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(Stock Exchange Code 3222)
May 2, 2017

To Shareholders with Voting Rights:

Motohiro Fujita
President and Representative Director
United Super Markets Holdings Inc.
1 Kanda Aioi-cho, Chiyoda-ku, Tokyo

**NOTICE OF
THE 2ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation to you for your continued support and patronage.

You are cordially invited to attend the 2nd Annual General Meeting of Shareholders of United Super Markets Holdings Inc. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights in accordance with the guidance on page 3.

- 1. Date and Time:** Friday, May 19, 2017 at 10:00 a.m. Japan time
- 2. Place:** Banquet Room “Hisho” (4th floor)
Asakusa View Hotel
3-17-1 Nishiasakusa, Taito-ku, Tokyo, Japan
(Please note that the venue of the meeting is different from that of the previous meeting. Please refer to the map on the last page of this notice.)
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 2nd Fiscal Year (March 1, 2016 - February 28, 2017) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 2nd Fiscal Year (March 1, 2016 - February 28, 2017)
 - Proposals to be resolved:**
 - Proposal 1:** Election of Nine (9) Directors
 - Proposal 2:** Determination of the Amount and Details of Remuneration for Granting Stock-based Compensation Stock Options to Directors
 - Proposal 3:** Determination of the Amount and Details of Remuneration for Granting Restricted Stock to Directors

- “Basic Policy on the Company’s Corporate Governance,” “Systems to Ensure Proper Operations” and “Implementation Statuses of Systems to Ensure Proper Operations,” which are described in the Company’s Systems and Policies in the Business Report, “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements and “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements are posted on the Company’s website pursuant to laws and regulations and Article 16 of the Company’s Articles of Incorporation. Accordingly, they are not included in the documents attached to this notice. The Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements audited by Corporate Auditors and the Accounting Auditor include

the following documents in addition to the documents attached to this notice: “Basic Policy on the Company’s Corporate Governance,” “Systems to Ensure Proper Operations” and “Implementation Statuses of Systems to Ensure Proper Operations,” which are described in the Company’s Systems and Policies in the Business Report; “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements; and “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements. These documents are posted on the Company’s website (at the URL below).

- Should the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements, and the Reference Documents for the General Meeting of Shareholders require revisions, the revised versions will be posted on the Company’s website (<http://www.usmh.co.jp/>).

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- ◎ If you plan to attend the meeting, please submit your Voting Rights Exercise Form at the front desk when you arrive at the venue. In addition, please bring this notice with you for resource-saving purposes.
 - ◎ The front desk will open at 9:00 a.m. As there will be congestion at the front desk right before the start of the meeting, your early arrival is recommended.
 - ◎ Souvenirs for attendees of the General Meeting will not be provided. We appreciate your understanding.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly the election of nine (9) Directors, including three (3) Outside Directors, is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held
1	Makoto Ueda (August 17, 1953) Re-appointed	<p>March 1976 Joined The Maruetsu, Inc. May 2005 Director, The Maruetsu, Inc. May 2006 Executive Officer, The Maruetsu, Inc. May 2007 Managing Executive Officer, The Maruetsu, Inc. March 2008 General Manager, Sales and Marketing Division, The Maruetsu, Inc. March 2010 General Manager, Education and Personnel Division, The Maruetsu, Inc. September 2010 Assistant Manager, Sales and Marketing Control (In charge of merchandise planning), The Maruetsu, Inc. May 2011 Senior Managing Executive Officer, The Maruetsu, Inc. April 2013 President and Representative Director, The Maruetsu, Inc. (to present) March 2015 President and Representative Director, the Company March 2017 Chairman and Representative Director, the Company (to present)</p> <p>[Reasons to be nominated as the candidate for Director] Mr. Makoto Ueda has abundant experience and an excellent track record as a corporate manager through his service as President and Representative Director of the Company's subsidiary. The Company nominated him as a candidate for Director based on the judgment that his experience and insight make him a suitable person to serve as the Company's Director.</p> <p>[Special interests] There are no special interests between Mr. Makoto Ueda and the Company.</p>	20,201

