

# U.S.M. Holdings

Investors' Guide 2019



## 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).



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

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.



## Network

### Achieving synergy through integration of three companies and promoting store development responsive to customer needs

Targeting new supermarket store formats rooted in local communities

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, competition is intensifying as a result of the entry of new contenders from other industries. U.S.M. Holdings has an overwhelming share of this affluent regional market and operates 516 supermarkets in the region.

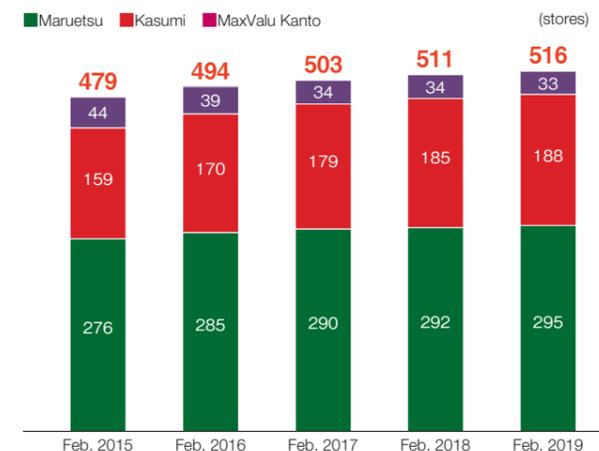
In pursuit of future growth, the three companies are pursuing various forms of integration, including joint procurement and joint sales promotion of merchandise, joint merchandising, and joint development of private-brand products, from the viewpoint of overall optimization to ensure creation of synergy.

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 offer new value while eyeing development of new business formats, U.S.M. Holdings will develop new supermarket store formats that gain the support of customers.

Fiscal year ended February 28, 2019: total of 13 new stores opened, expanding the network to 516 stores

U.S.M. Holdings opened a total of 13 new stores in the fiscal year ended February 28, 2019, split between Maruetsu (6) and Kasumi (7). A total of 8 stores were also closed (Maruetsu 5, Kasumi 2, MaxValu Kanto 1) 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 Shiki Saiwaicho Store

(Opened in September 2018)



- Location: Shiki-shi, Saitama Prefecture
  - Sales floor area: 535 tsubo
- Aiming to develop the number-one store in the region through offering sales floors, products, and service that satisfy customers, with an emphasis on fresh foods and delicatessen

#### Food Square Kasumi Mito Horicho Store

(Opened in June 2018)



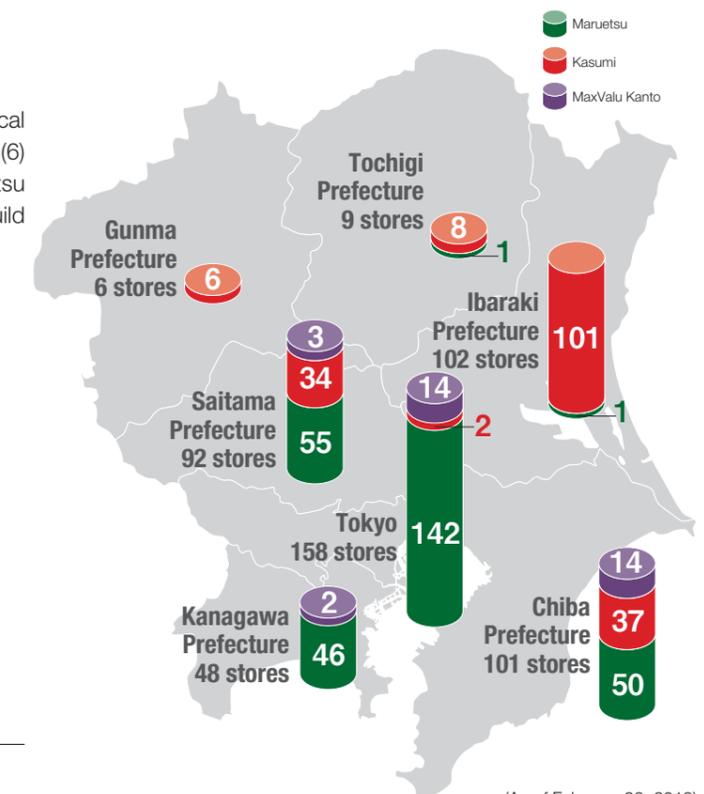
- Location: Mito-shi, Ibaraki Prefecture
  - Sales floor area: 632 tsubo
- Playing a key role in the local community thanks to an expanded selection of local vegetables and regional products and installation of an eat-in-corner with more than 100 seats, a simple kitchen, and a kids' space

#### MaxValu Kisarazu Jozai Store

(Refurbished and opened in July 2018)



- Location: Kisarazu-shi, Chiba Prefecture
  - Sales floor area: 669 tsubo
- Located in Kisarazu City, where the population and the number of households are increasing. Evolving a store development concept making customers' meals more delicious and more enjoyable



(As of February 28, 2019)



**We will create synergy from the integration of the three companies by further accelerating reforms and continue the challenge of establishing a new supermarket model.**

**Motohiro Fujita**  
President and  
Representative Director

### **Strengthening reforms and cost controls that exploit integration synergy Rejuvenated stores contributed to year-on-year increases in net sales and the number of customers**

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. We have shifted from promoting harmonization among the three operating companies to integration and are implementing reforms necessary for continued growth under the basic policies of “Maximization of synergy through sharing of business infrastructure” and “Establishment of a new supermarket model adapted to consumer changes.”

The fiscal year under review was a year clouded by uncertainty due to a series of major natural disasters that occurred across Japan, the repercussions on the Japanese economy of the slowing tempo of overseas economies, and sluggish growth

in food expenditures. In such an environment, the U.S.M. Holdings Group implemented organizational changes in March 2018 to accelerate synergy creation. We established the Materials Procurement Department and the Purchasing Integration Promotion Department and, to promote improved efficiency through sharing of business infrastructure, we established the Finance and Accounting Department and the ICT Development and Operation Department to integrate functions of The Maruetsu, Inc. and Kasumi Co., Ltd. In this way, we have expanded jointly planned products and joint procurement while continuing to integrate purchasing for some merchandise sections and expanded the product lineup of “eatime” brand of private-label merchandise to a total of 70 items by the end of February through the successive launching of new products. Furthermore, we established the Business Development Department and the Digital Business Planning Department and proceeded with consideration of a new supermarket model.

Turning to the performance of existing stores, although gross profit exceeded the prior-year level, net sales fell short

of the initial forecast owing to a decrease in the number of customers. A successful effort to control selling, general and administrative expenses to within the budget by strengthening cost controls was insufficient to compensate for stagnant sales. Consequently, sales increased yet profit declined. The Group opened 13 new stores and closed 8 stores in the interest of operational efficiency, resulting in a net increase of 5 stores. We rejuvenated 56 existing stores, implementing measures to meticulously respond to changes in customer preferences by emphasizing variety in sales floor and merchandise changes. As a result, net sales, the number of customers and spending per customer at rejuvenated stores exceeded the prior-year levels.

### **Consideration of a new business model in response to an increasingly challenging market environment and renewed awareness of the importance of the customer’s perspective**

The environment in which U.S.M. Holdings operates is changing in a number of ways. The market is contracting due to unprecedented population decline and aging, while at the same time the population is concentrated in the Greater Tokyo Area. A number of companies from other industries are entering the market, seeing consumption growth among aged households and their increasing importance as a business opportunity. In view of these factors, we face a business environment that is more fiercely competitive than ever before. Other environmental changes include dramatic evolution of new technologies, such as IoT and artificial intelligence, and growth in inbound tourist consumption.

To chart a course to future growth in these circumstances, we consider it necessary to reflect on the meaning and purpose of supermarkets as food infrastructure and to rethink and rebuild the business model.

In addition to considering the situation from a business model perspective, in this changing environment it is important to adopt a customer-centric perspective and think about what customers want now and in the future.

At a time of diversifying customer lifestyles and increasingly wide-ranging customer needs, it is imperative that the U.S.M.

Holdings Group, as an operator of brick-and-mortar stores, improve all points of contact with customers. This means not only responding to evolving IT technology, but also enhancing the humanity and diversity of the employees who come into direct contact with customers as well as our presence in society to better fulfill our role and mission in local communities. We think that it will be necessary for everyone who works in our stores to adopt the customer’s perspective, consider what customers want, and autonomously act for their benefit.

### **Creating value propositions from a variety of perspectives**

Establishing a corporate culture that enables various people to actively participate is necessary for boosting business model innovation and increasing customer loyalty, and it is essential that the Group invests in human resources and technology. Therefore, in fiscal 2019 we set up three cross-organizational study groups that extend across the operating companies to pursue initiatives such as analysis of new store types and customer needs and consideration of digital businesses, including a new online supermarket. We believe that initiatives to engage in vigorous discussions that elicit perspectives from frontline operating company personnel and insights from outside the Group as well as to increase customer loyalty from a variety of perspectives will become a growth engine.

U.S.M. Holdings has shifted to a policy of accepting the differences between the operating companies and developing a business platform to integrate them. The holding company will redefine functions, play a role in the three areas of functional integration, information sharing, and new functions, and further accelerate reforms by integrating functions and business processes common among the operating companies. U.S.M. Holdings will also demonstrate leadership in promoting the creation of value propositions that will enable the operating companies to take advantage of the individual characteristics of their stores as appealing local supermarkets optimized for their areas and win the loyalty of large numbers of local customers. We request your continued support of the U.S.M. Holdings Group.

