U.S.M. Holdings
Investors’ Guide 2020
Outline of U.S.M. Holdings

U.S.M. Holdings

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

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

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 daily groceries.

Kasumi Co., Ltd.
Kasumi brand development

The three supermarket formats are the flagship "Food Square" brand marketing new delights for mealtimes, the standard "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.

Network

Enhancing integration of three companies and continuously responding to customer needs in local communities

Targeting new supermarket store formats deeply connected with local communities

The U.S.M. Holdings Group develops business mainly in the Tokyo metropolitan area and the adjacent prefectures. In this region, a rich and promising retail market is continuously advancing and creating customer needs every day, while at the same time competition is increasingly intensifying across different business formats, calculated beyond conventional supermarket store formats. We have an overwhelming share of this affluent regional market and operate 519 supermarkets in the region. We push through reforms to adapt to customers’ lifestyle changes as well as environmental changes such as digitalization. While providing our customers with new values such as new customer experience through digitalization or unprecedented experience, we are targeting new supermarket store formats deeply connected with local communities.

Main new stores and refurbished stores

Maruetsu Edogawabashi Store (Opened in June 2019)
- Location: Shibuku-ku, Tokyo
- Sales floor area: 370 tsubo
- Providing a variety of product lineups including Handmade Fresh Salad prepared on-site, market-fresh sushi with selected raw fish, and delicatessen using seasonal fresh ingredients

Food Square Kasumi Shintone Store (Opened in February 2020)
- Location: Inashiki-city, Ibaraki Prefecture
- Sales floor area: 564 tsubo
- Striving to create a store most beloved by the local community, proposing a rich and enjoyable food lifestyle which supports the lifeline of everyone in the community

MaxValu Noda Nanakodai Store (Refurbished and opened in September 2019)
- Location: Noda-city, Chiba Prefecture
- Sales floor area: 870 tsubo
- Aiming to create a store that values close relationships with customers by offering a variety of fresh produce choices and delicious deli products

Business Philosophy of U.S.M. Holdings

Our core philosophy

- 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.
Message from the Management

We will become an essential part of the local community to "satisfy every need for food for everyone", by promoting structural reform based on digitalization and repeating cooperation and emergence.

 Creating a synergic effect through a shift from harmonization to integration of three operating companies in an intensely competitive environment United Super Markets Holdings Inc. (U.S.M. Holdings) was established in March 2015 as a joint holding company for The Maruketsu, Inc., Kasumi Co., Ltd., and MaxValu Kantō Co., Ltd. We have promoted various reforms under basic policies of “Maximization of synergy through sharing business infrastructure” and “Establishment of a new supermarket model adapted to consumer changes.” Under the first medium-term business plan launched in fiscal 2017, aiming for the integration of three companies, we have worked towards continuous growth and the creation of a synergic effect by the holding company structure. As for the fiscal year under review, we were in a very severe business environment. In addition to multiple changes such as natural disasters, unseasonable weather, declining consumer sentiments due to the consumption tax increase, and social unrest and a stagnant economy due to the novel coronavirus, we faced intensified competition across different business formats. Under such circumstances, the synergy by the holding company structure was able to generate expected results by utilizing the economies of scale of three companies and venturing into fields where each company had not been able to explore on a stand-alone basis. We also expanded the product lineup of “eatmate”, our private-label merchandise, to a total of 91 items, worked on initiatives such as system renewals for cashless payments, and the implementation of a smartphone payment system at stores using our own official mobile app.

On the other hand, the surrounding environment including customers’ lifestyle and digitalization has changed faster than expected, which lead to the beginning of slowdown in continuous growth of operating companies. As selling, general and administrative expenses consisting mostly of labor costs increased, it has come to the point where the low-cost operation strategy alone could no longer fight off the pressure of rising cost. Furthermore, as the transformation and diversification of food purchase channels for consumers has become a reality, which has consequently revealed various issues of conventional supermarket store formats.

