ANNUAL REPORT 2016

For the fiscal year ended February 29, 2016

UNY Group Holdings Co., Ltd.

Over the more than 100 years since its founding in 1912, the UNY Group has operated its business by listening to the voices of customers who live in the community.

On September 1, 2016, UNY Group Holdings Co., Ltd. will merge with FamilyMart Co., Ltd. (FamilyMart), marking a new start as FamilyMart UNY Holdings Co., Ltd.

The desire to support good living through the creation of new value in step with the times.

The desire to provide customers with attentive service that meets their respective needs.

And the desire to be closest to and most trusted by customers—
The UNY GROUP and FamilyMart share these desires in their corporate philosophies.

The UNY Group aims to be
Japan's leading retail group and
to contribute through its stores to
all its stakeholders, including customers,
franchisers, and shareholders.

FamilyMart UNY Holdings Co., Ltd. Corporate Philosophy

"Everyday Fun & Fresh"

UGHD

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 these 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.

Business History Spanning More than 100 Years

1912–1950

Development into a Chain of Stores

The UNY Group's history began with Nishikawaya, a footwear shop founded in the city of Nagoya by Choju Nishikawa in 1912, and Furukawa Clothing Store, which was opened in the city of Yokohama by Seijiro Furukawa in 1927. In 1928, Nishikawaya changed its business and became a Japanese clothing store. Subsequently, the business became a general clothing store, and a network of stores was established, centered on the suburbs of Nagoya. Furukawa Clothing Store changed the name of its stores to HOTEIYA in 1945 and started opening clothing supermarkets and food supermarkets, mainly in Yokohama and Nagoya.

1951–1971

Merger Creates a Leading Chain Store in the Chubu Region

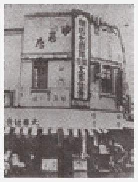
During Japan's period of rapid economic growth that followed reconstruction after World War II, supermarket companies adopted the chain store approach that was spreading at the time in the United States and started developing store networks, with supermarkets overtaking department stores in terms of sales. The momentum toward restructuring in the distribution industry surged rapidly, reflecting a mounting sense of crisis about the influx of foreign capital following the phased introduction of capital liberalization starting in 1967, as well as the intensification of competition among chains. In 1969, Nishikawaya Chain Co., Ltd. and HOTEIYA Co., Ltd. established the cooperative purchasing company UNY K.K. Two years later, in 1971, they merged to form UNY CO., LTD.

1912 1927 1971 1974 1984

1920 1930 1940 1950 1960 1970 1980

1912

Nishikawaya, a footwear shop and the predecessor of Nishikawaya Chain Co., Ltd., is founded.



1927

Furukawa Clothing Store, HOTEIYA Co., Ltd.'s predecessor store, is founded.

1971

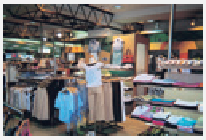
HOTEIYA Co., Ltd. and Nishikawaya Chain Co., Ltd. merge to form UNY CO., LTD.

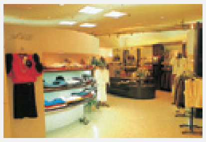
1974

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

1980

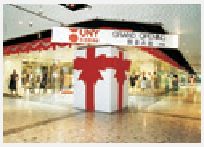
The first Circle K store opens, and in 1984 CIRCLE K JAPAN Co., Ltd. is established. In 1979, UNY tied up with Circle K in the United States and established the Circle K Business Division inside UNY. Sunkus Co., Ltd. is established. The first Sunkus store opens.





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.

1972–1999

Growth into a General Retail Group Centered on GMS

When the Large-Scale Retail Store Law came into force in 1973, supermarket companies started developing medium-sized stores that were smaller than the regulatory standard. Concurrently, companies began introducing convenience stores, a type of business that had developed in the United States. Aiming to create stores that were in step with the new age, UNY promoted greater sophistication, diversification, and internationalization under the slogan of "Creating a UNY Forest." As part of this diversification, UNY opened its first Circle K store in 1980 through a tie-up with Circle K Stores Inc. in the United States. Moreover, in terms of internationalization, it ventured into Hong Kong through UNY (HK) CO., LIMITED, and established a series of companies that underpin the current UNY Group.

2000–2015

100th Anniversary and Development into Social Infrastructure Supporting the Local Community

In the 2000s, with the increasing prominence of large shopping centers, established mainly on the outskirts of cities, UNY began to develop mall-type shopping centers. As the social structure changed and consumer needs diversified, reflecting such trends as the increasing number of single-person households and working women, CIRCLE K JAPAN Co., Ltd. merged with Sunkus and Associates in 2004. This created Circle K Sunkus Co., Ltd. the fourth largest chain in the Japanese convenience store industry. Furthermore, in the Tokyo metropolitan area, UNY started developing small supermarkets called 99 ICHIBA (now Mini Piago) and established an extensive network of stores covering wide and small catchment areas. As a general retailing group, the UNY Group is working to ensure that it can support the everyday lives of its customers in the community.

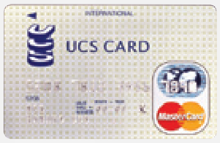
2016 →

Aiming to Be Japan's Leading Retail Group

In 1971, Nishikawaya Chain and HOTEIYA overcame a number of barriers to achieve their merger, laying the foundation for the current UNY Group. The UNY Group now aims to take its next leap forward with the management integration with FamilyMart Co., Ltd. on September 1, 2016.

1985 1991 2004 2012 2013 2016

1990 2000 2010



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.

2010

Establishment of the joint venture UNY (SHANGHAI) TRADING Co., Ltd. with the Ting Hsin International Group, a major Chinese food manufacturer, to open stores in Shanghai.

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.

2013

The UNY Group moves to a pure holding company framework.

2016

FamilyMart UNY Holdings Co., Ltd. is created through the management integration of UNY Group Holdings Co., Ltd. and FamilyMart Co., Ltd.

Consolidated Financial Highlights

UNY Group Holdings Co., Ltd.		FY02/2007	FY02/2008	FY02/2009
Financial results	Operating revenue	¥1,228,946	¥1,216,247	¥1,190,248
	Gross profit	459,394	457,965	449,998
	Selling, general and administrative expenses	412,252	417,010	409,840
	Operating income	47,142	40,955	40,157
	Net income (loss)	9,302	377	5,345
	Investment in plant and equipment (Note 1)	67,086	69,639	65,331
	Depreciation	26,681	26,388	28,036
Financial condition	Total assets	966,226	973,142	960,602
	Net assets	364,291	350,835	344,870
	Interest-bearing debt (Note 2)	310,514	324,193	331,144
Cash-flow situation	Cash flows from operating activities	69,635	36,824	56,143
	Cash flows from investing activities	(72,542)	(47,663)	(58,902)
	Free cash flow (Note 3)	(2,907)	(10,839)	(2,760)
	Cash flows from financing activities	(4,576)	6,053	163
	Cash and cash equivalents at end of period	102,121	97,710	94,733
Information per share	Net income (loss) (yen)	49.27	2.00	27.66
	Net assets (yen)	1,294.93	1,248.72	1,235.91
	Cash dividends (yen)	18.00	18.00	18.00
Management indicators	Equity ratio (%)	25.3	24.2	25.5
	ROE (%)	3.8	0.2	2.2
	ROA (%)	4.7	3.9	4.0

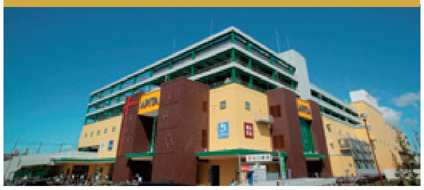
UNY CO., LTD.	Operating revenue	¥ 726,792	¥ 714,885	¥ 768,200
	Operating income	15,404	15,587	13,026
	Net income (loss)	7,195	6,589	26,679
	Year-to-year comparison (%) at existing stores	98.7	98.0	97.1
	Number of stores	156	158	233
Circle K Sunkus Co., Ltd. (consolidated)	Sales at all chain stores (Note 4)	¥ 911,282	¥ 902,424	¥ 940,232
	Total operating revenue	194,393	206,373	213,398
	Revenue from member stores	102,710	101,388	103,818
	Other revenue	12,437	12,510	11,943
	Sales at company-owned stores	79,246	92,475	97,637
	Operating income	23,113	21,096	23,010
	Net income (loss)	10,237	8,580	9,435
	Year-to-year comparison (%) at existing stores (non-consolidated)	96.7	98.2	104.1
	Number of store openings (non-consolidated)	307	284	265
	Total number of stores in the Circle K Sunkus Group	6,336	6,139	6,166
	The Company	5,104	4,929	4,939
	Area franchisers	1,232	1,210	1,227

Notes: 1. Construction basis excluding investment in expenses processing.
2. Includes lease obligations.
3. Cash flows from operating activities + cash flows from investing activities.
4. Includes sales at member stores (franchise stores).
5. See Note 1 of Notes to Consolidated Financial Statements.

						Millions of yen	Thousands of U.S. dollars Note 5
FY02/2010	FY02/2011	FY02/2012	FY02/2013	FY02/2014	FY02/2015	FY02/2016	FY02/2016
¥1,134,428	¥1,112,781	¥1,079,151	¥1,030,259	¥1,032,127	¥1,018,960	¥1,038,733	$9,111,693
416,052	415,613	414,848	399,614	396,012	389,788	394,508	3,460,596
394,957	380,512	370,847	364,593	370,684	369,550	372,141	3,264,395
21,095	35,102	44,002	35,020	25,329	20,238	22,367	196,202
(4,995)	6,046	8,324	30,471	7,441	(2,408)	(2,874)	(25,211)
60,654	44,616	42,909	47,472	77,959	65,720	66,670	584,825
31,829	31,714	31,046	32,026	34,125	35,334	35,486	311,281
943,381	940,078	964,595	832,322	950,167	952,585	973,234	8,537,140
336,404	341,141	347,500	304,355	305,776	301,249	285,018	2,500,158
326,383	309,347	335,704	259,589	358,061	364,174	366,917	3,218,570
57,921	60,465	42,159	37,033	35,385	57,842	84,212	738,702
(40,333)	(13,648)	(20,652)	(107,342)	(60,523)	(53,336)	(46,852)	(410,982)
17,588	46,817	21,506	(70,309)	(25,138)	4,507	37,360	327,719
(20,449)	(30,869)	11,412	(63,056)	71,714	(6,834)	(12,986)	(113,912)
91,778	107,669	140,358	7,076	54,477	53,856	79,497	697,342
(25.28)	30.61	42.14	140.64	32.13	(10.47)	(12.49)	(0.11)
1,194.21	1,208.64	1,229.59	1,264.63	1,291.17	1,271.84	1,206.51	10.58
18.00	19.00	19.00	24.00	24.00	20.00	20.00	0.18
25.0	25.4	25.2	35.4	31.3	30.7	28.5	
(2.1)	2.5	3.5	11.3	2.5	(0.8)	(1.0)	
2.0	3.4	4.5	3.7	2.8	2.2	2.2	
¥ 824,603	¥ 813,000	¥ 788,234	¥ 768,941	¥ 771,487	¥ 745,647	¥ 757,942	$6,648,614
4,486	13,032	18,209	14,831	12,139	10,409	10,623	93,184
235	4,508	5,410	9,092	3,902	(3,244)	2,542	22,298
93.3	99.1	98.4	97.2	100.3	97.1	101.0	
234	229	227	227	229	226	226	
¥ 902,318	¥ 923,185	¥ 979,815	¥ 946,728	¥ 950,606	¥ 943,649	¥ 974,554	$8,548,719
194,143	192,305	187,799	154,423	148,505	148,110	156,308	1,371,123
98,933	102,766	108,337	107,546	105,382	103,777	105,647	926,728
12,104	12,160	11,863	11,765	11,591	11,312	10,706	93,912
83,106	77,379	67,599	35,111	31,533	33,022	39,955	350,482
15,200	18,572	21,958	18,246	10,953	9,110	8,524	74,772
5,555	7,165	9,378	8,010	4,235	3,493	(1,975)	(17,325)
94.4	98.6	103.1	95.2	96.9	96.4	99.1	
285	301	325	365	446	347	312	
6,219	6,274	6,169	6,242	6,359	6,353	6,350	
4,958	5,001	5,084	5,329	5,612	5,990	5,991	
1,261	1,273	1,085	913	747	363	359	

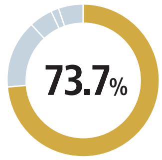
Business Overview

General Merchandise Stores



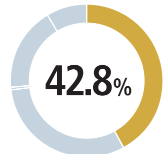
Operating Revenue

¥795.5 billion
(Up 2.3% YoY)



Operating Income

¥9.6 billion
(Up 6.7% YoY)



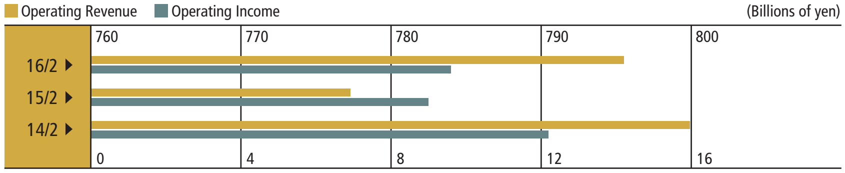
Consolidated Subsidiaries

(As of the fiscal year ended February 29, 2016)

UNY CO., LTD.	100.0%
99 ICHIBA Co., Ltd.	100.0%
UNY (HK) CO., LIMITED	100.0%
UNY (SHANGHAI) TRADING Co., Ltd.	70.0%

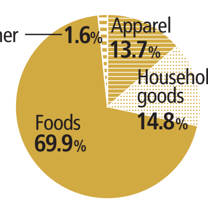
Note: The percentage of voting rights owned includes indirect ownership.

Operating Revenue / Operating Income



UNY CO., LTD.

Breakdown of sales by product



Percentage of gross profits by product

Apparel	36.3% (–0.4 Ppt)
Household goods	27.4% (–0.4 Ppt)
Foods	20.5% (±0.0 Ppt)
Total	23.7% (–0.2 Ppt)

Number of stores by type

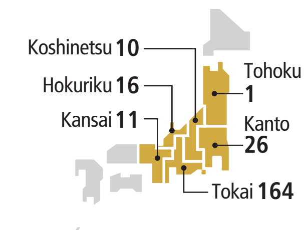
Apita	97
Piago	120
U-Home	11
Total	228

Sales by type (Billions of yen)

Apita	¥470.2
Piago	234.9
U-Home	9.7
Total*	714.9

*Excluding some sales, including the Head Office.

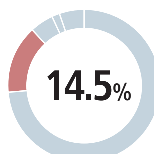
Number of stores by geographic region 228 stores



Convenience Stores

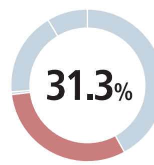
Operating Revenue

¥156.3 billion
(Up 5.5% YoY)



Operating Income

¥7.0 billion
(Down 7.7% YoY)



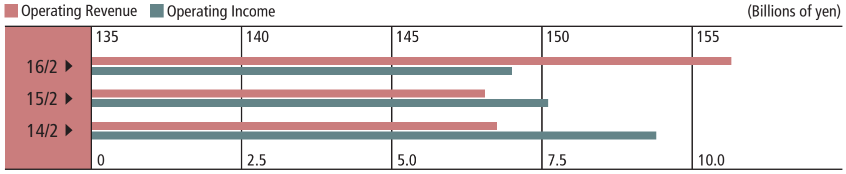
Consolidated Subsidiaries

(As of the fiscal year ended February 29, 2016)

Circle K Sunkus Co., Ltd.	100.0%
Circle K Shikoku Co., Ltd.	100.0%
Sunkus Nishi-Shikoku Co., Ltd.	100.0%
ZERO NETWORKS Co., Ltd.	100.0%
Retail Staff Co., Ltd.	100.0%
toki-meki.com inc.	100.0%

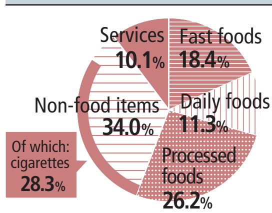
Note: The percentage of voting rights owned includes indirect ownership.

Operating Revenue / Operating Income



Circle K Sunkus Co., Ltd.

