% and sales of household goods decreased 2.9%. However, sales of foods edged up 0.3% from the previous fiscal year.

Gross profit decreased 8.9% to ¥252,548 million, and the gross profit margin shrank 1.3 percentage points to 26.0%.

Selling, general and administrative expenses (SG&A) declined 3.6% to ¥394,956 million due to cutbacks in advertising costs and labor costs.

As a result, operating income dropped 47.5% year on year to ¥21,095 million.

In other income (expenses), net financial expenses (interest expenses less interest and dividend income) were up from ¥2,598 million in the previous fiscal year to ¥2,796 million. Also during the fiscal year under review, the Uny Group recorded a ¥14,002 million impairment loss on fixed assets and a ¥4,072 million loss on valuation of inventories due to the revision of accounting standards.

As a result, income before income taxes and minority interests plunged 97.3% to ¥627 million. Net loss was ¥4,995 million, a turnaround from net income of ¥5,345 million in the previous fiscal year. Net loss per share was ¥25.28 compared with net income per share of ¥27.66 in the previous fiscal year.

Uny Co., Ltd.'s cash dividends for the fiscal year stood at ¥18.00 per share, which was on par with the previous fiscal year.

Results by Segment

Superstores

By segment, operating revenue, excluding intersegment sales and transfers, in the superstore segment declined 1.9% to ¥832,382 million, while operating income fell 66.5% to ¥4,675 million.

During the fiscal year under review, Uny Co., Ltd. opened three stores, including two mall-type stores, and closed two stores, which resulted in the number of stores totaling 234 as of fiscal 2010 year-end. Amid the severe consumer market, the number of same-store customer visits edged down 0.8% year on year. However, same-store sales were down 6.7%, reflecting a 6.2% decrease in average customer spending compared with the previous fiscal year. By product, sales of clothing, household goods and foods decreased 13.3%, 6.1% and 5.3%, respectively. The retreat in clothing sales was particularly severe.

Operating expenses in this segment edged down 0.9% to ¥830,334 million. Principal factors contributing to this result include increases in the allowance for employee retirement benefits and depreciation due to new store openings as well as the reduction of various costs, including labor costs and utility costs.

Convenience Stores

Operating revenue in the convenience store segment declined 9.4% year on year to ¥188,900 million, while operating income dropped 37.4% to ¥13,212 million.

As of February 28, 2010, the total number of convenience stores stood at 5,302, net increase of 39 stores after opening 316 stores and closing 277 stores. The total number of stores, including unconsolidated area-franchise stores was 6,287. However, unconsolidated same-store sales decreased 5.6% year on year due in part to the diminishing of the "taspo effect"—wherein revenues increased due to customer reluctance to apply for taspo age verification IC cards meant to prevent the underage purchasing of cigarettes from vending machines. Such customers chose to go make their purchases at convenience stores instead and often ended up buying other items in addition to cigarettes. Also contributing to the decrease were weak consumer spending reflecting the sluggish economic conditions, such unusual weather patterns as a cooler than usual summer and intensifying competition with companies from other industries.

Operating expenses in this segment were down 6.2% to ¥175,700 million. This was attributable to SG&A cuts substantially in excess of initially planned amounts offsetting an increase in depreciation costs due to large-scale investment in systems implemented until the previous fiscal year.

Specialty Stores

Operating revenue in the specialty store segment dropped 17.8% year on year to ¥88,896 million, while operating loss worsened ¥257 million from the previous fiscal year to ¥261 million.

Sagami Co., Ltd. recorded decreased revenues and earnings due to the shrinking of the kimono market and store closings in accordance with the restructuring plan. As of February 20, 2010, the total number of stores was 360 after opening 12 stores and closing 52 stores.

Reflecting intensified market competition and drop in consumer confidence, Palemo Co., Ltd. recorded decreased revenues with an 11.2% decline in same-store sales. On the other hand, low-cost management brought down operating expenses and increased operating income. The total number of Palemo stores stood at 573 after opening 14 stores and closing 58 stores during fiscal 2010.

During the fiscal year under review, Suzutan Co., Ltd. recorded a 16.4% decrease in same-store sales, owing to the prolonged slowdown in spending and intensifying competition attributable to a strong consumer preference for low-end goods as well as an ever-expanding number of online retailers. The total number of Suzutan stores as of February 20, 2010 stood at 284 after opening 21 stores and closing 35 stores during fiscal 2010.

Operating expenses in this segment decreased 17.6% year on year to ¥89,157 million.

Financial Services

Operating revenue in the financial services segment declined 2.6% to ¥20,518 million, while operating income dropped 22.3% to ¥2,905 million.

The number of UCS cardholders (only credit card members, and excluding both electronic toll collection (ETC) cardholders and revolving repayment cardholders) increased approximately 135,000 to 3.11 million at the end of fiscal 2010. In view of the deteriorating economic environment and tightening of credit screening processes in anticipation of the upcoming enactment of overall loan transaction regulation, total loan transactions declined; therefore, the balance of loans held by the Financial Services business decreased.

On the other hand, ZERO NETWORKS Co., Ltd. enjoyed a healthy increase in the number of ATMs installed and the number of transactions.

Operating expenses in this segment rose 1.0% year on year to ¥21,047 million.

Financial Position and Liquidity

As of February 20, 2010, the Uny Group's assets totaled ¥943,381 million, a decrease of ¥17,221 million from the end of the previous fiscal year. Consolidated equity (net assets less minority interests) totaled ¥235,922 million, up ¥8,557 million year on year. As a result, the equity ratio declined 0.5 of a percentage point to 25.0%. Consolidated interest-bearing debt (long-term debt, including current portion and short-term borrowings consisting of commercial paper and bonds) declined ¥4,760 million to ¥326,384 million. The interest-coverage ratio deteriorated from 6.5 times to 1.1 times.

Cash Flows

Net cash provided by operating activities rose ¥1,778 million year on year to ¥57,921 million. Principal components were income before income taxes and minority interests of ¥627 million, depreciation of ¥31,829 million, an impairment loss on fixed assets of ¥14,002 million, a decrease in trade payables of ¥15,727 million and income taxes paid of ¥11,382 million.

Sales by Merchandise Category

Years ended February 20	2010		2009		2008		Change 2010/2009
	Millions of Yen						
Clothing	**¥ 196,354**	**17.3%**	¥ 241,383	20.3%	¥ 270,496	22.2%	(18.7)%
Women's clothing	**80,107**	**40.8**	91,282	37.8	99,116	36.6	(12.2)
Children's clothing	**18,143**	**9.2**	21,845	9.0	24,935	9.2	(16.9)
Men's clothing	**21,591**	**11.0**	26,594	11.0	30,007	11.1	(18.8)
Accessories and shoes	**25,682**	**13.1**	41,220	17.1	44,812	16.6	(37.7)
Lingerie	**30,804**	**15.7**	34,003	14.1	37,296	13.8	(9.4)
Kimonos and related accessories	**20,027**	**10.2**	26,439	11.0	34,330	12.7	(24.3)
		100.0		100.0		100.0	
Household Goods	**169,004**	**14.9**	174,014	14.6	178,561	14.7	(2.9)
Sundry and leisure goods	**138,116**	**81.7**	133,516	76.7	136,713	76.6	3.4
Furniture, electrical appliances and others	**30,888**	**18.3**	40,498	23.3	41,848	23.4	(23.7)
		100.0		100.0		100.0	
Foods	**572,576**	**50.5**	570,700	47.9	566,719	46.6	0.3
Fresh foods	**308,577**	**53.9**	292,031	51.2	293,076	51.7	5.7
Processed foods	**263,999**	**46.1**	278,669	48.8	273,643	48.3	(5.3)
		100.0		100.0		100.0	
Other Merchandise	**32,990**	**2.8**	31,512	2.7	30,350	2.5	4.7
Net Sales	**970,924**	**85.5**	1,017,609	85.5	1,046,126	86.0	(4.6)
Other Operating Revenue	**163,503**	**14.5**	172,639	14.5	170,120	14.0	(5.3)
Total	**¥1,134,427**	**100.0%**	¥1,190,248	100.0%	¥1,216,246	100.0%	(4.7)%

Net cash used in investing activities decreased ¥18,570 million to ¥40,333 million. This reflected ¥53,089 million paid for purchases of property and equipment, ¥3,159 million in lease deposits made and ¥7,361 million in lease deposits repaid.