Addressing recognized issues by pushing through four reforms set forth in the second medium-term business plan to realize the structural reform across the entire business Summarizing the issues emerged through the implementation of the first medium-term business plan, it has become evident that we could no longer foresee a future growth strategy only through improvement or correction of existing business models. Therefore, in the second medium-term business plan, it is necessary to rebuild everything from the ground up, including value proposition to our customers and cost structure, and fundamentally transform our business model into the one that can make us grow again as a supermarket. In order to return to the growth trend again, we will push through three reforms: “cost reform”, “format reform”, and “work style reform”, as well as “digital reform” which underlies all the other three reforms. The theme of the cost reform is a strategic resource allocation of human resources and cash. We believe the most significant issue is the strategic allocation of human resources. We will promote the work style reform that can create added value for our customers by reexamining concepts and structures of our operations. Specifically, works that give added value directly to our customers shall be positioned as a direct cost, and other costs such as corporate expenses and indirect expenses for in-store operations shall be drastically trimmed down.

We will restructure the decision-making system for strategic investment, to drive forward an investment shift from development of new stores to revitalization of existing stores, profitability improvements, and reinforcement of investment in innovation areas such as an investment in digital development.

Creating a new format that can provide four values amid changes in customers’ lifestyles and expectations for food Customers’ lifestyles are changing due to the progression of digitalization in addition to environmental changes such as population decline and intensified competition. In the 100-year life society, customers’ expectation for food is changing not only to meet a simple physiological need for calorie consumption but also to spontaneously satisfy their emotional needs such as well-being. We also must change significantly to adapt to this change.

Returning to our customer-centric principle advocated in our corporate philosophy once again, we have set the central theme of the format reform to be a pure pursuit of values our customers are seeking in food now. After extensive consideration and discussions, we have reached four value propositions of unprecedented experience that we should aim for: (i) True Freshness, (ii) Serendipity, (iii) Enrich, and (iv) “New Home.”

Although these are what we have already been pursuing, it has become difficult to achieve them with our existing approach in the changing environment. To this end, we will need a new way of thinking for open innovation such as collaboration beyond corporate boundaries, or a change in investment allocation. At the same time, we will also work on the digital reform to establish the foundation of structural reforms, including a full automation of routine works, implementation of self-checkout systems, and development of online home delivery.

Project-based simple and flat implementation structure To become an essential part of the local community These four reforms are related to various business processes and difficult to implement swiftly under the existing organizational structure, and therefore it is required to structurally change into a simple and flat organization without hierarchy. We will carry forward the reforms on a project basis in which the holding company and operating companies work as one, and generate results by open discussions and speedy actions.

It is our basic policy that “promoting structural reform based on digitalization, we repeat collaboration and emergence to “satisfy every need for food for everyone” that is laying the foundation for the next generation”, we will evolve into an essential part of the local community. We request your continued support of the U.S.M. Holdings Group.
The U.S.M. Holdings Group announced the second medium-term business plan which extends until the fiscal year ending February 28, 2023.

In the light of issues emerged in the past three years of working on various initiatives in the first medium-term business plan, we will speedily execute transformational reforms leading to solid future growth.

### Transform into a corporate group with high growth potential that can meet the ever-changing needs in food

Promoting structural reform based on digitalization, we repeat collaboration and emergence to “satisfy every need for food for everyone” that is laying the foundation for the next generation.

#### Structural reform
- Cost reform
- Format reform
- Work style reform

#### Digital reform/New digital foundation
- Cooperation
- Emergence

#### Open organizational culture/Strategy-oriented leadership

### Four pillars of reform

#### 1 Cost reform

Reform the correlation between investment and return and cost structure to find a new growth model and establish a solid foundation of revenue

**Details of reform initiatives**
- Review direct to indirect allocation ratio (allocate human resources from headquarters to stores; consolidate administrative functions into the holding company)
- Shift focus on customer contact point from operations (work style reform)
- Reform check-out systems
- Retail in-store routine works utilizing digitalization
- Review investment allocation to reform and innovation areas (invest in remodeling and revitalization, reinforce investment in new digitalization development)

#### 2 Format reform

Reform the existing formats and business model structures to capture changes in customers

**Details of reform initiatives**
- Transform into a new format to become people’s destination through our four values based on know-your-customer and co-creation
  Four values: True Freshness, Serendipity, Enrich, and “New Home”
- Create new customer experiences through digitalization
  Establish a digital channel model (online smart supermarket, online home delivery, mobile payment, etc.)