Breakdown of sales by product



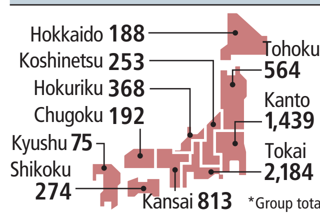
Daily turnover at existing stores (year-on-year change)

Daily turnover	¥431 thousand (99.1%)
Average number of customers	699 persons (97.4%)
Average per-customer spending	¥616 (101.8%)

Markup by product category (year-on-year change)

Fast foods	36.8% (–0.9 Ppt)
Daily foods	34.0% (–0.2 Ppt)
Processed foods	38.6% (+0.3 Ppt)
Non-food items	14.9% (+0.1 Ppt)
Services	5.5% (–0.1 Ppt)
Total	26.7% (–0.2 Ppt)

Number of stores by geographic region 6,350* stores



*Group total

Specialty Stores

Consolidated Subsidiaries

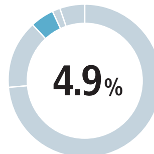
(As of the fiscal year ended February 29, 2016)

SAGAMI Co., Ltd.	53.9%
Tokyo Masuiwaya Inc.	55.5%
PALEMO CO., LTD.	61.7%
MOLIE Co., Ltd.	100.0%

Note: The percentage of voting rights owned includes indirect ownership.

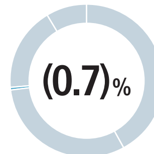
Operating Revenue

¥52.6 billion
(Down 9.7% YoY)

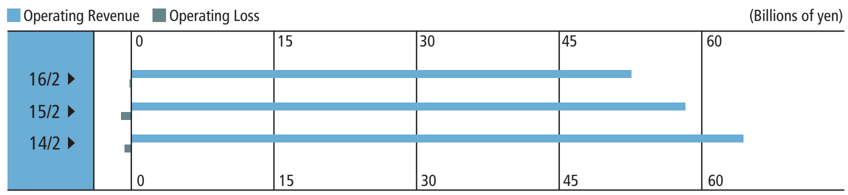


Operating Loss

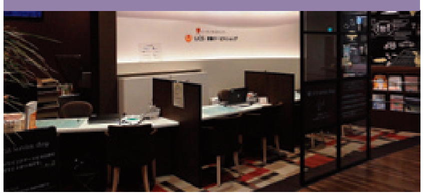
¥(0.2) billion
(–)



Operating Revenue / Operating Loss



Financial Services



Consolidated Subsidiary

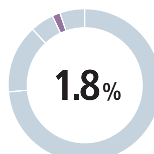
(As of the fiscal year ended February 29, 2016)

UCS CO., LTD.	81.3%

Note: The percentage of voting rights owned includes indirect ownership.

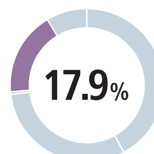
Operating Revenue

¥19.5 billion
(Up 5.8% YoY)

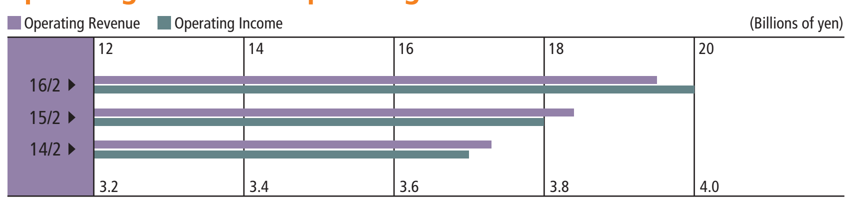


Operating Income

¥4.0 billion
(Up 3.3% YoY)



Operating Revenue / Operating Income



Other

Consolidated Subsidiaries

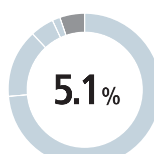
(As of the fiscal year ended February 29, 2016)

U-LIFE CO., LTD.	100.0%
Sun Sougou Maintenance Co., Ltd.	100.0%
SUN REFORM Co., Ltd.	100.0%
NAGAI Co., Ltd.	100.0%
UNICOM Inc.	100.0%

Note: The percentage of voting rights owned includes indirect ownership.

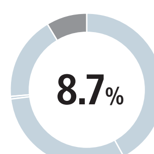
Operating Revenue

¥55.1 billion
(Up 1.3% YoY)

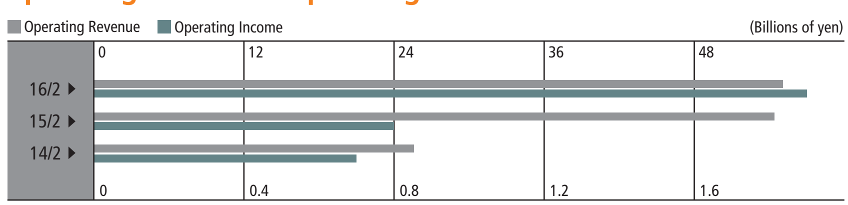


Operating Income

¥2.0 billion
(Up 136.1% YoY)



Operating Revenue / Operating Income



Message from the President

Maintaining our founding spirit of putting customers first, as we aim to be Japan's leading retail group

President | **Norio Sako**

The UNY Group began as a footwear shop founded in 1912, and went on to enter a wide range of retail industries including kimono stores, Western-style clothing stores, general merchandise stores (GMSs), and convenience stores. Our journey has coincided with a time of great social change. The retail industry in Japan is in the midst of a number of large-scale transformations, including advances in globalization as well as social aging with a birthrate that is declining at a rate unparalleled in the world. As it responds to these environmental shifts, the UNY Group is determined to boost the value to society of its retail industry—enriching the lives of customers—by taking the customer's perspective, just as it has always done.

FamilyMart UNY Holdings Co., Ltd., to be launched on September 1, 2016, will carry on the founding spirits of the two merging companies. The new company will aim to be Japan's leading retail group as it moves to the next level in every aspect of operations, including business size and customer service. Surpassing the competition in today's unprecedented times requires more than just improvement along the same old lines; it requires innovation based on a bold change in thinking. At the same time, our business base will need to expand further to achieve innovation based on fresh ideas. The convenience store business of the new group created through management integration will be among the top class in the industry, growing to a size comparable with the other leaders in the field. Building on economies of scale, we are confident that our expertise in convenience stores and GMSs will create further opportunities for growth, and we are determined to keep embracing challenges with a strong sense of conviction. We look forward to the continued support and encouragement of the UNY Group's endeavors from all our stakeholders, including our customers, shareholders, and investors.

July 2016

To Thrive in a Competitive Environment, to Offer Unique Value

FamilyMart UNY Holdings Co., Ltd.

Convenience store business (CVS business)	● Unify brands ● Strengthen product procurement capability ● Strengthen product development capability	● Consolidate infrastructure such as distribution centers ● Integrate information systems
General merchandise store business (GMS business)	● Focus on the Tokai and Kanto regions ● Leverage the CVS business' procurement capability and services	● Develop a new store format ● Collaborate on e-commerce
Other Group businesses	● Establish new business models that utilize both companies' business foundations	

あなたと、コンビに、
FamilyMart

UGHD

UNY Group Holdings Co., Ltd. plans to integrate its management with FamilyMart Co., Ltd., effective as of September 1, 2016. The integrated company will make a fresh start as a holding company whose central businesses are convenience stores and general merchandise stores.

Major changes have been occurring in the business environment of the retail trade. In Japan, a decline in the general population is shrinking the size of the market amid intensifying competition between convenience stores and across industry lines, such as with drug stores and restaurant chains. Moreover, consumer needs are diversifying, necessitating the creation of products and services based on new ideas.

In this climate, we decided that, to thrive in an intensely competitive environment, we needed to mobilize the two companies' management resources and search for growth opportunities by providing distinctive value.

Overview of FamilyMart

Company name	FamilyMart Co., Ltd.
Location	Toshima-ku, Tokyo, Japan
Representative	Isamu Nakayama, President
Issued shares	97,683,133 (As of February 29, 2016)
Business description	Engaged in the management of both franchise and directly operated convenience stores.

Business Performance and Financial Position

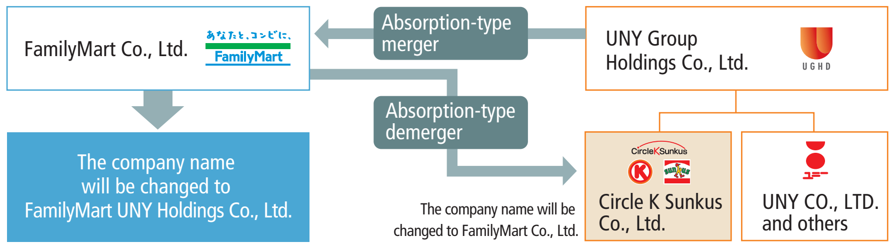
(Year ended February 2016)

Consolidated total operating revenues	¥427,676 million
Consolidated operating income	¥48,734 million
Consolidated net assets	¥295,229 million
Consolidated total assets	¥730,295 million

Management Integration Scheme

Allocation ratio associated with the absorption-type merger

FamilyMart Co., Ltd.	UNY Group Holdings Co., Ltd.
Company surviving the absorption-type merger	Company absorbed in the absorption-type merger
1	0.138



An absorption-type merger will be conducted with FamilyMart as the surviving company and UNY Group Holdings as the absorbed company. FamilyMart (as the surviving, integrated company) will change its name to FamilyMart UNY Holdings Co., Ltd.

When the above absorption-type merger comes into force, an absorption-type demerger will be carried out with the integrated company as the demerged company and Circle K Sunkus, which is a wholly owned subsidiary of UNY Group Holdings, as the successor company. In this way, Circle K Sunkus will succeed to the integrated company's convenience store business. Circle K Sunkus, as the successor company, will change its name to FamilyMart Co., Ltd.

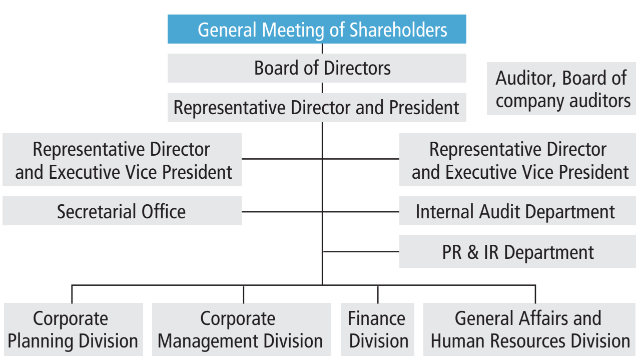
Overview of the New Integrated Company

Company name	FamilyMart UNY Holdings Co., Ltd.
Location	Toshima-ku, Tokyo (current location of FamilyMart Co., Ltd.)

Corporate Philosophy

"Everyday Fun & Fresh"

Organizational Structure



Representative Executives

Integrated company	
Representative Director and President	Junji Ueda
Representative Director and Executive Vice President	Norio Sako
Representative Director and Executive Vice President	Isamu Nakayama

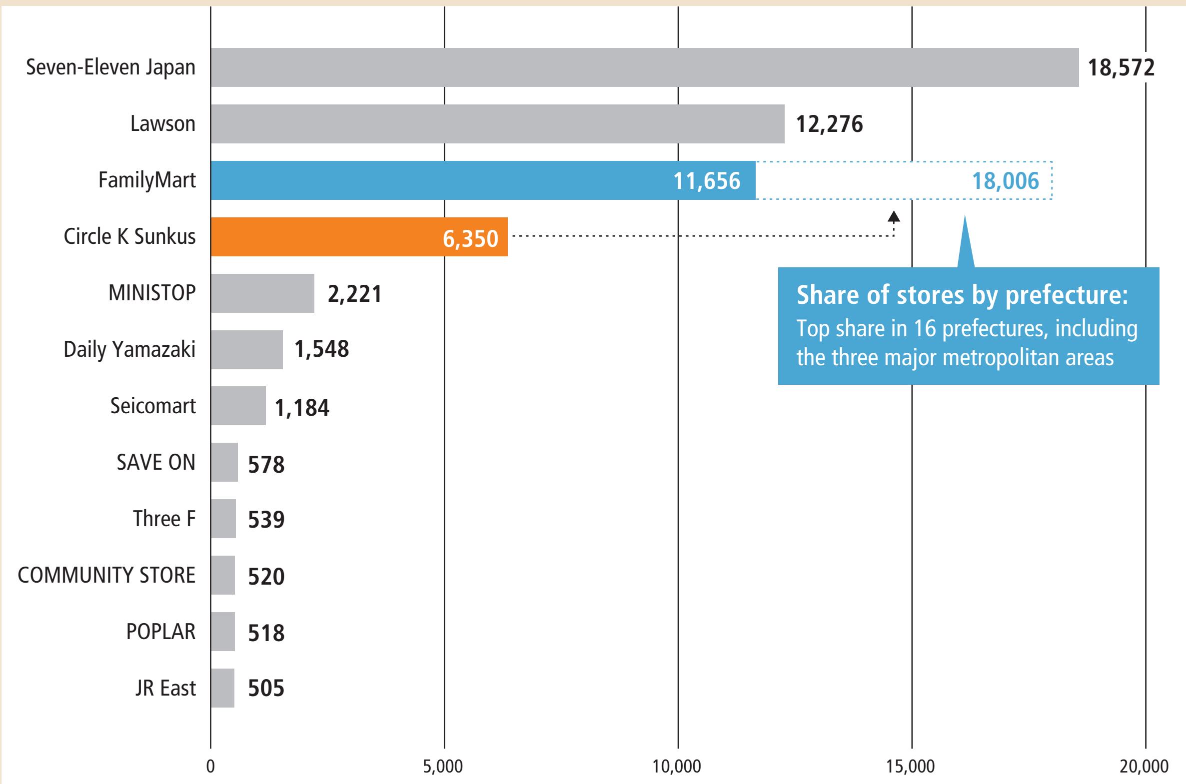
Convenience Store Business Company (FamilyMart Co., Ltd.)	
Representative Director and Chairman	Isamu Nakayama
Representative Director and President	Takashi Sawada

GMS Business Company (UNY CO., LTD.)	
Representative Director and President	Norio Sako

Mutually Utilizing Tangible / Intangible Business Resources

Number of Stores in Japan of Main Convenience Store Chains

(Including area franchisers, as of February 29, 2016)



With this management integration, the Company will have one of the largest store networks in the convenience store business in Japan. We expect that this industry-leading business foundation will produce economies of scale and synergies in numerous aspects of the convenience store business. In addition, we believe that we will be able to further strengthen our business in developing countries, especially in Asia.

In the general merchandise store business as well, we plan to develop new products and store formats by organically combining the sales channels established by both companies and the business know-how cultivated thus far.

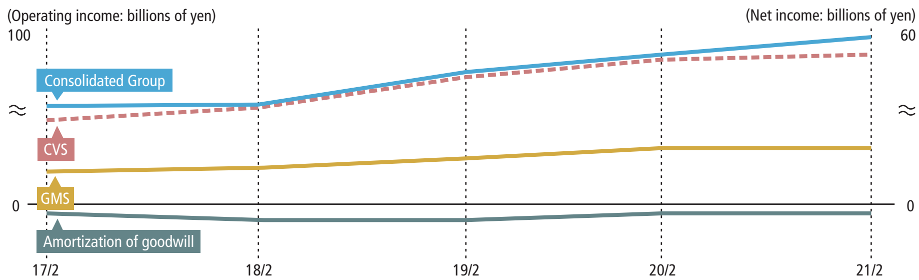
Plan Numbers

	February 2016			February 2021
	FamilyMart	UNY Group Hldgs.	Total	Integrated company
Group net sales in Japan	¥2.0 trillion	¥1.8 trillion	¥3.9 trillion	More than ¥5.0 trillion
Consolidated operating income	¥48.7 billion	¥22.3 billion	¥71.1 billion	More than ¥100 billion
Consolidated net income (loss)	¥21.0 billion	(¥2.8 billion)	¥18.1 billion	More than ¥60 billion
Consolidated ROE	7.6%	–	–	More than 12%
Number of CVS, GMS, and SM*stores in Japan	11,656	6,671	18,327	More than 20,000 stores
Number of CVS and GMS stores outside Japan	5,846	4	5,850	More than 10,000 stores

*SM: supermarket

We will maximize the synergies created by the management integration and also reconsider unprofitable stores and businesses, establishing a solid revenue base. In this way, we will aim to achieve at least ¥5,000 billion in net sales in Japan and consolidated net income of at least ¥60 billion within five years after the integration.

