ANNUAL REPORT 2014

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2014

UGHD

Serving Up Success

UNY Group Holdings Co., Ltd.

Everyday especially for you.

UGHD

The UNY Group welcomes the next 100 years by renewing the UNY Group's mission statement and our vision, and by setting out five shared values as our code of conduct. Based on this new philosophy, the UNY Group is working to come close to customers and moving ahead as a retail conglomerate together with its various local communities.

Our Mission

We in the UNY Group will deliver the greatest satisfaction each day to our customers.

Our Vision

We in the UNY Group will aim to be a close and trusted partner through planning, developing and providing products and services that exceed the expectations of our customers and communities.

Five Shared Values

The values we seek in ourselves to realize our mission and vision

Unique

Proactive

Honest

Basic

Diverse

Contents

Disclaimer

This annual report includes forward-looking statements that do not relate to historical or current facts and reflect the forecasts, projections and plans of the UNY Group (UNY Holdings and affiliates). These forecasts, projections and plans are based on the information currently available to and announced by the UNY Group. Changes in this data may cause the results of the UNY Group's future activities to differ from the forecasts, projections and plans described in this annual report. Therefore, please understand that the UNY Group does not guarantee the accuracy of the business forecasts and other forward-looking statements described in this annual report. Moreover, the UNY Group and other concerned parties shall not be responsible in the case that any future results differ from the forecasts, projections and plans in this annual report.

SELECTED FINANCIAL DATA

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
Year Ended February 28, 2014 and Years Ended February 20, 2013, 2012, 2011 and 2010

	Millions of yen					Thousands of U.S. dollars*
	2014	2013	2012	2011	2010	**2014**
For the Year						
Operating revenue	**¥1,032,127**	¥1,030,259	¥1,079,151	¥1,112,781	¥1,134,427	**$10,118,892**
Net sales	**863,880**	858,916	907,615	946,914	970,924	**8,469,412**
Cost of goods sold	**636,114**	630,646	664,302	697,168	718,376	**6,236,412**
Selling, general and administrative expenses	**370,684**	364,593	370,847	380,511	394,956	**3,634,157**
Interest expenses	**(2,591)**	(3,443)	(3,914)	(4,329)	(4,278)	**(25,402)**
Income before income taxes and minority interests	**15,979**	43,501	25,858	20,374	627	**156,657**
Net income (loss)	**7,441**	30,471	8,324	6,046	(4,995)	**72,951**
Purchases of property and equipment	**54,743**	32,783	27,425	31,573	53,089	**536,696**
Lease deposits made	**3,015**	3,364	2,321	2,573	3,159	**29,559**
Per share data (in yen and U.S. dollars):						
Net income (loss)	**32.13**	140.64	42.14	30.61	(25.28)	**0.32**
Cash dividends	**24.00**	24.00	19.00	19.00	18.00	**0.24**
Number of common shares issued (in thousands)	**234,101**	234,101	198,566	198,566	198,566	**—**
At Year-End						
Merchandise inventories	**47,841**	45,858	45,802	45,942	48,217	**469,029**
Property and equipment (book value)	**487,116**	450,387	442,801	434,457	432,429	**4,775,647**
Total assets	**950,167**	832,322	964,595	940,078	943,381	**9,315,363**
Long-term debt, less current portion	**141,680**	150,509	201,330	223,504	255,451	**1,389,020**
Total net assets	**305,776**	304,355	347,499	341,141	336,405	**2,997,804**
Profitability Analysis						
(Net sales – Cost of goods sold)/Net sales (%)	**26.4**	26.6	26.8	26.4	26.0	
Income before income taxes/Operating revenue (%)	**1.5**	4.2	2.4	1.8	0.1	
Net income (loss)/Operating revenue (%)	**0.7**	3.0	0.8	0.5	(0.4)	
Net income (loss)/Total assets (%)	**0.8**	3.7	0.9	0.6	(0.5)	
Net income (loss)/Equity [Total net assets – Minority interests] (%)	**2.5**	10.3	3.4	2.5	(2.1)	
Financial Structure Analysis						
Equity [Total net assets – Minority interests]/Total assets (%)	**31.3**	35.4	25.2	25.4	25.0	
Long-term debt/Equity [Total net assets – Minority interests] (Times)	**0.5**	0.5	0.8	0.9	1.1	
Income before income taxes and interest expenses/Interest expenses (Times)	**7.2**	13.6	7.6	5.7	1.1	
Turnover Analysis						
Net sales/Merchandise inventories (Times)	**18.0**	18.7	19.8	20.6	20.1	
Operating revenue/Total assets (Times)	**1.1**	1.2	1.1	1.2	1.2	

* See Note 1 of Notes to Consolidated Financial Statements.

GROUP BUSINESS OVERVIEW

(As of February 2014)

General Merchandise Store Operations

Operating Revenue ¥**799,905** million

This segment is made up of three companies: UNY CO., LTD., 99 ICHIBA Co., Ltd., and UNY (HK) CO., LIMITED. UNY operates three store formats: Apita superstores that handle apparel, household goods, and food; Piago food supermarkets; and U-Home home centers. 99 ICHIBA runs Mini Piago mini supermarkets for small retail catchments. Meanwhile, UNY (HK) is developing business in Hong Kong.

UNY CO., LTD.

99 ICHIBA Co., Ltd.

UNY (HK) CO., LIMITED

Specialty Store Operations

Operating Revenue ¥**64,455** million

This segment is made up of three companies offering kimonos, women's fashion apparel, and casual wear for women.


SAGAMI Co., Ltd.


MOLIE Co., Ltd.

PALEMO CO., LTD.

UNY Group History

The UNY Group history began in 1912 with its precursor, a small footwear shop. From that beginning, we have evolved to the present day. The UNY Group has grown into a retail conglomerate of approximately 8,000 retail stores and net sales of approximately ¥2 trillion.

1912 Nishikawaya, a footwear shop and the precursor of the UNY Group, is founded.

1927 HOTEIYA, which will later merge with Nishikawaya, is founded as a clothing store.

1971 HOTEIYA and Nishikawaya merge to form UNY CO., LTD.

1974 SAGAMI Co., Ltd. is established as a chain specializing in kimono clothing.

1980 The first Circle K store opens, and in 1984, CIRCLE K JAPAN Co., Ltd. is established. In 1979, UNY tied up with Circle K in the U.S. and established the Circle K Business Division inside UNY.
Sunkus Co., Ltd. is established. The first Sunkus store opens.

1984 PALEMO CO., LTD., a company of specialty stores handling apparel and sundry merchandise, and MOLIE Co., Ltd., a company of specialty stores handling fashion apparel for middle-aged and elderly women, are established.

1985 UNY (HK) CO., LIMITED is established in Hong Kong as a general retailer.

1991 UNY Card Service Co., Ltd., later to become UCS CO., LTD., is established.

2004 Circle K Sunkus Co., Ltd. is created by a merger.

2012 Ahead of moving to a holding company framework, UNY CO., LTD. carries out a public tender for Circle K Sunkus Co., Ltd. with the goal of creating a wholly owned subsidiary.

Convenience Store Operations

Operating Revenue ¥148,505 million

In this segment, Circle K Sunkus Co., Ltd. operates a convenience store franchise business.

Circle K Sunkus Co., Ltd.

Financial Service Operations

Operating Revenue ¥17,301 million

In this segment, UCS CO., LTD. operates four businesses: credit card, insurance agency, leasing, and travel agency.

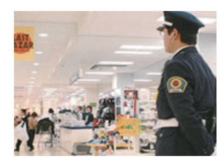
Other

Operating Revenue ¥25,652 million

This segment comprises four companies: U-LIFE CO., LTD., which operates a real estate rental business; SUN REFORM Co., Ltd., which runs a remodeling business and other businesses; Nagai Co., Ltd., which runs a food production business; and Sun Sougou Maintenance Co., Ltd., which operates a general maintenance business.

U-LIFE CO., LTD.

SUN REFORM Co., Ltd.

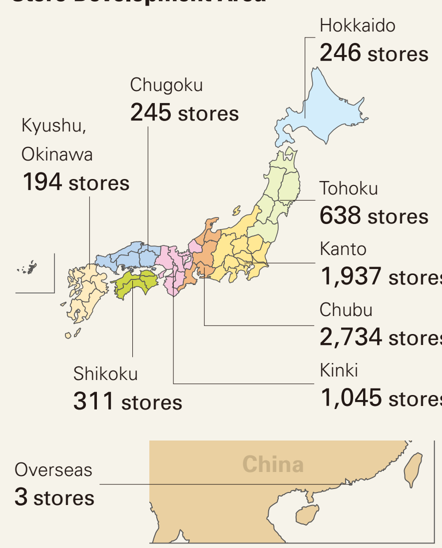


Sun Sougou Maintenance Co., Ltd.

At a Glance

Total number of Group stores: **8,128**	Total net sales of Group: **Approx. ¥2 trillion*** * Includes the net sales of the franchise stores of Circle K Sunkus Co., Ltd.	
Percentage of stores in the Tokai region: 34%	**No. 3 in terms of general merchandise supermarkets**	**No. 4 in terms of convenience stores**
The UNY Group is building a dominant presence centered on the Tokai region, and developing retail stores nationwide in all of Japan's prefectures.	UNY CO., LTD. operates 229 retail stores and is the third largest operator of a general merchandise supermarket chain in the industry.	Circle K Sunkus Co., Ltd. operates 6,359 convenience stores and is the fourth largest operator of a convenience store chain in the industry.

Store Development Area



(As of the fiscal year ended February 28, 2014)

ENVIRONMENT SURROUNDING THE UNY GROUP

Japan's retail industry, where the UNY Group operates, has seen a significant change in the growth potential of different business formats, particularly since the 2000s. In this section, we look at the social factors behind these changes.

Major Changes in Markets

In the last few years, the market size of Japan's retail business as a whole has remained at around ¥135 trillion. By business format, department stores have suffered a drastic contraction in their market, while supermarkets have seen their market remain mostly unchanged at around ¥13 trillion. In contrast, convenience store sales have increased to around ¥10 trillion, after outstripping department store sales in 2008. Furthermore, the market for online shopping sales (retail business) has grown at more than 10% a year. At this rate, online shopping sales are set to surpass department store sales in a few years.

Major Changes in Japanese Society

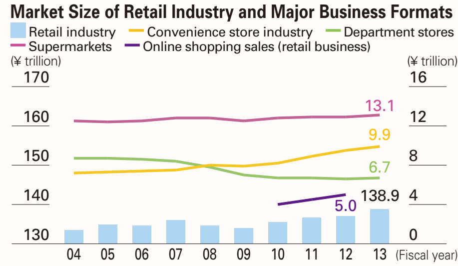
Drastic changes in Japan's social structure are behind the changes in the retail market. Japan's population is now in decline after peaking out in 2010, and is estimated to fall below the 100 million mark in 2040. In these circumstances, it is expected that one in three people in Japan will be over the age of 65 by 2030. Japan is about to experience a population decline on an unprecedented scale, and will soon become an unprecedented super-aging society.

In line with these demographic trends, the total number of households in Japan is projected to start declining from 2015 onward, after remaining level until then. By type of household, the number of households comprising married couples and children is expected to decrease, while the number of single-person households should increase to account for nearly 40% of the whole in 2035.

Rising Above Major Changes

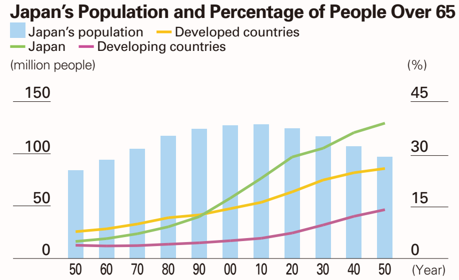
These changes provide a powerful tailwind for convenience stores and Internet-based supermarkets. Consumers will have a stronger preference to do their daily shopping efficiently in nearby locations and over the Internet. There will also be an increasing need for precooked home meal replacements such as delicatessen items and boxed lunches to reduce food waste and cooking chores. The market for convenience stores has grown as a result of efforts by the convenience stores to enhance their merchandise lineups to address these consumer trends. Furthermore, convenience stores have focused on enhancing private brand products to set themselves apart from rivals. In 2015, overall sales of the private brand products are expected to surpass ¥3 trillion.

Market Size of Retail Industry and Major Business Formats



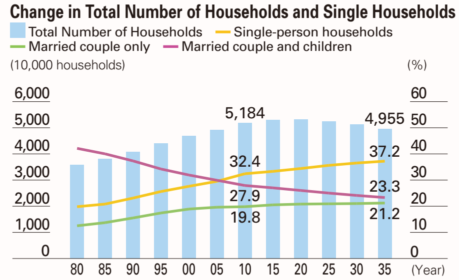
Source: Survey of Trade Trends and Survey of Online Shopping Market by the Ministry of Economy, Trade and Industry

Japan's Population and Percentage of People Over 65



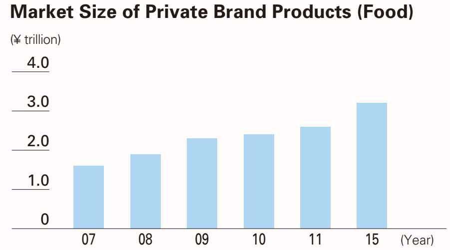
Source: Current Survey of Trade Trends by the Ministry of Economy, Trade and Industry

Change in Total Number of Households and Single Households



Source: National Institute of Population and Social Security Research

Market Size of Private Brand Products (Food)



Source: Comprehensive Survey on the Realities of the Private Brand Food Market 2011 by Fuji Keizai Co., Ltd.

MESSAGE FROM MANAGEMENT

Tetsuro Maemura
Chairman and
Chief Executive Officer (CEO)

T. Maemura.

Motohiko Nakamura
President and
Chief Operating Officer (COO)

Motohiko. Nakamura

Japan's retail industry is seeing the emergence of an increasingly diverse spectrum of customer needs in step with major changes in the social fabric, such as the ongoing aging of society, increasing numbers of single-person households and working women, as well as a declining population due to fewer children. In this climate, fierce competition in the retail industry is expanding across different retail formats.

The UNY Group views this shifting competitive landscape as an opportunity for growth. We moved to a holding company system on February 21, 2013 to build a Group-wide framework to prevail in this environment. The UNY Group is a comprehensive retail group boasting total net sales of approximately ¥2 trillion, with UNY CO., LTD., which operates 229 general merchandise stores, and Circle K Sunkus Co., Ltd., which is developing a convenience store network of over 6,300 stores. The primary objective of the holding company system is to generate synergies by taking full advantage of every aspect of our sales networks and sales capabilities. We are confident that these Group-wide synergies will lead to the creation of new forms of added value, which will, in turn, drive the growth of the entire Group.

In the year ended February 2014, the first year under the holding company system, we worked to integrate private brand product vendors and build a new logistics network by starting operation of a "mother center" to receive goods from many manufacturers. As a result, we produced results that surpassed our plans. In the year ending February 2015, we intend to further strengthen development of high value-added private brand products in terms of both price and quality by drawing on the benefits derived from synergies. Private brand products form the cornerstone of Group synergies linking the different retail formats of UNY and Circle K Sunkus. By increasing the ratio of private brand products, we will strive to set the Group apart from other companies.