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held
2	Motohiro Fujita (July 11, 1955) Re-appointed	<p>March 1978 Joined KASUMI CO., LTD. May 2000 Director, KASUMI CO., LTD. May 2004 Managing Director, KASUMI CO., LTD. March 2005 Senior Executive Officer; Manager, Business Services Division; Manager, Compliance Control Office, KASUMI CO., LTD. May 2006 Manager, Development Division, KASUMI CO., LTD. May 2007 Senior Managing Director, KASUMI CO., LTD. February 2009 Manager, Store Development and Service Division, KASUMI CO., LTD. September 2010 Manager, Sales Managing Division; Manager, Food Market Managing Division, KASUMI CO., LTD. September 2011 Manager, Sales Control Division; Manager, Food Market Managing Division, KASUMI CO., LTD. March 2012 President and Representative Director, KASUMI CO., LTD. March 2015 Executive Vice-President, the Company March 2017 President and Representative Director, the Company (to present) Executive Officer responsible for the Supermarket Business, AEON CO., LTD. (to present) Director, KASUMI CO., LTD. (to present)</p> <p>[Reasons to be nominated as candidate for Director] Mr. Motohiro Fujita has abundant experience and an excellent track record as a corporate manager through his service as President and Representative Director of the Company's subsidiary. The Company nominated him as a candidate for Director based on the judgment that his experience and insight make him a suitable person to serve as the Company's Director.</p> <p>[Special interests] Mr. Motohiro Fujita concurrently serves as Executive Officer responsible for the Supermarket Business of AEON CO., LTD. Transactions between the Company's subsidiary, KASUMI CO., LTD. and the AEON Group include procurement of merchandise, store leasing, contracted credit operations, and purchase of facilities. Transactions between the Company's subsidiary, The Maruetsu, Inc. and the AEON Group include procurement of merchandise. Transactions between the Company's subsidiary, MAXVALU KANTO CO., LTD. and the AEON Group include member store contracts, procurement of merchandise, and store leasing.</p>	115,600

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held
3	Daisuke Tezuka (September 19, 1975) Re-appointed	<p>September 2002 Joined AEON CREDIT SERVICE Co., Ltd. June 2006 AEON Financial Project Co., Ltd. November 2007 General Manager, Planning Division, AEON Bank, Ltd. July 2011 Strategic Division, AEON CO., LTD. March 2014 General Manager, Strategic Division, AEON CO., LTD. April 2016 Adviser, the Company May 2016 Representative Director, the Company (to present) Director, The Maruetsu, Inc. (to present) Director, MAXVALU KANTO CO., LTD. March 2017 President and Representative Director, MAXVALU KANTO CO., LTD. (to present)</p> <p>[Reasons to be nominated as candidate for Director] Mr. Daisuke Tezuka has abundant experience and an excellent track record as General Manager of Planning Division of AEON Bank, Ltd. and as General Manager of Strategic Division of AEON CO., LTD. The Company nominated him as a candidate for Director based on the judgment that his abundant experience in the AEON Group and insight make him a suitable person to serve as the Company's Director.</p> <p>[Special interests] There are no special interests between Mr. Daisuke Tezuka and the Company.</p>	400
4	Ryota Furuse (January 3, 1957) Re-appointed	<p>March 1980 Joined The Maruetsu, Inc. May 2006 Director and Executive Officer, The Maruetsu, Inc. May 2008 Managing Executive Officer, The Maruetsu, Inc. May 2011 Senior Managing Executive Officer, The Maruetsu, Inc. April 2013 General Manager, Corporate Planning Division; Supervising Finance and Accounting, The Maruetsu, Inc. May 2013 Vice President, Executive Officer, The Maruetsu, Inc. March 2014 General Manager, Corporate Planning Division; Supervising Finance and Accounting; Supervising Development, The Maruetsu, Inc. March 2015 Director, the Company (to present) April 2015 General Manager, Corporate Planning Division; Supervising Development, The Maruetsu, Inc. March 2017 Vice President and Representative Director responsible for administration, The Maruetsu, Inc. (to present)</p> <p>[Reasons to be nominated as candidate for Director] Mr. Ryota Furuse is a Vice President and Representative Director of a subsidiary of the Company and has abundant experience and an excellent track record as a corporate manager. The Company nominated him as a candidate for Director based on the judgment that his experience and insight make him a suitable person to serve as the Company's Director.</p> <p>[Special interests] There are no special interests between Mr. Ryota Furuse and the Company.</p>	16,880