Net cash used in financing activities was ¥20,449 million, a ¥20,612 million reversal from the previous fiscal year. The increase in long-term debt was ¥53,600 million, while the decrease in short-term borrowings was ¥42,543 million. Uny also recorded a repayment of long-term debt of ¥23,274 million.

As a result, cash and cash equivalents upon inclusion of additional subsidiaries on consolidation at the end of fiscal 2010 totaled ¥91,778 million, down ¥2,955 million year on year.

In fiscal 2011, ending February 20, 2011, plans call for capital investment of ¥44,600 million on a contract basis, compared with approximately ¥60,700 million in fiscal 2010.

OUTLOOK FOR FISCAL 2011

In the fiscal year ending February 20, 2011, the overall business environment is expected to get back on a recovery track as foreign demand regains ground and the Japanese government's measures to stimulate the economy take hold. Nevertheless, personal consumption and corporate capital investment are anticipated to remain stagnant. In addition, sluggish household income is prompting consumers to opt for low-end products, further contributing to the ongoing deflationary conditions.

Against this backdrop, the Uny Group expects to see a trend toward improvement in its performance, even if consumer confidence fails to recover rapidly. Given the circumstances, the Uny Group will make every effort to win out in the market by establishing growth strategies and enhancing the profitability of each Group company with the aim of reinforcing the Groupwide competitiveness.

In the superstore segment, Uny Co., Ltd. will create benefits of scale as well as reap the synergetic effects of its fiscal 2009 merger with U Store. In specific terms, we will generate profitability by, for example, combining overlapping contracts with makers to reduce prices, consolidating suppliers and reviewing the accounts of both companies to reduce costs. In addition, we will make efforts to reduce administrative expenses by integrating headquarters functions.

In the convenience store segment, we will aim to enhance marketing capabilities by investing on a large scale to expand future profits and establish new services as well as by developing new products to improve our store brand. Together with this, we will focus on enhancing cost-benefits while cutting expenses through business collaboration to achieve low-cost management. Furthermore, amid an increasingly severe earnings environment, franchise stores and the Head Office will work together to increase profits through further cost reductions and productivity enhancement.

In the specialty store segment, we will make further efforts to improve each product's gross margin ratio by promoting the advanced development of private brand products, reestablishing store brands and accelerating low-cost management. In addition, we will aggressively implement the scrapping and building of unprofitable stores to restructure our earnings base. In Sagami's case, we will continue to promote the restructuring plan in a steady manner.

UCS Co., Ltd. will strive to achieve a balanced earnings structure by promoting UCS cardholder transactions and enhancing cardholder billing as well as by expanding its insurance business. Over and above these efforts, UCS will thoroughly implement low-cost management to reduce expenses. In addition, UCS will maintain an appropriate loan balance by strengthening its risk management.

Management's discussion of the outlook for fiscal 2011, its plans for store openings and its forecasts of operating revenues 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	**2010**	2009	2008	2007	2006	**2010**
For the Year						
Operating revenue	**¥1,134,427**	¥1,190,248	¥1,216,246	¥1,228,946	¥1,202,641	**$12,330,728**
Net sales	**970,924**	1,017,609	1,046,126	1,061,711	1,037,765	**10,553,522**
Cost of goods sold	**718,376**	740,251	758,282	769,552	753,152	**7,808,435**
Selling, general and administrative expenses	**394,956**	409,840	417,010	412,252	405,908	**4,293,000**
Interest expenses	**4,278**	4,218	3,936	3,396	3,166	**46,500**
Income before income taxes and minority interests	**627**	23,317	10,187	29,266	46,454	**6,815**
Net income (loss)	**(4,995)**	5,345	377	9,302	16,102	**(54,293)**
Purchases of property and equipment	**53,089**	46,132	42,299	57,572	48,002	**577,054**
Lease deposits made	**3,159**	8,931	10,087	9,703	12,555	**34,337**
Per share data (in Yen and U.S. Dollars):						
Net income (loss)	**(25.28)**	27.66	2.00	49.27	84.64	**(0.27)**
Cash dividends	**18.00**	18.00	18.00	18.00	18.00	**0.20**
Average shares issued (in Thousands)	**198,566**	198,566	189,295	189,295	189,295	—
At Year-End						
Merchandise inventories	**48,217**	57,672	61,711	62,404	64,715	**524,098**
Property and equipment (book value)	**432,429**	421,798	414,389	410,194	391,366	**4,700,315**
Total assets	**943,381**	960,602	973,142	966,226	951,151	**10,254,142**
Long-term debt, less current portion	**255,451**	231,727	203,108	173,824	184,131	**2,776,641**
Total net assets**	**336,405**	344,870	350,835	364,291	—	**3,656,577**
Shareholders' equity**	—	—	—	—	239,145	—
Profitability						
(Net sales – cost of goods sold)/Net sales (%)	**26.0**	27.3	27.5	27.5	27.4	—
Income before income taxes/Operating revenue (%)	**0.1**	2.0	0.8	2.4	3.9	—
Net income (loss)/Operating revenue (%)	**(0.4)**	0.4	0.0	0.8	1.3	—
Net income (loss)/Total assets (%)	**(0.5)**	0.6	0.0	1.0	1.7	—
Net income (loss)/Shareholders' equity [Total net assets – minority interests] (%)	**(2.1)**	2.2	0.2	3.8	6.7	—
Financial Structure Analysis						
Shareholders' equity [Total net assets – minority interests]/Total assets (%)	**25.0**	25.5	24.2	25.3	25.1	—
Long-term debt/Shareholders' equity [Total net assets – minority interests] (Times)	**1.1**	0.9	0.9	0.7	0.8	—
Income before income taxes and interest expenses/Interest expenses (Times)	**1.1**	6.5	3.6	9.6	15.7	—
Turnover Analysis						
Net sales/Merchandise inventories (Times)	**20.1**	17.6	17.0	17.0	16.0	—
Operating revenue/Total assets (Times)	**1.2**	1.2	1.2	1.3	1.3	—

