

U.S.M. Holdings

Integrated Report

2022

—Year ended February 28, 2022—



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:

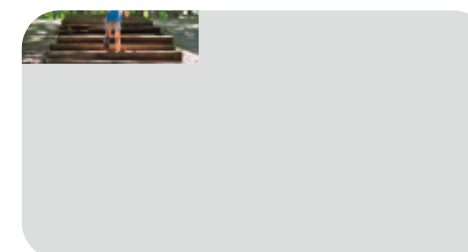
- Offer products and services tailored to various lifestyles that give customers access to a range of healthy, valuable foods
- Create a corporate culture that supports employee self-fulfillment by providing skills training and encouraging people to achieve their potential
- Continually develop and grow over time while seeking to maximize the enterprise value of member companies
- Create new value by dealing fairly 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

Mission

We will:

- Create new value by mobilizing the collective strength of the Group across company and business categories, while respecting the managerial autonomy of our operating companies
- Live up to the trust and expectations of our customers and maximize corporate value by constantly pursuing improved scale and quality
- Pledge to remain an open Group that welcomes new member companies

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Editorial Policy

Integrated Report 2022 has been produced by referencing the value creation process in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework, and the pursuit of corporate sustainability and social sustainability as proposed by the Ministry of Economy, Trade and Industry's Study Group on Approaches to Making More Substantial the Dialogues for Creation of Sustainable Corporate Value. It also acts as a communication tool that systematically summarizes our Basic Sustainability Policy, which sets out our goals of maximizing medium- to long-term corporate value and achieving lasting growth.

We will work to enhance the content of future Integrated Reports to give a wide range of readers, from shareholders and other investors to residents of local communities, including our employees, a deeper understanding of the U.S.M.H Group.

Reporting Period

March 1, 2021 to February 28, 2022
 Note: Some information is from outside the reporting period.

Scope

United Supers Markets Holdings Inc. and its operating companies

Figures in this document (such as monetary values) are rounded down to the unit of measurement shown, and percentages are rounded to one decimal place.

Forward-Looking Statements

The Company's current plans, forecasts, strategies and other statements in this report include forward-looking statements based on management's judgment in light of information available at the time the report was prepared. Various factors could cause actual results in the future to differ significantly from these forward-looking statements. Risks and uncertainties that could affect results include, but are not limited to, the economic conditions in the Company's business environment, market competition, foreign exchange rates, and tax and other systems.

U.S.M. Holdings at a Glance

We will create and provide new value as a Group by further refining operational know-how at our three operating companies.



Kasumi Co., Ltd.

Established in 1961. Operates BLANDE, a new type of supermarket where people, food, lifestyles and culture interact through the products and services offered; Food Square, a specialty food store that proposes cooking and eating habits; Food Market, a store that offers fresh products and convenience; and Food Off Stocker, a store that appeals to customers with everyday low prices.



United Super Markets Holdings Inc. (U.S.M.H) is a joint holding company for three supermarkets—Maruetsu, Kasumi and MaxValu—operating in the greater Tokyo area.

The “United” in our company name represents the “unity” of our supermarket businesses, our hope for the development and prosperity of the regions we operate in, and our commitment to continue cultivating deep relationships to build prosperous communities.

Since U.S.M.H was established in March 2015, the three operating companies have respected each other’s independent and autonomous management while leveraging their accumulated brand power to provide community-based services. U.S.M.H has grown by playing a central role in creating new products and services that customers perceive as having added value.

During that time, we have seen significant and rapid changes in our operating environment—in society, the economy and nature—and combined with progress in digital transformation (DX), the lifestyles of our customers are also changing dramatically. In an era where people can live to more than 100, customer expectations for food go beyond the simple physical need to consume calories, with a shift toward also satisfying holistic needs, including wellbeing. In response to this change, we will evolve beyond the limits of the conventional supermarket to continue providing food to everyone and remain an essential presence in each region.



The Maruetsu, Inc.

Established in 1945. Operates Maruetsu, which focuses on providing fresh food and an enjoyable shopping experience for customers every day; Maruetsu Petit, an urban-format supermarket that targets customers in urban areas; and Lincos, an upscale supermarket that offers high-quality products and services.



U.S.M. Holdings



マックスバリュ関東株式会社

MaxValu Kanto Co., Ltd.

Established in 2009. Operates MaxValu, which offers customers maximum value in terms of quality, price, selection and service when shopping for daily groceries, and MaxValu Express, which is based on the concept of offering everyday convenience, competitive prices and surprising variety for those shopping for daily necessities.



U.S.M.H’s Business Resources

Over 520 Stores in the Greater Tokyo Area

The greater Tokyo area market, where the U.S.M.H Group primarily operates, is Japan’s most populous region. The U.S.M.H Group operates over 520 stores in this market.

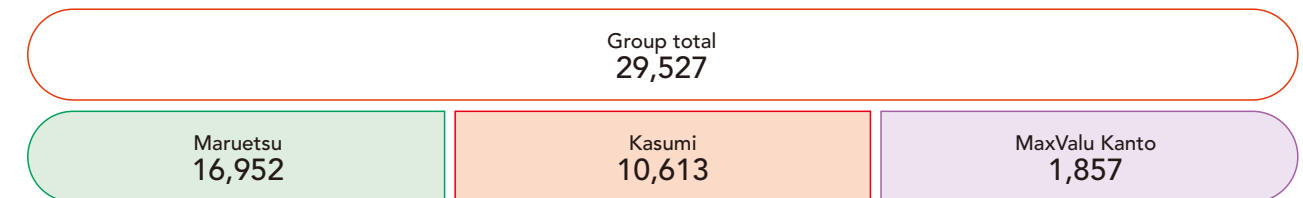
Store Network



Group total: 529 stores

Note: As of February 28, 2023

Number of Employees

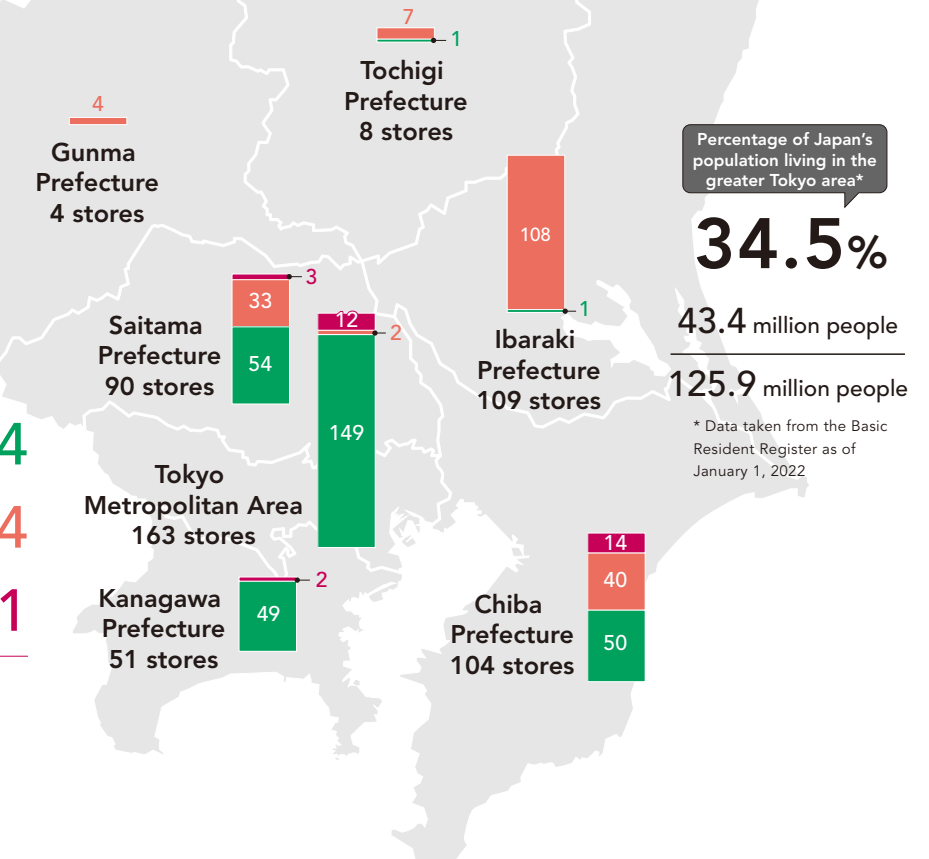
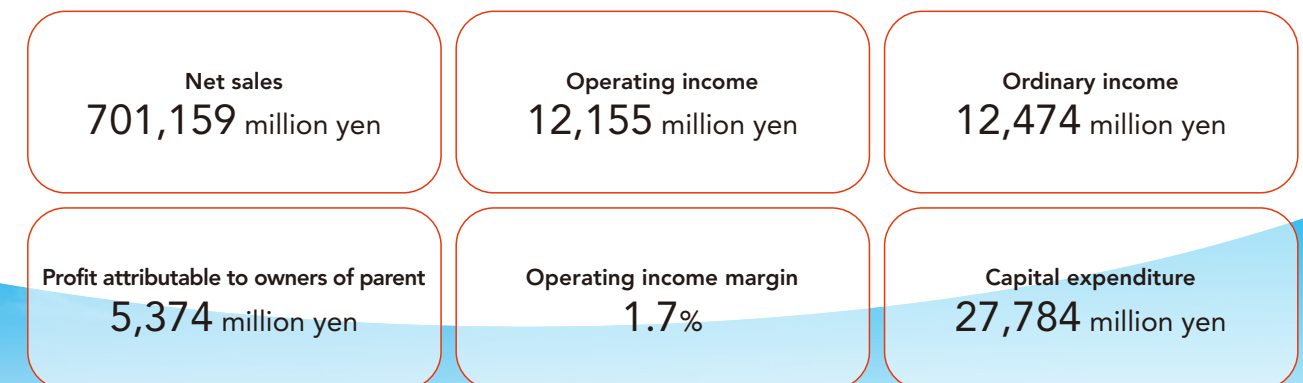


Notes: 1. The number of employees is calculated as of February 28, 2022.

2. Part-time employees are calculated based on an 8-hour work day and the average number of employees during the period.

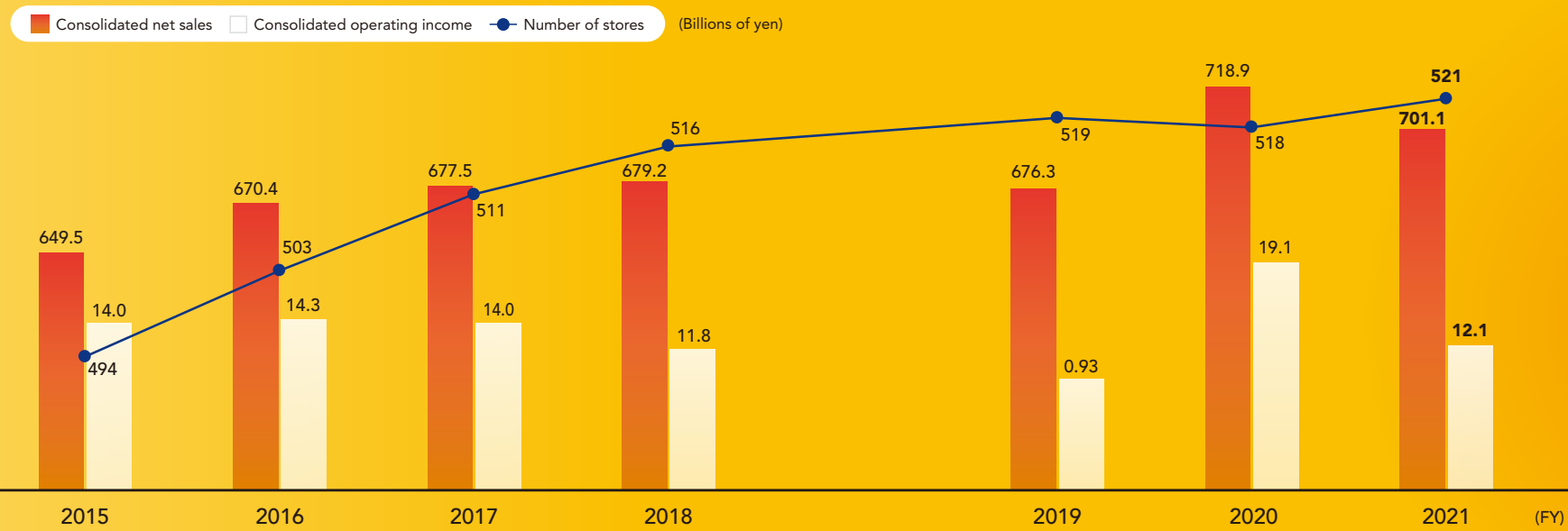
3. The Group total includes employees of U.S.M. Holdings.

Results for Fiscal 2021 (Year ended February 28, 2022)



Our Path to Value Creation

In an era where people can live to more than 100, customer lifestyles and their expectations for food are changing drastically and more quickly than anticipated. This is due to various changes in the operating environment, including the declining population, climate change and international events, in addition to the advance of DX. In the midst of these changes, U.S.M.H has been working to create new value that meets the needs of customers now and in the future.



March 2015

A New Supermarket Alliance in the Greater Tokyo Area

On March 2, 2015, United Super Markets Holdings Inc. (U.S.M.H) was established as a joint holding company of The Maruetsu Inc., Kasumi Co., Ltd. and MaxValu Kanto Co., Ltd., in response to intense competition within and beyond the supermarket industry. This merger was achieved when the three companies, which each aspired to become number one in the greater Tokyo area, came to an understanding. They formed an alliance to provide appropriate products and services in terms of both quality and quantity and in relation to the size of the market, and with the aim of combining the strengths and resources of each company in order to innovate.

With a store network that covers all seven prefectures in the Kanto region, industry-leading sales, more than 1.1 million customers per day, each store's connection to its local community and more, U.S.M.H continues to evolve on a daily basis, backed by these multifaceted strengths and future potential.

October 2017
Rollout of private label brand *eatime* products

eatime
THE U.S.M.H QUALITY

As the three companies increased the number of jointly planned products and joint procurement of raw materials and other supplies, sales of *eatime*, the U.S.M.H Group's first line of private label products, began at all stores in October 2017. The concept of *eatime* is to offer new value to customers by seeking out deliciousness, focusing on the food cultures and local specialties of various regions, and aiming for high quality at reasonable prices.