Projected Income Growth after Integration



Brand Integration in the Convenience Store Business

We will integrate the convenience store business under the FamilyMart brand. Following the management integration, we will begin the brand integration of Circle K and Sunkus stores and plan to complete the brand integration of Circle K Sunkus stores between December 2016 and February 2019.

We will introduce a new franchise contract that will enable members to continually improve their store management ability and ensure a competitive advantage as a chain.

We will also introduce a new visual identity (VI) with the brand integration. We will gradually install signs with the new VI at newly opened stores, stores switching brands, and existing FamilyMart stores.

Corporate Philosophy of the New CVS Company

FamilyMart, Where You Are One of the Family

You can find “Fun & Fresh” products and services every time you visit FamilyMart. We will be your best partner to support your everyday life, offering convenient and highly qualified products and services.

New Visual Identity

FamilyMart

FamilyMart

To enhance profitable stores,

we will implement measures to further boost the GMS business through offensive and defensive approaches, based on improving earnings power by remodeling existing stores and exiting from unprofitable stores and businesses.

Offensive Growth Strategies

Remodeling of Existing Stores

UNY will shift the focus of its store investment from new to existing stores. In the three years from the fiscal year ending February 2017 to the fiscal year ending February 2019, it will invest ¥5 billion per year to remodel existing stores. Beginning with stores with higher sales, the Company will remodel 10 Apita stores and 15 Piago stores each year, to further boost their ability to pull in customers. The remodeling content will be decided depending on the situation at each store, addressing three points: strengthening delicatessen items through the addition of directly operated sales areas; making lifestyle proposals for apparel and household goods and shifting to a "half-department store" format; and bringing directly operated floor space down to a reasonable level.

Making Lifestyle-Based Product Proposals That Eliminate the Barrier between Apparel and Household Products

At traditional points of sale, apparel and household goods are separated. For example, shoes go with shoes and bags go with bags. All products of the same category are grouped together, regardless of whether they are for men or women, adults or children. Customers then find and choose the items that they like from among a wide selection. The lifestyle proposals we intend to make in the future, on the other hand, will coordinate shoes, bags, accessories—to name a few—and even household goods such as kitchen items together with ladies' apparel. In this way, we will create points of sale that encourage empathy-based impulse buying by arousing customer motivation.

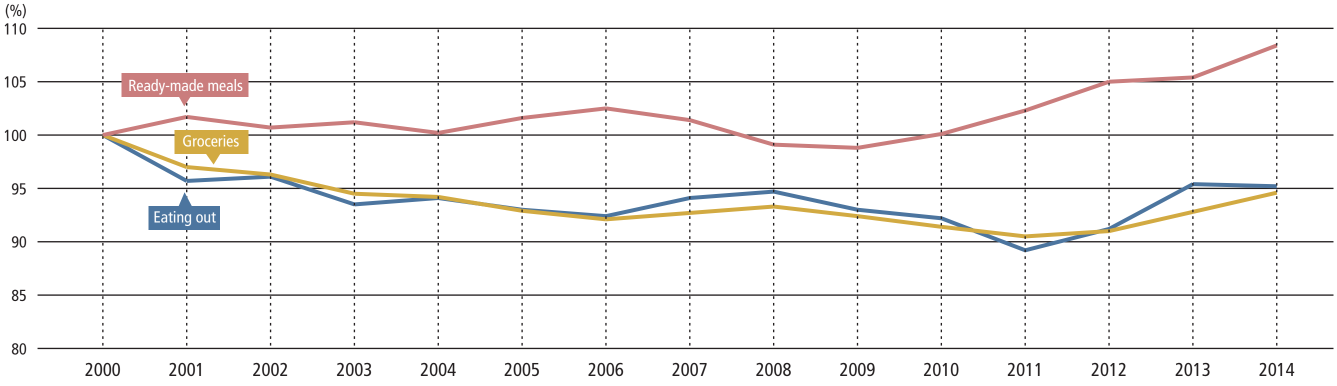
Selection and Concentration of Product Lineup: Shifting to a "Half-Department Store" Format

To cope with the drop in practical demand associated with Japan's shrinking population, it is essential to depart from the traditional "please-everyone" style of merchandise assortment where necessities are merely gathered together in a store. This is why UNY will compress slack categories and shift to a "half-department store" format that reinforces categories where the GMS model shines. We will expand our offerings of products such as underwear and women's shoes in apparel and items such as cosmetics and kitchen goods in household goods. In this way, we aim to create a reliable product lineup for customers in commercial areas who used to travel all the way to specialty stores in urban areas.

Strengthening Delicatessen Items through the Addition of Directly Operated Sales Areas

Demand for ready-made meals is expected to expand further in the future with the aging of society and the rise in two-income households. Up to now, the majority of points of sale of delicatessen items at Apita and Piago stores has been left to concessionary tenants. However, designating the fiscal year ending February 2017 as the "first year of delicatessen items," UNY will introduce directly operated points of sale providing delicatessen items freshly made in-store, while keeping concessionary tenants as the core of the space. Desserts made with fresh fruits will also be offered in addition to delicatessen items, to help meet the need for ready-made meals.

Expansion of the Ready-Made Meals Market

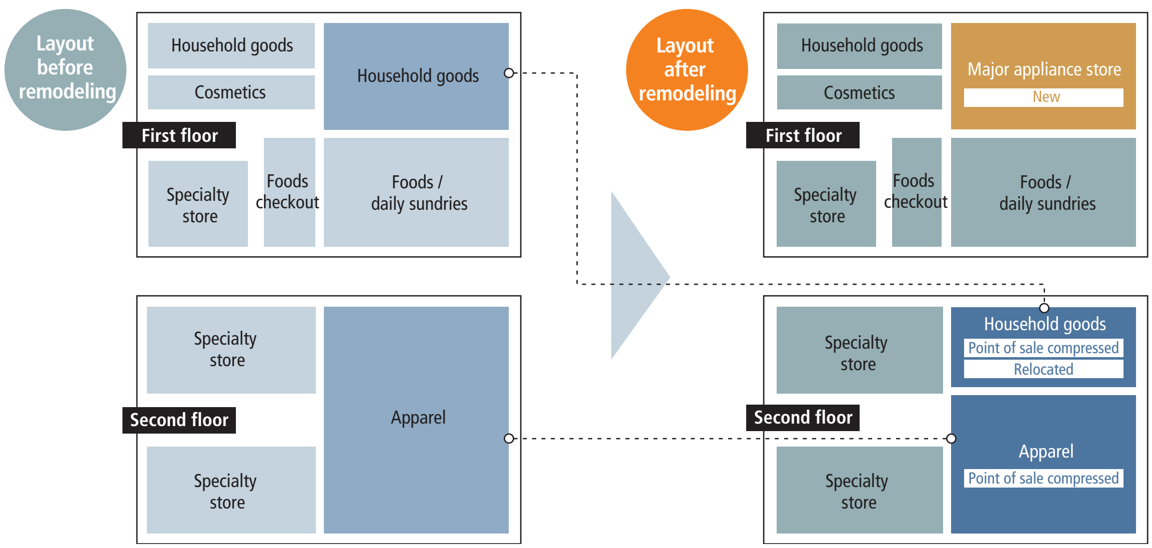


Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Family Income and Expenditure Survey, "Monthly Expenditures per Household (Two-or-More-Person Households)"

Bring directly operated floor space down to a reasonable level

In addition to reconsidering directly operated product lineups and points of sale for apparel and household goods, we will reduce floor space to a reasonable level suitable to the sales level and invite additional tenants into the opened space. This will boost revenue from tenants and increase income per square meter of directly operated space. Moreover, reducing the floor space of points of sale will cut product inventory, which should allow us to control the risk of loss on price corrections even in unforeseen situations such as unseasonable weather.

Example of remodeling **Apita Seto Store** (remodeled store opened January 28, 2015)



Promoting In-House Tenant Development

We will launch service businesses suited to “experiential consumption” and businesses needed to attract tenants as new businesses, and run them through direct operation. In December 2015, we opened YUYU ENNICHI in the Apita Iwakura store as our first amusement business, and in April 2016 we started operating Be-place bakery shops. From the fiscal year ending February 2017, we will expand these initiatives.

Establishing Prototype Stores

With construction costs rising and population decline predicted to continue, especially in rural areas, UNY will shift from opening large-scale GMS stores in the suburbs, which were traditionally its principal area, to developing supermarkets in urban areas. In the three years through the fiscal year ending February 2019, we plan to open three prototype stores: a standard supermarket with the addition of tenants in directly operated sales areas for foods; a high-quality supermarket with an enhanced lineup of high-value-added products; and a “smart” supermarket that achieves low costs and prices by using a processing center.

Defensive
Growth Strategies

Closing Unprofitable Stores

In the first half of the fiscal year ending February 2017, we will draw up a plan to close unprofitable stores that have no likelihood of moving into the black, aiming to complete the store closings within three years or so, by the fiscal year ending February 2019. These stores will be closed in conjunction with a reduction in the number of employees caused by a rise in the number of retirees, which is set to peak in the future, and employees of the closed stores will be reassigned to existing stores.

Disposal of Unprofitable Businesses

In the first half of the fiscal year ending February 2017, we will dispose of unprofitable businesses and concentrate management resources into running APITA's and PIAGO's GMS businesses.

Withdrawal from the Home Center Business

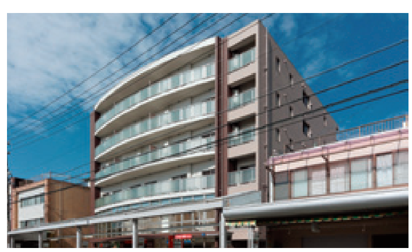
We will transfer the operations of eight of the 11 U-Home home center stores that we run, mainly in the Tokai area, to DCM KAHMA CO., LTD. Operations of the eight stores will be transferred between June and August 2016, and new tenants will be invited into the remaining three stores after they are closed.

Curtailing the Bookstore Business

We will curtail operations of the YUMEYA bookstore that we run as an in-house tenant mainly in Apita and Piago stores. We plan to gradually close 36 of the 57 bookstores, starting in May 2016, and will switch to a book tenant operated by another company during the fiscal year ending February 2017. Jurisdiction over the remaining stores will be moved from the related business headquarters to the apparel and household goods headquarters, and we will consider offering books in coordination with points of sale for household goods.

Absorption-Type Merger with U-LIFE CO., LTD.

UNY CO., LTD., a consolidated subsidiary, was the surviving company in an absorption-type merger with U-LIFE CO., LTD., which was a consolidated subsidiary operating a real estate business and the dissolved company in the merger, effective as of May 21, 2016. By integrating U-LIFE, with its expertise in the development of complex facilities equipped with medical, living, and food functions as well as elderly housing complexes, UNY aims to further enhance its developer functions in line with the needs of an aging society on the back of its credit strength.



Complex combining medical and nursing facilities with elderly housing that comes with services operated by U-LIFE

The UNY Group's Environmental and Social Initiatives

Linking Business Operations with Social and Environmental Activities, in Ways That Only a General Retail Group Can

For the Environment

UNY CO., LTD.

Environmental Learning for Children

We open stores to children in the community as places to learn about the environment. The Ecological Store Exploration Party is one such effort, giving children the chance to learn through hands-on experience about environmental initiatives conducted in the store, such as the collection of containers and packaging and the weighing of waste. In 2015, it was conducted 105 times with the participation of 850 children.

Establishment of a Food-Recycling Loop

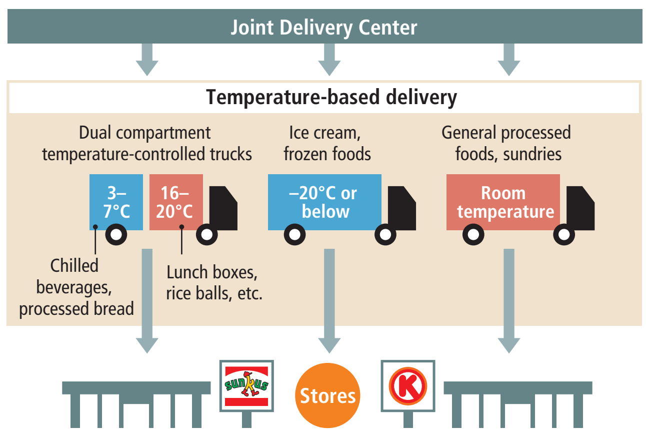
We gather food waste such as vegetable scraps and fish leftovers from stores and have recyclers turn them into fodder and fertilizer. Moreover, by selling agricultural and livestock products produced using the manufactured fodder and compost, we create a food-recycling loop that links consumers and farm producers. As of February 2016, we have established 15 such loops.

Circle K Sunkus

Environmentally Friendly Product Delivery

We use delivery trucks that have two compartments with different temperatures and practice efficient temperature-based delivery. We also undertake large-scale reviews of our room-temperature deliveries based on the idea of proper quantity distribution.

System for temperature-based joint delivery



Together with Local Communities

UNY CO., LTD.

Development of APITA NET SUPER

APITA NET SUPER has been well received by elderly customers who want to go to the store but cannot, as well as by customers who are busy with activities such as work, housework, and childcare. We also promote recycling by collecting used containers and packaging when delivering products.

Circle K Sunkus

Endorsement of the Dementia Supporter Caravan

In support of the Ministry of Health, Labour and Welfare's Dementia Supporter Caravan, we encourage employees at the head office and member stores to take a Dementia Supporter training course, so that every employee can act with a correct understanding of dementia. Besides improving product and service quality, we are working to enhance hospitality so that all customers can use Circle K Sunkus stores with peace of mind.

TOPICS

Measures for Large-Scale Disasters

During the Great East Japan Earthquake, retail stores served as locations for supplying necessities of daily life and as bases from which to spread information. They were also places of safety for people who found it difficult to return home in the Tokyo metropolitan area. In this way, the stores' importance as social infrastructure was realized anew. Reflecting the lessons learned, the UNY Group is strengthening its measures for large-scale disasters, so that we can respond quickly and appropriately.

UNY CO., LTD.

Construction of a Base-Isolated Building at the Head Office

We constructed a base-isolated building at the head office that can serve as a crisis management center, in case head office functions come to a stop during an earthquake. This enables us to issue instructions from the base-isolated building aimed at business restoration and continuance and to maintain business functions at stores, so that they can serve as infrastructure in affected areas.

As Places of Refuge during a Disaster

We stand ready to open some of our general merchandise stores with large floor areas as places of refuge during a disaster. At BENIBANA WALK OKEGAWA, which began operating in November 2014, we installed a fireplace bench in the store's green space that can be used to prepare meals during an emergency. We also installed toilets at four locations around the outside of the store.

Circle K Sunkus

Installation of Warning Systems

We have installed warning systems that alert customers and employees in our stores of official announcements such as weather warnings as well as warnings about tsunamis and landslides. Such information is displayed at store registers. In the case of warnings about tsunamis and landslides, an audio announcement follows the sound of an alarm, encouraging customers and employees in the store to evacuate quickly.

General Disaster Training

We have designated March and September as Disaster Prevention Months, during which we conduct disaster prevention drills in member stores. Store supervisors also conduct drills to check the extent of damage using a store damage checklist, enabling us to continue and/or resume business as rapidly as possible. Furthermore, we have installed a dedicated response system that employs mobile phones at our headquarters and maintain an information collection system so that we can quickly grasp the state of a disaster, including safety confirmation for all employees.

UNY Group

Initiatives to Support Disaster-Affected Areas

The UNY Group conducts emergency fund drives in stores to support disaster-affected areas during large-scale disasters both in and outside Japan. We also use the Group's domestic network to conduct rapid support activities, including providing food such as riceballs and bread, drinking water, and other relief goods that are essential in an emergency, as well as deposit donations.

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 by planning, developing, and providing products and services that exceed the expectations of our customers and communities." To realize this mission and our vision statement, we have set out five shared values as our code of conduct: Unique, Proactive, Honest, Basic, and Diverse.

Using 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 to fulfill our responsibility to shareholders. Furthermore, to ensure that we are an attractive corporate group for all stakeholders, including customers, shareholders, regional communities, and employees, we believe that we must continuously raise our corporate value. To achieve these goals, we will strengthen corporate governance across the entire Group as we work to boost 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.), three 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 through its Board of Directors and Audit & Supervisory Board.