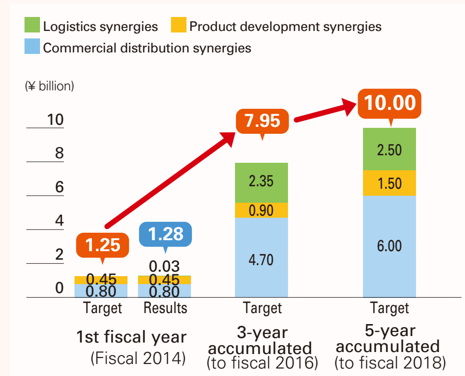
Aiming to realize the UNY Group's mission of "delivering the greatest satisfaction each day to our customers", we intend to deliver even stronger results in the year ending February 2015. Efforts will also be focused on enhancing shareholder value by driving sustainable growth and increasing profitability to ensure that we meet the expectations of shareholders and other investors. We look forward to your continued support and understanding for the Group's endeavors.

September 2014

PROGRESS IN THE FIVE-YEAR PLAN FOR GROUP SYNERGIES

Five-year Plan for Group Synergies

Over the five years from fiscal 2014 (ended February 28, 2014) through fiscal 2018 (ending February 28, 2018), UNY Group Holdings Co., Ltd. seeks to generate synergistic benefits worth ¥10 billion by promoting collaboration and integration in such areas as the development of private brands (PB) Style ONE and Prime ONE, the procurement of merchandise and raw materials, and logistics and commercial distribution.



Progress Made

In fiscal 2014, the first year of the plan, the performance results exceeded the plan's target of ¥1,250 million at ¥1,280 million.

1) In commercial distribution, we integrated UNY's dry foods vendors in each region. Also, we consolidated our PB vendors into seven companies, one for each category. By this move, we increased the business volume for each vendor, and enhanced gross profit by lowering the procurement costs of merchandise.
2) In product development, we expanded our two PB brands Style ONE and Prime ONE that are highly profitable in comparison with national brand products, thereby increasing sales of PB merchandise 167% year on year to ¥100 billion.
3) In logistics, we aimed to build a distribution infrastructure that would unify management and therefore support the expansion of our PB merchandise. To this end, in October 2013, we started operations at our single "mother center" that will handle the general processed foods of Style ONE and Prime ONE. By having manufacturers ship all goods to this mother center, rather than making separate deliveries to individual logistics centers, we aim to lessen manufacturers' distribution costs and make the terms of trade more favorable for us.

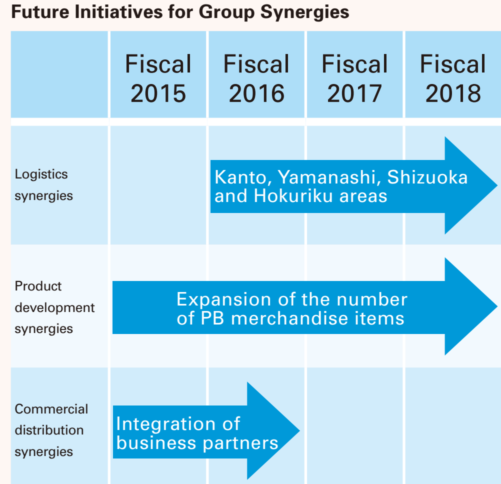
Future Initiatives

National brand products account for about 70% of the approximate ¥1,060 billion generated by the combined food net sales of UNY and Circle K Sunkus. The five-year plan for Group synergies calls on us to lower the percentage of low-profitability national brand products and increase the percentage of high-profitability PB products in order to improve earnings.

Following the integration of the commercial distribution of PB products implemented in fiscal 2014, from fiscal 2015, we will integrate the commercial distribution of national brand products that differ between UNY and Circle K Sunkus, seeking to improve gross profit by ¥6 billion by fiscal 2018. Aiming to improve profitability and set ourselves apart from our competitors, we are planning to achieve a ¥1.5 billion improvement in gross profit by fiscal 2018 by further increasing the net sales of PB merchandise above the target of ¥125 billion in fiscal 2015.

In logistics, from fiscal 2016, we plan to implement the steady integration and sharing of logistics centers.

Future Initiatives for Group Synergies

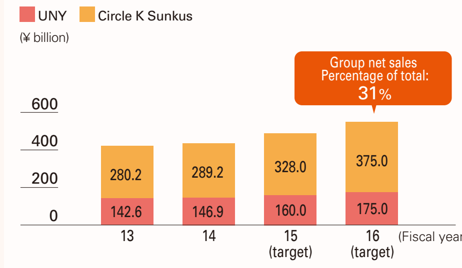


SPECIAL FEATURE:
Private Brand Strategy

Aiming to Maximize Group Synergies

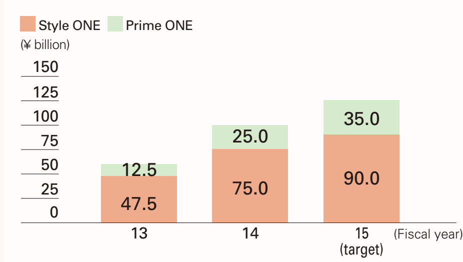
The UNY Group endeavors to create synergies by implementing the Group strategy which focuses on strengthening the Group's product development. As part of our efforts, we are promoting the development of highly original products through our private brands Style ONE and Prime ONE. In this manner, we are able to capitalize on our economies of scale by unifying the Group's networks regardless of the business formats such as general merchandise supermarkets, convenience stores and mini supermarkets. Looking ahead, the UNY Group will pursue further synergies and strengthen our development of private brands as an important method of setting ourselves apart from our rivals.

Sales Plan for Products Developed by Group



Further Expansion of Net Sales of Private Brands Style ONE and Prime ONE

The development of the private brands Style ONE and Prime ONE is being jointly developed by an alliance between the three companies of UNY, Izumiya Co., Ltd. and Fuji Co., Ltd. In developing new private brand merchandise, we are therefore able to draw on the combined selling power of Izumiya and Fuji, in addition to the net sales of UNY and Circle K Sunkus, which together generate combined sales for the three companies of around ¥2,400 billion. As a result of these economies of scale, the pricing and quality of Style ONE and Prime ONE merchandise demonstrate the significant superiority of the products. Against the backdrop of these product development capabilities, the net sales of Style ONE and Prime ONE merchandise by the UNY Group reached ¥100 billion in the fiscal year ended February 2014. Furthermore, we are aiming to achieve net sales of ¥125 billion in the second fiscal year, the year ending February 2015.



* The above is the total of foods and daily sundry merchandise, excluding apparel and other living-related products.
* The following shows net sales, including apparel and other living-related products: FY2013: ¥74 billion; FY2014: ¥113 billion; FY2015 (target): ¥139 billion.

Style ONE

- "Lifestyle Support" brand that offers a balance of pricing and quality centered on foods necessary for everyday life and living-related products.
- Quality same as or better than national brand products
- Priced 30%–50% lower than national brand prices

Prime ONE

- "New Lifestyle Creation" brand that offers prime satisfaction by providing merchandise for everyday life.
- Quality same as or better than national brand products
- Prices are perceived as very reasonable considering the taste and quality

Pursuing Further Added Value

There are increasing cases of the same individual consumer sometimes seeking to save money when purchasing, and sometimes feeling the need to enjoy a little luxury when purchasing. In response, the UNY Group has focused on expanding its private brand Prime ONE as a brand that offers good value. The Prime ONE brand provides high added value in both the pricing and quality aspects, and undeniably sets itself apart from its competitors by offering the same quality at lower prices. Moreover, as regards food items that are purchased very frequently, we are continuing to strengthen the Prime ONE brand. In February 2014, we launched the Prime ONE *kodawari no zeitaku* product series that emphasizes the good selection of the raw materials and the place and method of production.

kodawari no zeitaku sliced bread

Our *kodawari no zeitaku* sliced bread is a well-seasoned and sweet-tasting bread. This bread is offered in a size that makes it easy to eat for women and the elderly. After its launch, the bread achieved cumulative unit sales of 3 million in the first 16 weeks, despite being priced about 60% higher than the UNY Group's equivalent strong-selling national brand sliced bread.

GROUP BUSINESS STRATEGIES:
Growth Strategy for General Merchandise Stores

Transforming Apita Superstores into Shopping Centers

At UNY, we are transforming our store composition of mainly directly-operated stores into shopping centers, centered on the transformation of specialty stores. Up to now, 60% of the store space of Apita superstores has been directly-operated stores that comprise a wide range of stores from apparel stores and living-related stores to food stores, with the focus being on taking the initiative in setting ourselves apart from stores in general. However, it has been difficult to win customer support as regards directly-operated stores and other conventional stores as a result of the rise of large-scale specialty stores known as "category killers".

Medium-sized mall strategy

In the implementation of our strategy of transforming stores into shopping centers, we are focusing on the Apita medium-sized malls. Our completely new malls that we open from the fiscal year ending February 2015 will have the distinctive feature of a store area of some 25,000–27,000 m^2 which is 20%–30% larger than usual. The percentage of specialty stores among these new stores is being raised from the usual 40% to 55% from the outset, thereby attracting powerful tenants. Moreover, even though the malls are medium-sized, we will be able to extend the customer circulation by employing a circuit-type of aisle layout to enhance movement through the floors of specialty stores. Furthermore, we will provide appropriate sales areas at directly-operated stores even with existing stores, while at the same time rebuilding large stores to transform them into medium-sized malls.

The newly opened and transformed Terrace Walk Ichinomiya mall has been completely rebuilt

Transforming directly-operated stores into specialty stores

With our directly-operated apparel stores and living-related stores, we will introduce specialty stores as a priority category by clarifying their enhanced categories based on the "select and focus" approach in line with our policy of enhancing our general merchandise superstores. At the same time, our enhanced categories will include the ongoing transformation of directly-operated stores into specialty stores. For example, at our Sports Marche stores selling sports products, we are developing specialty stores among directly-operated stores, offering a highly popular product lineup centered on running and fitness that targets the middle-aged and elderly customers who are predominant in general merchandise superstores. Moreover, in response to the rising popularity of sundry merchandise from Northern Europe, we have formed an alliance with Sweden's Lagerhaus company and are developing this business at directly-operated stores.

Sportswear products at Sports Marche

Sundry merchandise from Northern Europe at Lagerhaus

Strengthening the product lineup at food stores

Foods account for approximately 70% of the net sales of UNY, and in this area, we are developing takeout products that are very close to "instant foods" with the focus on them being convenient and available in individual portions, in addition to developing the fresh food products that are characteristic of supermarkets. At our Apita stores, we are incorporating the expertise of Group company Circle K Sunkus, and are introducing fast foods such as lunch boxes and delicatessen items one after another under the general name of "Apita de deli". Even at our Piago stores, we are realizing product lineups in step with Japan's aging population and increases in single-person households, in conjunction with store renovations and the expansion of delicatessen display counters.

"Apita de deli" display counter

Developing "Circle K Service Spot"

We will introduce "Circle K Service Spot", locations that specialize in providing the service functionality of Circle K Sunkus, one after another, centered on new and renovated stores. These "spot" will provide services such as accepting utility payments and door-to-door delivery services, in addition to the in-store multi-media terminals and multi-copiers that are deployed at Circle K Sunkus stores. "Circle K Service Spot" will be able to attract more customers by offering the functionality of convenience stores together with improving the functionality of one-stop shopping.

"Circle K Service Spot"

Developing the Internet Supermarket

Increases in the numbers of elderly people and women in the workforce mean that there is a growing need for products to be delivered to people's homes. Being engaged in the operation of general merchandise stores, UNY operates the "Apita Internet Supermarket" that allows customers to purchase products that are available in neighborhood stores over the Internet 24 hours a day and have them delivered. As of February 2014, UNY was operating 46 such Internet stores centered on Apita's home region of Tokai, and these stores are producing yearly rises in net sales in the range of 30–50% year on year. Moreover, we are endeavoring to eliminate the inconvenience to customers of having to stay at home at the agreed delivery time by starting operation of a new experimental delivery service in which, if necessary, the products ordered can be delivered to a special locker belonging to the Internet supermarket and located in the customer's workplace. In this manner, we aim to expand the customer catchment area by increasing the area in which the Internet supermarket's products can be delivered to home or locker.

Delivery mini-van for the "Apita Internet Supermarket"

GROUP BUSINESS STRATEGIES: Convenience Stores

Creating Stores Meeting Local Area Needs

Japanese society continues to age and by 2013, the percentage of the population aged 65 or over had risen to 24%. Together with the increasing tendencies for people to have small families or live alone, it is apparent that consumer lifestyles and needs are diversifying. Circle K Sunkus Co. Ltd. is leveraging the strength of its familiar convenience stores to revise its past product lineup that mainly targeted men, and is creating stores that more customers will use on a daily basis even in small catchment areas.

Preparing a lineup of products that people want, when they want them, in the amount they want

From fiscal 2014, Circle K Sunkus has expanded its basic lineup from 3,200 products to 3,500. In addition to a wide-ranging product lineup common to all stores, we created product lineups suited to each store's catchment area, and created sales floors targeting customers in small local areas.

Spread of mini supermarkets

Circle K Sunkus is strengthening its lineup of meal ingredients such as fresh produce and products delivered daily by incorporating its supermarket expertise in the merchandising of conventional convenience stores. Moreover, Circle K Sunkus is enabling the UNY Group to exhibit its competitiveness by expanding the number of private brand ("PB") products it handles from 765 at the end of last fiscal year to 830 by the end of fiscal 2015. Furthermore, in fiscal 2014, we have standardized with UNY the prices of products so that they are suited for everyday use. Accordingly, about 90% of PB products are now priced close to supermarket prices.

Private brand sales floor section

Strengthening existing stores by installing new fixtures

As we expand our product lineup, we are installing new fixtures in both new and existing stores. To expand the sales floor space for chilled products, we are installing island-type chilled display cases, and also enhancing the presentation of frozen foods and ice cream by installing flatbed frozen cases. We expect to complete installing both of these in 30-40% of stores' displays in fiscal 2015.

Island-type chilled display cases

Flatbed frozen cases

Setting Ourselves Apart by Having Original Products

We are focusing on developing original products, because these are the best way for a convenience store to set itself apart from competitors. With our core products of fast food and daily foods in particular, we are developing high added-value products that offer an enjoyable hint of luxury, and are cultivating our own original brands.

"Gozen Deli" lunch box

Enhancing Counter Foods

In August 2012, Circle K Sunkus completed installing coffee machines in all its stores. These machines dispense many different types of authentic and freshly brewed coffee. Furthermore, we plan to introduce "*Gochiso Delica*" delicatessen items, which are freshly prepared in-store, in about 60% of stores during fiscal 2015. We offer a wide range of help with table products for people eating at home, including the elderly who shy away from frying when cooking, working women who want to limit the time they spend preparing food, and people living alone.