#### 3 Work style reform

Reform conventional workflow and operational system structures to adapt to changes in workers and work styles

**Details of reform initiatives**
- Workplace: Focus on stores, reduce headquarters function with a selected few
- Work type: Streamline routine works and concentrate more on customer contact points

#### 4 Digital reform

Reform and renew the supermarket core system to adapt to new work styles and create new customer experiences through digitalization

**Details of reform initiatives**
- The supermarket core system for new work styles: Routine works to be digitized, automated, standardized and integrated
- Creation of new customer experiences through digitalization: Smart POS and online smart supermarket

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**Medium-term Business Plan**

**Operational target plan for fiscal 2022**

<table>
<thead>
<tr>
<th></th>
<th>Operating revenue</th>
<th>Operating income</th>
<th>Operating income margin</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>739 billion yen</td>
<td>13 billion yen</td>
<td>1.8%</td>
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*Operating revenue | Operating income* (In millions of yen)

<table>
<thead>
<tr>
<th>Fiscal 2022</th>
<th>Cost reform</th>
<th>Digital reform</th>
<th>Format reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2023</td>
<td>+120 million yen</td>
<td>+1,600 million yen</td>
<td>-800 million yen</td>
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</tbody>
</table>

**Effects from reforms**

- The holding company to decide investment strategy as the key for growth strategy
- Optimize investment overlooking across the entire business of the Group
- Restructure into a simple and flat organization for speedy decision-making

**Strengths the structure to implement reforms**

- We will execute these reforms steadily going forward to obtain more customers, and evolve into an essential part of the local community to satisfy every need for food for everyone
Business Efforts

Proposing new supermarket store formats
Digital reform advancing at U.S.M. Holdings

Striving to improve satisfaction of both customers and employees through digitalization

U.S.M. Holdings has launched various business reforms through digital reform. Supermarkets, as with other industries, are facing a shortage in human resources because of the declining birthrate and aging population. Cashless payment and self-checkout systems through digitalization of operations can not only improve customers’ convenience but also reduce the employees’ burden through work- and labor-saving operations. The employees can spend more time than before with customers to offer value-added services, which leads to customer satisfaction improvement only possible at actual stores.

Together with our employees, we will create new supermarkets where customers can enjoy shopping comfortably, through various initiatives such as offering information using digital signage, enhancing data marketing, and digitalization of routine operations.

Cashless payment made possible by U.S.M.H official mobile app “Scan & Go”

Promoting digitalization, we are expanding the number of stores with check-out systems using the U.S.M.H official mobile app with which customers can add products to cart and pay with their smartphones. Using this app, customers can enjoy a smooth shopping experience without lining up at the cashier as they can register and pay for products using their smartphones.

We had a test-run of this system first to employees at Kasumi Tsukuba University Store. After verifying and improving the system’s usability and functions, it was introduced to customers on October 21, 2019. Going forward, we will roll out the application environment of this system to each Kasumi store in order, and are planning to expand it to each Group company of U.S.M. Holdings this fiscal year.

Office Smart Shop: Pursuing possibilities of a new store format with an unstaffed store

“KASUMI LABO,” opened on the first floor of Kasumi head office on October 21, 2019, is an experimental unstaffed store utilizing a mobile app, in which customers can add products to cart and pay with their smartphones. Using this app, customers can enjoy a smooth shopping experience without lining up at the cashier as they can register and pay for products using their smartphones.

Going forward, we will work on expanding the number of unstaffed stores located in small office spaces.

Overview of financial closing by operating company on a non-consolidated basis
(Fiscal year ended February 29, 2020)

<table>
<thead>
<tr>
<th>Operating revenue</th>
<th>Operating income</th>
<th>Net income</th>
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<tr>
<td>375,972 million yen</td>
<td>5,320 million yen</td>
<td>2,365 million yen</td>
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<tr>
<td>(100.3% year-on-year)</td>
<td>(92.5% year-on-year)</td>
<td>(89.2% year-on-year)</td>
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Maruetsu promoted three initiatives with a basic theme of “Innovation and challenge.” To achieve the expansion of “concentrated occupation rate in a small business area,” Maruetsu undertook improvement of customer services and cleanliness as well as the realization of affordable prices. In September 2019, MARUETSU credit card with WAON was introduced in the effort to improve customer convenience by promoting new membership and its usage. As for the improvement of on-site capability at stores, an electronic shelf label system was employed at all Maruetsu Petit stores, and expanded the introduction of labor-efficient display shelves and more. To reinforce the delicatessen department, Maruetsu implemented new product development of deli items, renewal of long-sellers and price revisions, while also expanding a fresh food delicatessen featuring seasonal fresh meat and fish to 57 stores in total.