*See Note 1 of Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

UNY CO., LTD. and Consolidated Subsidiaries		Millions of Yen		Thousands of U.S. Dollars
For the Years Ended February 20, 2010, 2009 and 2008	**2010**	2009	2008	**2010**
Operating Revenue (Note 11):				
Net sales	**¥ 970,924**	¥1,017,609	¥1,046,126	**$10,553,522**
Other	**163,503**	172,639	170,120	**1,777,206**
	1,134,427	1,190,248	1,216,246	**12,330,728**
Operating Costs and Expenses (Notes 5, 7 and 11):				
Cost of goods sold	**718,376**	740,251	758,282	**7,808,435**
Selling, general and administrative expenses	**394,956**	409,840	417,010	**4,293,000**
	1,113,332	1,150,091	1,175,292	**12,101,435**
Operating income	**21,095**	40,157	40,954	**229,293**
Other Income (Expenses):				
Interest and dividend income	**1,482**	1,620	1,555	**16,109**
Interest expenses	**(4,278)**	(4,218)	(3,936)	**(46,500)**
Equity in net earnings of affiliates	**241**	455	23	**2,620**
Gain (loss) on sales or disposal of property and equipment	**563**	(1,976)	(2,367)	**6,120**
Loss on cancellation of lease contracts	**(1,482)**	(1,702)	(2,878)	**(16,109)**
Loss on close-down of stores	**—**	—	(1,185)	**—**
Loss on write-down of securities (Note 3)	**(114)**	(2,899)	(88)	**(1,239)**
Loss on valuation of inventories (Note 2(f))	**(4,072)**	—	—	**(44,261)**
Impairment loss on fixed assets (Note 2(i))	**(14,002)**	(10,562)	(21,942)	**(152,196)**
Gain on return of substituted portion of employee welfare pension fund (Note 2(k))	**—**	—	1,339	**—**
Miscellaneous, net	**1,194**	2,442	(1,288)	**12,978**
	(20,468)	(16,840)	(30,767)	**(222,478)**
Income before income taxes and minority interests	**627**	23,317	10,187	**6,815**
Income Taxes:				
Current	**6,183**	12,704	12,567	**67,206**
Deferred	**(2,459)**	709	(690)	**(26,728)**
	3,724	13,413	11,877	**40,478**
(Loss) income before minority interests	**(3,097)**	9,904	(1,690)	**(33,663)**
Minority Interests in Net Income of Consolidated Subsidiaries	**1,898**	4,559	2,067	**20,630**
Net (loss) income	**¥ (4,995)**	¥ 5,345	¥ 377	**$ (54,293)**
		Yen		U.S. dollars
Per Share (in yen and U.S. dollars):				
Net (loss) income	**¥(25.28)**	¥27.66	¥ 2.00	**$(0.27)**
Cash dividends	**18.00**	18.00	18.00	**0.20**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

UNY CO., LTD. and Consolidated Subsidiaries	Millions of Yen		Thousands of U.S. Dollars
February 20, 2010 and 2009	**2010**	2009	**2010**
ASSETS			
Current Assets:			
Cash and cash equivalents	**¥ 91,778**	¥ 94,733	**$ 997,587**
Short-term investments (Note 3)	**4,386**	7,276	**47,674**
Receivables:			
Trade notes	**—**	21	**—**
Trade accounts	**48,210**	53,481	**524,022**
Short-term loans	**41,938**	46,246	**455,838**
Other (Note 7)	**28,342**	17,870	**308,065**
Allowance for doubtful accounts	**(5,728)**	(5,338)	**(62,261)**
	112,762	112,280	**1,225,674**
Merchandise inventories	**48,217**	57,672	**524,098**
Deferred tax assets (Note 10)	**6,620**	4,863	**71,957**
Other current assets	**21,544**	22,079	**234,174**
Total current assets	**285,307**	298,903	**3,101,164**
Property and Equipment (Note 4):			
Land	**189,089**	182,350	**2,055,316**
Buildings and structures	**465,122**	451,781	**5,055,674**
Equipment and fixtures	**72,010**	71,228	**782,717**
Leased assets (Note 7)	**12,678**	—	**137,804**
Construction in progress	**8,001**	13,234	**86,967**
Total property and equipment	**746,900**	718,593	**8,118,478**
Accumulated depreciation	**(314,471)**	(296,795)	**(3,418,163)**
Net property and equipment	**432,429**	421,798	**4,700,315**
Investments and Other Assets:			
Lease deposits (Notes 4 and 7)	**132,585**	142,450	**1,441,141**
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 3)	**8,069**	8,034	**87,707**
Investment securities (Note 3)	**10,584**	11,185	**115,043**
Deferred tax assets (Note 10)	**19,484**	19,143	**211,783**
Goodwill	**13,729**	14,771	**149,228**
Other	**44,073**	47,113	**479,054**
Allowance for doubtful accounts	**(2,879)**	(2,795)	**(31,293)**
Total investments and other assets	**225,645**	239,901	**2,452,663**
	¥943,381	¥960,602	**$10,254,142**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Short-term borrowings (Note 4)	**¥ 33,585**	¥ 76,128	**$ 365,054**
Current portion of long-term debt (Note 4)	**37,348**	23,289	**405,956**
Notes and accounts payable:			
Trade notes	**9,232**	10,562	**100,348**
Trade accounts	**101,355**	84,297	**1,101,685**
Other	**30,243**	42,068	**328,728**
	140,830	136,927	**1,530,761**
Accrued expenses	**16,502**	16,808	**179,370**
Income taxes payable	**1,928**	6,987	**20,957**
Other current liabilities (Note 10)	**49,460**	49,096	**537,609**
Total current liabilities	**279,653**	309,235	**3,039,707**
Long-Term Liabilities:			
Long-term debt, less current portion (Note 4)	**255,451**	231,727	**2,776,641**
Guarantee deposits from tenants	**57,316**	58,843	**623,000**
Employee retirement benefit liability (Note 5)	**2,551**	2,936	**27,728**
Other long-term liabilities (Note 10)	**12,005**	12,991	**130,489**
Total long-term liabilities	**327,323**	306,497	**3,557,858**
Commitments and Contingent Liabilities (Note 8)			
Net Assets (Note 6)**:**			
Shareholders' equity			
Common stock;			
Authorized: 600,000,000 shares			
Issued: 198,565,821 shares	**10,129**	10,129	**110,098**
Capital surplus	**58,825**	58,826	**639,402**
Retained earnings	**168,169**	176,811	**1,827,924**
Less, treasury stock at cost: 1,011,264 shares in 2010 and 752,690 shares in 2009	**(1,202)**	(1,161)	**(13,065)**
Total shareholders' equity	**235,921**	244,605	**2,564,359**
Accumulated gains from valuation and translation adjustments	**2**	(126)	**22**
Minority interests	**100,482**	100,391	**1,092,196**
Total net assets	**336,405**	344,870	**3,656,577**
	¥943,381	¥960,602	**$10,254,142**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

UNY CO., LTD. and Consolidated Subsidiaries

For the Years Ended February 20, 2010, 2009 and 2008	Number of Common Shares Issued	Millions of Yen Shareholders' Equity Common Stock	Capital Surplus	Retained Earnings
Balance at February 20, 2007	189,295,483	¥ 10,129	¥ 49,487	¥ 177,165
Net income	—	—	—	377
Cash dividends	—	—	—	(3,398)
Reversal of land revaluation decrement	—	—	—	(295)
Increase in retained earnings through inclusion of additional subsidiaries on consolidation	—	—	—	1,112
Fractional shares acquired, net	—	—	(1)	—
Net changes other than shareholders' equity for the year	—	—	—	—
Balance at February 20, 2008	189,295,483	¥ 10,129	¥ 49,486	¥ 174,961
Net income	—	—	—	5,345
Cash dividends	—	—	—	(3,397)
Reversal of land revaluation decrement	—	—	—	(98)
Increase due to merger of a subsidiary	9,270,338	—	9,344	—
Change in equity share portion of affiliates	—	—	—	—
Fractional shares acquired, net	—	—	(4)	—
Net changes other than shareholders' equity for the year	—	—	—	—
Balance at February 20, 2009	198,565,821	¥ 10,129	¥ 58,826	¥ 176,811
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 foreign 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**

	Thousands of U.S. Dollars Common Stock	Capital Surplus	Retained Earnings
Balance at February 20, 2009	$110,098	$639,413	$1,921,859
Net loss	**—**	**—**	**(54,293)**
Cash dividends	**—**	**—**	**(38,707)**
Reversal of land revaluation decrement	**—**	**—**	**(1,011)**
Change in equity share portion of affiliates	**—**	**—**	**—**
Decrease in retained earnings through inclusion of additional subsidiaries on consolidation	**—**	**—**	**(11)**
Effect of changes in accounting policies applied to foreign subsidiaries	**—**	**—**	**87**
Fractional shares acquired, net	**—**	**(11)**	**—**
Net changes other than shareholders' equity for the year	**—**	**—**	**—**
Balance at February 20, 2010	**$110,098**	**$639,402**	**$1,827,924**

See accompanying Notes to Consolidated Financial Statements.

