

U.S.M. Holdings

Investors' Guide 2018



マックスバリュ関東株式会社

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

U.S.M.Holdings

Take responsibility for functions and roles for overall optimization and offer new value

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

The Maruetsu, Inc.

Maruetsu brand development



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



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



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.



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

Network

Achieving synergy through integration of three companies and promoting business development responsive to consumer needs

Development of stores deeply rooted in local communities from customers' viewpoints

The U.S.M. Holdings Group's operations are in the region of Tokyo and the adjacent prefectures. Although this is Japan's richest and most promising retail market with expectations for sustainable growth in the future, competitions crossing over industries are intensifying.

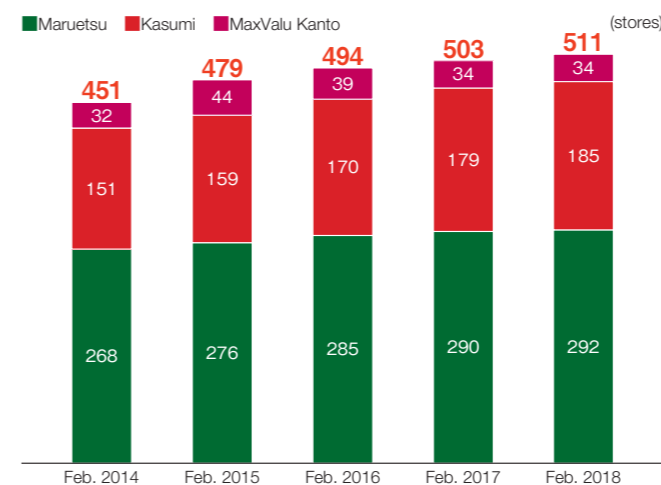
U.S.M. Holdings has an overwhelming share of this affluent regional market and operates 511 supermarkets in the region.

In pursuit of future growth, while accelerating operational efficiency through maximization of the economies of scale and mutual utilization of infrastructure among the three companies, we also seek to upgrade the quality of our operations to meet the needs of customers in each community, keeping a tight focus on communities and paying attention to the needs of local customers. By developing stores that create and offer new value, U.S.M. Holdings will develop new supermarket store formats that gain the support of customers with the aim of becoming the No. 1 supermarket chain in the Greater Tokyo Area.

Fiscal year ended February 28, 2018: total of 15 new stores opened, expanding the network to 511 stores

U.S.M. Holdings opened a total of 15 new stores in the fiscal year ended February 28, 2018, split between Maruetsu (7) and Kasumi (8). A total of 7 stores were also closed (Maruetsu 5, Kasumi 2,) as part of a scrap-and-build policy to try to maximize operational efficiency.

Number of stores (graph)



* The two Maruetsu stores in China are not included.

Main new stores and refurbished stores

Maruetsu Okubo-eki-make Store

(Opened in October 2017)



- Location : Narashino-shi, Chiba Prefecture
 - Sales floor area : 608 tsubo
- Implementing new forward-looking initiatives centering on fresh delicatessen, while emphasizing communication with customers

Food Square Kasumi Ryugasaki-Nakazato Store

(Opened in December 2017)



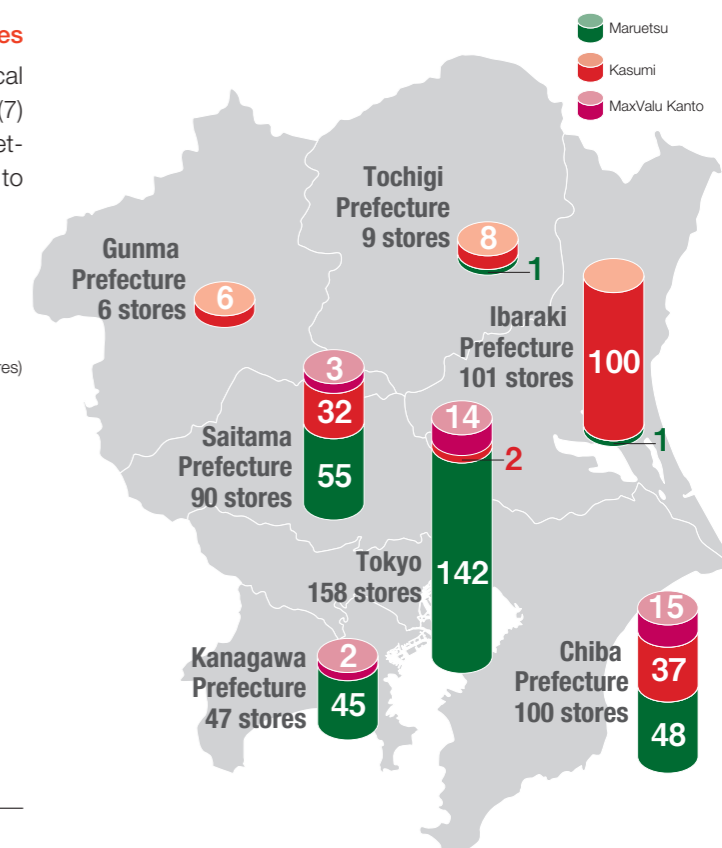
- Location : Ryugasaki-shi, Ibaraki Prefecture
 - Sales floor area: 606 tsubo
- Kasumi's 100th store in Ibaraki Prefecture. Merchandising with an emphasis on the relationship with the community, such as offering of vegetables sourced from local farmers and other local products