Freshly brewed coffee

Developing New-format Stores

From June 2014, we have been developing two types of new-format stores as a new franchise package, leveraging our strengths in the supermarket business in the Group. Circle K Fresh is a new business format that combines the capabilities of a supermarket with the service capabilities and merchandising of a convenience store. With a sales area that is about 2.5 times bigger than a normal store, a Circle K Fresh store offers an enhanced product lineup including fresh foods in addition to original products and services. Moreover, K's CAFÉ, which simultaneously offers the accessibility of a convenience store together with a time-saving café, is targeting customers in their 40s or older who are relatively infrequent convenience store users.

K's CAFÉ

Circle K Fresh

Affiliating with the R Point Card

Circle K Sunkus will affiliate with the "R Point Card", a shared point card of Rakuten, Inc. in October 2014. Through this move, we expect to attract some customers from among the 91.93 million* Rakuten members. Moreover, we will set up Circle K Sunkus' own membership organization "+K", with the aim of acquiring 10 million members in the next three years.

* As of March 31, 2014

R Point Card

GROUP BUSINESS STRATEGIES:
Business Format Strategy of Financial Services and Specialty Stores

UCS CO., LTD.

UCS CO., LTD. is eyeing the increasing use of cashless transactions in the settlement market against the backdrop of expanding e-commerce settlements and the spread of electronic money. In addition to its key credit card business, in November 2013, UCS started to issue the uniko card, the UNY Group's electronic money format, thereby entering the electronic money business. In the fiscal year ending February 2015, Circle K Sunkus Co., Ltd. plans to take the lead and introduce one after another mainly tenant stores and Internet supermarkets. The target for the number of uniko card members is a figure of 4.3 million by the fiscal year ending February 2019, and the member infrastructure is being expanded in line with the credit card membership.

SAGAMI Co., Ltd.

The size of the kimono market is shrinking year by year as a result of many consumers shying away from wearing kimonos. Nevertheless, the key growth strategy of SAGAMI Co., Ltd. is to actualize the potential needs of consumers for kimonos, based on the understanding that it is only a very few Japanese women who have absolutely no interest in wearing kimonos. Broadly speaking, there are five reasons why women do not wear kimonos in actual practice. First, they are difficult to put on. Second, kimonos are difficult to keep in good condition and store. Third, it is difficult to coordinate them as regards time, place and opportunity. Fourth, prices are high. And fifth, it's psychologically hard to actually enter a kimono store.


Kimono fitting class

SAGAMI is strengthening the training of its advisors who possess a wide range of specialty knowledge such as being able to offer coordination proposals in addition to explaining how to put on and look after kimonos. Moreover, SAGAMI operates its own "fitting classes" at which the customers receive explanations about the culture of kimonos. SAGAMI not only offers its complete support to customers as regards putting on their kimonos, it holds events that customers can attend in their kimonos after they have put them on. Furthermore, the company works to energize existing customers, including by arranging sales exhibitions together with accommodation for excellent customers.

GROUP BUSINESS STRATEGIES:
Overseas Strategy of the UNY Group

PALEMO CO., LTD.

In line with its strategy of brand diversification, from the fiscal year ending February 2015, PALEMO CO., LTD. is changing its organizational framework by consolidating its division system comprising 12 small groups aligned with its apparel business and sundry merchandise business, to a system of 4 departments and 5 divisions. As a result, PALEMO is rebuilding its business infrastructure by means of applying a "select and focus" approach to its earnings foundation. By focusing its management resources, including its personnel centered on the four core departments, the company will restore the earnings of existing stores in its core businesses. At the same time, PALEMO will vigorously cultivate its brands in markets with high growth potential as well as focusing on and reorganizing brands that are struggling. Furthermore, the company will reduce its deficit by closing unprofitable stores and further promote the implementation of low-cost operations, thereby strengthening its earnings framework.

Assisting a customer

Overseas Strategy for General Merchandise Stores

This fiscal year, UNY (SHANGHAI) TRADING Co., Ltd. is opening the provisionally named Apita Jin Hong Qiao Store in Shanghai as the Group's first outlet in mainland China, in addition to the three outlets we are already operating in Hong Kong. UNY (SHANGHAI) TRADING was established as a joint venture between UNY and the Ting Hsin International Group, which has capitalized as Taiwan and China's largest food maker. We will take advantage of having a Chinese partner to obtain a variety of local information and analyze our customers' consumption trends to create stores and product lineups that suit the needs of the trading area. We will run directly-operated food supermarkets as the key tenants of large mixed-business commercial facilities, and provide the high-quality Japanese foods and services required by the middle- and high-income customers that are continuing to be created by China's economic growth, thereby setting ourselves apart from the local Chinese supermarkets.

Apita Jin Hong Qiao Store

Overseas Strategy for Convenience Stores

Circle K Sunkus has a business partnership with U.S.-based Circle K Stores Inc., which is deploying the Circle K brand across 17 countries and regions. In May 2013, the two companies established a joint venture, Circle K Asia, with the aim of overseeing the Circle K operations in Asia. Circle K Asia will make full use of the combined expertise of Circle K Sunkus of Japan and Circle K Stores of the U.S. to provide various consulting services to the latter's existing licensees in Asia (in Indonesia, Guam, Vietnam, Malaysia, and the Philippines). The two companies will also work side by side to increase the number of Circle K stores in new areas in Asia.

Circle K store in Malaysia

CSR

The UNY Group's Environmental and Social Contribution Activities

Together with our customers, the UNY Group is conducting environmental and social contribution activities aimed at bequeathing to the next generation a society that is low-carbon, is recycling-oriented, and co-exists with nature. These activities are conducted by the Group's domestic network of approximately 8,000 stores.

UNY CO., LTD.

- UNY is the only company in the retail industry to be recognized as an Eco-First company by the Ministry of the Environment of Japan.

  Based on the Eco-First Pledge we exchanged with the Minister of the Environment, UNY is implementing a variety of initiatives to preserve the global environment in our role as an environmentally-advanced company in the retail industry.

UNY President Sako and Environment Minister Ishihara (As of April 2014)

- Since 2007, UNY has been progressively halting the distribution of free plastic shopping bags at store cash registers, and since February 20, 2014, all stores have been charging for these bags upon requests by customers. As a result, approximately 100 million bags were requested in the fiscal year ended February 2014, about one-third of and 200 million bags less than the number six years earlier when the initiative began.

- We have installed recycling boxes in stores and collect used packaging and containers for recycling.

  The recycled amounts have been increasing yearly. In the fiscal year ended February 2014, approximately 616 tons of aluminum cans, 609 tons of milk cartons, 306 tons of polystyrene foam trays, and 2,212 tons of plastic bottles were recycled.

A store's "recycling station"

- UNY first signed a "Framework Agreement Concerning Cooperation" with Aichi Prefecture in 2011 and as of February 2014, we have signed this agreement with seven of the twenty prefectures in which UNY operates stores. The agreement covers cooperation in a wide range of activities rooted in the store's region. These include not only support in the case of the occurrence of a disaster, such as the delivery of daily necessities and the opening up of the store as a temporary evacuation location, but also the sale of sightseeing-oriented and locally produced products and child-raising support.

Circle K Sunkus Co., Ltd.

- Circle K Sunkus has resolved to target a reduction in the CO_2 emissions of 8% at each store by the fiscal year ending February 2015 in comparison to the levels in the fiscal year ended February 2008. This target CO_2 reduction will be achieved by reducing the use of electricity in the stores, and testifies to our efforts to create environmentally friendly stores. We have introduced a variety of energy-saving equipment and rigorously improved electricity-saving measures, including changing over to LED lighting inside stores and for signboards, and using high energy-saving freezers and refrigerators. As a result, the amount of electricity used in the fiscal year ended February 2014 was approximately 6% less than in the fiscal year ended February 2008.
- Based on the thinking that convenience stores are one important lifeline for communities, we have signed a variety of cooperation framework agreements and formed alliances with local authorities. These agreements and alliances cover such areas as local production for local consumption, support for child-rearing and the elderly, the promotion of tourism, and environmental activities. As of February 28, 2014, we had signed these agreements with local authorities in 25 prefectures and 1 city.
- Circle K Sunkus supports NPO organizations as part of our corporate social responsibility. For example, our support of the school construction project by the Japan Team of Young Human Power has enabled about 8,600 children (as of October 2013) to study at 10 elementary and junior high schools that the NPO constructed in Cambodia.

A class at Peam Ro Junior High School in Cambodia

SAGAMI Co., Ltd.

- SAGAMI conducts an initiative by which it collects unwanted *yukata* (Japanese summer kimonos) at its stores and then recycles the textile as raw materials.
  Moreover, if the *yukata* are in good enough condition to be reused, SAGAMI cleans them and then gives them to the Japan Kimono League for use as teaching materials in kimono-wearing lessons at junior high schools.

Recycling *yukata* (Japanese summer kimonos)

UCS CO., LTD.

- UCS provides a service on its website dedicated to UCS cardholders by which customers can check and confirm their card transactions on the website instead of receiving transaction details in hardcopy on paper.
- UCS has also put in place a system by which customers can donate merchandise, for which they are eligible in exchange for "U points" earned through use of their UCS cards, to the Japan Committee for UNICEF or the Japanese Red Cross Society. Through the points program, UCS is promoting integrated social contribution activities by providing customers with the opportunity to participate in them.

CORPORATE GOVERNANCE

Basic Policy

The UNY Group's mission statement is as follows: "We in the UNY Group will deliver the greatest satisfaction each day to our customers". Our vision is "We in the UNY Group will aim to be a close and trusted partner through planning, developing, and providing products and services that exceed the expectations of our customers and communities". In order to realize these mission and vision statements, we have set out five shared values as our code of conduct: Unique, Proactive, Honest, Basic, and Diverse.

Based on this basic philosophy, UNY Group Holdings Co., Ltd. oversees operating companies, mainly in the retail industry, as a pure holding company. Our aim is to achieve long-term and stable development by seeking to capture maximum Group synergies in order to answer the remit of shareholders. Furthermore, to ensure that we are an attractive corporate group for all stakeholders, including customers, shareholders, regional communities, and employees, we believe we must continuously raise our corporate value. To achieve these goals, we will strengthen corporate governance across the entire Group as we work to raise management efficiency and ensure management transparency and soundness.

Corporate Governance System

As a pure holding company, UNY Group Holdings oversees two core operating companies (UNY CO., LTD. and Circle K Sunkus Co., Ltd.), 3 listed companies, and multiple other operating companies that independently operate retail businesses. In this capacity, the Company formulates Group strategies, appropriately allocates management resources, supervises business execution, and carries out other functions.

The Company works to strengthen corporate governance with a Board of Directors and a Board of Corporate Auditors.

The Company's Board of Directors has eleven members and meets in principle once a month. The Board of Directors decides on important matters concerning business execution and important regulations, thereby ensuring business is carried out appropriately and efficiently. The term of office for directors is set at one year in order to ensure a flexible management structure and clarify the responsibilities of directors. Moreover, the Company also holds Management Meetings, comprised of directors and corporate auditors, as an organizational body for making accurate and flexible decisions on business execution. These Management Meetings are held in principle once a month to facilitate reports and discussions on Group-wide business strategies, management issues, important financial matters, and other important matters concerning business execution.

Introduction of the Executive Officer System

The Company introduced an executive officer system in May 2014 in order to clarify the Company's supervisory functions as a holding company and the execution functions in line with the targets determined by the policy. Therefore, the executive officer system accelerates the decision making and execution of business operations and improves the accuracy of achieving targets.

Internal Audits, Audits by Corporate Auditors, and Accounting Audits

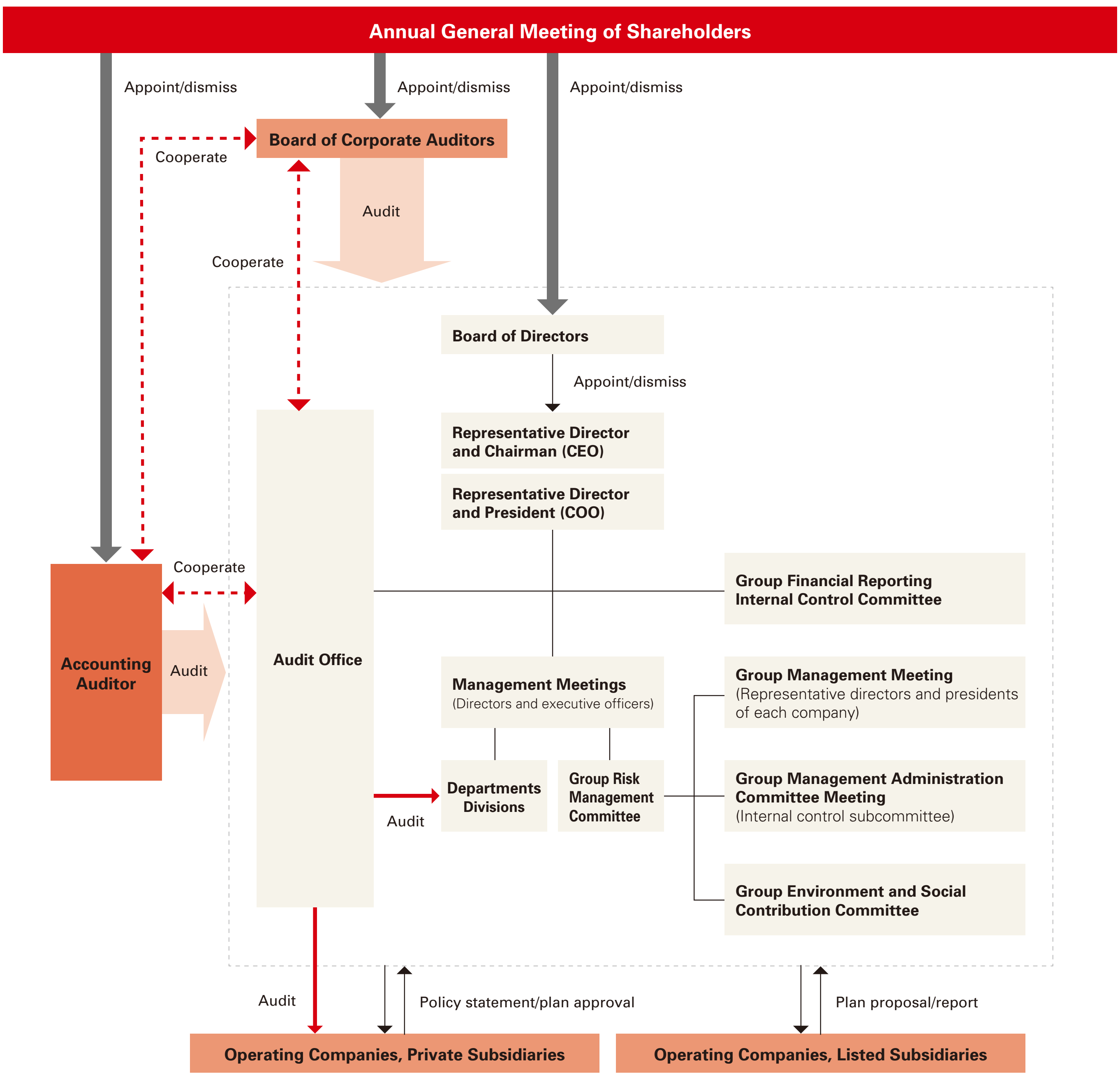
The Company has appointed four corporate auditors, including two external corporate auditors. The corporate auditors attend Board of Directors' meetings, Management Meetings and other meetings of importance. Corporate auditors also receive reports on Company operations from directors and others, review important decisions, and provide management supervision of the Company and Group companies in collaboration with the Audit Office. The Audit Office convenes once a quarter to discuss the audit system, audit plans, audit methods, audit results, and other audit-related matters. The Board of Corporate Auditors confirms audit plans with the Accounting Auditor, and receives the audit results of the Company, consolidated subsidiaries and other entities every quarterly reporting period. In addition, the corporate auditors, Accounting Auditor and the Audit Office hold meetings to disclose and share their annual audit policies.