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

Thousands of U.S. Dollars								
$(12,620)	$2,658,750	$14,989	$(272)	$(5,630)	$(10,457)	$(1,370)	$1,091,207	$3,748,587
—	**(54,293)**	**—**	**—**	**—**	**—**	**—**	**—**	**(54,293)**
—	**(38,707)**	**—**	**—**	**—**	**—**	**—**	**—**	**(38,707)**
—	**(1,011)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,011)**
(11)	**(11)**	**—**	**—**	**—**	**—**	**—**	**—**	**(11)**
—	**(11)**	**—**	**—**	**—**	**—**	**—**	**—**	**(11)**
—	**87**	**—**	**—**	**—**		**—**	**—**	**87**
(434)	**(445)**	**—**	**—**	**—**	**—**	**—**	**—**	**(445)**
—	**—**	**2,881**	**631**	**1,010**	**(3,130)**	**1,392**	**989**	**2,381**
$(13,065)	**$2,564,359**	**$17,870**	**$ 359**	**$(4,620)**	**$(13,587)**	**$ 22**	**$1,092,196**	**$3,656,577**

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, 2010, 2009 and 2008	**2010**	2009	2008	**2010**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	**¥ 627**	¥ 23,317	¥ 10,187	**$ 6,815**
Adjustments for:				
Depreciation	**31,829**	28,036	26,388	**345,967**
Impairment loss on fixed assets	**14,002**	10,562	21,942	**152,196**
(Gain) loss on sales or disposal of property and equipment	**(563)**	1,976	2,367	**(6,120)**
Net decrease in employee retirement benefit liability	**(379)**	(2,709)	(5,021)	**(4,120)**
Changes in operating assets and liabilities:				
Trade receivables	**5,292**	(3,635)	(5,132)	**57,522**
Inventories	**8,875**	3,094	770	**96,467**
Trade payables	**15,727**	(11,767)	(5,194)	**170,946**
Other, net	**(3,483)**	21,338	9,491	**(37,858)**
Subtotal	**71,927**	70,212	55,798	**781,815**
Interest and dividends received	**1,170**	1,278	1,304	**12,717**
Interest paid	**(3,794)**	(4,001)	(4,019)	**(41,239)**
Income taxes paid	**(11,382)**	(11,346)	(16,258)	**(123,717)**
Net cash provided by operating activities	**57,921**	56,143	36,825	**629,576**
Cash Flows from Investing Activities:				
Property and equipment:				
Purchases	**(53,089)**	(46,132)	(42,299)	**(577,054)**
Proceeds from sales	**2,907**	1,917	2,332	**31,598**
Lease deposits made	**(3,159)**	(8,931)	(10,087)	**(34,337)**
Lease deposits repaid	**7,361**	8,870	8,989	**80,011**
Net decrease (increase) in short-term investments and investment securities	**795**	(4,539)	395	**8,641**
Other, net	**4,852**	(10,088)	(6,993)	**52,739**
Net cash used in investing activities	**(40,333)**	(58,903)	(47,663)	**(438,402)**
Cash Flows from Financing Activities:				
Increase in long-term debt	**53,600**	53,550	60,500	**582,609**
Repayment of long-term debt	**(23,274)**	(32,670)	(52,625)	**(252,978)**
(Decrease) increase in short-term borrowings	**(42,543)**	(13,892)	5,804	**(462,424)**
Net decrease in guarantee deposits from tenants	**(1,724)**	(1,148)	(1,867)	**(18,739)**
Dividends paid to shareholders	**(3,561)**	(3,397)	(3,398)	**(38,707)**
Dividends paid to minority shareholders	**(1,815)**	(2,108)	(2,201)	**(19,728)**
Other, net	**(1,132)**	(172)	(161)	**(12,305)**
Net cash (used in) provided by financing activities	**(20,449)**	163	6,052	**(222,272)**
Effect of exchange rate changes on cash and cash equivalents	**(283)**	(474)	(178)	**(3,076)**
Net decrease in cash and cash equivalents	**(3,144)**	(3,071)	(4,964)	**(34,174)**
Cash and cash equivalents at beginning of year	**94,733**	97,710	102,121	**1,029,707**
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	**189**	94	553	**2,054**
Cash and cash equivalents at end of year	**¥91,778**	¥ 94,733	¥ 97,710	**$ 997,587**

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.

Prior to the year ended February 20, 2009, the accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of consolidated overseas subsidiaries for the year ended February 20, 2010 are prepared in accordance with International Financial Reporting Standards, 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, 2010, which was ¥92 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 reclassifications were made in the 2009 consolidated financial statements to conform to the classifications used in 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

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

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise over which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or 15% to 19% owned enterprise that meets certain criteria. For the years ended February 20, 2010, 2009 and 2008, 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 eight, seven, and eight respectively.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 20, 2010, 2009 and 2008 was as follows:

	2010	2009	2008
Consolidated subsidiaries:			
Domestic	**20**	21	24
Overseas	**2**	3	2
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	**2**	2	1
Unconsolidated subsidiaries, stated at cost	**11**	12	13
Affiliates, stated at cost	**13**	13	13

On May 17, 2006, the Accounting Standards Board of Japan 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"). 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 overseas subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. GAAP. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are 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 PITF No.18, effective February 21, 2009, retained earnings at February 21, 2009 was increased by ¥8 million ($87 thousand).

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

(b) Cash equivalents

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

(c) Investments and marketable securities

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

(d) Accounting for derivatives

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

The gains and losses for revalued compound instruments, including embedded derivatives, are included in "miscellaneous" of other income (expenses) in the accompanying consolidated statements of income for the years ended February 20, 2010, 2009 and 2008, where such embedded derivatives cannot be separated from the host contract.

(e) Allowance for doubtful accounts

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

(f) Inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and 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 ($3,989 thousand) less and income before income taxes and minority interests ¥4,439 million ($48,250 thousand) 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.

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

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

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

(h) Leases

Prior to February 21, 2009, the Company and its domestic subsidiaries had accounted for finance leases that did not transfer ownership of the leased property to the lessee as operating lease transactions, as permitted by the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Council of Japan ("BACJ") in June 1993, on condition that certain "as if capitalized" information for lessees or "as if sold" information for lessors was disclosed in the notes to the financial statements. On March 30, 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard requires that lessees should capitalize all finance leases to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits finance leases which commence prior to February 21, 2009 and do not transfer ownership of the property to the lessee to be accounted for as operating lease transactions. On the other hand, the revised accounting standard requires that lessors should recognize all finance leases that transfer ownership of the lease property to the lessee as lease receivables and all finance leases that do not transfer ownership of the leased property to the lessee as lease investment assets.