The Company's Board of Directors has seven members (three of whom are external directors) and meets in principle once a month. The Board of Directors decides on important matters concerning business execution and important regulations, ensuring that business is carried out appropriately and efficiently. The term of office for directors is set at one year to ensure a flexible management structure and clarify the responsibilities of directors. The Company also holds regular Management Meetings, comprising the Company's directors (excluding external directors), full-time Audit & Supervisory Board members, the presidents of key subsidiaries, and others, as a body for making accurate and flexible decisions on management in addition to the Board of Directors. These Management Meetings are held to facilitate reports and discussions of Group-wide business strategies, management issues, important financial matters, and other important matters concerning business execution. Furthermore, we hold quarterly Group Management Meetings with the presidents of Group companies to verify Group policies, ascertain the business conditions of each company, and consider other issues that are important for the Group.

Internal Audits, Audits by Audit & Supervisory Board Members, and Independent Auditors

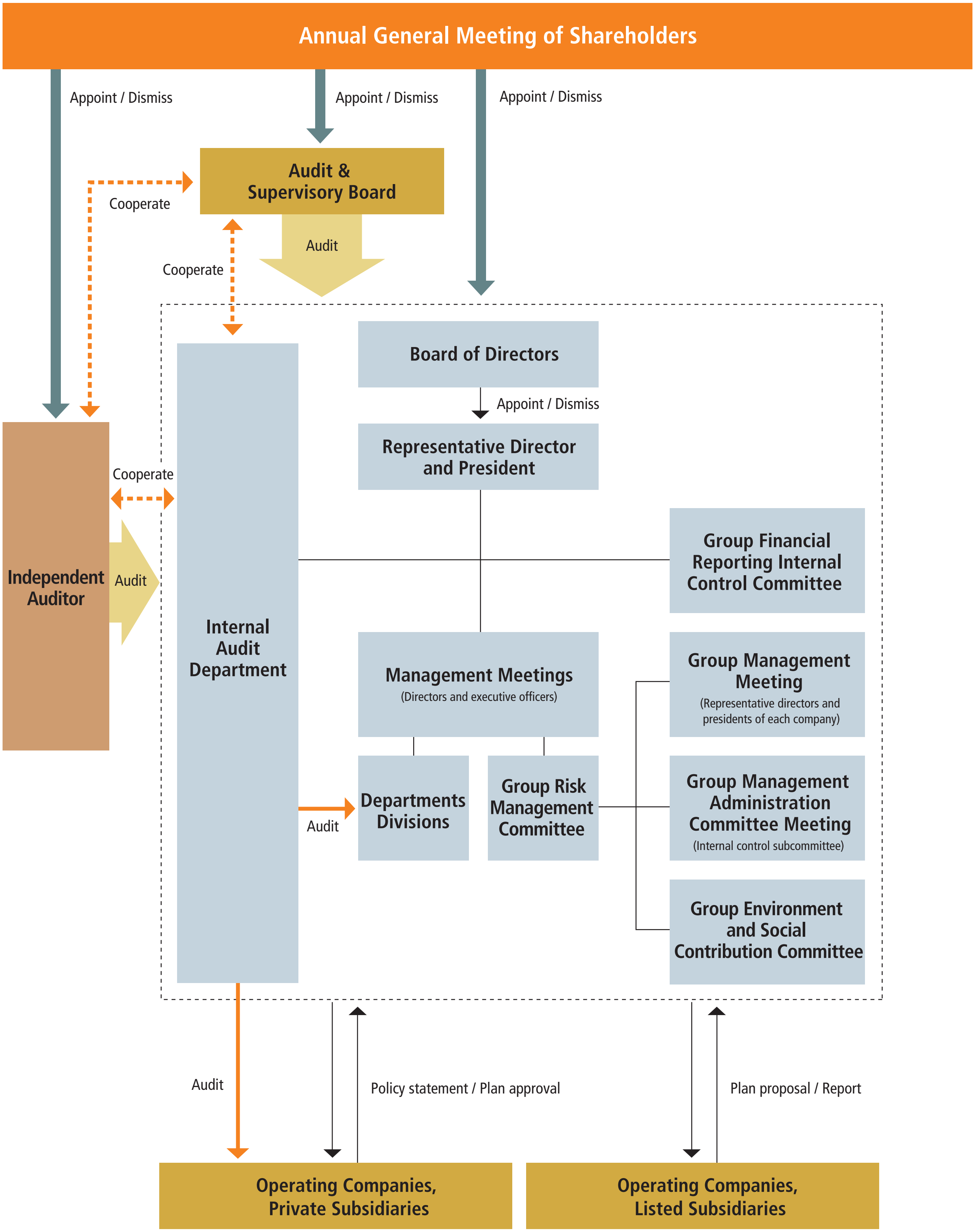
The Company has appointed four audit & supervisory board members, including two external audit & supervisory board members. The audit & supervisory board members attend Board of Directors' meetings, Management Meetings, and other meetings of importance. Audit & supervisory board members also receive 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 (Internal Audit Department). The Audit Office convenes once a quarter to discuss the audit system, audit plans, audit methods, audit results, and other audit-related matters. The Audit & Supervisory Board confirms audit plans with the Independent Auditor, and receives the audit results of the Company, consolidated subsidiaries and other entities every quarterly reporting period. In addition, the Audit & Supervisory Board members, Independent Auditor, and the Internal Audit Department hold meetings to disclose and share their annual audit policies.

External Directors and External Audit & Supervisory Board Members

As of May 2014, the Company increased the number of external directors from one to three to ensure management transparency and further strengthen corporate governance. Two of these external directors and the two external audit & supervisory board members are registered with the Tokyo Stock Exchange and the Nagoya Stock Exchange as independent officers.

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 Administration Committee Meeting, and the Group Environment and Social Contribution Committee. These committees seek to ensure that business operations are executed transparently and soundly.


Annual General Meeting of Shareholders
Appoint / Dismiss
Appoint / Dismiss
Appoint / Dismiss
Audit & Supervisory Board
Cooperate
Audit
Cooperate
Board of Directors
Appoint / Dismiss
Representative Director and President
Cooperate
Independent Auditor
Audit
Internal Audit Department
Group Financial Reporting Internal Control Committee
Management Meetings
(Directors and executive officers)
Group Management Meeting
(Representative directors and presidents of each company)
Departments Divisions
Group Risk Management Committee
Group Management Administration Committee Meeting
(Internal control subcommittee)
Audit
Group Environment and Social Contribution Committee
Audit
Policy statement / Plan approval
Plan proposal / Report
Operating Companies, Private Subsidiaries
Operating Companies, Listed Subsidiaries

Management's Discussion and Analysis

Fiscal 2016 Consolidated Results

Consolidated operating revenue in the fiscal year under review increased 1.9% year on year, mainly in the general merchandise stores and convenience stores segments, to ¥1,038,733 million, achieving revenue growth that exceeded the revised plan announced in October 2015.

With contributions from the general merchandise stores, specialty stores, and other segments, consolidated operating income rose 10.5% year on year to ¥22,367 million, surpassing the plan. However, the bottom line was a net loss of ¥2,874 million, compared with a net loss of ¥2,408 million in the previous fiscal year, reflecting an increase in the impairment loss as well as an increase in extraordinary losses, including the recording of a provision for business structure improvement at SAGAMI Co., Ltd., and Circle K Sunkus Co., Ltd.

Segment Results

Segment Operating Revenue

(Millions of yen)

For the years ended February 29, 2016 and February 28, 2015	2016	2016 Y-o-Y	2015
General merchandise stores	¥ 795,523	+2.3%	¥ 777,328
Convenience stores	156,308	+5.5%	148,110
Specialty stores	52,637	−9.7%	58,305
Financial services	19,500	+5.8%	18,429
Other	55,133	+1.3%	54,423
Adjustment	(40,368)	–	(37,635)
Total	¥1,038,733	+1.9%	¥1,018,960

Segment Operating Income

(Millions of yen)

For the years ended February 29, 2016 and February 28, 2015	2016	2016 Y-o-Y	2015
General merchandise stores	¥ 9,619	+6.7%	¥ 9,014
Convenience stores	7,028	−7.7%	7,613
Specialty stores	(160)	–	(1,164)
Financial services	4,028	+3.3%	3,899
Other	1,962	+136.1%	831
Adjustment	(110)	–	45
Total	¥22,367	+10.5%	¥20,238

General Merchandise Stores

Operating revenue in the general merchandise stores segment increased 2.3% year on year to ¥795,523 million, with operating income of ¥9,619 million.

Same-store sales (after day-of-the-week adjustment) at core company UNY CO., LTD. rose 1.0%, driven overall by sales of foods, despite underperformance by apparel and household goods due, among other factors, to a warm winter, and despite the fact that the merchandise gross profit margin slipped 0.2 percentage point to 23.7%. Operating gross profit increased 0.9% to ¥210,604 million with growth in tenant revenue. Selling, general and administrative expenses rose 0.9% to ¥199,981 million as a result of factors such as an increase in labor costs due to the recording of a provision for bonuses according to the degree to which the profit plan was achieved and a rise in selling costs due to higher sales charges for uniko cards, an electronic money service, associated with favorable sales. Operating income rose 2.1% to ¥10,623 million, as the increase in the top line offset the rise in selling, general and administrative expenses. As a result, operating income in the general merchandise stores segment expanded for the year.

As for the number of stores at the end of the fiscal year under review, UNY CO., LTD. had 228, after opening eight and closing six; UNY (HK) CO., LIMITED had three stores; UNY (SHANGHAI) TRADING Co., Ltd. had one store; and 99 ICHIBA Co., Ltd. had 85 stores, after opening seven and closing 12.

Convenience Stores

Operating revenue in the convenience stores segment rose 5.5% year on year to ¥156,308 million, and operating income decreased 7.7% to ¥7,028 million.

Existing store sales at Circle K Sunkus Co., Ltd. declined 0.9% year on year due to a continuing drop in cigarette sales caused by a shrinking smoking population and a decrease in customers caused by intensifying competition. Operating revenue, on the other hand, rose 5.5% to ¥156,308 million as a result of an increase in sales at company-owned stores accompanying a rise in the number of company-owned stores as well as the inclusion in consolidated accounting as of the fiscal year under review of two companies: toki-meki.com inc., which runs an e-commerce business, and area franchiser Circle K Shikoku Co., Ltd. Selling, general and administrative expenses grew 2.9% to ¥116,850 million due to an increase in rent associated with a larger number of stores and a rise in the number of consolidated subsidiaries. Consequentially, operating income fell 6.4% to ¥8,524 million in this segment.

The consolidated number of Circle K Sunkus stores at the end of the fiscal year under review was 6,242, after opening 320 and closing 316. The total number of stores in the Group, including non-consolidated area franchisers, was 6,350.

Specialty Stores

Operating revenue in the specialty stores segment declined 9.7% year on year to ¥52,637 million, and the segment recorded an operating loss of ¥160 million, compared with an operating loss of ¥1,164 million in the previous fiscal year.

SAGAMI Co., Ltd. saw same-store sales rise 1.1% over the previous year with steady improvement in weekday sales in the Japanese kimono business as a result of enhancements in care for kimonos and repletion of kimono accessories. Operating revenue, on the other hand, declined 3.1% to ¥20,959 million, as exhibitions and sales fell for the year. However, efforts to cut selling, general and administrative expenses by closing unprofitable stores resulted in an operating loss of ¥101 million, which was a substantial improvement nevertheless, compared to an operating loss of ¥470 million in the previous fiscal year.

PALEMO CO., LTD. sought to cut losses by closing unprofitable stores and reducing operating costs, resulting in an operating income of ¥136 million, returning to the black for the first time in three years.

As for the number of stores, SAGAMI had 231, after opening 14 and closing 36; and PALEMO had 574, after opening five and closing 131.

Financial Services

Operating revenue in the financial services segment rose 5.8% year on year to ¥19,500 million, while operating income grew 3.3% to ¥4,028 million.

UCS CO., LTD. saw the number of UCS cardholders in its mainstay credit card operations increase for the first time in four years, rising 0.1% to 3,032 thousand, as a result of efforts to acquire more cardholders, including introducing new cards with designs featuring My Melody, a popular character owned by Sanrio Company, Ltd. Shopping transaction volume also expanded as a result of strengthened sales planning aimed at UCS cardholders, who are loyal customers at UNY stores, with the aim of boosting the card utilization rate and amounts being charged. Furthermore, the number of cardholders of uniko cards, an electronic money service begun in November 2014, rose substantially, jumping 37.6% to 1,559 thousand, with shopping transaction volume shooting up 64.9%. Consequently, the increase in operating revenue offset the rise in selling, general and administrative expenses, resulting in the achievement of growth at each profit level.

Outlook for Fiscal 2017

The UNY Group forecasts first-half consolidated operating revenue of ¥509,500 million, down 0.2% from the same period a year ago, and consolidated operating income of ¥13,960 million, up 35.2% year on year. With respect to the forecast for quarterly profit attributable to owners of parent, it is difficult to calculate an earnings forecast at the moment, as there are many uncertainties, including the effects of income and losses that will result from the management integration with FamilyMart Co., Ltd. and other factors. Accordingly, the Company will make an earnings forecast as soon as it becomes possible to do so.

At this point, the outlook for fiscal 2017 is being limited to a forecast of the cumulative total for the first two quarters—March to August 2016—as the Company plans to carry out an absorption-type merger, effective September 1, 2016, in which FamilyMart Co., Ltd. will be the surviving company and UNY Group Holdings Co., Ltd. will be the absorbed company.

Consolidated Earnings Forecast

(Millions of yen)

Six months ending August 31, 2016		Y-o-Y	Y-o-Y increase
Operating revenue	¥509,500	–0.2%	¥(1,230)
Operating income	13,960	+35.2%	+3,633
Profit attributable to owners of parent	–	–	–

Forecast by Segment

(Millions of yen)

Six months ending August 31, 2016	Operating revenue	Y-o-Y	Operating income	Y-o-Y
General merchandise stores	¥388,310	–0.3%	¥ 5,770	+138.2%
Convenience stores	82,100	+6.5%	5,490	+11.9%
Specialty stores	23,740	–13.0%	310	–
Financial services	10,250	+5.6%	1,760	–19.4%
Other	25,200	–7.4%	670	–18.9%
Total	¥509,500	–0.2%	¥13,960	+35.2%

Dividend Policy

Under its dividend policy, the Company plans to pay an interim dividend of ¥10 per share for the fiscal year ending February 2017. In addition, as the Company plans to merge with FamilyMart Co., Ltd., on September 1, 2016, the dividend forecast for the fiscal year ending February 2017 extends only until the end of the second quarter.