In March 2021, we launched the *eatime chef* brand of meal kits sold exclusively online, with the concept "Let's make today's meal a masterpiece." We will continue to bring a rich assortment of specialty products with unique value to dining tables.



October 2019
Release of original mobile app *Scan&Go ignica*

ignica

Scan&Go is an app that enables customers to scan and pay for products with their own smartphones, for smooth shopping without the need to wait in line at checkouts. The app was developed to capture and analyze customers' purchasing behavior and offer sales promotions, and to give customers a comfortable, enjoyable shopping experience. This is also achieved by shifting employees from the registers into customer service work with higher added value, an added benefit in light of labor shortages in the supermarket industry.

The number of stores using the app rapidly increased in the spring of 2020 in response to the outbreak of COVID-19. By February 2021, it was in use at more than 500 stores. We are pushing enhancements to the shopping experience through the app. We aim to achieve the fusion of internet shopping and physical stores (Online Merges with Offline, or OMO), at the same time implementing services that allow for more varied shopping experiences, such as our Online Delivery service.



June 2022
Start of operations at our plant factor *The Terrabase*

THE TERRABASE

In June 2022, U.S.M.H began full-scale production of lettuce at plant factor The Terrabase, where preparations for production had been made in partnership with PLANTX Corp.

Strict hygiene management helps ensure a clean environment for cultivation, and reduces the amount of water used. Using the power of technology, we have achieved food safety, environmental friendliness and high nutritional value. In addition, as a food retailer U.S.M.H is involved in development, production and sales according to the SPF model. This model reduces the time from harvesting to sale, enabling the delivery of ultra-fresh lettuce to dining tables.



November 2022

Launch of plant-based meat products under the *Green Growers* private label

greengrowers

We signed an exclusive sales agreement for the Japan market with U.S.-based company Beyond Meat, Inc., one of the world's leading companies in alternative meat derived from plants (in this case, green peas), and started marketing and selling the company's products. We sell these products under the *Green Growers* private label, a sustainability and wellbeing-conscious brand.

Green Growers is focused on the wellbeing of both humans and the environment.



A New Type of Supermarket

Stores are our most important point of contact with customers. In our search for a new supermarket format suited to the changing times, we gradually implemented and tested out new initiatives in sync with digital developments, starting with the grand reopening of the MaxValu Oyumino store (Chiba Prefecture) in October 2020. Following the opening of the Maruetsu Funabashi Miyama store (Chiba Prefecture) in February 2021, we aimed for the next stage of this new supermarket prototype at the Kasumi BLANDE Tsukuba Namiki store (Ibaraki Prefecture), which opened in February 2022.



Message from the President

With an eye on the future of supermarkets, we will pursue value creation through many gatherings and connections.

Today, as supermarkets in Japan face a major turning point, what kind of future is the United Super Markets Holdings (U.S.M.H) Group seeking, and what is its strategy for realizing that future? Motohiro Fujita, who leads the Group, explains the objectives of our new medium-term business plan and how we will create value.



Motohiro Fujita
President and
Representative Director

Seeking Further Growth

Three Engines

Fiscal 2023 marked the start of the U.S.M.H Group's new medium-term business plan. Under the plan, which was crafted by thoroughly considering what we want to be in the future, we will engage three growth "engines" to pursue value creation and sustainable business growth beyond the conventional supermarket model.

Supermarkets Are at a Crucial Juncture, and Actions Now Will Determine How They Evolve in the Future

The effects of Japan's declining and aging population are becoming increasingly apparent in our daily lives, while global supply chain disruptions stemming from the COVID-19 pandemic and changes in various situations internationally continue. These trends, coupled with other factors including the ongoing destruction of nature and abnormal weather events, have pushed up the prices of imported resources and raw materials, and led to a consumer market beset by inflation with no end in sight. We have arrived at a critical juncture where we must think about what supermarkets will look like in the future.

Under these circumstances, the consumer market has seen moves to create new delivery and takeout markets, starting with the restaurant industry, which was hit hard by movement restrictions imposed due to the COVID-19 pandemic.

We consider the current environment not as a cause

for pessimism for supermarkets, but as a golden opportunity to venture into new areas. We believe that now is the time to return to our Core Philosophy of "offering customers healthy, valuable choices in food" and "cultivating deep relationships to build prosperous communities," and to carefully consider how we should change to broaden our outlook and achieve further evolution and growth.

The lifestyles and values of customers are diversifying, driven partly by the declining and aging population and by advances in medical technology. If we can continue to create new value and build solid relationships with our customers, while accommodating their diversity and paying attention to their needs, which cannot be satisfied simply by purchasing things, our way forward will become clear.

U.S.M.H's Journey So Far: The Second Medium-Term Business Plan

U.S.M.H was formed in 2015 through the merger of three supermarket chains: Maruetsu, Kasumi and MaxValu Kanto. After a period of creating post-merger benefits and exploring new organizational management solutions, based on a framework involving the independent management of each operating company, the First Medium-Term Business Plan started in fiscal 2017 with the aim of fostering unity and pursuing synergy at scale among the consolidated companies. During this period, we faced changes in consumer behavior and the expansion of e-commerce fueled by the rapid advancement and spread of digitalization, and although the business plan generated positive quantitative and qualitative results, the performance caps imposed by our existing business model and store formats became apparent.

As a result, for our Second Medium-Term Business Plan, which we launched in fiscal 2020, we set the goal of using digital technologies to transform our cost structure, store formats, working styles and services, and decided to

create an organizational structure with the promotion of cross-organizational initiatives at its core. Efforts to integrate and test these initiatives in stores were materialized in the form of solutions that demonstrate originality, including self-checkout registers, smartphone payment options, online delivery and digital sales promotions, and with the establishment of an offshore development system.

Our earnings results for fiscal 2020 and 2021 exceeded those of the business plan, in part due to the effects of the pandemic. Fiscal 2022, the final year of the plan, however, turned out to be a very challenging year as operating income fell 47.5 percentage points to 6.3 billion yen. This was attributable to much larger-than-expected price increases for imported resources and raw materials and in fuel and electricity costs due to various environmental changes, as well as people adapting their lifestyles to the post-pandemic "new normal."

The Third Medium-Term Business Plan: Beyond Supermarket

For the Third Medium-Term Business Plan, which starts in fiscal 2023, a project (organized by senior management and younger frontline employees) spent more than a year dealing with the fundamental question, "What role do we want to play in society?" We have thoroughly considered our vision for a sustainable future, taking into account consumer changes and predicted market trends, as well as discussions with employees at each operating company. The conclusion we reached is that, to continue to thrive as a sustainable company with more than 520 stores in the Kanto region visited by over 380 million customers annually, we must transform into a business that grows together with the region by continuing to create unique value, and one with a strong commitment to the wellbeing of the region's residents, culture, industries and communities, as well as our employees and their families.

To that end, in the Third Medium-Term Business Plan we will carry out activities with the aim of establishing three "engines": (1) Redefine and revitalize the existing supermarket business through product and store reforms (Engine 1). (2) Expand out-of-store revenues with full-scale implementation of OMO¹ (Engine 2). (3) Leverage our accumulated digital intellectual property to expand our business areas, such as into B2B (Engine 3).

These initiatives will enable us to go beyond the business model we have followed up to now, while respecting the history and concept of the traditional supermarket. We believe these initiatives are an expression of our determination to continue our journey toward "Beyond Supermarket."

1. Online Merges with Offline (OMO): the fusion of offline and online commerce

Engine 1 Product and Store Reforms

Engine 1 is an initiative to revitalize our stores, our points of contact with customers, by shifting to a ground-breaking format that focuses on the transformation of stores and the products in stores. We expect services made possible by the evolution of digital technology to continue to increase, and that they will diversify the ways in which customers shop by giving them more options. Using the various digital deliverables that we have focused on developing up to now, we want to create stores that serve

as points of contact where customers can adapt their personal shopping style to fit their circumstances. We also plan to reinvent stores to be differentiated in terms of merchandise. The products offered in those stores will include many private label brands with unique value, and a large selection of products created by designing their entire supply chain (SPF²).

2. SPF (Specialist retailer of Private label Food): A business model that integrates the production, distribution and sale of food products

Engine 2 Outside Digital (Expansion of Out-of-Store Revenues)

Engine 2 is an initiative to seek out-of-store revenues by using digital mechanisms developed in-house to move forward with the integration of our store network (which is undergoing revitalization) with our product procurement capabilities. The sales channels used in this initiative will include online delivery, unstaffed stores, mobile supermarkets and collaboration with delivery companies, which we have continued to test and verify. Our plan is to integrate and expand these channels in order to implement OMO from a supermarket-focused perspective. In the

online delivery channel, we aim to create comprehensive online shopping services by adding elements such as marketplaces and direct shipping from manufacturing sites to our existing online supermarkets. For unstaffed stores, we will focus on increasing the number of outlets, as requested by many factories and offices of other companies. For mobile supermarkets, which we operate with the cooperation of local authorities and communities in each region, we will promote growth by leveraging our expertise and knowledge to increase the number of outlets.

Engine 3 Expansion of Business Areas (Acquisition of Revenues Outside Our Business Areas)

Engine 3 is an initiative to create new revenues by forming new relationships. We seek partners with whom we can share the significance and values of both the systems we have developed and turned into intellectual property (through trial-and-error in stores) and the unique business model we have developed through partnerships with outside companies. Global inflation continues unabated, and responses to environmental problems and other challenges have become urgent issues for corporate management. In response, we will return to the concepts of *connections*—our philosophy at the time the Group was founded—and *partnerships* in an SDGs-driven society to

break ground in new business areas. The components of the initial stage of this initiative will consist of the digital software and devices we have developed under the *ignica* brand, product development kick-started by our partnership with Beyond Meat, Inc. (a U.S. company that develops and manufactures plant-based meat), and the creation of a plant factory network based on our know-how from operating the plant factory The Terrabase in partnership with PLANTX Corp.

Corporate Purpose and Material Issues

To ensure that the various initiatives in our medium-term business plan meet the demands of society and are not

short-sighted or superficial measures, we also discussed our corporate purpose and the fundamental ideas and values regarding the social responsibility we should fulfill, our awareness of issues and our action guidelines, and our goals and plans. The results of those discussions are summarized in the U.S.M.H Group's value creation model (see page 13) and form the basis for the material issues that we should prioritize for value creation. In determining these elements, in addition to internal discussions, we considered the evaluation criteria of external evaluation organizations, our current position, the opinions of outside experts and other factors to make comprehensive judgments, and worked to ensure that the general public will understand our direction.

The material issues we identified are shown in the chart to the right and consist of six themes broken down into 14 items.



Material Themes and Material Items

	Themes	Material Items
E (Environmental)	Decarbonization and a circular economy	1. Carbon neutrality 2. Waste reduction and promotion of reuse and recycling
	Food safety and security	3. Food safety compliance 4. Responsible marketing and labeling
S (Social)	Sustainable food value chain	5. Safe procurement and supply of food 6. Respect for human rights 7. Proposal of enjoyable, valuable lifestyles
	Creation of healthy, valuable lives through our food and services	8. Contributions to people's health 9. Coexistence with communities 10. Connections with customers
	Pursuit of diverse human resources and job satisfaction	11. Motivating and rewarding work 12. Diversity and inclusion
	Enhancing corporate governance	13. Corporate governance and risk management 14. Privacy protection and data security
G (Governance)		

People Are the Source of Our Value Creation

Amid Japan's declining birthrate and aging population, the consumer market has undergone major changes in recent years. The combination of a younger generation driving the consumer market overall and lifestyle changes resulting from the COVID-19 pandemic means that consumer behavior reflects a different and diverse set of values. In addition, new forces that make full use of digital technology are entering the market to capture this wave of change, and a rapid transition is underway to a harsh environment in which everyone is fighting for market share. For supermarkets, which have traditionally grown by expanding their market share using a large number of stores, standardized, homogenized products and services and merchandising that leverages economies of scale, it is imperative to break out of that shell of standardization and homogenization, and shift to a structure that enables flexible accommodation of diversifying consumer behavior. The Group employs roughly 30,000 people, who each have exceptional capabilities and a wide range of experience. In order to overcome issues and achieve sustainable growth through value creation, it is important to make full use of

the qualities and appeal of each employee, to gather people with a variety of knowledge and experience, and to create a business structure that enhances diversity.

The great abilities and experience of each employee motivate those around them, and people combining their wisdom and working together to enhance it encourages new value creation for customers. That is why, in order to create the value we need to reach "Beyond Supermarket," it is essential for us to be an organization that brings together human resources who will be the driving force for creating dynamism, one where those people can fully demonstrate their abilities and individuality, and one that attracts even more people who want to work with us. By building such an organization, we will fully embrace our Core Philosophy and evolve into a corporate group where diverse human resources, customers and local business partners gather and connect.

Deepening Connections for Further Growth

In the seven years since U.S.M.H was established, we have shifted from "mergers" to "harmonization," and then moved step-by-step toward "a new business entity." Now, however, as we enter an era of high uncertainty and one in which the future is difficult to predict, our initiatives to transform our business and cost structures have yet to find a way forward.

But it is precisely in times like these that we believe it is so important to work with each of our employees to seek out various connections, strive for more careful communication, and deepen those connections with all of our stakeholders.

In the course of these tireless efforts, we will become a "place" where employees, customers, and business partners naturally gather and become closer, and will work toward protection of the global environment, the development and prosperity of local communities, and the sustainable growth of our business. I want to thank all of our stakeholders for their continued support.