The company and its domestic subsidiaries have adopted the revised accounting standard for lease transactions effective February 21, 2009. In accordance with the revised standards, the UNY Group accounts for finance leases that commenced prior to February 21, 2009 and that did not provide for the transfer of ownership of the leased property in the following manner.

For lease transactions under which a UNY Group company is a lessee, the leased property is accounted for as if under an operating lease transaction. For leases under which a subsidiary is a lessor, the leased property has been stated at beginning book value, cost less accumulated depreciation, as lease investment assets at February 21, 2009, pursuant to paragraph 81 of Implementation Guidance No.16, "Implementation Guidance on Accounting Standard for Lease Transactions," issued by the Japan Institute of Certified Public Accountant (JICPA) on March 30, 2007.

The effect of the adoption 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 ($3,054 thousand) and ¥11,573 million ($125,793 thousand), respectively, and to increase other current liabilities and long-term debt, less current portions by ¥1,401 million ($15,228 thousand) and ¥6,056 million ($65,826 thousand), respectively, compared to the amounts that would have been recorded without the adoption of the new standards. There was no material effect on the statements of income or segment information as a result of the adoption of the revised accounting standard.

Leased assets that do not transfer ownership to the lessee are depreciated by the straight-line method over the term of the lease, with a residual value of zero. Revenue from finance lease transactions is not recorded in sales, but instead recorded by allocating the corresponding amount of interest over the fiscal year concerned.

(i) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by BACJ and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, which is to be measured as the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and structures and equipment and fixtures, as well as intangible assets, and are to be grouped at the lowest 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 if assets are impaired by comparing their undiscounted expected cash flows to the carrying amounts in the accounting records. An impairment loss is recognized if undiscounted expected cash flows are less than the carrying amount of the asset. The recoverable amounts of assets were measured based on their net selling prices primarily from appraisal valuations or amounts of operating cash flows discounted by interest rates. The discount rates for fiscal years ended February 20, 2010, 2009 and 2008 ranged from 2.7% to 5.0%, from 3.1% to 7.4% and from 3.9% to 8.1% respectively.

For the years ended February 20, 2010, 2009 and 2008, the UNY Group recognized impairment losses on fixed assets of ¥14,002 million ($152,196 thousand), ¥10,562 million and ¥21,942 million, respectively, as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Superstores, convenience stores, specialty stores and other property	**¥13,335**	¥10,464	¥21,906	**$144,946**
Idle property	**667**	98	36	**7,250**
Total	**¥14,002**	¥10,562	¥21,942	**$152,196**

(j) Revaluation of land

In accordance with the Law Concerning Revaluation of Land of Japan, one of the consolidated subsidiaries elected the one-time revaluation to restate the cost of land used for business at a value rationally reassessed effective February 20, 2002, reflecting appropriate adjustments for land shape and other factors and based on appraisal values issued by the Japanese National Tax Agency or municipal property tax bases. According to the law, the amount equivalent to the tax effect on the difference between the original book value and sound reassessed value is recorded as deferred tax liability for revaluation account. The rest of the difference, net of the tax effect and minority interests portion, is recorded as a component of net assets in the land revaluation decrement account in the accompanying consolidated balance sheets. At February 20, 2010 and 2009, the difference of the carrying value of land used for business after reassessment over the market value of such land at the respective fiscal year-ends amounted to ¥467 million ($5,076 thousand) and ¥449 million, respectively.

(k) Employee retirement benefits

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

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

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

(l) Severance indemnities for officers

Until May 2005, the UNY Group paid severance indemnities to directors and corporate auditors upon the approval of the shareholders, and the Company and its principal consolidated subsidiaries provided for this liability at the amount that would have been payable assuming such directors and corporate auditors terminated their service at the balance sheet date. In May 2005, the Company and its principal consolidated subsidiaries terminated the severance benefit plan for directors and corporate auditors, and the shareholders of the companies approved paying the severance indemnities benefits granted prior to the termination date of the severance benefit plan. At February 20, 2010 and 2009, the unpaid portion of these severance indemnity benefits was included in other long-term liabilities in the accompanying consolidated balance sheets.

(m) Accounting for allowance for losses for interest repayments

An allowance for losses for interest repayments is provided by one of the consolidated subsidiaries engaged in financial services to customers based on anticipated losses, taking into consideration the historical repayment of claims from the customers for the refund of interest that exceed the upper limit for interest rates prescribed under the Interest Rate Restriction Law of Japan. Effective from the year ended February 20, 2007, the consolidated subsidiary adopted the "Application of Auditing for Provision of Allowance for Loss for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" of the Industry Audit Practice Committee Report No. 37)," which was issued by JICPA on October 13, 2006 to clarify the guidelines for calculating the allowance for losses on interest repayments and a reasonable period for estimation. As a result of the adoption, the accrued amounts of ¥2,923 million ($31,772 thousand) and ¥2,527 million at February 20, 2010 and 2009, respectively, were included in other long-term liabilities.

(n) Allowance for sales promotion

Certain consolidated subsidiaries grant points to customers as member cardholders in a "Point card system" on purchases of merchandise. These points are awarded in proportion to purchase amounts and may be redeemed for future merchandise. For the years ended February 20, 2010, 2009 and 2008, two, two and three consolidated subsidiaries, respectively, provided an allowance for sales promotion based on the estimates at the fiscal year-end under the point card system. In addition, an additional consolidated subsidiary changed its accounting method to provide the allowance from the year ended February 20, 2008. As a result, operating income and income before income taxes and minority interests for the year ended February 20, 2008 were ¥80 million less than what would have been recorded with the previous accounting method.

(o) Provisions

For the years ended February 20, 2010 and 2009, two and one consolidated subsidiaries, respectively, provided an allowance for future losses on its business restructuring, including for its items such as the close-down of stores, loss on disposal of inventory and discontinued operations, based on its best estimates as of the current fiscal year-end. In addition, for the year ended February 20, 2010, another consolidated subsidiary also provided an allowance for future losses on its business restructuring. At February 20, 2010 and 2009, these provisions aggregated ¥798 million ($8,674 thousand) and ¥1,136 million, respectively.

(p) Accounting change

(Accounting change for gift certificates)

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

(Accounting change for commissions)

Until the fiscal year ended February 20, 2009, the UNY Group had recorded commissions received from suppliers for outsourced delivery services as "Other" in operating income. With the integration of logistic centers to improve transportation efficiency, the UNY Group has decided to record such commissions as a deduction from expenses relating to delivery center operations included in S.G.A. to further clarify their relationship with expenses, effective from the year ended February 20, 2010, the amounts in the consolidated statements of income prior to and for the year ended February 20, 2009 have not been restated. As a result of this change, operating revenue and operating costs and expenses decreased by ¥1,617 million ($ 17,576 thousand) in comparison with what would have been recorded under the previous accounting policy. However, this change has had no impact on operating income.