External Directors and External Corporate Auditors

To ensure management transparency and further strengthen corporate governance, the Company has increased the number of external directors by two from May 2014. The four individuals designated as independent officers come from the three external directors and the two external corporate auditors in accordance with the provisions of the Tokyo Stock Exchange and the Nagoya Stock Exchange.

Committees

The Company has established a number of committees for strengthening Group-wide corporate governance: the Group Risk Management Committee, the Group Financial Reporting Internal Control Committee, the Group Management Meeting, the Group Management Administration Committee Meeting, and the Group Environment and Social Contribution Committee. These committees seek to ensure business operations are executed transparently and soundly.



CONSOLIDATED FINANCIAL OVERVIEW AND FORECAST

Fiscal 2014 Consolidated Results

In fiscal 2014, ended February 28, 2014, the UNY Group recorded a 0.2% rise in operating revenue from the previous fiscal year to ¥1,032,127 million. This reflected higher year-on-year operating revenue in the general merchandise stores and financial services segments, as well as the new consolidation of NAGAI Co., Ltd. The result was partly offset by lower year-on-year operating revenues in the convenience stores segment and the specialty stores segment. However, gross operating profit decreased 0.9% year on year to ¥396,012 million, and selling, general and administrative expenses increased 1.7% year on year to ¥370,684 million, due to higher depreciation expenses in line with strategic capital expenditures, and an increase in utility costs.

As a result of the above, operating income declined 27.7% to ¥25,329 million and ordinary income dropped 25.0% to ¥25,066 million. Net income declined 75.6% year on year to ¥7,441 million, reflecting the absence of an extraordinary gain recorded in the previous fiscal year in the form of a gain on negative goodwill of ¥18,074 million stemming from the tender offer of Circle K Sunkus Co., Ltd.

Segment Results

Segment Operating Revenue

Millions of yen

Years ended February 28	2014	2014 Y-o-Y	2013
General Merchandise Stores	**¥ 799,905**	**101.0%**	¥ 791,750
Convenience Stores	**148,505**	**96.2%**	154,423
Specialty Stores	**64,455**	**93.4%**	68,983
Financial Services	**17,301**	**103.4%**	16,725
Other	**25,652**	**129.4%**	19,826
Total	**¥1,032,127**	**100.2%**	¥1,030,259

Segment Operating Income

Millions of yen

Years ended February 28	2014	2014 Y-o-Y	2013
General Merchandise Stores	**¥12,235**	**85.9%**	¥14,250
Convenience Stores	**9,456**	**56.5%**	16,750
Specialty Stores	**(704)**	**—**	(24)
Financial Services	**3,749**	**116.0%**	3,233
Other	**766**	**94.6%**	810
Total	**¥25,329**	**72.3%**	¥35,020

General Merchandise Stores

Operating revenue in the general merchandise stores segment rose 1.0% to ¥799,905 million, and operating income dropped 14.1% to ¥12,235 million.

Same-store sales at the core operating company UNY CO., LTD. rose by a solid 0.3% year on year, driven by growth in food sales on the back of higher private brand product sales and other factors. This was despite sluggish sales of autumn and winter apparel and household goods due to the impact of unseasonal weather. Gross profit was ¥215,689 million, as the gross profit margin slipped 0.2 of a percentage point due to the weak performance by apparel and household goods. In addition, selling, general and administrative expenses increased 1.1% due to higher selling expenses and increased utility costs reflecting an increase in electricity rates. These and other factors dragged down segment operating income compared with the previous fiscal year.

UNY CO., LTD
(for the fiscal year ended February 20, 2014)

Operating revenues*	¥771,487 million
Operating income*	¥ 12,138 million
Capital expenditures	¥ 37,871 million
Number of stores	229 stores
Existing stores sales increase	+0.3%
Merchandise gross profit margin	24.1% (down 0.2 percentage points)

* Internal transactions are not adjusted for revenues and income in the table above.

UNY (HK) CO., LIMITED
(for the fiscal year ended November 30, 2013)

Operating revenues*	¥17,644 million
Operating income*	¥ 352 million
Capital expenditures	¥ 40 million
Number of stores	3 stores
Existing stores sales increase	+3.4%

* Internal transactions are not adjusted for revenues and income in the table above.

Convenience Stores

Operating revenue in the convenience stores segment declined 3.8% to ¥148,505 million, and operating income declined 43.5% to ¥9,456 million.

Circle K Sunkus Co., Ltd. worked to transform stores into "mini supermarkets" by installing new fixtures such as island-type chilled cases and flatbed frozen food cases, as well as increasing the number of product items per store. The goal is to develop stores that cater to the needs of smaller markets. Nevertheless, these measures did not lead to a recovery in the average number of customers visiting stores, which decreased 3.1% year on year, although the average spending per customer was held to a decrease of 0.1%, on par with the previous year. As a result, existing store sales decreased year on year. In addition, selling, general and administrative expenses rose 3.9% to ¥113,361 million, mainly reflecting higher depreciation expenses due to aggressive capital expenditures to install new store fixtures, open more stores, and so on. Consequently, operating income in the convenience stores segment decreased year on year.

Circle K Sunkus Co., Ltd.
(for the fiscal year ended February 28, 2014)

Operating revenues*	¥148,505 million
Operating income*	¥ 10,952 million
Capital expenditures	¥ 35,085 million
Existing stores sales increase	–3.1%
Merchandise gross profit margin	26.89% (down 0.37 percentage points)
Number of stores (group total)	6,359 stores

* Internal transactions are not adjusted for revenues and income in the table above.

Specialty Stores

Operating revenue in the specialty stores segment declined 6.6% to ¥64,455 million, and the segment recorded an operating loss of ¥704 million, compared with an operating loss of ¥24 million in the previous fiscal year.

SAGAMI Co., Ltd. saw same-store sales increase year on year on a company-wide basis. This was mainly due to a strong performance by the mainstay Japanese kimono retailing business, supported by sales contributions from commemorative products marking the 40th anniversary of the company's founding, as well as sales exhibitions. Operating revenues decreased year on year due to a decline in the number of stores following the sale of a subsidiary. Nevertheless, the operating loss improved by ¥186 million year on year due to a reduction in selling, general and administrative expenses.

PALEMO CO., LTD. consolidated its eight core apparel departments into four departments in order to concentrate business resources on core brands. At the same time, the company worked to expand the development of original products, among other priorities. These efforts notwithstanding, same-store sales dipped 6.5% year on year, partly due to the impact of unseasonable weather.

Same-store sales at MOLIE Co., Ltd. rose 1.3% year on year. This reflected strong sales of high-margin original products developed together with business partners, as well as steady growth in sales of accessories, handbags, hats, and other merchandise featuring upgraded lineups. Despite these and other factors, segment operating revenues declined year on year.

SAGAMI Co., Ltd.
(for the fiscal year ended February 20, 2014)

Operating revenues*	¥22,832 million
Operating income*	¥ (387) million
Capital expenditures	¥ 215 million
Existing stores sales increase	+1.8%
Number of stores	269 stores

* Internal transactions are not adjusted for revenues and income in the table above.

PALEMO CO., LTD.
(for the fiscal year ended February 20, 2014)

Operating revenues*	¥36,292 million
Operating income*	¥ (479) million
Capital expenditures	¥ 1,351 million
Existing stores sales increase	–6.5%
Number of stores	780 stores

* Internal transactions are not adjusted for revenues and income in the table above.

MOLIE Co., Ltd.
(for the fiscal year ended February 20, 2014)

Operating revenues*	¥5,329 million
Operating income*	¥ 186 million
Capital expenditures	¥ 88 million
Existing stores sales increase	+1.3%
Number of stores	133 stores

* Internal transactions are not adjusted for revenues and income in the table above.

Financial Services

Operating revenue in the financial services segment rose 3.4% to ¥17,301 million, while operating income rose 15.9% to ¥3,749 million.

UCS CO., LTD. saw robust shopping transaction volume in credit card operations, resulting from a bargain sale and new bonus points program. The company also began handling uniko cards, the UNY Group's electronic money format, at UNY stores from November 2013. As a result, operating revenues increased year on year. Additionally, operating expenses in the credit card business decreased 2.5% year on year, mainly reflecting a decline in credit default losses due to enhanced credit and receivables management. As a result of these and other factors, segment operating income rose from the previous fiscal year.

UCS CO., LTD.
(for the fiscal year ended February 28, 2014)

Operating revenues*	¥17,293 million
Operating income*	¥ 3,325 million
Number of members	3,112,000

* Internal transactions are not adjusted for revenues and income in the table above.

Outlook for Fiscal 2015

In the Japanese economy in the fiscal year ending February 28, 2015, we expect to see further polarization of consumption, in which consumers seek to save money on everyday necessities, while using high added-value products and services in certain scenarios. This trend is being driven in part by signs of recovery in some sectors of the economy on one hand, and the April 2014 consumption tax rate hike on the other.

In this management environment, the Group will respond to demand for low prices, while also working to produce high added-value products, services, and stores that leverage the unique strengths of the UNY Group. In product development, we will continue to strengthen development of our Style ONE and Prime ONE private brand products, and capitalize on our economies of scale as a group to provide appealing prices and value. Moreover, we will advance our five-year plan for Group synergies and take steps to bring down product costs in order to achieve product development offering high quality at more affordable prices. Moreover, in our general merchandise stores and convenience stores, which serve different main customer segments, we will mutually supplement each format's product lineup with product lines from the other format that emphasize their respective strengths, with the goal of expanding the customer bases.

For fiscal 2015, the UNY Group is forecasting consolidated operating revenue of ¥1,053.5 billion, up 2.1% from fiscal 2014, and an 18.4% increase in operating income to ¥30.0 billion.

Basic Earnings Distribution Policy

The Company's dividend policy sets the annual cash dividend at ¥24 per share, while the Company aims to achieve a consolidated payout ratio of 30%. With this policy, the Company strives to ensure efficient fund distribution to further strengthen its financial soundness and performance.

CONSOLIDATED BALANCE SHEETS

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
February 28, 2014 and February 20, 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 54,477**	¥ 7,076	**$ 534,088**
Short-term investments (Notes 3 and 4)	**3,015**	1,682	**29,559**
Receivables:			
Trade notes (Note 3)	**1**	2	**10**
Trade accounts (Note 3)	**93,425**	78,687	**915,931**
Short-term loans (Note 3)	**15,054**	17,341	**147,588**
Other (Note 6)	**32,754**	22,711	**321,118**
Allowance for doubtful accounts	**(2,290)**	(3,011)	**(22,451)**
	138,944	115,730	**1,362,196**
Merchandise inventories	**47,841**	45,858	**469,029**
Deferred tax assets (Note 12)	**4,235**	2,974	**41,520**
Other current assets (Note 3)	**29,741**	27,343	**291,579**
Total current assets	**278,253**	200,663	**2,727,971**
Property and equipment (Note 7)**:**			
Land (Note 13)	**209,788**	195,653	**2,056,745**
Buildings and structures (Note 13)	**520,191**	499,827	**5,099,912**
Equipment and fixtures	**77,493**	72,097	**759,736**
Leased assets (Note 6)	**56,680**	43,048	**555,686**
Construction in progress	**6,558**	3,506	**64,294**
Total property and equipment	**870,710**	814,131	**8,536,373**
Accumulated depreciation	**(383,594)**	(363,744)	**(3,760,726)**
Net property and equipment	**487,116**	450,387	**4,775,647**
Investments and other assets:			
Lease deposits	**97,348**	101,379	**954,392**
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Notes 3 and 4)	**11,829**	8,372	**115,971**
Investment securities (Notes 3 and 4)	**14,669**	11,715	**143,814**
Deferred tax assets (Note 12)	**14,781**	15,423	**144,912**
Goodwill	**8,306**	9,075	**81,431**
Other (Note 8)	**39,514**	36,766	**387,392**
Allowance for doubtful accounts	**(1,649)**	(1,458)	**(16,167)**
Total investments and other assets	**184,798**	181,272	**1,811,745**
	¥ 950,167	¥ 832,322	**$ 9,315,363**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 3 and 7)	**¥137,343**	¥ 40,452	**$1,346,500**
Current portion of long-term debt (Notes 3 and 7)	**79,038**	68,628	**774,882**
Notes and accounts payable:			
Trade notes (Note 3)	**6,856**	7,162	**67,216**
Trade accounts (Note 3)	**80,075**	78,023	**785,049**
Other	**49,064**	40,587	**481,019**
	135,995	125,772	**1,333,284**
Accrued expenses	**15,404**	14,800	**151,020**
Income taxes payable	**5,998**	4,925	**58,804**
Other current liabilities (Notes 3 and 12)	**54,951**	49,773	**538,735**
Total current liabilities	**428,729**	304,350	**4,203,225**
Long-term liabilities:			
Long-term debt, less current portion (Notes 3 and 7)	**141,680**	150,509	**1,389,020**
Guarantee deposits from tenants (Note 3)	**51,013**	52,051	**500,127**
Employee retirement benefit liability (Note 8)	**1,343**	1,260	**13,167**
Asset retirement obligations (Note 9)	**14,919**	13,452	**146,265**
Other long-term liabilities (Note 12)	**6,707**	6,345	**65,755**
Total long-term liabilities	**215,662**	223,617	**2,114,334**
Commitments and contingent liabilities (Note 11)			
Net assets (Note 10)**:**			
Shareholders' equity:			
Common stock;			
Authorized: 600,000,000 shares			
Issued: 234,100,821 shares in 2014 and 2013	**22,188**	22,188	**217,529**
Capital surplus	**70,883**	70,883	**694,931**
Retained earnings	**202,677**	201,069	**1,987,030**
Less treasury stock at cost: 4,016,783 shares in 2014 and 1,043,598 shares in 2013	**(3,016)**	(1,258)	**(29,568)**
Total shareholders' equity	**292,732**	292,882	**2,869,922**
Accumulated other comprehensive income	**4,345**	1,850	**42,598**
Minority interests	**8,699**	9,623	**85,284**
Total net assets	**305,776**	304,355	**2,997,804**
	¥950,167	¥832,322	**$9,315,363**