Alignment of Our Medium-Term Business Plan with Social Sustainability

Until Now

Defenseless against unavoidable environmental events and social sustainability issues that could potentially prevent us from implementing the plan

- Response to rising electricity prices and energy conservation issues
- Response to plastic waste and plastic reduction issues
- The CO₂ problem, which calls emissions themselves into question
- Food loss
- Depletion of food resources and decline of primary industries
- Issue of low food self-sufficiency rate

Drastic measures require sustained efforts and time

Begins and ends with "coping mechanisms"

From Now On

Relationships based on shared values with all stakeholders are essential to innovation



Growing need to align our thinking on social responsibility with our business relationships

Formulate a Basic Sustainability Policy as the foundation for fulfilling our Core Philosophy

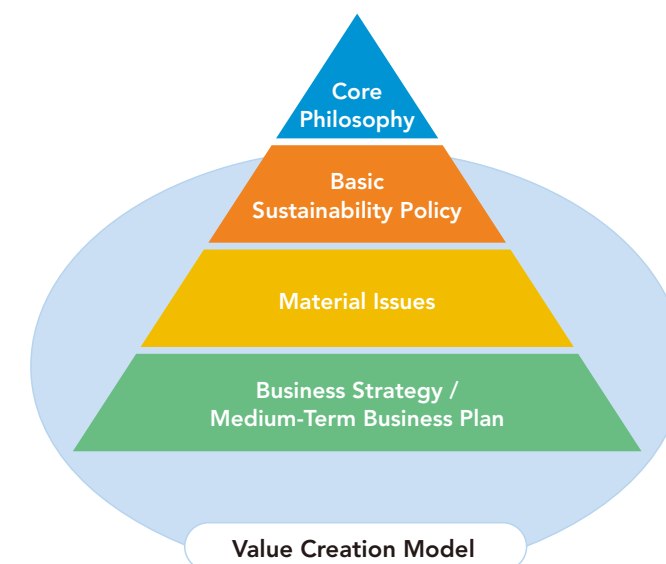
Basic Sustainability Policy

Basic Approach

As a key element of our Core Philosophy, we are committed to contributing to "healthy, valuable choices in food" and "prosperous local communities." As a company that "moves with the times," we strive for both corporate and social sustainability through our businesses, with the aim of maximizing medium- to long-term corporate value and achieving lasting growth.

To that end, we will deepen our connections with all of our stakeholders, including customers, local communities, employees and business partners, and thoroughly satisfy their expectations and confidence in us. We will also contribute to a sustainable, recycling-oriented society, and unify our Group strengths for the creation and innovation of food-related businesses that can offer wellbeing, enjoyment, health and other new value.

Relationship Between Our Core Philosophy, Vision and Basic Sustainability Policy



Our Purpose and Goals

- We:
- Offer customers healthy, valuable choices in food
 - Cultivate deep relationships to build prosperous local communities
 - Constantly pursue innovation and move with the times

Policy outlining our basic approach to **corporate and social sustainability**, based on our Core Philosophy

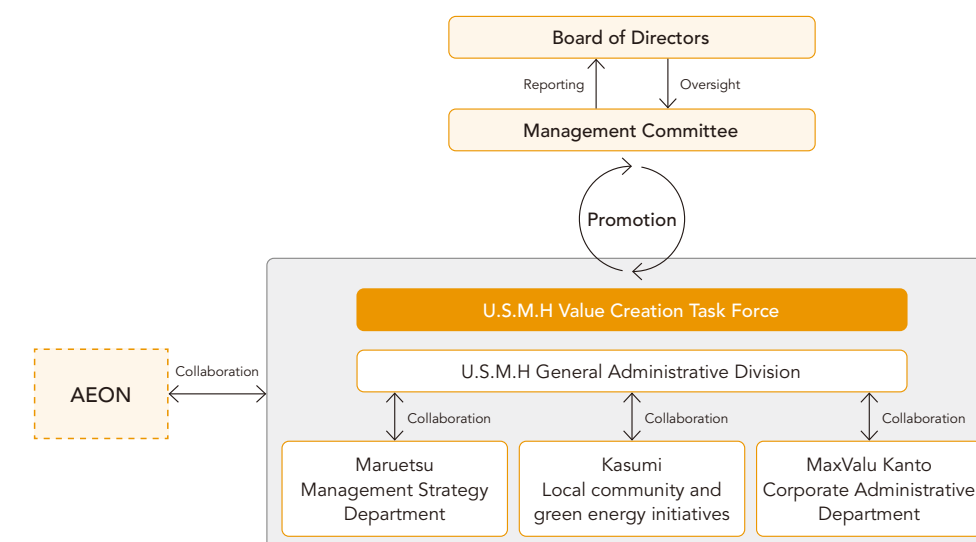
Material issues for management, to be specifically addressed based on our Core Philosophy

Specific strategies and measures for implementing our philosophy and policies, and to address material issues

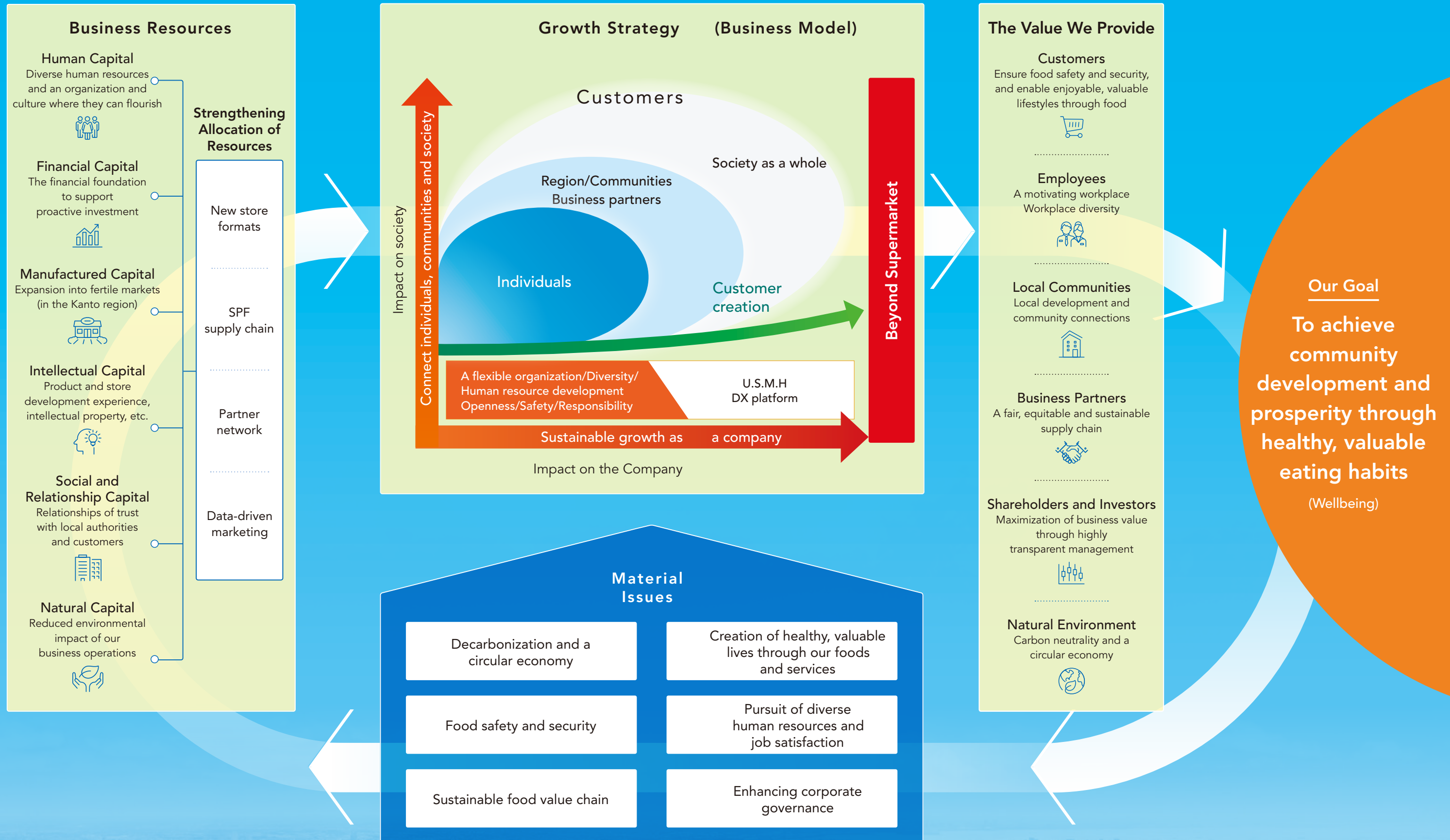
An overall representation of our medium- to long-term corporate value creation, based on our Core Philosophy, basic policies, material issues and business strategies

Sustainability Promotion System

- Establish a Value Creation Task Force under the Management Committee as an executive committee for promoting sustainability (planned)
- Promote practical collaboration and initiatives between Group companies and conduct various monitoring activities, led by the task force
- Share details of activities with the Management Committee and report important matters to the Board of Directors
- Collaborate with departments responsible for sustainability at AEON Co., Ltd. to effectively drive each initiative forward



Our Value Creation Model



Our Business Resources

We will take on the challenge of creating new value by making the most of our accumulated business resources.

Human Capital

Diverse human resources and an organization and culture where they can flourish

- Employees (calculated based on an 8-hour work day): **29,527**
- Ratio of female managers at head office: **11.8%**
- Collaboration and co-creation: **10 projects across 4 companies**



Financial Capital

The financial foundation to support proactive investment

- Operating cash flow: **16.0 billion yen**
- Equity ratio: **54.0%**
- Total assets: **280.7 billion yen**
- Net sales: **701.1 billion yen**



Manufactured Capital

Expansion into fertile markets (in the Kanto region)

Store network:

- Over **520** stores covering all seven prefectures in the Kanto region
- Diverse store formats, ranging in floor area from **330 m² to 3,300 m²**
- Diverse store types, including unstaffed stores in offices and mobile supermarkets that visit areas where shopping centers are inaccessible or impractical

Product supply:

- Multiple manufacturing subsidiaries, including for delicatessen products, vegetable salads and meat processing, and a plant factory that produces *Green Growers* lettuce



Intellectual Capital

Product and store development experience, intellectual property, etc.

- **Expansion of the Group's original brands**
eatime (cumulative total of 187 SKUs as of February 28, 2023)
eatime chef (meal ingredient kits that feature recipes devised by chefs and nutritionists)

Digital brand *ignica*

Main services: Scan&Go, Online Delivery, *ignica* Signage Service, *ignica* POS

- **Establishment of AKIBA Runway, an open innovation platform**



Social and Relationship Capital

Relationships of trust with local authorities and customers

- Total number of customers in FY2021: **380 million**
- Regional Comprehensive Cooperation Agreements (Kasumi Co., Ltd.): **23** local authorities
- Cumulative amount donated to support children's cafeterias (The Maruetsu, Inc.): **58 million yen**



Natural Capital

Reduced environmental impact of our business operations

- **Water conservation**
Water consumption in FY2021: **5%** reduction compared with FY2020
- **Advancement of in-store collection and recycling of resources: approx. 4,700 tons**
- **Use of solar energy**
Solar power generation at **33** stores (as of February 28, 2022)
- **Environmentally friendly raw materials**
Introduced a fee for single-use shopping bags at all stores, and switched to single-use cutlery made from biomass (as of February 28, 2023)



Further Strengthening Our Business Resources

To properly reassess future societal demands and continue to be a trusted presence for our regional customers, we have been working to transform the Company and develop the foundations for establishing our role and sustainability as a business essential to the infrastructure of regional areas.

In the Third Medium-Term Business Plan, which starts in fiscal 2023, we will add to our existing business resources by further strengthening the following resources.

New Format Stores

- Keeping close to the customer journey, we will combine the services offered by our employees with store environments that merge offline with online, and continue to provide value.
- We will aim for a store system that enables work-hours¹ to be concentrated on structured, value-added operations.

SPF Supply Chain

- With the *Green Growers* label and other SPF² initiatives, such as product transformation, we will continue to provide products with freshness that customers can truly feel.
 - The Terrabase ◦ Beyond Meat[®]
- As part of product transformation, we will raise the proportion of newly developed products, private label brand products and SPF products to 40%-50% of our offerings.

Partner Network

- To bring in technologies, ideas and other business resources from external teams and departments, we will promote a partnership model with open innovation team activities.
- We will continue to create new value with "symbiotic" collaborative research and development over the long term.

Data-Driven Marketing

- To make the best use of the internal resources needed to implement our strategies, we are pushing forward by conducting capability analyses on the human resources required and compiling employee information including engagement scores.
 - We will promote digital marketing and branding with an emphasis on information visualization and data-driven marketing.

1. Work-hour: A unit representing working hours, assuming that all of the work in question is done by one employee

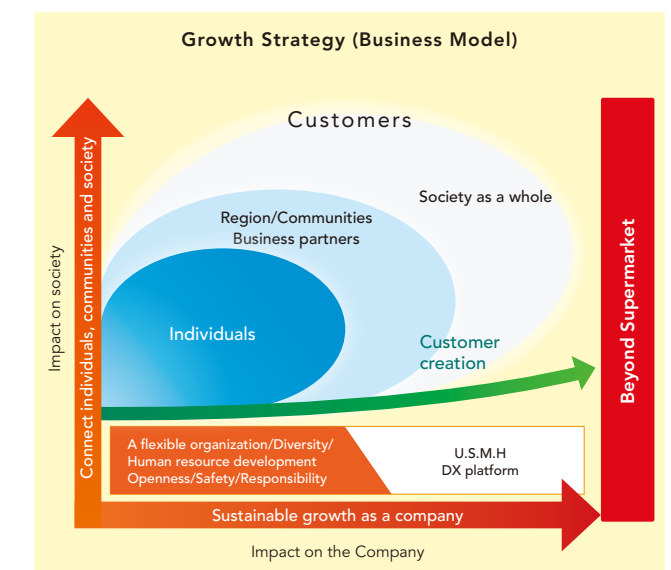
2. SPF (Specialty store retailer of Private label Foods): A business model that integrates the production, distribution and sale of food products

Aiming for the Next Generation of Supermarkets

- In response to diversifying customer needs and societal demands such as global environmental protection and corporate governance, and with the aim of continuing to increase our corporate value, we faced the fundamental question, "What role do we want to play in society?" We have been extensively considering our vision for a sustainable future.