(q) Translation of foreign currency accounts

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

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

(r) Income taxes

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

(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 per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted net income per share is not disclosed because the UNY Group had no diluted common shares for the three years ended February 20, 2010, 2009 and 2008. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

3. INVESTMENTS

At February 20, 2010 and 2009, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Marketable securities—bonds	**¥ 50**	¥ 167	**$ 543**
Joint money trust	**3,000**	6,000	**32,609**
Time deposits with an original maturity of more than three months	**1,336**	1,109	**14,522**
	¥4,386	¥7,276	**$47,674**

At February 20, 2010 and 2009, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Marketable securities:			
Equity securities	**¥ 8,490**	¥ 8,026	**$ 92,282**
Bonds	**1,233**	2,158	**13,403**
Others	**46**	37	**500**
	9,769	10,221	**106,185**
Other nonmarketable securities	**815**	964	**8,858**
	¥10,584	¥11,185	**$115,043**

Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses which are 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, 2010 and 2009 are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair and Carrying Value
	Millions of Yen			
At February 20, 2010:				
Marketable securities:				
Equity securities	**¥5,778**	**¥3,072**	**¥(360)**	**¥8,490**
Bonds	**1,351**	**1**	**(69)**	**1,283**
Others	**49**	**—**	**(2)**	**47**
	¥7,178	**¥3,073**	**¥(431)**	**¥9,820**
At February 20, 2009:				
Marketable securities:				
Equity securities	¥5,739	¥2,636	¥(349)	¥ 8,026
Bonds	2,452	1	(128)	2,325
Others	49	—	(12)	37
	¥8,240	¥2,637	¥(489)	¥10,388
	Thousands of U.S. Dollars			
At February 20, 2010:				
Marketable securities:				
Equity securities	**$62,804**	**$33,391**	**$(3,913)**	**$ 92,282**
Bonds	**14,685**	**11**	**(750)**	**13,946**
Others	**533**	**—**	**(22)**	**511**
	$78,022	**$33,402**	**$(4,685)**	**$106,739**

The UNY Group sold available-for-sale securities and recorded realized gains of ¥0 million ($1 thousand), ¥116 million and ¥3,573 million for the years ended February 20, 2010, 2009 and 2008, respectively, and recorded realized losses of ¥1 million ($9 thousand) and ¥10 million for the years ended February 20, 2010 and 2009, respectively, on the accompanying consolidated statements of operations. During the years ended February 20, 2010, 2009 and 2008, the UNY Group recorded a loss on the write-down of available-for-sale securities and investments in unconsolidated subsidiaries and affiliates due to other-than-temporary impairments in value amounting to ¥114 million ($1,239 thousand), ¥2,899 million and ¥88 million, respectively.

At February 20, 2010, expected maturities of held-to-maturity debt securities and available-for-sale securities were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥3,100	$33,696
Due after one year through five years	1,201	13,054
Due after five years through ten years	—	—
Due after ten years	50	543
	¥4,351	$47,293

At February 20, 2010 and 2009, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Investments, accounted for by the equity method for one significant affiliate and at cost for others	**¥7,667**	¥7,756	**$83,337**
Interest bearing long-term loans	**402**	278	**4,370**
	¥8,069	¥8,034	**$87,707**

4. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Short-term unsecured bank loans with interest rates ranging from 0.33% to 0.963% per annum at February 20, 2010	**¥13,085**	¥19,128	**$142,228**
Commercial paper at interest rates ranging from 0.11% to 0.114% per annum at February 20, 2010	**20,500**	57,000	**222,826**
	¥33,585	¥76,128	**$365,054**

At February 20, 2010 and 2009, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loans principally from banks and insurance companies due through 2017 at interest rates ranging from 0.66% to 2.9% per annum at February 20, 2010:			
Collateralized	**¥ 1,777**	¥ 2,116	**$ 19,315**
Unsecured	**268,565**	237,900	**2,919,184**
2.13% notes due in April 2010	**5,000**	5,000	**54,348**
0.56% notes due in May 2010	**5,000**	5,000	**54,348**
1.26% notes due in September 2010	**5,000**	5,000	**54,348**
Capitalized lease obligations	**7,457**	—	**81,054**
	292,799	255,016	**3,182,597**
Less, current maturities	**(37,348)**	(23,289)	**(405,956)**
	¥255,451	¥231,727	**$2,776,641**

The aggregate annual maturities of long-term debt at February 20, 2010 are summarized as follows:

Years ending February 20,	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 37,348	$ 405,956
2012	49,765	540,924
2013	67,466	733,326
2014	59,851	650,554
2015	71,496	777,130
Thereafter	6,873	74,707
	¥292,799	$3,182,597

Certain assets of the UNY Group that were pledged as collateral for long-term debt at February 20, 2010 and 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Land	**¥1,073**	¥1,073	**$11,663**
Buildings and structures	**5,054**	5,388	**54,935**
Lease deposits	**—**	173	**—**

Debts for the pledged assets above as of February 20, 2010 and 2009 were long-term loans (including the current portion) in the amount of ¥1,777 million ($19,315 thousand) and ¥2,116 million, respectively.

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

5. EMPLOYEE RETIREMENT BENEFITS

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

The following table reconciles the benefit liability and net periodic retirement benefit expense as of and for the years ended February 20, 2010, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥79,349**	¥ 82,337	**$862,489**
Fair value of pension plan assets at end of year	**(63,446)**	(57,302)	**(689,630)**
Projected benefit obligation in excess of pension plan assets	**15,903**	25,035	**172,859**
Less, unrecognized transitional provision	**(99)**	(116)	**(1,076)**
Less, unrecognized actuarial differences (loss)	**(19,372)**	(29,455)	**(210,565)**
Unrecognized past service costs	**5,901**	7,256	**64,141**
	2,333	2,720	**25,359**
Prepaid pension cost	**218**	216	**2,369**
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	**¥ 2,551**	¥ 2,936	**$ 27,728**

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Component of net periodic retirement benefit expense:				
Service cost	**¥3,050**	¥ 3,139	¥ 3,031	**$33,152**
Interest cost	**1,616**	1,732	1,849	**17,565**
Expected return on pension plan assets	**(2,266)**	(3,083)	(3,486)	**(24,630)**
Transitional provision	**17**	17	17	**185**
Amortization of actuarial differences	**4,757**	2,915	1,976	**51,706**
Amortization of past service costs	**(1,340)**	(1,346)	(1,319)	**(14,565)**
Net periodic retirement benefit expense	**¥5,834**	¥ 3,374	¥ 2,068	**$63,413**

Major assumptions used in the calculation of the above information for the years ended February 20, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method	Straight-line method
Discount rate	0.5%~2.0%	0.5%~2.0%	0.5%~2.0%
Expected rate of return on pension plan assets	2.0%~4.0%	2.0%~4.0%	2.0%~4.0%
Amortization period of past service costs	5 to 10 years	5 to 10 years	6 to 10 years
Amortization period of actuarial differences	5 to 10 years	5 to 10 years	5 to 10 years
Amortization period of transitional provision	15 years for one subsidiary	15 years for one subsidiary	15 years for one subsidiary

6. 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, 2010 and 2009, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥2,532 million ($27,521 thousand) at February 20, 2010 and 2009, respectively.

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

At the annual shareholders' meeting held on May 18, 2010, the shareholders approved cash dividends amounting to ¥1,780 million ($19,348 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 20, 2010 and are recognized in the period in which they are approved by the shareholders.