CONSOLIDATED STATEMENTS OF INCOME

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2014 and February 20, 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Operating revenue (Note 17)**:**			
Net sales	**¥ 863,880**	¥ 858,916	**$8,469,412**
Other	**168,247**	171,343	**1,649,480**
	1,032,127	1,030,259	**10,118,892**
Operating costs and expenses (Notes 6 and 8)**:**			
Cost of goods sold	**636,114**	630,646	**6,236,412**
Selling, general and administrative expenses	**370,684**	364,593	**3,634,157**
	1,006,798	995,239	**9,870,569**
Operating income (Note 17)	**25,329**	35,020	**248,323**
Other income (expenses):			
Interest and dividend income	**1,882**	1,220	**18,451**
Interest expenses	**(2,591)**	(3,443)	**(25,402)**
Equity in net earnings of affiliate	**221**	177	**2,167**
Loss on sales or disposals of property and equipment, net	**(1,288)**	(1,315)	**(12,627)**
Loss on cancellation of lease contracts	**(708)**	(739)	**(6,941)**
Impairment loss on fixed assets (Note 2(i))	**(8,109)**	(8,139)	**(79,500)**
Gain on negative goodwill	**—**	18,075	**—**
Settlement package received	**811**	1,440	**7,951**
Miscellaneous, net	**432**	1,205	**4,235**
	(9,350)	8,481	**(91,666)**
Income before income taxes and minority interests	**15,979**	43,501	**156,657**
Income taxes (Note 12)**:**			
Current	**8,711**	8,739	**85,402**
Deferred	**661**	3,920	**6,480**
	9,372	12,659	**91,882**
Income before minority interests	**6,607**	30,842	**64,775**
Minority interests in net income (loss) of consolidated subsidiaries	**(834)**	371	**(8,176)**
Net income	**¥ 7,441**	¥ 30,471	**$ 72,951**

		Yen	U.S. dollars
Per share (in yen and U.S. dollars)**:**			
Net income	**¥32.13**	¥140.64	**$0.32**
Cash dividends	**24.00**	24.00	**0.24**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2014 and February 20, 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Income before minority interests:	**¥6,607**	¥30,842	**$64,775**
Other comprehensive income (Note 14)**:**			
Net changes in unrealized gains on available-for-sale securities	**1,738**	1,460	**17,039**
Net changes in deferred gains on hedging instruments	**(248)**	223	**(2,431)**
Net changes in foreign currency translation adjustments	**825**	165	**8,088**
Share of other comprehensive income (loss) of affiliates accounted for using equity method	**192**	(58)	**1,882**
Total other comprehensive income	**2,507**	1,790	**24,578**
Comprehensive income	**¥9,114**	¥32,632	**$89,353**
Comprehensive income (loss) attributable to:			
Owners of the parent	**¥9,936**	¥32,273	**$97,412**
Minority interests	**(822)**	359	**(8,059)**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2014 and February 20, 2013

		Millions of yen		
		Shareholders' Equity		
	Number of common shares issued	Common stock	Capital surplus	Retained earnings
Balance at February 21, 2012	198,565,821	¥10,129	¥58,825	¥175,221
Issuance of new common shares	35,535,000	12,059	12,059	—
Net income	—	—	—	30,471
Cash dividends	—	—	—	(4,544)
Reversal of land revaluation decrement	—	—	—	(115)
Change in equity share portion of affiliates accounted for by equity method	—	—	—	—
Purchase of treasury stock and fractional shares, net of sales	—	—	(1)	—
Adjustment for retained earnings for changes in scope of consolidation	—	—	—	36
Net changes other than shareholders' equity for the year	—	—	—	—
Balance at February 20, 2013	234,100,821	22,188	70,883	201,069
Net income	**—**	**—**	**—**	**7,441**
Cash dividends	**—**	**—**	**—**	**(5,833)**
Purchase of treasury stock and fractional shares, net of sales	**—**	**—**	**—**	**—**
Net changes other than shareholders' equity for the year	**—**	**—**	**—**	**—**
Balance at February 28, 2014	**234,100,821**	**¥22,188**	**¥70,883**	**¥202,677**

	Thousands of U.S. dollars		
Balance at February 20, 2013	$217,529	$694,931	$1,971,265
Net income	**—**	**—**	**72,951**
Cash dividends	**—**	**—**	**(57,186)**
Purchase of treasury stock and fractional shares, net of sales	**—**	**—**	**—**
Net changes other than shareholders' equity for the year	**—**	**—**	**—**
Balance at February 28, 2014	**$217,529**	**$694,931**	**$1,987,030**

See accompanying Notes to Consolidated Financial Statements.

Millions of yen

Shareholders' Equity		Accumulated Other Comprehensive Income (Loss)						
Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation decrement	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
¥(1,208)	¥242,967	¥1,824	¥ 81	¥(420)	¥(1,552)	¥ (67)	¥104,599	¥347,499
—	24,118	—	—	—	—	—	—	24,118
—	30,471	—	—	—	—	—	—	30,471
—	(4,544)	—	—	—	—	—	—	(4,544)
—	(115)	—	—	—	—	—	—	(115)
(49)	(49)	—	—	—	—	—	—	(49)
(1)	(2)	—	—	—	—	—	—	(2)
—	36	—	—	—	—	—	—	36
—	—	1,414	223	115	165	1,917	(94,976)	(93,059)
(1,258)	292,882	3,238	304	(305)	(1,387)	1,850	9,623	304,355
—	**7,441**	**—**	**—**	**—**	**—**	**—**	**—**	**7,441**
—	**(5,833)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,833)**
(1,758)	**(1,758)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,758)**
—	**—**	**1,919**	**(249)**	**—**	**825**	**2,495**	**(924)**	**1,571**
¥(3,016)	**¥292,732**	**¥5,157**	**¥ 55**	**¥(305)**	**¥ (562)**	**¥4,345**	**¥ 8,699**	**¥305,776**

Thousands of U.S. dollars

$(12,333)	$2,871,392	$31,745	$ 2,980	$(2,990)	$(13,598)	$18,137	$94,343	$2,983,872
—	**72,951**	**—**	**—**	**—**	**—**	**—**	**—**	**72,951**
—	**(57,186)**	**—**	**—**	**—**	**—**	**—**	**—**	**(57,186)**
(17,235)	**(17,235)**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,235)**
—	**—**	**18,814**	**(2,441)**	**—**	**8,088**	**24,461**	**(9,059)**	**15,402**
$(29,568)	**$2,869,922**	**$50,559**	**$ 539**	**$(2,990)**	**$ (5,510)**	**$42,598**	**$85,284**	**$2,997,804**

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 28, 2014 and February 20, 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 15,979**	¥ 43,501	**$ 156,657**
Adjustments for:			
Depreciation	**35,413**	33,134	**347,186**
Impairment loss on fixed assets	**8,109**	8,139	**79,500**
Net loss on sales or disposal of property and equipment	**1,288**	1,315	**12,627**
Net decrease in employee retirement benefit liability	**(133)**	(169)	**(1,304)**
Gain on negative goodwill	**—**	(18,075)	**—**
Changes in operating assets and liabilities:			
Trade receivables	**(13,528)**	(16,620)	**(132,627)**
Inventories	**(2,101)**	(240)	**(20,598)**
Trade payables	**380**	(3,824)	**3,725**
Other, net	**(1,134)**	4,914	**(11,117)**
Subtotal	**44,273**	52,075	**434,049**
Interest and dividends received	**1,711**	996	**16,775**
Interest paid	**(2,576)**	(3,446)	**(25,255)**
Income taxes paid	**(8,023)**	(12,592)	**(78,657)**
Net cash provided by operating activities	**35,385**	37,033	**346,912**
Cash flows from investing activities:			
Property and equipment:			
Purchases	**(54,743)**	(32,783)	**(536,696)**
Proceeds from sales	**771**	862	**7,559**
Lease deposits made	**(3,015)**	(3,364)	**(29,559)**
Lease deposits repaid	**5,005**	5,691	**49,069**
Purchases of additional investments in subsidiaries and affiliates	**(3,154)**	(77,582)	**(30,922)**
Net (increase) decrease in short-term investments and investment securities	**(889)**	746	**(8,716)**
Other, net	**(4,498)**	(912)	**(44,098)**
Net cash used in investing activities	**(60,523)**	(107,342)	**(593,363)**
Cash flows from financing activities:			
Increase in long-term debt	**59,500**	12,050	**583,333**
Repayment of long-term debt	**(64,004)**	(65,908)	**(627,490)**
Net increase (decrease) in short-term borrowings	**90,096**	(24,439)	**883,294**
Net decrease in guarantee deposits from tenants	**(572)**	(152)	**(5,608)**
Dividends paid to shareholders	**(5,833)**	(4,544)	**(57,186)**
Dividends paid to minority shareholders	**(98)**	(91)	**(961)**
Issuance of new common shares	**—**	23,981	**—**
Other, net	**(7,375)**	(3,953)	**(72,304)**
Net cash provided (used in) by financing activities	**71,714**	(63,056)	**703,078**
Effect of exchange rate changes on cash and cash equivalents	**825**	165	**8,088**
Net increase (decrease) in cash and cash equivalents	**47,401**	(133,200)	**464,715**
Cash and cash equivalents at beginning of year	**7,076**	140,358	**69,373**
Decrease in cash and cash equivalents upon exclusion of subsidiary from consolidation	**—**	(82)	**—**
Cash and cash equivalents at end of year	**¥ 54,477**	¥ 7,076	**$ 534,088**

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of UNY Group Holdings Co., Ltd. (formerly UNY CO., LTD. hereinafter the "Company") and its consolidated subsidiaries (together with the Company, the "UNY Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (IFRS). As discussed in Note 2(a-i), the accounts of the consolidated overseas subsidiary have been prepared in accordance with IFRS, with adjustments for the specified five 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 28, 2014, which was ¥102 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

In preparing these consolidated financial statements, certain reclassifications were made to the original Japanese consolidated financial statements in order to present them in a form that would be more familiar to readers outside Japan. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a-i) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in certain unconsolidated subsidiaries and significant affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost. The difference between the acquisition cost of investments in subsidiaries and the underlying equity in the net assets, adjusted based on the fair value at the time of acquisition, are principally deferred as goodwill and amortized on a straight-line basis over a period from five years to twenty years. The negative goodwill resulting from the acquisition, measured by the excess of the underlying equity in the net assets over the acquisition cost, is credited to income, except for that resulting from acquisitions incurred before April 1, 2010, which was amortized over five years by the year ended February 28, 2014. All significant intercompany accounts and transactions have been eliminated on consolidation.

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or a 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise over which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or 15% to 19% owned enterprise that meets certain criteria. For the years ended February 28, 2014 and February 20, 2013, there was no company that was not more than 50% owned enterprise, but was nevertheless classified as a consolidated subsidiary based on the judgment of the Company in accordance with the accounting standard.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 28, 2014 and February 20, 2013 was as follows:

	2014	2013
Consolidated subsidiaries:		
Domestic	**18**	17
Overseas	**1**	1
Unconsolidated subsidiaries and affiliates, accounted for by the equity method	**1**	1
Unconsolidated subsidiaries, stated at cost	**12**	12
Affiliates, stated at cost	**10**	11

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

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

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.

(a-ii) Adoption of a holding company system by a company split

On February 21, 2013, in order to adopt a pure holding company system, the Company made a company split into a 100% owned subsidiary to make it succeed the Company's entire business of general merchandise store operations, excluding any business pertaining or relating to the control and management of subsidiaries and affiliates of the Company by way of an absorption type company split based on the approval at the shareholders' meeting held on May 17, 2012. In addition, on the same date, the Company changed its trade name to "UNY Group Holdings Co., Ltd." This transaction was accounted for as a business combination under the common control based on ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and the ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures."

(a-iii) Tender offer for a certain consolidated subsidiary

During the year ended February 20, 2013, the Company purchased the additional shares of Circle K Sunkus Co., Ltd. ("CKS"), a consolidated subsidiary which is engaged in the operations of convenience store business as "Circle K" and "Sunkus" brands and associated franchise management, through a tender offer to make it into a wholly-owned subsidiary of the Company with a view to establishing even closer capital ties with CKS and raising the UNY Group's corporate value further. The tender offer was conducted for the period from February 17, 2012 to April 2, 2012. This tender offer resulted in an increase of the Company's equity share holding of CKS from 47.2% to 96.4%. As a result of various transactions that followed, as of February 20, 2013, CKS became a wholly-owned subsidiary of the Company.

This transaction was accounted for as business combination under the common control based on ASBJ Statement No. 21, "Accounting Standard for Business Combination" and the ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures." The Company's purchase consideration, including the expenditures directly incurred from this transaction of ¥757 million, amounted to ¥77,258 million. The negative goodwill of ¥18,075 million which arose from this transaction for the purchase of additional shares of CKS as the difference between the purchase consideration below the decreased minority interests was recorded as other income in the accompanying consolidated statements of income for the year ended February 20, 2013.

(b) Changes of the Company's fiscal year-end

Based on the approval for a change of the articles of incorporation at the shareholders' meeting held on May 16, 2013, the Company changed its fiscal year-end from February 20 to the end of February effective February 21, 2013 in order for a better timely and proper disclosure and a more effective group management. Accordingly, the accompanying consolidated statements of income for the year ended February 28, 2014 included the Company's operating results for the 12 months and 8 days period from February 21, 2013 to February 28, 2014.

(c) Cash equivalents

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

(d) Investments and marketable securities

Debt securities for which the UNY Group has both the positive intention and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. Marketable securities with market quotations for available-for-sale securities are stated at fair value, and net unrealized gains or losses on these securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Gains and losses on the disposition of investment securities are computed by the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost, determined by the moving average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(e) Accounting for derivatives

Derivative instruments are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and the gains and losses on the derivatives are recognized in the current earnings.

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 contract rates as an interim measure if certain hedging criteria are met.

(f) Inventories

Inventories are stated at the lower of cost, determined principally by the retail method, or the net realizable value. Fresh foods are stated at cost, determined by the last purchase price.

(g) Property and equipment and depreciation

Property and equipment, including significant renewals and additions, are stated at cost and are depreciated principally by the straight-line method for the overseas consolidated subsidiary 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 and equipment with a cost of ¥100,000 or more and depreciate property and equipment that is more than ¥100,000 but less than ¥200,000 over three years on a straight-line basis.

(Change in accounting policies with amendment of respective laws or regulations that are not distinguishable from change in accounting estimates)

From the year ended February 28, 2014, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property and equipment, in accordance with the amendment of the Corporate Tax Law of Japan. Assets acquired on or after February 21, 2013 have been depreciated using the method prescribed in the amended Corporate Tax Law of Japan. As a result of this change, operating income and income before income taxes and minority interests increased by ¥686 million ($6,725 thousand) for the year ended February 28, 2014.

(h) Leases

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

(Accounting for leases as lessee)

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

(Accounting for leases as lessor)

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

(i) Accounting standard for impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" and the related practical guidance. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. According to the standard, an impairment loss shall be recognized in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, which is to be measured as the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and structures and equipment and fixtures, as well as intangible assets, and are to be grouped at the lowest levels for which there are identifiable cash flows from other groups of assets.

For the purpose of recognition and measurement of an impairment loss, fixed assets of the UNY Group are principally grouped into cash generating units, such as stores, other than idle or unused property. The UNY Group determines whether an asset is impaired by comparing the undiscounted expected cash flow to the carrying amount in the accounting records. An impairment loss is recognized if the undiscounted expected cash flow is less than the carrying amount of the asset. The recoverable amount of an asset is measured based on the net selling price primarily from appraisal valuation or operating cash flow discounted by the applicable interest rate. The discount rates for the years ended February 28, 2014 and February 20, 2013 ranged from 3.3% to 5.7% and from 2.1% to 2.9%, respectively.

For the years ended February 28, 2014 and February 20, 2013, the UNY Group recognized impairment losses on fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Property for general merchandise stores, convenience stores, specialty stores and other property	**¥8,095**	¥6,027	**$79,363**
Goodwill	**—**	2,041	**—**
Idle property	**14**	71	**137**
Total	**¥8,109**	¥8,139	**$79,500**

(j) Revaluation of land

In accordance with the Law Concerning Revaluation of Land in Japan, one of the consolidated subsidiaries elected the one-time revaluation to restate the cost of land used for business at a value rationally reassessed effective February 20, 2002, reflecting appropriate adjustments for land shape and other factors and based on appraisal values issued by the Japanese National Tax Agency or municipal property tax bases. According to the law, an amount equivalent to the tax effect on the difference between the original book value and sound reassessed value is recorded as deferred tax liabilities for revaluation account. The rest of the difference, net of the tax effect and minority interests portion, is recorded as land revaluation decrement account in accumulated other comprehensive income in the accompanying consolidated balance sheets.

(k) 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.

(l) Employee retirement benefits

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

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

(m) Accounting for allowance for loss on interest repayments

An allowance for loss on interest repayments is provided by one of the consolidated subsidiaries engaged in financial services based on anticipated losses taking into consideration the historical repayment of claims of customers seeking a refund of interest that exceeded the upper limit for interest rates prescribed under the Interest Rate Restriction Law of Japan. The consolidated subsidiary adopted the "Application of Auditing for Provision of Allowance for Loss for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" (Audit Practice Committee Report No. 37, issued by the Japanese Institute of Certified Public Accountants on October 13, 2006) to clarify the guidelines for calculating the allowance for loss on interest repayments and a reasonable period for estimation. Allowances of ¥1,832 million ($17,961 thousand) and ¥2,179 million at February 28, 2014 and February 20, 2013, respectively, were included in other long-term liabilities in the accompanying consolidated balance sheets.

(n) Allowance for sales promotion

Certain consolidated subsidiaries grant points to customers as member 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 28, 2014 and February 20, 2013, two consolidated subsidiaries provided an allowance for sales promotions based on the estimates at the fiscal year-end under the point card system. Allowances of ¥1,605 million ($15,735 thousand) and ¥1,238 million at February 28, 2014 and February 20, 2013, respectively, were included in other current liabilities in the accompanying consolidated balance sheets.

(o) Allowance for store system renewals

From the year ended February 28, 2014, four consolidated subsidiaries engaged in convenience store business provided an allowance for the disposal of the current store systems as they determined to replace them. Allowances of ¥144 million ($1,412 thousand) and ¥672 million ($6,588 thousand) at February 28, 2014 were included in other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

(p) Translation of foreign currency accounts

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

For the financial statement items of an overseas consolidated subsidiary, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the subsidiary's fiscal year-end. All income and expense accounts are translated at the average rates of exchange prevailing during the fiscal year. Translation differences are reported as foreign currency translation adjustments in accumulated other comprehensive income in the accompanying consolidated balance sheets.

(q) Income taxes

Income taxes are accounted for by the asset/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 carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date.

(r) 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).

(s) New share issue expenses
New share issue expenses are charged to income as incurred.

(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 years ended February 28, 2014 and February 20, 2013. 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.

(v) Accounting standards for accounting changes and error corrections
The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which were made from the fiscal year beginning on February 21, 2012.

(w) Accounting standards issued but not yet adopted
The following standards and guidance have been issued but not yet adopted and have not been early adopted in these consolidated financial statements.

(Accounting standard for retirement benefits)
ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," on May 17, 2012, which replaces the current standards and the other practical guidance. The revised standards amend the treatment of actuarial differences and past service costs, the determination of retirement benefit obligations and current service costs and enhancement of disclosures from the viewpoint of improvements to financial reporting and international convergence. These standards are partly effective for the end of the fiscal year beginning March 1, 2014. The Company is currently in the process of assessing the impact of these standards on the consolidated financial statements.

(Accounting standard for business combination)
ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," on September 13, 2013. Under these revised accounting standards, the accounting treatment for changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary in the additional acquisition of shares in a subsidiary and acquisition related costs were revised. In addition, the presentation method of net income was amended as well as the amendment of "minority interests" to "non-controlling interests," and transitional provisions for accounting treatments were defined.

The Company expects to apply these revised accounting standards and guidance from the beginning of the fiscal year ending February 28, 2017. However, the transitional provisions for accounting treatments will be applied for business combinations performed on or after March 1, 2016.

The effect of adoption of these revised standards was not determined at the preparation of the consolidated financial statements for the current year.

3. Financial Instruments

Information on financial instruments for the years ended February 28, 2014 and February 20, 2013 is set forth below.

(1) Qualitative information on financial instruments
(a) Policy for financial instruments
The UNY Group has a policy of raising funds primarily through borrowings, commercial paper, bonds and securitized receivables from banks and other financial institutions and to invest its cash surplus, if any, in low-risk, highly liquid financial instruments. Derivative transactions are used for the purpose of hedging against the risk of future fluctuations in trade accounts payable denominated in foreign currencies and fluctuations in interest rates on borrowings. The UNY Group does not hold nor has issued any derivative instruments for speculative purposes.

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

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

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

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

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

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

(2) Fair values of financial instruments

The fair and carrying values of the financial instruments included in the consolidated balance sheets at February 28, 2014 and February 20, 2013, other than those for which the fair value was extremely difficult to determine, are set forth in the table below.

	Millions of yen		
	Carrying value	Fair value	Difference
At February 28, 2014:			
Financial assets:			
(1) Cash and cash equivalents	**¥ 54,477**	**¥ 54,477**	**¥ —**
(2) Short-term investments	**3,015**	**3,015**	**—**
(3) Trade notes and accounts receivable	**93,426**		
Less allowance for doubtful accounts *1	**(1,413)**		
Less deferred installment income	**(89)**		
	91,924	**91,953**	**29**
(4) Short-term loans	**15,054**		
Less allowance for doubtful accounts *1	**(664)**		
	14,390	**14,407**	**17**
(5) Investment securities			
Listed affiliate's stocks	**6,938**	**7,742**	**804**
Available-for-sale securities	**13,931**	**13,931**	**—**
(6) Lease deposits, including current portion	**66,149**		
Less allowance for doubtful accounts	**(349)**		
	65,800	**67,757**	**1,957**
Total	**¥250,475**	**¥253,282**	**¥2,807**
Financial liabilities:			
(1) Trade notes and accounts payable	**¥ 86,931**	**¥ 86,931**	**¥ —**
(2) Short-term borrowings	**5,343**	**5,343**	**—**
(3) Commercial paper	**132,000**	**132,000**	**—**
(4) Bonds, including current portion	**565**	**567**	**2**
(5) Bank loans, including current portion	**197,321**	**198,609**	**1,288**
(6) Guarantee deposits from tenants, including current portion	**12,178**	**11,992**	**(186)**
Total	**¥434,338**	**¥435,442**	**¥1,104**
Derivative transactions *2			
(1) Derivatives, Hedge accounting applied	**¥ 89**	**¥ 89**	**¥ —**
(2) Derivatives, Hedge accounting not applied	**(9)**	**(9)**	**—**
Total	**¥ 80**	**¥ 80**	**¥ —**

	Millions of yen		
	Carrying value	Fair value	Difference
At February 20, 2013:			
Financial assets:			
(1) Cash and cash equivalents	¥ 7,076	¥ 7,076	¥ —
(2) Short-term investments	1,682	1,682	—
(3) Trade notes and accounts receivable	78,689		
Less allowance for doubtful accounts *1	(2,255)		
Less deferred installment income	(90)		
	76,344	76,388	44
(4) Short-term loans	17,341		
Less allowance for doubtful accounts *1	(492)		
	16,849	16,881	32
(5) Investment securities			
Listed affiliate's stocks	6,654	7,563	909
Available-for-sale securities	10,975	10,975	—
(6) Lease deposits, including current portion	71,875		
Less allowance for doubtful accounts	(407)		
	71,468	71,154	(314)
Total	¥191,048	¥191,719	¥ 671
Financial liabilities:			
(1) Trade notes and accounts payable	¥ 85,185	¥ 85,185	¥ —
(2) Short-term borrowings	4,452	4,452	—
(3) Commercial paper	36,000	36,000	—
(4) Bonds, including current portion	—	—	—
(5) Bank loans, including current portion	201,359	202,470	1,111
(6) Guarantee deposits from tenants, including current portion	15,130	14,964	(166)
Total	¥342,126	¥343,071	¥ 945
Derivative transactions *2			
(1) Derivatives, hedge accounting applied	¥ 487	¥ 487	¥ —

	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
At February 28, 2014:			
Financial assets:			
(1) Cash and cash equivalents	**$ 534,088**	**$ 534,088**	**$ —**
(2) Short-term investments	**29,559**	**29,559**	**—**
(3) Trade notes and accounts receivable	**915,941**		
Less allowance for doubtful accounts *1	**(13,852)**		
Less deferred installment income	**(873)**		
	901,216	**901,500**	**284**
(4) Short-term loans	**147,588**		
Less allowance for doubtful accounts *1	**(6,510)**		
	141,078	**141,245**	**167**
(5) Investment securities			
Listed affiliate's stocks	**68,020**	**75,902**	**7,882**
Available-for-sale securities	**136,578**	**136,578**	**—**
(6) Lease deposits, including current portion	**648,520**		
Less allowance for doubtful accounts	**(3,422)**		
	645,098	**664,285**	**19,187**
Total	**$2,455,637**	**$2,483,157**	**$27,520**

	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Financial liabilities:			
(1) Trade notes and accounts payable	**$ 852,265**	**$ 852,265**	**$ —**
(2) Short-term borrowings	**52,382**	**52,382**	**—**
(3) Commercial paper	**1,294,118**	**1,294,118**	**—**
(4) Bonds, including current portion	**5,539**	**5,559**	**20**
(5) Bank loans, including current portion	**1,934,520**	**1,947,147**	**12,627**
(6) Guarantee deposits from tenants, including current portion	**119,392**	**117,568**	**(1,824)**
Total	**$4,258,216**	**$4,269,039**	**$10,823**
Derivative transactions *2			
(1) Derivatives, hedge accounting applied	**$ 873**	**$ 873**	**$ —**
(2) Derivatives, hedge accounting not applied	**(88)**	**(88)**	**—**
Total	**$ 785**	**$ 785**	**$ —**

*1 Allowance for doubtful accounts earmarked for trade notes, trade accounts and short-term loans is deducted from the carrying amount.
*2 The value of derivative instruments is shown as a net position.

Notes

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

Assets:

(1) Cash and cash equivalents and (2) Short-term investments

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

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

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

(5) Investment securities

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

(6) Lease deposits, including current portion

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

Liabilities:

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

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

(4) Bonds, including the current portion

The fair value of bonds that have market prices is based on these prices. The fair value of bonds that do not have market prices is based on the present value that is calculated by discounting the sum of the principal and interest over the remaining period by the interest rate that reflects the credit risk.

(5) Bank loans, including the current portion

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

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

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

Derivatives:

See Note 5, "Derivative Financial Instruments."

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unlisted stocks	**¥ 676**	¥ 677	**$ 6,627**
Unconsolidated subsidiaries and affiliates stocks	**4,098**	1,152	**40,176**
Lease deposits	**39,560**	38,719	**387,843**
Guarantee deposits from tenants	**39,690**	37,920	**389,118**

These items were not included in the table above because it was impractical to determine the fair values as they had no quoted market prices and the future cash flows could not be estimated.

(c) The redemption schedule for financial assets at February 28, 2014 and February 20, 2013 is as follows:

	Millions of yen		
	Due within one year	Due after one year through five years	Due after five years
At February 28, 2014:			
Cash and cash equivalents	**¥ 54,477**	**¥ —**	**¥ —**
Short-term investments	**3,015**	**—**	**—**
Trade notes and accounts receivable *1	**79,483**	**9,750**	**1,087**
Short-term loans *1	**7,876**	**6,869**	**302**
Investment securities			
Held-to-maturity bonds	**—**	**507**	**48**
Lease deposits	**9,536**	**31,555**	**25,058**
Total	**¥154,387**	**¥48,681**	**¥26,495**

	Millions of yen		
	Due within one year	Due after one year through five years	Due after five years
At February 20, 2013:			
Cash and cash equivalents	¥ 7,076	¥ —	¥ —
Short-term investments	1,682	—	—
Trade notes and accounts receivable *1	63,565	9,859	1,135
Short-term loans *1	8,806	8,087	442
Investment securities			
Held-to-maturity bonds	—	505	50
Lease deposits	10,402	33,167	28,306
Total	¥91,531	¥51,618	¥29,933

	Thousands of U.S. dollars		
	Due within one year	Due after one year through five years	Due after five years
At February 28, 2014:			
Cash and cash equivalents	**$ 534,088**	**$ —**	**$ —**
Short-term investments	**29,559**	**—**	**—**
Trade notes and accounts receivable *1	**779,245**	**95,588**	**10,656**
Short-term loans *1	**77,216**	**67,343**	**2,961**
Investment securities			
Held-to-maturity bonds	**—**	**4,971**	**471**
Lease deposits	**93,490**	**309,363**	**245,667**
Total	**$1,513,598**	**$477,265**	**$259,755**

*1 Trade notes and accounts receivable and Short-term loans whose redemption schedules were unable to be reasonably estimated are excluded.

(d) The redemption schedules for long-term debt at February 28, 2014 are disclosed in Note 7, "Short-term borrowings and long-term debts."

4. Investments

Short-term investments consisted of time deposits with an original maturity of more than three months at February 28, 2014 and February 20, 2013.

At February 28, 2014 and February 20, 2013, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Marketable securities:			
Equity securities	¥13,305	¥10,370	$130,441
Bonds	555	549	5,441
Others	71	56	696
	13,931	10,975	136,578
Other nonmarketable securities	738	740	7,236
	¥14,669	¥11,715	$143,814

Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. Gross unrealized gains and losses for marketable securities at February 28, 2014 and February 20, 2013 are summarized as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
At February 28, 2014:				
Marketable securities:				
Equity securities	¥5,892	¥7,475	¥ (62)	¥13,305
Bonds	550	7	(2)	555
Others	49	22	—	71
	¥6,491	¥7,504	¥ (64)	¥13,931
At February 20, 2013:				
Marketable securities:				
Equity securities	¥5,612	¥4,879	¥(121)	¥10,370
Bonds	550	5	(6)	549
Others	49	7	—	56
	¥6,211	¥4,891	¥(127)	¥10,975

	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
At February 28, 2014:				
Marketable securities:				
Equity securities	$57,765	$73,284	$(608)	$130,441
Bonds	5,392	69	(20)	5,441
Others	480	216	—	696
	$63,637	$73,569	$(628)	$136,578

During the years ended February 28, 2014 and February 20, 2013, the UNY Group recorded a loss on the write-down of available-for-sale securities due to other-than-temporary impairment in value amounting to zero and ¥36 million, respectively, as other expenses in the accompanying consolidated statements of income.

