



U.S.M. Holdings

Investors' Guide 2017



U.S.M. Holdings at a Glance

Business Philosophy of U.S.M. Holdings

- Our core philosophy**
- We
- Offer customers healthy, valuable choices in food
 - Cultivate deep relationships to build prosperous local communities
 - Constantly pursue innovation and move with the times

- Business vision**
- In our business, we aim to
- Offer products and services tailored to various lifestyle choices that give customers access to a range of healthy, valuable foods
 - Create a corporate culture that supports employee self-fulfillment by providing skills training and encouraging people to achieve their potential
 - Continually develop and grow over time while seeking to maximize enterprise value
 - Create new value based on fair dealings with our business partners for customer benefit
 - Welcome new companies into the group to help us meet the needs of local communities and engage in fair, transparent corporate governance while respecting the management of each member company of U.S.M. Holdings.

Outline of U.S.M. Holdings

Striving to be No.1 in the region, we develop store formats aimed at increasing customer satisfaction.

The Maruetsu, Inc.

Maruetsu brand development



maruetsu
マルエツ

maruetsupetit
マルエツプチ

LINCOS

The three formats are: "Maruetsu," an enjoyable place to shop daily for fresh food and other groceries; "Maruetsu Petit," an urban-format supermarket tailored to city residents; and "Lincos," a supermarket offering high-quality merchandise and service (includes two stores in China).

Kasumi Co., Ltd.

Kasumi brand development



FOOD SQUARE

Food Market KASUMI

FOOD OFF ストッカー

The three supermarket formats are the flagship "Food Square" brand marketing new delights for mealtimes, the core "Food Market" brand supplying groceries to suit local tastes and customs, and a discount format offering everyday low prices under the "Food Off Stocker" brand.

MaxValu Kanto Co., Ltd.

MaxValu Kanto brand development



MaxValu Express

Stores trading under the "MaxValu" format aim to maximize value for customers shopping for daily groceries in terms of quality, price, range and service, while the "MaxValu Express" format offers convenience, competitive prices and surprising variety that changes daily for those shopping for everyday necessities.



Network

Moving ahead with regional development in Tokyo and adjacent markets

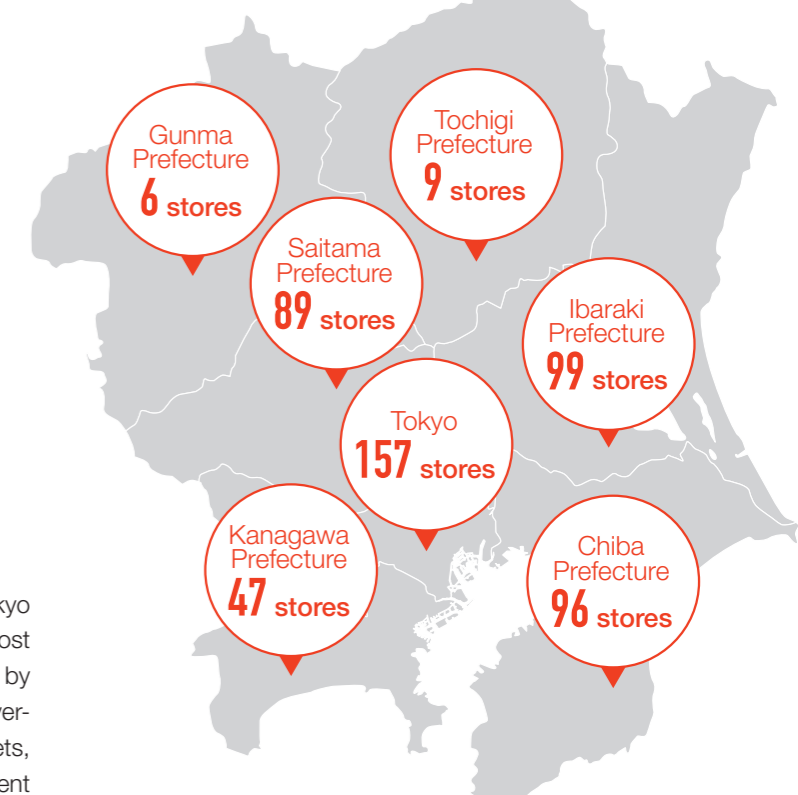
Focused on Japan's richest and most promising urban market

The U.S.M. Holdings' operations are in the region of Tokyo and the adjacent prefectures. This is Japan's richest and most promising retail market due to the rising demand created by the net influx of population plus the growing number of overseas visitors. With a retail network of 503 supermarkets, U.S.M. Holdings has by far the largest share of this affluent regional market.

In pursuit of further growth, while exploiting market share dominance and economies of scale, it is also essential to upgrade the quality of the retail offering as a vital ingredient in keeping a tight regional focus and paying attention to the needs of local customers. Going forward, it is incumbent on U.S.M. Holdings to develop new supermarket store formats attuned to the era that gain the support of customers.

Fiscal year ended February 28, 2017: total of 22 new stores opened, expanding the network to 503 stores

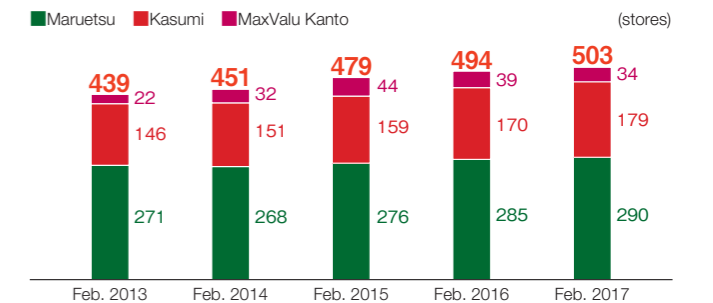
U.S.M. Holdings opened a total of 22 new stores in the fiscal year ended February 28, 2017, split between Maruetsu (11) and Kasumi (11). A total of 13 stores were also closed (Maruetsu 6, Kasumi 2, MaxValu Kanto 5) as part of a scrap-and-build policy to try to maximize operational efficiency.