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held
5	Toshiki Ishii (November 26, 1956) Newly appointed	<p>March 1979 Joined KASUMI CO., LTD.</p> <p>May 2007 Director and Executive Officer, KASUMI CO., LTD.</p> <p>June 2007 Manager, Food Square Managing Division, KASUMI CO., LTD.</p> <p>March 2012 Manager, Sales Managing Division, KASUMI CO., LTD.</p> <p>May 2012 Managing Director and Senior Executive Officer, KASUMI CO., LTD.</p> <p>March 2013 Manager, Stores Division, KASUMI CO., LTD.</p> <p>March 2014 Manager, Merchandise Division, KASUMI CO., LTD.</p> <p>May 2014 Director, AEON TOPVALU Co., Ltd. (to present)</p> <p>May 2015 Director, The Maruetsu, Inc. (to present)</p> <p>March 2017 President and Representative Director, KASUMI CO., LTD. (to present)</p> <p>[Reasons to be nominated as candidate for Director] Mr. Toshiki Ishii is the President and Representative Director of a subsidiary of the Company and has abundant experience and an excellent track record as a corporate manager. The Company nominated him as a candidate for Director based on the judgment that his experience and insight make him a suitable person to serve as the Company's Director.</p> <p>[Special interests] There are no special interests between Mr. Toshiki Ishii and the Company.</p>	43,800

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held
6	Motoya Okada (June 17, 1951) Re-appointed	<p>March 1979 Joined JUSCO Co., Ltd. (currently AEON CO., LTD.)</p> <p>May 1990 Director, JUSCO Co., Ltd.</p> <p>February 1992 Managing Director, JUSCO Co., Ltd.</p> <p>May 1995 Senior Managing Director, JUSCO Co., Ltd.</p> <p>June 1997 President and Representative Director, JUSCO Co., Ltd.</p> <p>May 2002 Director and Advisor, AEON Mall Co., Ltd. (to present)</p> <p>May 2003 Director, President and Representative Executive Officer, AEON CO., LTD. (to present)</p> <p>May 2004 Director and Advisor, KASUMI CO., LTD. (to present)</p> <p>November 2005 Outside Director and Advisor, TSURUHA HOLDINGS Inc. (to present)</p> <p>March 2012 Group CEO, AEON CO., LTD. (to present)</p> <p>August 2014 Outside Director, KUSURI NO AOKI HOLDINGS CO., LTD. (to present)</p> <p>November 2014 Director, WELCIA HOLDINGS CO., LTD. (to present)</p> <p>March 2015 Director, the Company (to present)</p> <p>[Reasons to be nominated as candidate for Director] Mr. Motoya Okada is Director, President and Representative Executive Officer, and Group CEO of AEON CO., LTD. and has abundant experience and an excellent track record as a corporate manager. The Company nominated him as a candidate for Director based on the judgment that his experience and insight make him a suitable person to serve as the Company's Director.</p> <p>[Special interests] Mr. Motoya Okada is Director, President and Representative Executive Officer and Group CEO of AEON CO., LTD. Transactions between the Company's subsidiary, KASUMI CO., LTD. and the AEON Group include procurement of merchandise, store leasing, contracted credit operations, and purchase of facilities. Transactions between the Company's subsidiary, The Maruetsu, Inc. and the AEON Group include procurement of merchandise. Transactions between the Company's subsidiary, MAXVALU KANTO CO., LTD. and the AEON Group include member store contracts, procurement of merchandise, and store leasing.</p>	0

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held
7	Mitsuru Akiyoshi (January 9, 1956) [Outside Director] Re-appointed	April 1978 Joined Marubeni Corporation	0
		April 2005 General Manager, Finance Department, Marubeni Corporation	
		April 2007 Executive Officer, Marubeni Corporation	
		April 2009 Managing Executive Officer, Marubeni Corporation	
		June 2010 Managing Executive Officer, Representative Director, Marubeni Corporation	
April 2012 Senior Managing Executive Officer, Representative Director, Marubeni Corporation	April 2014 Senior Executive Vice President, Representative Director, Marubeni Corporation (to present) CEO, Food & Consumer Products Group (to present)		
March 2015 Director of the Company (to present)	[Reasons to be nominated as candidate for Outside Director] Mr. Mitsuru Akiyoshi has abundant experience as a corporate manager at a trading company and deep insight cultivated through that experience and is well versed in corporate governance. Thus, in view of the importance of ensuring appropriate corporate governance with transparency, the Company considers him suitable for the position.		
	[Special interests] Mr. Mitsuru Akiyoshi is Senior Executive Vice President, Representative Director of Marubeni Corporation. Transactions between the U.S.M. Holdings Group and the Marubeni Group include procurement of merchandise. The amount of transactions during this fiscal year was less than 3% of net sales of the U.S.M. Holdings Group and negligible.		
	[Years of service as Outside Director] Mr. Mitsuru Akiyoshi will have served as Outside Director for two years and two months at the conclusion of this General Meeting of Shareholders.		
8	Shigekazu Torikai (March 12, 1947) [Outside Director] [Independent Director] Re-appointed	April 1975 Joined a tax accountant office	0
		April 1990 Registered as Attorney	
		April 1994 Representative, Torikai Management and Law Office (currently Torikai Law Office) (to present)	
		March 2015 Director of the Company (to present)	
		[Reasons to be nominated as candidate for Outside Director] Mr. Shigekazu Torikai has abundant experience of corporate legal affairs as an attorney-at-law and extensive knowledge of legal affairs and accounting. Although he has not been involved in corporate management other than of the Company, the Company considers that he will be capable of fulfilling his duties as Outside Director by utilizing his experience and knowledge for the benefit of the Company.	
	[Special interests] There are no special interests between Mr. Shigekazu Torikai and the Company.		
	[Years of service as Outside Director] Mr. Shigekazu Torikai will have served as Outside Director for two years and two months at the conclusion of this General Meeting of Shareholders.		

No.	Name (Date of birth)	Career summary, positions and assignment in the Company and significant concurrent positions	Number of shares of the Company held	
9	Naoko Makino (January 28, 1968)	April 1990	Joined Asako Aramaki Office Co., Ltd. (currently Diet Communications Co., Ltd.)	0
		December 1995	Resigned from Asako Aramaki Office Co., Ltd. (currently Diet Communications Co., Ltd.)	
		January 1996	Freelance (Member of Association of Freelance Dieticians in Nakano Ward)	
		March 2004	Representative Director, Studio Ku Ltd. (to present)	
		May 2007	Council and Member of Editorial Committee, Japan Society of Food Science Education (to present)	
		January 2016	Member of Planning Committee, Japan Society of Food Science Education (to present)	
		May 2016	Director of the Company (to present)	
	[Outside Director]	[Reasons to be nominated as candidate for Outside Director]		
	[Independent Director]	Ms. Naoko Makino started her career as a managerial dietician and currently is a member of the Japan Society for the Study of Obesity and serves as a lecturer for the lifelong education program of Kagawa Nutrition University and as a lecturer of Kagawa Nutrition University. She has abundant experience of food as a cook and extensive knowledge about nutrition and cookery. The Company considers that she will be capable of fulfilling her duties as Outside Director by utilizing her experience and knowledge for the benefit of the Company.		
	Re-appointed	[Special interests]		
		There are no special interests between Ms. Naoko Makino and the Company.		
		[Years of service as Outside Director]		
		Ms. Naoko Makino will have served as Outside Director for one year at the conclusion of this General Meeting of Shareholders.		

(Notes)

1. The Company has entered into an agreement with Mr. Mitsuru Akiyoshi, Mr. Shigekazu Torikai, and Ms. Naoko Makino to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act to the minimum amount stipulated in Article 425 of the said Act. Subject to approval of their reelection, the Company intends to continue the said agreement with them.
2. Of the candidates for Director, Mr. Mitsuru Akiyoshi, Mr. Shigekazu Torikai, and Ms. Naoko Makino are candidates for Outside Directors.
3. Mr. Shigekazu Torikai and Ms. Naoko Makino satisfy the requirements for Independent Director prescribed by Tokyo Stock Exchange and the Company designated Mr. Shigekazu Torikai and Ms. Naoko Makino as Independent Directors prescribed by Tokyo Stock Exchange on which the Company's shares are listed and submitted a notification of the designation to the said Exchange. The Company considers that they satisfy the criteria for independence of Independent Outside Director specified by the Company.
4. The number of shares of the Company held is the number of shares of the Company held as of February 28, 2017. It does not include the number of shares of the Company held through the Executives' Shareholding Association.

[Reference]

Criteria for Independence of Independent Outside Directors/Corporate Auditors

United Super Market Holdings Inc. (hereinafter the “Company”) defines the requirements for independence of Outside Directors/Corporate Auditors who will be Independent Director/Auditor (including candidates) of the Company as stated below. These are conditions for election of Outside Directors/Corporate Auditors who will be Independent Director/Auditor. Independent Directors/Auditors shall maintain the following requirements for independence specified below following the assumption of the position, and if an Independent Director/Auditor subsequently assumes a major position, the Company’s Board of Directors judges his/her independence in view of the requirements of independence.

1. He/she does not currently serve as Director (excluding Outside Director), Corporate Auditor (excluding Outside Corporate Auditor), Executive Officer, or employee of the Company or the Company’s subsidiaries (hereinafter the “U.S.M.H Group”) and he/she has not served as Director (excluding Outside Director), Corporate Auditor (excluding Outside Corporate Auditor), Executive Officer, or employee of the U.S.M.H Group in the past.
2. He/she has not served as Director, Corporate Auditor, Executive Officer, or employee of the Company’s parent company (*1) in any of the past five business years.
3. He/she has not served as Director, Corporate Auditor, Executive Officer, or employee of the Company’s fellow subsidiaries (*2) in any of the past five business years.
4. He/she has not served as Director, Corporate Auditor, Executive Officer, or employee of any of the Company’s major shareholders (*3) or of a company of which the U.S.M.H Group has been a major shareholder in any of the past five business years.
5. He/she does not serve as Director, Corporate Auditor, Executive Officer, or employee of any of the major suppliers/customers of the U.S.M.H Group (*4).
6. He/she does not serve as Director, Corporate Auditor, Executive Officer, or employee of any of the corporations, organizations, etc. that are recipients of a large amount of donations from the U.S.M.H Group (*5).
7. He/she has not served as Representative Partner, Senior Partner, Partner, or employee of the accounting auditor of the U.S.M.H Group in any of the past five business years.
8. He/she is not an attorney-at-law, certified public accountant, consultant or other professional who receives a large amount of money (*6) or other property from the U.S.M.H Group other than remuneration for Directors/Corporate Auditors.
9. He/she is not a spouse, a relative in the second degree of kinship, a relative residing together with the person specified below, or he/she is not in the same household as the person specified below:
 - (1) Director, Corporate Auditor, Executive Officer, or important employee of the U.S.M.H Group (*7)
 - (2) Person who has served as Director, Corporate Auditor, Executive Officer, or important employee of the U.S.M.H Group in any of the past five business years.
 - (3) Person who comes under the restrictions specified in the above Items 2.-8.

10. There is no doubt about his/her independence in fulfilling his/her duties as Independent Director/Corporate Auditor.

Definitions of terms are as follows:

- (*1) The “parent company” means a company that has control over the organ (General Meeting of Shareholders or the like) that decides the Company’s financial, sales or business policies.
- (*2) “Fellow subsidiary” means a company that has the same parent company (including a person controlling the Company’s management) as the Company.
- (*3) “Major shareholder” means a company that own 10% or more of the total voting rights.
- (*4) “Major supplier/customer” means a company whose transactions with the U.S.M.H Group (amount paid or received) are equal to 2% or more of consolidated sales of the Company or of such company (including its parent company and significant subsidiaries) in the most recent business year and in any of the preceding three business years.
- (*5) “A large amount of donations” means donations exceeding ¥10 million per year on average in the past three business years, or 2% of consolidated sales or total revenues of the donation recipient, whichever the larger.
- (*6) A large amount of money means an amount exceeding ¥10 million per year on average in the past three business years in the case of an individual and an amount exceeding ¥10 million per year on average for the past three business years or 2% of consolidated sales of an organization, whichever the larger, in the case of the said organization.
- (*7) “Important employee” means an employee whose position is department manager or higher.

Proposal 2: Determination of the Amount and Details of Remuneration for Granting Stock-based Compensation Stock Options to Directors

The Company formulated the “Corporate Governance Guideline” on January 13, 2016 in response to the “Japan’s Corporate Governance Code” announced by the Tokyo Stock Exchange. Following the Guideline, the Company established the “Personnel and Remuneration Advisory Committee” under the Board of Directors, the main purposes of which are to consider an appropriate officers’ remuneration system of the Company and to submit a report to the Board of Directors, and the Committee has considered the officers’ remuneration system from the following standpoints.

- To clarify linkage between the corporate value and officers’ remunerations from the perspective of shareholders
- To link remunerations with business performances of the Company
- To consider the performance-based remuneration centered on stock-based compensation, not on monetary compensation
- To endeavor to ensure fairness and transparency of the system

Based on the report from the Committee, the Company has reviewed the officers’ remuneration system and proposes to grant subscription rights to shares as stock options to the Company’s Directors (excluding Outside Directors and Part-time Directors; hereinafter referred to as the “Eligible Directors”).

The amount of remuneration for the Company’s Directors is a maximum of ¥150 million per year (including a maximum of ¥35 million per year for Outside Directors, not including any employee salaries payable to Directors who are also employees), as approved by the 1st Annual General Meeting of Shareholders held on May 19, 2016. This proposal is to provide the Eligible Directors with monetary compensation for the purpose of granting stock-based compensation stock options (allotting subscription rights to shares for which the exercise price per share is ¥1) on a continuous basis within the current limit of remuneration.

Regarding granting of stock-based compensation stock options, while subscription rights to shares for which the amount to be paid in is the fair value reasonably calculated by using an option pricing model will be allotted to Eligible Directors, the Company will provide monetary compensation equal to the paid-in amount so that subscription rights to shares will be granted to the Directors by offsetting the monetary compensation receivables with the paid-in amount payables instead of payment in cash.

If Proposal 1 “Election of Nine (9) Directors” is approved and resolved as originally proposed, the number of Eligible Directors for the stock-based compensation stock options proposed will be five (5).

The details and the amount of the subscription rights to shares to be granted to Eligible Directors as stock-based stock options within a year from the date of the Annual General Meeting of Shareholders pertaining to each fiscal year will be as described below.

(1) Class and number of shares to be issued upon exercise of subscription rights to shares

The number of shares to be issued upon exercise of each subscription right to shares (hereinafter referred to as the “Number of Shares Granted”) shall be one hundred (100) shares of the Company’s common stock.

However, in the event that the Company conducts a stock split (including gratis allotment of shares of the Company’s common stock; the same applies to the references to stock split below) or a reverse stock split for the Company’s common stock, the Number of Shares Granted shall be adjusted in accordance with the formula below.

$$\begin{aligned} &\text{Number of Shares Granted after adjustment} \\ &= \text{Number of Shares Granted before adjustment} \times \text{Ratio of stock split or reverse stock split} \end{aligned}$$

In addition, if any other events occur that require an adjustment of the Number of Shares Granted after the allotment date, the Number of Shares Granted may be adjusted to a reasonable extent.

(2) Total number of subscription rights to shares

The maximum number of subscription rights to shares to be allotted to Eligible Directors within a year from the date of the Annual General Meeting of Shareholders pertaining to each fiscal year shall be 400.

(3) Amount to be paid in per subscription right to shares

The amount to be paid in per subscription right to shares shall be determined by multiplying the option price per share calculated using the Black-Scholes model upon allotment of subscription rights to

shares by the number of shares to be issued upon exercise of a subscription right to shares.

(4) Amount of assets to be contributed upon exercise of subscription rights to shares

The amount of assets to be contributed upon exercise of the subscription rights to shares shall be the paid-in amount per share to be issued upon exercise of a subscription right to shares (hereinafter referred to as the “Exercise Price”) multiplied by the Number of Shares Granted. The Exercise Price shall be ¥1 per share.

In the event that the Company conducts a stock split or a reverse stock split, the paid-in amount per share shall be adjusted in accordance with the formula below and fractions of less than one yen resulting from such adjustment shall be rounded up.

Paid-in amount after adjustment

= Paid-in amount before adjustment x 1 / Ratio of stock split or reverse stock split

(5) Period during which subscription rights to shares may be exercised

The period during which the subscription rights to shares may be exercised shall not exceed 30 years from the date of allotment of the subscription rights to shares and shall be determined by the Company’s Board of Directors.

(6) Conditions for the exercise of subscription rights to shares

1) A holder of subscription rights to shares is not permitted to exercise subscription rights to shares while he or she is in service as a Director or a Corporate Auditor of the Company or a consolidated subsidiary. A holder of subscription rights to shares may exercise subscription rights to shares at a single time only within 10 days from the date following the date on which such holder ceases to be in any position of Director or a Corporate Auditor of the Company or a consolidated subsidiary.

2) In addition to the provision in the preceding paragraph, exercise of the subscription rights to shares shall be in accordance with the “agreement on allotment of subscription rights to shares” to be entered into between the Company and each holder of subscription rights to shares.

(7) Restrictions on the acquisition of subscription rights to shares by transfer

The acquisition of the subscription rights to shares by transfer shall require approval of the Company’s Board of Directors.

(8) Other details concerning subscription rights to shares

Specific details of subscription rights to shares, the number of subscription rights to shares and the number of shares to be issued, and other details shall be determined by the resolution of the Company’s Board of Directors.

(Reference)

Following the conclusion of this year’s Annual General Meeting of Shareholders, in addition to granting to the Eligible Directors, the Company plans to grant subscription rights to shares that are similar to the above-mentioned subscription rights to shares to full-time directors of The Maruetsu, Inc., KASUMI CO., LTD. and MAXVALU KANTO CO., LTD., which are consolidated subsidiaries of the Company, in accordance with the resolution of the Board of Directors.

The maximum number of subscription rights to shares to be allotted to full-time directors of consolidated subsidiaries of the Company within a year from the date of the Annual General Meeting of Shareholders pertaining to each fiscal year shall be 600 in total (250 to full-time directors of The Maruetsu, Inc., 300 to full-time directors of KASUMI CO., LTD. and 50 to full-time directors of MAXVALU KANTO CO., LTD.).

Proposal 3: Determination of the Amount and Details of Remuneration for Granting Restricted Stock to Directors

Based on the report from the Personnel and Remuneration Advisory Committee, the Company has reviewed the officers' remuneration system and proposes to introduce a restricted stock compensation system for the Company's Directors (excluding Outside Directors and Part-time Directors; hereinafter referred to as the "Eligible Directors").

The amount of remuneration for the Company's Directors is a maximum of ¥150 million per year (including a maximum of ¥35 million per year for Outside Directors, not including any employee salaries payable to Directors who are also employees), as approved by the Annual General Meeting of Shareholders held on May 19, 2016. This proposal is to provide the Eligible Directors with monetary compensation receivables for the purpose of granting restricted stock following the introduction of the restricted stock compensation system, separately from the current limit of remuneration.

The total amount of monetary compensation receivables to be provided for the purpose of granting restricted stock (hereinafter referred to as "Monetary Compensation Receivables") shall be a maximum of ¥150 million per year as deemed reasonable in light of the above-mentioned purpose (not including any employee salaries payable to Directors who are also employees).

However, regarding the total amount of Monetary Compensation Receivables, it is assumed that the amount corresponding to execution of duties for three fiscal years will be provided, in principle, at a single time in the first year of the three fiscal years covered by a mid-term business plan, and thus, in practice, it will be equivalent to provision of a maximum of ¥50 million per year.

Outside Directors and Part-time Directors shall not be eligible for Monetary Compensation Receivables for the purpose of granting restricted stock.

The current number of Directors is nine (9) (including four (4) Outside Directors and Part-time Directors). If Proposal 1 "Election of Nine (9) Directors" is approved and resolved as originally proposed, the number of Directors will continue to be nine (9) (including four (4) Outside Directors and Part-time Directors).

(1) Outline of the restricted stock compensation system

Under the restricted stock compensation system, the Company will provide the Eligible Directors with Monetary Compensation Receivables for the purpose of granting restricted stock in the first year of the three fiscal years covered by a medium-term management plan, and have the Eligible Directors make in-kind contribution using the Monetary Compensation Receivables as contributed assets and, in return, receive shares of the Company's common stock that will be issued or disposed of by the Company. However, the Company will conclude a restricted stock allotment agreement including the contents described in (4) below (hereinafter referred to as the "Allotment Agreement") with the Eligible Directors, and the Eligible Directors shall not freely transfer, etc. the shares of the Company's common stock allotted under the Allotment Agreement (hereinafter referred to as the "Allotted Shares") during a certain time period set out in the Allotment Agreement. If the performance targets preliminarily set out by the Company are achieved within the transfer restriction period, the Company shall remove the restriction on transfer of the Allotted Shares according to the degree of achievement of the performance targets. The Company shall acquire free of charge the Allotted Shares for which the transfer restriction has not been removed. In this way, the Company will provide an incentive for the Eligible Directors to achieve the performance targets.

(2) The maximum amount of Monetary Compensation Receivables and the maximum number of shares to be granted under the restricted stock compensation system

The maximum amount of Monetary Compensation Receivables to be provided to Eligible Directors shall be ¥150 million per year, and the total number of shares of the Company to be granted to Eligible Directors shall not exceed 200,000 shares per year. However, regarding Monetary Compensation Receivables based on the restricted stock compensation system, it is assumed that the amount corresponding to execution of duties for three fiscal years will be provided to Eligible Directors at a single time in the first year of the three fiscal years covered by a medium-term management plan, and thus, in practice, the amount of Monetary Compensation Receivables and the number of shares to be granted will be a maximum of ¥50 million and 66,667 shares per fiscal year, respectively.