- In going "Beyond Supermarket," U.S.M.H's basic approach is to widen its customer base to encompass all of society through "customer creation." In addition to the customers who visit our stores, we envision further increases in the number of "out-of-store" customers—for example, those who shop at our online supermarket and e-commerce sites—and B2B transactions with corporate customers through new business avenues.

By becoming a hub that connects individuals, communities and society, we will contribute to realizing a valuable and sustainable society and achieve growth as a company.



Material Issues

Identification of Material Issues

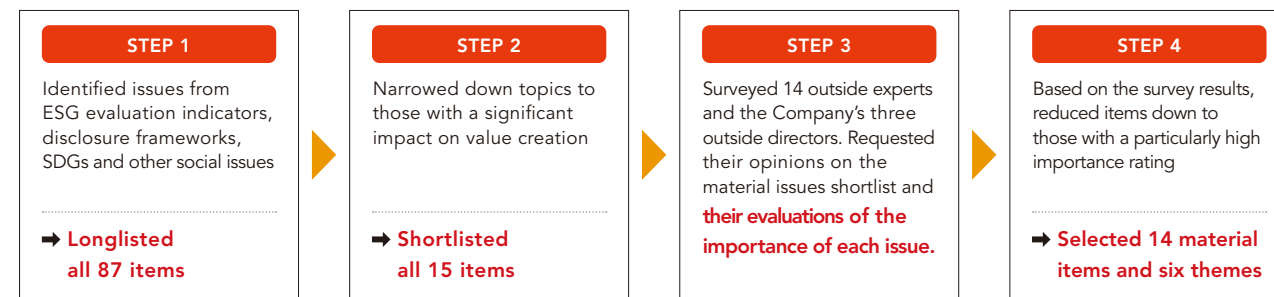
The assessment of our Company by an ESG evaluation organization was strict, compared with that for the industry as a whole.

- ▶ The food retailing industry has a significant Social and Environmental impact.
- ▶ Evaluations are based on publicly available information, so in addition to the actual ESG initiatives themselves, disclosure is essential.

In response to global changes in social awareness, we consider the following items to be highly important in terms of our activities.

- ▶ Supply chain management
- ▶ Nutrition and health initiatives
- ▶ Human capital management

Material Issue Selection Process



Opinions and Priority Evaluation from Outside Experts

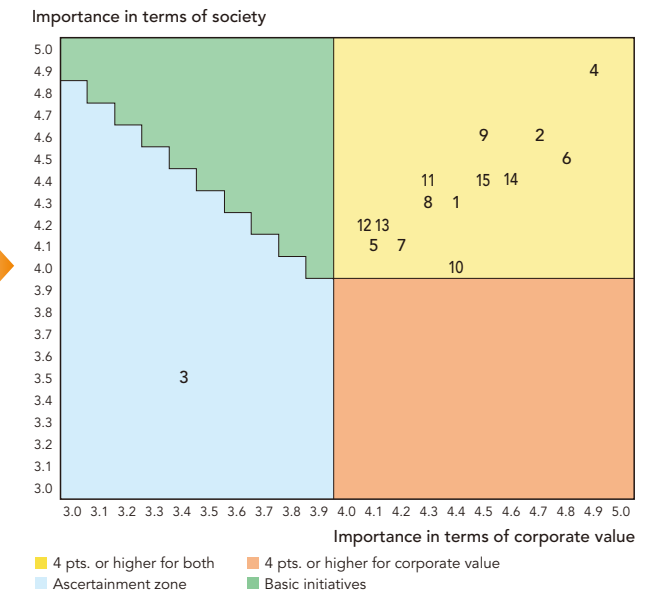
In STEP 3 of the selection process, we surveyed 14 outside experts and our three outside directors on the material issues shortlist, and received their opinions.

Summary of Issues Identified by the 14 Outside Experts

Investors <ul style="list-style-type: none"> Increasing importance of safety and security-related brand management Expectations for addressing the problem of food loss Requests for prompt action on employment and environmental issues, and disclosure and communication of targets and their progress 	Other Industries and Specialists <ul style="list-style-type: none"> Room for significant improvement in terms of coexistence with communities Expectations for creation of a new business model and new markets The Company should present stakeholders with an easily understandable vision for the future. The Company should explain exactly how it will support regional employment levels and fulfill its role as part of the food infrastructure.
Academic Experts <ul style="list-style-type: none"> Switching from the use of CFC refrigerants, which cause depletion of the ozone layer, is an issue in the food cold chain logistics industry. Stores should adopt a governance perspective when building a regional closed-loop model that connects consumers and producers. The Company's development of multiple stores should not limit its collaboration with communities to environmental measures; a proactive approach to human rights and diversity is also required. Initiatives are needed to increase the effectiveness of promoting participation by women in the workplace. 	Consumer Groups <ul style="list-style-type: none"> The need to proactively access data on local (regional) issues The need to contribute to promotion of agricultural and marine products, and for initiatives to ensure the stable production and supply of food products Demand for initiatives to further solidify relationships of trust with local consumers Expectations that the Group will take various measures to support elderly people
Business Partners <ul style="list-style-type: none"> Our partners are also working on environmental and sustainability issues, and the solutions to many issues can only be found through collaboration with retailers. Priority issues include impact on the environment, food safety and security, contributing to local communities, human rights considerations and enhancing governance. 	

	Selected Items	Society	Corporate Value
E (Environmental)	1. Carbon neutrality	4.3	4.4
	2. Waste reduction and promotion of reuse and recycling	4.6	4.7
	3. Preservation of biodiversity	3.5	3.4
S (Social)	4. Food safety compliance	4.9	4.9
	5. Responsible marketing and labeling	4.1	4.1
	6. Safe procurement and supply of food	4.5	4.8
	7. Proposal of enjoyable, valuable lifestyles	4.1	4.2
	8. Contributions to people's health	4.3	4.3
	9. Coexistence with communities	4.6	4.5
	10. Connections with customers	4.0	4.4
	11. Motivating and rewarding work	4.4	4.3
	12. Diversity and inclusion	4.2	4.1
	13. Respect for human rights	4.2	4.1
G (Governance)	14. Corporate governance and risk management	4.4	4.6
	15. Privacy protection and data security	4.4	4.5

Results of Material Issues Survey (Rated on a 5-point scale)



We surveyed outside experts based on the results of the external evaluation, and issues of high importance in terms of both society and our corporate value were designated as material issues for the U.S.M.H Group. "Preservation of biodiversity" was removed from consideration.

Identification of Material Issues

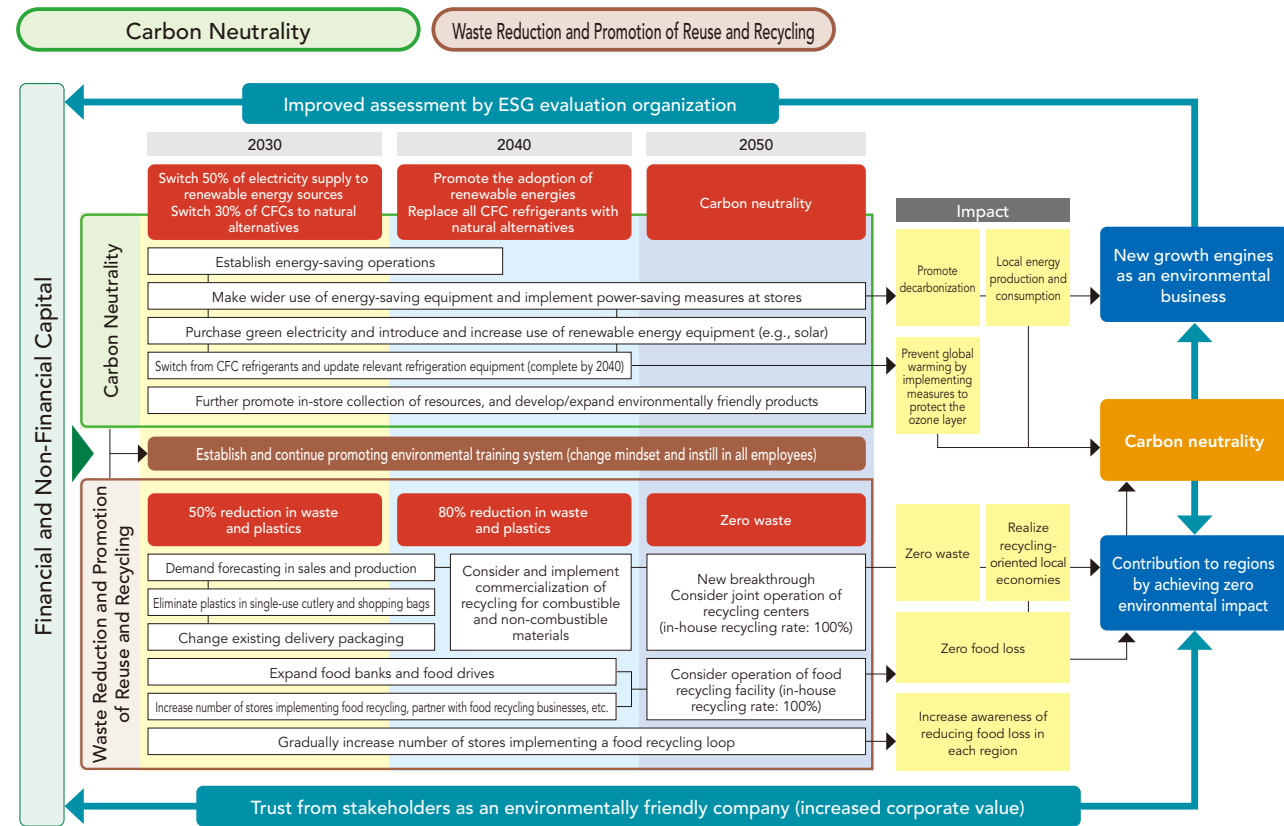
Incorporating the external evaluation results and opinions of outside experts, we identified the material issues we must address in the medium to long term to achieve the value creation needed to aim Beyond Supermarket. (Six themes and 14 items, shown below)

Material Themes and Material Items

	Themes	Material Items
E (Environment)	Decarbonization and a circular economy	1. Carbon neutrality
		2. Waste reduction and promotion of reuse and recycling
S (Social)	Food safety and security	3. Food safety compliance
		4. Responsible marketing and labeling
	Sustainable food value chain	5. Safe procurement and supply of food
		6. Respect for human rights
	Creation of healthy, valuable lives through our foods and services	7. Proposal of enjoyable, valuable lifestyles
		8. Contributions to people's health
		9. Coexistence with communities
		10. Connections with customers
	Pursuit of diverse human resources and job satisfaction	11. Motivating and rewarding work
		12. Diversity and inclusion
Enhancing corporate governance		13. Corporate governance and risk management
		14. Privacy protection and data security

Material Issues

Creating Results Based on Material Issues



The U.S.M.H Group has identified two environment-related material issues: "carbon neutrality" and "waste reduction and promotion of reuse and recycling." We will reduce CO₂ emissions from our use of electricity and CFC refrigerants, which account for the majority of CO₂ emissions from our stores. In addition, we will continue our waste reduction efforts with a focus on the worldwide issue of food loss, and aim for carbon neutrality and the realization of recycling-oriented local economies in the near future.

Carbon Neutrality

Main Initiatives

- Energy saving and renewable energy
- Energy-saving operations at stores (e.g., control demand for electricity)
- Switch to energy-efficient equipment (high-efficiency HVAC and refrigerated cases)
- Increase solar power generation (energy creation), switch to green energy (renewable energy)



- Elimination of CFCs
- Switch to natural refrigerants, CFC alternatives and CFC-free machinery and equipment
- Load reduction through offsetting activities such as resource collection and food recycling

Our CO₂ Reduction Targets toward Carbon Neutrality

2030	2040	2050
Reduce CO ₂ emissions by 150,000 tons (vs. 2013) by switching the electric power used at stores to renewable energy sources and through strengthened initiatives, such as conversion from CFC refrigerants to natural alternatives	Reduce CO ₂ emissions by 200,000 tons, by eliminating CO ₂ emissions from stores and completing the switch from CFC refrigerants to natural alternatives	Toward carbon neutrality

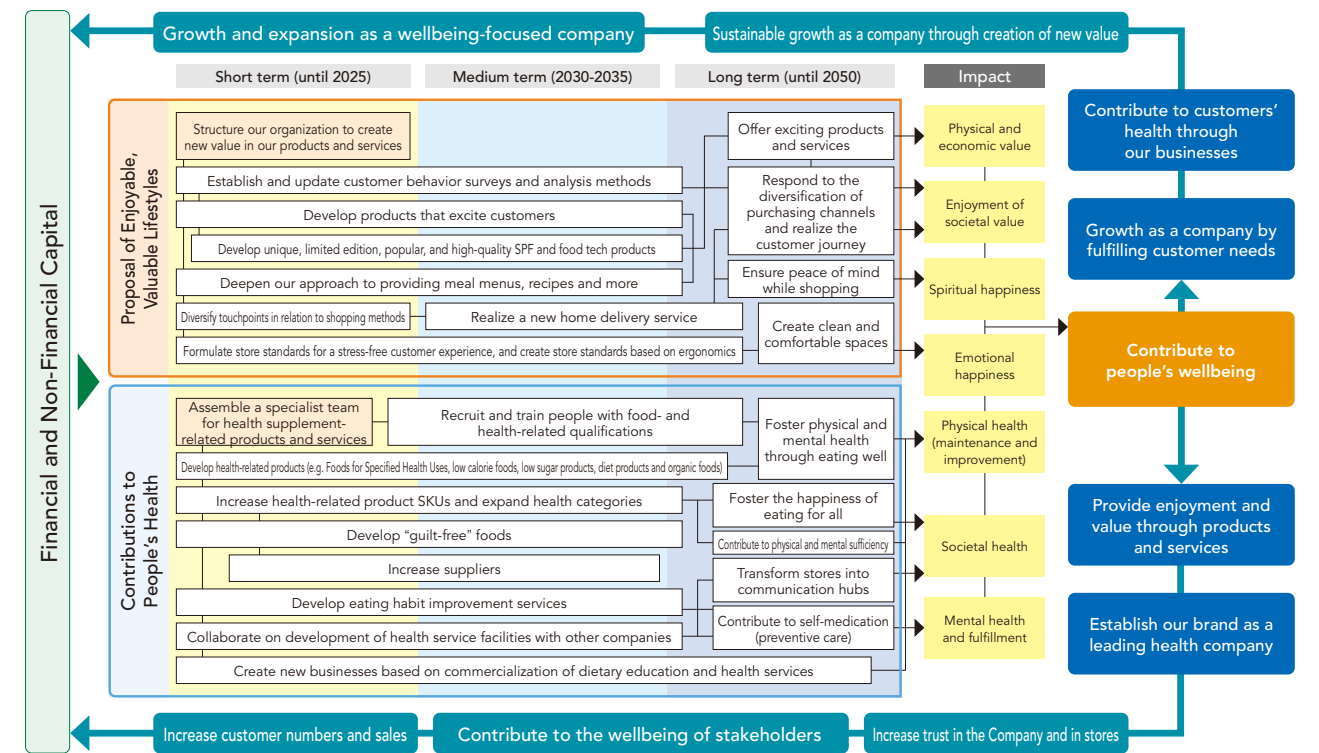
Waste Reduction and Promotion of Reuse and Recycling

Main Initiatives

- General waste and plastic reduction initiatives
- Stop the use of plastics in single-use cutlery and shopping bags, and discourage their use in general
- Switch to environmentally friendly containers and packaging
- Expand resource collection at stores
- Promote recycling of cardboard, polystyrene foam packaging and other materials
- Promote initiatives to reduce CO₂ emissions throughout the supply chain
- Food loss reduction initiatives
- Reduce food waste during sales and manufacturing
- Increase the number of stores that are certified to implement a food waste recycling loop
- Expand food bank and food drive initiatives
- Review delivery deadlines for processed foods

We believe that working on these material issues will support progress in areas such as decarbonization, protection of the ozone layer, local production and consumption of energy, and achievement of zero waste. We plan to drive our initiatives forward together with customers.