At February 28, 2014 and February 20, 2013, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments accounted for by the equity method for one significant affiliate and at cost for others	¥11,037	¥7,806	$108,206
Interest bearing long-term loans	792	566	7,765
	¥11,829	¥8,372	$115,971

5. Derivative Financial Instruments

The UNY Group is a party to derivative financial instruments such as foreign currency exchange forward contracts and interest rate swap contracts in the normal course of business. The UNY Group enters into these instruments to reduce its own exposure to fluctuations in exchange rates and interest rates for hedging purposes. In connection with these instruments, the UNY Group is exposed to the risk of credit loss in the event of nonperformance by a counterparty. However, the UNY Group does not expect nonperformance by the counterparties to the derivative transactions because the UNY Group's use of counterparties is limited to major banks with relatively high credit ratings. At February 28, 2014 and February 20, 2013, outstanding derivative financial instruments were accounted for mainly by hedge accounting.

Derivative transactions to which hedge accounting was applied at February 28, 2014 and February 20, 2013 were as follows:

(1) Currency related transactions

	Millions of yen		
	Contract amount		
	Total	Due after one year	Fair value
At February 28, 2014:			
Derivatives accounted for by deferral hedge accounting:			
Forward contracts to buy US dollars	¥ 6,950	¥ —	¥89 *1
Derivatives, accounted for by method translating to assign to the related liabilities:			
Forward contracts to buy US dollars	110	—	*2
Currency swaps—receipt: US dollars/payment: Japanese yen	36,500	27,500	*2
At February 20, 2013:			
Derivatives accounted for by deferral hedge accounting:			
Forward contracts to buy US dollars	¥ 4,379	¥ —	¥487
Derivatives, accounted for by method translating to assign to the related liabilities:			
Forward contracts to buy US dollars	77	—	*2
Currency swaps—receipt: US dollars/payment: Japanese yen	25,000	25,000	*2

	Thousands of U.S. dollars		
	Contract amount		
	Total	Due after one year	Fair value
At February 28, 2014:			
Derivatives accounted for by deferral hedge accounting:			
Forward contracts to buy US dollars	$ 68,137	$ —	$873 *1
Derivatives, accounted for by method translating to assign to the related liabilities:			
Forward contracts to buy US dollars	1,078	—	*2
Currency swaps—receipt: US dollars/payment: Japanese yen	357,843	269,608	*2

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

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

(2) Interests rate related transactions

	Millions of yen		
	Contract amount		
	Total	Due after one year	Fair value
At February 28, 2014:			
Derivatives, for which hedge accounting is not applied			
Interest rate swaps—receive floating/pay fixed	**¥ 540**	**¥ 500**	**¥ (9)** *1
Derivatives, accounted for by special treatment of interest rate swap contracts:			
Interest rate swaps—receive floating/pay fixed	**44,000**	**28,500**	*2
At February 20, 2013:			
Derivatives, for which hedge accounting is not applied			
Interest rate swaps—receive floating/pay fixed	¥ —	¥ —	¥—
Derivatives, accounted for by special treatment of interest rate swap contracts:			
Interest rate swaps—receive floating/pay fixed	52,100	29,500	*2

	Thousands of U.S. dollars		
	Contract amount		
	Total	Due after one year	Fair value
At February 28, 2014:			
Derivatives, for which hedge accounting is not applied			
Interest rate swaps—receive floating/pay fixed	**$ 5,294**	**$ 4,902**	**$(88)** *1
Derivatives, accounted for by special treatment of interest rate swap contracts:			
Interest rate swaps—receive floating/pay fixed	**$431,373**	**$279,412**	*2

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

6. Lease Commitments

(a) Lessee

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

The Company and certain domestic consolidated subsidiaries also lease computer equipment, store fixtures and vehicles under three- to twenty-year noncancelable lease agreements. As disclosed in Note 2(h), as lessee, finance lease transactions which did not transfer ownership of the leased assets to the lessee and which commenced prior to February 21, 2009 were accounted for by accounting treatment similar to that used for operating leases. If the leased property of the UNY Group had been capitalized for such finance lease contracts, the related accounts would have been increased/(decreased) at February 28, 2014 and February 20, 2013 as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Property and equipment, net of accumulated depreciation *1	**¥2,134**	¥5,243	**$20,922**
Lease obligations as liabilities *2	**2,699**	6,317	**26,461**
Allowance for impairment loss on leased property	**(142)**	(430)	**(1,392)**
Net effect on retained earnings at year-end	**¥ (423)**	¥ (644)	**$ (4,147)**

*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 not capitalized, excluding the imputed interest portion, at February 28, 2014 and February 20, 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Financing leases as lessee:			
Due within one year	**¥ 1,652**	¥ 3,624	**$ 16,196**
Due after one year	**1,047**	2,693	**10,265**
	¥ 2,699	¥ 6,317	**$ 26,461**
Operating leases as lessee:			
Due within one year	**¥14,828**	¥14,816	**$145,373**
Due after one year	**71,888**	75,110	**704,784**
	¥86,716	¥89,926	**$850,157**

Gross rental and lease expense, consisting of minimum rental payments for all operating leases and financing leases, for the years ended February 28, 2014 and February 20, 2013 was ¥93,240 million ($914,118 thousand) and ¥92,736 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. These lease investment assets at February 28, 2014 and February 20, 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Future lease receivables	**¥ 834**	¥1,633	**$ 8,176**
Estimated residual values	**7**	60	**69**
Unearned imputed interest income	**(123)**	(626)	**(1,206)**
Lease investment assets included in other receivables	**¥ 718**	¥1,067	**$ 7,039**

The aggregate annual maturities of these lease receivables as of February 28, 2014 were as follows:

Years ending February 28,	Millions of yen	Thousands of U.S. dollars
2015	¥232	$2,275
2016	201	1,971
2017	182	1,784
2018	116	1,137
2019	90	882
thereafter	13	127
	¥834	$8,176

The aggregate future minimum lease commitments to be received for non-cancelable operating lease agreements at February 28, 2014 and February 20, 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Operating leases as lessor:			
Due within one year	**¥310**	¥270	**$3,039**
Due after one year	**544**	503	**5,334**
	¥854	¥773	**$8,373**

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at February 28, 2014 and February 20, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term bank loans with interest rates ranging from 0.12% to 1.23% per annum at February 28, 2014:			
Collateralized	**¥ 300**	¥ —	**$ 2,941**
Unsecured	**5,043**	4,452	**49,441**
Commercial paper at interest rates ranging from 0.095% to 0.107% per annum at February 28, 2014	**132,000**	36,000	**1,294,118**
	¥137,343	¥40,452	**$1,346,500**

At February 28, 2014 and February 20, 2013, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Bonds issued by Nagai Co., Ltd. *1:			
1.04% unsecured straight bonds due June 2014	**¥ 20**	¥ —	**$ 196**
0.98% unsecured straight bonds due September 2014	**30**	—	**294**
0.97% unsecured straight bonds due September 2014	**20**	—	**196**
0.74% unsecured straight bonds due December 2014	**20**	—	**196**
0.77% unsecured straight bonds due March 2015	**120**	—	**1,177**
0.76% unsecured straight bonds due December 2015	**100**	—	**980**
0.69% unsecured straight bonds due September 2016	**60**	—	**588**
0.65% unsecured straight bonds due March 2017	**105**	—	**1,030**
0.55% unsecured straight bonds due March 2018	**90**	—	**882**
Loans principally from banks and insurance companies due through 2020 at interest rates ranging from 0.22% to 2.9% per annum at February 28, 2014:			
Collateralized	**796**	564	**7,804**
Unsecured	**196,525**	200,795	**1,926,716**
Capitalized lease obligations	**22,832**	17,778	**223,843**
	220,718	219,137	**2,163,902**
Less current maturities	**(79,038)**	(68,628)	**(774,882)**
	¥141,680	¥150,509	**$1,389,020**

*1 As Nagai Co., Ltd. is a new consolidated subsidiary from the year ended February 28, 2014, no balance of bonds at February 20, 2013 was shown in the table above.

The aggregate annual maturities of long-term debt at February 28, 2014 are summarized as follows:

Years ending February 28,	Millions of yen	Thousands of U.S. dollars
2015	¥ 79,038	$ 774,882
2016	29,342	287,667
2017	38,535	377,794
2018	9,211	90,304
2019	52,102	510,804
Thereafter	12,490	122,451
	¥220,718	$2,163,902

Certain assets of the UNY Group that were pledged as collateral for long-term debt at February 28, 2014 and February 20, 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Time deposits	**¥ 100**	¥ —	**$ 981**
Land	**2,120**	—	**20,784**
Buildings and structures	**2,607**	1,690	**25,559**
	¥4,827	¥1,690	**$47,324**

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.

8. 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 28, 2014 and February 20, 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Projected benefit obligation	**¥ 85,565**	¥ 84,340	**$ 838,873**
Fair value of pension plan assets at end of year	**(83,353)**	(76,075)	**(817,187)**
Projected benefit obligation in excess of pension plan assets	**2,212**	8,265	**21,686**
Less unrecognized transitional provision	**(33)**	(50)	**(323)**
Less unrecognized actuarial differences (loss)	**(9,401)**	(13,081)	**(92,167)**
Unrecognized past service costs	**1,669**	2,491	**16,363**
	(5,553)	(2,375)	**(54,441)**
Prepaid pension cost included in investments and other assets on the consolidated balance sheets	**6,896**	3,635	**67,608**
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	**¥ 1,343**	¥ 1,260	**$ 13,167**

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Components of net periodic retirement benefit expense:			
Service cost	**¥ 3,332**	¥ 3,065	**$ 32,666**
Interest cost	**929**	1,518	**9,108**
Expected return on pension plan assets	**(1,140)**	(2,009)	**(11,176)**
Transitional provision	**17**	17	**167**
Amortization of actuarial differences	**1,291**	3,164	**12,657**
Amortization of past service costs	**(822)**	(822)	**(8,059)**
Net periodic retirement benefit expense	**¥ 3,607**	¥ 4,933	**$ 35,363**

Major assumptions used in the calculation of the above information for the years ended February 28, 2014 and February 20, 2013 were as follows:

	2014	2013
Method attributing the projected benefits to periods of services	**Straight-line method**	Straight-line method
Discount rate	**0.5%~1.1%**	0.5%~1.5%
Expected rate of return on pension plan assets	**1.5%~2.0%**	2.0%~3.0%
Amortization period of past service costs	**5 to 10 years**	5 to 10 years
Amortization period of actuarial differences	**5 to 10 years**	5 to 10 years
Amortization period of transitional provision	**15 years for one subsidiary**	15 years for one subsidiary

9. Asset Retirement Obligations

The asset retirement obligations are based upon estimated future restoration obligations pursuant to the real estate lease contracts for stores and other facilities as lessees and calculated based on the estimated store operational periods ranging from two to fifty years following each of the lease contracts and discounted by discount rates of 0.2% to 2.2%. The activities of asset retirement obligations accounted for the years ended February 28, 2014 and February 20, 2013 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
At the beginning of year *	**¥13,621**	¥13,190	**$133,539**
New additions	**1,637**	984	**16,049**
Changes in estimated obligations and accretion	**219**	213	**2,147**
Settlement payments	**(430)**	(490)	**(4,215)**
Other	**120**	(276)	**1,176**
At the end of year *	**¥15,167**	¥13,621	**$148,696**

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

10. 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 both February 28, 2014 and February 20, 2013, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥2,532 million ($24,824 thousand) at both February 28, 2014 and February 20, 2013.

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 22, 2014, the shareholders approved cash dividends amounting to ¥2,764 million ($27,098 thousand). The appropriation had not been accrued in the consolidated financial statements as of February 28, 2014, as such appropriations are recognized in the period in which they are approved by the shareholders.

11. 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 28, 2014 and February 20, 2013 amounted to ¥669,621 million ($6,564,912 thousand) and ¥723,533 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 28, 2014 and February 20, 2013, the UNY Group was contingently liable for guarantees of the indebtedness of affiliates, franchisees and others in the amount of ¥3,911 million ($38,343 thousand) and ¥3,767 million, respectively.

12. Income Taxes

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at February 28, 2014 and February 20, 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets—current:			
Accrued bonuses	**¥ 1,340**	¥ 1,441	**$ 13,137**
Accrued enterprise taxes	**629**	494	**6,167**
Allowance for sales promotion	**605**	466	**5,932**
Other	**2,260**	1,716	**22,157**
Less valuation allowance	**(476)**	(348)	**(4,667)**
	4,358	3,769	**42,726**
Net of deferred tax liabilities—current	**(123)**	(795)	**(1,206)**
Deferred tax assets—current portion	**¥ 4,235**	¥ 2,974	**$ 41,520**
Deferred tax liabilities—current:			
Deferred gains on hedges and other	**123**	795	**1,206**
Net of deferred tax assets—current	**(123)**	(795)	**(1,206)**
Deferred tax liabilities—current portion	**¥ —**	¥ —	**$ —**

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets—noncurrent:			
Impairment loss on fixed assets	¥ 21,955	¥ 21,365	$ 215,245
Operating loss carryforwards	10,909	9,485	106,951
Asset retirement obligations	5,288	4,776	51,843
Loss on write-down of securities	1,312	1,333	12,863
Allowance for doubtful accounts	807	791	7,912
Allowance for losses for interest payments	688	820	6,745
Other	4,237	3,421	41,539
Less valuation allowance	(22,690)	(19,619)	(222,451)
	22,506	22,372	220,647
Net of deferred tax liabilities—noncurrent	(7,725)	(6,949)	(75,735)
Deferred tax assets—noncurrent portion	¥ 14,781	¥ 15,423	$ 144,912
Deferred tax liabilities—noncurrent:			
Gain on sale of property	¥ 2,196	¥ 2,223	$ 21,529
Capitalized dismantling and restoration costs of leased property	1,780	1,528	17,451
Unrealized gains on available-for-sale securities	2,464	1,528	24,157
Prepaid pension cost	2,408	1,237	23,608
Other	884	1,255	8,667
	9,732	7,771	95,412
Net of deferred tax assets—noncurrent	(7,725)	(6,949)	(75,735)
Deferred tax liabilities—noncurrent portion included in other long-term liabilities	¥ 2,007	¥ 822	$ 19,677
Deferred tax liabilities for revaluation (see Note 2(j)) included in other long-term liabilities	¥ 75	¥ 75	$ 735

In assessing the realizability of deferred tax assets, management of the UNY Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At February 28, 2014 and February 20, 2013, a valuation allowance was established to reduce the deferred tax assets to the amount that management of the UNY Group believed the deferred tax assets were expected to be realizable.