Consolidated Balance Sheets

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 79,497	¥ 53,856	$ 697,342
Short-term investments (Notes 3, 4 and 7)	5,950	4,521	52,193
Receivables:			
Trade notes (Note 3)	–	2	–
Trade accounts (Note 3)	111,091	107,555	974,482
Short-term loans (Note 3)	11,326	15,314	99,351
Other (Note 6)	18,086	16,182	158,649
Allowance for doubtful accounts	(818)	(2,111)	(7,175)
	139,685	136,942	1,225,307
Merchandise inventories	45,408	46,650	398,316
Deferred tax assets (Note 12)	4,908	3,232	43,053
Other current assets (Note 3)	31,819	31,936	279,114
Total current assets	307,267	277,137	2,695,325
Property and equipment (Note 7):			
Land (Note 13)	211,284	206,147	1,853,368
Buildings and structures (Note 13)	559,362	536,974	4,906,684
Equipment and fixtures	77,912	76,957	683,439
Leased assets (Note 6)	72,719	64,755	637,886
Construction in progress	7,320	9,942	64,211
Total property and equipment	928,597	894,775	8,145,588
Accumulated depreciation	(416,777)	(397,691)	(3,655,939)
Net property and equipment	511,820	497,084	4,489,649
Investments and other assets:			
Lease deposits (Note 3)	80,951	89,800	710,096
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Notes 3 and 4)	9,846	10,945	86,368
Investment securities (Notes 3 and 4)	12,867	17,122	112,868
Deferred tax assets (Note 12)	16,937	15,667	148,570
Employee retirement benefit asset (Note 8)	2,931	8,461	25,711
Goodwill	4,489	5,986	39,377
Other	28,341	31,934	248,606
Allowance for doubtful accounts	(2,215)	(1,551)	(19,430)
Total investments and other assets	154,147	178,364	1,352,166
	¥ 973,234	¥ 952,585	$ 8,537,140

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 3 and 7)	**¥127,190**	¥133,860	**$1,115,702**
Current portion of long-term debt (Notes 3 and 7)	**41,366**	30,965	**362,860**
Notes and accounts payable:			
Trade notes (Note 3)	**6,033**	6,237	**52,921**
Trade accounts (Note 3)	**101,727**	79,186	**892,342**
Other	**54,504**	55,368	**478,105**
	162,264	140,791	**1,423,368**
Accrued expenses	**15,887**	13,870	**139,360**
Income taxes payable	**6,500**	2,936	**57,018**
Other current liabilities (Note 3)	**62,630**	55,715	**549,385**
Total current liabilities	**415,837**	378,137	**3,647,693**
Long-term liabilities:			
Long-term debt, less current portion (Notes 3 and 7)	**198,361**	199,349	**1,740,009**
Guarantee deposits from tenants (Notes 3 and 7)	**49,034**	49,360	**430,122**
Employee retirement benefit liability (Note 8)	**681**	636	**5,974**
Asset retirement obligations (Note 9)	**17,505**	16,498	**153,553**
Other long-term liabilities (Note 12)	**6,798**	7,356	**59,631**
Total long-term liabilities	**272,379**	273,199	**2,389,289**
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 2016 and 2015	**22,188**	22,188	**194,632**
Capital surplus	**70,883**	70,883	**621,780**
Retained earnings	**184,923**	196,084	**1,622,131**
Less treasury stock at cost: 4,021,420 shares in 2016 and 4,018,712 shares in 2015	**(3,019)**	(3,017)	**(26,482)**
Total shareholders' equity	**274,975**	286,138	**2,412,061**
Accumulated other comprehensive income	**2,618**	6,490	**22,965**
Minority interests	**7,425**	8,621	**65,132**
Total net assets	**285,018**	301,249	**2,500,158**
	¥973,234	¥952,585	**$8,537,140**

Consolidated Statements of Operations

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Operating revenue (Note 15):			
Net sales	**¥ 864,767**	¥ 848,610	**$7,585,675**
Other	**173,966**	170,350	**1,526,018**
	1,038,733	1,018,960	**9,111,693**
Operating costs and expenses (Notes 6 and 8):			
Cost of goods sold	**644,225**	629,172	**5,651,096**
Selling, general and administrative expenses	**372,141**	369,550	**3,264,395**
	1,016,366	998,722	**8,915,491**
Operating income (Note 15)	**22,367**	20,238	**196,202**
Other income (expenses):			
Interest and dividend income	**1,530**	1,501	**13,421**
Interest expense	**(1,766)**	(2,108)	**(15,491)**
Equity in net earnings of affiliate	**372**	338	**3,263**
Gains (losses) on sales or disposals of property and equipment, net	**2,004**	(1,530)	**17,579**
Gain on sales of investment securities, net	**1,939**	165	**17,009**
Loss on cancellation of lease contracts	**(1,312)**	(765)	**(11,509)**
Impairment loss on fixed assets (Note 2(h))	**(18,324)**	(17,469)	**(160,737)**
Settlement package received	**–**	1,149	**–**
Miscellaneous, net	**(1,559)**	966	**(13,676)**
	(17,116)	(17,753)	**(150,141)**
Income before income taxes and minority interests	**5,251**	2,485	**46,061**
Income taxes (Note 12):			
Current	**8,632**	5,245	**75,719**
Deferred	**109**	802	**956**
	8,741	6,047	**76,675**
Loss before minority interests	**(3,490)**	(3,562)	**(30,614)**
Minority interests in net loss of consolidated subsidiaries	**(616)**	(1,154)	**(5,403)**
Net loss	**¥ (2,874)**	¥ (2,408)	**$ (25,211)**

	Yen		U.S. dollars
Per share (yen and U.S. dollars):			
Net loss	**¥ (12.49)**	¥ (10.47)	**$ (0.11)**
Cash dividends	**20.00**	20.00	**0.18**

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 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loss before minority interests:	**¥(3,490)**	¥(3,562)	**$(30,614)**
Other comprehensive income (loss) (Note 14):			
Net changes in unrealized gains on available-for-sale securities	**(2,587)**	1,982	**(22,693)**
Net changes in deferred gains (losses) on hedging instruments	**(287)**	38	**(2,518)**
Net changes in land revaluation decrement	**7**	–	**62**
Net changes in foreign currency translation adjustments	**136**	978	**1,193**
Net changes in retirement benefit adjustment	**(1,495)**	–	**(13,114)**
Share of other comprehensive income of affiliates accounted for using the equity method	**27**	13	**237**
Total other comprehensive income (loss)	**(4,199)**	3,011	**(36,833)**
Comprehensive income (loss)	**¥(7,689)**	¥ (551)	**$(67,447)**
Comprehensive income (loss) attributable to:			
Owners of the parent	**¥(6,746)**	¥ 509	**$(59,175)**
Minority interests	**(943)**	(1,060)	**(8,272)**

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 29, 2016 and February 28, 2015

		Millions of yen		
		Shareholders' Equity		
For the Years Ended February 29, 2016 and February 28, 2015	Number of common shares issued	Common stock	Capital surplus	Retained earnings
Balance at March 1, 2014	234,100,821	¥22,188	¥70,883	¥202,677
Net loss	–	–	–	(2,408)
Cash dividends	–	–	–	(5,067)
Fractional shares acquired, net of sales	–	–	–	–
Adjustment of retained earnings for changes in scope of consolidation	–	–	–	882
Net changes in items other than shareholders' equity	–	–	–	–
Balance at February 28, 2015	234,100,821	22,188	70,883	196,084
Cumulative effects of changes in accounting policies (Note 2(k))	–	–	–	(3,859)
Restated balance	–	22,188	70,883	192,225
Net loss	–	–	–	(2,874)
Cash dividends	–	–	–	(4,607)
Fractional shares acquired, net of sales	–	–	–	–
Increase due to merger of unconsolidated subsidiary	–	–	–	49
Adjustment of retained earnings for changes in scope of consolidation	–	–	–	130
Net changes in items other than shareholders' equity	–	–	–	–
Balance at February 29, 2016	**234,100,821**	**¥22,188**	**¥70,883**	**¥184,923**

	Thousands of U.S. dollars		
Balance at February 28, 2015	$194,632	$621,780	$1,720,035
Cumulative effects of changes in accounting policies (Note 2(k))	–	–	(33,851)
Restated balance	194,632	621,780	1,686,184
Net loss	–	–	(25,211)
Cash dividends	–	–	(40,412)
Fractional shares acquired, net of sales	–	–	–
Increase due to merger of unconsolidated subsidiary	–	–	430
Adjustment of retained earnings for changes in scope of consolidation	–	–	1,140
Net changes in items other than shareholders' equity	–	–	–
Balance at February 29, 2016	**$194,632**	**$621,780**	**$1,622,131**

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 (losses) on hedging instruments	Land revaluation decrement	Foreign currency translation adjustments	Retirement benefit adjustment	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
¥(3,016)	¥292,732	¥5,157	¥55	¥(305)	¥(562)	¥ –	¥4,345	¥8,699	¥305,776
–	(2,408)	–	–	–	–	–	–	–	(2,408)
–	(5,067)	–	–	–	–	–	–	–	(5,067)
(1)	(1)	–	–	–	–	–	–	–	(1)
–	882	–	–	–	–	–	–	–	882
–	–	1,986	38	–	1,169	(1,048)	2,145	(78)	2,067
(3,017)	286,138	7,143	93	(305)	607	(1,048)	6,490	8,621	301,249
–	**(3,859)**	**–**	**–**	**–**	**–**	**–**	**–**	**(180)**	**(4,039)**
(3,017)	**282,279**	**7,143**	**93**	**(305)**	**607**	**(1,048)**	**6,490**	**8,441**	**297,210**
–	**(2,874)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,874)**
–	**(4,607)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,607)**
(2)	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**
–	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49**
–	**130**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130**
–	**–**	**(2,529)**	**(287)**	**4**	**339**	**(1,399)**	**(3,872)**	**(1,016)**	**(4,888)**
¥(3,019)	**¥274,975**	**¥4,614**	**¥(194)**	**¥(301)**	**¥ 946**	**¥(2,447)**	**¥2,618**	**¥7,425**	**¥285,018**

Thousands of U.S. dollars

$(26,465)	$2,509,982	$62,658	$816	$(2,675)	$5,324	$(9,193)	$56,930	$75,623	$2,642,535
–	**(33,851)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,579)**	**(35,430)**
(26,465)	**2,476,131**	**62,658**	**816**	**(2,675)**	**5,324**	**(9,193)**	**56,930**	**74,044**	**2,607,105**
–	**(25,211)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,211)**
–	**(40,412)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,412)**
(17)	**(17)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17)**
–	**430**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**430**
–	**1,140**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,140**
–	**–**	**(22,184)**	**(2,518)**	**35**	**2,974**	**(12,272)**	**(33,965)**	**(8,912)**	**(42,877)**
$(26,482)	**$2,412,061**	**$40,474**	**$(1,702)**	**$(2,640)**	**$8,298**	**$(21,465)**	**$22,965**	**$65,132**	**$2,500,158**

Consolidated Statements of Cash Flows

UNY Group Holdings Co., Ltd. and Consolidated Subsidiaries
For the Years Ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 5,251**	¥ 2,485	**$ 46,061**
Adjustments for:			
Depreciation	**37,634**	37,232	**330,123**
Impairment loss on fixed assets	**18,324**	17,469	**160,737**
Net (gains) losses on sale or disposal of property and equipment	**(2,004)**	1,530	**(17,579)**
Changes in operating assets and liabilities:			
Trade receivables	**(3,534)**	(12,889)	**(31,000)**
Inventories	**1,439**	1,209	**12,623**
Trade payables	**21,147**	(1,508)	**185,500**
Other, net	**10,000**	21,163	**87,719**
Subtotal	**88,257**	66,691	**774,184**
Interest and dividends received	**1,403**	1,254	**12,307**
Interest paid	**(1,673)**	(1,971)	**(14,675)**
Income taxes paid	**(3,775)**	(8,132)	**(33,114)**
Net cash provided by operating activities	**84,212**	57,842	**738,702**
Cash flows from investing activities:			
Property and equipment:			
Purchases	**(61,451)**	(50,035)	**(539,044)**
Proceeds from sales	**12,262**	743	**107,562**
Lease deposits made	**(1,558)**	(2,680)	**(13,667)**
Lease deposits repaid	**5,859**	5,314	**51,395**
Purchases of additional investments in subsidiaries and affiliates	**–**	(558)	**–**
Net decrease in short-term investments and investment securities	**3,214**	1,179	**28,193**
Other, net	**(5,178)**	(7,299)	**(45,421)**
Net cash used in investing activities	**(46,852)**	(53,336)	**(410,982)**
Cash flows from financing activities:			
Increase in long-term debt	**30,802**	81,990	**270,193**
Repayment of long-term debt	**(23,923)**	(72,738)	**(209,851)**
Net decrease in short-term borrowings	**(6,670)**	(2,488)	**(58,509)**
Net decrease in guarantee deposits from tenants	**(334)**	(1,281)	**(2,930)**
Dividends paid to shareholders	**(4,607)**	(5,067)	**(40,412)**
Dividends paid to minority shareholders	**(70)**	(108)	**(614)**
Other, net	**(8,184)**	(7,142)	**(71,789)**
Net cash used in financing activities	**(12,986)**	(6,834)	**(113,912)**
Effect of exchange rate changes on cash and cash equivalents	**136**	978	**1,192**
Net increase (decrease) in cash and cash equivalents	**24,510**	(1,350)	**215,000**
Cash and cash equivalents at beginning of year	**53,856**	54,477	**472,421**
Increase in cash and cash equivalents upon inclusion or exclusion of subsidiaries on consolidation	**994**	729	**8,719**
Increase in cash and cash equivalents upon merger of unconsolidated subsidiary	**137**	–	**1,202**
Cash and cash equivalents at end of year	**¥ 79,497**	¥ 53,856	**$ 697,342**

See accompanying Notes to Consolidated Financial Statements.

1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of UNY Group Holdings 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 Instruments 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), the accounts of the consolidated overseas subsidiaries 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 Instruments 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 29, 2016, which was ¥114 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

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

2 Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in 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 20 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. All significant intercompany accounts and transactions have been eliminated on consolidation.

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise that 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 29, 2016 and 28, 2015, there was no company that was not more than a 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 29, 2016 and 28, 2015 was as follows:

	2016	2015
Consolidated subsidiaries:		
Domestic	18	16
Overseas	3	3
Unconsolidated subsidiaries and affiliates accounted for by the equity method	1	1
Unconsolidated subsidiaries stated at cost	8	11
Affiliates stated at cost	7	8

Effective from the year ended February 29, 2016, Circle K Shikoku Co., Ltd, and toki-meki.com Inc., which are included in the convenience stores segment, have been newly consolidated due to the increase in their materiality. From the year ended February 28, 2015, UNY (SHANGHAI) TRADING Co., Ltd. and another subsidiary, which are included in the general merchandise stores segment, have been added to the scope of consolidation due to the increase in their materiality.

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 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.

(b) Cash equivalents

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

(c) 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 and 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.

(d) 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.

(e) Inventories

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

(f) 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 or 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.

(g) 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 or after February 21, 2009, except for certain immaterial or short-term finance leases that 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 that 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 investment 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 investment 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 that 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.

(h) 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. Discount rates for the years ended February 29, 2016 and February 28, 2015 ranged from 2.6% to 6.0% and from 1.9% to 5.6%, respectively.

For the years ended February 29, 2016 and February 28, 2015, the UNY Group recognized impairment losses on fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Property for general merchandise stores, convenience stores, specialty stores and other property	¥16,907	¥16,825	$148,307
Goodwill	1,417	640	12,430
Idle property	–	4	–
Total	¥18,324	¥17,469	$160,737

(i) 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 the revaluation account. The rest of the difference, net of the tax effect and minority interests portion, is recorded as the land revaluation decrement account in accumulated other comprehensive income in the accompanying consolidated balance sheets.

(j) 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.

(k) 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.

In accordance with the accounting standard for employee retirement benefits, the UNY Group principally recognizes retirement benefits for employees, including pension cost and related liability, based on the actuarial present value of the retirement benefit obligation and the value of pension plan assets available for benefits at the fiscal year-end. Actuarial differences arising from changes in the retirement 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 10 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 10 years, a period within the remaining service years of employees. Some of the consolidated subsidiaries provide accrued retirement benefits for their employees mainly at the amounts of the projected benefit obligations calculated by the simplified method.

(Accounting change for the adoption of accounting standard for retirement benefits)

Effective from the year ended February 28, 2015, the Company and its domestic consolidated subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012 (hereinafter, "Guidance No. 25")) except Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and accordingly, actuarial differences and past service costs that had yet to be recognized in profit or loss have been recognized as retirement benefit adjustment of accumulated other comprehensive income within net assets, after adjusting for tax effects, and the difference between retirement benefit obligations and plan assets has been recognized as an employee retirement benefit asset or liability. In accordance with Article 37 of Statement No. 26, this accounting change has not been retrospectively applied to the financial statements in prior years, and the effect of the change in accounting policies arising from initial application has been recognized in retirement benefit adjustment in accumulated other comprehensive income. As a result of the application, the UNY Group recognized employee retirement benefit asset in the amount of ¥ 8,461 million and employee retirement benefit liability in the amount of ¥636 million at February 28, 2015. Also, accumulated other comprehensive income was ¥1,048 million less and minority interests ¥193 million more at February 28, 2015 than the amounts that would have been reported without change.

Effective from the year ended February 29, 2016, the Company and its domestic consolidated subsidiaries adopted Article 35 of Statement No. 26 and Article 67 of Guidance No. 25 and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its domestic consolidated subsidiaries have changed the method of attributing expected retirement benefits to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from a method determined based on the period approximate to the expected average remaining years of service of the eligible employees to a method determined using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. In accordance with Article 37 of Statement No. 26, this accounting change has not been retrospectively applied to the consolidated financial statements in prior years, and the effect of the change in accounting policies arising from initial application has been recognized as an adjustment to the beginning balance of retained earnings as of March 1, 2015. As a result of the application, the employee retirement benefit asset was ¥6,287 million ($55,149 thousand) less, the employee retirement benefit liability ¥2 million ($18 thousand) less and retained earnings at the beginning of the current fiscal year ¥3,859 million ($33,851 thousand) less than the amounts that would have been reported without the change. The effect on the consolidated statement of operations for the current year ended February 29, 2016 was not material.

(l) 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 ("JICPA") 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 ¥1,690 million ($14,825 thousand) and ¥1,653 million at February 29, 2016 and February 28, 2015, respectively, were included in other long-term liabilities in the accompanying consolidated balance sheets.

(m) Allowance for sales promotion

A certain consolidated subsidiary grants points to customers as member cardholders on purchases of merchandise using a "Point Card" system.

These points are awarded in proportion to purchase amounts and may be redeemed for future merchandise. One consolidated subsidiary has provided an allowance for sales promotions based on the estimates at the fiscal year-end under the point card system. Allowances of ¥1,788 million ($15,684 thousand) and ¥1,738 million at February 29, 2016 and February 28, 2015, respectively, were included in other current liabilities in the accompanying consolidated balance sheets.

(n) Allowance for store system renewals

A consolidated subsidiary engaged in the convenience store business has provided an allowance for the disposal of the current store systems as it determined to replace them. At February 29, 2016, allowances of ¥80 million ($702 thousand) were included in other current liabilities in the accompanying consolidated balance sheets. At February 28, 2015, allowances of ¥188 million and ¥285 million were included in other current liabilities and other long-term liabilities, respectively.

(o) Allowance for business structure reform

At February 29, 2016, two of the consolidated subsidiaries provided for an allowance at the estimated amount to be incurred in the future, including possible store facility related expenses, penalties associated with the store closing and loss on disposal of merchandise under their business structure reform scheme. Allowances of ¥457 million ($4,009 thousand) and ¥558 million ($4,895 thousand) were included in other current liabilities and other long-term liabilities, respectively, at February 29, 2016 in the accompanying consolidated balance sheets. A provision for business structure reform in the amount of ¥1,016 million ($8,912 thousand) was recorded as other expenses in the accompanying consolidated statements of operations for the year ended February 29, 2016.

(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 and 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 carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date.

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

(s) 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.

(t) Per share data

Net loss per share is computed by dividing loss applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective year. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared as applicable to the respective year.

(u) 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 business combinations)

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, the term "minority interests" was changed 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 Company is currently in the process of assessing the impact of these revised standards on the consolidated financial statements.

(Implementation guidance for recoverability of deferred tax assets)

ASBJ issued ASBJ Implementation Guidance No. 26 "Implementation Guidance on Recoverability of Deferred Tax Assets" on December 28, 2015, which replaced the JICPA Auditing Guidance No. 66. "Auditing Treatment for Judgment of Recoverability of Deferred Tax Assets." ASBJ Implementation Guidance basically continues to apply the framework used in JICPA guidance where recoverability of deferred tax assets is assessed based on entities' categories, with certain changes in accounting treatments which include certain criteria for the entities' categories used for the assessment and recoverability of deferred tax assets for unscheduled deductible temporary differences when certain criteria are met. The Company expects to apply this implementation guidance from the beginning of the fiscal year ending February 28, 2018. The Company is currently in the process of assessing the impact of this guidance on the consolidated financial statements.

3 Financial Instruments

Information on financial instruments for the years ended February 29, 2016 and February 28, 2015 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 makes it its principle neither to hold nor issue 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, exposing 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 the UNY Group 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 29, 2016 and February 28, 2015, 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 29, 2016:			
Financial assets:			
(1) Cash and cash equivalents	**¥ 79,497**	**¥ 79,497**	**¥ –**
(2) Short-term investments	**5,950**	**5,950**	**–**
(3) Trade notes and accounts receivable	**111,091**		
Less allowance for doubtful accounts*1	**(623)**		
Less deferred installment income	**(85)**		
	110,383	**110,388**	**5**
(4) Short-term loans	**11,326**		
Less allowance for doubtful accounts*1	**(35)**		
	11,291	**11,300**	**9**
(5) Investment securities:			
Listed affiliate's stocks	**7,493**	**8,742**	**1,249**
Available-for-sale securities	**12,190**	**12,190**	**–**
(6) Lease deposits, including current portion	**56,513**		
Less allowance for doubtful accounts	**(116)**		
	56,397	**57,137**	**740**
Total	**¥283,201**	**¥285,204**	**¥2,003**
Financial liabilities:			
(1) Trade notes and accounts payable	**¥107,760**	**¥107,760**	**¥ –**
(2) Short-term borrowings	**2,190**	**2,190**	**–**
(3) Commercial paper	**125,000**	**125,000**	**–**
(4) Bonds, including current portion	**115**	**115**	**–**
(5) Bank loans, including current portion	**213,996**	**217,382**	**3,386**
(6) Guarantee deposits from tenants, including current portion	**8,441**	**8,516**	**75**
Total	**¥457,502**	**¥460,963**	**¥3,461**
Derivative transactions*2			
(1) Derivatives, hedge accounting applied	**¥ (288)**	**¥ (288)**	**¥ –**
(2) Derivatives, hedge accounting not applied	**(2)**	**(2)**	**–**
Total	**¥ (290)**	**¥ (290)**	**¥ –**

Millions of yen

	Carrying value	Fair value	Difference
At February 28, 2015:			
Financial assets:			
(1) Cash and cash equivalents	¥ 53,856	¥ 53,856	¥ –
(2) Short-term investments	4,521	4,521	–
(3) Trade notes and accounts receivable	107,557		
Less allowance for doubtful accounts*1	(914)		
Less deferred installment income	(87)		
	106,556	106,580	24
(4) Short-term loans	15,314		
Less allowance for doubtful accounts*1	(1,023)		
	14,291	14,304	13
(5) Investment securities:			
Listed affiliate's stocks	7,148	8,421	1,273
Available-for-sale securities	16,412	16,412	–
(6) Lease deposits, including current portion	61,237		
Less allowance for doubtful accounts	(194)		
	61,043	61,096	53
Total	¥263,827	¥265,190	¥1,363

			Millions of yen
	Carrying value	Fair value	Difference
Financial liabilities:			
(1) Trade notes and accounts payable	¥ 85,423	¥ 85,423	¥ –
(2) Short-term borrowings	2,860	2,860	–
(3) Commercial paper	131,000	131,000	–
(4) Bonds, including current portion	275	277	2
(5) Bank loans, including current portion	206,906	208,235	1,329
(6) Guarantee deposits from tenants, including current portion	9,910	9,887	(23)
Total	¥436,374	¥437,682	¥1,308
Derivative transactions*2			
(1) Derivatives, hedge accounting applied	¥ 144	¥ 144	¥ –
(2) Derivatives, hedge accounting not applied	(11)	(11)	–
Total	¥ 133	¥ 133	¥ –

			Thousands of U.S. dollars
	Carrying value	Fair value	Difference
At February 29, 2016:			
Financial assets:			
(1) Cash and cash equivalents	$ 697,342	$ 697,342	$ –
(2) Short-term investments	52,193	52,193	–
(3) Trade notes and accounts receivable	974,482		
Less allowance for doubtful accounts*1	(5,465)		
Less deferred installment income	(745)		
	968,272	968,316	44
(4) Short-term loans	99,351		
Less allowance for doubtful accounts*1	(307)		
	99,044	99,123	79
(5) Investment securities:			
Listed affiliate's stocks	65,728	76,684	10,956
Available-for-sale securities	106,929	106,929	–
(6) Lease deposits, including current portion	495,728		
Less allowance for doubtful accounts	(1,017)		
	494,711	501,202	6,491
Total	$2,484,219	$2,501,789	$17,570
Financial liabilities:			
(1) Trade notes and accounts payable	$ 945,263	$ 945,263	$ –
(2) Short-term borrowings	19,211	19,211	–
(3) Commercial paper	1,096,491	1,096,491	–
(4) Bonds, including current portion	1,009	1,009	–
(5) Bank loans, including current portion	1,877,158	1,906,860	29,702
(6) Guarantee deposits from tenants, including current portion	74,043	74,701	658
Total	$4,013,175	$4,043,535	$30,360
Derivative transactions*2			
(1) Derivatives, hedge accounting applied	$ (2,526)	$ (2,526)	$ –
(2) Derivatives, hedge accounting not applied	(18)	(18)	–
Total	$ (2,544)	$ (2,544)	$ –

*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 and items for which the total becomes a net payable are indicated in parentheses.

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 related 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 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 current portion

The fair value of a bank loan is calculated by discounting the sum of principal and interest by the rate that 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 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
	2016	2015	2016
Unlisted stocks	¥ 626	¥ 651	$ 5,491
Unconsolidated subsidiaries and affiliates stocks	422	2,435	3,702
Lease deposits	35,281	37,885	309,482
Guarantee deposits from tenants	41,215	40,121	361,535

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 29, 2016 is as follows:

	Millions of yen		
	Due within one year	Due after one year through five years	Due after five years
At February 29, 2016:			
Cash and cash equivalents	¥ 79,497	¥ –	¥ –
Short-term investments	5,950	–	–
Trade notes and accounts receivable*1	98,122	9,943	1,055
Short-term loans*1	5,686	5,474	161
Lease deposits	10,951	24,981	20,581
Total	¥200,206	¥40,398	¥21,797

	Thousands of U.S. dollars		
	Due within one year	Due after one year through five years	Due after five years
At February 29, 2016:			
Cash and cash equivalents	$ 697,342	$ –	$ –
Short-term investments	52,193	–	–
Trade notes and accounts receivable*1	860,720	87,219	9,255
Short-term loans*1	49,877	48,018	1,412
Lease deposits	96,061	219,132	180,535
Total	$1,756,193	$354,369	$191,202

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

(d) The redemption schedules for long-term debt at February 29, 2016 are disclosed in Note 7, "Short-Term Borrowings and Long-Term Debt."

4 Investments

Short-term investments at February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Marketable securities — bonds	¥ –	¥ 504	$ –
Time deposits with an original maturity of more than three months	5,950	4,017	52,193
	¥5,950	¥4,521	$52,193

At February 29, 2016 and February 28, 2015, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Marketable securities:			
Equity securities	¥12,114	¥16,323	$106,263
Others	76	89	667
	12,190	16,412	106,930
Other nonmarketable securities	677	710	5,938
	¥12,867	¥17,122	$112,868

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 29, 2016 and February 28, 2015 are summarized as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
At February 29, 2016:				
Marketable securities:				
Equity securities	¥5,799	¥6,552	¥(237)	¥12,114
Others	49	27	–	76
	¥5,848	¥6,579	¥(237)	¥12,190

	Millions of yen			
At February 28, 2015:				
Marketable securities:				
Equity securities	¥5,858	¥10,518	¥(53)	¥16,323
Bonds	500	4	–	504
Others	48	41	–	89
	¥6,406	¥10,563	¥(53)	¥16,916

	Thousands of U.S. dollars			
At February 29, 2016:				
Marketable securities:				
Equity securities	$50,868	$57,474	$(2,079)	$106,263
Others	430	237	–	667
	$51,298	$57,711	$(2,079)	$106,930

At February 29, 2016 and February 28, 2015, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investments accounted for by the equity method for one significant affiliate and at cost for others	¥7,914	¥ 9,583	$69,421
Interest-bearing long-term loans	1,932	1,362	16,947
	¥9,846	¥10,945	$86,368

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 29, 2016 and February 28, 2015, outstanding derivative financial instruments were accounted for mainly by hedge accounting.

Details of derivative transactions at February 29, 2016 and February 28, 2015 were as follows:

(1) Currency related transactions

Millions of yen

	Contract amount		Fair value	
	Total	Due after one year		
At February 29, 2016:				
Derivatives accounted for by deferral hedge accounting:				
Forward contracts to buy U.S. dollars	¥ 4,347	¥ –	¥(288)	*1
Derivatives accounted for by method translating to assign to the related liabilities:				
Forward contracts to buy U.S. dollars	172	–		*2
Currency swaps—receipt: U.S. dollars/payment: Japanese yen	35,819	21,819		*2
At February 28, 2015:				
Derivatives accounted for by deferral hedge accounting:				
Forward contracts to buy U.S. dollars	¥ 2,123	¥ –	¥144	*1
Derivatives accounted for by method translating to assign to the related liabilities:				
Forward contracts to buy U.S. dollars	47	–		*2
Currency swaps—receipt: U.S. dollars/payment: Japanese yen	34,117	34,117		*2
Derivatives for which hedge accounting is not applied:				
Forward contracts to buy Japanese yen	90	–	(6)	*1

Thousands of U.S. dollars

	Contract amount		Fair value	
	Total	Due after one year		
At February 29, 2016:				
Derivatives accounted for by deferral hedge accounting:				
Forward contracts to buy U.S. dollars	$ 38,132	$ –	$(2,526)	*1
Derivatives accounted for by method translating to assign to the related liabilities:				
Forward contracts to buy U.S. dollars	1,509	–		*2
Currency swaps—receipt: U.S. dollars/payment: Japanese yen	314,202	191,395		*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 items and are reflected in the calculation of the related trade accounts or bank loans.

(2) Interest rate related transactions

Millions of yen

	Contract amount		Fair value	
	Total	Due after one year		
At February 29, 2016:				
Derivatives for which hedge accounting is not applied:				
Interest rate swaps—receive floating/pay fixed	¥ 500	¥ –	¥(2)	*1
Derivatives accounted for by special treatment of interest rate swap contracts:				
Interest rate swaps—receive floating/pay fixed	34,000	32,500		*2
At February 28, 2015:				
Derivatives for which hedge accounting is not applied:				
Interest rate swaps—receive floating/pay fixed	¥ 500	¥ –	¥(5)	*1
Derivatives accounted for by special treatment of interest rate swap contracts:				
Interest rate swaps—receive floating/pay fixed	34,500	27,000		*2

Thousands of U.S. dollars

	Contract amount		Fair value	
	Total	Due after one year		
At February 29, 2016:				
Derivatives for which hedge accounting is not applied:				
Interest rate swaps—receive floating/pay fixed	$ 4,386	$ –	$(18)	*1
Derivatives accounted for by special treatment of interest rate swap contracts:				
Interest rate swaps—receive floating/pay fixed	298,246	285,088		*2

*1 The fair value is measured at the price obtained from 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 20-year noncancelable lease agreements. As disclosed in Note 2(g), as lessee, finance lease transactions that 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 29, 2016 and February 28, 2015 as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Property and equipment, net of accumulated deprecaiation*1	¥ 287	¥ 504	$ 2,518
Lease obligations as liabilities*2	658	916	5,772
Allowance for impairment loss on leased property	(199)	(241)	(1,745)
Net effect on retained earnings at year-end	¥(172)	¥(171)	$(1,509)

*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 29, 2016 and February 28, 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Financing leases as lessee:			
Due within one year	¥ 267	¥ 379	$ 2,342
Due after one year	391	537	3,430
	¥ 658	¥ 916	$ 5,772
Operating leases as lessee:			
Due within one year	¥14,144	¥13,590	$124,070
Due after one year	63,748	57,677	559,193
	¥77,892	¥71,267	$683,263

Gross rental and lease expense, consisting of minimum rental payments for all operating leases and financing leases, for the years ended February 29, 2016 and February 28, 2015 was ¥93,957 million ($824,184 thousand) and ¥93,953 million, respectively.