Proposal of Enjoyable, Valuable Lifestyles Contributions to People's Health



The U.S.M.H Group recognizes that proposing solutions that enable people to live more enjoyable, valuable, longer and healthier lives, based on the Group companies they shop at, will be essential going forward. As such, we designated "proposal of enjoyable, valuable lifestyles" and "contributions to people's health" as material issues. By promoting these issues, we will contribute to people's wellbeing through our products and services.

Proposal of Enjoyable, Valuable Lifestyles

Develop products and offer services that excite customers

We are creating new value in our products and services, and taking steps to make both products that can satisfy customer needs and that make new shopping services a reality. To enable customers to shop comfortably, we will also design stores for a stress-free experience and offer various kinds of value and enjoyment.



Contributions to People's Health

Expand development of health products and further deepen dietary education and health-related services

We will promote product creation and services with a focus on health, and develop and expand our health-related products. Furthermore, we will deepen the dietary education activities and the health and diet improvement services we currently operate, to contribute to the maintenance and improvement of people's health.

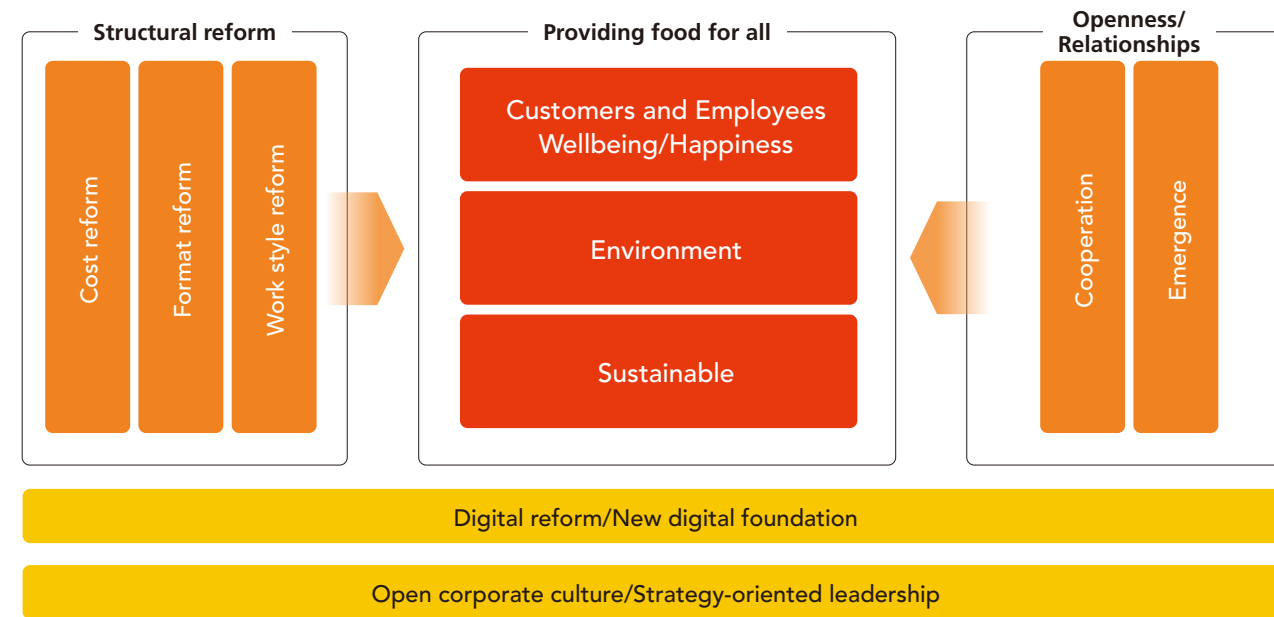
We believe that working on these material issues will lead to creation of physical and societal value and spiritual happiness, as well as emotional happiness, physical and societal health, and a sense of fulfillment. We will further strengthen and expand the initiatives that are connected to people's wellbeing.

Review of the Second Medium-Term Business Plan (FY2020-FY2022)

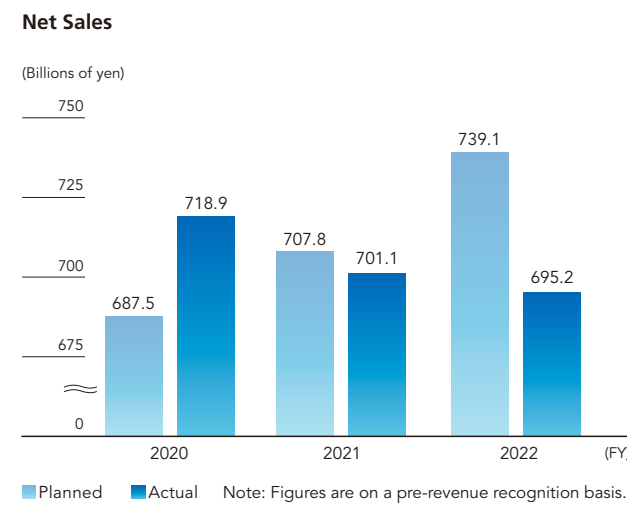
In the Second Medium-Term Business Plan, which began in fiscal 2020, we set the goal of using digital transformation (DX) to reform our cost structure, store formats, working styles and services. We established a promotional framework with cross-organizational initiatives between our operating companies at the core, and worked to generate results.

Basic Policy of the Second Medium-Term Business Plan

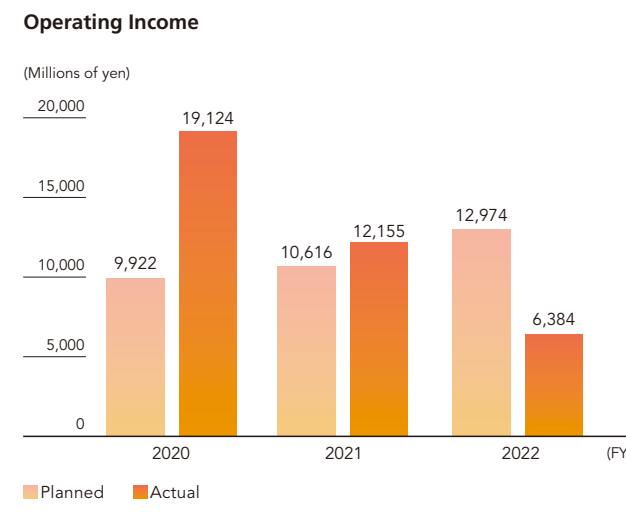
Promoting structural reform based on DX, we repeat a cycle of cooperation and creation with the aim of "providing food for all" and to lay the foundation for the next generation



Summary of Business Results



- The number of sales points and customers increased due to the impact of the COVID-19 pandemic, driving growth in FY2020.
- We were content with substantial increases in revenue, and this led to certain products and services becoming obsolete.
- We were unable to break away from the competition with our existing product selection, and our share of food sales in each region declined.



- Results for FY2020 were slightly higher than the plan, discounting the impact of the COVID-19 pandemic.
- Operating income was boosted by improvement in the gross profit margin.
- The soundness of our sustainable growth based on structural reform remains a challenge.

Measures and Results

Cost structure reform → Enhance soundness of cost structure → SG&A expenses were below the planned amount, with growth and productivity affected by constraints related to new stores and revitalization efforts

Store format reform (1) → Enhance originality and brand value → Expanded store functionality and increased royalties through DX



Scan&Go



Digital signage



Company-owned plant factory The Terrabase

Store format reform (2) → Enable design of the customer journey → Potential journeys through ordering, picking and packing, shipping and receiving have made 400 purchasing routes available

Work style reform → Enhance value provided at touchpoints → Shift to DX for payment at checkouts
Shift to in-store operation of customer contact points



Self-checkout registers



Scan&Go payment system



Self-checkout area

Digital platform development → Accumulate intellectual property (IP) assets → We recognized the DX action process as intellectual property and made plans to accumulate it, and will prepare for future monetization

Summary of the Second Medium-Term Business Plan



Issues in formulation process for the Third Medium-Term Business Plan

- (1) Sharing of internal processes and KPIs for value creation
- (2) New initiatives with U.S.M.H as the hub, solution-based research, consideration of transformation, sharing information and raising awareness through strong involvement in decision-making
- (3) Systematization of overall strategy, strict adherence to KPIs, and clarification of responsibilities

Third Medium-Term Business Plan (FY2023–FY2025)

For the Third Medium-Term Business Plan, which starts in fiscal 2023, we spent more than a year dealing with the fundamental question, “What role do we want to play in society?” We have thoroughly considered our vision for a sustainable future, taking into account consumer changes and predicted market trends, as well as discussions with each operating company. We then decided on concrete initiatives for achieving that vision.

Overall Structure of the Third Medium-Term Business Plan



Background to Formulation

The current business environment continues to be challenging, but we view it as an opportunity precisely because it forces us to consider matters from a broader variety of perspectives.

The kind of customer we envisioned up until now has changed. More and more customers today are conscious of ecological issues such as protecting the global environment, and their concerns also extend to respect for human rights and diversity.

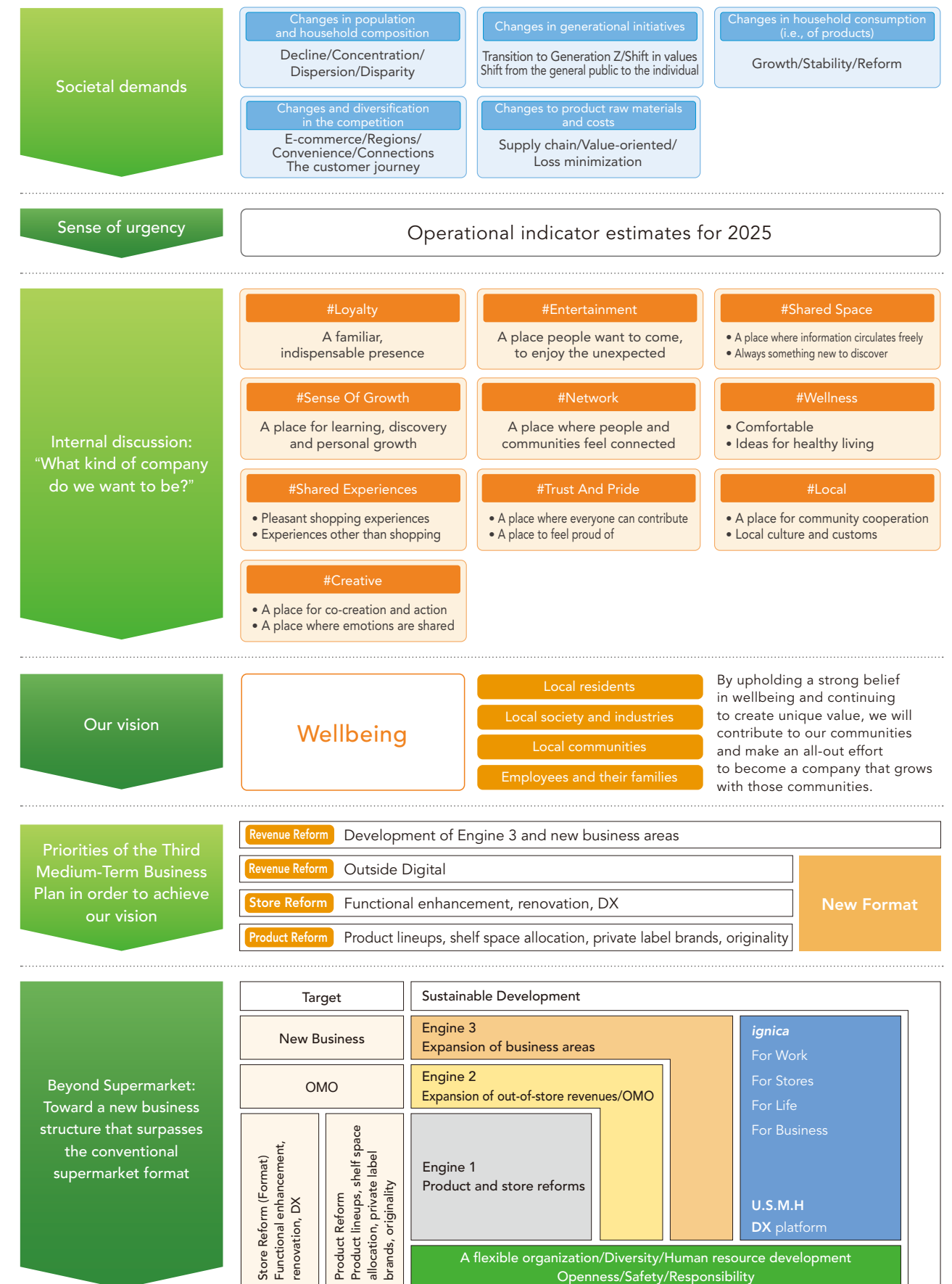
Under these circumstances, we faced the fundamental question of whether we can continue doing business in the same way we have always done, and whether we should maintain the same assumptions about our customers.