Number of U.S.M. Holdings Group stores **503 stores**
* Number of stores by company and by prefecture as of February 28, 2017

	Maruetsu	Kasumi	MaxValu Kanto
Tokyo	141	2	14
Ibaraki Prefecture	1	98	—
Chiba Prefecture	47	34	15
Saitama Prefecture	55	31	3
Kanagawa Prefecture	45	—	2
Tochigi Prefecture	1	8	—
Gunma Prefecture	—	6	—
Total	290	179	34

Number of stores (graph)



* The two Maruetsu stores in China are not included.

Breakdown of our stores

Selected new stores opened in the fiscal year ended February 28, 2017

Maruetsu Minami-Gyotoku Store
Ichikawa-shi, Chiba Prefecture

July 29



Food Market Kasumi Kogaokazato Store
Koga-shi, Ibaraki Prefecture

November 18



Accelerating reform and advancing to a new management stage in preparation for growth over the next 10 years



Makoto Ueda
Chairman and
Representative Director

Motohiro Fujita
President and
Representative Director

Formulation of a new medium-term business plan as we enter our third year of operation

United Super Markets Holdings Inc. (U.S.M. Holdings) was established in March 2015 as a joint holding company for The Maruetsu, Inc., Kasumi Co., Ltd., and MaxValu Kanto Co., Ltd. Under a basic policy of exploiting integration synergy to create original value, we have pursued synergy while promoting harmonization among the three operating companies.

We believe that through various initiatives we have achieved valuable results during the past two years by ensuring that the three operating companies, with their different histories and cultures, become thoroughly acquainted with every aspect of one another's management. One issue, however, is that integration of diverse expertise has not yet reached the point of new value creation.

As U.S.M. Holdings enters its third year of operation, we have

formulated a medium-term business plan to begin in fiscal 2016 with the aim of ensuring that the three operating companies form an integrated corporate group, achieve synergy, and provide new value to customers as the U.S.M. Holdings Group. Designed to shift the Group's three supermarket companies from the harmonization to the integration stage, the plan includes implementing various reforms to ensure continued growth in the next three years.

Medium-term strategies for the next 10 years

The business environment over the next 10 years will pose challenges, including regional disparities in the demographic profile of Tokyo and its six adjacent prefectures and the "year 2025 problem," which refers to problems associated with rapid population aging, with people aged 75 or over forecast to account for 18% or more of the population in 2025. Various other changes in the

business environment are predicted, including changes in the household structure and diet, IT-driven technological innovation, and cost structure issues associated with labor shortages. The U.S.M. Holdings Group has identified four medium-term strategic directions and frameworks for exploiting these changes as opportunities and linking them to future growth: "In-depth cultivation of the dominance strategy in the Greater Tokyo Area," "Format development and merchandise strategies adapted to a new consumer profile," "Construction of business infrastructure adapted to the future business environment," and "Cost structure reform."

With "Maximization of synergy through sharing of business infrastructure" and "Establishment of a new supermarket model adapted to consumer changes" as our basic policies for matters to be addressed in preparation for growth over the next 10 years under these four strategic directions and frameworks, we intend to deliver results in the following four key areas identified in the medium-term business plan.

First medium-term business plan Covering the period from fiscal 2016 to 2018

In our medium-term strategy covering the period up to fiscal 2024, we will formulate and implement a medium-term business plan every three years.

We consider the three-year term of the first medium-term business plan, launched this fiscal year, to be a period during which we will lay the foundation for realizing sustained growth in the future. To that end, we will further accelerate the pace of infrastructure sharing and reforms for the establishment of a new supermarket model. In addition, to secure growth during the coming three years, we plan to open 74 new stores, mainly in the Greater Tokyo Area, and rejuvenate 115 existing stores. We will return to customers to the extent possible the advantages of scale arising from having three operating companies and pursue customer convenience that the Group alone can provide.

In four key areas for achieving the objectives in the medium-term business plan—merchandise reform, ICT reform, cost structure reform, and logistics reform—we will implement various measures with the aim of achieving a Group reform target of ¥2 to 3 billion.

First, in the area of merchandise reform, we will develop private-label merchandise that delivers new value grounded in latent needs of customers in the Greater Tokyo Area, integrate commercial distribution that maximizes effectiveness and efficiency, and form a research team to develop both new store layouts adapted to changes in dietary habits and new meal categories adapted to changes in the consumer profile.

For ICT reform, we will start with productivity improvement and optimization of fixed costs then work to establish systems that contribute to new purchase channels and product offerings.

In the area of cost structure reform, we will aim to take low-cost management to the next level through integration of headquarters functions and joint procurement aimed at achieving further results in cost reduction.

Finally, the focus of logistics reform will be construction of a logistics system in pursuit of optimal efficiency as a Group.

The roles and functions of joint holding company U.S.M. Holdings

The mission of supermarkets is to place importance on each region's food culture, lifestyles, and customs, and express this in product offerings and services. We believe that initiatives of individual stores are extremely important for meeting continually diversifying and evolving customer needs. It is essential to refine each store in the region, rather than simply thinking in terms of sales volume or number of stores.

Our intention in shifting from the harmonization to the integration stage is for U.S.M. Holdings to take responsibility for functions and roles for overall optimization and offer new value in addition to the level of value reached by the operating companies through their independent growth strategies, while placing importance on this basic concept of the supermarket business. Although molding the constituent members, including the holding company, into a single business group and making the best use of the individual parts while considering the whole is an unparalleled challenge, our employees are committed to working in unison to meet the expectations of our stakeholders. We request your continued support of the U.S.M. Holdings Group.

Moving to a new stage in preparation for growth over the next 10 years Accelerating the pace of reform by shifting from harmonization to integration

U.S.M. Holdings has formulated a medium-term business plan that begins in fiscal 2017, the third year since its establishment. The plan incorporates reform policies for the Group's three supermarket operating companies to shift from the harmonization to the integration stage and continue to grow, taking into account environmental changes in the Greater Tokyo Area over the next 10 years.