## Medium-term Business Plan

### Create synergy through integration of three companies for growth into the future

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 into the future

— Accelerate 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

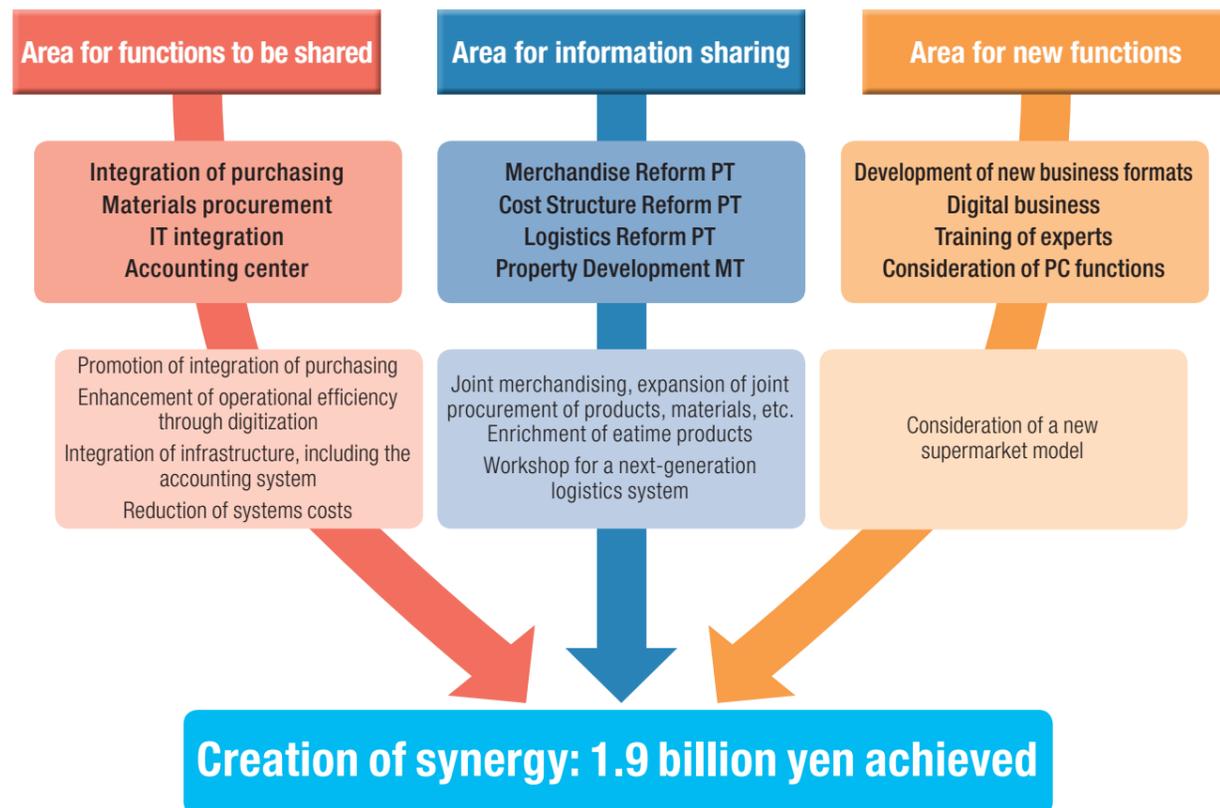
### Initiative in fiscal 2018

#### Three key areas for integration specified and initiatives implemented under a new structure

In fiscal 2018, while respecting autonomous store management of each operating company, from among the areas of each company, the Group specified areas for integration that will contribute to higher profit on a consolidated basis, and worked to ensure creation of synergy from the viewpoint of overall optimization.

The three areas for integration are the “area for functions to be shared,” the “area for information sharing,” and the “area for new functions.” We worked to ensure creation of synergy also through the implementation of three projects: “merchandise reform,” “cost structure reform,” and “logistics reform.”

To accelerate synergy creation, we established the Materials Procurement Department and the Purchasing Integration Promotion Department. Finance and accounting sections and ICT sections of the operating companies were integrated. Moreover, we established the Business Development Department and the Digital Business Planning Department for the purpose of transformation to a new supermarket model.