After carefully considering the kind of company we want to be, and in order to meet environmental and societal demands, we formulated the Third Medium-Term Business Plan for the sustainable development of the Group, local communities and society in general.

<p>Strengths</p> <ul style="list-style-type: none"> • More than 520 stores in the greater Tokyo area, a fertile market • Digital technology development and expertise • Food factory and logistics infrastructure 	<p>Challenges</p> <ul style="list-style-type: none"> • Obsolescence of products and services • Cooperation with new partners • Implementation of profit structure reform
<p>Opportunities</p> <ul style="list-style-type: none"> • Positioning as essential infrastructure • Encouragement and development of internal human resources • Creation of originality and contribution to communities 	<p>Risks</p> <ul style="list-style-type: none"> • Rising energy costs • Rising product raw material prices

The structural reforms made under the Second Medium-Term Business Plan have not yet been effective in supporting our transition to a management structure capable of ensuring sustainable growth.

Medium-Term Business Plan: Formulation Policy



Target Setting

Given the uncertainty and unpredictability of the current business environment, rather than structuring our targets for the Third Medium-Term Business Plan to rely on growth in customer numbers and average spend per customer based on operations at existing stores, we are instead focusing on generating results from initiatives in new areas.

Starting points for setting target figures

- Unexpected exchange rate fluctuations
- Rising energy costs
- Rising prices

Net sales	Operating income	Investment plan
750 billion yen (FY2025)	22 billion yen (FY2025)	25 billion yen (yearly average)

Engine 1 (Product and Store Reforms)

- The Group has more than 520 stores in the greater Tokyo area, Japan's largest and most fertile market for future growth. We want to be an infrastructure in which our approximately 29,000 employees support the enjoyable, valuable lifestyles of our customers through food.
- For Engine 1, an important asset, product reform and store reform will both focus on physical shopfronts as points of contact with customers, and we will revitalize stores by introducing entirely new formats.

Product reform
We will group products into three categories—growth, stability and change—and continue reforms by pursuing evolution at our operating companies and exploration at U.S.M.H.

Store reform
We will implement operational reforms at our stores using digital technology, and these reforms will continue to improve the environment for OMO* and keep us close to the customer journey.

- Private label brands
- SPF
- Technology



Kasumi Co., Ltd., one of our operating companies, opened its BLANDE Kenkyugakuen store in Tsukuba City, Ibaraki Prefecture in February 2022. This is a new type of experimental store established to be a "Food Specialty Store" that offers new food experiences through shopping.



- Upgrades
- Renovation
- DX



Engine 2 (Expansion of Out-of-Store Revenues)

- The COVID-19 pandemic fueled the growth of delivery and take-out services, and a new market was formed in the space between eating at home and dining out. In addition, food e-commerce became valued as a lifeline industry, and established its presence as an essential way to shop.
- Given these circumstances, Engine 2 is an initiative to use our revitalized store network and product procurement capabilities to create an even better shopping experience with digital services developed in-house.

Outside Digital strategy
The shift to OMO is our greatest management challenge, as it requires qualitative transformation of our store-based operations (which currently assume that customers will visit physical stores), and the fusion of online and offline will entail organizational transformation as a whole. We will pursue evolution from an online supermarket focused on own-brand products to an online delivery service with a marketplace that a variety of companies take part in, including sales of unusual food items, everyday goods, and more.

- Online delivery
- Mobile supermarkets and unstaffed stores
- Marketplaces, meal kits, etc.

Net sales of around 40 billion yen
(FY2025)

Two of our operating companies are developing unstaffed stores in their respective regions: Kasumi Co., Ltd. with Office Smart Shop, and The Maruetsu Inc. with smart petit. We are increasing the number of these stores at city halls, office buildings and other facilities.



Engine 3 (Expansion of Business Areas)

- We recognize that global inflation is not a temporary trend, and as such seeking new revenues and expanding our business areas are important management tasks from the standpoints of supplementing revenue growth and securing investment capital.
- Engine 3 is an initiative to offer systems we have developed and turned into intellectual property (through trial-and-error in stores), the unique business model created through partnerships with outside companies, and other products/services to new customers.

New business development
We will promote our original services and products, such as *ignica*, a DX service tool we developed in-house, The Terrabase, a plant factory developed in collaboration with PLANTX Corp., and Beyond Meat® plant-based foods, in the form of businesses that leverage our facility maintenance and quality control capabilities.

- ignica DX service tool**
 - Scan&Go
 - ignica Signage Service
 - Online Delivery
 - ignica POS
- The Terrabase Collaboration**
 - Expertise in establishment, operation and production management of plant factories
- Beyond Meat Collaboration**
 - Development of Beyond Meat® products in collaboration with a food manufacturer, and supply of ingredients to food industry companies

Financial Strategy

External Environment

As a supermarket Group based in the Kanto region, we enjoy a favorable operating environment. However, it is also a fiercely competitive environment, one in which we will lose support from customers and market share if we do not keep up with the diversification of consumer values and changes in the market (such as changes in our operating area and the competition, including from other industries).

Given this situation, in order to achieve sustainable growth we will continue to strengthen investments in our growth and enhance the corporate value of Group companies. At the same time, we will work toward an optimized capital structure and improve our financial discipline to control interest-bearing debt.

Financial Policy

Since U.S.M.H was established, it has maintained financial stability based on its ability to firmly maintain an equity ratio of at least 50%, and by taking a medium- to long-term perspective in financing our operations. We will continue to strengthen investments in new fields in addition to organic investments (in our stores, etc.), while leveraging the stability of our financial base. With this approach, we will achieve our return on equity (ROE) target of 6% by maintaining our financial soundness while balancing investments for growth with shareholder returns.

Key Indicators for the Third Medium-Term Business Plan

3-year average (Millions of yen, %)	Second Medium-Term Business Plan		Third Medium-Term Business Plan
	Planned (3-year average)	Actual (3-year average)	2025 plan
Operating revenue	722,281	734,209	750,000
Operating income	11,726	12,555	22,000
Debt/Equity ratio	0.3	0.3	0.3
Payout ratio	54.5	41.2	35.0
ROE	6.0	3.5	6.0

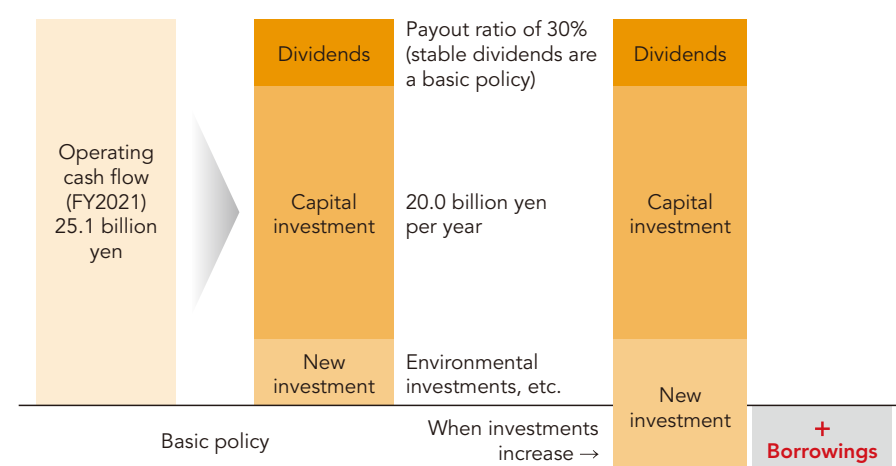
Cash Allocation

We allocate generated operating cash flow to organic growth (such as in new stores and the renovation of existing stores), to the development of a DX platform for business reform and to the creation of new businesses. Basically, we distribute funds within the scope of our operating cash flow, group investments according to their purpose and set an ideal investment balance

between those groups, and determine the total investment amount for the Group as a whole.

In cases where upfront investments over the medium to long term mean that total capital investment and new investment exceeds our operating cash flow, we will work to maintain stable dividends by allocating funds through borrowing and other methods.

Cash Allocation Plan



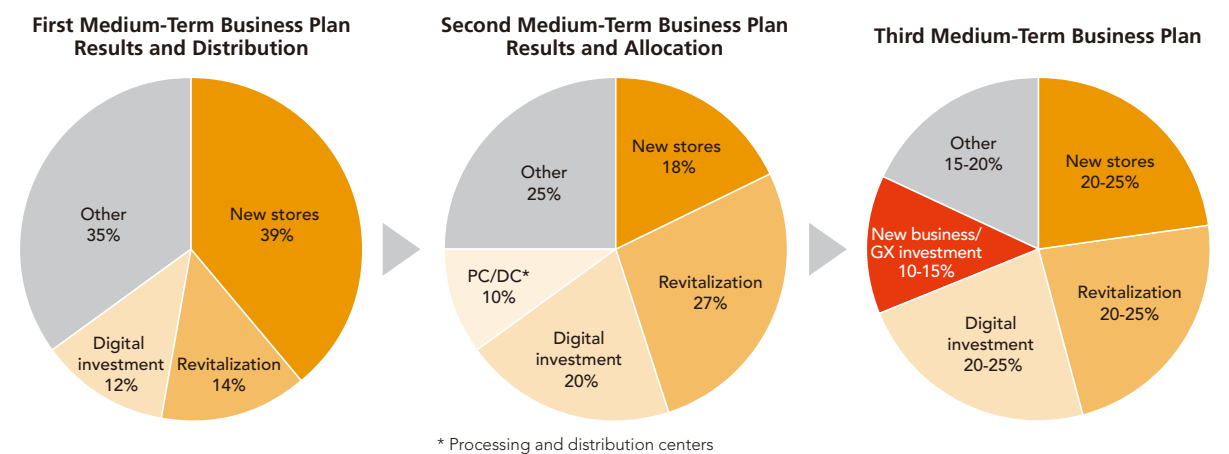
Growth Investment Strategy

In the Third Medium-Term Business Plan, which starts in fiscal 2023, our goal is to create new value propositions for customers. To that end, we will allocate increased investment to developing new store formats, to our supply chain, to DX, and to providing OMO services to customers by making full use of product developments and digital technology. By adapting to customer needs and values that changed significantly

during the COVID-19 pandemic, we will achieve new customer creation.

In addition, as medium- to long-term strategies, we will transform our investment portfolio by expanding our 1) IT and digital investment, 2) new business investment (including in the supply chain, etc.), and 3) green transformation (GX) investment.

Allocation of Operating Cash Flow

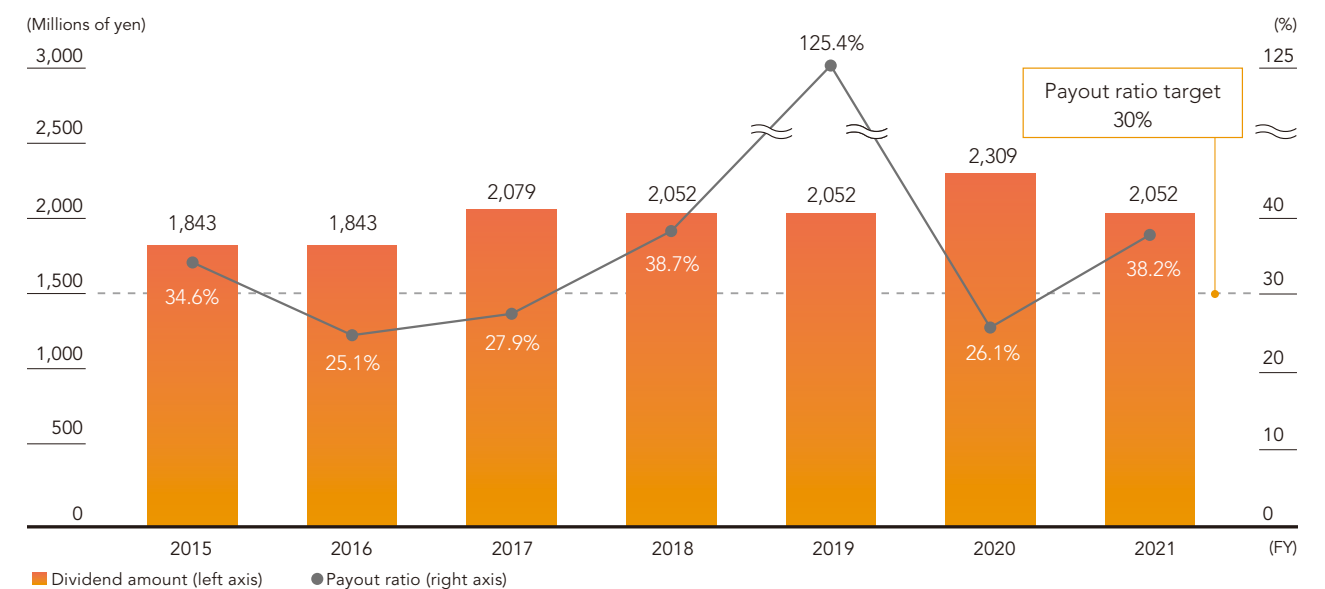


Shareholder Return Policy

Returning profits to shareholders is one of our key policies. Taking future business development and our operating environment into consideration, we seek to maintain stable dividends based on a payout ratio of 30%,

at the same time strengthening our financial base by increasing profitability and enhancing retained earnings. We will continue working to enhance our corporate value and strengthen our dividend policy.

Dividend Chart





Environment

Material Theme

Decarbonization and a Circular Economy

Basic Approach


In line with our Basic Environmental Policy, we have identified two environment-related material issues (see below). We are committed to resolving both issues, with the aim of reducing the environmental impact of our business activities and leaving a sustainable, recycling-oriented society for the next generation.