The reconciliation of the difference between the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended February 28, 2014 and February 20, 2013 was as follows:

	Percentage of pre-tax income	
	2014	2013
Statutory tax rate	37.6 %	40.3 %
Increase (decrease) due to:		
Permanently nondeductible expenses	2.5	0.5
Tax exempt income	(4.1)	(0.8)
Local minimum taxes—per capita levy	6.3	2.3
Amortization of goodwill	3.7	1.7
Change in valuation allowance	15.7	(1.7)
Gain on negative goodwill	—	(16.6)
Impairment loss on goodwill	—	1.9
Other	(3.1)	1.5
Effective income tax rate	58.6 %	29.1 %

13. Fair Value of Rental Property

At February 28, 2014 and February 20, 2013, the UNY Group owned commercial facilities and rental property, including land, for leases in Aichi Prefecture and other areas. For the years ended February 28, 2014 and February 20, 2013, the UNY Group recorded net rental income from rental property in the amount of ¥9,405 million ($92,206 thousand) and ¥7,830 million, respectively, in the accompanying consolidated statements of income, while the UNY Group recorded impairment loss of ¥61 million ($598 thousand) and ¥198 million, respectively.

Information about the fair value of those properties as of and for the years ended February 28, 2014 and February 20, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Carrying value at the beginning of year	¥47,487	¥44,889	$465,559
Net changes during the year	14,815	2,598	145,245
Carrying value at the end of year	62,302	47,487	610,804
Fair value at the end of year *	¥58,317	¥45,035	$571,735

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

14. Other Comprehensive Income

Amounts reclassified to net income (loss) that were recognized in other comprehensive income and the tax effects for each component of other comprehensive income for the years ended February 28, 2014 and February 20, 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains on available-for-sale securities:			
Increase during the year	¥2,661	¥2,092	$26,088
Reclassification adjustments	15	(8)	147
Subtotal, before tax	2,676	2,084	26,235
Tax benefit	(938)	(624)	(9,196)
Subtotal, net of tax	1,738	1,460	17,039
Net deferred gains on hedging instruments:			
(Decrease) increase during the year	(398)	351	(3,902)
Tax effect	150	(128)	1,471
Subtotal, net of tax	(248)	223	(2,431)
Foreign currency translation adjustments:			
Increase during the year	¥ 825	¥ 165	$ 8,088
Share of other comprehensive income of affiliates accounted for by the equity method			
Increase (decrease) during the year	192	(58)	1,882
Total other comprehensive income	¥2,507	¥1,790	$24,578

15. Related Party Transactions

Related party transactions for the years ended February 28, 2014 and February 20, 2013 were as follows:

Transactions between consolidated subsidiaries of the Company and an unconsolidated subsidiary

(a) Attribution: Unconsolidated subsidiary
(b) Name: toki-meki.com inc.
(c) Location: Sumida-ku, Tokyo
(d) Capital investment: ¥350 million
(e) Nature of operations: Wholesale
(f) Voting interest: Indirectly: 100.0%
(g) Description of the business relationship: Interlocking directors, wholesale

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Detail of transaction:			
Short-term loans transaction amount	**¥9,770**	¥9,700	**$95,784**
Resulting account balances	**¥1,100**	¥1,000	**$10,784**

Note:
1. The Company determines the interest rates based on market interest rates for loans of funds in a reasonable and appropriate manner. No collateral is provided for this loan.
2. Allowance for doubtful accounts against these loans at February 28, 2014 and February 20, 2013 amounted to ¥643 million ($6,304 thousand) and ¥449 million, respectively. Provision of allowance for doubtful accounts for the year ended February 28, 2014 and February 20, 2013 was ¥193 million ($1,892 thousand) and ¥355 million, respectively.

16. Acquisition

In August 2013, the Company acquired 100% of the shares of Nagai Co., Ltd., a producer of food products, and the results of operations for Nagai Co., Ltd. are included in the accompanying consolidated statements of income from the fourth quarter of the current fiscal year ended February 28, 2014. The details of the assets acquired and the liabilities assumed at the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥2,641**	**$ 25,892**
Noncurrent assets	**8,199**	**80,382**
Goodwill	**790**	**7,745**
Current liabilities	**(9,703)**	**(95,127)**
Noncurrent liabilities	**(1,654)**	**(16,216)**
Acquisition cost	**273**	**2,676**
Cash and cash equivalents held by Nagai Co., Ltd.	**(748)**	**(7,333)**
Net cash inflows from acquisition included in cash flows from investing activities of the accompanying consolidated statements of cash flows	**¥ (475)**	**$ (4,657)**

17. Segment Information

(a) General information about reportable segments

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

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

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

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

Millions of yen

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Adjustment	Consolidated total
For the fiscal year 2014:								
Operating revenue:								
External customers	**¥797,708**	**¥148,446**	**¥64,445**	**¥ 13,239**	**¥ 8,289**	**¥1,032,127**	**¥ —**	**¥1,032,127**
Intersegment sales	**2,197**	**59**	**10**	**4,062**	**17,363**	**23,691**	**(23,691)**	**—**
Total	**799,905**	**148,505**	**64,455**	**17,301**	**25,652**	**1,055,818**	**(23,691)**	**1,032,127**
Segment income (loss)	**¥ 12,235**	**¥ 9,456**	**¥ (704)**	**¥ 3,749**	**¥ 766**	**¥ 25,502**	**¥ (173)**	**¥ 25,329**
Segment assets	**¥551,815**	**¥270,913**	**¥28,978**	**¥127,089**	**¥23,372**	**¥1,002,167**	**¥ (52,000)**	**¥ 950,167**
Other items:								
Depreciation	**¥ 16,024**	**¥ 17,141**	**¥ 616**	**¥ 1,178**	**¥ 449**	**¥ 35,408**	**¥ 5**	**¥ 35,413**
Investments in affiliated companies accounted for by the equity method	**6,938**	**—**	**—**	**—**	**—**	**6,938**	**—**	**6,938**
Increase in property and equipment and intangible assets	**34,531**	**33,376**	**1,168**	**1,689**	**340**	**71,104**	**35**	**71,139**
For the fiscal year 2013:								
Operating revenue:								
External customers	¥789,521	¥154,418	¥68,973	¥ 13,159	¥ 4,188	¥1,030,259	¥ —	¥1,030,259
Intersegment sales	2,229	5	10	3,566	15,638	21,448	(21,448)	—
Total	791,750	154,423	68,983	16,725	19,826	1,051,707	(21,448)	1,030,259
Segment income (loss)	¥ 14,250	¥ 16,750	¥ (24)	¥ 3,233	¥ 810	¥ 35,019	¥ 1	¥ 35,020
Segment assets	¥557,357	¥267,404	¥30,414	¥104,389	¥12,033	¥ 971,597	¥(139,275)	¥ 832,322
Other items:								
Depreciation	¥ 15,965	¥ 14,909	¥ 684	¥ 1,258	¥ 318	¥ 33,134	¥ —	¥ 33,134
Investments in affiliated companies accounted for by the equity method	6,654	—	—	—	—	6,654	—	6,654
Increase in property and equipment and intangible assets	16,207	25,616	703	1,427	1,086	45,039	—	45,039

								Thousands of U.S. dollars
	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Adjustment	Consolidated total
For the fiscal year 2014:								
Operating revenue:								
External customers	**$7,820,666**	**$1,455,353**	**$631,814**	**$ 129,794**	**$ 81,265**	**$10,118,892**	**$ —**	**$10,118,892**
Intersegment sales	**21,540**	**578**	**98**	**39,824**	**170,225**	**232,265**	**(232,265)**	**—**
Total	**7,842,206**	**1,455,931**	**631,912**	**169,618**	**251,490**	**10,351,157**	**(232,265)**	**10,118,892**
Segment income (loss)	**$ 119,951**	**$ 92,706**	**$ (6,902)**	**$ 36,755**	**$ 7,509**	**$ 250,019**	**$ (1,696)**	**$ 248,323**
Segment assets	**$5,409,951**	**$2,656,010**	**$284,098**	**$1,245,971**	**$229,137**	**$ 9,825,167**	**$(509,804)**	**$ 9,315,363**
Other items:								
Depreciation	**$ 157,098**	**$ 168,049**	**$ 6,039**	**$ 11,549**	**$ 4,402**	**$ 347,137**	**$ 49**	**$ 347,186**
Investments in affiliated companies accounted for by the equity method	**68,020**	**—**	**—**	**—**	**—**	**68,020**	**—**	**68,020**
Increase in property and equipment and intangible assets	**338,539**	**327,216**	**11,451**	**16,559**	**3,333**	**697,098**	**343**	**697,441**

(d) Enterprise-wide information:

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

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

								Millions of yen
	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Reconciliation	Consolidated total
For the fiscal year 2014:								
Impairment loss on fixed assets	**¥2,974**	**¥4,632**	**¥389**	**¥—**	**¥114**	**¥8,109**	**¥—**	**¥8,109**
For the fiscal year 2013:								
Impairment loss on fixed assets	¥2,510	¥5,044	¥563	¥22	¥ —	¥8,139	¥—	¥8,139
								Thousands of U.S. dollars
For the fiscal year 2014:								
Impairment loss on fixed assets	**$29,157**	**$45,412**	**$3,814**	**$—**	**$1,117**	**$79,500**	**$—**	**$79,500**

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

								Millions of yen
	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Reconciliation	Consolidated total
For the fiscal year 2014:								
Amortization of goodwill	**¥ —**	**¥1,496**	**¥24**	**¥—**	**¥ 40**	**¥1,560**	**¥—**	**¥1,560**
Amortization of negative goodwill	**449**	**—**	**—**	**—**	**—**	**449**	**—**	**449**
As of February 28, 2014:								
Balance of goodwill	**—**	**7,483**	**71**	**—**	**752**	**8,306**	**—**	**8,306**
Balance of negative goodwill incurred before April 1, 2010	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
For the fiscal year 2013:								
Amortization of goodwill	¥ —	¥1,762	¥24	¥—	¥ 1	¥1,787	¥—	¥1,787
Amortization of negative goodwill	783	—	—	—	—	783	—	783
As of February 20, 2013:								
Balance of goodwill	—	8,979	95	—	1	9,075	—	9,075
Balance of negative goodwill incurred before April 1, 2010	449	—	—	—	—	449	—	449
								Thousands of U.S. dollars
For the fiscal year 2014:								
Amortization of goodwill	**$ —**	**$14,667**	**$235**	**$—**	**$ 392**	**$15,294**	**$—**	**$15,294**
Amortization of negative goodwill	**4,402**	**—**	**—**	**—**	**—**	**4,402**	**—**	**4,402**
As of February 28, 2014:								
Balance of goodwill	**—**	**73,362**	**696**	**—**	**7,373**	**81,431**	**—**	**81,431**
Balance of negative goodwill incurred before April 1, 2010	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the Board of Directors of UNY Group Holdings Co., Ltd.:

We have audited the accompanying consolidated financial statements of UNY Group Holdings Co., Ltd. and its consolidated subsidiaries (the "UNY Group"), which comprise the consolidated balance sheets as at February 28, 2014 and February 20, 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended , and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of UNY Group as at February 28, 2014 and February 20, 2013, and its financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2014 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 LLC

July 2, 2014
Nagoya, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CORPORATE DATA

Corporate Data

Head Office
1, Amaikegotanda-cho, Inazawa, Aichi 492-8680, Japan
Tel: +81-587-24-8000
URL: http://www.unygroup-hds.com/english/

Data of Establishment
March 13, 1950

Note: This is the date of establishment of UNY CO., LTD., the former name of UNY Group Holdings Co., Ltd.

Number of Employees
37,916 (Consolidated)

Capital
¥22,188 million

Number of Common Stock
Issued: 234,100,821 shares

Stock Listing
Tokyo Stock Exchange, Nagoya Stock Exchange

Transfer Agent and Register
Sumitomo Mitsui Trust Bank, Limited

Consolidated Subsidiaries
UNY CO., LTD. (general merchandise stores)
UNY (HK) CO., LIMITED (general merchandise stores)
Circle K Sunkus Co., Ltd. (convenience stores)
SAGAMI Co., Ltd. (kimono retailing)
PALEMO CO., LTD. (young women's apparel and accessories)
MOLIE Co., Ltd. (high-quality women's wear)
UCS CO., LTD. (credit card services)
U-LIFE CO., LTD. (real-estate rental business)
Sun Sougou Maintenance Co., Ltd. (facility management)
SUN REFORM Co., Ltd. (repair and housecleaning)
99 ICHIBA Co., Ltd.
NAGAI Co., Ltd. (food production)

Note: In addition to the above list, the UNY Group includes one SAGAMI subsidiary and six Circle K Sunkus subsidiaries.

Directors, Corporate Auditors and Executive Officers

Representative Director and Chairman
Tetsuro Maemura
Chief Executive Officer (CEO)

Representative Director and President
Motohiko Nakamura
Chief Operating Officer (COO)
Director of UNY CO., LTD.

Senior Executive Officer
Jiro Koshida
Chief Financial Officer (CFO)
Director of Circle K Sunkus Co., Ltd.
External Director of SAGAMI Co., Ltd.
External Director of UCS CO., LTD.

Executive Officers
Minoru Umemoto
Group Sales and Planning Headquarters Director; Group Product Planning Department Director

Jun Takahashi
Group Strategy Headquarters Director; Store Development Director

Akira Ito
Director of Group Affairs Headquarters

Directors
Norio Sako
Representative Director and President of UNY CO., LTD.

Shuichi Takeuchi
Representative Director and President of Circle K Sunkus Co., Ltd.

External Directors
Tamotsu Kokado
Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Norio Kato
Advisor of NGK SPARK PLUG CO., LTD.

Takashi Saeki
Chairman of TOHO GAS Co., Ltd.

Corporate Auditors
Tatsumi Yoshida
Corporate Auditor of UNY CO., LTD.
External Corporate Auditor of SAGAMI Co., Ltd.
External Corporate Auditor of ENCHO CO., LTD.

Akira Ito
Corporate Auditor of UNY CO., LTD.
External Corporate Auditor of PALEMO CO., LTD.

External Corporate Auditors
Ikuo Tange
External Corporate Auditor of UNY CO., LTD.
External Corporate Auditor of SOTOH CO., LTD.

Naotaka Nanya
External Corporate Auditor of Circle K Sunkus Co., Ltd.
External Corporate Auditor of CKD Corporation

Executive Officers
Noriko Momose
Executive Officer and Manager of Group Social Responsibility Department

Masanari Iwata
Executive Officer and Head of UNY (SHANGHAI) TRADING Co., Ltd.

Toshio Nakamura
Executive Officer and President of UNY (HK) Co., Ltd.

(As of May 22, 2014)

UGHD

UNY Group Holdings Co., Ltd.
1, Amaikegotanda-cho
Inazawa, Aichi 492-8680, Japan
Phone: +81-587-24-8000

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C004803

VEGETABLE OIL INK