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Striving to become the best local supermarket store connected deeply with the local community, Kasumi implemented several measures to offer products and services matching needs of the local community. In response to the rise in austerity among households due to the consumption tax hike, Kasumi expended the promotion under the campaign named “Save Your Wallet,” slashing the price of best-sellers to more affordable price to support household economy. In addition, more measures were implemented to take advantage of KASUMI credit card with WAON and KASUMI-WAON e-money card. Furthermore, to create a better workplace where employees can work comfortably with motivations, the company-leased nursery school Kasumi Soran Nursery School was opened in July, and in September, the retirement at the age of 65 years old was introduced.

Inspired by its vision of creating the “pleasure of shopping” and with an aim to establish a new store model and shift to an organization that can accelerate investments for growth, MaxValu Kanto implemented the following measures: (i) large-scale revitalization anticipating new stores opening, (ii) realization of “MaxValu is a great value!” through reinforcement of pricing strategies, (iii) creation of attractive product line-up to entice customers, (iv) operation reforms to pursue efficiency, and (v) reforms to become a company where all the employees can work and grow energetically. Reforms will continue to be carried out by adapting swiftly to environmental changes and regularly reviewing the stores and products from the customers’ perspective, so that customers can enjoy a more comfortable shopping experience.
Private-label Merchandise

eatime
THE U.S.M.H QUALITY

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

The Group’s private-label merchandise “eatime” has been available at all Maruetsu, Kasumi, and MaxValu Kanto stores since October 2017. Based on the concept of proposing new values to customers, “eatime” is the original products that three supermarket companies in pursuit of deliciousness, with a focus on food cultures of various regions and specialties rooted in regions. We will enhance the product lineup and develop it further.

At-Home Bistro by “eatime”

Ingredients (Serves two)
Salmon Gratin with Mushrooms

- Salmon fillets (about 300g) .... 2 pieces
- Bake, flour, salad oil, and butter ..... as needed
- Onion (chopped)
- King oyster mushrooms (cut in half length and sliced) ..... 2 pieces
- eatime No.081 White sauce ..... 1 can (200g)
- Milk .................................. 100ml
- Broccoli florets (cut in pieces and blanched) ..... several
- Salt, pepper, olive oil, and cheese for pizza ............... to taste

Directions
(1) Cut a salmon fillet into three pieces. Spitide slice, roll for about five minutes, and remove excess moisture using a paper towel. Coat the salmon pieces thinly with flour. (2) Heat a frying pan and add sausage oil. Place (1) on the pan and sear both sides of the sausages. Once it’s cooked, remove from the pan. (3) Melt butter in a saucier over a low heat and sauté the onion. When the onion becomes transparent, add (2) and stir-fry them together. Add (1) and simmer. Adjust the flavor with salt and pepper. (4) Cut the inside of a heat-resistant casserole dish thinly with olive oil. Place (2) and broccoli in the dish and pour (3) on top of each on some cheese for pizza and place the dish in an oven toaster. Bake until the top turns golden brown.

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.

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

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

Main initiatives in fiscal 2019 (March 2019 - February 2020)

<table>
<thead>
<tr>
<th>Month</th>
<th>Maruetsu</th>
<th>Kasumi</th>
<th>MaxValu Kanto</th>
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<td>December</td>
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Year-round continuous initiatives