Basic Environmental Policy

The U.S.M.H Group recognizes that environmental problems are serious issues on a global scale. Through sound business activities, we will unify our Group strengths and work to protect the global environment, aiming to foster social and economic growth and to realize a sustainable, recycling-oriented society in cooperation with local communities.

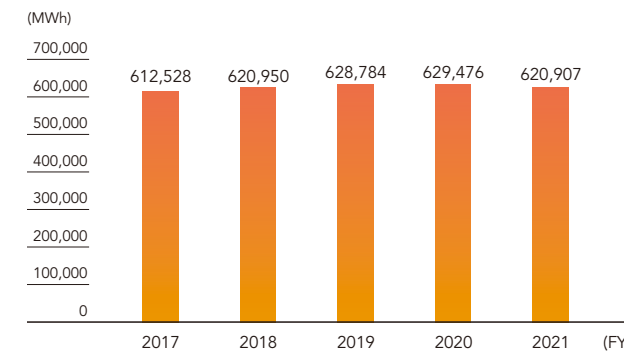
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|---|--|
| <ul style="list-style-type: none"> (1) We will actively conserve resources and energy through our business activities. (2) We will strive to develop and popularize environmentally friendly products and materials. (3) We will promote waste reduction and the 3Rs (reduce, reuse, recycle). (4) We will contribute to local environmental conservation activities and strive for harmony with local communities. | <ul style="list-style-type: none"> (5) We will work to ensure that every employee is aware of this policy, foster individual interest in environmental conservation, and aim for the participation of all Group employees. (6) We will publicize this policy internally and externally, and work to provide information proactively. |
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Material Issues and Long-term Targets

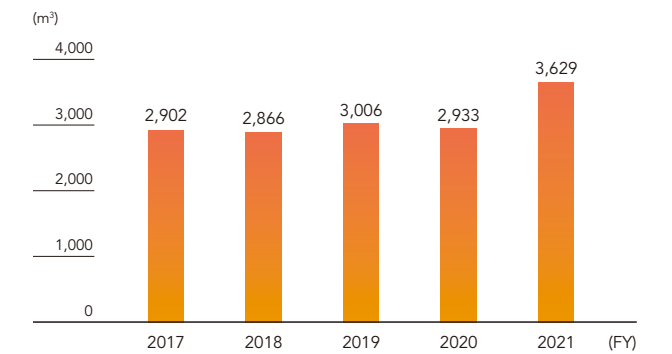
Theme	Decarbonization and a circular economy	
Material issue	Carbon neutrality	Waste reduction and promotion of reuse and recycling
Our Approach	2030: Switch to renewable energy sources for electricity used at stores (achievement rate of 50%) and reach the CO ₂ emissions reduction target of 46% set by the Japanese government 2040: Achieve net zero CO ₂ emissions from stores 2050: Continue efforts toward achieving zero CO ₂ emissions throughout the supply chain	<ul style="list-style-type: none"> • Continue to strengthen waste reduction, resource collection and recycling initiatives 
Goals	2030: Achieve a 150,000-ton reduction in CO ₂ emissions from stores, compared with 2013 levels 2050: Carbon neutrality	2030: Reduce waste and use of plastics by 50% 2050: Realize recycling-oriented local economies

Environmental Performance due to Business Activities (Past Five Years)

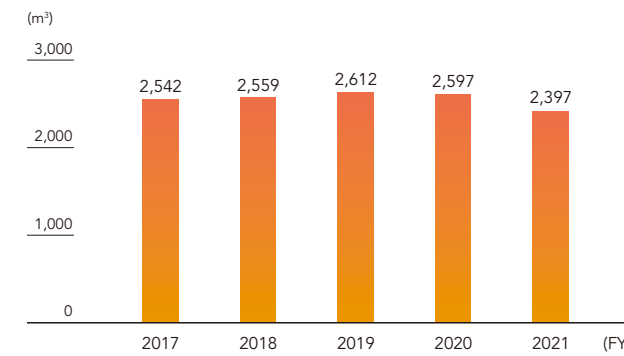
Electricity Usage (Total for All Operating Companies)



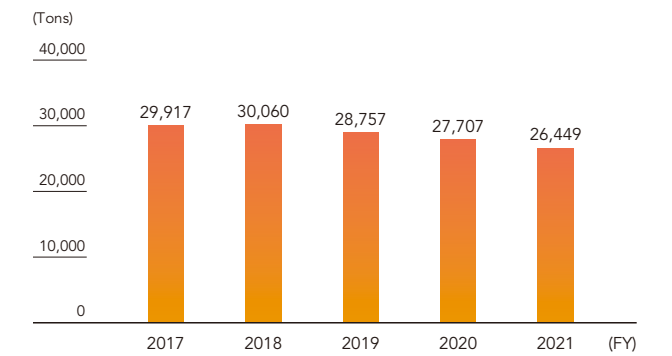
Gas Usage (Total for All Operating Companies)



Water Usage (Total for All Operating Companies)



Waste Emissions (Total for All Operating Companies)



Carbon Neutrality (Response to Climate Change)

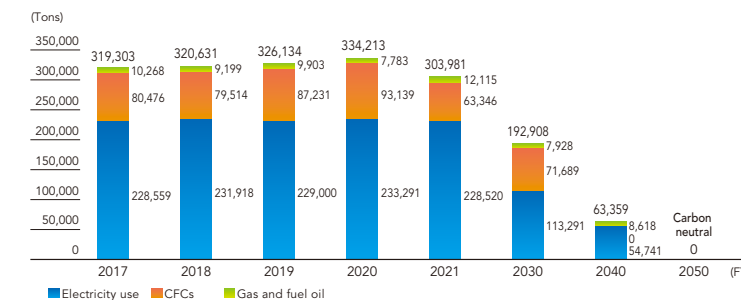
Basic Approach

Our business activities (providing products and services to customers) produce 380,000 tons of CO₂ emissions per year (equivalent to the annual emissions from 140,000 ordinary households) due to our use of electricity, gas and CFC refrigerants.

In Japan, the government has announced policies to reduce greenhouse gas emissions by 46% (compared with 2013 levels) by 2030 and to reach carbon neutrality by 2050, as a response to climate change. The AEON Group has also set the target of reducing CO₂ emissions from stores to zero by 2040.

Taking such circumstances into account, the Company will match the government's efforts toward carbon neutrality by reducing its energy usage and switching energy sources, further reducing CO₂ emissions in the process. We also recognize that eliminating food loss is linked to achieving carbon neutrality, and see these efforts as vital to developing and sustaining a business model and to maintaining and improving our reputation in local communities.

GHG Emissions and Reduction Targets (Scope 1 and Scope 2)



Climate Change Initiatives

- (1) Establish energy-saving operations
 - (2) Make wider use of energy-saving equipment and implement power-saving measures at stores
 - (3) Promote the adoption of renewable energies
 - (4) Promote natural alternatives to CFC refrigerants and conversion to CFC-free equipment
- AND
- Strengthen offset initiatives by collecting PET bottles and other resources at stores, and through leftover food recycling activities

Waste Reduction and Promotion of Reuse and Recycling (Circular Economy)

Basic Approach

Our vision of a circular economy is based on: 1) reducing the amount of waste we generate, and 2) recycling any waste generated (representing the “reduce” and “recycle” aspects of the 3Rs, respectively). Using these two points as the foundation of our approach, and working together with customers, we will reduce the amount of CO₂ produced when incinerating waste and prevent environmental pollution.


Targets and Initiatives

1. Plastic waste reduction initiatives together with customers

Targets FY2030: Reduce waste and the use of plastics by 50%
FY2050: Realize recycling-oriented local economies

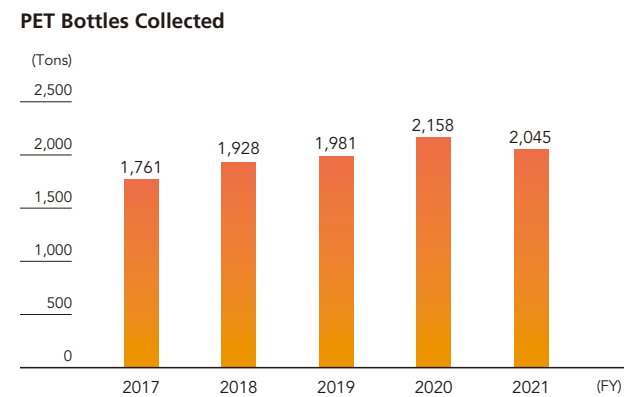
Main Initiatives

- (1) Stop the use of plastics in single-use cutlery and shopping bags, and discourage their use in general
- (2) Switch to environmentally friendly containers and packaging
- (3) Expand resource collection at stores
- (4) Promote recycling of cardboard, polystyrene foam packaging and other materials
- (5) Promote initiatives to reduce CO₂ emissions throughout the supply chain



Results Kasumi Co., Ltd., one of our operating companies, promotes recycling by collecting used PET bottles, aluminum cans, foam trays and other disposable items that customers bring to stores. These items are transported to Kasumi’s recycling center to be compressed and bundled, and are then forwarded to a recycling contractor.

The recycling center can also handle cardboard, polystyrene foam packaging for fish and other items, printer paper and other waste produced by stores. Through these initiatives, our employees and our customers work together as one to reduce waste.



Recycling activities at Kasumi’s recycling center



PET bottles collected from our customers are packed into bales at the recycling center, and are later reborn as packaging for fruits and other items.

2. Food loss reduction initiatives

Reducing food loss has become a pressing issue for the food retail industry. We recognize food loss initiatives as being linked to both a circular economy and carbon neutrality. Our employees are united in driving these initiatives forward.

Targets FY2030: Increase the food waste recycling rate to 50%
FY2050: Achieve a food waste recycling rate of 100%

Main Initiatives

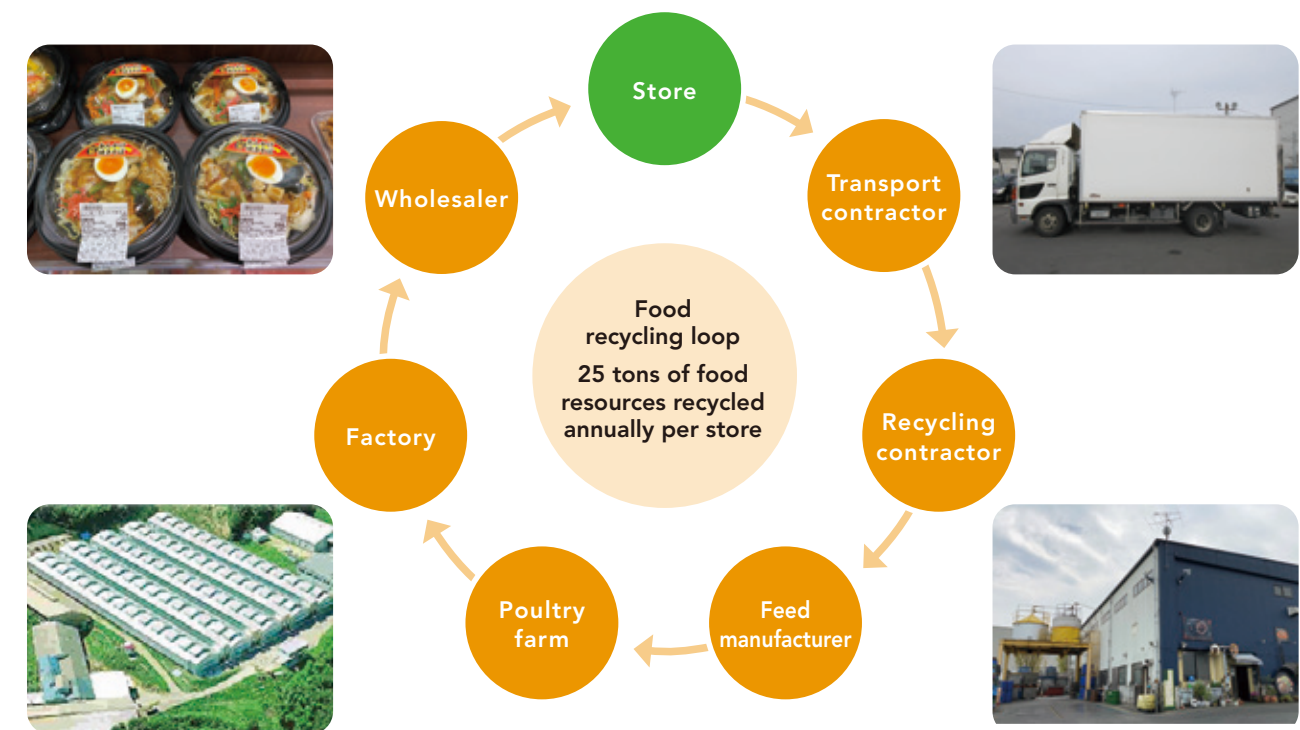
- (1) Reduce food waste during sales and manufacturing
- (2) Increase the number of stores that are certified to implement a food waste recycling loop
- (3) Expand food bank and food drive initiatives
- (4) Review delivery deadlines for processed foods

Results In October 2021, we started a food recycling loop initiative at Kasumi stores in Gunma Prefecture, with the intention of reusing pre-sorted recyclable food resources in a selection of food products sold in-store. Japan’s Ministry of Agriculture, Forestry and Fisheries and Ministry of the Environment certified this initiative as a food recycling project under the Food Recycling Law.

As a special case under this initiative, a transport contractor is allowed to collect and transfer recyclable food resources from authorized stores to a recycling plant, encouraging the use of more efficient collection and transportation routes.

We will continue to promote this food recycling loop initiative in other areas where our stores operate.

An example of our in-store initiatives



At our Kasumi Oizumi store (Ora Town, Gunma Prefecture), recyclable food resources are sorted, collected by a transport contractor and transferred in refrigerated containers to a recycling contractor, to be converted into feed for livestock. This is then used to feed hens at a poultry farm, and the eggs laid by those hens are collected, boiled, and used in bento boxed meals and other pre-prepared food sold at Kasumi stores.