(3) The amount to be paid in per share

The amount to be paid in per share shall be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

(4) Outline of contents of the Allotment Agreement

1) Transfer restriction period

The Eligible Directors shall not transfer, create a security interest on, or otherwise dispose of the Allotted Shares under the Allotment Agreement during a time period set out preliminarily by the Company's Board of Directors (hereinafter referred to as the "Transfer Restriction Period"), which shall be between one year and five years from the date of such allotment according to the Allotment Agreement. (This restriction shall be hereinafter referred to as the "Transfer Restriction.")

2) Removal of the Transfer Restriction according to achievement of the performance targets

The Company shall remove the Transfer Restriction with respect to the Allotted Shares in whole or part at the expiry of the Transfer Restriction Period, according to the degree of achievement of the performance targets for the Company's consolidated ordinary income and consolidated operating revenue, etc., preliminarily set out by the Company's Board of Directors, during the Transfer Restriction Period. After that, Eligible Directors may freely transfer, etc. the Allotted Shares for which the Transfer Restriction has been removed. In addition, the Company shall naturally acquire free of charge the Allotted Shares for which the Transfer Restriction has not been removed in accordance with the provisions above at the expiry of the Transfer Restriction Period.

3) Treatment upon retirement

If the Eligible Director retires from his or her position as Director of the Company or of a wholly owned subsidiary of the Company prior to the expiry of the Transfer Restriction Period, the Company shall naturally acquire free of charge the Allotted Shares, unless such retirement is due to expiry of the term of office, death or other reasons deemed justifiable by the Company's Board of Directors.

However, in the event that an Eligible Director leaves the position specified above prior to the expiry of the Transfer Restriction Period for reasons deemed justifiable by the Company's Board of Directors as specified above, the number of the Allotted Shares subject to removal of the Transfer Restriction and the timing of such removal of the Transfer Restriction shall be reasonably adjusted by the Company's Board of Directors in light of the degree of achievement of the performance targets specified in 2) above.

4) Treatment of the Allotted Shares in the event of organizational restructuring, etc.

If a matter concerning the organizational restructuring, etc. of the Company, such as a merger agreement whereby the Company will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby the Company will become a wholly owned subsidiary of another party, is approved by the Company's General Meeting of Shareholders (or by the Company's Board of Directors if such organizational restructuring, etc. does not require the approval of the Company's General Meeting of Shareholders) during the Transfer Restriction Period, the Company shall remove, based on the resolution of the Board of Directors of the Company, the Transfer Restriction of the Allotted Shares from the starting date of the Transfer Restriction Period to the approval date of such organizational restructuring, etc. prior to the effective date of such organizational restructuring, etc. The number of such Allotted Shares subject to removal of the Transfer Restriction shall be reasonably adjusted the Company's Board of Directors in light of the degree of achievement of the performance targets specified in 2) above.

In the case specified above, as of the time immediately after the removal of the Transfer Restriction, the Company shall naturally acquire free of charge the Allotted Shares for which the Transfer Restriction has not been removed from Eligible Directors.

5) Other matters to be determined by the Board of Directors

Besides the above-mentioned matters, the Allotment Agreement shall prescribe matters to be determined by the Company's Board of Directors, including the methods of indicating intention and sending notification under the Allotment Agreement and procedures for revising the Allotment Agreement.

(Reference)

Following the conclusion of this year's Annual General Meeting of Shareholders, in addition to provision to the Eligible Directors, the Company plans to grant restricted stock similar to that to the Eligible Directors to full-time directors of The Maruetsu, Inc. and KASUMI CO., LTD., which are wholly owned subsidiaries of the Company, in accordance with the resolution of the Board of Directors and issue or dispose of shares of the Company's common stock.

The maximum number of shares of the Company's common stock to be granted to full-time directors of The Maruetsu, Inc. and KASUMI CO., LTD., which are wholly owned subsidiaries of the Company, shall be 225,000 shares per year (100,000 shares to full-time directors of The Maruetsu, Inc. and 125,000 shares to full-time directors of KASUMI CO., LTD.).