Implementation of the medium-term business plan with a view to environmental changes ten years out

The business environment

- Population decrease in the Kanto region (Tokyo and six adjacent prefectures) as a whole and population increase in some areas
- Increase in the numbers of elderly (75 years and above) single-person households and married-couple households without children
- Expected increase in consumption of prepared foods amid declining food consumption in Japan
- Increase in the proportion of food products sold through online retail
- Increase in labor costs due to a rising minimum wage, higher social security costs, and other factors

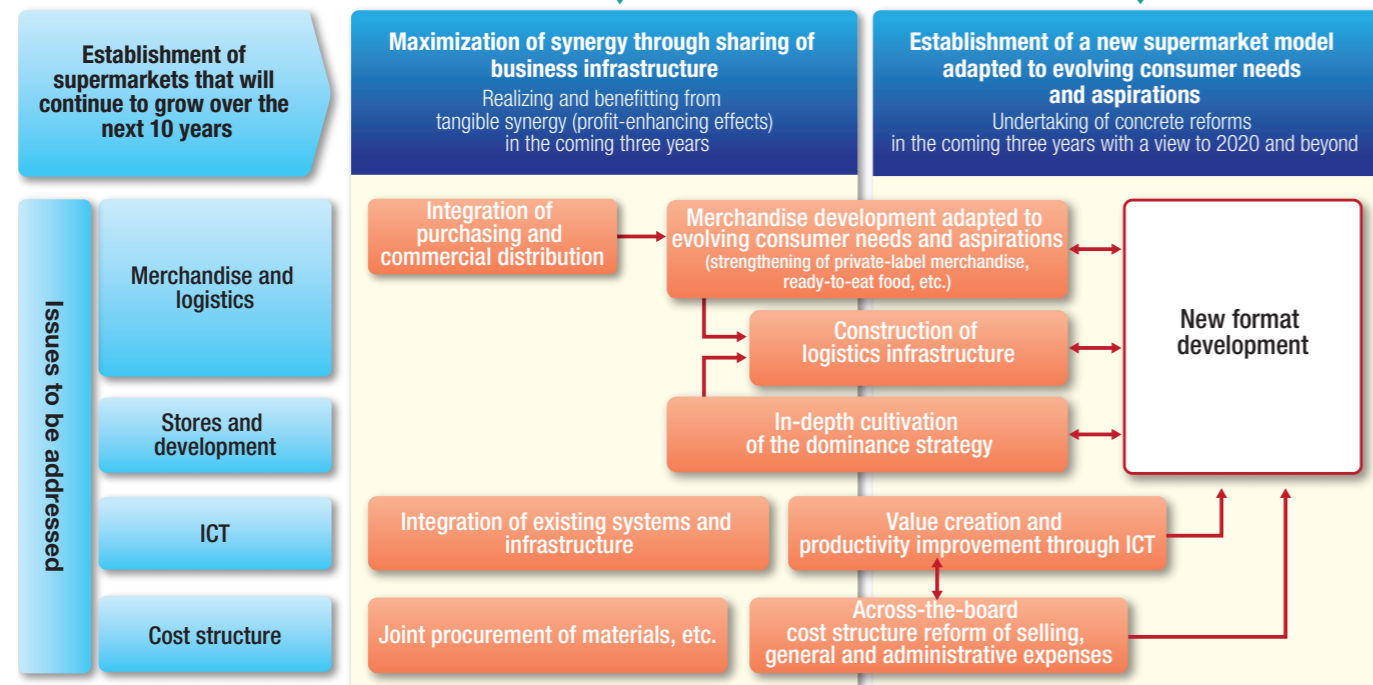
Strategic directions

In-depth cultivation of the dominance strategy in the Greater Tokyo Area

Format development and merchandise strategies adapted to a new consumer profile

Construction of business infrastructure adapted to the future business environment (commercial distribution, logistics, ICT)

Across-the-board cost structure reform of selling, general and administrative expenses



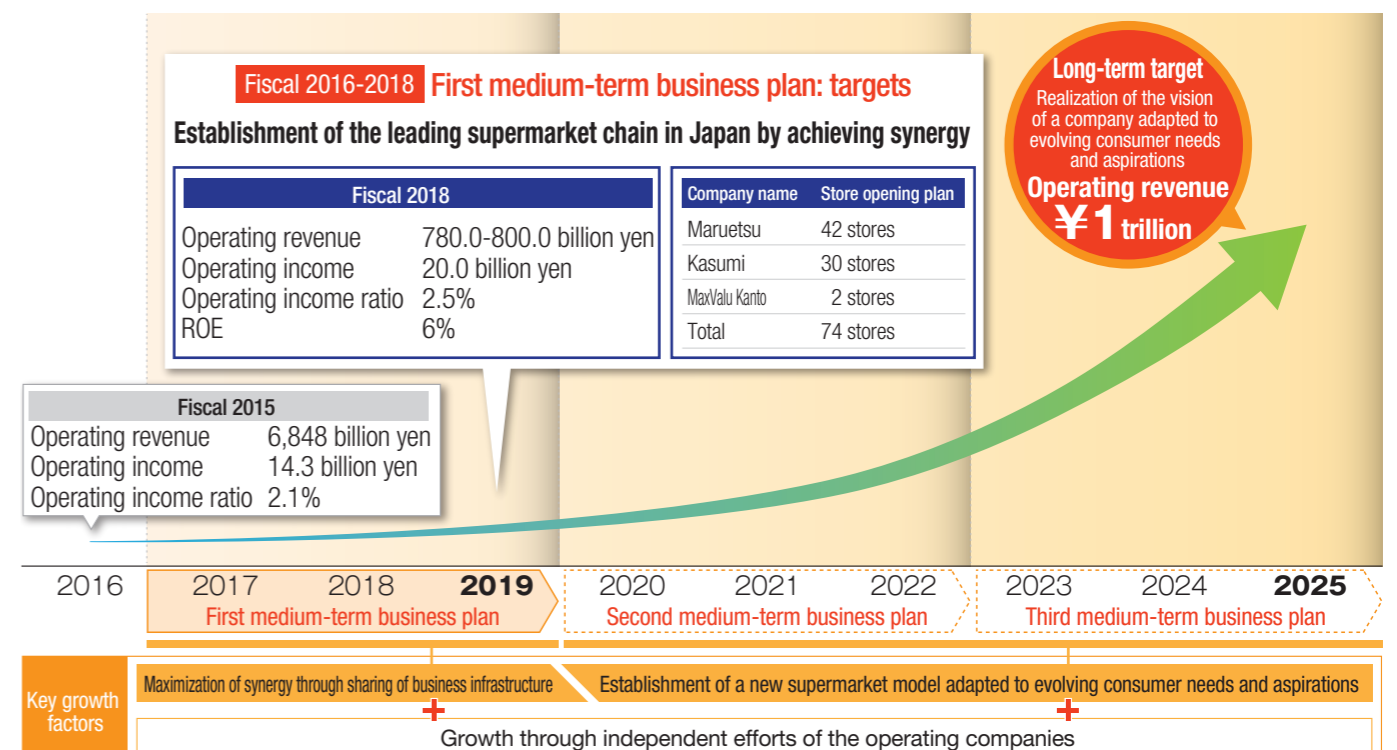
Implementation of reforms focused on key areas to achieve the medium-term business plan objectives

Area	Mission and Key Measures
Merchandise reform	<ul style="list-style-type: none"> ● Achieve synergy that maximizes advantages of scale <ol style="list-style-type: none"> ① Private-label merchandise development ② Commercial distribution integration that maximizes effectiveness and efficiency ③ Response to changes in dietary habits
ICT reform	<ul style="list-style-type: none"> ● Implementation of defensive and offensive ICT reform <ol style="list-style-type: none"> ① ICT infrastructure integration ② Implementation of business reforms through utilization of new technology
Cost structure reform	<ul style="list-style-type: none"> ● Implementation of across-the-board cost structure reform from a strategic perspective <ol style="list-style-type: none"> ① Creation of Group shared headquarters functions that maximize effectiveness and efficiency ② Cost reduction through joint procurement of materials, etc.
Logistics reform	<ul style="list-style-type: none"> ● Construction of a logistics system in pursuit of optimal efficiency as a Group

Quantitative target for Group reforms after three years

¥2 to 3 billion

Medium-term business plan quantitative targets



U.S.M. Holdings

Joint procurement, sales promotion, and development initiatives

We have continued to reduce merchandise costs, in-store materials and display fixture costs through joint procurement, expanded joint sales promotion plans, and increased sales of jointly procured products. In March 2017, we sought to increase the number of store visitors by holding the U.S.M. Holdings Second Anniversary Customer Appreciation Fair and providing quality, attractively priced fresh foods realized through joint procurement by the three operating companies.

Joint development efforts enabled us to increase sales of customer-pleasing jointly developed Group products such as *ehomaki* sushi rolls, Greek yogurt, and jumbo fried shrimp.



Acceptance of Maruetsu gift certificates and Kasumi gift certificates at Group stores

In November 2016, we expanded the number of locations that accept Maruetsu and Kasumi gift certificates, making them redeemable at Group company (Maruetsu, Kasumi, and MaxValu Kanto) stores.

● Maruetsu

Maruetsu, Maruetsu Petit, Lincos, and Supermarket Uoetsu stores

● Kasumi

Food Square, Food Market, and Food Off Stocker stores

● MaxValu Kanto

MaxValu and MaxValu Express stores in Tokyo, Chiba Prefecture, and Saitama Prefecture and the MaxValu Tsudayama and MaxValu Express Kizuki Sumiyoshi stores (excluding the Higashiyamato, Umejima, and Shintokorozawa PARCO stores)

*Maruetsu gift certificates are not accepted at stores of Kasumi affiliates that accept Kasumi gift certificates (Seibu, COCO'S, Takarajima, Wonder Goo, and Wonder REX).



The Maruetsu, Inc

Creating sales floors that reassure customers and providing delicious food

■ Initiatives in the fiscal year ended February 28, 2017

Maruetsu actively encourages employees to obtain Service Care-Fitter certification so that elderly customers and customers with disabilities can shop with peace of mind. As of December 2016, more than 1,000 Maruetsu employees had obtained certification. The company is also expanding opportunities for employees with diverse work styles by preparing an environment where people aged 65 and over can work cheerfully and energetically.

■ Delicatessen expansion to increase customer satisfaction

One initiative in the fiscal year ended February 28, 2017 was to increase the number of stores introducing meat and fish delicatessen items prepared using fresh ingredients from the fresh meat and fresh fish sections. Deep-fried chicken prepared using Maruetsu's own *Michinoku Shinrindori* brand, *Yuyume* Beef and *Yakinikuju* bento boxed lunches, fresh fish hand-rolled sushi, and other products are very popular. Maruetsu has also newly opened the Towa Bakery and Deli Center to expand provision of freshly made bento boxed lunches and freshly baked bread at small outlets in central Tokyo. The new facility and the Fudomae Bakery Center together supply 65 stores.

Maruetsu is improving operating efficiency and has completed installation of a recommendation-based ordering system at all stores, new POS cash registers at 284 stores, and partial self-checkout systems at 175 of those stores. As a result, in the fiscal year ended February 28, 2017, Maruetsu's non-consolidated operating revenues rose 2.7% to ¥373,069 million, and operating income rose 15.8% to ¥7,582 million.

Corporate Data

Head office	Higashi-Ikebukuro, Toshima-ku, Tokyo
Established	October 1945
Capital	37.5 billion yen
Number of stores	290 stores
Number of employees	16,347

*As of February 28, 2017



Kasumi Co., Ltd.

Unique and appealing stores based on the "Social Shift" management ethos

■ Initiatives in the fiscal year ended February 28, 2017

Kasumi practices "Social Shift" management with the aim of building stores loved by the community by listening to customer feedback and employee ideas. The company expanded application of the "Social Shift" management ethos, which emphasizes autonomous store management, to all stores. Kasumi also utilized "Eat-in" spaces, where customers can gather, relax, and eat, to hold a variety of events to ensure that supermarkets do not merely function as places for shopping, but also play an integral role in the local community.

■ Applying six key concepts to create appealing merchandise layouts

In the fiscal year ended February 28, 2017, Kasumi endeavored to create appealing merchandise layouts differentiated from other supermarkets through product selection and merchandise development based on six key concepts: "Delicious, safe, and worry-free," "Fresh and new," "Health," "Simple and convenient," "Community," and "Fun and fulfillment," mainly at new stores. For instance, in the fresh produce section, the company developed the *Gorogoro* Fruit Jelly line of original jelly products made using fresh seasonal fruit. In the fresh fish section, the company introduced *Yakitatei*, a service for grilling fresh fish in stores. In the area of infrastructure, the company opened a fresh meat processing center in October within the Sakura Distribution Center, which opened in April, to cope with store network expansion by improving logistics efficiency and expanding fresh meat processing capacity. As a result, in the fiscal year ended February 28, 2017, Kasumi's non-consolidated operating revenues rose 5.4% to ¥262,447 million, while operating income fell 16.7% to ¥6,279 million.

Corporate Data

Head office	Nishiohashi, Tsukuba-shi, Ibaraki Prefecture
Established	June 1961
Capital	14.4 billion yen
Number of stores	179 stores
Number of employees	10,972

*As of February 28, 2017



MaxValu Kanto Co., Ltd.

Community-focused services that reflect the consumer's perspective

■ Initiatives in the fiscal year ended February 28, 2017

MaxValu Kanto articulated the vision "Aspiring to be the most popular supermarket in the community by supporting the health and happiness of customers and employees." To improve in-store operational capabilities, the company set up an OJT training group to educate and cultivate merchandise layout managers and worked to upgrade merchandise layout development capabilities, focusing on fresh foods and delicatessen.

■ Together with the community:

Focusing on expansion of sections for fresh produce from local producers

A key merchandise-related initiative at MaxValu Kanto in the fiscal year ended February 28, 2017 was development focused on the local area, including the cultivation of new local suppliers coupled with an increase in the number of stores with sections for fresh produce from local producers. The company has increased the number of stores with local producer sections to 11 and expanded the product selection and is proceeding with a plan to open local producer sections at all stores. Notably, the MaxValu Shinfunabashi Store holds a Big Harvest Fair on the second and fourth Saturday of each month. Customers appreciate the freshness and novelty of freshly picked vegetables and uncommon vegetables brought directly to the store by producers.

Another initiative was merchandise layout refurbishment at 13 stores to increase freshness. As a result, in the fiscal year ended February 28, 2017, MaxValu Kanto's non-consolidated operating revenues fell 4.4% to ¥45,606 million, while operating income rose 83.6% to ¥108 million.

Corporate Data

Head office	Kameido, Koto-ku, Tokyo
Established	December 2009
Capital	100 million yen
Number of stores	34 stores
Number of employees	1,852

*As of February 28, 2017



CSR Activities

U.S.M. Holdings' Basic Policy on the Environment

The United Super Markets Holdings Group recognizes that environmental problems constitute a critical global issue and makes concerted efforts to protect the global environment, helping to build a sustainable recycling society through sound business activities that foster social and economic development and harmonious coexistence with local communities.

1. We actively work to conserve resources and energy through our business activities.
2. We work to develop and popularize environmentally friendly products and materials.
3. We promote waste reduction and The Three R's: reuse, reduce and recycling.
4. We contribute to local environmental protection activities and strive for harmony with local communities.
5. We familiarize employees with this policy, nurture a spirit of environmental protection in each individual, and engage in group-wide activities that involve all employees.
6. We announce this environmental policy to our employees and the public and strive to provide information on our activities proactively.

The U.S.M. Holdings Group's Main Initiatives

Environmental Impact Reduction and CO₂ Reduction

Recycling Activities

The Group companies install recycling bins at the front of each of their stores and collect recyclable resources such as food trays, milk cartons, and PET bottles. Kasumi, in particular, collects recycled resources at Recycling Stations installed at all stores and sorts and stores them at the Kasumi Recycling Center, which performs primary processing.



Raising Employee Awareness of Waste Reduction

To raise employee awareness of the importance of waste reduction, Maruetsu has introduced at more than 200 supermarkets, mainly its eponymous stores, a waste weighing and management system that quantifies the amount of waste discharged. By quantifying waste discharged from its stores, Maruetsu is working to curtail waste emissions by increasing employee commitment to waste reduction.



Food bank

Kasumi has been donating food products to a food bank since November 2016. From companies and other donors, the food bank receives safe food items with no quality issues that are discarded for various reasons and donates them to welfare facilities and other organizations that need food.

Through these food donations to a food bank in the region where Kasumi has stores, Kasumi reduces wastage of food products with unexpired best-before dates and use-by dates and effectively utilizes food products.



Carbon Offsetting

Since the previous year, Maruetsu has been engaged in a carbon offset initiative to offset CO₂ emitted in the manufacture of the plastic grocery bags it provides for customers, purchasing the right to emit CO₂ equivalent to the amount absorbed in forest conservation activities conducted by Iwate Prefecture, Tome City in Miyagi Prefecture, and Kitakata City in Fukushima Prefecture. In addition to contributing to global warming mitigation, this initiative also supports environmental protection activities and local communities in areas that were stricken by the Great East Japan Earthquake.



Forest Conservation, Tree Planting and Related Activities

Maruetsu participates in the Musashino Forest Revitalization Project in Saitama Prefecture, planting wild cherry and other trees at Maruetsu Forest (Maruetsu no Mori), located in Yokote, Hidaka City. Employees volunteer to clear undergrowth each spring and autumn as a forest conservation activity. Kasumi holds a tree-planting festival each May together with customers at Kasumi Empathy Creation Forest (Kyokan Sozo no Mori), located in Kasama City, Ibaraki Prefecture. MaxValue Kanto engages in activities to enhance the green space surrounding its stores.