(b) Lessor

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

A certain consolidated subsidiary engaged in leasing operations as lessor enters into various lease agreements with third parties principally for the lease of vehicles. These lease investment assets at February 29, 2016 and February 28, 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Future lease receivables	¥1,190	¥1,114	$10,439
Estimated residual values	16	9	140
Unearned imputed interest income	(158)	(155)	(1,386)
Lease investment assets included in other receivables	¥1,048	¥ 968	$ 9,193

The aggregate annual maturities of these lease receivables as of February 29, 2016 were as follows:

Years ending February 28,	Millions of yen	Thousands of U.S. dollars
2017	¥ 359	$ 3,149
2018	306	2,684
2019	262	2,298
2020	178	1,562
2021	82	719
Thereafter	3	27
	¥1,190	$10,439

The aggregate future minimum lease commitments to be received for non-cancelable operating lease agreements at February 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Operating leases as lessor:			
Due within one year	¥353	¥345	$3,096
Due after one year	466	522	4,088
	¥819	¥867	$7,184

7 Short-Term Borrowings and Long-Term Debt

Short-term borrowings at February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured short-term bank loans with interest rates ranging from 0.1% to 0.28% per annum at February 29, 2016	¥ 2,190	¥ 2,860	$ 19,211
Commercial paper at interest rates ranging from 0.001% to 0.120% per annum at February 29, 2016	125,000	131,000	1,096,491
	¥127,190	¥133,860	$1,115,702

At February 29, 2016 and February 28, 2015, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bonds issued by a consolidated subsidiary, Nagai Co., Ltd.:			
0.77% unsecured straight bonds due March 2015	¥ –	¥ 40	$ –
0.76% unsecured straight bonds due December 2015	–	50	–
0.69% unsecured straight bonds due September 2016	20	40	175
0.65% unsecured straight bonds due March 2017	45	75	395
0.55% unsecured straight bonds due March 2018	50	70	439
Loans principally from banks and insurance companies due through 2025 at interest rates ranging from 0.18% to 2.9% per annum at February 29, 2016:			
Collateralized	310	518	2,719
Unsecured	213,686	206,388	1,874,439
Capitalized lease obligations	25,616	23,133	224,702
	239,727	230,314	2,102,869
Less current maturities	(41,366)	(30,965)	(362,860)
	¥198,361	¥199,349	$1,740,009

The aggregate annual maturities of long-term debt at February 29, 2016 are summarized as follows:

Years ending February 28,	Millions of yen	Thousands of U.S. dollars
2017	¥ 41,366	$ 362,860
2018	17,320	151,930
2019	56,512	495,719
2020	35,098	307,877
2021	30,168	264,632
Thereafter	59,263	519,851
	¥239,727	$2,102,869

Certain assets of the UNY Group that were pledged as collateral for long-term debt and guarantee deposits from tenants in the aggregate amounts of ¥1,927 million ($16,904 thousand) and ¥2,190 million at February 29, 2016 and February 28, 2015, respectively, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Buildings and structures	¥2,880	¥3,319	$25,263
Land	4,462	4,462	39,140
Time deposits	4	–	35
	¥7,346	¥7,781	$64,438

As is customary in Japan, substantially all bank borrowings are subject to general agreements that 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.

(a) Movement in retirement benefit obligations:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balances at the beginning of year, as previously reported	¥84,939	¥85,565	$745,079
Cumulative effect of accounting change	6,285	–	55,132
Balances at the beginning of year, as restated	91,224	85,565	800,211
Service cost	3,609	3,375	31,658
Interest cost	421	938	3,693
Actuarial differences	(177)	(82)	(1,553)
Benefit paid	(5,460)	(4,934)	(47,895)
Other	62	77	544
Balances at the end of year	¥89,679	¥84,939	$786,658

(b) Movement in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balances at the beginning of year	¥92,764	¥83,353	$813,719
Expected return on pension plan assets	1,386	1,249	12,158
Actuarial differences	(2,461)	5,593	(21,588)
Contributions paid by the employer	5,578	7,163	48,930
Benefit paid	(5,338)	(4,863)	(46,824)
Other	–	269	–
Balances at the end of year	¥91,929	¥92,764	$806,395

(c) Reconciliation from retirement benefit obligations and plan assets to employee retirement benefit asset or liability:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 89,348	¥ 84,660	$ 783,755
Plan assets	(91,929)	(92,764)	(806,395)
	(2,581)	(8,104)	(22,640)
Unfunded retirement benefit obligations	331	279	2,903
Total net employee retirement benefit (asset)/ liability at the end of year	(2,250)	(7,825)	(19,737)
(1) Employee retirement benefit liability	681	636	5,974
(2) Employee retirement benefit asset	(2,931)	(8,461)	(25,711)
Total net employee retirement benefit (asset)/ liability at the end of year	¥ (2,250)	¥ (7,825)	$ (19,737)

(d) Net periodic retirement benefit expense:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥3,609**	¥3,375	**$31,658**
Interest cost	**421**	938	**3,693**
Expected return on pension plan assets	**(1,386)**	(1,249)	**(12,158)**
Amortization of actuarial differences	**863**	1,474	**7,570**
Amortization of past service costs	**(704)**	(826)	**(6,175)**
Transitional provision	**17**	17	**149**
Net periodic retirement benefit expense	**¥2,820**	¥3,729	**$24,737**

(e) Retirement benefit adjustment in other comprehensive income, before tax effects, at February 29, 2016:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Actuarial differences	**¥1,422**	**$12,474**
Past service costs	**704**	**6,175**
Transitional provision	**(17)**	**(149)**
Total balance at February 29, 2016	**¥2,109**	**$18,500**

(f) Retirement benefit adjustment in accumulated other comprehensive income, before tax effects, at February 29, 2016 and February 28, 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Actuarial differences	**¥3,725**	¥2,303	**$32,676**
Past service costs	**(141)**	(845)	**(1,237)**
Transitional provision	**–**	17	**–**
Total balance at the end of year	**¥3,584**	¥1,475	**$31,439**

(g) Plan assets comprise:

	2016	2015
Equity securities	**11%**	14%
Bonds	**36%**	30%
Life insurance company general accounts	**41%**	38%
Others	**12%**	18%
Total	**100%**	100%

(Note) Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Major assumptions used in the calculation of the above information for the years ended February 29, 2016 and February 28, 2015 were as follows:

	2016	2015
Discount rate	**0.47%–0.50%**	0.5%–1.1%
Expected rate of return on pension plan assets	**1.5%–2.0%**	1.5%–2.0%
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

Asset retirement obligations are based upon estimated future restoration obligations pursuant to real estate lease contracts for stores and other facilities as lessee and calculated based on the estimated store operational periods ranging from two to 50 years following each of the lease contracts and discounted by discount rates of 0.0% to 2.2%. Asset retirement obligations accounted for the years ended February 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
At the beginning of year*	**¥17,089**	¥15,167	**$149,904**
New additions	**1,687**	2,701	**14,798**
Changes in estimated obligations and accretion	**240**	234	**2,105**
Settlement payments	**(1,184)**	(754)	**(10,386)**
Other	**1,526**	(259)	**13,386**
At the end of year*	**¥19,358**	¥17,089	**$169,807**

*Regarding some stores and offices under 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 vacating the property. However, since some lease properties have leases with terms that are uncertain and there are no plans to vacate 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 in which 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 29, 2016 and February 28, 2015, 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 ($22,211 thousand) at both February 29, 2016 and February 28, 2015.

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 26, 2016, the shareholders approved cash dividends amounting to ¥2,303 million ($20,202 thousand). The appropriation had not been accrued in the consolidated financial statements as of February 29, 2016 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 29, 2016 and February 28, 2015 amounted to ¥590,697 million ($5,181,553 thousand) and ¥625,502 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 29, 2016 and February 28, 2015, the UNY Group was contingently liable for guarantees of the indebtedness of franchisees, affiliates and others in the amount of ¥3,744 million ($32,842 thousand) and ¥3,884 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 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets—current:			
Accrued bonuses	**¥ 1,574**	¥ 823	**$ 13,807**
Allowance for sales promotion	**580**	613	**5,088**
Accrued enterprise taxes	**487**	255	**4,272**
Other	**2,896**	2,283	**25,404**
Less valuation allowance	**(623)**	(685)	**(5,465)**
	4,914	3,289	**43,106**
Net of deferred tax liabilities—current	**(6)**	(57)	**(53)**
Deferred tax assets—current portion	**¥ 4,908**	¥ 3,232	**$ 43,053**
Deferred tax liabilities—current:			
Deferred gains on hedges and other	**¥ 6**	¥ 57	**$ 53**
Net of deferred tax assets—current	**(6)**	(57)	**(53)**
Deferred tax liabilities—current portion	**¥ –**	¥ –	**$ –**
Deferred tax assets—noncurrent:			
Impairment loss on fixed assets	**¥24,265**	¥24,922	**$212,851**
Operating loss carryforwards	**9,092**	8,258	**79,754**
Asset retirement obligations	**5,520**	5,838	**48,421**
Loss on write-down of securities	**316**	1,480	**2,772**
Allowance for doubtful accounts	**722**	425	**6,333**
Allowance for losses for interest payments	**546**	583	**4,789**
Other	**4,412**	3,881	**38,702**
Less valuation allowance	**(21,483)**	(21,356)	**(188,447)**
	23,390	24,031	**205,175**
Net of deferred tax liabilities—noncurrent	**(6,453)**	(8,364)	**(56,605)**
Deferred tax assets—noncurrent portion	**¥16,937**	¥15,667	**$148,570**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax liabilities—noncurrent:			
Gain on sale of property	**¥ 2,219**	¥ 2,168	**$ 19,465**
Capitalized dismantling and restoration costs of leased property	**2,002**	2,016	**17,561**
Unrealized gains on available-for-sale securities	**1,972**	3,553	**17,298**
Asset for retirement benefits	**914**	2,992	**8,018**
Other	**1,111**	869	**9,746**
	8,218	11,598	**72,088**
Net of deferred tax assets—noncurrent	**(6,453)**	(8,364)	**(56,605)**
Deferred tax liabilities—noncurrent portion included in other long-term liabilities	**¥ 1,765**	¥ 3,234	**$ 15,483**
Deferred tax liabilities for revaluation (See Note 2(i)) included in other long-term liabilities	**¥ 68**	¥ 75	**$ 596**

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 29, 2016 and February 28, 2015, a valuation allowance was established to reduce the deferred tax assets to the amount that management of the UNY Group believed the deferred tax assets were expected to be realizable.

The reconciliation of the difference between the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of operations for the years ended February 29, 2016 and February 28, 2015 was as follows:

	Percentage of pre-tax income	
	2016	2015
Statutory tax rate	**35.3%**	37.6%
Increase (decrease) due to:		
Permanently nondeductible expenses	**5.3**	12.1
Tax exempt income	**(2.7)**	(9.9)
Local minimum taxes—per capita levy	**19.1**	40.5
Amortization of goodwill	**11.1**	25.4
Change in valuation allowance	**45.9**	109.8
Effect of income tax rate changes	**35.6**	13.7
Impairment loss on goodwill	**9.5**	9.7
Other	**7.4**	4.4
Effective income tax rate	**166.5%**	243.3%

Following the promulgation on March 31, 2015 of amendments to the Japanese tax regulations, the statutory income tax rate for the Company used to calculate deferred tax assets and liabilities was reduced from 35.3% to 32.7% for the fiscal year beginning on March 1, 2016 and to 32.0% for fiscal years beginning on and after March 1, 2017. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥1,748 million ($15,333 thousand) and net unrealized gains on available-for-sale securities as accumulated other comprehensive income increased by ¥169 million ($1,482 thousand), and net deferred gains on hedging instruments and retirement benefit adjustment as accumulated other comprehensive income decreased by ¥7 million ($61 thousand) and ¥126 million ($1,105 thousand), respectively, at February 29, 2016. For the year ended February 29, 2016, deferred income tax expenses in the consolidated statements of operations increased by ¥1,784 million ($15,649 thousand). Furthermore, deferred tax liabilities for revaluation decreased by ¥7 million ($62 thousand) and land revaluation decrement as accumulated other comprehensive income increased by the same amount at February 29, 2016.

(Tax rate changes subsequent to the current fiscal year-end)
On March 31, 2016, amendments to the Japanese tax regulations were promulgated. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 32.0% to 30.6% for the fiscal years beginning on March 1, 2017 and to 30.4% for fiscal years beginning on and after March 1, 2019. If these new statutory income tax rates utilized for the measurement of deferred tax assets and liabilities had been used, net deferred tax assets would have been ¥580 million ($5,088 thousand) less, deferred income tax expenses would have been ¥555 million ($4,868 thousand) more, net unrealized gains on available-for-sale securities as accumulated other comprehensive income would have been ¥37 million ($324 thousand) more, retirement benefit adjustment as accumulated other comprehensive income would have been ¥62 million ($544 thousand) less than the amounts without the change. Furthermore, deferred tax liabilities for revaluation would have been decreased by ¥3 million ($26 thousands) and land revaluation decrement as accumulated other comprehensive income would have been increased by the same amount.

13 Fair Value of Rental Property

At February 29, 2016 and February 28, 2015, the UNY Group owned commercial facilities and rental property, including land, for leases in Aichi Prefecture and other areas. For the years ended February 29, 2016 and February 28, 2015, the UNY Group recorded net rental income from rental property in the amount of ¥9,166 million ($80,404 thousand) and ¥9,954 million, respectively, in the accompanying consolidated statements of operations, while the UNY Group recorded impairment loss of ¥169 million ($1,482 thousand) and ¥123 million, respectively.

Information about the fair value of those properties as of and for the years ended February 29, 2016 and February 28, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Carrying value at the beginning of the year	**¥59,401**	¥62,302	**$521,061**
Net changes during the year	**(12,862)**	(2,901)	**(112,824)**
Carrying value at the end of the year	**46,539**	59,401	**408,237**
Fair value at the end of the year*	**¥45,100**	¥55,481	**$395,614**

*Fair value was measured at estimated values based principally on real estate appraisal standards using indices 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 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrealized gains on available-for-sale securities:			
(Decrease) increase during the year	**¥(2,465)**	¥3,111	**$(21,623)**
Reclassification adjustments	**(1,703)**	(41)	**(14,938)**
Subtotal, before tax	**(4,168)**	3,070	**(36,561)**
Tax effect	**1,581**	(1,088)	**13,868**
Subtotal, net of tax	**(2,587)**	1,982	**(22,693)**
Net deferred gains (losses) on hedging instruments:			
(Decrease) increase during the year	**(432)**	55	**(3,790)**
Tax effect	**145**	(17)	**1,272**
Subtotal, net of tax	**(287)**	38	**(2,518)**
Land revaluation decrement:			
Increase during the year	**7**	–	**62**
Foreign currency translation adjustments:			
Increase during the year	**136**	978	**1,193**
Retirement benefit adjustment:			
Decrease during the year	**(2,285)**	–	**(20,044)**
Reclassification adjustments	**176**	–	**1,544**
Subtotal, before tax	**(2,109)**	–	**(18,500)**
Tax benefit	**614**	–	**5,386**
Subtotal, net of tax	**(1,495)**	–	**(13,114)**
Share of other comprehensive income of affiliates accounted for by the equity method			
Increase during the year	**26**	13	**228**
Reclassification adjustments	**1**	–	**9**
Subtotal	**27**	13	**237**
Total other comprehensive income	**¥(4,199)**	¥3,011	**$(36,833)**

15 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 for 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 2016:								
Operating revenue:								
External customers	¥793,477	¥156,141	¥52,627	¥ 13,428	¥22,969	¥1,038,642	¥ 91	¥1,038,733
Intersegment sales	2,046	167	10	6,072	32,164	40,459	(40,459)	–
Total	¥795,523	¥156,308	¥52,637	¥ 19,500	¥55,133	¥1,079,101	¥(40,368)	¥1,038,733
Segment income (loss)	¥ 9,619	¥ 7,028	¥ (160)	¥ 4,028	¥ 1,962	¥ 22,477	¥ (110)	¥ 22,367
Segment assets	¥578,216	¥276,164	¥23,585	¥144,528	¥23,873	¥1,046,366	¥(73,132)	¥ 973,234
Other items:								
Depreciation	¥ 18,017	¥ 17,294	¥ 453	¥ 1,267	¥ 600	¥ 37,631	¥ 3	¥ 37,634
Investments in affiliated companies accounted for by the equity method	7,492	–	–	–	–	7,492	–	7,492
Increase in property and equipment and intangible assets	50,486	27,086	455	1,166	290	79,483	–	79,483

Millions of yen

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Adjustment	Consolidated total
For the fiscal year 2015:								
Operating revenue:								
External customers	¥775,170	¥147,960	¥58,295	¥ 13,474	¥24,009	¥1,018,908	¥ 52	¥1,018,960
Intersegment sales	2,158	150	10	4,955	30,414	37,687	(37,687)	–
Total	¥777,328	¥148,110	¥58,305	¥ 18,429	¥54,423	¥1,056,595	¥(37,635)	¥1,018,960
Segment income (loss)	¥ 9,014	¥ 7,613	¥ (1,164)	¥ 3,899	¥ 831	¥ 20,193	¥ 45	¥ 20,238
Segment assets	¥571,699	¥270,805	¥26,819	¥137,365	¥22,680	¥1,029,368	¥(76,783)	¥ 952,585
Other items:								
Depreciation	¥ 17,451	¥ 17,018	¥ 703	¥ 1,281	¥ 772	¥ 37,225	¥ 7	¥ 37,232
Investments in affiliated companies accounted for by the equity method	7,148	–	–	–	–	7,148	–	7,148
Increase in property and equipment and intangible assets	32,464	26,242	1,340	1,577	484	62,107	5	62,112