- Donations to the Japan-Guide Dog Association
- Guide dog contact campaigns
- Maruetsu365
- Donation of an amount equivalent to 1% of pet food sales to the Japan National Council of Social Welfare
- Donations of the proceeds from the sale of bottle caps collected at stores for use in purchasing societies
- Bring your own shopping bag campaign
- Collection of negotiable resources
- Operation of a recycling center
- Promotion of waste visualization and reduction of food product waste through the introduction of a waste weighting and management system
- Reduction of food product waste and donations to a food bank that effectively utilizes food products with unexpired best-before dates and use-by dates
- Recycling of food leftovers
- Promoting “100% Initiative”
- Conduct of supermarket tours
- 5 is a Day Hands-on harvest tours
- Dietary education classes for seniors at mobile sales centers
- Training of food educators and food instructors
- Cooking class by “Cooking Sushi”
- Health support, including measurement of health data and provision of advice on nutrition
- Health consultation at the Okubo Ekimae Store eat-in corner
- Training of service care filters
- Promotion of employment of persons with disabilities
- Welcoming of social studies field trips
- Participation in community events that place importance on ties with local communities
- “Clean & Green Day” cleaning activities at stores and near the head office on the eleventh of each month
- Donations to the World Wildlife Fund (presentation of donations)
- Infrared inspections for radioactive substances
- Litter picking and clean-up campaigns at the shore of Lake Kasumigaura

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

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.

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CSR Activities

**Initiatives to Reduce Plastics**

- **Undertaking the “no plastic bags for free” program at each company of U.S.M. Holdings**
  
  In March 2019, Kasumi implemented initiatives to stop offering free plastic shopping bags at all stores in Saitama, Chiba, Gunma, and Tokyo (excluding some of small stores.).

  In 2020, this initiative of no plastic bags was launched at all Maxvalu Kanto stores as of March 1, and at all Maruetsu, Maruetsu Petit, Linco, and Uoetsu stores as of April 1.

  Simultaneously with the termination of free plastic bags, the eco-point used to be given to customers as an incentive not to use plastic bags at Maruetsu has also been abolished, as the originally intended purpose of encouraging customers to bring their own bags has been fulfilled.

  As of June 30, 2020, Kasumi also stopped offering free plastic shopping bags at small stores, and its eco-stamp card program in which customers receive a stamp when they don’t take a plastic bag has been terminated.

  The U.S.M. Holdings Group stopped offering free plastic shopping bags at all stores, and will continue to reduce plastics.

**Environmental Impact Reduction and CO₂ Reduction**

- **Environmental Protection**
  
  Kasumi has been engaged in a forest reclamation project at Kasumi Empathy Forest Creation 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 since 2010 involving the planting of trees and brush clearing with volunteers at a forest in Yokote, Hidaka City, Saitama Prefecture, nicknamed “Maruetsu Forest.”

- **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.

- **“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.

- **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.

- **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 2019 was approximately 307.4 million yen. Kasumi periodically holds meetings of the Kasumi Guide Dog Friends Club (Kasumi Modoken Friend Club) with JGDA support.

- **Environmental Impact Reduction and CO₂ Reduction**
  
  Kasumi 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.

- **“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.

- **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.

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- **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, “Hebita (Tomorrow) Calendar,” are in their ninth year, and the total amount of donations to the Rikuzentakata Elementary and Junior High School Reconstruction Fund and others amounted to ¥133,43 million. Rikuzentakata Tanabata Festival Experiential Learning (Rikuzentakata Tanabata Matsuri Taisen Sakusatsu) 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.

- **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.

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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 dieticians 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 dieticians and other dieticians serve as instructors for these classes, in which some 3,000 elementary school students in total have learned about cooking, nutrition, and table manners.

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Corporate Governance

Basic Policy on Corporate Governance

1. Respect the autonomy and independence of the operating companies and ground corporate governance in the basic principles, vision, and mission formulated at the time the Company was established 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.

(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.

As of May 20, 2020)

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 work in close connection with the Board, perform their duties as directors and resolve matters pertaining to the conduct of the business, decision-making, and performance evaluations.

Audit & Supervisory Board

The Audit & Supervisory Board consists of five corporate auditors (including one outside corporate auditor). The Audit & Supervisory Board convenes meetings three times a year (at the end of each quarter). There are also extraordinary meetings as necessary. The Audit & Supervisory Board is responsible for the Company’s internal audit and external audit, and works to reinforce the governance function and internal audit efficiency.

Corporate Governance Structure

Consolidated Financial Statements

As of February 29, 2020

Consolidated Balance Sheet

(Thousands of yen)

<table>
<thead>
<tr>
<th>Account</th>
<th>2019/2</th>
<th>2020/2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>65,462</td>
<td>66,659</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>128,317</td>
<td>130,201</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>16,248</td>
<td>16,147</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>47,288</td>
<td>48,470</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>192,853</td>
<td>194,819</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>81,779</td>
<td>83,581</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>34,209</td>
<td>36,202</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>115,988</td>
<td>119,783</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>141,423</td>
<td>141,012</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>411</td>
<td>123</td>
</tr>
<tr>
<td>Share acquisition rights</td>
<td>111</td>
<td>161</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>379</td>
<td>398</td>
</tr>
<tr>
<td>Total net assets</td>
<td>142,326</td>
<td>141,695</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>258,301</td>
<td>261,478</td>
</tr>
</tbody>
</table>

Consolidated Statement of Income

(Thousands of yen)

<table>
<thead>
<tr>
<th>Account</th>
<th>2019/2</th>
<th>2020/2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>679,276</td>
<td>679,336</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>484,601</td>
<td>482,585</td>
</tr>
<tr>
<td>Gross profit</td>
<td>194,674</td>
<td>193,750</td>
</tr>
<tr>
<td>Operating income</td>
<td>15,047</td>
<td>15,324</td>
</tr>
<tr>
<td>Operating gross profit</td>
<td>209,721</td>
<td>209,075</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>197,910</td>
<td>198,716</td>
</tr>
<tr>
<td>Operating income</td>
<td>11,811</td>
<td>9,357</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>605</td>
<td>559</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>153</td>
<td>286</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>12,253</td>
<td>9,627</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>1,591</td>
<td>475</td>
</tr>
<tr>
<td>Extraordinary losses</td>
<td>5,567</td>
<td>2,049</td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>8,177</td>
<td>4,052</td>
</tr>
<tr>
<td>Income taxes – current</td>
<td>2,537</td>
<td>3,193</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>2,545</td>
<td>2,392</td>
</tr>
<tr>
<td>Net income</td>
<td>3,031</td>
<td>1,606</td>
</tr>
</tbody>
</table>

Consolidated Statement of Cash Flows

(Thousands of yen)

<table>
<thead>
<tr>
<th>Account</th>
<th>2019/2</th>
<th>2020/2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>18,309</td>
<td>16,290</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(13,153)</td>
<td>(18,476)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(4,561)</td>
<td>(4,007)</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>(63)</td>
<td>(28)</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>530</td>
<td>(6,220)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>25,708</td>
<td>26,238</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>26,238</td>
<td>20,018</td>
</tr>
</tbody>
</table>

Stock Information

As of February 29, 2020

Stock Information

Number of shares authorized | 500,000,000 shares
Number of shares issued | 131,681,356 shares
Number of shareholders | 83,910

Distribution of Shares by Shareholder Type

<table>
<thead>
<tr>
<th>Shareholder Type</th>
<th>Number of Shares (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign corporates</td>
<td>3,18%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>7.71%</td>
</tr>
<tr>
<td>Individuals and other</td>
<td>21.94%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
Corporate Profile

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

Group Companies

The Maruetsu, Inc.
Head office: 5-51-12 Higashi-Ikebukuro, Toshima-ku, Tokyo
Business: Supermarket business for retail sales of foods, household goods, apparel, etc.
Website: https://www.maruetsu.co.jp/

Kasumi Co., Ltd.
Head office: 599-1, Nishiohashi, Tsukuba-shi, Ibaraki Prefecture
Business: Supermarket business for retail sales of foods, household goods, apparel, etc.
Website: https://www.kasumi.co.jp/

MaxValu Kanto Co., Ltd.
Head office: 5-30-3 Kameido, Koto-ku, Tokyo
Business: Supermarket business for retail sales of foods, household goods, apparel, etc.
Website: https://www.mv-kanto.co.jp/

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.

United Super Markets Holdings Inc.
Stock Exchange Code: 3222
1 Kanda Aioi-cho, Chiyoda-ku, Tokyo 101-0029, Japan
TEL: +81-3-3526-4761 URL: http://www.usmh.co.jp/