Safety and Security Initiatives

Voluntary Inspections for Radioactive Substances

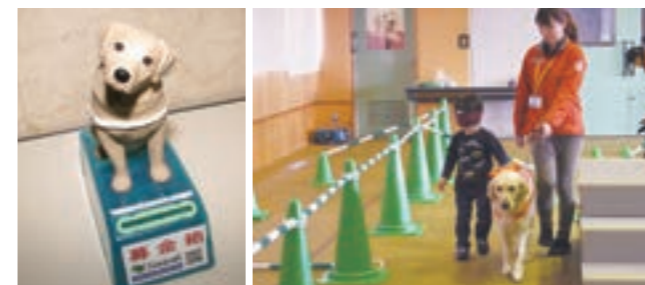
The Group has put in place an inspection system for radioactive substances to enable customers to purchase food products with confidence and peace of mind. Maruetsu and Kasumi conduct voluntary product inspections and disclose on their websites the results of sampling inspections of fresh produce, milk, tofu, and other products.



Contributions to Society

Support for Guide Dog Training

The Group supports guide dog training through monetary donations and conducts events such as guide dog training center tours for customers. Maruetsu has continuously made donations to the Japan Guide Dog Association (JGDA) since 1993 through activities to raise funds for guide dog training, and the cumulative amount donated by fiscal 2015 was approximately 250 million yen. Kasumi periodically holds meetings of the Kasumi Guide Dog Friends Club (Kasumi Modoken Friend Club) with JGDA support to deepen community understanding and support for guide dogs.



Fundraising Activities

The Group engaged in emergency assistance fundraising activities in the hope that victims of the Kumamoto Earthquake of April 2016 will be able to resume their normal lives as soon as possible. We donated a total of ¥10.85 million in collected donations and Group company contributions to Kumamoto Prefecture.

ISO 14001 Certification

Maruetsu and MaxValu Kanto are certified under the ISO 14001 international standard for environmental management systems. The companies have set environmental targets applicable to all stores: reducing electricity consumption, which has a particularly high environmental impact; reducing combustible waste emissions (MaxValu Kanto: reducing food waste and reducing consumption of materials); and increasing the percentage of customers declining bags (Maruetsu: increasing the number of customers declining bags). The Group will continue environmental conservation activities at all business sites as well as appropriate measures at business sites that have obtained ISO 14001 certification.



ISO 22000 and ISO 9001 Quality Management Certification

Maruetsu has obtained certification under the ISO 22000 international standard for food safety management systems at its fresh food processing centers for fresh meat and fresh fish and attests that it provides customers with safe, high-quality food products. Rose Corporation Co., Ltd., a Kasumi Group company that produces and processes boxed lunches and prepared foods, has obtained certification under the ISO 9001 international standard for quality management systems and engages in rigorous quality control that ensures customer peace of mind.

Great East Japan Earthquake Reconstruction Assistance

Since the Great East Japan Earthquake of 2011, Kasumi has continuously engaged in activities to assist the city of Rikuzentakata, which was devastated in that disaster. It conducts companywide charity activities based on a reconstruction assistance calendar, "Ashita (Tomorrow) Calendar," and donated ¥13 million collected to the Rikuzentakata Elementary and Junior High School Reconstruction Fund. Rikuzentakata Tanabata Festival Experiential Learning (Rikuzentakata Tanabata Matsuri Taiken Gakushu) has been held since 2012. At the time of the Tanabata Festival, held on August 7 each year, elementary school students from areas where stores are located and new Kasumi employees visit Rikuzentakata for two nights and three days. By helping with the preparations for and joining in the Tanabata Festival, the participants deepen their interactions with others and learn the importance of bonds between people.



Collection of PET Bottle Caps to Purchase Vaccines

The Group companies collect PET bottle caps at their stores and donate the proceeds from the sale of the caps to the Japan Committee, Vaccines for the World's Children (JCV) for use in purchasing vaccines for children around the world. (Some stores do not participate.)

Consolidated Balance Sheet

(Millions of yen)

Account	16' 2	17' 2
Assets		
Current assets		
Cash and deposits	29,471	25,170
Notes and accounts receivable - trade	419	383
Inventories	16,244	16,871
Accounts receivable - other	17,046	17,369
Deferred tax assets	2,184	1,916
Other	2,722	2,700
Provision for doubtful accounts	(169)	(142)
Total current assets	67,920	64,269
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,020	64,323
Land	42,344	43,558
Other, net	17,919	20,380
Total property, plant and equipment	120,284	128,261
Intangible assets		
Goodwill	15,482	14,662
Other	2,239	2,717
Total intangible assets	17,722	17,380
Investments and other assets		
Investment securities	7,398	7,024
Deferred tax assets	5,215	5,038
Guarantee deposits	34,210	32,788
Other	1,648	1,660
Provision for doubtful accounts	(392)	(379)
Total investments and other assets	48,079	46,132
Total non-current assets	186,086	191,774
Total assets	254,006	256,043

Account	16' 2	17' 2
Liabilities		
Current liabilities		
Notes and accounts payable - trade	47,030	46,785
Current portion of long-term loans payable	3,900	17,500
Income taxes payable	3,641	2,548
Provision for bonuses	1,795	1,939
Provision for loss on store closings	235	103
Provision for shareholder benefit program	256	259
Other	22,981	20,500
Total current liabilities	79,841	89,636
Non-current liabilities		
Long-term loans payable	25,700	13,550
Deferred tax liabilities	163	133
Provision for directors' retirement benefits	365	397
Provision for loss on subleases	211	143
Net defined benefit liability	2,365	1,539
Asset retirement obligations	4,580	4,688
Other	9,115	8,435
Total non-current liabilities	42,500	28,888
Total liabilities	122,342	118,524
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	104,319	104,319
Retained earnings	16,595	22,099
Treasury stock	(7)	(8)
Total shareholders' equity	130,907	136,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(205)	(3)
Foreign currency translation adjustment	323	254
Remeasurements of defined benefit plans	144	474
Total accumulated other comprehensive income	263	725
Non-controlling interests	493	381
Total net assets	131,664	137,518
Total liabilities and net assets	254,006	256,043

Consolidated Statement of Income

(Millions of yen)

Account	16' 2	17' 2
Net sales	649,539	670,475
Cost of sales	466,344	481,350
Gross profit	183,194	189,124
Operating revenue	14,259	14,331
Operating gross profit	197,454	203,456
Selling, general and administrative expenses	183,430	189,136
Operating income	14,024	14,320
Non-operating income		
Interest income	97	75
Dividend income	55	55
Subsidy income	116	164
Insurance income	69	93
Other	226	178
Total non-operating income	565	567
Non-operating expenses		
Interest expenses	233	203
Share of loss of entities accounted for using equity method	137	430
Repayments of compensation received	93	—
Other	262	67
Total non-operating expenses	727	701
Ordinary income	13,862	14,185
Extraordinary income		
Gain on sales of non-current assets	264	385
Gain on sales of investment securities	0	101
Compensation income	—	581
Total extraordinary income	264	1,068
Extraordinary losses		
Loss on sales of non-current assets	—	75
Impairment loss	2,734	2,924
Provision of allowance for loss on store closings	235	52
Loss on store closings	210	250
Loss on sales of investment securities	12	—
Total extraordinary losses	3,192	3,302
Income before income taxes and minority interests	10,934	11,951
Income taxes - current	5,553	4,590
Income taxes - deferred	202	92
Total income taxes	5,756	4,683
Net income	5,177	7,268
Loss attributable to non-controlling interests	(151)	(81)
Profit attributable to owners of parent	5,329	7,350

Consolidated Statement of Cash Flows

(Millions of yen)

Account	16' 2	17' 2
Cash flows from operating activities	16,107	16,682
Cash flows from investing activities	(16,897)	(20,294)
Cash flows from financing activities	(3,910)	(608)
Effect of exchange rate change on cash and cash equivalents	(55)	(80)
Net decrease in cash and cash equivalents	(4,755)	(4,300)
Cash and cash equivalents at beginning of period	20,481	29,470
Increase in cash and cash equivalents resulting from share transfer	13,744	—
Cash and cash equivalents at end of period	29,470	25,169

Dialogue with stakeholders

Shareholders reception

On November 28, 2016, following a shareholder briefing, U.S.M. Holdings held a shareholders reception as an opportunity for obtaining opinions and comments about the Group's management, products, and services directly from shareholders.

Shareholders and operating company directors and executive officers gathered around tables at the stand-up reception, which was an excellent opportunity to obtain valuable insights from our shareholders.



Explaining the fiscal 2015 first-half business report and activities in the current fiscal year



Shareholders and Group company directors and executive officers in conversation

Corporate Governance

Basic Policy on Corporate Governance

- (1) Respect the autonomy and independence of the operating companies and ground corporate governance in the basic principles, vision, and mission formulated at the time the Company was established based on the common principles "Customer-first" and "Contribution to local communities."
- (2) Maintain transparency and fairness in decision-making to ensure appropriate cooperation with shareholders and other stakeholders.
- (3) Regard shareholders with whom appropriate cooperation can be achieved from a medium- and long-term perspective, particularly customer shareholders who provide opinions through their daily shopping, and other stakeholders as important partners. Create an environment that enables constructive dialogue with these stakeholders and develop a framework to reflect their feedback in management.
- (4) On the basis of (1) to (3) above, demonstrate a healthy entrepreneurial spirit by ensuring rationality in the management decision-making process and strive for the Company's sustained growth and enhancement of medium- and long-term corporate value by realizing prompt and decisive decision-making.

Board of Directors

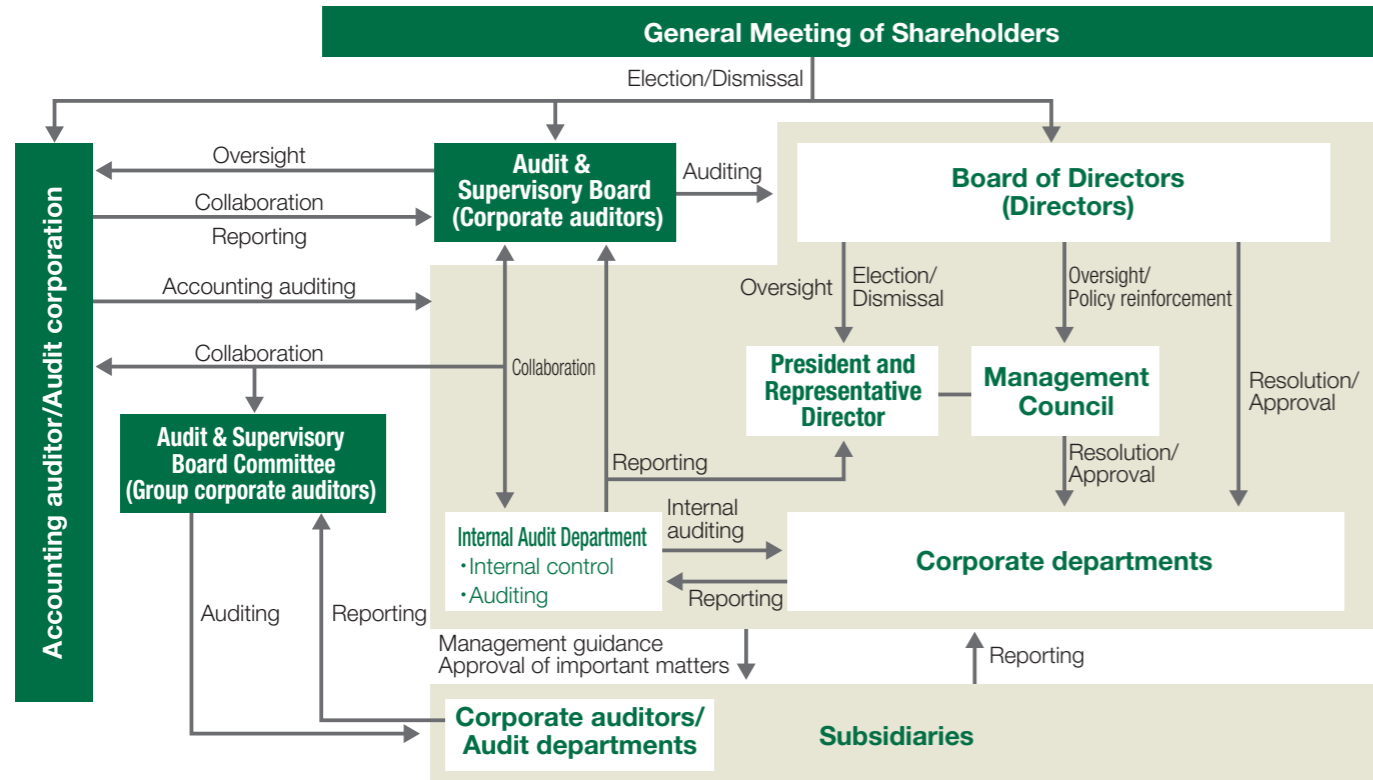
The Board of Directors consists of nine directors (including three outside directors). The Board meets once a month, in principle, and holds extraordinary meetings as necessary. The five Audit & Supervisory Board members attend Board of Directors meetings. At Board meetings, the directors deliberate and resolve matters prescribed by law and matters set forth in the Board of Directors Regulations and oversee the execution of business by the directors on the basis of regulatory compliance and appropriate risk management. As a pure holding company, the Company requires the operating companies to report to the Company important resolutions and governs the appropriate execution of business operations by the operating companies.