MaxValu Tatsumidai Store

(Refurbished and opened in June 2017)



- Location: Ichihara-shi, Chiba Prefecture
 - Sales floor area: 825 tsubo
- The store, which opened in 1996, was entirely refurbished. Promoting customer service, product selection, and store layout with the aim of becoming an indispensable store in the community





Makoto Ueda
Chairman and
Representative Director

Motohiro Fujita
President and
Representative Director

Speedily implementing reforms in key areas and pursuing further synergy to prepare for a new stage

Rapidly and steadfastly implementing the medium-term business plan

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 through promoting harmonization among the three operating companies and, in fiscal 2017, by shifting from harmonization to integration stage. We have also formulated a medium-term business plan covering the three-year term beginning in fiscal 2017 and are implementing reforms necessary for continued growth in line with the basic policies of

“Maximization of synergy through sharing of business infrastructure” and “Establishment of a new supermarket model adapted to consumer changes.”

Undertaking new format development in anticipation of changes in the business environment

Further changes in the business environment are predicted over the next 10 years, including regional disparities in the demographic profile of the Greater Tokyo Area, changes in household structure and diet, ICT-driven technological innovation, and changes to the cost structure resulting from personnel shortages.

In the consolidated fiscal year under review, although spending per customer and average unit price at existing stores were mostly in line with expectations, the number of customers was only 99.0% of that in fiscal 2016. We attribute this result to our delay in responding to changes in the market environment, such as the increased prominence of the Internet, drugstores, and convenience stores, as well as diversification of customer needs. By store location, regional disparities became pronounced, with the numbers of customers at stores in Saitama, Ibaraki, Gunma, and Tochigi falling to the 98% range compared to fiscal 2016. Although until now we have pursued a strategy of achieving dominance by enlarging or reducing sales floor area in accordance with the size of each store’s catchment area, since this strategy has not led to the anticipated results in some areas, we consider it necessary to promptly pursue development based on a new format.

Implemented reform in four key areas and achieved synergistic effects

In fiscal 2017, we implemented the following initiatives for achieving the objectives in the medium-term business plan in four key areas: merchandise reform, ICT reform, cost structure reform, and logistics reform.

First, in merchandise reform, we integrated purchasing of sundries and clothing and centralized the purchasing function. We also expanded joint procurement of jointly planned products and materials, and in October 2017 launched the “eatime” brand for private-label merchandise.

As for the strengthening of fresh foods section, which was a challenge, each operating company devised measures and regularly shared information regarding their contents and results. However, since recently the correlation between measures to strengthen fresh foods and the number of customers is weakening in some respects, more in-depth product development using the opportunity to rejuvenate existing stores is an urgent priority.

Next, for ICT reform, we are continuing initiatives to reduce systems costs, and promoted strategic data utilization and systems development. Channel diversification is also progressing rapidly, and we will respond expeditiously.

In the cost structure reform, we continued to move ahead with cost reduction through joint procurement, and began to integrate the finance and accounting function to increase head office efficiency. In our efforts to reduce selling, general and administrative expenses, although we worked to more rigorously control total working hours by improving work efficiency and introducing outsourced packaging, we must go

further in implementations while hourly wages continue to rise accompanying a shortage of labor, and the burden of social security costs continues to increase.

Finally, we set up a study group with an outside company and initiated activities with the aim of constructing a logistics system in pursuit of optimal efficiency as a Group. Going forward, we will consider solutions for workforce reduction and laborsaving by introducing technologies such as the IoT and artificial intelligence, and proceed with implementation verification by partnering with an outside company.

In fiscal 2018, we will pursue greater speed and scale, integrate functions and business processes common among the operating companies, and undertake cost reform accompanying business structure reform with U.S.M. Holdings demonstrating its leadership.

Implemented major organizational changes and accelerated synergy creation to achieve the objectives in the medium-term business plan

In fiscal 2018, we implemented organizational changes in March to accelerate synergy creation in the U.S.M. Holdings Group. We established the Materials Procurement Department and the Purchasing Integration Promotion Department and, for the purpose of promoting back-office reform and sharing of business infrastructure, established the Finance and Accounting Department and the ICT Development and Operation Department to integrate functions of finance and accounting sections and ICT sections of the operating companies.

Furthermore, we established the Business Development Department and the Digital Business Planning Department as pillars of future business development and will begin consideration for establishment of a new supermarket model.

Through promoting management by integrating the U.S.M. Holdings, with the addition of above new departments, and operating companies, we plan to accelerate the pace of reform to achieve objectives in the medium-term business plan and create synergy worth 1.6 billion yen in fiscal 2018.

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 fulfilling this mission and consider it important to reexamine area needs, transform our merchandising and services, and refine each store.

We request your continued support of the U.S.M. Holdings Group.

Integration stage underway for growth over the next 10 years

In line with our medium- to long-term strategy covering the period up to fiscal 2025, U.S.M. Holdings will formulate and implement a medium-term business plan every three years. Considering the three-year term of the first medium-term business plan launched in fiscal 2017 to be a period for laying the foundation for realizing sustained growth in the future, which is based on the environmental change in the next ten years in the Greater Tokyo area, we will offer new value attuned to customer needs.

For the new stage of growth over the next 10 years
— Accelerate the pace of reforms by shifting from the harmonization to the integration stage —

<Basic policies>

- Maximization of synergy through sharing of business infrastructure
- Challenge for establishment of a new supermarket model adapted to consumer changes

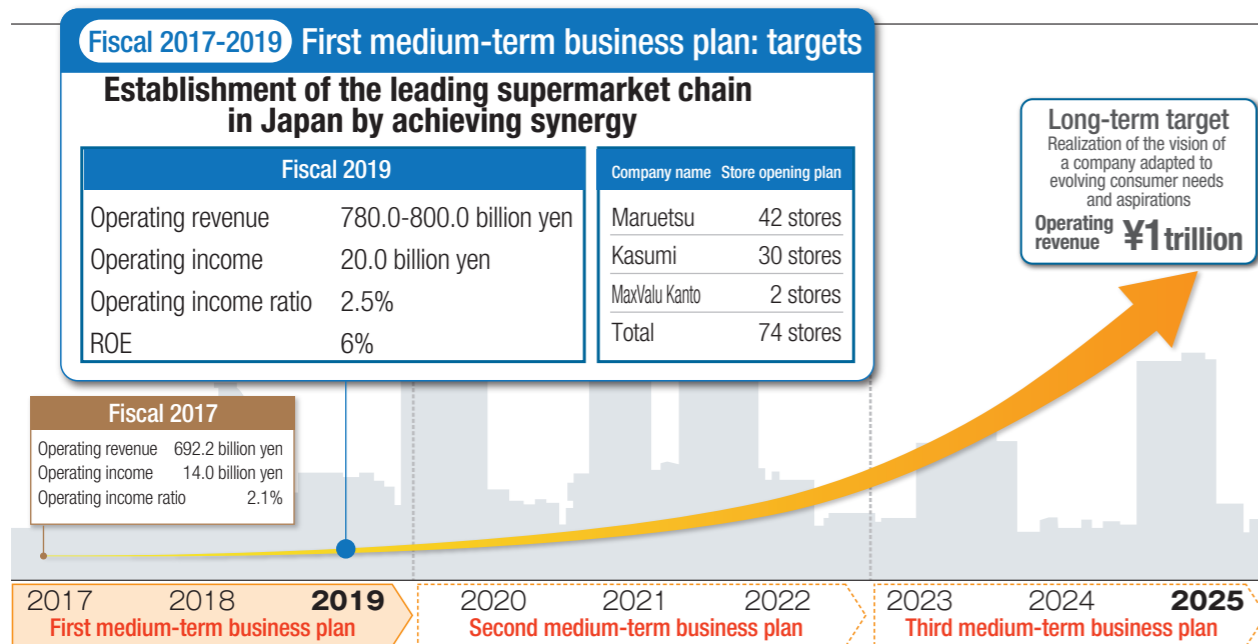
Medium- to long-term strategic directions

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

Implemented reforms in four key areas to achieve the medium-term business plan objectives

In fiscal 2017, we promoted merchandise reform, ICT reform, cost structure reform, and logistics reform to achieve the objectives in the medium-term business plan. In regard to ICT, starting with integration of procurement of merchandise and concentration of procurement functions, we are promoting strategic data utilization and systems development. We are also promoting integration of finance and accounting functions while maintaining cost reduction through joint procurement. To establish the optimum logistics system for the entire Group, we set up a study group with an outside company and initiated activities.

*ICT: Information & communication technology



Business environment of U.S.M. Holdings

- Regional disparities in the demographic profile of the Greater Tokyo Area and changes in the household structure
- ICT-driven technological innovation, and changes to the cost structure resulting from personnel shortages
- Channel diversification

Issues in fiscal 2017

- Examination of new store format development and store opening strategy by reexamining area needs
- Promotion of marketing and merchandise reform
- Response to rapid channel diversification
- Enhancement of efficiency through operational integration; workforce reduction and laborsaving through IT utilization, etc.

Initiatives in fiscal 2018 for achieving the medium-term business plan objectives

In fiscal 2018, the Group will promote integrated business management to further accelerate the pace of reforms to achieve the objectives in the medium-term business plan. While respecting autonomous store management of each operating company and through promoting projects under the new organizational structure with newly established departments, we will work to ensure creation of synergy that will contribute to higher profit on a consolidated basis.

Three key areas for integration specified and initiatives implemented in order to speedily create synergy

From the viewpoint of overall optimization, we have specified areas for integration that will contribute to higher profit of the Group and promote initiatives under the leadership of U.S.M. Holdings. The three areas for integration are "functions to be shared," "information to be shared," and "functions for handling common needs." We are committed to ensure creation of synergy also through the implementation of three projects: "cost structure reform," "merchandise reform," and "logistics reform."

U.S.M.H policy for fiscal 2018
Everyone at the Group will adopt the viewpoint of overall optimization and seek various forms of integration to ensure creation of synergy.

Functional integration

- Integration of purchasing
- IT integration
- Materials procurement
- Accounting center

New functions

- Development of new business formats
- Training of experts
- Digital business
- Consideration of PC functions

Information sharing

- Property development

Three projects

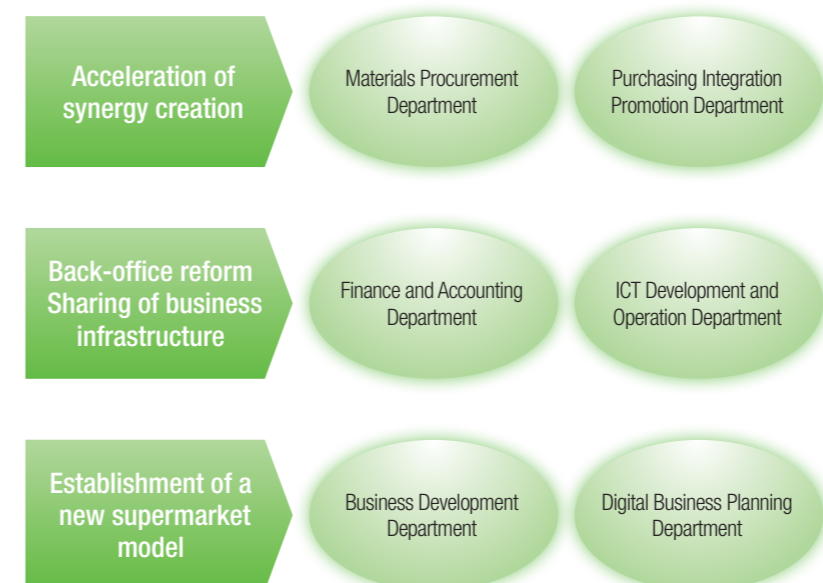
- Cost Structure Reform Project
- Merchandise Reform Project
- Logistics Reform Project

Fiscal 2018
Creation of synergy ¥1.6 billion (plan)

Reorganization to accelerate initiatives

- Functions common to operating companies, such as systems section and materials procurement section, were integrated and reorganized into headquarters-level organizations from the previous department-level organizations.
- New departments were established to quickly respond to customer needs and to vigorously address areas that cannot be addressed by an operating company alone.

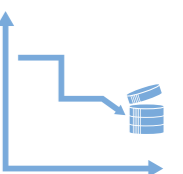
New departments to accelerate the pace of reforms by working together with operating companies



Promotion of three projects

1 Cost Structure Reform Project

Across-the-board reduction of expenses and structural reform of selling, general and administrative expenses as well as cost reduction through functional integration to achieve good results



2 Merchandise Reform Project

Synergy creation mainly by accelerated development of "easetime" private-brand products, development of exclusive products, joint procurement, and jointly planned products



3 Logistics Reform Project

Consider with the goal of realizing the next-generation logistics network plan and the new center plan, and also improve logistics efficiency of existing stores



eatime

イータイム

THE U.S.M.H QUALITY

Introduction of a long-awaited new brand

October 2017 marked the debut of “eatime,” the Group’s first brand of private-label merchandise at all Maruetsu, Kasumi, and MaxValu Kanto stores. Based on the concept of proposing new values to customers, “eatime” is a brand of original merchandise conceived by the three food supermarket companies in pursuit of deliciousness, with a focus on food cultures of various regions and specialties rooted in regions.

As phase one of the brand rollout, we launched six excellent products from southern Italy: whole tomatoes using San Marzano tomatoes, a variety characterized by sweetness and umami, and five IGP-certified long and short pasta products. In March 2018, we launched a choice extra virgin olive oil purely extracted from Ortime olives produced in Benevento in the Campania region of southern Italy.

