

U.S.M. Holdings



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

The Maruetsu, Inc.

Established in 1945, Maruetsu celebrated its 70th anniversary in October 2015. The chain of 285 stores as of the end of Feb. 2016 is developing under the three formats of “Maruetsu,” “Maruetsu Petit,” and “Lincos.”
(See P. 5 for details)



MaxValu Kanto Co., Ltd.

Established in 2009, MaxValu Kanto had a chain of 39 supermarkets as of the end of Feb. 2016 with a business approach emphasizing user reassurance, lifestyle and local produce while developing a brand of supermarkets geared toward great taste and convenience.
(See P. 7 for details)



Kasumi Co., Ltd.

Established in 1961, Kasumi had a chain of 170 supermarkets as of the end of Feb. 2016. With three formats, Kasumi gives stores autonomy based on a “Social Shift” management ethos.
(See P. 6 for details)



U.S.M. Holdings

ユナイテッド・スーパーマーケット・ホールディングス 株式会社

Creating new value through the evolving expertise of our three companies

We aim to create value as a regionally focused enterprise by building close relationships with our local community.



Hiromasa Kohama
Chairman and
Representative Director

Makoto Ueda
President and
Representative Director

United Super Markets Holdings Inc. (U.S.M. Holdings) was established on March 2, 2015 as a joint holding company for The Maruetsu, Inc., Kasumi Co., Ltd., and MaxValu Kanto Co., Ltd.

U.S.M. Holdings is the largest integrated supermarket operator by sales in the region comprising Tokyo and its six adjacent prefectures. Every day, our stores serve over 1.1 million c. We will continue developing and evolving our business by cultivating close connections between each of our stores and their local communities, leveraging our strengths to create possibilities for the future.

Background to the creation of U.S.M. Holdings

The supermarket sector in Japan has been consolidating in the face of tough competition not only from other supermarket chains, but also from other retail sectors such as discount stores, convenience stores, drugstores, online retailers and meal delivery services.

To thrive amid fierce competition in such a fast-changing environment, it is essential to maximize enterprise value by “creating original value,” which means providing products and services tailored to the various lifestyles of our customers.

Integrated but still unique

The Maruetsu, Kasumi and MaxValu Kanto supermarket

chains already shared the business philosophy of putting the customer first and contributing to local communities. Together, we aim to create the leading supermarket chain in terms of scale and quality in the Kanto region and provide our customers with high-quality food at home. Integrating the three operators to create a network with regional scale has allowed us to pool capabilities while focusing on innovation, based on a shared business vision.

We adopted a new joint holding company structure to manage the integration process. This approach has helped us retain the brand value created by each operator over many years and acknowledges the value of management autonomy in developing services that truly serve the local community. To put it another way, the supermarket operators remain the basis of our retail business and the role of the holding company is to find ways to create new products and services that customers will see as added value.

Future prospects

While leveraging economies of scale created by integrating the three operators and promoting the growth of each, we will also seek to welcome other similarly minded supermarket operators in the region into the U.S.M. Holdings group. By February 2021, we aim to achieve consolidated operating revenue of ¥1 trillion and develop a network of over 1,000 stores.

Business at a Glance

We develop store formats aimed at increasing customer satisfaction.

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).



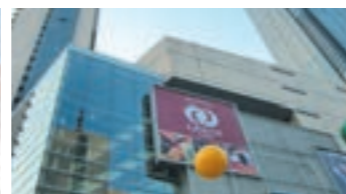
Maruetsu



Maruetsu Petit



Lincos



Lincos (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.



Food Square



Food Market



Food Off Stocker

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 grocery items.



MaxValu



MaxValu Express

Network

Moving ahead with regional development in Tokyo and adjacent markets

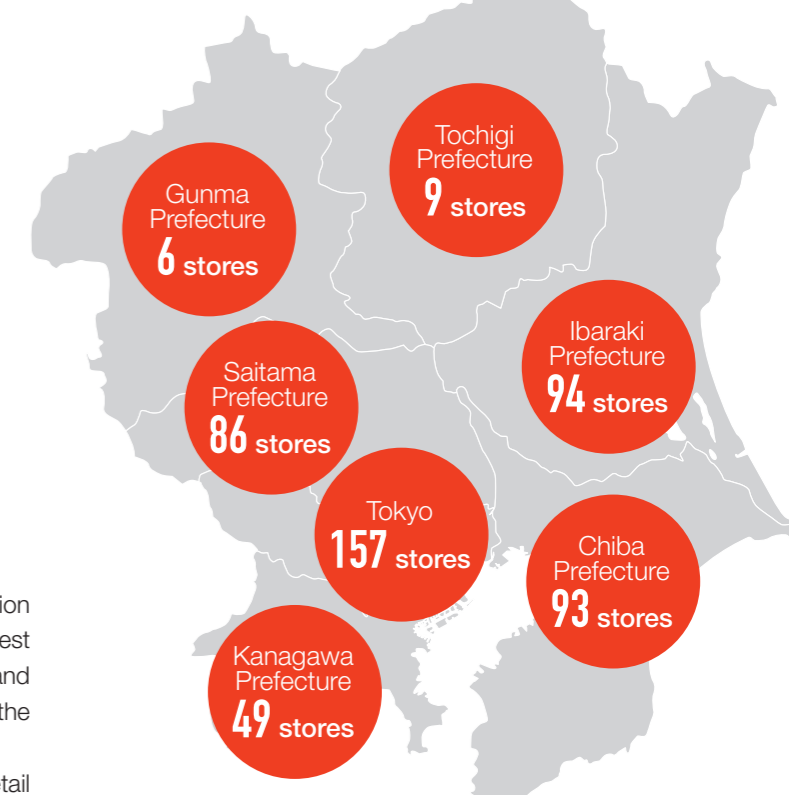
Focused on Japan's richest and most promising urban market

U.S.M. Holdings was created for operations within 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 continuous net influx of population plus the growing number of overseas visitors.

As of the end of February 2016, the U.S.M. Holdings retail network totaled 494 supermarkets in the Kanto region, comprising Tokyo and its six adjacent prefectures. U.S.M. Holdings boasts by far the largest market share in this region. The chain expansion strategy seeks not only to exploit market share dominance and economies of scale, but also 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, U.S.M. Holdings aims to retain and build on the support of customers by introducing convenience store-style services at smaller urban outlets and developing formats to integrate supermarkets with drugstores or other outlets.

Fiscal year ended February 29, 2016: total of 30 new stores opened, expanding the network to 494 stores

U.S.M. Holdings opened a total of 30 new stores in the fiscal year ended February 29, 2016, split between Maruetsu (16), Kasumi (13) and MaxValu Kanto (1). A total of 15 stores were also closed (Maruetsu 7, Kasumi 2, MaxValu Kanto 6) as part of a scrap-and-build policy to try to maximize operational efficiency. The overall network comprised 494 stores at year-end.



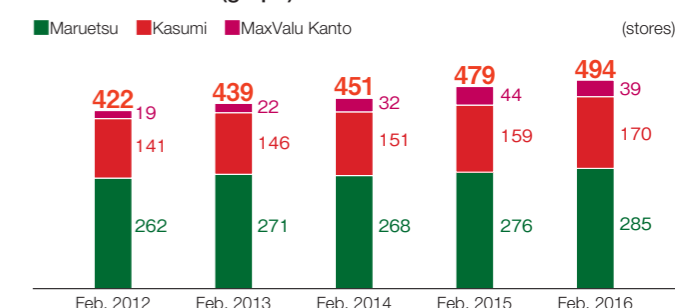
Number of U.S.M. Holdings Group stores

* Number of stores by company and by prefecture as of February 29, 2016

494 stores

| | Maruetsu | Kasumi | MaxValu Kanto |
|---------------------|------------|------------|---------------|
| Tokyo | 137 | 2 | 18 |
| Ibaraki Prefecture | 1 | 92 | 1 |
| Chiba Prefecture | 46 | 32 | 15 |
| Saitama Prefecture | 53 | 30 | 3 |
| Kanagawa Prefecture | 47 | — | 2 |
| Tochigi Prefecture | 1 | 8 | — |
| Gunma Prefecture | — | 6 | — |
| Total | 285 | 170 | 39 |

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 29, 2016

Maruetsu Tobitakyu Store
Chofu-shi, Tokyo



May 15

Food Square Kasumi Higashi-Narashino Store
Narashino-shi, Chiba Prefecture



October 7

MaxValu Narita Tomisato Store
Narita-shi, Chiba Prefecture



November 17

Meeting local needs with varied store layouts

Realizing “happy lifestyles” for customers

Although Maruetsu is the largest food-oriented supermarket chain in the Tokyo region, Maruetsu strives to cater to local needs with a variety of store layouts, ranging from small 130 m2 outlets under the “Maruetsu Petit” brand, to large 5,000 m2 “Maruetsu” supermarkets. The small “Maruetsu Petit” urban outlets have been developed in recent years to emphasize fresh produce (fruit and vegetables, meat and fish) and freshly prepared dishes to set itself apart from convenience store chains. Such outlets help relieve the inconvenience of grocery shopping in city centers.

Maruetsu introduced its own private label, “maruetsu365,” (maruetsu san-go-roku) in 2010. The brand’s concept is to offer products with extra features providing added value at reasonable prices. The private-label merchandise range has been expanded and updated, and included around 245 items as of the end of February 2016. It has proved highly popular with customers.

Having celebrated its 70th anniversary in October 2015, Maruetsu currently serves around 650,000 customers each day. Although it has grown into a large chain, the focus remains on creating vibrant stores where consumers feel welcome and on building strong connections with local customers to contribute to their happy lifestyles.

Main initiatives in the fiscal year ended February 29, 2016
Threefold evolution through “transformation ahead of future growth”

Maruetsu had positioned the fiscal year ended February 29, 2016 as one of “transformation ahead of future growth,” with the emphasis on promoting greater competitiveness, higher productivity and more advanced management capabilities.

In practical terms, efforts focused on strengthening the fresh produce category to attract more customers, renewing the mainstays in the lineup of delicatessen items, and expanding the range of prepared fish and meat products supplied by processing facilities. Besides refurbishing and renovating existing stores, Maruetsu also sought to improve productivity by expanding the use of automatic ordering systems at certain stores under central control, testing partial self-checkout systems, and promoting paperless operations. Non-consolidated operating revenues for Maruetsu rose 5.9% in the fiscal year ended February 29, 2016 to ¥363,259 million.

The Maruetsu, Inc. Corporate Data

| | |
|---------------------|--------------------------------------|
| Head office | Higashi-Ikebukuro, Toshima-ku, Tokyo |
| Established | October 1945 |
| Capital | 37.5 billion yen |
| Number of stores | 285 stores |
| Number of employees | 15,609 |

*As of February 29, 2016



Kasumi-style value cultivated by “Social Shift” management ethos

“Social Shift” management aims to build stores loved by the community through autonomous actions for the benefit of customers

The “Social Shift” management ethos adopted by Kasumi in 2013 emphasizes management autonomy to enable each store to cultivate vitality based on customer feedback and employee ideas. The “Kasumi Value Perspective,” adopted in 2014, involves putting the customer-first business philosophy into practice. In line with this, Kasumi is introducing mechanisms to help generate information and ideas about better merchandising and services for customers.

The “Social Shift” management ethos at Kasumi targets sustainable growth by augmenting the originality of store layouts and merchandising. For example, since 2001, all Kasumi stores have assigned space specifically for local products. Today, some 3,800 such items are on sale across the chain as a whole. In line with this initiative, Kasumi has dedicated space within its produce section for vegetables supplied by local farmers. Customers typically support this grow-local-buy-local model since locally grown vegetables in season are often fresher and tastier. Today, around 1,300 farmers supply fresh local produce to 138 Kasumi stores. Kasumi has built on its close community links while also seeking to take advantage of the model’s growth potential. Promoting the “Social Shift” management ethos is a key part of ensuring sustainable growth into the future.

Main initiatives in the fiscal year ended February 29, 2016
Initiatives to make stores integral to the community based on “Social Shift management” measures

In fiscal 2015, the third year of measures based on the “Social Shift” management ethos, Kasumi extended autonomy to more outlets, raising the number of such stores to 123. Employees plan their own initiatives at these stores to cultivate local connections, including events that involve customer participation and opportunities to sample seasonal local produce.

In other initiatives to help stores function as an integral part of the community, Kasumi outlets have introduced “Eat-in” spaces where customers can gather, relax and eat. These spaces are also being used as venues for cooking classes, exercise classes, birthday parties and other events to serve local community needs, with the details varying by store.

Kasumi shares these events and in-store highlights in real time via its Facebook page. In this way, Kasumi is developing stores that forge deeper connections with shoppers, who see the supermarket as “their store.” Reflecting the success of these initiatives, non-consolidated operating revenues for Kasumi grew 6.7% in the year ended February 29, 2016, to ¥249,000 million.

Kasumi Co., Ltd. Corporate Data

| | |
|---------------------|--|
| Head office | Nishiohashi, Tsukuba-shi, Ibaraki Prefecture |
| Established | June 1961 |
| Capital | 14.4 billion yen |
| Number of stores | 170 stores |
| Number of employees | 10,245 |

*As of February 29, 2016



Brightening the community, always from the customer's perspective

Always offering something new and different attuned to changing customer lifestyles

MaxValu Kanto strives to ensure that its stores reflect the rhythms of local daily life. Food ranges on display change frequently: in April, stores celebrate the new beginnings and cherry blossom viewing; in May, the themes are the Golden Week holiday and Mother's Day. Weekly changes to the merchandise layout reflect our efforts to make customers feel that MaxValu stores are always offering something different and new. Seasonal merchandise is another vital part of the MaxValu offering, to help bring seasonal variety to customers' mealtimes.

Fresh produce and delicatessen are the strong points of any successful supermarket, and MaxValu Kanto is always seeking to fulfill customer desires in these areas. As part of this effort, delicatessen counters offer freshly made items throughout the day, especially for bento boxed lunches at lunchtime. By meeting specific daily needs, the company strives to create stores that regularly surprise our customers.

Main initiatives in fiscal year ended February 29, 2016 Improving fresh produce and prepared dishes to boost customer satisfaction

"Reform" and "execution" have been the watchwords of MaxValu Kanto in trying to deliver greater customer satisfaction with fresh produce and delicatessen. The layout of both these sections has been rearranged to emphasize locally sourced produce. In the delicatessen section, the company has also forged relationships with new vendors and introduced new products. On the sales side, the company has promoted special deals through "Tuesday Market," offering a wider range of fresh produce on that day.

With many overseas visitors to Japan increasingly doing lots of shopping in the country, the company has opened a duty-free counter at the MaxValu Narita Tomisato store in the city of Narita, Chiba Prefecture, near the international airport. This sells items popular with foreign tourists, including Japanese teas, cereals and traditional confectionery. For Chiba residents, the company is promoting fish sourced direct from the nearby port of Choshi and other local produce.

In the year ended February 29, 2016, the company created a new Sales Support Department to improve in-store operational capabilities and foster work practice reforms aimed at raising workplace productivity. Several stores were closed to boost business efficiency. Non-consolidated operating revenues decreased 3.5% in the year ended February 29, 2016, to ¥47,721 million.

MaxValu Kanto Co., Ltd. Corporate Data

| | |
|---------------------|-------------------------|
| Head office | Kameido, Koto-ku, Tokyo |
| Established | December 2009 |
| Capital | 100 million yen |
| Number of stores | 39 stores |
| Number of employees | 1,994 |

*As of February 29, 2016

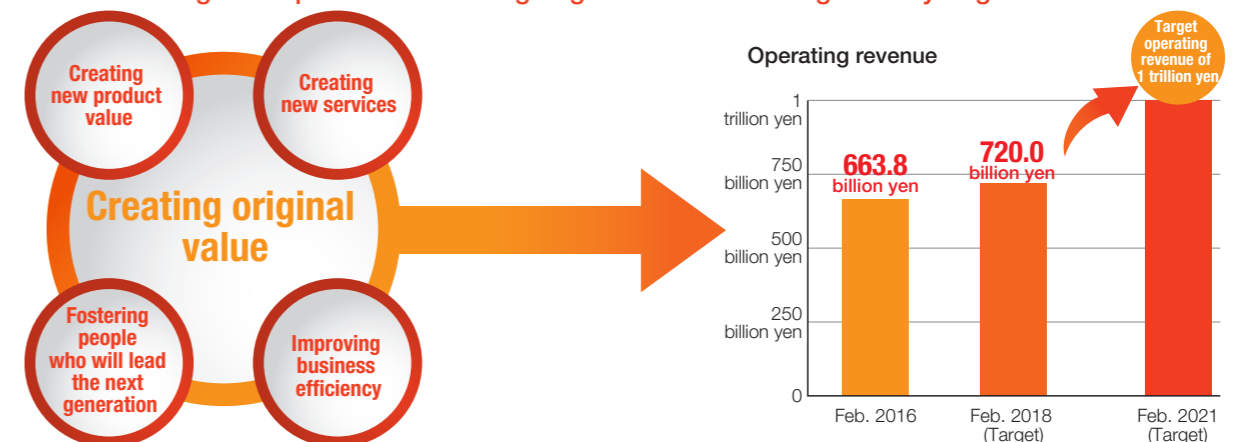


Promotion of medium-term management policies

The medium-term management policies formulated and promoted by U.S.M. Holdings are based on a four-pronged business strategy of "creating new product value," "creating new services," "fostering people who will lead the next generation," and "improving business efficiency." Ten project teams with members from each of the three group companies were formed in the year ended February 29, 2016 to report to the Group Synergy Realization Committee on a range of synergy-creating initiatives. Joint purchasing is being pur-

sued to lower the cost of goods for merchandise and in-store materials, and to reduce store refurbishment expenses. Joint promotional campaigns for the three companies are also being used to stimulate growth in customer traffic. The project teams are also looking at ways of using integration synergies to create original value from the three perspectives of Health, Community and Value. All of these initiatives are helping to reinforce the business base of U.S.M. Holdings in the Tokyo region.

Medium-term management policies – Creating original value from integration synergies –



Strategy

Creating new product value and services

Assembled in March 2016, the Product Design Task Team is promoting the development and procurement of products to satisfy the needs of Kanto residents based on detailed market research (including product information, customer needs and local area knowledge). With the aim of giving customers healthy, valuable choices in food, the team is planning regular joint promotions and expanded food ranges to create original merchandise value through our products.

Looking ahead, U.S.M. Holdings aims to promote ICT-based analysis of pooled marketing data to yield intelligence on how to deliver greater convenience to customers via new services.



Training the next generation

As part of building and developing a new training framework, U.S.M. Holdings also promotes intra-group personnel exchanges and skills development programs so the three operating companies can gain better mutual cultural understanding and share information on best practice with the aim of developing self-fulfilled employees who can contribute to local communities.



Improving business efficiency

To help improve the quality of management, the holding company is also promoting the centralization of functions such as public/investor relations, legal affairs, accounting and finance. In March 2016, the ICT* Business Design Office was set up to oversee development of platforms for forging further synergies, rather than just using IT to raise efficiency. U.S.M. Holdings aims to achieve business efficiency through such measures, while creating an enterprise that can continually evolve and grow based on close local community links.

*ICT: information and communication technology

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. Kasumi opened a new center in April 2016 with the aim of establishing a more stable recycling system.



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.



Energy Conservation

Kasumi actively utilizes renewable energy, using solar power to generate part of the energy required for its stores. The company generates solar power at 23 stores and sells 4.18 million kWh of electricity per year to power companies.

In addition, the Group companies install LED lighting, which combines low power consumption with a long service life. They reduce the environmental impact by using LED lighting for refrigeration equipment and installing dimmable lighting. They work to curtail electricity use at individual stores by, for example, installing night covers and nighttime shutoff timers on refrigeration cases.

Grocery Bag Reduction Activities

With the cooperation of customers, Group companies engage in activities to reduce the use of disposable plastic grocery bags. Maruetsu awards T-Card users who decline plastic shopping bags two T-Points as "eco points." Kasumi applies the proceeds from the sale of plastic grocery bags at stores that have stopped distributing bags free of charge to environmental protection and other worthy causes. MaxValu Kanto collects used plastic grocery bags from customers for use by customers who do not bring their own reusable shopping bags.

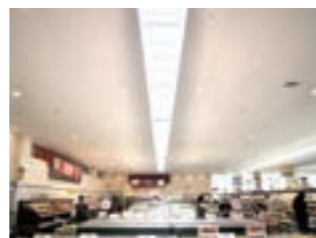


Carbon Offsetting

Maruetsu engages 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.



Solar power generation



Use of LED lighting and natural light

Forest Conservation and Tree-Planting 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.



Photo credit: Japan Guide Dog Association



Fundraising Activities

Maruetsu, Kasumi, and MaxValu Kanto participate in Nippon Television's 24-Hour Television: "Love Saves the Earth" charity television program.



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 and food waste, which have a particularly high environmental impact; reducing combustible waste emissions (Maruetsu) and general waste emissions (MaxValu Kanto); and increasing the number of customers declining bags (Maruetsu) and the percentage of customers declining bags (MaxValu Kanto). 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 and donates the money collected to the Rikuzentakata Elementary and Junior High School Reconstruction Fund. In March 2016, some 300 persons participated in Rikuzentakata Tanabata Festival Experiential Learning (Rikuzentakata Tanabata Matsuri Taiken Gakushu), an event held for five consecutive years since 2012 coinciding with a donation presentation ceremony. 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 to view the current situation in the disaster-stricken area and learn about the strength and wisdom to survive from the personal stories of victims. By joining in the Tanabata Festival and pulling floats together with the local people, 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.)

- (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.

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.

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.

Corporate Governance Structure



Consolidated Balance Sheet

| Account | Amount |
|---------------------------------------|----------------|
| Assets | |
| Current assets | |
| Cash and deposits | 29,471 |
| Notes and accounts receivable - trade | 419 |
| Inventories | 16,244 |
| Accounts receivable - other | 17,046 |
| Deferred tax assets | 2,184 |
| Other | 2,722 |
| Provision for doubtful accounts | (169) |
| Total current assets | 67,920 |
| Non-current assets | |
| Property, plant and equipment | |
| Buildings and structures, net | 60,020 |
| Land | 42,344 |
| Other, net | 17,919 |
| Total property, plant and equipment | 120,284 |
| Intangible assets | |
| Goodwill | 15,482 |
| Other | 2,239 |
| Total intangible assets | 17,722 |
| Investments and other assets | |
| Investment securities | 7,398 |
| Deferred tax assets | 5,215 |
| Guarantee deposits | 34,210 |
| Other | 1,648 |
| Provision for doubtful accounts | (392) |
| Total investments and other assets | 48,079 |
| Total non-current assets | 186,086 |
| Total assets | 254,006 |

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Consolidated Financial Statements (Fiscal year ended February 29, 2016)

Consolidated Statement of Income (Millions of yen)

| Account | Amount |
|---|----------------|
| Net sales | 649,539 |
| Cost of sales | 466,344 |
| Gross profit | 183,194 |
| Operating revenue | 14,259 |
| Operating gross profit | 197,454 |
| Selling, general and administrative expenses | 183,430 |
| Operating income | 14,024 |
| Non-operating income | |
| Interest income | 97 |
| Dividend income | 55 |
| Subsidy income | 116 |
| Other | 295 |
| Total non-operating income | 565 |
| Non-operating expenses | |
| Interest expenses | 233 |
| Share of loss of entities accounted for using equity method | 137 |
| Repayments of compensation received | 93 |
| Other | 262 |
| Total non-operating expenses | 727 |
| Ordinary income | 13,862 |
| Extraordinary income | |
| Gain on sales of non-current assets | 264 |
| Gain on sales of investment securities | 0 |
| Total extraordinary income | 264 |
| Extraordinary losses | |
| Impairment loss | 2,734 |
| Provision of allowance for loss on store closings | 235 |
| Loss on store closings | 210 |
| Loss on sales of investment securities | 12 |
| Total extraordinary losses | 3,192 |
| Income before income taxes and minority interests | 10,934 |
| Income taxes - current | 5,553 |
| Income taxes - deferred | 202 |
| Total income taxes | 5,756 |
| Income before minority interests | 5,177 |
| Minority interests in loss | (151) |
| Net income | 5,329 |

Consolidated Statement of Cash Flows (Millions of yen)

| Account | Amount |
|--|-----------------|
| Cash flows from operating activities | 16,107 |
| Cash flows from investing activities | (16,897) |
| Cash flows from financing activities | (3,910) |
| Effect of exchange rate change on cash and cash equivalents | (55) |
| Net decrease in cash and cash equivalents | (4,755) |
| Cash and cash equivalents at beginning of period | 20,481 |
| Increase in cash and cash equivalents resulting from share transfer | 13,744 |
| Cash and cash equivalents at end of period | 29,470 |

Corporate Data and Stock Information (As of February 29, 2016)

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, 2016)

| | |
|--|-------------------|
| Chairman and Representative Director | Hiromasa Kohama |
| President and Representative Director | Makoto Ueda |
| Representative Director | Daisuke Tezuka |
| Director and Executive Vice-President | Motohiro Fujita |
| Director | Ryota Furuse |
| 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 |

Stock Information

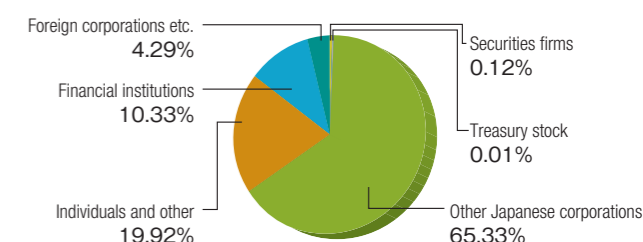
| | |
|------------------------------------|--------------------|
| Number of shares authorized | 500,000,000 shares |
| Number of shares issued | 131,681,356 shares |
| Number of shareholders | 57,306 |

Major Shareholders

| Shareholder name | Number of shares held (thousand shares) | Percentage of shares held (%) |
|--|---|-------------------------------|
| Aeon Market Investment Co., Ltd. | 67,159 | 51.00 |
| Kasumi Business Partners Shareholding Association | 2,859 | 2.17 |
| The Kambayashi Scholarship Foundation | 2,300 | 1.75 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 2,178 | 1.65 |
| Aeon Co., Ltd. | 1,629 | 1.24 |
| Nippon Life Insurance Company | 1,531 | 1.16 |
| Nippon Access Inc. | 1,473 | 1.12 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,343 | 1.02 |
| KOKUBU GROUP CORP. | 1,099 | 0.84 |
| Mitsubishi Shokuhin Co., Ltd. | 1,073 | 0.82 |

Note: Percentages of shares held are calculated excluding 6,674 shares of treasury stock.

Distribution of Shares by Shareholder Type



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.



United Super Markets Holdings Inc.

Stock Exchange Code: 3222

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