Thousands of U.S. dollars

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Adjustment	Consolidated total
For the fiscal year 2016:								
Operating revenue:								
External customers	$6,960,325	$1,369,658	$461,640	$ 117,790	$201,482	$9,110,895	$ 798	$9,111,693
Intersegment sales	17,947	1,465	88	53,263	282,141	354,904	(354,904)	–
Total	$6,978,272	$1,371,123	$461,728	$ 171,053	$483,623	$9,465,799	$(354,106)	$9,111,693
Segment income (loss)	$ 84,377	$ 61,649	$ (1,404)	$ 35,334	$ 17,211	$ 197,167	$ (965)	$ 196,202
Segment assets	$5,072,070	$2,422,491	$206,886	$1,267,790	$209,412	$9,178,649	$(641,509)	$8,537,140
Other items:								
Depreciation	$ 158,044	$ 151,702	$ 3,974	$ 11,114	$ 5,263	$ 330,097	$ 26	$ 330,123
Investments in affiliated companies accounted for by the equity method	65,719	–	–	–	–	65,719	–	65,719
Increase in property and equipment and intangible assets	442,860	237,596	3,991	10,228	2,544	697,219	–	697,219

(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 segment

Millions of yen

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Reconciliation	Consolidated total
Impairment loss on fixed assets:								
For the fiscal year 2016	**¥ 9,144**	**¥ 8,714**	**¥ 435**	**¥ –**	**¥ 31**	**¥ 18,324**	**¥ –**	**¥ 18,324**
For the fiscal year 2015	9,713	5,220	1,462	–	1,074	17,469	–	17,469

Thousands of U.S. dollars

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Reconciliation	Consolidated total
For the fiscal year 2016	**$80,210**	**$76,439**	**$3,816**	**$ –**	**$ 272**	**$160,737**	**$ –**	**$160,737**

(f) Information about amortization and unamortized balance of goodwill by reported segment

Millions of yen

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Reconciliation	Consolidated total
Goodwill:								
Amortization for the year 2015	¥ –	¥ 1,497	¥24	¥ –	¥159	¥ 1,680	¥ –	¥ 1,680
Impairment for the year 2015	–	–	47	–	593	640	–	640
Balance at February 28, 2015	–	5,986	–	–	–	5,986	–	5,986
Amortization for the year 2016	**–**	**1,659**	**–**	**–**	**–**	**1,659**	**–**	**1,659**
Impairment for the year 2016	**–**	**1,417**	**–**	**–**	**–**	**1,417**	**–**	**1,417**
Balance at February 29, 2016	**–**	**4,489**	**–**	**–**	**–**	**4,489**	**–**	**4,489**

Thousands of U.S. dollars

	General merchandise stores	Convenience stores	Specialty stores	Financial services	Other	Total	Reconciliation	Consolidated total
Amortization for the year 2016	**$ –**	**$14,553**	**$ –**	**$ –**	**$ –**	**$14,553**	**$ –**	**$14,553**
Impairment for the year 2016	**–**	**12,430**	**–**	**–**	**–**	**12,430**	**–**	**12,430**
Balance at February 29, 2016	**–**	**39,377**	**–**	**–**	**–**	**39,377**	**–**	**39,377**

16 Significant Subsequent Events

(Management Integration)

Effective October 15, 2015, the Company and FamilyMart Co., Ltd. ("FamilyMart"; together with the Company the "Companies") entered into a basic agreement concerning management integration of the Companies ("Management Integration") based on the spirit of equality, and had since then held discussions concerning said matter. The Management Integration will take the form of an absorption-type merger ("Absorption-Type Merger") whereby FamilyMart is the surviving company of the Absorption-Type Merger and the Company is a company absorbed to FamilyMart (following the Absorption-Type Merger, "Integrated Company"). Subject to the effectuation of the Absorption-Type Merger, the Integrated Company's convenience stores ("CVS") business will be transferred to Circle K Sunkus Co., Ltd. ("CKS") by way of an absorption-type demerger ("Absorption-Type Demerger") whereby the Integrated Company is the splitting company and CKS, a wholly-owned subsidiary of the Company, is the succeeding company. At the respective meetings of the Board of Directors of the Companies held on February 3, 2016, the execution of an absorption-type merger agreement between the Companies and the execution of an absorption-type demerger agreement between FamilyMart and CKS were approved and entered into as of the same date.

The Management Integration was approved by the shareholders at the respective general meetings of shareholders of the Companies held on May 26, 2016 and that of CKS held on May 24, 2016.

1. Overview of the business combination, etc.
   (1) Names and businesses of the merging and divesting company and the succeeding company
      (i) FamilyMart
         Franchise business, store operation, etc. of CVS, "FamilyMart"
      (ii) CKS
         Franchise business, store operation, etc. of CVS, "Circle K" and "Sunkus"
   (2) Major reason for the business combination, etc.
      By integrating management resources of the Companies and establishing a new retail group through the Management Integration, we aim to be a company that can survive competitions in the Japanese and overseas retail market environment that has experienced rapid changes in the recent years, and to contribute to customers, franchisees, business partners, shareholders and employees.
   (3) Date of the business combination (acquisition of stock) and date of the business divestiture
      September 1, 2016 (scheduled)
   (4) Legal form of the business combination, etc.
      The Absorption-Type Merger takes the form of an absorption-type merger whereby FamilyMart is the surviving company. The Absorption-Type Demerger takes the form of an absorption-type demerger whereby CKS is the succeeding company.
      However, the legal form may be changed in the future subject to consultation and agreement between the Companies, if required in the process of the Absorption-Type Merger and Absorption-Type Demerger or due to other reasons.

(5) Name of the company after the business combination
FamilyMart, the surviving company, will change its company name to "FamilyMart UNY Holdings Co., Ltd." as of the effective date of the Absorption-Type Merger (scheduled on September 1, 2016). Further, CKS, the succeeding company, will change its company name to "FamilyMart Co., Ltd." as of the effective date of the Absorption-Type Demerger (scheduled on September 1, 2016).

2. Merger ratio by class of stock, calculation method and the number of shares to be issued for the Absorption-Type Merger
(1) Merger ratio by class of stock (planned)
0.138 shares of common stock of FamilyMart for one share of the Company's common stock
(2) Calculation method of the merger ratio
The Company designated Nomura Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and FamilyMart designated Citigroup Global Markets Japan Inc. and KPMG FAS, Co., Ltd. as third-party financial advisors for the calculation of the merger ratio. The merger ratio was agreed upon and decided after comprehensive consideration based on factors including the analysis conducted by the respective third-party financial advisors, each company's financial condition, share price and future outlook, and upon prudent and thorough discussions between the Companies which lead to a decision that the merger ratio was appropriate.
(3) The number of shares to be issued
Common stock: 31,754,417 shares (including 2,761,063 shares of treasury stock owned by FamilyMart)

3. Content of the Absorption-Type Demerger
(1) Consideration for the Absorption-Type Demerger
CKS will issue 100 shares of common stock, all of which will be delivered to the Integrated Company.

(Occurrence of loss in connection with the Management Integration)

In connection with the Management Integration with FamilyMart planned to be effective September 1, 2016, the Board of Directors of the Company resolved on May 26, 2016 to cancel the implementation of a newly developing store EDP system of CKS, a consolidated subsidiary of the Company engaged in the CVS business, in order to unify the store EDP systems for the achievement of a prompt conversion of the brands and store operations of the CVS business. Therefore, the Company expects to record losses in relation to this decision, such as an impairment of developed intangibles or a penalty of a cancellation of development contracts of a new EDP system, in the aggregate amount of approximately ¥8 billion ($70 million) for the succeeding fiscal year. As the loss is subject to change depending on the negotiations with counterparties, the Company is currently in the process of assessing the impact of this decision on the consolidated financial statements for the succeeding fiscal year.

Independent Auditor's Report

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 29, 2016 and February 28, 2015, and the consolidated statements of operations, 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 the UNY Group as at February 29, 2016 and February 28, 2015, and its financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to the followings on Note 16 to the consolidated financial statements.

(1) The Management Integration plan of the Company and FamilyMart Co., Ltd. was approved by the shareholders at the respective general meetings of both companies held on May 26, 2016.

(2) In connection with the Management Integration, the Board of Directors of the Company resolved on May 26, 2016 to cancel an implementation plan of a newly developing store EDP system of Circle K Sunkus Co., Ltd., a consolidated subsidiary, and the Company expects to record losses for the succeeding fiscal year

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2016 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

June 7, 2016
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 (As of February 29, 2016)

Corporate Data

Head Office	1, Amaikegotanda-cho, Inazawa, Aichi 492-8680, Japan Tel: +81-587-24-8000 URL: http://www.unygroup-hds.com/english/
Date of Establishment	March 13, 1950 Note: This is the date of establishment of HOTEIYA Clothing Store Co., Ltd. (corporate name changed to HOTEIYA Co., Ltd. in 1962), the predecessor company of UNY Group Holdings Co., Ltd.
Number of Employees	36,165 (Consolidated)
Capital	¥22,188 million
Stock Listings	Tokyo Stock Exchange, Nagoya Stock Exchange
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited

Affiliated Companies

Name	Percentage of voting rights owned	Securities exchange	Main business	Business description
Consolidated Subsidiaries				
UNY CO., LTD.	100.00	–	General merchandise stores	Management of general merchandise stores Apita and Piago
UNY (HK) CO., LIMITED	100.00	–	General merchandise stores	Management of general merchandise stores in Hong Kong
UNY (SHANGHAI) TRADING Co., Ltd.	70.00 (Note 1)	–	General merchandise stores	Management of general merchandise stores in Shanghai
99 ICHIBA Co., Ltd.	100.00	–	General merchandise stores	Management of Mini Piago mini-supermarkets in Tokyo and Kanagawa Prefecture
Circle K Sunkus Co., Ltd.	100.00	–	Convenience stores	Franchising and store management of convenience stores Circle K and Sunkus
Circle K Shikoku Co., Ltd.	(Note 2)	–	Convenience stores	Area franchiser in Ehime, Kochi, Kagawa, Tokushima prefectures and part of Hiroshima Prefecture
Sunkus Nishi-Shikoku Co., Ltd.	(Note 2)	–	Convenience stores	Area franchiser in Aichi and Kochi prefectures
ZERO NETWORKS Co., Ltd.	(Note 2)	–	Contracted operation of ATMs	Contracted operation of ZEROBANK and Bank Time ATMs inside Circle K and Sunkus stores
Retail Staff Co., Ltd.	(Note 2)	–	Staffing service	Staffing services for Circle K Sunkus stores
toki-meki.com inc.	(Note 2)	–	E-commerce business	Commercial transactions through operation of the e-commerce website "Circle K Sunkus Online"
SAGAMI Co., Ltd.	53.86	Tokyo Stock Exchange, First Section	Specialty stores	Management of a chain of stores specializing in kimonos
Tokyo Masuiwaya Inc.	(Note 3)	–	Specialty stores	Management of a chain of stores specializing in kimonos
PALEMO CO., LTD.	61.65	Tokyo Stock Exchange JASDAQ standard	Specialty stores	Management of a chain of stores specializing in ladies' apparel and accessories
MOLIE Co., Ltd.	100.00	–	Specialty stores	Management of a chain of stores specializing in ladies' apparel
UCS CO., LTD.	81.34	Tokyo Stock Exchange JASDAQ standard	Financial services	Provision of clearing and point service functions to customers for credit cards and electronic money
U-LIFE CO., LTD.	100.00	–	Real estate business	Support for development of the Group's new stores and tenant leasing, and development of facilities related to elderly welfare
Sun Sougou Maintenance Co., Ltd.	100.00	–	Maintenance business	Contracting of maintenance, security, and cleaning of commercial facilities
SUN REFORM Co., Ltd.	100.00	–	Remodeling and repair businesses	Management of specialty stores, such as those specializing in clothing repair
NAGAI Co., Ltd.	100.00	–	External sales of ready-prepared foods	Production and delivery of cooked rice and ready-prepared foods for supply to Circle K Sunkus
UNICOM Inc.	100.00	–	Advertising business	Advertising agency services
(Equity method companies)				
Kanemi Co., Ltd.	25.88	Tokyo Stock Exchange JASDAQ standard	Tenant business for and external sales of ready-prepared foods	Management of tenant business for ready-prepared foods and production of cooked rice and ready-prepared foods

Notes: 1. Consolidated subsidiary UNY (Cayman Islands) Holding Co., Ltd. owns 100% of the voting rights.
2. Circle K Sunkus Co., Ltd. owns 100% of the voting rights.
3. SAGAMI Co., Ltd. owns 100% of the voting rights.

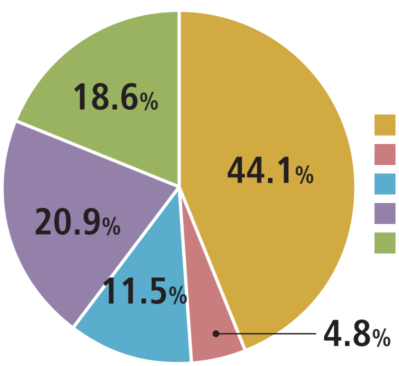
Officers (As of May 26, 2016)

President	Norio Sako
Director, Senior Executive Officer, Finance & Accounting Headquarters Director and Officer in charge of Secretaries, Public & Investor Relations, and Affiliated Companies	Jiro Koshida
Director, Executive Officer, Group Strategic Headquarters Director and Officer in charge of Operations	Jun Takahashi
Director	Shuichi Takeuchi
External Director	Tamotsu Kokado
External Director	Norio Kato
External Director	Takashi Saeki
Fulltime Audit & Supervisory Board Member	Akira Ito
Fulltime Audit & Supervisory Board Member	Takumi Mizutani
External Audit & Supervisory Board Member	Naotaka Nanya
External Audit & Supervisory Board Member	Kazunori Tajima

Stock Information

Total Number of Authorized Shares	600,000,000
Shares of Common Stock Issued	234,100,821
Number of Shareholders	51,509

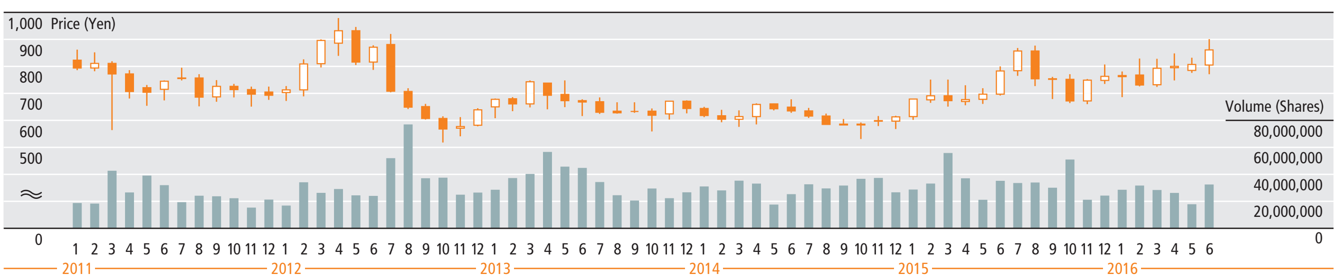
Distribution of Shareholders



Major Shareholders

	Number of shares held (thousands)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Securities Investment Trust Account)	25,774	11.01
Japan Trustee Services Bank, Ltd. (Securities Investment Trust Account)	14,231	6.08
ITOCHU Corporation	6,992	2.99
Nippon Life Insurance Company	6,807	2.91
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	6,548	2.80
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,074	2.59
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	5,683	2.43
Aioi Nissay Dowa Insurance Co., Ltd.	5,403	2.31
Japan Trustee Services Bank, Ltd. (Securities Investment Trust Account 9)	5,171	2.21
The Dai-ichi Life Insurance Company, Limited	5,000	2.13

Share Price and Volume



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