We plan to accelerate the pace of product introduction and enhance the product lineup.

“eatime” website

<https://eatime.jp>



The Maruetsu, Inc.

Promoting creation of attractive products, including greater selection of fresh delicatessen featuring seasonal ingredients

Corporate Data

Head office	Higashi-Ikebukuro, Toshima-ku, Tokyo
Established	October 1945
Capital	100 million yen
Number of stores	292 stores
Number of employees	16,409

*As of February 28, 2018

Initiatives in the fiscal year ended February 28, 2018

Having positioned the fiscal year ended February 28, 2018 as the year to achieve operational reform through involvement of all personnel, Maruetsu focused on operational reform, store development reform, and response to future growth. In October 2017, led by the New Store Development Promotion Project, Maruetsu Okubo-eki-mae Store opened, which introduced new merchandising and services for new stores and refurbished stores.

Focus on laborsaving measures, such as improvement of efficiency of order placement and store operation

Key initiatives in the fiscal year ended February 28, 2018 included expanded introduction of partial self-checkout systems at 189 stores as a laborsaving measure as well as the introduction of the Delicatessen Menu Order-placing System, which simplifies order placing, and the Total LSP System, which is designed for establishment of efficient store operation, at all stores. In addition, to respond to the trend toward delicatessen products, Maruetsu promoted introduction of fresh delicatessen featuring seasonal fresh ingredients mainly at refurbished stores. As a result, in the fiscal year ended February 28, 2018, Maruetsu’s non-consolidated operating revenue rose 0.7% year on year to ¥375,556 million, and operating income rose 3.4% to ¥7,841 million.



Kasumi Co., Ltd.

Developing unique and appealing stores that play an integral role in local communities

Corporate Data

Head office	Nishiohashi, Tsukuba-shi, Ibaraki Prefecture
Established	June 1961
Capital	100 million yen
Number of stores	185 stores
Number of employees	11,333

*As of February 28, 2018



Initiatives in the fiscal year ended February 28, 2018

With the aim of building stores loved by the community by listening to customer feedback and employees’ ideas, Kasumi promoted initiatives to become the base for living in local communities where customers can find something new, experience something interesting, or cultivate new relationships. Especially, enrichment of “Eat-in” spaces was promoted primarily at new stores and various events held at individual stores utilizing employees’ ingenuity and relationships with the local community attracted many customers.

Creating appealing merchandise layouts and strengthening EDLP measures for daily necessities

Kasumi strove for 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.” The company also strengthened measures to offer daily necessities every day at low prices (EDLP) to increase sales volumes. As a result, in the fiscal year ended February 28, 2018, Kasumi’s non-consolidated operating revenue rose 2.6% year on year to ¥269,289 million, while operating income fell 6.1% to ¥5,897 million.



MaxValue Kanto Co., Ltd.

Community-focused supermarket chain pursuing customer satisfaction through store layout and merchandise

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, 2018

Initiatives in the fiscal year ended February 28, 2018

During the fiscal year ended February 28, 2018, MaxValu Kanto focused on three measures: “Strengthening of Store Competitiveness,” “Overhaul of the Cost Structure,” and “Reform of the Corporate Culture,” inspired by the new vision of creating “pleasure of shopping.” The company launched and implemented processes for resolving issues at each store based on the new vision.

Strengthening competitiveness of existing stores and promoting reform of the cost structure

Regarding strengthening of store competitiveness, the company promoted proactive measures centering on vitalization of the existing stores, strengthened price competitiveness, through promotion events including price reduction of TOPVALU products to show appreciation to customers, worked to resolve issues of individual stores, and enhanced merchandise layout development capabilities by assigning supervisors. Regarding overhaul of the cost structure, the company thoroughly reviewed the overall costs and strove to improve store operation. With a view to reforming the corporate culture, the company revised its employee performance awards system to enhance employee motivation. As a result, in the fiscal year ended February 28, 2018, MaxValu Kanto’s non-consolidated operating revenue fell 4.7% year on year to ¥43,480 million, while operating income rose 69.5% to ¥184 million.



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

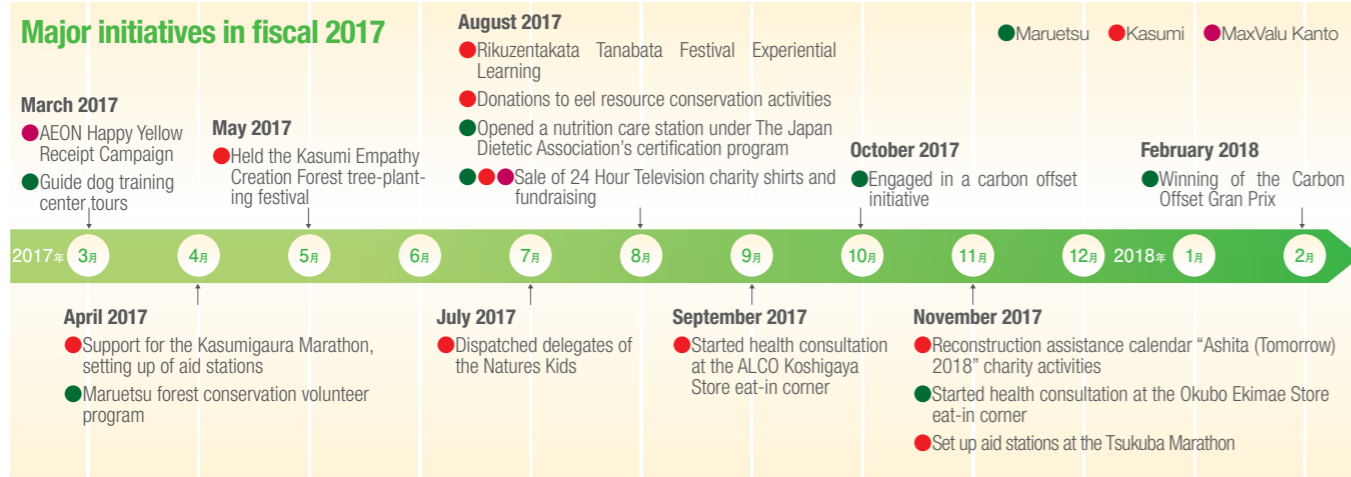
The United Super Markets Holdings Group recognizes that environmental problems constitute a critical global issue and makes concerted efforts to protect the global environment, helping to build a sustainable recycling society through sound business activities that foster social and economic development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



U.S.M. Holdings engages in CSR activities from three perspectives.

The U.S.M. Holdings Group engages in CSR activities from three perspectives: "Environmental Impact Reduction and CO₂ Reduction," "Safety and Security," and "Contributions to Society." We contribute to local communities and our stakeholders through our CSR activities.



Year-round continuous initiatives

● Donations to the Japan Guide Dog Association	● Conduct of supermarket tours
● Guide dog contact campaigns	● 5 a DAY hands-on harvest tours
● Donation of 1% of pet food sales of maruetsu365 to the Japan Guide Dog Association	● Dietary education classes for seniors at mobile sales centers
● Guide Dog Friends Club	● Training of food educators and food instructors
● Donation of an amount equivalent to 1% of drink vending machine sales for use as greening funds	● "Boxed Lunch Day" dietary education project for junior high school students
● Donation of the proceeds from the sale of bottle caps collected at stores for use in purchasing vaccines	● Health support, including measurement of health data and provision of advice on nutrition, launched in fiscal 2018
● Bring your own shopping bag campaign	● Training of service care-fitters
● Collection of recyclable resources	● Promotion of employment of persons with disabilities
● Operation of a recycling center	● Welcoming of social studies field trips
● Promotion of waste visualization and reduction of food product waste through the introduction of a waste weighing and management system	● Participation in community events that place importance on ties with local communities
● Reduction of food product waste and donations to a food bank that effectively utilizes food products with unexpired best-before dates and use-by dates	● "Clean & Green Day" cleanup activities at stores and near the head office on the eleventh of each month
● Recycling of food leftovers	● Donations to the World Wildlife Fund (presentation of donations)
	● Voluntary inspections for radioactive substances

Legend: ● Maruetsu ● Kasumi ● MaxValu Kanto

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.



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.



"Visualization" of the amount of waste discharged

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 at each store. By "visualizing" waste discharged from its stores, Maruetsu is working to curtail waste emissions by increasing employee commitment to waste reduction.



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.



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.



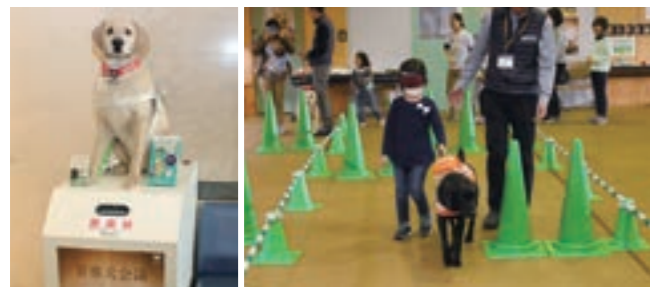
ISO 22000 and ISO 9001 Quality Management Certification

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.

Contributions to Society

Support for Guide Dog Training

The Group supports guide dog training through monetary donations and is conducting activities to raise understanding and support for guide dogs. Maruetsu 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 2017 was approximately 281 million yen. Kasumi periodically holds meetings of the Kasumi Guide Dog Friends Club (Kasumi Modoken Friend Club) with JGDA support.



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. Its companywide charity activities based on a reconstruction assistance calendar, "Ashita (Tomorrow) Calendar," are in their seventh year, and the total amount of donations to the Rikuzentakata Elementary and Junior High School Reconstruction Fund amounted to ¥107.57 million. 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.)

Happy Yellow Receipt Campaign

All MaxValu Kanto stores are continuing AEON's "Happy Yellow Receipt" initiative. Each year, during the three-day period from March 9 to 11 they participate in the "Happy Yellow Receipt Campaign" to support children in areas devastated by the Great East Japan Earthquake. During the campaign, customers who visit the stores send their wishes through their purchases.



Close up

The U.S.M. Holdings Group's dietary education activities

Health support

Beginning in fiscal 2018, Group supermarkets are utilizing their eat-in corners as health support corners that provide practical food support that can be incorporated in people's lives. They provide data obtained using four types of measuring instruments and offer health advice from dietitians and national registered dietitians.



EATPIA certified as a nutrition care station

EATPIA is a place staffed by national-registered dietitians and dietitians that supports customers' at-home dining and disseminates and puts into practice information that enriches food and living. In August 2017, EATPIA became the first in the supermarket industry to be certified as a nutrition care station under The Japan Dietetic Association's certification program.



Corporate Governance

Basic Policy on Corporate Governance

- 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."
- Maintain transparency and fairness in decision-making to ensure appropriate cooperation with shareholders and other stakeholders.
- 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.
- 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

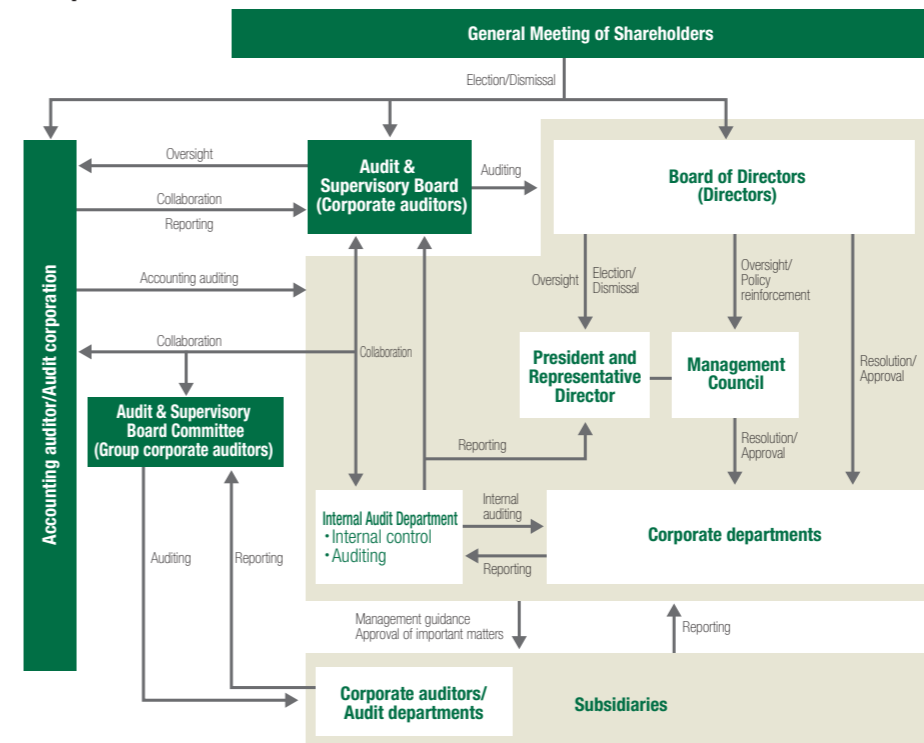
The Board of Directors consists of nine directors (including three outside directors). The Board meets once a month, in principle, and holds extraordinary meetings as necessary. The five Audit & Supervisory Board members attend Board of Directors meetings. At Board meetings, the directors deliberate 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 21, 2018)

Corporate Governance Structure



Directors and Corporate Auditors

(as of May 21, 2018)

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)	Koji Yamazaki
Independent Outside Director (part-time)	Shigekazu Torikai
Independent Outside Director (part-time)	Naoko Makino
Corporate Auditor (Standing)	Tsutomu Uchida
Corporate Auditor (Standing)	Tatsuo Mizuhashi
Outside Corporate Auditor (part-time)	Akira Sasaoka
Outside Corporate Auditor (part-time)	Shigeru Koyama
Independent Outside Corporate Auditor (part-time)	Shinobu Okamoto

Consolidated Balance Sheet

Account	17' 2	18' 2	Account	17' 2	18' 2
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	25,170	25,709	Notes and accounts payable - trade	46,785	47,443
Notes and accounts receivable - trade	383	389	Short - term loans payable	—	5,000
Inventories	16,871	16,964	Current portion of long-term loans payable	17,500	3,400
Accounts receivable - other	17,369	18,198	Income taxes payable	2,548	2,150
Deferred tax assets	1,916	2,469	Provision for bonuses	1,939	1,997
Other	2,700	3,337	Provision for loss on liquidation of business of subsidiaries and associates	—	1,373
Provision for doubtful accounts	(142)	(124)	Provision for loss on store closings	103	239
Total current assets	64,269	66,945	Provision for shareholder benefit program	259	278
Non-current assets			Other	20,500	21,040
Property, plant and equipment			Total current liabilities	89,636	82,922
Buildings and structures, net	64,323	64,956	Non-current liabilities		
Land	43,558	43,811	Long-term loans payable	13,550	24,500
Other, net	20,380	20,726	Deferred tax liabilities	133	150
Total property, plant and equipment	128,261	129,494	Provision for loss on subleases	143	99
Intangible assets			Net defined benefit liability	1,539	1,039
Goodwill	14,662	13,843	Asset retirement obligations	4,688	5,485
Other	2,717	2,711	Other	8,833	8,310
Total intangible assets	17,380	16,554	Total non-current liabilities	28,888	39,585
Investments and other assets			Total liabilities	118,524	122,507
Investment securities	7,024	6,804	Net assets		
Deferred tax assets	5,038	8,554	Shareholders' equity		
Net defined benefit asset	—	218	Capital stock	10,000	10,000
Guarantee deposits	32,788	32,159	Capital surplus	104,319	104,320
Other	1,660	1,616	Retained earnings	22,099	27,590
Provision for doubtful accounts	(379)	(299)	Treasury stock	(8)	(3,751)
Total investments and other assets	46,132	49,053	Total shareholders' equity	136,410	138,159
Total non-current assets	191,774	195,102	Accumulated other comprehensive income		
Total assets	256,043	262,047	Valuation difference on available-for-sale securities	(3)	(54)
			Foreign currency translation adjustment	254	238
			Remeasurements of defined benefit plans	474	774
			Total accumulated other comprehensive income	725	958
			Share acquisition rights	—	52
			Non-controlling interests	381	369
			Total net assets	137,518	139,539
			Total liabilities and net assets	256,043	262,047

Consolidated Statement of Income (Millions of yen)

Account	17' 2	18' 2
Net sales	670,475	677,557
Cost of sales	481,350	485,287
Gross profit	189,124	192,269
Operating revenue	14,331	14,691
Operating gross profit	203,456	206,961
Selling, general and administrative expenses	189,136	192,892
Operating income	14,320	14,068
Non-operating income	567	521
Non-operating expenses	701	402
Ordinary income	14,185	14,188
Extraordinary income	1,068	—
Extraordinary losses	3,302	6,255
Income before income taxes and minority interests	11,951	7,932
Income taxes - current	4,590	4,689
Income taxes - deferred	92	(4,203)
Total income taxes	4,683	485
Net income	7,268	7,446
Loss attributable to non-controlling interests	(81)	(5)
Profit attributable to owners of parent	7,350	7,452

Consolidated Statement of Cash Flows (Millions of yen)

Account	17' 2	18' 2
Cash flows from operating activities	16,682	21,060
Cash flows from investing activities	(20,294)	(16,238)
Cash flows from financing activities	(608)	(4,270)
Effect of exchange rate change on cash and cash equivalents	(80)	(13)
Net decrease in cash and cash equivalents	(4,300)	538
Cash and cash equivalents at beginning of period	29,470	25,169
Cash and cash equivalents at end of period	25,169	25,708

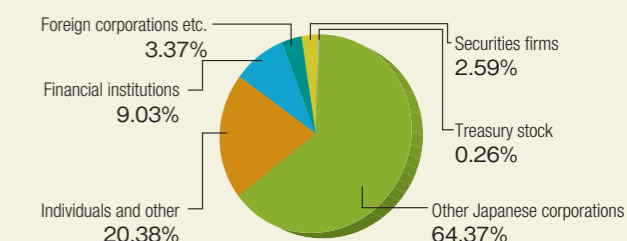
Stock Information

Number of shares authorized	500,000,000 shares
Number of shares issued	131,681,356 shares
Number of shareholders	68,912

Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
Aeon Market Investment Co., Ltd.	67,159	52.35
U.S.M.H. Group Business Partners Shareholding Association	3,094	2.41
The Kambayashi Scholarship Foundation	2,300	1.79
Japan Trustee Services Bank, Ltd. (Trust Account)	2,108	1.64
Aeon Co., Ltd.	1,629	1.27
Nippon Access Inc.	1,482	1.15
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,250	0.97
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,123	0.87
KOKUBU GROUP CORP.	1,099	0.85
Mitsubishi Shokuhin Co., Ltd.	1,078	0.84

Note: Percentages of shares held are calculated excluding 3,407,091 shares of treasury stock.

Distribution of Shares by Shareholder Type


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

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