Social

Material Theme

Food Safety and Security

Basic Approach

U.S.M.H believes that, as a food provider, it has a duty to deliver on product safety and security for customers. Every employee keeps this mission in mind as they work to provide safe, high-quality products in accordance with laws, regulations and standards.

Material Issues and Vision

Theme	Food safety and security	
Material issue	Food safety compliance	Responsible marketing and labeling
Approach and Vision	(1) Upgrade Groupwide quality management and safety management systems (2) Ensure food safety and security throughout the supply chain	(1) Build a marketing and labeling management system (2) Promote the disclosure and communication of useful information to customers

U.S.M.H is working on two material issues related to food safety and security. The first is “food safety compliance,” which we will achieve by enhancing our own safety management systems. The second is “responsible marketing and labeling” as a retailer, which will ensure that we always deliver safe products to customers.

Food Safety Compliance

Internal Quality and Safety Management Systems

Our operating companies strive to ensure uncompromising quality management based on our certification in international management systems, and to maintain and improve quality and safety management on a daily basis.

Main Food Safety Initiatives

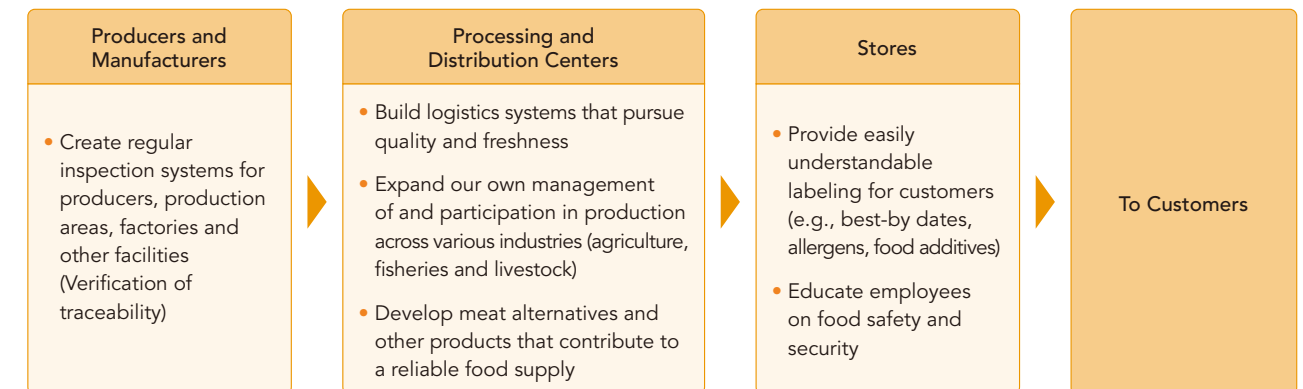
- Acquisition of the ISO 22000 standard for food safety management systems (The Maruetsu, Inc.)
- Acquisition of the ISO 9001 standard for quality management systems (Kasumi Co., Ltd.)
- Disclosure of independent radiation inspection results



Toward the Future

System for Providing Safe and Secure Products throughout the Supply Chain

Going forward we aim to solidify our system for providing safe and secure products throughout the supply chain, from raw materials and product procurement to sales.



Responsible Marketing and Labeling

Promotion of Responsible Marketing and Labeling

As a food provider, U.S.M.H believes that the provision of products and services that consumers can use with confidence is its highest priority. In our marketing and communication efforts, we work to share accurate

information with consumers in accordance with laws and regulations. We also work to provide easily understandable labeling with factual information that customers will find useful.

Main Initiatives

- (1) Establish a marketing and research department
- (2) Create labeling management standards and training systems
- (3) Build on marketing that reflects customer and employee feedback
- (4) Develop labeling that is easy for customers to understand (e.g., Food for Specified Health Uses, the benefits of various products and ingredients)
- (5) Expand product offerings for ethnic and minority groups (e.g., halal and vegan)
- (6) Share accurate information with partner companies



Material Theme

Sustainable Food Value Chain

Basic Approach

The impact of geopolitical risks, environmental issues and other global problems on food is increasing. Forecasts predict it will become difficult to continually provide a stable food supply to consumers in the future. U.S.M.H believes it is vital to pursue and maintain reliability and efficiency throughout the supply chain, by not only

procuring products from producers and manufacturers but also by expanding its own production and private label brands. Alongside these activities, our response to human rights issues throughout the supply chain is just as important.

Material Issues and Vision

Theme	Sustainable food value chain	
Material issue	Safe procurement and supply of food	Respect for human rights
Approach and Vision	(1) Stable supply of products by transitioning into an SPA* and restructuring our logistics network (2) Move forward with procurement and sales of sustainable products	Respect for human rights through cooperation between U.S.M.H and the entire supply chain

U.S.M.H views safe delivery of food to customers and respect for the human rights of everyone involved in the product supply chain as priorities. Therefore, we have identified "safe procurement and supply of food" and "respect for human rights" as material issues.

* SPA: Specialty store retailer of Private Label Apparel

Safe Procurement and Supply of Food

Initiatives toward a Safe and Sustainable Food Supply

Standpoint on New Procurement Methods

- (1) Cultivate new partnerships with global raw material suppliers
- (2) Expand new product ranges through our private label brands
- (3) Expand SPF product ranges

Standpoint on Logistics Innovations

- (1) Collaborate with primary industry
- (2) Build new supply chains
- (3) Establish new procurement routes
- (4) Update freezing and refrigeration technologies

Respect for Human Rights

Our Human Rights Policy and Internal Human Rights Risk Management

We recognize the importance of respecting human rights. We will build a system to deepen each employee's understanding.

Basic Approach to Human Rights

U.S.M.H abides by human rights and labor laws as well as the AEON Group Human Rights Policy. We will always respect the diverse values, character, and privacy of each individual, and will never discriminate based on race, nationality, ethnic group, gender, age, birthplace, religion, education, physical or mental disabilities, sexual orientation, gender identity or any other reason.
In our supply chain, we will strive to engage in commercial transactions that respect the human rights of every producer that we do business with.

An Ideal Future of Respect for Human Rights, as Promoted by U.S.M.H

- (1) Respect for the values, character, privacy and diversity of all people
- (2) Equality and fairness for all people
- (3) Fair transactions with all business partners
- (4) Respect for the human rights of employees
- (5) Business development that respects human rights

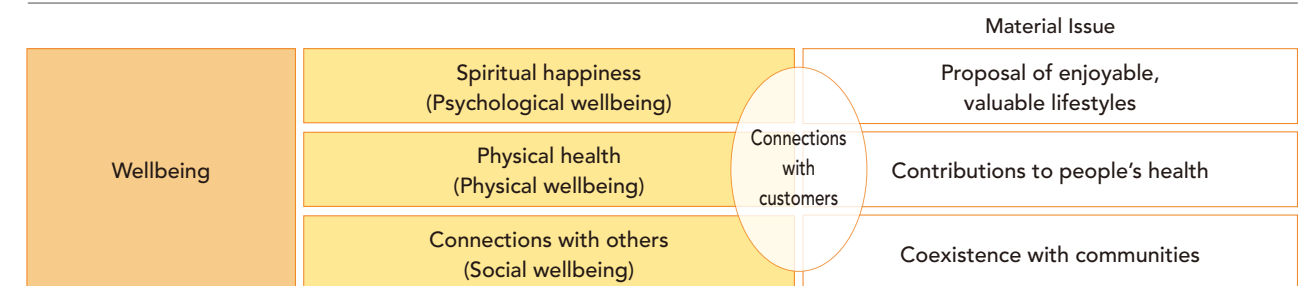
Material Theme

Creation of Healthy, Valuable Lives through Our Food and Services

Basic Approach

Our aims to "offer customers healthy, valuable choices in food" and "cultivate deep relationships to build prosperous local communities" are championed in our Core Philosophy. As well as bringing both food and value to customers' dining tables, we aim for their satisfaction, smiling faces, and even better health through the enjoyment of food. Our goal is to become an established creator of the wellbeing that is essential to daily life in local communities.

Our Approach to Wellbeing and Material Issues



- In relation to "wellbeing": "Health is a state of complete physical, mental and social well-being" (Constitution of the World Health Organization)
- To achieve the wellbeing U.S.M.H strives for, it has established "proposal of enjoyable, valuable lifestyles," "contributions to people's health" and "coexistence with communities" as material issues. In addition to promoting these initiatives, we have positioned "connections with customers" as a material issue, making it our foundation for delivering new value.

Targets

- (1) Customer satisfaction and repeat customer ratio
- (2) Sales composition ratio of health-related products and services
- (3) Number of customer touchpoints and customer journey patterns
- (4) Number of business partnerships with local authorities

Proposal of Enjoyable, Valuable Lifestyles

Creating Stores as Places to Enjoy the Shopping Experience

In line with a dramatically changing society, customer needs for shopping are also changing. U.S.M.H is driving the transformation of stores and products as vital consumer touchpoints, to improve shopping experiences and move toward the new supermarket it aims to become.

Conventional Supermarkets
A one-stop shopping facility, for everything from food to daily necessities

"Shopping Experience" Stores That Opened in 2022



Maruetsu Itabashi Minamicho

BLANDE Kenkyugakuen

MaxValu Express Makuhari

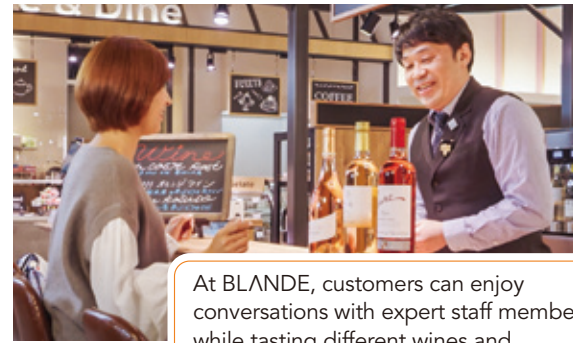
Our Vision for a New Supermarket
A comfortable space that fosters spiritual happiness, and where customers can discover an unexpected shopping experience

Our Vision of a Supermarket That Fosters Spiritual Happiness

BLANDE Initiatives



We prepare and offer an abundance of fresh fish according to customer needs.



At BLANDE, customers can enjoy conversations with expert staff members while tasting different wines and cheeses (which are sold by volume).



eatime

"We want to make meal times more than just about deliciousness, but also 'good times' full of discovery and happiness. We want to deliver 'good times' through food." To express this feeling, we combined eat and time to create the eatime brand. With a focus on regional food culture and specialty dishes, we deliver new value with high quality.



eatime chef

"Let's make today's meal a masterpiece." eatime chef is a range of 20-minute meal kits that enable you to easily prepare a set menu of main and side dishes devised by famous chefs, culinary experts and nutritionists (online store exclusive meal kits are sold at selected stores).

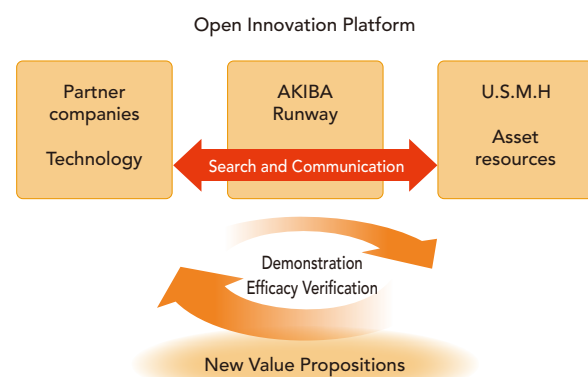


Green Growers

Green Growers offers ultra-fresh and highly nutritious lettuce grown at a plant factory, as well as Beyond Beef plant-based meat alternatives from Beyond Meat, Inc.

AKIBA Runway Open Innovation Platform (Launched in March 2022)

A dedicated U.S.M.H team seeks out partner companies that possess original and unique technologies, and builds collaborative relationships with them with the aim of creating new value propositions in the retail industry. In the future, we will further accelerate this initiative to provide new value to customers.



Contributions to People's Health

Basic Approach

Japanese society is rapidly aging, and the era in which people can live to 100 or more is said to be upon us. Amid this social landscape, the need for health management, prevention of lifestyle diseases, and for addressing other health issues is growing more pressing. U.S.M.H aims to realize healthy customer and employee lifestyles, as well as a healthy business presence in local community life. By providing food as a source of health alongside food-related services, we will contribute to energetic lifestyles.

Main Initiatives

- (1) Train human resources to be health experts
- (2) Develop health-related products
- (3) Expand health support services
- (4) Collaborate with health-related companies



Maruetsu cooking classes taught by nutritionists



Dietary education at kindergartens and elementary schools

Coexistence with Communities and Connections with Consumers

Basic Approach

As a way to achieve wellbeing, U.S.M.H will contribute to regional revitalization and solving problems faced by local communities, as a company with roots in those communities. We also believe it is important for us to live up to expectations by transforming various products and services based on our understanding of our connections with customers and their needs. U.S.M.H acts as a mediator to deepen the connections customers have with their community and with society at large. We believe these connections will lead to wellbeing in the lifestyles of customers and a vibrant, sustainable society.

Contributions to the Happiness of Communities and Society

Main Initiatives

- (1) Build an organization that considers ways to solve issues in local communities
- (2) Expand food bank and food drive activities
- (3) Consider the use of local resources (e.g., abandoned farmland)
- (4) Build recognition as part of the regional infrastructure
- (5) Share information about food culture and other traditions

Mobile Retail Initiative for Areas Where Access to Shopping Is Difficult or Impractical

Kasumi Co., Ltd., a U.S.M.H operating company, began a mobile retail initiative in 2013 to deliver products to regions without easily accessible supermarkets. The service offers roughly 650 items, including fresh and pre-prepared food products and daily necessities, in cooperation with local authorities and other third-party organizations.



Food Bank and Food Drive Initiatives

Kasumi donates products that have passed their sell-by date but still have a sufficient remaining shelf life to food banks and social welfare councils. Maruetsu and MaxValu Kanto also engage in similar food drive initiatives, collecting food products from customers to donate to food banks, social welfare councils and other organizations.



Connections with Local Communities

Kasumi's original sake, *Yuikasumi*, is made from rice grown at Kurihara Farm in Hitachiota City, