UNY

ANNUAL REPORT 2008

UNY CO., LTD

PROFILE

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

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

The Group's publicly listed companies comprise Uny Co., Ltd., Sagami Co., Ltd., U Store Co., Ltd., Circle K Sunkus Co., Ltd., Palemo Co., Ltd., Suzutan Co., Ltd., Kanemi Co., Ltd. and UCS Co., Ltd.
Uny Co., Ltd. will merge with U Store Co., Ltd. on August 21, 2008.

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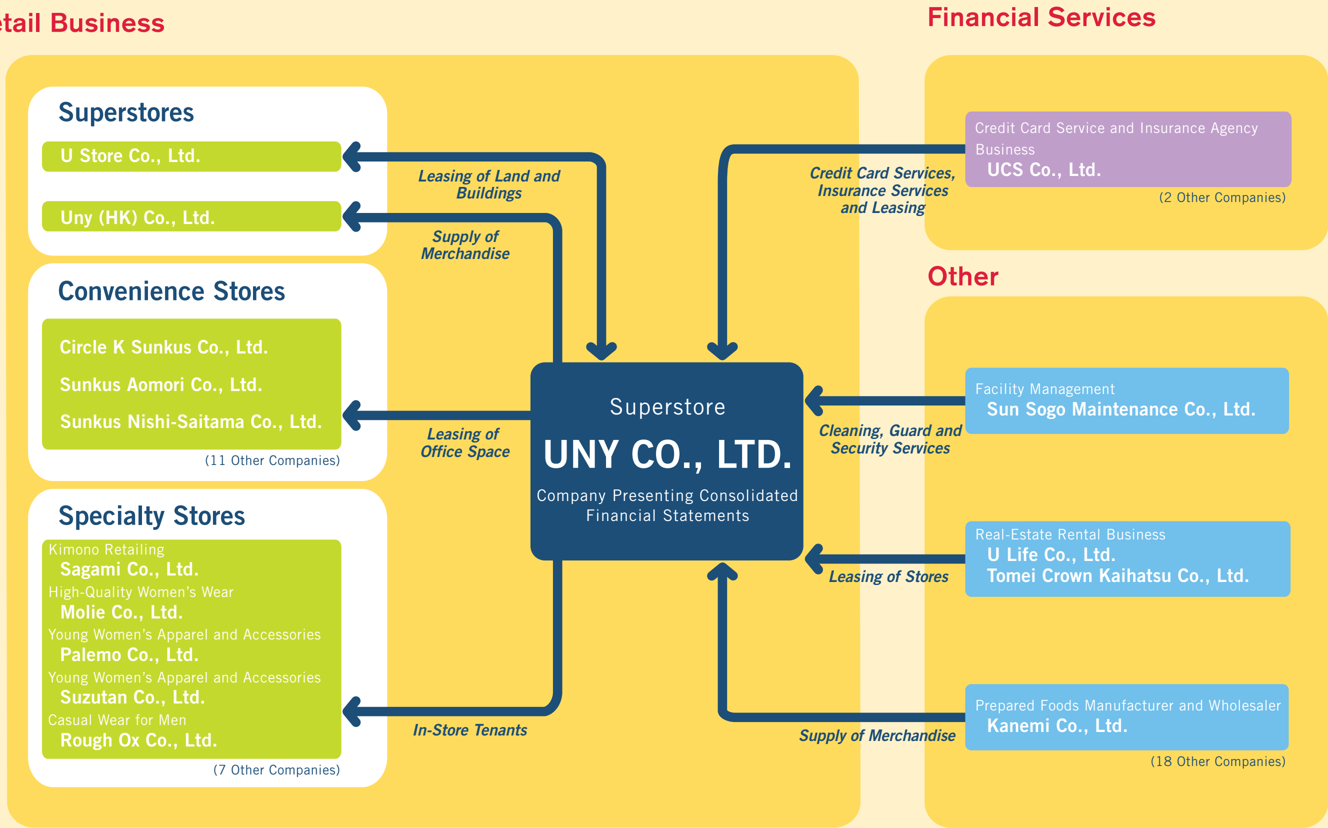
Retail Business



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

THE UNY GROUP

(Million ¥)

	Company	Revenues*** 2008	Revenues*** 2007	Net Sales 2008	Net Sales 2007	Operating Income (Loss) 2008	Operating Income (Loss) 2007	Net Income (Loss) 2008	Net Income (Loss) 2007
Superstores	Uny Co., Ltd.	**¥714,885**	¥726,792	**¥680,334**	¥694,815	**¥15,587**	¥15,404	**¥ 6,589**	¥ 7,195
	U Store	**145,382**	148,705	**138,690**	142,001	**2,309**	2,094	**(3,198)**	(220)
	Uny (HK)*	**12,115**	13,431	**12,078**	13,394	**251**	712	**412**	730
Convenience Stores	Circle K Sunkus**	**¥206,373**	¥190,560	**¥ 92,475**	¥ 79,246	**¥21,096**	¥23,113	**¥ 8,580**	¥10,237
Specialty Stores	Sagami**	**¥ 57,526**	¥ 66,923	**¥ 57,206**	¥ 66,527	**¥ (2,160)**	¥ (722)	**¥(12,069)**	¥ (5,165)
	Molie	**8,815**	8,481	**8,577**	8,251	**15**	168	**27**	160
	Palemo	**33,796**	34,095	**33,349**	33,730	**1,097**	2,010	**287**	794
	Suzutan**	**20,432**	21,801	**20,432**	21,801	**118**	722	**(251)**	441
	Rough Ox	**1,997**	2,302	**2,012**	2,324	**223**	26	**(251)**	(12)
Financial Services	UCS	**¥ 19,431**	¥ 17,818	**¥ 138**	¥ 149	**¥ 2,782**	¥ 3,997	**¥ 1,772**	¥ 1,810

* Data for Uny (HK) is calculated at the average exchange rate during the period under review.
** Figures for Circle K Sunkus, Sagami and Suzutan are on a consolidated basis.
*** Revenues in the table include intra-segment revenues.

MESSAGE FROM THE MANAGEMENT

The Uny Group will endeavor to increase corporate value and win out in the market by enhancing each Group company's profitability and setting growth strategies for strengthened competitiveness.

For fiscal 2008, ended February 20, 2008, we regret to report a decrease in both revenues and earnings.

Operating revenues were down 1.0% compared with the previous fiscal year, to ¥1,216,246 million, while operating income fell 13.1% to ¥40,954 million. Net income dropped 95.9% year on year to ¥377 million, far below our forecast at the beginning of fiscal 2008.

Our weak performance was primarily attributable to the following three causes:

1. Same-store sales at specialty stores fell significantly below the previous fiscal year. Operating income of Palemo Co., Ltd. and Suzutan Co., Ltd. declined, and Sagami Co., Ltd. recorded an operating loss. Sagami's business considerably underperformed in fiscal 2008, marking an operating loss for the second consecutive year. Based on these conditions, Sagami posted special losses such as impairment losses on fixed assets and allowances for management restructuring, and accordingly, the company recorded a net loss of over ¥12,000 million.
2. During the fiscal year under review, Uny also recorded a large impairment loss on fixed assets in the superstore and convenience store segments. Impairment losses on fixed assets for Uny and U Store were ¥6,177 million and ¥6,742 million, respectively, and ¥2,716 million for convenience stores.
3. In financial services, UCS Co., Ltd. recorded a decrease in operating income due to the decrease in loan interest rates and the increase in allowance for losses on interest refunds.

During fiscal 2008, Uny coped with severe results. Considering the retail industry, however, we anticipate even more harsh conditions in the future. This is due to the prolonged influence of U.S. financial market turmoil on the Japanese economy, as well as to the shrinking Japanese market, reflecting Japan's declining population and aging society.

In addition, the consumer market has been seriously impacted by the soaring costs of crude oil, mineral resources (including iron ore), and grains such as soy beans and wheat. Food safety has also become a significant social issue, reflecting the recent scandals involving tainted Chinese food products.

Furthermore, there have been growing concerns over environmental issues in recent years, and companies in the retail industry are required to implement more eco-friendly business operations.

Under such circumstances, the Uny Group will enhance each Group company's profitability and set growth strategies for strengthened competitiveness. By doing so, we will enhance our corporate value and win out in the market.

With this in mind, we created the Uny Group Medium-Term Management Plan, which sets out policies and objectives for three years, from fiscal 2009 to 2011.

The basic strategies specified in the Medium-Term Management Plan are as follows.

(1) With the merger of Uny and U Store, as of August 21, 2008, we aim to create advantages through the development of a larger-scale company, while closing unprofitable stores, soliciting voluntary retirement and implementing a restructuring plan for Sagami, focusing primarily on the restructuring of the kimono business.

(2) Carrying out Groupwide activities including distribution, product development and sales promotion, we will lower the cost of goods and cut expenses.

(3) Overseas, we will open superstores and specialty stores in China, while implementing multi-store operations for supermarkets of Uny (HK) Co., Ltd. Furthermore, we will expand our product procurement operations from China to Vietnam.

Numerical targets for the Medium-Term Management Plan, as well as actual figures from fiscal 2007 and 2008, are as follows.

UNY GROUP'S TARGET FOR FISCAL 2011

(1)	Operating income	¥51.4 billion
(2)	Ordinary income ratio	3.8%
(3)	ROE	6.7%

(Billions of yen, unless otherwise designated)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
	Actual	Actual	Target	Target	Target
Operating revenues	¥1,228.9	¥1,216.2	¥1,194.0	¥1,204.0	¥1,219.0
Operating income	47.1	41.0	39.7	41.6	51.4
Ordinary income	44.9	37.6	35.9	37.5	46.6
Net income	9.3	0.4	9.9	9.9	17.5
Ordinary income ratio*	3.7%	3.1%	3.0%	3.1%	3.8%
ROE	3.8%	0.2%	4.1%	4.0%	6.7%
Net income per share (yen)	¥49.27	¥2.00	¥49.86	¥49.86	¥88.13

* Ordinary income ratio = Ordinary income/Operating revenues

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

T. Maemura.

Tetsuro Maemura
President

REVIEW OF OPERATIONS

SUPERSTORES

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

Uny Co., Ltd. will merge with U Store Co., Ltd. on August 21, 2008.

UNY

Uny superstores include conventional superstores operated under the Uny brand, and the more fashionable Apita stores, which have been developed over the last 20 years to address the needs of more individualistic and diversified consumers. Along with the changing times, Uny's base has shifted toward Apita stores in suburban locations, with large parking facilities alongside a broad assortment of tenant businesses. In addition, Uny opened three mall-type Apita stores during the fiscal year ended February 20, 2008.

At the end of fiscal 2008, ended February 20, 2008, there were Uny stores in 54 locations, with an average of 6,022 square meters of directly operated sales floor space per store. In comparison, there were Apita stores in 84 locations, with an average of 10,983 square meters, reflecting their larger scale and more extensive retail trading areas.

In addition to its 138 superstores, Uny also operates nine U Home home-center stores and 11 supermarkets.

U STORE

U Stores are superstores on a smaller scale than Uny or Apita stores, and provide foodstuffs, quality casual and everyday clothing, and household goods. One-stop shopping is made possible by tenant businesses that offer services and goods supplementing the U Store product lines. These are dominant businesses in their immediate commercial areas.

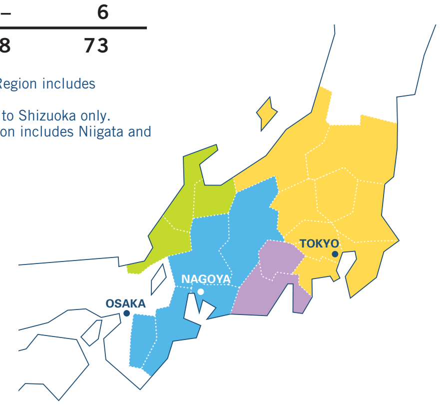
UNY (HK)

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

REGIONAL BREAKDOWN OF SUPERSTORES

	Uny No. of Stores	U Store No. of Stores
Chukyo Region	90	56
Aichi Pref.	61	42
Gifu Pref.	14	6
Mie Pref.	8	8
Nagano Pref.	5	–
Nara Pref.	2	–
Hokuriku Region	19	–
Shizuoka Region*	14	11
Kanto Region**	35	–
Other	–	6
Total	158	73

* In Uny Co., Ltd. operations, Shizuoka Region includes Shizuoka and Yamanashi Prefectures. Those of U Store Co., Ltd. are confined to Shizuoka only.
**In Uny Co., Ltd. operations, Kanto Region includes Niigata and Fukushima Prefectures.



(Million ¥)

Years ended February 20	2008	2007	2006
Revenues*	¥867,910	¥884,733	¥876,225
Operating Costs and Expenses	853,412	869,957	867,464
Operating Income	18,040	18,213	12,200
Identifiable Assets	564,920	573,441	574,392
Depreciation	16,867	17,390	19,005
Impairment Loss on Fixed Assets	12,919	6,764	33,282
Capital Expenditures	34,706	36,574	35,730

* Revenues refer to sales to external customers.

KEY SUPERSTORES

	Uny			U Store		
Years ended February 20	2008	2007	2006	2008	2007	2006
Revenues (Million ¥)	¥714,885	¥ 726,792	¥ 719,543	¥145,382	¥148,705	¥148,461
Net Sales (Million ¥)	680,334	694,815	688,775	138,690	142,001	142,113
Sales Floor Space (m^2)*	1,312,988	1,289,661	1,327,307	306,880	307,010	302,413
Newly Opened Floor Space (m^2)	39,808	21,920	86,532	4,098	5,379	15,237
Sales per Sq. Meter (Thousand ¥)	518	539	519	452	463	471
Full-Time Employees	5,318	5,475	5,517	1,068	1,063	1,065
Sales per Employee (Million ¥)	128	127	125	130	134	133

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

CONVENIENCE STORES

(Million ¥)

Years ended February 20	2008	2007	2006
Revenues*	**¥201,910**	¥190,557	¥184,188
Operating Costs and Expenses	**182,651**	169,134	159,961
Operating Income	**19,265**	21,426	24,230
Identifiable Assets	**231,772**	226,882	228,906
Depreciation	**6,719**	6,687	7,426
Impairment Loss on Fixed Assets	**2,716**	3,170	4,985
Capital Expenditures	**13,971**	12,822	9,756

* Revenues refer to sales to external customers.

	Circle K			Sunkus		
Years ended February 20	**2008**	2007	2006	**2008**	2007	2006
Number of Stores	**2,809**	2,898	2,891	**2,119**	2,205	2,263
Franchises	**2,450**	2,490	2,536	**1,929**	2,016	2,089
Own Operation	**359**	408	355	**190**	189	174
Area Franchise Stores	**148**	159	144	**1,062**	1,073	1,074

In the convenience store business, the Uny Group develops stores through Circle K Sunkus Co., Ltd., under the two brands of Circle K and Sunkus. In fiscal 2008, the convenience store market environment was characterized by even greater competition, amid the extremely difficult conditions prevailing across other competing industries. Against this backdrop, Circle K Sunkus placed increased emphasis on opening highly competitive stores, focusing on quality rather than quantity.

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

On the store operations front, Circle K Sunkus utilizes its customer satisfaction grading system to strictly follow its four principles of friendliness, cleanliness, wide selection of goods and food freshness control. By doing so, Circle K Sunkus makes continuing efforts to enhance customer satisfaction.

As part of its store development activities, Circle K Sunkus promoted relocations and store scrap and build activities to streamline unprofitable outlets. On the other hand, Circle K Sunkus strived to improve store quality (including daily sales at newly opened stores) and productivity by leveraging the strength of its two brands (Circle K and Sunkus) in its store-opening strategy by region. Furthermore, Circle K Sunkus reinforced the store-openings of "99 Ichiba," a small-scale supermarket specializing in an extensive lineup of perishable foods, with the aim of meeting the demands of female and elderly customers, who had been difficult to attract through the business model of conventional convenience stores.

As for product development, Circle K Sunkus launched the new bread brand "Magokoro Jikomi: Oishii Pan Seikatsu" in May 2007 and the original dessert brand "Cherie Dolce" in November of the same year. Sales of both brands have been solid since the release. In addition, Circle K Sunkus reinforced its regional product development structure to enhance product lineups specific to each region.

In the service category, Circle K Sunkus introduced "QUICPay" and "Visa Touch (Smartplus)" post-paid services in January 2008 against the backdrop of the expanding electronic money market. The membership of KARUWAZA CLUB, an in-house card service using the Edy prepaid electronic money function, topped 970,000 as of February 29, 2008, while card memberships with purchasing point services exceeded 330,000. In addition, new services were made available at all Circle K Sunkus stores for receiving and paying for products purchased at Rakuten Books, an online bookstore, from February 2008. This boosted the number of services provided at Circle K Sunkus stores for the receipt of purchases through Internet online shopping. Furthermore, Circle K Sunkus introduced its original "Bank Time" ATM service exclusively at stores in the Kansai region in February 2008 with Resona Bank undertaking the overall administrative function.

In terms of social contribution activities, Circle K Sunkus cooperates with 12 member companies (22 store chains) of the Japan Franchise Association (JFA) to develop "Safety Station Activity" at stores nationwide. This campaign is implemented with the theme of "developing safe and secure towns" and "nurturing healthy environments for juveniles." In addition to these activities, Circle K Sunkus takes unique initiatives to collect donations at stores, engage in emergency-relief work after large-scale disasters, and support activities for NPO groups.

In its fiscal year ending February 28, 2009, Circle K Sunkus is planning to open 280 stores and close 260 stores for a net increase of 20.

CIRCLE K STORES

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

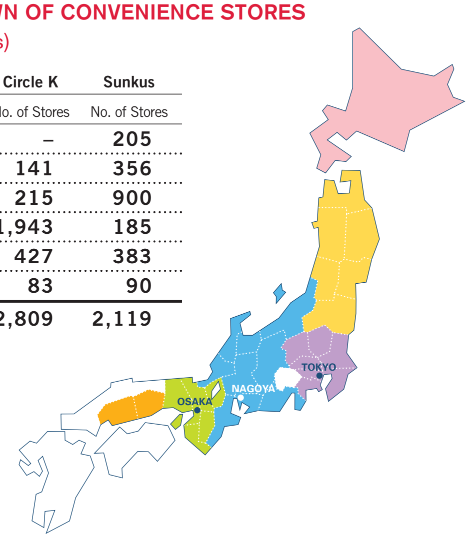
In line with initial plans and excluding area-franchise stores, Circle K opened 174 stores, and closed 263 as part of its efforts to lower the number of underperforming stores. The number of Circle K stores as of the fiscal year-end totaled 2,809, for a net decrease of 89. The Circle K Group totaled 2,957 stores, which included area-franchise stores.

SUNKUS STORES

Sunkus has a strong network of stores covering the Kanto, Tohoku and Kansai regions. During the fiscal year under review, Sunkus placed considerable emphasis on store profitability. Focusing on stores that would generate guaranteed returns, Sunkus opened 110 stores. In addition, 13 area-franchise companies opened a total of 65 stores. In unprofitable stores, Sunkus closed 196 stores, and area franchisers closed 76. As of the fiscal year-end, Sunkus stores totaled 2,119, for a net decrease of 86. Including area-franchise stores, the Sunkus network stood at 3,181 stores.

REGIONAL BREAKDOWN OF CONVENIENCE STORES
(excluding area franchises)

	Circle K	Sunkus
	No. of Stores	No. of Stores
Hokkaido Pref.	–	205
Tohoku Region	141	356
Kanto Region	215	900
Chubu Region	1,943	185
Kansai Region	427	383
Chugoku Region	83	90
Total	2,809	2,119



SPECIALTY STORES

(Million ¥)

Years ended February 20	2008	2007	2006
Revenues*	**¥122,575**	¥133,600	¥128,068
Operating Costs and Expenses	**123,852**	131,572	125,526
Operating Income	**(1,277)**	2,028	2,542
Identifiable Assets	**65,044**	75,651	79,725
Depreciation	**1,744**	1,932	2,152
Impairment Loss on Fixed Assets	**6,170**	982	2,937
Capital Expenditures	**2,758**	2,613	2,996

* Revenues refer to sales to external customers.

KEY SPECIALTY STORES

	Sagami*			Molie			Palemo			Suzutan			Rough Ox		
Years ended February 20	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2007	**2008**	2007	2006
Revenues (Million ¥)	**57,526**	66,923	63,476	**8,815**	8,481	8,505	**33,796**	34,095	31,326	**20,432**	21,801	22,505	**1,997**	2,302	2,256
Net Sales (Million ¥)	**57,206**	66,527	63,083	**8,577**	8,251	8,293	**33,349**	33,730	30,993	**20,432**	21,801	22,505	**2,012**	2,324	2,229
Number of Stores	**548**	557	556	**179**	156	147	**569**	529	492	**298**	289	283	**22**	19	19
Newly Opened Stores	**74**	58	36	**23**	13	7	**71**	64	66	**22**	19	32	**4**	2	2
Sales Floor Space (m²)	**74,187**	77,325	60,825	**22,445**	19,490	18,461	**103,370**	94,029	82,839	**44,336**	42,950	41,603	**10,805**	9,854	10,317
Newly Opened Floor Space (m²)	**8,151**	7,727	4,433	**2,913**	1,642	889	**12,349**	12,813	13,365	**3,078**	2,964	4,055	**1,496**	500	1,109
Sales per Sq. Meter (Thousand ¥)	**771**	860	1,037	**382**	423	449	**323**	359	374	**461**	508	541	**186**	236	216
Full-Time Employees	**1,501**	1,646	1,750	**25**	27	26	**165**	153	149	**232**	240	264	**27**	27	27
Sales per Employee (Million ¥)	**38**	40	36	**343**	306	319	**202**	220	208	**88**	91	85	**75**	86	83

* Sagamis financial data, s uch as Net Sales, is shown on a consolidated basis.

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

SAGAMI

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

There were 548 stores being operated by Sagami at the end of fiscal 2008.

MOLIE

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

At the end of fiscal 2008, 179 stores were in operation, 23 more than at the end of the previous fiscal year.

PALEMO

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

At the end of fiscal 2008, 569 stores were in operation, 40 more than at the end of the previous fiscal year.

SUZUTAN

Suzutan Co., Ltd. offers casual wear for the young woman. Suzutan opened 22 new stores and closed 18 unprofitable stores in the fiscal year under review, for a total of 298 stores by the fiscal year-end. In the current fiscal year, we aim to increase sales and profits by further opening 20 new stores and closing 15 unprofitable ones.

ROUGH OX

Rough Ox Co., Ltd. was established in 1985 to market menswear. Historically, stores have been located mainly at roadsides. Looking ahead, Rough Ox is adopting an in-store format with stores gradually shifted to shopping centers.

At the end of fiscal 2008, there were 22 stores in operation, mainly at roadside locations.

FINANCIAL SERVICES

As a direct result of an aggressive sign-up campaign, UCS Co., Ltd. increased the number of Uny Card holders during the period under review by 340,000, to a total of 3.14 million. We would like to continue winning new cardholders in fiscal 2009, because this would lead to expanded business opportunities. Operating revenues surged to ¥16,548 million, up 10.2% against the previous fiscal year. On the other hand, operating income fell 30.4% year on year due to the decrease in loan interest rates and the increase in allowance for losses on interest refunds. In the fiscal year ending February 28, 2009, we will strive to further expand business in the shopping sector and increase income from the insurance business, while making a thorough effort to reduce costs.

(Million ¥)

	UCS		
Years ended February 20	2008	2007	2006
Revenues*	**¥16,548**	¥15,022	¥12,798
Operating Costs and Expenses	**15,807**	13,283	11,300
Operating Income	**3,624**	4,535	3,865
Identifiable Assets	**115,002**	94,931	78,751
Depreciation	**637**	385	371
Impairment Loss on Fixed Assets	**2**	7	–
Capital Expenditures	**1,238**	1,270	1,915

MANAGEMENT POLICIES

1. BASIC MANAGEMENT POLICIES

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

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

2. BASIC EARNINGS DISTRIBUTION POLICY

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

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

3. GROUP MANAGEMENT POLICIES

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

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

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

4. CORPORATE GOVERNANCE

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

1) Corporate Organization and Internal Control System Development

Overview of Corporate Organization

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

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

Internal Control System Development

As its company-wide internal control organization, Uny established the Risk Management Committee with the president and representative director as chair to uncover and control risks as well as to examine countermeasures against exposed risks. In addition, the Company set up its Compliance Committee under the Risk Management Committee for the purpose of administering compliance activities.

Uny's Help Line Committee was established as part of the Compliance Committee for accepting information from both inside and outside of the Company. When responding to a report, the Help Line Committee convokes the Investigation and Rogatory Committee when necessary to investigate the details surrounding reported issues and to propose countermeasures.

Finally, the Company distributes its "Corporate Ethics Standards" to all employees every year, and promotes bimonthly compliance themes to instill thorough adherence to ethical regulations and legal compliance.

Internal Audit and Audits by Corporate Auditors

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

Relationship with External Corporate Auditors

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

2) Development of a Risk Management System

In-house compliance and risk management promotion organizations include the aforementioned Risk Management Committee, which is chaired by the president and representative director at the Company's headquarters and a Marketing Department Safety Control Committee at the Group's marketing departments, with each general manager appointed as the chair. In addition, Store Safety Control Committees have been established at every store and are chaired by respective store managers. The Risk Management Committee reviews and provides measures to deal with all issues related to corporate ethics and risk management. The Marketing Department Safety Control Committee and Store Safety Control Committees function together as a unit to implement corporate ethics programs and risk management activities.

FINANCIAL SECTION
CONSOLIDATED FINANCIAL REVIEW

OPERATING RESULTS

Revenues by Segment

	Millions of Yen		% Change	
	2008		2008/2007	2007/2006
Superstores	**¥ 867,910**	**71.4%**	(1.9)%	1.0%
Convenience Stores	**201,910**	**16.6**	6.0	3.5
Specialty Stores	**122,575**	**10.1**	(8.3)	4.3
Financial Services	**21,005**	**1.7**	11.4	47.3
Other	**2,846**	**0.2**	136.8	(11.7)
Total	**¥1,216,246**	**100.0%**	(1.0)%	2.2%

Revenues

In fiscal 2008, ended February 20, 2008, consolidated operating revenue declined 1.0% from the previous fiscal year to ¥1,216,246 million. Within this figure, net sales amounted to ¥1,046,126 million, down 1.5% year on year, while other operating revenue grew 1.7% to ¥170,120 million.

By segment, operating revenue in the superstore segment was down 1.9% to ¥867,910 million. During the fiscal year under review, Uny Co., Ltd. opened four new stores, including three mall-type stores, and closed two stores. However, net sales at Uny fell 2.1% year on year (down 2.0% in same-store sales) due to the harsh competition with other large-scale stores and supermarkets amid a slowdown in spending. Conversely, other operating revenue grew 8.0%, reflecting an 8.4% increase in tenant leasing, despite a 1.6% decrease in overall operating revenue. During fiscal 2008, U Store Co., Ltd. opened one outlet and closed one outlet. Net sales at U Store were down 2.3% year on year, while same-store sales declined 3.7%.

In the convenience store segment, sales of mainstay rice dishes and delicatessen foods were stagnant. This was attributable to severe competition with rival businesses, restaurants, supermarkets and drug stores; impact from a prolonged rainy season and typhoons; and diverse customer needs. As a result, same-store sales fell 1.8% on a nonconsolidated basis. The total number of stores opened in fiscal 2008 stood at 339, including thirty-five 99 Ichiba stores. We also focused on store relocation to shift stores to the most suitable sites. Together with this, we proactively closed unprofitable outlets, mostly those with Circle K Sunkus directly operated stores. As a result, the number of stores closed totaled 488, including one 99 Ichiba store. Operating revenue in this segment rose 6.0% year on year to ¥201,910 million due to the increase in sales at Circle K Sunkus directly operated stores and growth in the number of consolidated subsidiaries.

In the specialty store segment, we faced severe conditions on the back of same-store sales declines at Sagami Co., Ltd., Palemo Co., Ltd. and Suzutan Co., Ltd., by 14.8%, 10.0% and 9.0%, respectively. Despite a 1.6% drop in same-store sales, Molie Co., Ltd. recorded a revenue increase owing to its growing number of stores. Nevertheless, operating revenue in this segment fell 8.3% year on year to ¥122,575 million.

In the financial services segment, the number of UCS cardholders climbed approximately 340,000 to 3.14 million at the end of fiscal 2008. During the fiscal year under review, UCS's operating revenue improved 9.2%, reflecting the increased volume of loan transactions. As a result, operating revenue in this segment expanded 11.4% year on year to ¥21,005 million.

By merchandise category, sales fell 6.3% for clothing and 2.5% for household goods, while sales for foods edged up 0.7%.

Earnings

Gross profit for the fiscal year under review fell ¥4,315 million due to a 1.5% decline in net sales. Gross operating profit, however, held to a 0.3%, or a ¥1,430 million decrease, to ¥457,964 million, reflecting a ¥2,885 million increase in other operating revenue.

Selling, general and administrative expenses (SG&A) rose 1.2% year on year to ¥417,010 million. As a result, operating income dropped 13.1% to ¥40,954 million, and the ratio of operating income to operating revenue declined 0.4 of a percentage point to 3.4%.

In the superstore segment, operating income declined 1.0% year on year to ¥18,040 million. In the fiscal year under review, the decrease in net sales exceeded the increase in other operating revenue. While operating revenue fell 1.9%, operating costs and expenses also contracted 1.9%.

In the convenience store segment, operating revenue increased during the period under review on the back of a growth in sales at Circle K Sunkus directly operated stores and growth in the number of consolidated subsidiaries. However, a lower gross profit margin ratio and increased costs caused a 10.1% year-on-year decrease in operating income to ¥19,265 million.

During fiscal 2008, specialty stores faced severe conditions. Sagami, Palemo, Suzutan and Rough Ox Co., Ltd. recorded a revenue decrease. Sagami and Rough Ox also recorded an operating loss. Furthermore, Palemo, Suzutan and Molie experienced substantial earnings declines. As a result, the specialty store segment recorded an operating loss of ¥1,277 million.

In the financial services segment, UCS's operating income dropped 30.4% year on year due to the decrease in loan interest rates and the increase in allowance for losses on interest refunds, despite an increase in the number of cardholders. As a result, operating income in this segment fell 19.0% to ¥3,789 million.

In other income (expenses), net financial expenses (interest expenses less interest and dividend income) totaled ¥2,381 million, up from ¥2,053 million in the previous fiscal year. Other expenses included a ¥21,942 million impairment loss on fixed assets, a ¥2,878 million loss on cancellation of lease contracts, mainly due to the closing of convenience stores, and a ¥2,367 million loss on sales or disposal of property and equipment. In addition, a ¥1,339 million gain on the return of the substituted portion of the Sunkus' employee welfare pension fund was recorded.

As a result, income before income taxes and minority interests dropped 65.2% year on year to ¥10,187 million. Net income stood at ¥377 million after deducting ¥11,877 million in income tax expenses and ¥2,067 in minority interests in losses. Net income per share for the fiscal year under review fell from ¥49.27 to ¥2.00.

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

Financial Position and Liquidity

As of February 20, 2008, the Uny Group's assets totaled ¥973,142 million, an increase of ¥6,916 million from the end of the previous fiscal year. Consolidated equity (net assets less minority interests) totaled ¥235,625 million, down ¥8,813 million from the previous fiscal year-end. As a result, the equity ratio fell 1.1 percentage points to 24.2%. Consolidated interest-bearing debt (long-term debt including current portion, short-term borrowings and commercial paper) increased ¥13,679 million to ¥324,194 million. Consolidated interest-bearing debt excluding the Group's financial services subsidiary, UCS Co., Ltd., decreased ¥2,020 million year on year. The interest-coverage ratio declined from 9.6 times to 3.6 times.

Cash Flows

Net cash provided by operating activities dropped ¥32,810 million year on year to ¥36,825 million. Principal components were income before income taxes of ¥10,187 million, depreciation costs of ¥26,388 million, impairment loss on fixed assets of ¥21,942 million, decrease in trade payables of ¥5,194 million and income taxes paid of ¥16,258 million.

Net cash used in investing activities decreased ¥24,879 million to ¥47,663 million. This reflected ¥42,299 million paid for purchases of property and equipment, ¥10,087 million disbursed for lease deposits and ¥8,989 million in repayment of lease deposits.

Net cash provided by financing activities amounted to ¥6,052 million, a turnaround from net cash used in financing activities of ¥4,576 million.

Sales by Merchandise Category

Years ended February 20	2008		2007		2006		Change 2008/2007
	Millions of Yen						
Clothing	**¥ 270,496**	**22.2%**	¥ 288,611	23.5%	¥ 286,282	23.8%	(6.3)%
Women's clothing	**99,116**	**36.6**	103,288	35.8	101,277	35.4	(4.0)
Children's clothing	**24,935**	**9.2**	26,357	9.1	26,835	9.4	(5.4)
Men's clothing	**30,007**	**11.1**	32,100	11.1	32,810	11.5	(6.5)
Accessories and shoes	**44,812**	**16.6**	48,826	16.9	48,936	17.1	(8.2)
Lingerie	**37,296**	**13.8**	38,071	13.2	38,914	13.6	(2.0)
Kimonos and related accessories	**34,330**	**12.7**	39,969	13.8	37,510	13.1	(14.1)
		100.0		100.0		100.0	
Household Goods	**178,561**	**14.7**	183,068	14.9	179,638	14.9	(2.5)
Sundry and leisure goods	**136,713**	**76.6**	137,199	74.9	131,494	73.2	(0.4)
Furniture, electrical appliances and others	**41,848**	**23.4**	45,869	25.1	48,144	26.8	(8.8)
		100.0		100.0		100.0	
Foods	**566,719**	**46.6**	562,833	45.8	548,167	45.6	0.7
Fresh foods	**293,076**	**51.7**	298,052	53.0	292,999	53.5	(1.7)
Processed foods	**273,643**	**48.3**	264,781	47.0	255,168	46.5	3.3
		100.0		100.0		100.0	
Other Merchandise	**30,350**	**2.5**	27,199	2.2	23,678	2.0	30.9
Net Sales	**1,046,126**	**86.0**	1,061,711	86.4	1,037,765	86.3	(1.1)
Other Operating Revenue	**170,120**	**14.0**	167,235	13.6	164,876	13.7	(0.7)
Total	**¥1,216,246**	**100.0%**	¥1,228,946	100.0%	¥1,202,641	100.0%	(1.0)%

The net increase in long-term debt and short-term borrowings were ¥60,500 million and ¥5,804 million, respectively, while Uny recorded repayment of long-term debt of ¥52,625 million.

As a result, cash and cash equivalents upon inclusion of additional subsidiaries on consolidation at the end of fiscal 2008 totaled ¥97,710 million, down ¥4,411 million year on year.

In fiscal 2009, ending February 20, 2009, plans call for capital investment of ¥72,900 million on a contract basis, compared with approximately ¥69,600 million in fiscal 2008.

OUTLOOK FOR FISCAL 2009

In the fiscal year ending February 20, 2009, the overall Japanese economy is expected to decelerate amid the ongoing severe market conditions. Under such circumstances, it is anticipated that the Uny Group will face a harsh environment amid intensifying competition with other companies in the retail industry. Given this situation, the Uny Group established the Medium-Term Management Plan for fiscal 2009 to 2011. With the aim of winning out in this environment, the Group will strive to enhance each Group company's profitability and set growth strategies that will result in stronger competitiveness.

In the superstore segment, Uny Co., Ltd. plans to merge with U Store Co., Ltd. at the beginning of the second half of fiscal 2009 with the aim of creating advantages of larger business scale and producing synergistic effects. With this merger, we will implement profitability improvement activities, including cost reduction, by unifying contracts with makers and integrating both companies' suppliers. In addition, we will make efforts to reduce administrative expenses by integrating both companies' headquarters functions. After the merger, however, we expect a 1.8% decrease in same-store sales in fiscal 2009.

In the convenience store segment, we will develop and enhance the lineups of noodle and bakery treats as our key business categories. In addition, we will aim to strengthen products under our own brand, while expanding the "local production for local consumption" project. On the store development front, we will concentrate our investment in opening new stores in profitable areas. Together with this, we will promote relocation and scrap and build existing stores in order to restructure stores in our dominant areas. In terms of services provided, we plan to install multifunctional photocopiers and multimedia terminals at stores. In addition, we will complete the installation of the Bank Time ATM service, exclusively in the Kansai area, by July 2008.

In the specialty store segment, we aim to enhance our rate of return. In pursuit of this, we will improve the gross profit of each product by promoting the development of our own brand and by further accelerating low-cost management. Together with this, we will aggressively implement the scrapping and building of unprofitable stores, while promoting new store formats. As for Sagami, in particular, we will make steady efforts to restructure its business to recover profitability.

UCS Co., Ltd. will strive to enhance its business, including revolving payment and general installment payment plans for shopping, as well as to increase its presence in the insurance industry. By doing so, UCS will be able to achieve a balanced earnings structure. On top of these efforts, UCS will thoroughly implement low-cost management to reduce expenses.

Management's discussion of the outlook for fiscal 2009, its plans for store openings and its forecasts of operating revenues and net income are forward-looking statements. Principal factors that may cause actual results to differ materially from those expressed in the forward-looking statements made by the management of Uny include a further downturn in the domestic economy, the inability to open new stores as planned and a worse-than-expected deterioration in the competitive environment of the retail industry in Japan.

SELECTED FINANCIAL DATA

UNY CO., LTD. and Consolidated Subsidiaries	Millions of Yen					Thousands of U.S. Dollars*
Years ended February 20	**2008**	2007	2006	2005	2004	**2008**
For the Year						
Operating revenue	**¥1,216,246**	¥1,228,946	¥1,202,641	¥1,191,299	¥1,167,568	**$11,261,537**
Net sales	**1,046,126**	1,061,711	1,037,765	1,028,794	1,010,810	**9,686,352**
Cost of goods sold	**758,282**	769,552	753,152	751,388	745,719	**7,021,129**
Selling, general and administrative expenses	**417,010**	412,252	405,908	398,116	378,183	**3,861,204**
Interest expenses	**3,936**	3,396	3,166	3,284	3,253	**36,444**
Income before income taxes and minority interests	**10,187**	29,266	46,454	34,853	29,972	**94,324**
Net income	**377**	9,302	16,102	10,878	9,828	**3,491**
Purchases of property and equipment	**42,299**	57,572	48,002	48,547	34,251	**391,657**
Lease deposits made	**10,087**	9,703	12,555	14,068	10,052	**93,398**
Per share data (in Yen and U.S. Dollars):						
Net income	**2.00**	49.27	84.64	56.84	51.13	**0.02**
Cash dividends	**18.00**	18.00	18.00	18.00	18.00	**0.17**
Average shares issued (in Thousands)	**189,295**	189,295	189,295	189,295	189,295	**—**
At Year-End						
Merchandise inventories	**61,711**	62,404	64,715	64,871	61,948	**571,398**
Property and equipment (book value)	**414,389**	410,194	391,366	416,131	389,350	**3,836,935**
Total assets	**973,142**	966,226	951,151	982,309	922,262	**9,010,574**
Long-term debt, less current portion	**203,108**	173,824	184,131	162,022	168,041	**1,880,630**
Total net assets**	**350,835**	364,291	—	—	—	**3,248,472**
Shareholders' equity**	**—**	—	239,145	222,612	214,178	**—**
Profitability						
(Net sales – cost of goods sold)/Net sales (%)	**27.5**	27.5	27.4	27.0	26.2	**—**
Income before income taxes/Operating revenue (%)	**0.8**	2.4	3.9	2.9	2.6	**—**
Net income/Operating revenue (%)	**0.0**	0.8	1.3	0.9	0.8	**—**
Net income/Total assets (%)	**0.0**	1.0	1.7	1.1	1.1	**—**
Net income/Shareholders' equity [Total net assets-minority interests] (%)	**0.2**	3.8	6.7	4.9	4.6	**—**
Financial Structure Analysis						
Shareholders' equity [Total net assets-minority interests]/Total assets (%)	**24.2**	25.3	25.1	22.7	23.2	**—**
Long-term debt/Shareholders' equity [Total net assets-minority interests] (Times)	**0.9**	0.7	0.8	0.7	0.8	**—**
Income before income taxes and interest expenses/Interest expenses (Times)	**3.6**	9.6	15.7	11.6	10.2	**—**
Turnover Analysis						
Net sales/Merchandise inventories (Times)	**17.0**	17.0	16.0	15.9	16.3	**—**
Operating revenue/Total assets (Times)	**1.2**	1.3	1.3	1.2	1.3	**—**

*See Note 1 of Notes to Consolidated Financial Statements.
**See Note 2(b) of Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

UNY CO., LTD. and Consolidated Subsidiaries		Millions of Yen		Thousands of U.S. Dollars
For the Years Ended February 20, 2008, 2007 and 2006	**2008**	2007	2006	**2008**
Operating Revenue (Note 12):				
Net sales	**¥1,046,126**	¥1,061,711	¥1,037,765	**$ 9,686,352**
Other	**170,120**	167,235	164,876	**1,575,185**
	1,216,246	1,228,946	1,202,641	**11,261,537**
Operating Costs and Expenses (Notes 6, 8 and 12):				
Cost of goods sold	**758,282**	769,552	753,152	**7,021,129**
Selling, general and administrative expenses	**417,010**	412,252	405,908	**3,861,204**
	1,175,292	1,181,804	1,159,060	**10,882,333**
Operating income	**40,954**	47,142	43,581	**379,204**
Other Income (Expenses):				
Interest and dividend income	**1,555**	1,343	940	**14,398**
Interest expenses	**(3,936)**	(3,396)	(3,166)	**(36,444)**
Equity in net earnings of affiliate	**23**	253	317	**213**
Loss on sales or disposal of property and equipment	**(2,367)**	(2,996)	(2,315)	**(21,917)**
Loss on cancellation of lease contracts	**(2,878)**	(2,045)	(1,675)	**(26,648)**
Loss on close-down of stores	**(1,185)**	(969)	(752)	**(10,972)**
Loss on write-down of securities (Note 4)	**(88)**	(277)	(199)	**(815)**
Impairment loss on fixed assets (Note 2(k))	**(21,942)**	(11,057)	(48,963)	**(203,167)**
Cumulative effect of accounting changes of subsidiaries (Notes 2(t) and 2(h))	**—**	(1,257)	(2,371)	**—**
Gain on return of substituted portion of employee welfare pension fund (Note 2(m))	**1,339**	—	53,720	**12,398**
Repayment forgiveness of deposits from golf club members	**—**	—	5,111	**—**
Miscellaneous, net	**(1,288)**	2,525	2,226	**(11,926)**
	(30,767)	(17,876)	2,873	**(284,880)**
Income before income taxes and minority interests	**10,187**	29,266	46,454	**94,324**
Income Taxes:				
Current	**12,567**	15,914	13,604	**116,361**
Deferred	**(690)**	457	10,293	**(6,389)**
	11,877	16,371	23,897	**109,972**
(Loss) income before minority interests	**(1,690)**	12,895	22,557	**(15,648)**
Minority Interests in Losses (Earnings) of Consolidated Subsidiaries	**2,067**	(3,593)	(6,455)	**19,139**
Net income	**¥ 377**	¥ 9,302	¥ 16,102	**$ 3,491**

		Yen		U.S. Dollars
Per Share (in yen and U.S. dollars):				
Net income	**¥ 2.00**	¥49.27	¥84.64	**$0.02**
Cash dividends	**18.00**	18.00	18.00	**0.17**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

UNY CO., LTD. and Consolidated Subsidiaries February 20, 2008 and 2007	Millions of Yen 2008	 2007	Thousands of U.S. Dollars 2008
ASSETS			
Current Assets:			
Cash and cash equivalents	**¥ 97,710**	¥ 102,121	**$ 904,722**
Short-term investments (Notes 4 and 5)	**3,926**	1,472	**36,352**
Notes and accounts receivable:			
Trade notes	**29**	36	**269**
Trade accounts	**50,023**	44,994	**463,176**
Other	**27,812**	16,398	**257,519**
Allowance for doubtful accounts	**(4,385)**	(3,058)	**(40,602)**
	73,479	58,370	**680,362**
Merchandise inventories	**61,711**	62,404	**571,398**
Deferred tax assets (Note 11)	**5,095**	6,207	**47,176**
Other current assets	**70,792**	65,369	**655,481**
Total current assets	**312,713**	295,943	**2,895,491**
Property and Equipment (Note 5)**:**			
Land	**184,371**	181,130	**1,707,139**
Buildings and structures	**433,272**	418,017	**4,011,778**
Equipment and fixtures	**68,018**	67,191	**629,796**
Construction in progress	**10,187**	13,018	**94,324**
Total property and equipment	**695,848**	679,356	**6,443,037**
Accumulated depreciation	**(281,459)**	(269,162)	**(2,606,102)**
Net property and equipment	**414,389**	410,194	**3,836,935**
Investments and Other Assets:			
Lease deposits (Notes 5 and 8)	**149,801**	156,891	**1,387,046**
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 4)	**7,705**	8,372	**71,342**
Investment securities (Note 4)	**12,295**	26,173	**113,842**
Deferred tax assets (Note 11)	**17,930**	11,639	**166,019**
Goodwill	**17,144**	19,792	**158,741**
Other	**44,090**	40,368	**408,241**
Allowance for doubtful accounts	**(2,925)**	(3,146)	**(27,083)**
Total investments and other assets	**246,040**	260,089	**2,278,148**
	¥ 973,142	¥ 966,226	**$ 9,010,574**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Short-term borrowings (Note 5)	**¥ 90,020**	¥ 84,216	**$ 833,519**
Current portion of long-term debt (Note 5)	**31,066**	52,475	**287,648**
Notes and accounts payable:			
Trade notes	**11,654**	12,052	**107,907**
Trade accounts	**94,972**	99,518	**879,370**
Other	**40,528**	32,109	**375,259**
	147,154	143,679	**1,362,536**
Accrued expenses	**17,278**	17,743	**159,982**
Income taxes payable	**6,420**	10,095	**59,444**
Other current liabilities	**55,083**	47,239	**510,028**
Total current liabilities	**347,021**	355,447	**3,213,157**
Long-Term Liabilities:			
Long-term debt, less current portion (Note 5)	**203,108**	173,824	**1,880,630**
Guarantee deposits from tenants	**57,165**	55,588	**529,306**
Employee retirement benefit liability (Note 6)	**6,226**	11,246	**57,648**
Other long-term liabilities (Note 11)	**8,787**	5,830	**81,361**
Total long-term liabilities	**275,286**	246,488	**2,548,945**
Commitments and Contingent Liabilities (Note 9)			
Net Assets (Note 7)**:**			
Shareholders' equity			
Common stock;			
Authorized: 600,000,000 shares			
Issued: 189,295,483 shares	**10,129**	10,129	**93,787**
Capital surplus	**49,486**	49,487	**458,204**
Retained earnings	**174,961**	177,165	**1,620,009**
Less, treasury stock at cost: 601,543 shares in 2008 and 530,273 shares in 2007	**(800)**	(715)	**(7,407)**
Total shareholders' equity	**233,776**	236,066	**2,164,593**
Accumulated gains from valuation and translation adjustments	**1,849**	8,372	**17,120**
Minority interests	**115,210**	119,853	**1,066,759**
Total net assets	**350,835**	364,291	**3,248,472**
	¥973,142	¥966,226	**$9,010,574**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

UNY CO., LTD. and Consolidated Subsidiaries

For the Year Ended February 20, 2006	Number of Common Shares Issued	Millions of Yen: Common Stock	Capital Surplus	Retained Earnings
Balance at February 20, 2005	189,295,483	¥10,129	¥49,486	¥159,705
Net income	—	—	—	16,102
Cash dividends	—	—	—	(3,375)
Bonuses to directors and corporate auditors	—	—	—	(134)
Reversal of land revaluation decrement	—	—	—	(390)
Adjustment for valuation allowance relating to deferred tax assets	—	—	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—
Translation adjustment	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	—	—
Balance at February 20, 2006	189,295,483	¥10,129	¥49,486	¥171,908

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

	Thousands of U.S. Dollars		
Balance at February 20, 2007	$93,787	$458,213	$1,640,416
Net income	**—**	**—**	**3,491**
Cash dividends	**—**	**—**	**(31,463)**
Reversal of land revaluation decrement	**—**	**—**	**(2,731)**
Increase in retained earnings through inclusion of additional subsidiaries on consolidation	**—**	**—**	**10,296**
Fractional shares acquired, net	**—**	**(9)**	**—**
Net changes other than shareholders' equity for the year	**—**	**—**	**—**
Balance at February 20, 2008	**$93,787**	**$458,204**	**$1,620,009**

See accompanying Notes to Consolidated Financial Statements.

Millions of Yen				
Land Revaluation Decrement	Net Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
¥(1,011)	¥5,211	¥(568)	¥(340)	¥222,612
—	—	—	—	16,102
—	—	—	—	(3,375)
—	—	—	—	(134)
390	—	—	—	—
(722)	—	—	—	(722)
—	4,658	—	—	4,658
—	—	265	—	265
—	—	—	(261)	(261)
¥(1,343)	¥9,869	¥(303)	¥(601)	¥239,145

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

Thousands of U.S. Dollars								
$ (6,620)	$2,185,796	$ 88,528	$ 435	$(8,371)	$(3,074)	$ 77,518	$1,109,750	$3,373,064
—	**3,491**	**—**	**—**	**—**	**—**	**—**	**—**	**3,491**
—	**(31,463)**	**—**	**—**	**—**	**—**	**—**	**—**	**(31,463)**
—	**(2,731)**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,731)**
—	**10,296**	**—**	**—**	**—**	**—**	**—**	**—**	**10,296**
(787)	**(796)**	**—**	**—**	**—**	**—**	**—**	**—**	**(796)**
—	**—**	**(60,241)**	**(1,213)**	**2,676**	**(1,620)**	**(60,398)**	**(42,991)**	**(103,389)**
$ (7,407)	**$2,164,593**	**$ 28,287**	**$ (778)**	**$(5,695)**	**$(4,694)**	**$ 17,120**	**$1,066,759**	**$3,248,472**

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNY CO., LTD. and Consolidated Subsidiaries	Millions of Yen			Thousands of U.S. Dollars
For the Years Ended February 20, 2008, 2007 and 2006	**2008**	2007	2006	**2008**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	**¥ 10,187**	¥ 29,266	¥ 46,454	**$ 94,324**
Adjustments for:				
Depreciation	**26,388**	26,681	29,257	**244,333**
Impairment loss on fixed assets	**21,942**	11,057	48,963	**203,167**
Loss on sales or disposal of property and equipment	**2,367**	2,996	2,315	**21,917**
Net decrease in employee retirement benefit liability	**(5,021)**	(2,765)	(52,755)	**(46,491)**
Changes in operating assets and liabilities:				
Trade receivables	**(5,132)**	(4,925)	(3,075)	**(47,519)**
Inventories	**770**	2,373	1,078	**7,130**
Trade payables	**(5,194)**	(458)	(25,140)	**(48,093)**
Other, net	**9,491**	23,331	890	**87,880**
Subtotal	**55,798**	87,556	47,987	**516,648**
Interest and dividends received	**1,304**	1,148	828	**12,074**
Interest paid	**(4,019)**	(3,288)	(2,990)	**(37,213)**
Income taxes paid	**(16,258)**	(15,781)	(13,384)	**(150,537)**
Net cash provided by operating activities	**36,825**	69,635	32,441	**340,972**
Cash Flows from Investing Activities:				
Property and equipment:				
Purchases	**(42,299)**	(57,572)	(48,002)	**(391,657)**
Proceeds from sales	**2,332**	3,081	4,222	**21,593**
Lease deposits made	**(10,087)**	(9,703)	(12,555)	**(93,398)**
Lease deposits repaid	**8,989**	8,951	9,127	**83,231**
Net decrease (increase) in short-term investments	**395**	(2,969)	273	**3,657**
Increase in cash through acquisition of subsidiary (Note 3)	**—**	116	391	**—**
Payment for transfer of golf club operation business	**—**	—	(3,148)	**—**
Other, net	**(6,993)**	(14,446)	(9,975)	**(64,750)**
Net cash used in investing activities	**(47,663)**	(72,542)	(59,667)	**(441,324)**
Cash Flows from Financing Activities:				
Increase in long-term debt	**60,500**	42,280	50,100	**560,185**
Repayment of long-term debt	**(52,625)**	(30,467)	(43,692)	**(487,268)**
Increase (decrease) in short-term borrowings	**5,804**	(3,014)	17,967	**53,741**
Net (decrease) increase in guarantee deposits from tenants	**(1,867)**	(2,532)	3,348	**(17,287)**
Dividends paid to shareholders	**(3,398)**	(3,399)	(3,375)	**(31,463)**
Dividends paid to minority shareholders	**(2,201)**	(2,278)	(2,274)	**(20,380)**
Repurchases of subsidiary's stock from minority shareholders	**(172)**	(5,172)	—	**(1,593)**
Other, net	**11**	6	2,380	**102**
Net cash provided by (used in) financing activities	**6,052**	(4,576)	24,454	**56,037**
Effect of exchange rate changes on cash and cash equivalents	**(178)**	(18)	273	**(1,648)**
Net decrease in cash and cash equivalents	**(4,964)**	(7,501)	(2,499)	**(45,963)**
Cash and cash equivalents at beginning of year	**102,121**	108,104	110,603	**945,565**
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	**553**	1,518	—	**5,120**
Cash and cash equivalents at end of year	**¥ 97,710**	¥102,121	¥108,104	**$ 904,722**

See accompanying Notes to Consolidated Financial Statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of the consolidated statement of shareholders' equity for 2006 from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As discussed in Note 2(c), the consolidated statements of changes in net assets for the years ended February 20, 2008 and 2007 have been prepared in accordance with the new accounting standard. The accompanying consolidated statement previously reported for the year ended February 20, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements although such a statement was not required to be filed with the Local Finance Bureau.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at February 20, 2008, which was ¥108 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

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

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise in which the investor has a significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or 15% to 19% owned enterprise that meets certain criteria. For the years ended February 20, 2008, 2007 and 2006, the number of companies that were not more than 50% owned enterprises, but were nevertheless classified as consolidated subsidiaries based on the judgment of the Company in accordance with the accounting standard was eight, seven, and four, respectively.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended February 20, 2008, 2007 and 2006 was as follows:

	2008	2007	2006
Consolidated subsidiaries:			
Domestic	**24**	22	20
Overseas	**2**	2	2
Affiliates, accounted for by the equity method	**1**	1	1
Unconsolidated subsidiaries, stated at cost	**13**	14	17
Affiliates, stated at cost	**13**	14	16

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

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

(b) Accounting standard for presentation of net assets in the balance sheet

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

The consolidated balance sheets prepared in accordance with the new standards comprise three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet reported pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders' equity sections. Under the new standards, the following items are presented differently from the previous reporting. The net assets section includes unrealized gains/losses on hedging derivative instruments, net of taxes. Under the previous presentation rules, unrealized gains/losses on hedging derivative instruments were included in the assets or liabilities section without considering the related income tax effects. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and the shareholders' equity sections. If the previous accounting method had been applied for the consolidated balance sheet at February 20, 2007, equity would have amounted to ¥244,391 million.

(c) Accounting standard for statement of changes in net assets

Effective from the year ended February 20, 2007, the UNY Group adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (ASBJ Statement No. 6), and the implementation guidance for the accounting standard for statement of changes in net assets (ASBJ Guidance No. 9), and has prepared the accompanying consolidated statements of changes in net assets for the years ended February 20, 2008 and 2007 in accordance with these new standards. The accompanying consolidated statement for the year ended February 20, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules.

(d) Cash equivalents

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

(e) Investments and marketable securities

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

(f) Accounting for derivatives

Certain transactions classified as hedging transactions are accounted for under a deferral method. Until the year ended February 20, 2006, unrealized gains or losses on hedging derivative instruments were deferred as assets or liabilities on the balance sheet until the gains and losses on the hedged items were realized. Effective from the year ended February 20, 2007, such unrealized gains or losses on hedging derivative instruments, net of tax amounts, are deferred and reported as a component of net assets in accordance with the new standards (see also Note 2(b)). According to the special treatment permitted by the accounting standard for financial instruments, hedging interest rate swap or cap contracts are accounted for on an accrual basis and recorded net of interest expenses generated from borrowings, hedged items, if certain conditions are met. Foreign currency exchange forward or option contracts are accounted for to translate foreign currency denominated assets and liabilities at such contracts rates as an interim measure if certain hedging criteria are met.

The gains and losses for revalued compound instruments, including embedded derivatives, are included in "miscellaneous" of other income (expenses) in the accompanying consolidated statements of income for the years ended February 20, 2008, 2007 and 2006, where such embedded derivatives cannot be separated from the host contract.

(g) 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 calculated based on the historical loss experience for a certain past period.

(h) Inventories

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

One of the consolidated subsidiaries previously adopted the cost method determined by the specific identification method for some jewelry merchandise and the cost method determined by the retail method for other merchandise. From the year ended February 20, 2006, a consolidated subsidiary changed its valuation method for merchandise inventories, except those for women's and miscellaneous items, to the lower of cost or market, cost being determined by the specific identification method. This change was made in order to recognize operational results more fairly and timely based on the establishment of a computerized inventory management system. As a result, the UNY Group recorded the cumulative effect of this accounting change of ¥2,371 million for the year ended February 20, 2006.

(i) Property and equipment, and depreciation

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

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

In accordance with the amendment of the Corporation Tax Law of Japan, effective for the fiscal year ended February 20, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for property and equipment acquired on and after April 1, 2007 to the method pursuant to the amended Corporation Tax Law of Japan. As a result, operating income and income before income tax and minority interests for the year ended February 20, 2008 decreased by ¥462 million ($4,278 thousand), respectively, as compared with the previous accounting method.

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

(j) Leases

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

(k) Accounting standard for impairment of fixed assets

On August 9, 2002, BACJ issued the "Accounting Standard for Impairment of Fixed Assets," which is effective for the fiscal years beginning April 1, 2005. ASBJ issued related practical guidance on October 31, 2003. The UNY Group adopted this accounting standard and related practical guidance from the year ended February 20, 2006. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, which is to be measured as the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and structures, and equipment and fixtures as well as intangible assets and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets.

For the purpose of recognition and measurement of an impairment loss, fixed assets of the UNY Group are principally grouped into cash generating units, such as stores, other than idle or unused property. The UNY Group determines if assets are impaired by comparing their undiscounted expected cash flows to the carrying amounts in the accounting records. An impairment loss is recognized if undiscounted expected cash flows are less than the carrying amount of the asset. The recoverable amounts of assets were measured based on their net selling prices primarily from appraisal valuations or amounts of operating cash flows discounted by interest rates. The discount rates for fiscal years ended February 20, 2008, 2007 and 2006 ranged from 3.9% to 8.1%, from 2.9% to 6.3%, and from 3.1% to 8.0%, respectively.

For the years ended February 20, 2008, 2007 and 2006, the UNY Group recognized impairment losses on fixed assets of ¥21,942 million ($203,167 thousand), ¥11,057 million and ¥48,963 million, respectively, as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	**2008**
Superstores, convenience stores, specialty stores, and other property	**¥21,906**	¥10,971	¥46,943	**$202,833**
Idle property	**36**	86	2,020	**334**
Total	**¥21,942**	¥11,057	¥48,963	**$203,167**

(l) Revaluation of land

In accordance with the Law Concerning Revaluation of Land of Japan, one of the consolidated subsidiaries elected the one-time revaluation to restate the cost of land used for business at a value rationally reassessed effective on February 20, 2002, reflecting appropriate adjustments for land shape and other factors and based on appraisal values issued by the Japanese National Tax Agency or municipal property tax bases. According to the law, the amount equivalent to the tax effect on the difference between the original book value and sound reassessed value is recorded as deferred tax liabilities for revaluation account. The rest of the difference, net of the tax effect and minority interests portion, is recorded as a component of the net assets section in the land revaluation decrement account in the accompanying consolidated balance sheets. At February 20, 2008 and 2007, the difference of the carrying value of land used for business after reassessment over the market value of such land at the respective fiscal year-ends amounted to ¥470 million ($4,352 thousand) and ¥647 million, respectively.

(m) Employee retirement benefits

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

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

In conjunction with the Defined Benefit Enterprise Pension Plan Law, the Company and its major domestic consolidated subsidiaries received the approval of the Minister of Health, Labor and Welfare of Japan for exemption from payment of the future benefit of the substituted portion of the employee welfare pension fund on February 17, 2003 and received an approval for returning the assets relating to the substituted portion of the employee welfare pension fund on January 1, 2006, and then recognized an extinguishment of the retirement benefit obligation with respect to such substituted portion during the year ended February 20, 2006, in accordance with the treatment specified in paragraph 44-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" issued by JICPA. As a result, the UNY Group recorded ¥53,720 million as other income on the consolidated statements of income for the year ended February 20, 2006.

In addition, SUNKUS, currently a part of a consolidated subsidiary, received an approval from the Minister of Health, Labor and Welfare of Japan, for exemption from payment of future benefit regarding the substituted portion of the employee welfare pension fund on July 29, 2005 and an approval for returning the assets relating to the substituted portion of the employee welfare pension fund on September 1, 2007. SUNKUS then recognized an extinguishment of the retirement benefit obligation with respect to such substituted portion during the year ended February 20, 2008 and recorded ¥1,339 million ($12,398 thousand) as other income for the year ended February 20, 2008. SUNKUS's welfare pension fund plan also received an approval from the Minister of Health, Labor and Welfare of Japan on September 1, 2007 to merge into the UNY Group's corporate pension fund plan.

(n) Severance indemnities for officers

Until May 2005, the UNY Group paid severance indemnities to directors and corporate auditors upon the approval of the shareholders, and the Company and its principal consolidated subsidiaries provided for this liability at the amount that would have been payable assuming such directors and corporate auditors terminate their service at the balance sheet date. In May 2005, the Company and its principal consolidated subsidiaries terminated the severance benefit plan for directors and corporate auditors and the shareholders of the companies approved paying the severance indemnities benefits granted prior to the termination date of the severance benefit plan. At February 20, 2008 and 2007, the unpaid portion of these severance indemnities benefits was included in current liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

(o) Accounting for allowance for losses for interest repayments

An allowance for losses for interest repayments is provided by one of the consolidated subsidiaries engaged in financial services to customers based on anticipated losses, taking into consideration the historical repayment of claims from the customers for the refund of interest that exceed the upper limit for interest rates prescribed under the Interest Rate Restriction Law of Japan. Effective from the year ended February 20, 2007, the consolidated subsidiary adopted the "Application of Auditing for Provision of Allowance for Loss for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" of the Industry Audit Practice Committee Report No. 37)," which was issued by JICPA on October 13, 2006 to clarify the guidelines for calculating the allowance for losses on interest repayments and a reasonable period for estimation. As a result of the adoption, the consolidated subsidiary recorded ¥832 million as other expenses in the accompanying consolidated statements of income for the year ended February 20, 2007 to account for the difference between the amount recalculated in accordance with the above report and the balance at the previous fiscal year-end. In addition, operating income and income before income taxes and minority interests for the year ended February 20, 2007 decreased by ¥360 million and ¥1,192 million, as compared with the previous accounting method. The accrued amounts of ¥2,211 million ($20,472 thousand) and ¥1,669 million at February 20, 2008 and 2007, respectively, were included in other long-term liabilities.

(p) Allowance for sales promotion

Certain consolidated subsidiaries grant points to customers as member cardholders, in a "Point card system" on their purchase of merchandise. These points are awarded in proportion to purchase amounts and may be redeemed for future merchandise. For the years ended February 20, 2008 and 2007, three and two consolidated subsidiaries, respectively, provided an allowance for sales promotion based on the estimates at the fiscal year-end under the point card system. During the year ended February 20, 2007, because one consolidated subsidiary changed its accounting method to provide for the allowance rather than record expense at the time the points were used, operating income increased by ¥27 million and income before income taxes and minority interests decreased by ¥128 million, as compared with the previous accounting method. In addition, an additional consolidated subsidiary changed its accounting method to provide the allowance from the year ended February 20, 2008. As a result, operating income and income before income taxes and minority interests for the year ended February 20, 2008 decreased by ¥80 million ($741thousand), as compared with the previous accounting method.

(q) Provisions

For the year ended February 20, 2008, one of the consolidated subsidiaries has provided an allowance for future losses on its business restructuring, including for its items such as the close-down of stores, loss on disposal of inventory and discontinued operations, based on its best estimates as of the current fiscal year-end. In addition, another consolidated subsidiary has provided an allowance for future losses on guarantees. At February 20, 2008, these provisions aggregated ¥3,870 million ($35,834 thousand).

(r) Accounting change for gift certificates

The Company issues gift certificates to the customers and records the receipts as liabilities. Until the year ended February 20, 2007, after a certain period from issuance, the Company stopped recording unused gift certificates as liabilities and recorded them as other income at issuance prices, considering the possibility of fulfillment of the obligation. However, in accordance with the "Auditing Treatment Concerning Reserve Under the Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Auditing and Assurance Practice Committee Report No. 42 issued on April 13, 2007), effective from the year ended February 20, 2008, the Company changed its accounting method to record the whole amount of unused gift certificates as liabilities based on the Company's historical analysis that most of the gift certificates were used and collected. As a result, the Company recorded ¥1,874 million ($17,352 thousand) of the cumulative effect of this accounting change as other expenses, and operating income and income before income taxes and minority interests for the year ended February 20, 2008 decreased by ¥363 million ($3,361 thousand) and ¥2,237 million ($20,713 thousand), as compared with the previous accounting method.

(s) Translation of foreign currency accounts

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

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

(t) Accounting change for revenue recognition

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

(u) Income taxes

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

(v) Enterprise taxes

With the implementation of the "Revision of the Local Tax Law" issued on March 31, 2003, a local corporate enterprise tax base such as "added value amount" and "capital amount" has been adopted. Enterprise taxes based on "added value amount" and "capital amount" are included in selling, general and administrative expenses pursuant to "Practical Treatment for Presentation of Sized-Based Corporate Enterprise Taxes in the Statement of Income" (ASBJ Report of Practical Issues No. 12).

(w) Accounting standard for directors' bonus

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

(x) Appropriation of retained earnings

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

(y) Per share data

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

3. ACQUISITION

In December 2005, one of the consolidated subsidiaries acquired a 100% interest in the issued and outstanding shares of common stock of SUZUNOKI CO., LTD. ("SUZUNOKI") for an aggregate amount of ¥40 million. SUZUNOKI is a retailer of kimono, jewelry and furs. The Company consolidated only the balance sheet as of February 20, 2006. A summary of the assets and liabilities of SUZUNOKI is as follows:

	Millions of Yen
Current assets	¥ 2,202
Noncurrent assets	2,069
Goodwill	277
Current liabilities	(2,226)
Noncurrent liabilities	(2,282)
Acquisition cost	40
Loan relating to acquisition	300
Cash and cash equivalents held by SUZUNOKI	(731)
Increase in cash presented on the accompanying consolidated statements of cash flows	¥ (391)

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

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

4. INVESTMENTS

At February 20, 2008 and 2007, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Marketable securities—bonds	**¥ 59**	¥ 100	**$ 546**
Joint money trust	**3,000**	—	**27,778**
Time deposits with an original maturity of more than three months	**867**	1,372	**8,028**
	¥3,926	¥1,472	**$36,352**

At February 20, 2008 and 2007, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Marketable securities:			
Equity securities	**¥ 8,753**	¥22,106	**$ 81,046**
Bonds	**2,528**	2,894	**23,407**
Others	**68**	95	**630**
	11,349	25,095	**105,083**
Other nonmarketable securities	**946**	1,078	**8,759**
	¥12,295	¥26,173	**$113,842**

Held-to-maturity debt securities, which are not marketable, are included in investment securities. Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. At February 20, 2008 and 2007, gross unrealized gains and losses for marketable securities are summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of Yen			
At February 20, 2008:				
Marketable securities:				
Equity securities	**¥3,649**	**¥ 5,303**	**¥(199)**	**¥ 8,753**
Bonds	**2,753**	**—**	**(166)**	**2,587**
Others	**48**	**20**	**—**	**68**
	¥6,450	**¥ 5,323**	**¥(365)**	**¥11,408**
At February 20, 2007:				
Marketable securities:				
Equity securities	¥5,867	¥16,286	¥ (47)	¥22,106
Bonds	3,110	0	(116)	2,994
Others	52	43	—	95
	¥9,029	¥16,329	¥(163)	¥25,195
	Thousands of U.S. Dollars			
At February 20, 2008:				
Marketable securities:				
Equity securities	**$33,787**	**$49,102**	**$(1,843)**	**$ 81,046**
Bonds	**25,491**	**—**	**(1,537)**	**23,954**
Others	**445**	**185**	**—**	**630**
	$59,723	**$49,287**	**$(3,380)**	**$105,630**

The UNY Group sold available-for-sale securities and recorded realized gains of ¥3,573 million ($33,083 thousand), ¥379 million and ¥96 million for the years ended February 20, 2008, 2007 and 2006, respectively, and recorded realized losses of ¥1 million and ¥26 million for the years ended February 20, 2007 and 2006, respectively, on the accompanying consolidated statements of income. During the years ended February 20, 2008, 2007 and 2006, the UNY Group recorded a loss on the write-down of available-for-sale securities and investments in unconsolidated subsidiaries and affiliates due to other-than-temporary impairments in value amounting to ¥88 million ($815 thousand), ¥277 million and ¥199 million, respectively.

At February 20, 2008, expected maturities of held-to-maturity and available-for-sale debt securities are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥3,101	$28,713
Due after one year through five years	2,567	23,768
Due after five years through ten years	200	1,852
Due after ten years	500	4,629
	¥6,368	$58,962

At February 20, 2008 and 2007, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Investments, accounted for by the equity method for one significant affiliate and at cost for others	**¥7,452**	¥8,115	**$69,000**
Interest bearing long-term loans	**253**	257	**2,342**
	¥7,705	¥8,372	**$71,342**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at February 20, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Short-term unsecured bank loans with interest rates ranging from 0.7% to 2.175% per annum at February 20, 2008	**¥32,520**	¥24,716	**$301,111**
Commercial paper at interest rates ranging from 0.595% to 0.85% per annum at February 20, 2008	**57,500**	59,500	**532,408**
	¥90,020	¥84,216	**$833,519**

At February 20, 2008 and 2007, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Loans principally from banks and insurance companies due through 2017 at interest rates ranging from 0.45% to 2.95% per annum at February 20, 2008:			
Collateralized	**¥ 3,040**	¥ 3,621	**$ 28,149**
Unsecured	**216,134**	202,678	**2,001,241**
1.75% notes due in April 2007	**—**	5,000	**—**
2.13% notes due in April 2010	**5,000**	5,000	**46,296**
0.56% notes due in May 2010	**5,000**	5,000	**46,296**
1.26% notes due in September 2010	**5,000**	5,000	**46,296**
	234,174	226,299	**2,168,278**
Less, current maturities	**(31,066)**	(52,475)	**(287,648)**
	¥203,108	¥173,824	**$1,880,630**

The aggregate annual maturities of long-term debt at February 20, 2008 are summarized as follows:

Years ending February 20,	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 31,066	$ 287,648
2010	23,595	218,472
2011	37,119	343,695
2012	49,051	454,176
2013	48,018	444,611
Thereafter	45,325	419,676
	¥234,174	$2,168,278

Certain assets of the UNY Group that were pledged as collateral for long-term debt at February 20, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Short-term investments as time deposits	**¥ 3**	¥ 3	**$ 28**
Land	**4,483**	4,483	**41,509**
Buildings and structures	**6,932**	7,341	**64,185**
Lease deposits	**275**	288	**2,546**

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

6. EMPLOYEE RETIREMENT BENEFITS

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

The following table reconciles the benefit liability and net periodic retirement benefit expense as at or for the years ended February 20, 2008, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥ 88,006**	¥ 95,274	**$ 814,870**
Fair value of pension plan assets at end of year	**(77,506)**	(88,529)	**(717,648)**
Projected benefit obligation in excess of pension plan assets	**10,500**	6,745	**97,222**
Less, unrecognized transitional provision	**(133)**	(149)	**(1,231)**
Less, unrecognized actuarial differences (loss)	**(13,313)**	(4,742)	**(123,269)**
Unrecognized past service costs	**8,623**	9,214	**79,843**
	5,677	11,068	**52,565**
Prepaid pension cost	**549**	178	**5,083**
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	**¥ 6,226**	¥ 11,246	**$ 57,648**

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	**2008**
Component of net periodic retirement benefit expense:				
Service cost	**¥ 3,031**	¥ 2,939	¥ 3,563	**$ 28,065**
Interest cost	**1,849**	1,963	3,752	**17,120**
Expected return on pension plan assets	**(3,486)**	(3,262)	(4,035)	**(32,278)**
Transitional provision	**17**	17	16	**158**
Amortization of actuarial differences	**1,976**	2,627	5,945	**18,296**
Amortization of past service costs	**(1,319)**	(1,290)	(1,655)	**(12,213)**
Net periodic retirement benefit expense	**¥ 2,068**	¥ 2,994	¥ 7,586	**$ 19,148**

Major assumptions used in the calculation of the above information for the years ended February 20, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method	Straight-line method
Discount rate	0.5%~2.0%	0.5%~2.0%	1.5%~2.0%
Expected rate of return on pension plan assets	2.0%~4.0%	2.0%~4.0%	3.0%~4.0%
Amortization period of past service costs	6 to 10 years	6 to 10 years	6 to 10 years
Amortization period of actuarial differences	5 to 10 years	5 to 10 years	5 to 10 years
Amortization period of transitional provision	15 years for one subsidiary	15 years for one subsidiary	15 years for one subsidiary

7. NET ASSETS

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

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

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

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

At February 20, 2008 and 2007, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥2,532 million ($21,277 thousand) at February 20, 2008 and 2007, respectively.

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

At the annual shareholders' meeting held on May 15, 2008, the shareholders approved cash dividends amounting to ¥1,698 million ($15,722 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 20, 2008 and are recognized in the period in which they are approved by the shareholders.

8. LEASE COMMITMENTS

(a) Lessee

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

The Company and certain domestic consolidated subsidiaries also lease computer equipment, store fixtures, private power generation equipment and vehicles under one to twenty years' noncancelable lease agreements. As disclosed in Note 2(j), the leased property of the Company and its domestic consolidated subsidiaries under such noncancelable lease agreements categorized as financing leases is not capitalized, and the related rental and lease expenses are charged to income as incurred as accepted by the "Opinion Concerning Accounting Standard for Leases" issued by BACJ and the related practical guideline issued by JICPA. If the leased property of the UNY Group had been capitalized, the related accounts would have been increased/(decreased) at February 20, 2008 and 2007 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Property and equipment, net of accumulated depreciation*1	**¥27,535**	¥23,155	**$254,954**
Lease obligations as liabilities*2	**30,302**	25,376	**280,574**
Allowance for impairment loss on leased property	**(1,917)**	(1,403)	**(17,750)**
Net effect on retained earnings at year-end	**¥ (850)**	¥ (818)	**$ (7,870)**

Additionally, income before income taxes and minority interests would have increased by ¥32 million ($296 thousand) and ¥96 million for the years ended February 20, 2008 and 2007, respectively.

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

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

The aggregate future minimum payments for noncancelable operating leases and financing leases, excluding the imputed interest portion, at February 20, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Financing leases as lessee:			
Due within one year	**¥ 8,376**	¥ 7,961	**$ 77,556**
Due after one year	**21,926**	17,415	**203,018**
	¥ 30,302	¥ 25,376	**$ 280,574**
Operating leases as lessee:			
Due within one year	**¥ 15,722**	¥ 15,944	**$ 145,574**
Due after one year	**123,595**	132,099	**1,144,398**
	¥139,317	¥148,043	**$1,289,972**

Gross rental and lease expense, consisting of minimum rental payments for all operating leases and financing leases, for the years ended February 20, 2008, 2007 and 2006, was ¥105,504 million ($976,889 thousand), ¥103,656 million and ¥99,609 million, respectively. For the years ended February 20, 2008, 2007 and 2006, lease expense for noncancelable lease agreements categorized as financing leases amounted to ¥9,620 million ($89,074 thousand), ¥10,373 million and ¥9,786 million, respectively.

(b) Lessor

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

A certain consolidated subsidiary engaged in leasing operations enters into various lease agreements principally for vehicles with third parties as lessor, with the leased property recorded as property and equipment. The effect of the finance lease adjustment is not material. The aggregate future minimum lease commitments to be received for non-cancelable lease agreements, excluding the imputed interest at February 20, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Financing leases as lessor:			
Due within one year	**¥ 94**	¥124	**$ 871**
Due after one year	**275**	225	**2,546**
	¥369	¥349	**$3,417**
Operating leases as lessor:			
Due within one year	**¥ 72**	¥ 96	**$ 667**
Due after one year	**105**	118	**972**
	¥177	¥214	**$1,639**

9. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan commitment

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 the designated amounts. The outstanding balance of unexercised commitments relating to the above agreements as of February 20, 2008 and 2007 amounted to ¥1,095,628 million ($10,144,704 thousand) and ¥1,088,229 million, respectively. As most of these agreements are entered into with credit card members without exceptions, the unused amount does not necessarily represent actual future cash flow requirements.

(b) Contingent liabilities

At February 20, 2008 and 2007, the UNY Group was contingently liable for guarantees of the indebtedness of unconsolidated subsidiaries, affiliates and others in the amounts of ¥3,942 million ($36,500 thousand) and ¥3,981 million, respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The UNY Group is a party to derivative financial instruments such as foreign currency exchange contracts or interest rate contracts in the normal course of business. The UNY Group enters into these instruments to reduce its own exposure to fluctuations in exchange rates or interest rates for hedge purposes. The UNY Group is exposed to credit loss in the event of nonperformance by the other parties. However, the UNY Group does not expect nonperformance by the counterparties, as the counterparties of the derivative transactions are limited to major banks with a relatively high credit rating. At February 20, 2008 and 2007, all outstanding derivative financial instruments were accounted for by hedge accounting.

11. INCOME TAXES

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at February 20, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets–current:			
Accrued bonus	**¥ 1,646**	¥ 1,942	**$ 15,241**
Operating loss carryforwards	**1,018**	607	**9,426**
Enterprise tax accruals	**571**	826	**5,287**
Employee welfare contribution	**638**	651	**5,907**
Other	**4,691**	3,561	**43,435**
Less, valuation allowance	**(3,469)**	(1,348)	**(32,120)**
	5,095	6,239	**47,176**
Net of deferred tax liabilities–current	**—**	(32)	**—**
Deferred tax assets–current portion	**¥ 5,095**	¥ 6,207	**$ 47,176**
Deferred tax liabilities–current:			
Deferred hedge and other	**—**	32	**—**
Net of deferred tax assets–current	**—**	(32)	**—**
Deferred tax liabilities–current portion	**¥ —**	¥ —	**$ —**

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets–noncurrent:			
Impairment loss on fixed assets	**¥ 21,068**	¥ 15,491	**$ 195,074**
Operating loss carryforwards	**7,611**	4,948	**70,472**
Employee retirement benefit liability	**2,391**	4,395	**22,139**
Loss on write-down of securities	**1,123**	1,380	**10,398**
Inter-company profits	**1,181**	1,218	**10,935**
Other	**5,271**	3,528	**48,806**
Less, valuation allowance	**(16,547)**	(12,282)	**(153,213)**
	22,098	18,678	**204,611**
Net of deferred tax liabilities–noncurrent	**(4,168)**	(7,039)	**(38,592)**
Deferred tax assets–noncurrent portion	**¥ 17,930**	¥ 11,639	**$ 166,019**
Deferred tax liabilities–noncurrent:			
Unrealized gains on available-for-sale securities	**¥ 1,680**	¥ 4,661	**$ 15,556**
Gain on sale of property	**2,300**	2,350	**21,296**
Other	**220**	128	**2,037**
	4,200	7,139	**38,889**
Net of deferred tax assets–noncurrent	**(4,168)**	(7,039)	**(38,593)**
Deferred tax liabilities–noncurrent portion included in other long-term liabilities	**¥ 32**	¥ 100	**$ 296**
Deferred tax liabilities for revaluation (see Note 2(l)) included in other long-term liabilities	**¥ 85**	¥ 85	**$ 787**

In assessing the realizability of deferred tax assets, management of the UNY Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At February 20, 2008 and 2007, a valuation allowance was established to reduce the deferred tax assets to the extent that the management of the UNY Group believes that the amount of the deferred tax assets is expected to be realizable.

The reconciliation of the difference between the Japanese statutory effective tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended February 20, 2008, 2007 and 2006, was as follows:

	Percentage of pre-tax income		
	2008	2007	2006
Japanese statutory effective tax rate	**40.2%**	40.2%	40.2%
Increase (decrease) due to:			
Local minimum taxes—per capita levy	**11.4**	3.9	2.4
Amortization of goodwill	**8.1**	3.3	0.8
Change in valuation allowance	**60.7**	14.4	10.5
Adjustments for sale of land under revaluation	**(2.9)**	(2.1)	—
Other	**(0.9)**	(3.8)	(2.5)
Effective income tax rate	**116.6%**	55.9%	51.4%

12. SEGMENT INFORMATION

The UNY group operates in five segments; "Superstores," "Convenience stores," "Specialty stores," "Financial services," and "Other business." A summary of information classified by lines of business of the UNY Group for the three years ended February 20, 2008 is as follows:

	Millions of Yen							
	Superstores	Convenience stores	Specialty stores	Financial services	Other	Total	Elimination of inter-segment transactions	Consolidated total
For the year 2008:								
Operating revenue:								
External customers	**¥867,910**	**¥201,910**	**¥122,575**	**¥ 21,005**	**¥ 2,846**	**¥1,216,246**	**¥ —**	**¥1,216,246**
Inter-segment sales/transfers	**3,542**	**6**	**—**	**3,200**	**16,247**	**22,995**	**(22,995)**	**—**
	871,452	**201,916**	**122,575**	**24,205**	**19,093**	**1,239,241**	**(22,995)**	**1,216,246**
Operating costs and expenses	**853,412**	**182,651**	**123,852**	**20,416**	**17,941**	**1,198,272**	**(22,980)**	**1,175,292**
Operating income	**¥ 18,040**	**¥ 19,265**	**¥ (1,277)**	**¥ 3,789**	**¥ 1,152**	**¥ 40,969**	**¥ (15)**	**¥ 40,954**
Identifiable assets	**¥564,920**	**¥231,772**	**¥ 65,044**	**¥117,209**	**¥26,402**	**¥1,005,347**	**¥(32,205)**	**¥ 973,142**
Depreciation	**16,867**	**6,719**	**1,744**	**637**	**421**	**26,388**	**—**	**26,388**
Impairment loss on fixed assets	**12,919**	**2,716**	**6,170**	**2**	**135**	**21,942**	**—**	**21,942**
Capital expenditures	**34,706**	**13,971**	**2,758**	**1,238**	**3,791**	**56,464**	**—**	**56,464**
For the year 2007:								
Operating revenue:								
External customers	¥884,733	¥190,557	¥133,600	¥ 18,854	¥ 1,202	¥1,228,946	¥ —	¥1,228,946
Inter-segment sales/transfers	3,437	3	—	2,980	15,373	21,793	(21,793)	—
	888,170	190,560	133,600	21,834	16,575	1,250,739	(21,793)	1,228,946
Operating costs and expenses	869,957	169,134	131,572	17,158	15,736	1,203,557	(21,753)	1,181,804
Operating income	¥ 18,213	¥ 21,426	¥ 2,028	¥ 4,676	¥ 839	¥ 47,182	¥ (40)	¥ 47,142
Identifiable assets	¥573,441	¥226,882	¥ 75,651	¥ 96,910	¥20,695	¥ 993,579	¥(27,353)	¥ 966,226
Depreciation	17,390	6,687	1,932	393	279	26,681	—	26,681
Impairment loss on fixed assets	6,764	3,170	982	7	134	11,057	—	11,057
Capital expenditures	36,574	12,822	2,613	1,290	5,427	58,726	—	58,726
For the year 2006:								
Operating revenue:								
External customers	¥876,225	¥184,188	¥128,068	¥ —	¥14,160	¥1,202,641	¥ —	¥1,202,641
Inter-segment sales/transfers	3,439	3	0	—	17,498	20,940	(20,940)	—
	879,664	184,191	128,068	—	31,658	1,223,581	(20,940)	1,202,641
Operating costs and expenses	867,464	159,961	125,526	—	27,069	1,180,020	(20,960)	1,159,060
Operating income	¥ 12,200	¥ 24,230	¥ 2,542	¥ —	¥ 4,589	¥ 43,561	¥ 20	¥ 43,581
Identifiable assets	¥574,392	¥228,906	¥ 79,725	¥ —	¥97,295	¥ 980,318	¥(29,167)	¥ 951,151
Depreciation	19,005	7,426	2,152	—	674	29,257	—	29,257
Impairment loss on fixed assets	33,282	4,985	2,937	—	7,759	48,963	—	48,963
Capital expenditures	35,730	9,756	2,996	—	2,423	50,905	—	50,905

	Thousands of U.S. Dollars							
	Superstores	Convenience stores	Specialty stores	Financial services	Other	Total	Elimination of inter-segment transactions	Consolidated total
For the year 2008:								
Operating revenue:								
External customers	**$8,036,203**	**$1,869,537**	**$1,134,954**	**$ 194,491**	**$ 26,352**	**$11,261,537**	**$ —**	**$11,261,537**
Inter-segment sales/transfers	**32,796**	**56**	**—**	**29,630**	**150,435**	**212,917**	**(212,917)**	**—**
	8,068,999	**1,869,593**	**1,134,954**	**224,121**	**176,787**	**11,474,454**	**(212,917)**	**11,261,537**
Operating costs and expenses	**7,901,963**	**1,691,213**	**1,146,778**	**189,037**	**166,120**	**11,095,111**	**(212,778)**	**10,882,333**
Operating income	**$ 167,036**	**$ 178,380**	**$ (11,824)**	**$ 35,084**	**$ 10,667**	**$ 379,343**	**$ (139)**	**$ 379,204**
Identifiable assets	**$5,230,741**	**$2,146,037**	**$ 602,259**	**$1,085,268**	**$244,463**	**$ 9,308,768**	**$(298,194)**	**$ 9,010,574**
Depreciation	**156,176**	**62,213**	**16,148**	**5,898**	**3,898**	**244,333**	**—**	**244,333**
Impairment loss on fixed assets	**119,620**	**25,148**	**57,130**	**19**	**1,250**	**203,167**	**—**	**203,167**
Capital expenditures	**321,352**	**129,361**	**25,537**	**11,463**	**35,102**	**522,815**	**—**	**522,815**

(Accounting change in the composition of reportable business segment)

In order to disclose segment information more properly, effective for the year ended February 20, 2007, the Company changed the composition of its reportable business segments from four segments to five segments and now consists of "Superstores," "Convenience stores," "Specialty stores," "Financial services," and "Other business." This change for the creation of a separate "Financial services" segment resulted from the increase in the importance of the financial services businesses, including the credit card, insurance agency and leasing businesses. If the current reportable business segment composition had been applied for the year ended February 20, 2006, operating results for the year 2006 would be restated as follows:

	Millions of Yen							
	Superstores	Convenience stores	Specialty stores	Financial services	Other	Total	Elimination of inter-segment transactions	Consolidated total
For the year 2006:								
Operating revenue:								
Revenues from outside customers	¥876,225	¥184,188	¥128,068	¥12,798	¥ 1,362	¥1,202,641	¥ —	¥1,202,641
Inter-segment sales/transfers	3,439	3	—	2,367	15,144	20,953	(20,953)	—
	879,664	184,191	128,068	15,165	16,506	1,223,594	(20,953)	1,202,641
Operating costs and expenses	867,464	159,961	125,526	11,300	15,776	1,180,027	(20,967)	1,159,060
Operating income	¥ 12,200	¥ 24,230	¥ 2,542	¥ 3,865	¥ 730	¥ 43,567	¥ 14	¥ 43,581
Identifiable assets	¥574,392	¥228,906	¥ 79,725	¥78,751	¥18,544	¥ 980,318	¥(29,167)	¥ 951,151
Depreciation	19,005	7,426	2,152	371	303	29,257	—	29,257
Impairment loss on fixed assets	33,282	4,985	2,937	—	7,759	48,963	—	48,963
Capital expenditures	35,730	9,756	2,996	1,915	508	50,905	—	50,905

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

13. SUBSEQUENT EVENT

On April 10, 2008, the Company entered into a merger agreement with U STORE CO., LTD. ("U STORE"), a consolidated subsidiary, based on the resolution of the Board of Directors of the Company and U STORE. In accordance with the merger agreement, U STORE is to be merged into the Company as of August 21, 2008, and the Company will issue the Company's common stock to minority shareholders of U STORE at the exchange rate of 0.83 shares of the Company for 1 share of U STORE stock. At February 20, 2008, the Company owned 64.4% of the voting interests of U STORE, which is engaged in principally providing foodstuffs and necessaries of life through superstores on a smaller scale than the Company's superstores. This merger is expected to improve management efficiency of the UNY Group, build more stable earning bases and strengthen management resources through the integration of operational know-how for small-scale stores, the improvement of the gross-margin ratio, and the consolidation of their headquarters.

The unaudited financial information of U STORE as of and for the year ended February 20, 2008 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
At the year-end:		
Total assets	¥ 76,058	$ 704,241
Net assets	42,276	391,444
For the year:		
Net sales	¥138,690	$1,284,167
Operating income	2,309	21,380
Net loss	(3,197)	(29,602)

KPMG

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheet of UNY CO., LTD. and consolidated subsidiaries (the "UNY Group") as of February 20, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the UNY Group's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of the UNY Group as of February 20, 2007 and 2006, were audited by other auditors who have ceased operations and whose report dated May 17, 2007, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the UNY Group as of February 20, 2008, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

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

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

(2) As discussed in Note 13, the Company entered into the merger agreement with U. STORE CO., LTD.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 20, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
May 15, 2008

CORPORATE DATA

BOARD OF DIRECTORS

(As of May 15, 2008)

Chairman

Koji Sasaki

President

Testuro Maemura

Senior Managing Director

Yoshiaki Tsuzuki

Managing Directors

Hiroshi Isomi

Hitoshi Shibuya

Directors

Kimiaki Yamaguchi

Tadashi Oda

Masayoshi Ohno

Mitsuo Maeda

Fumito Tezuka

Norio Sako

Toshikazu Nishikawa

Corporate Auditors

Tatsumi Yoshida

Kazuyoshi Kouketsu

Ikuo Tange

INVESTOR INFORMATION

(As of February 20, 2008)

Stock Listings

Tokyo Stock Exchange

Nagoya Stock Exchange

Securities Code Number

8270

Common Stock

Authorized: 600,000,000 shares

Issued: 189,295,483 shares

Number of Shareholders

6,985

Stock Transfer Agent

The Sumitomo Trust and Banking Company, Limited

CONSOLIDATED SUBSIDIARIES*

(As of February 20, 2008)

Sagami Co., Ltd. (kimono retailing)

U Store Co., Ltd. (superstores)

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

Molie Co., Ltd. (high-quality women's wear)

Palemo Co., Ltd. (young women's apparel and accessories)

Suzutan Co., Ltd. (young women's apparel and accessories)

Rough Ox Co., Ltd. (casual wear for men)

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

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

Tomei Crown Kaihatsu Co., Ltd. (real-estate rental business)

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

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

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

* In addition to the above list, the Uny Group includes five Sagami subsidiaries, five Circle K Sunkus subsidiaries and two Suzutan subsidiaries.

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