\*PT: Project Team. MT: Meeting, PC: Process Center

## Transitioning to a next-generation business model while reforming the existing model

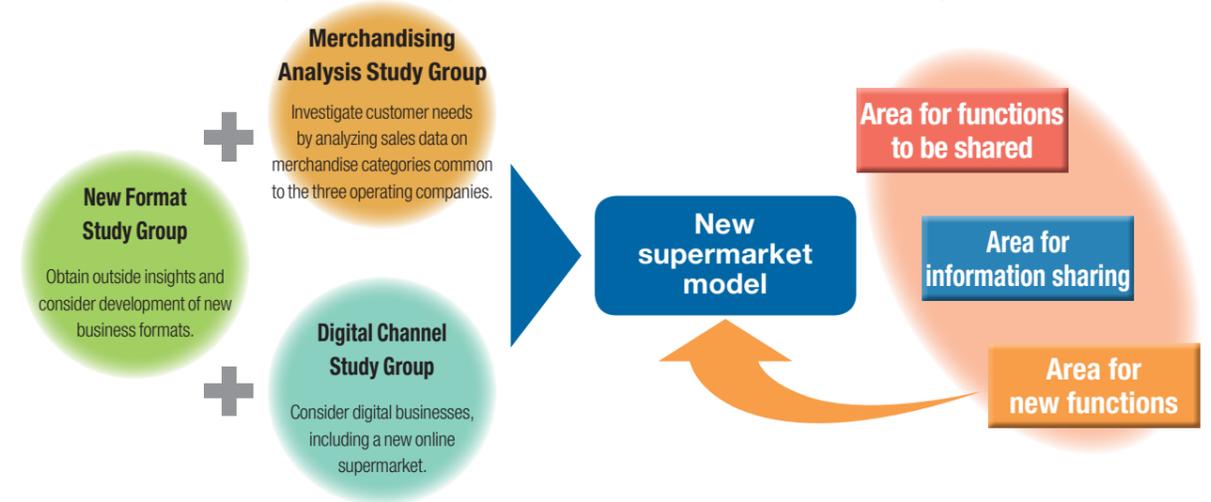
U.S.M. Holdings faces a fiercely competitive business environment radically different from any that we have experienced previously due to such factors as market contraction resulting from unprecedented population decline and aging, market entry by a number of companies from other industries, and the dramatic evolution of new technologies. Accordingly, we recognize that transformation to a next-generation business model is essential for implementation of initiatives devised with the future market environment in mind.

### Policies for Fiscal 2019

#### Strengthening of functional complementarity with the operating companies and creation of customer experiences and value propositions based on the customer's perspective

In fiscal 2019, U.S.M. Holdings will advance toward new forms of integration by contributing to the enhanced management bases of operating companies through creation of synergies and by pursuing further enhancements in the three areas of functional integration, information sharing, and new functions.

We will accelerate reforms and begin giving concrete shape to a new supermarket model by setting up three study groups as open discussion forums for the purpose of learning and understanding what our customers want now and in the future and acting promptly with fresh ideas.



#### Fiscal 2019 business model reform initiatives

##### Existing model

- ① Contribute to store rejuvenation, profit margin improvement, and cost reduction at the operating companies through the addition of measures from an overall perspective (verification, modification, regulation).
- ② Ensure penetration and thorough implementation of overall measures.

##### Reformed model

- ① Develop concepts, create roadmaps, and share them with the operating companies.
- ② Demonstrate leadership in implementing and verifying new initiatives and trials.

#### Plans

	2019	2020	2021	2022
<b>Steps for transformation into a new model</b>				
<b>Warm Up</b>	<b>Approach Run</b>		<b>Implementation</b>	
<ul style="list-style-type: none"> <li>● Discussion of the concept</li> <li>● Strategy mapping</li> </ul>	<ul style="list-style-type: none"> <li>● Trial &amp; error</li> <li>● Verification of results</li> </ul>		<ul style="list-style-type: none"> <li>● Implementation, verification, modification</li> <li>● Consideration of reinforcement systems</li> </ul>	
<b>Key themes of the existing model</b>				
<b>Strengthen</b>	<b>Organization</b>		<b>Change</b>	
<ul style="list-style-type: none"> <li>● Strengthening of store vitalization</li> <li>● Promotion of profitability improvement</li> <li>● Strengthening of cost reduction</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthening of the promotion structure</li> <li>● Change of the investment allocation</li> </ul>		<ul style="list-style-type: none"> <li>● Cultivation of new relationships</li> <li>● Creation of new value</li> </ul>	
<ul style="list-style-type: none"> <li>● Evaluation of results and modification</li> <li>● Addition of systems</li> <li>● Analysis and data utilization</li> </ul>				
<ul style="list-style-type: none"> <li>● Transformation</li> <li>● Verification and modification</li> <li>● Consideration of the next model</li> </ul>				

# eatime イータイム

THE U.S.M.H QUALITY

"eatime" website

<https://www.usmh.co.jp/eatime/>



## Encounter with carefully selected excellent "eatime" products makes every-day dining a more enjoyable experience

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.

We will accelerate product introduction and enhance the product lineup.



## Making mealtimes more fun with eatime

In this section, we introduce some popular eatime products.

### No 001 Whole Tomatoes Delicious Eaten as Is

Whole tomatoes that offer all the umami and sweetness of small San Marzano tomatoes



### No 010 Chocolate Ice Cream for Chocolate Lovers

Ice cream made using Belgian chocolate that features the slight bitterness of chocolate



### No 018 Margherita Pizza that Harmoniously Combines Water Buffalo Mozzarella and Tomatoes

Pizza made using milky, juicy buffalo mozzarella cheese and accented with the tartness of tomatoes and the savory flavor of Parmesan cheese. Enjoy the taste of L'ARTE, a famous pizzeria in Sengenjaya, at home.



### No 038 Soft Oboro Tofu that Fills the Mouth with the Sweetness of Polished Soybeans

Made using 100% Hokkaido soybeans. The extra touch of polishing the soybeans suppresses off-flavors and accentuates their sweetness.



### No 039 Domestic Soybean Natto for Natto Lovers with Chunky Texture and the Umami of Soybeans

The use of natto bacterium obtained from the World Heritage site Shirakami Sanchi accentuates the umami of soybeans, reduces the smell, and imparts a highly sticky consistency



### No 073 Choice Yuyume Beef Curry with the Savory Taste of Meat

Enjoy the mellow taste of this retort pouch curry made using slow-cooked Yuyume beef subtly seasoned with coconut milk.



\*The product photos are simulated.

## The Maruetsu, Inc.



Having positioned the fiscal year ended February 28, 2019 as a year for transformation to a new business structure, Maruetsu undertook transformation to high-quality business operations, transformation to highly productive workplaces, and the creation of an environment to succeed against tough competition. A key initiative was improvement of the gross profit margin through a review of the purchasing structure and greater accuracy in purchasing and sales planning. Maruetsu implemented labor-saving measures such as increasing the number of stores that use partial self-checkout systems, introducing the Total LSP System designed for efficient store operation, and introducing electronic shelf labels at urban stores. In addition, to respond to the trend toward delicatessen products, Maruetsu expanded introduction of a fresh food delicatessen featuring seasonal fresh ingredients to 46 stores.

## Kasumi Co., Ltd.



Kasumi is implementing initiatives to develop stores loved by the community that function as community hubs. In the area of services, to increase customer convenience, Kasumi introduced the KASUMI credit card with WAON and began Aeon's WAON e-money payment service in March, issued the KASUMI-WAON e-money card in September, and began a completely cashless store experiment at Kasumi Tsukuba University Store, which opened in October. It also launched a project to promote business process reform and implemented a work standardization initiative to improve service levels and productivity by restructuring store operations.

## MaxValue Kanto Co., Ltd.



Inspired by its vision of creating "pleasure of shopping," MaxValu Kanto undertook evolution of its stores into supermarkets whose merchandise is an inducement for customers to visit, productivity improvement through systems, and strengthening of organizational capabilities and human resources to move ahead with reforms. To establish a unique value proposition, MaxValu Kanto worked to increase the number of customers by 1) increasing store visit frequency through strengthening of the fresh foods offering, 2) merchandise intentionally selected as an inducement for customers to visit stores, 3) rejuvenation of stores through continuous investment in revitalization and repair, and 4) customer-oriented, frontline-driven reforms based on store policy. To promote productivity improvement, the company also undertook 1) development and horizontal deployment of a new input man-hour model at model stores and 2) headquarters-originated continuous cost structure reform.

Overview of financial closing by operating company on a non-consolidated basis

(Millions of yen, %)

Fiscal year ended February 28, 2019 (non-consolidated)	maruetsu マルエツ		カスミ		MaxValu マックスバリュ 関東株式会社	
	Result	Change from the previous year	Result	Change from the previous year	Result	Change from the previous year
Operating revenue	374,910	99.8	271,663	100.9	43,777	100.7
Operating income	5,754	73.4	5,998	101.7	207	112.6
Ordinary income	5,776	73.3	6,371	103.0	206	113.7
Net income	2,651	48.9	3,525	86.3	100	80.8

### 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.

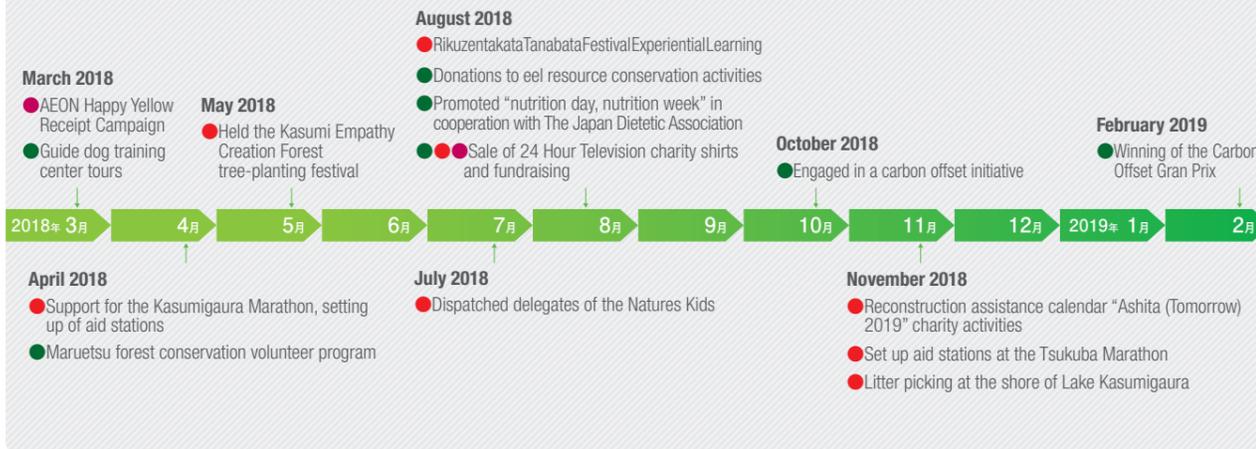


### U.S.M. Holdings engages in CSR activities from three perspectives.

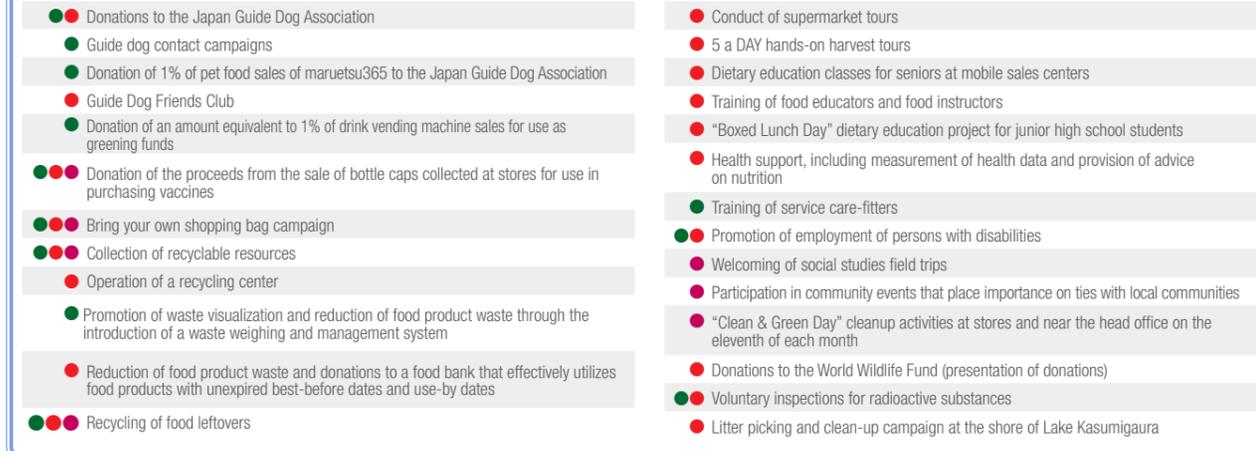
The U.S.M. Holdings Group engages in CSR activities from three perspectives: "Environmental Impact Reduction and CO<sub>2</sub> Reduction," "Safety and Security," and "Contributions to Society." We contribute to local communities and our stakeholders through our CSR activities.



#### Major initiatives in fiscal 2018



#### Year-round continuous initiatives



### Environmental Impact Reduction and CO<sub>2</sub> Reduction

#### Environmental Protection

Kasumi has been engaged in a forest revitalization project at Kasumi Empathy Creation Forest located in Kasama City, Ibaraki Prefecture, since fiscal 2011. In fiscal 2018, Kasumi's employees together with local residents planted about 3,000 trees. Kasumi has also been engaged in a litter picking and clean-up campaign of the shore as part of environmental protection of Lake Kasumigaura, in collaboration with civic organizations and the local government, since fiscal 2017.



Maruetsu has been engaged in forest preservation involving the planting of trees with volunteers at a forest in Yokote, Hidaka City, Saitama Prefecture, which is nicknamed "Maruetsu Forest."

#### 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.



#### "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 CO<sub>2</sub> emitted in the manufacture of the plastic grocery bags it provides for customers, purchasing the right to emit CO<sub>2</sub> 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.



#### 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.

### 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 2018 was approximately 294 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 ¥120.5 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.



Emergency assistance fundraising and donation to affected areas

The Group engaged in emergency assistance fundraising activities in the hope that victims of natural disasters that occurred in 2018 will be able to resume their normal lives as soon as possible, and donated the funds raised from customers and Group company contributions to municipalities in the affected area.

We donated a total of ¥6,462,702 to municipalities in Hiroshima, Okayama, and Ehime prefectures, which were affected by torrential rain in July 2018 and a total of ¥2,136,723 to municipalities in Osaka Prefecture, Hokkaido, and Sapporo City, which were affected by Typhoon Jebi (No. 21) of 2018 and the Hokkaido Eastern Iburi Earthquake of 2018.

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

Supermarket tours

Kasumi invites local children to its stores and provides opportunities for them to learn about an enjoyable well-balanced diet in fun study sessions conducted by Kasumi's national registered dietitians or dietary education instructors. In fiscal 2018, 15,347 children participated in study sessions.



EATPIA cooking and culture school

Among the many classes offered at EATPIA, a cooking and culture school Maruetsu has operated since 1991, Kid's Cooking classes have been continuously offered since the school first opened. Maruetsu's national registered dietitians and other dietitians serve as instructors for these classes, in which some 3,000 elementary school students in total have learned about cooking, nutrition, and table manners.



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

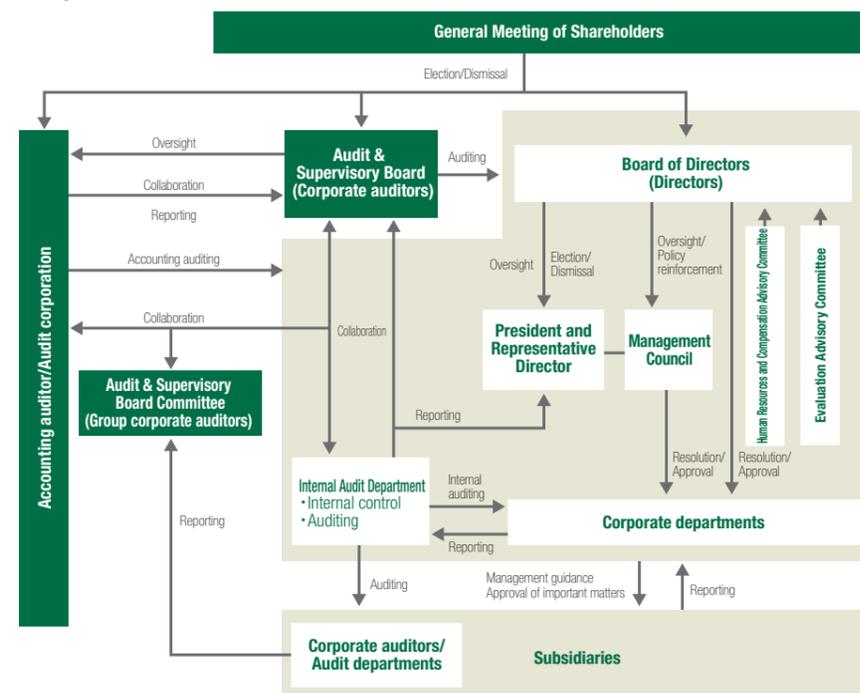
The Board of Directors consists of nine directors (including three outside directors). The Board meets once a month, in principle, and holds extraordinary meetings as necessary. The five Audit & Supervisory Board members attend Board of Directors meetings. At Board meetings, the directors deliberate 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 24, 2019)

Corporate Governance Structure



Directors and Corporate Auditors (as of May 24, 2019)

President and Representative Director	Motohiro Fujita
Vice President and Representative Director	Daisuke Tezuka
Vice President and Representative Director	Ryota Furuse
Director	Toshiki Ishii
Director	Taketoshi Kawada
Director and Advisor (part-time)	Motoya Okada
Outside Director (part-time)	Akira Terakawa
Independent Outside Director (part-time)	Shigekazu Torikai
Independent Outside Director (part-time)	Naoko Makino
Corporate Auditor (Standing)	Tatsuo Mizuhashi
Corporate Auditor (Standing)	Tadayoshi Yoyogi
Outside Corporate Auditor (part-time)	Koichi Ihara
Outside Corporate Auditor (part-time)	Shigeru Koyama
Independent Outside Corporate Auditor (part-time)	Shinobu Okamoto

Consolidated Balance Sheet

Account	18' 2	19' 2
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	25,709	26,239
Notes and accounts receivable - trade	389	414
Inventories	16,964	17,072
Accounts receivable - other	18,198	18,886
Deferred tax assets	2,469	1,842
Other	3,337	2,972
Provision for doubtful accounts	(124)	(123)
<b>Total current assets</b>	<b>66,945</b>	<b>67,305</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	64,956	64,671
Land	43,811	44,828
Other, net	20,726	19,816
Total property, plant and equipment	129,494	129,317
<b>Intangible assets</b>		
Goodwill	13,843	13,023
Other	2,711	3,224
Total intangible assets	16,554	16,248
<b>Investments and other assets</b>		
Investment securities	6,804	2,856
Deferred tax assets	8,554	9,134
Net defined benefit asset	218	207
Guarantee deposits	32,159	32,174
Other	1,616	1,295
Provision for doubtful accounts	(299)	(71)
Total investments and other assets	49,053	45,595
<b>Total non-current assets</b>	<b>195,102</b>	<b>191,161</b>
<b>Total assets</b>	<b>262,047</b>	<b>258,466</b>

(Millions of yen)

Account	18' 2	19' 2
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	47,443	47,283
Short - term loans payable	5,000	4,000
Current portion of long-term loans payable	3,400	7,100
Income taxes payable	2,150	822
Provision for bonuses	1,997	2,052
Provision for loss on liquidation of business of subsidiaries and associates	1,373	—
Provision for loss on store closings	239	44
Provision for shareholder benefit program	278	274
Other	21,040	20,202
<b>Total current liabilities</b>	<b>82,922</b>	<b>81,779</b>
<b>Non-current liabilities</b>		
Long-term loans payable	24,500	19,400
Deferred tax liabilities	150	150
Provision for loss on subleases	99	55
Net defined benefit liability	1,039	1,058
Asset retirement obligations	5,485	5,717
Other	8,310	7,978
<b>Total non-current liabilities</b>	<b>39,585</b>	<b>34,359</b>
<b>Total liabilities</b>	<b>122,507</b>	<b>116,139</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,000	10,000
Capital surplus	104,320	104,321
Retained earnings	27,590	30,846
Treasury stock	(3,751)	(3,745)
<b>Total shareholders' equity</b>	<b>138,159</b>	<b>141,423</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(54)	(184)
Foreign currency translation adjustment	238	207
Remeasurements of defined benefit plans	774	388
Total accumulated other comprehensive income	958	411
<b>Share acquisition rights</b>	<b>52</b>	<b>111</b>
<b>Non-controlling interests</b>	<b>369</b>	<b>379</b>
<b>Total net assets</b>	<b>139,539</b>	<b>142,326</b>
<b>Total liabilities and net assets</b>	<b>262,047</b>	<b>258,466</b>

Consolidated Statement of Income (Millions of yen)

Account	18' 2	18' 2
Net sales	677,557	679,276
Cost of sales	485,287	484,601
Gross profit	192,269	194,674
Operating revenue	14,691	15,047
Operating gross profit	206,961	209,721
Selling, general and administrative expenses	192,892	197,910
Operating income	14,068	11,811
Non-operating income	521	605
Non-operating expenses	402	163
Ordinary income	14,188	12,253
Extraordinary income	—	1,591
Extraordinary losses	6,255	5,667
Income before income taxes and minority interests	7,932	8,177
Income taxes - current	4,689	2,537
Income taxes - deferred	(4,203)	307
Total income taxes	485	2,845
Net income	7,446	5,331
Income (loss) attributable to non-controlling interests	(5)	23
Profit attributable to owners of parent	7,452	5,308

Consolidated Statement of Cash Flows (Millions of yen)

Account	18' 2	19' 2
Cash flows from operating activities	21,060	18,309
Cash flows from investing activities	(16,238)	(13,153)
Cash flows from financing activities	(4,270)	(4,561)
Effect of exchange rate change on cash and cash equivalents	(13)	(63)
Net decrease in cash and cash equivalents	538	530
Cash and cash equivalents at beginning of period	25,169	25,708
Cash and cash equivalents at end of period	25,708	26,238

Stock Information

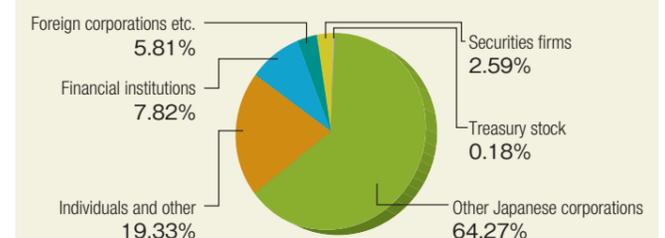
Number of shares authorized	500,000,000 shares
Number of shares issued	131,681,356 shares
Number of shareholders	68,346

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	2,954	2.30
The Kambayashi Scholarship Foundation	2,300	1.79
Aeon Co., Ltd.	1,629	1.27
Nippon Access Inc.	1,500	1.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,385	1.07
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,151	0.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,133	0.88
KOKUBU GROUP CORP.	1,099	0.85
Mitsubishi Shokuhin Co., Ltd.	1,080	0.84

Note: Percentages of shares held are calculated excluding 3,409,768 shares of treasury stock.

Distribution of Shares by Shareholder Type



## Corporate Data

<b>Established</b>	March 2015
<b>Capital</b>	10 billion yen
<b>Business</b>	Management of supermarket business
<b>Head office</b>	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

## 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.

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

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## "eatime" website

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