Audit & Supervisory Board

The Audit & Supervisory Board consists of five corporate auditors (including three outside corporate auditors). The Board meets once a month, in principle, and holds extraordinary meetings as necessary. At Board meetings, the corporate auditors receive reports on, discuss, and resolve important audit-related matters. The corporate auditors audit the legality of the execution of duties by the directors, the status of assets, and other matters in accordance with the audit policy and division of duties established by the Audit & Supervisory Board. The Audit & Supervisory Board convenes meetings of the Group Auditor & Supervisory Board Liaison Committee for the purpose of cooperating with the corporate auditors and internal audit departments of the operating companies, strives to ensure highly effective auditing, and works to reinforce the governance function and internal audit function.

(As of May 19, 2017)

Corporate Governance Structure



Corporate Data

Established	March 2015
Capital	10 billion yen
Business	Management of supermarket business
Head office	1 Kanda Aioi-cho, Chiyoda-ku, Tokyo

Group Companies

The Maruetsu, Inc.

Business Supermarket business for retail sales of foods, household goods, apparel, etc.
Head office: 5-51-12 Higashi-Ikebukuro, Toshima-ku, Tokyo

Kasumi Co., Ltd.

Business Supermarket business for retail sales of foods, household goods, apparel, etc.
Head office: 599-1, Nishiohashi, Tsukuba-shi, Ibaraki Prefecture

MaxValu Kanto Co., Ltd.

Business Supermarket business for retail sales of foods, household goods, apparel, etc.
Head office: 5-30-3 Kameido, Koto-ku, Tokyo

Directors and Corporate Auditors (as of May 19, 2017)

Chairman and Representative Director	Makoto Ueda
President and Representative Director	Motohiro Fujita
Representative Director	Daisuke Tezuka
Director	Ryota Furuse
Director	Toshiki Ishii
Director and Advisor (part-time)	Motoya Okada
Outside Director (part-time)	Mitsuru Akiyoshi
Independent Outside Director (part-time)	Shigekazu Torikai
Independent Outside Director (part-time)	Naoko Makino
Corporate Auditor (Standing)	Kazuo Hosoya
Corporate Auditor (Standing)	Tsutomu Uchida
Outside Corporate Auditor (part-time)	Akira Sasaoka
Outside Corporate Auditor (part-time)	Masahiro Miyatake
Independent Outside Corporate Auditor (part-time)	Shinobu Okamoto

Our Website

Visit U.S.M. Holdings Website and find out more about us. Our website offers a variety of content, including the latest news from us, introduction of our businesses, IR information, and financial information.

<http://www.usmh.co.jp/>

united super markets holdings inc.

Stock Information

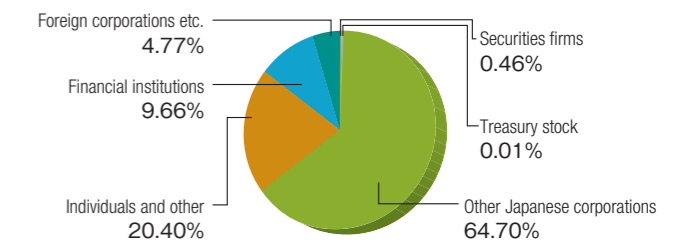
Number of shares authorized	500,000,000 shares
Number of shares issued	131,681,356 shares
Number of shareholders	64,026

Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
Aeon Market Investment Co., Ltd.	67,159	51.00
U.S.M.H. Group Business Partners Shareholding Association	3,150	2.39
The Kambayashi Scholarship Foundation	2,300	1.75
Japan Trustee Services Bank, Ltd. (Trust Account)	1,667	1.27
Aeon Co., Ltd.	1,629	1.24
Nippon Life Insurance Company	1,531	1.16
Nippon Access Inc.	1,473	1.12
KOKUBU GROUP CORP.	1,099	0.84
Mitsubishi Shokuhin Co., Ltd.	1,075	0.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,069	0.81

Note: Percentages of shares held are calculated excluding 7,775 shares of treasury stock.

Distribution of Shares by Shareholder Type



United Super Markets Holdings Inc.

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