7. LEASE COMMITMENTS

(a) Lessee

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

The Company and certain domestic consolidated subsidiaries also lease computer equipment, store fixtures, private power generation equipment and vehicles under one-to twenty-year noncancelable lease agreements. As disclosed in Note 2(h), prior to February 21, 2009, the leased property of the Company and its domestic consolidated subsidiaries under such noncancelable lease agreements categorized as financing leases have not capitalized, and the related rental and lease expenses were charged to income as incurred as accepted by the "Opinion Concerning Accounting Standard for Leases" issued by BACJ and the related practical guideline issued by JICPA. If the leased property of the UNY Group had been capitalized, the related accounts would have been increased/(decreased) at February 20, 2010 and 2009 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Property and equipment, net of accumulated depreciation*1	**¥21,297**	¥29,155	**$231,489**
Lease obligations as liabilities*2	**23,837**	31,680	**259,098**
Allowance for impairment loss on leased property	**(1,346)**	(1,670)	**(14,631)**
Net effect on retained earnings at year-end	**¥ (1,194)**	¥ (855)	**$ (12,978)**

Additionally, income before income taxes and minority interests would have been ¥46 million ($500 thousand) less and ¥45 million less for the years ended February 20, 2010 and 2009, respectively.

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

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

The aggregate future minimum payments for noncancelable operating leases and financing leases, excluding the imputed interest portion, at February 20, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Financing leases as lessee:			
Due within one year	**¥ 6,874**	¥ 8,333	**$ 74,717**
Due after one year	**16,963**	23,347	**184,381**
	¥ 23,837	¥ 31,680	**$ 259,098**
Operating leases as lessee:			
Due within one year	**¥ 16,178**	¥ 17,085	**$ 175,848**
Due after one year	**114,860**	128,845	**1,248,478**
	¥131,038	¥145,930	**$1,424,326**

Gross rental and lease expense, consisting of minimum rental payments for all operating leases and financing leases for the years ended February 20, 2010, 2009 and 2008 was ¥103,157 million ($1,121,272 thousand), ¥105,549 million and ¥105,504 million, respectively. For the years ended February 20, 2010, 2009 and 2008, lease expense for noncancelable lease agreements categorized as financing leases amounted to ¥9,092 million ($98,826 thousand), ¥9,511 million and ¥9,620 million, respectively.

(b) Lessor

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

A certain consolidated subsidiary engaged in leasing operations as lessor enters into various lease agreements with third parties principally for the lease of vehicles, with the leased property recorded as property and equipment. The effect of the finance lease adjustment is not material.

Lease investment assets at February 20, 2010 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Gross lease receivables	¥253	$2,750
Estimated residual values	54	587
Unearned interest income	(89)	(967)
Lease investment assets	¥218	$2,370

Lease receivables that mature subsequent to February 20, 2010 are as follows:

Years ending February 20,	Millions of Yen	Thousands of U.S. Dollars
2011	¥110	$1,196
2012	84	913
2013	37	402
2014	15	163
2015	7	76
Thereafter	0	0
	¥253	$2,750

The aggregate future minimum lease commitments to be received for noncancelable lease agreements, excluding the imputed interest, at February 20, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Operating leases as lessor:			
Due within one year	**¥128**	¥112	**$1,391**
Due after one year	**163**	195	**1,772**
	¥291	¥307	**$3,163**

8. 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, 2010 and 2009 amounted to ¥853,139 million ($9,273,250 thousand) and ¥879,182 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, 2010 and 2009, the UNY Group was contingently liable for guarantees of the indebtedness of unconsolidated subsidiaries, affiliates, franchisees and others in the amounts of ¥4,051 million ($44,033 thousand) and ¥3,747 million, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The UNY Group is a party to derivative financial instruments such as foreign currency exchange contracts and interest rate contracts in the normal course of business. The UNY Group enters into these instruments to reduce its own exposure to fluctuations in exchange rates and interest rates for hedging purposes. The UNY Group is exposed to the risk of credit loss in the event of nonperformance by the other parties. However, the UNY Group does not expect nonperformance by the counterparties as the counterparties of the derivative transactions are limited to major banks with relatively high credit ratings. At February 20, 2010 and 2009, all outstanding derivative financial instruments were accounted for by hedge accounting.

10. INCOME TAXES

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at February 20, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets—current:			
Operating loss carryforwards	**¥ 6,267**	¥ 1,450	**$ 68,120**
Accrued bonuses	**1,510**	1,592	**16,413**
Allowance for doubtful accounts	**1,479**	1,667	**16,076**
Other	**2,940**	4,209	**31,957**
Less, valuation allowance	**(5,554)**	(2,649)	**(60,370)**
	6,642	6,269	**72,196**
Net of deferred tax liabilities—current	**(22)**	(1,406)	**(239)**
Deferred tax assets—current portion	**¥ 6,620**	¥ 4,863	**$ 71,957**
Deferred tax liabilities—current:			
Loss on write-down of merchandise inventories	—	1,516	—
Other	**22**	11	**239**
Net of deferred tax assets—current	**(22)**	(1,406)	**(239)**
Deferred tax liabilities—current portion	**¥ —**	¥121	**$ —**
Deferred tax assets—noncurrent:			
Impairment loss on fixed assets	**¥24,767**	¥22,337	**$269,207**
Operating loss carryforwards	**9,205**	10,265	**100,054**
Allowance for doubtful accounts	**1,500**	1,327	**16,304**
Advance received	**1,238**	1,603	**13,457**
Intercompany profits	**1,139**	1,181	**12,380**
Loss on write-down of securities	**1,062**	3,297	**11,543**
Other	**3,776**	4,129	**41,044**
Less, valuation allowance	**(19,401)**	(21,881)	**(210,880)**
	23,286	22,258	**253,109**
Net of deferred tax liabilities—noncurrent	**(3,802)**	(3,115)	**(41,326)**
Deferred tax assets—noncurrent portion	**¥19,484**	¥19,143	**$211,783**

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax liabilities—noncurrent:			
Unrealized gains on available-for-sale securities	**¥ 936**	¥ 758	**$ 10,174**
Gain on sale of property	**2,656**	2,253	**28,870**
Other	**709**	621	**7,706**
	4,301	3,632	**46,750**
Net of deferred tax assets—noncurrent	**(3,802)**	(3,115)	**(41,326)**
Deferred tax liabilities—noncurrent portion included in other long-term liabilities	**¥ 499**	¥ 517	**$ 5,424**
Deferred tax liabilities for revaluation (see Note 2(j)) included in other long-term liabilities	**¥ 85**	¥ 85	**$ 924**

In assessing the realizability of deferred tax assets, the 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, 2010 and 2009, a valuation allowance was established to reduce the deferred tax assets to the extent that management of the UNY Group believed that the amount of the deferred tax assets was expected to be realizable.

The reconciliation of the difference between the Japanese statutory effective tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended February 20, 2010, 2009 and 2008, was as follows:

	Percentage of Pre-Tax Income		
	2010	2009	2008
Japanese statutory effective tax rate	**40.3%**	40.3%	40.2%
Increase (decrease) due to:			
Local minimum taxes—per capita levy	**180.4**	5.0	11.4
Amortization of goodwill	**104.7**	3.1	8.1
Change in valuation allowance	**288.2**	10.6	60.7
Adjustments for sale of land under revaluation	**—**	—	(2.9)
Other	**(19.5)**	(1.5)	(0.9)
Effective income tax rate	**594.1%**	57.5%	116.6%

11. BUSINESS COMBINATIONS

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

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

U STORE CO., LTD: Superstores

(b) Legal form of business combination

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

(c) Exchange rate and number of shares issued

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

(d) Summary of accounting treatment

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

On February 21, 2009, the Company absorbed Tomei Crown Kaihatsu CO., LTD., a consolidated subsidiary of the Company, in a merger. This merger was expected to improve management efficiency of the UNY Group, and strengthen management resources. An outline of this business combination is as follows:

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

Tomei Crown Kaihatsu CO., LTD.: Developer

(b) Legal form of business combination

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

(c) Summary of accounting treatment

In accordance with the Accounting Standard for Business Combinations issued by BACJ, this merger was accounted for as a transactions under common control.

12. TRANSACTIONS WITH RELATED PARTIES

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

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

Transaction Amount (Millions of yen)	Account	Balances (Millions of yen)
¥35	Trade accounts	¥2

13. SEGMENT INFORMATION

The UNY group operates in five segments: "Superstores," "Convenience stores," "Specialty stores," "Financial services," and "Other business." A summary of information classified by lines of business of the UNY Group for the three years ended February 20, 2010 is as follows:

	Millions of Yen							
	Superstores	Convenience Stores	Specialty Stores	Financial Services	Other	Total	Elimination of Intersegment Transactions	Consolidated Total
For the year 2010:								
Operating revenue:								
External customers	**¥832,382**	**¥188,900**	**¥88,896**	**¥ 20,518**	**¥ 3,731**	**¥1,134,427**	**¥ —**	**¥1,134,427**
Intersegment sales/transfers	**2,627**	**12**	**—**	**3,434**	**15,868**	**21,941**	**(21,941)**	**—**
	835,009	**188,912**	**88,896**	**23,952**	**19,599**	**1,156,368**	**(21,941)**	**1,134,427**
Operating costs and expenses	**830,334**	**175,700**	**89,157**	**21,047**	**19,019**	**1,135,257**	**(21,925)**	**1,113,332**
Operating income	**¥ 4,675**	**¥ 13,212**	**¥ (261)**	**¥ 2,905**	**¥580**	**¥21,111**	**¥ (16)**	**¥ 21,095**
Identifiable assets	**¥575,681**	**¥233,918**	**¥39,806**	**¥110,656**	**¥11,174**	**¥ 971,235**	**¥(27,854)**	**¥ 943,381**
Depreciation	**19,209**	**10,358**	**1,078**	**891**	**294**	**31,830**	**—**	**31,830**
Impairment loss on fixed assets	**9,377**	**3,529**	**992**	**6**	**98**	**14,002**	**—**	**14,002**
Capital expenditures	**33,996**	**7,512**	**652**	**9,690**	**1,609**	**53,459**	**—**	**53,459**
For the year 2009:								
Operating revenue:								
External customers	¥848,514	¥208,489	¥108,208	¥ 21,074	¥ 3,963	¥1,190,248	¥ —	¥1,190,248
Intersegment sales/transfers	3,032	15	—	3,502	16,844	23,393	(23,393)	—
	851,546	208,504	108,208	24,576	20,807	1,213,641	(23,393)	1,190,248
Operating costs and expenses	837,594	187,407	108,212	20,836	19,403	1,173,452	(23,361)	1,150,091
Operating income	¥ 13,952	¥ 21,097	¥ (4)	¥ 3,740	¥ 1,404	¥ 40,189	¥ (32)	¥ 40,157
Identifiable assets	¥571,156	¥233,314	¥ 48,400	¥114,333	¥25,468	¥ 992,671	¥(32,069)	¥ 960,602
Depreciation	17,221	7,875	1,433	836	671	28,036	—	28,036
Impairment loss on fixed assets	6,298	3,226	846	2	190	10,562	—	10,562
Capital expenditures	27,609	17,706	1,710	1,688	238	48,951	—	48,951
For the year 2008:								
Operating revenue:								
External customers	¥867,910	¥201,910	¥122,575	¥ 21,005	¥ 2,846	¥1,216,246	¥ —	¥1,216,246
Intersegment sales/transfers	3,542	6	—	3,200	16,247	22,995	(22,995)	—
	871,452	201,916	122,575	24,205	19,093	1,239,241	(22,995)	1,216,246
Operating costs and expenses	853,412	182,651	123,852	20,416	17,941	1,198,272	(22,980)	1,175,292
Operating income	¥ 18,040	¥ 19,265	¥ (1,277)	¥ 3,789	¥ 1,152	¥ 40,969	¥ (15)	¥ 40,954
Identifiable assets	¥564,920	¥231,772	¥ 65,044	¥117,209	¥26,402	¥1,005,347	¥(32,205)	¥ 973,142
Depreciation	16,867	6,719	1,744	637	421	26,388	—	26,388
Impairment loss on fixed assets	12,919	2,716	6,170	2	135	21,942	—	21,942
Capital expenditures	34,706	13,971	2,758	1,238	3,791	56,464	—	56,464

	Thousands of U.S. Dollars							
	Superstores	Convenience Stores	Specialty Stores	Financial Services	Other	Total	Elimination of Intersegment Transactions	Consolidated Total
For the year 2010:								
Operating revenue:								
External customers	**$9,047,630**	**$2,053,261**	**$966,261**	**$ 223,022**	**$ 40,554**	**$12,330,728**	**$ —**	**$12,330,728**
Intersegment sales/transfers	**28,554**	**130**	**—**	**37,326**	**172,479**	**238,489**	**(238,489)**	**—**
	9,076,184	**2,053,391**	**966,261**	**260,348**	**213,033**	**12,569,217**	**(238,489)**	**12,330,728**
Operating costs and expenses	**9,025,370**	**1,909,783**	**969,097**	**228,772**	**206,728**	**12,339,750**	**(238,315)**	**12,101,435**
Operating income	**$ 50,814**	**$ 143,608**	**$ (2,836)**	**$ 39,786**	**$ 6,305**	**$ 229,467**	**$ (174)**	**$ 229,293**
Identifiable assets	**$6,257,402**	**$2,542,587**	**$432,674**	**$1,202,783**	**$121,457**	**$10,556,903**	**$(302,761)**	**$10,254,142**
Depreciation	**208,793**	**112,587**	**11,717**	**9,685**	**3,196**	**345,978**	**—**	**345,978**
Impairment loss on fixed assets	**101,924**	**38,359**	**10,783**	**65**	**1,065**	**152,196**	**—**	**152,196**
Capital expenditures	**369,522**	**81,652**	**7,087**	**105,326**	**17,489**	**581,076**	**—**	**581,076**

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

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of UNY CO., LTD. (the "Company") and its consolidated subsidiaries (together with the Company, "UNY Group") as of February 20, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended February 20, 2010, 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 UNY Group as of February 20, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 20, 2010, in conformity with accounting principles generally accepted in Japan.

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

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

(2) As discussed in Note 2(f), the Company and its domestic subsidiaries changed the accounting standard for measurement of inventories 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, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
May 18, 2010

CORPORATE DATA

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of May 18, 2010)

Chairman

Koji Sasaki

President

Tetsuro Maemura

Senior Managing Director

Kunio Matsuda

Directors

Tadashi Oda

Mitsuo Maeda

Fumito Tezuka

Norio Sako

Takeshi Murase

Jiro Koshida

Akira Ito

Akiyoshi Kanou

Takamasa Ogawa

Toshikazu Nishikawa

Kazuo Sassa

Corporate Auditors

Tatsumi Yoshida

Shinichi Miyai

Kazuyoshi Kouketsu

Ikuo Tange

INVESTOR INFORMATION

(As of February 20, 2010)

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

9,247

Stock Transfer Agent

The Sumitomo Trust and Banking Company, Limited

CONSOLIDATED SUBSIDIARIES

(As of February 20, 2010)

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. (superstore)

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

UCS Co., Ltd. (credit card service and insurance service)

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

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

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

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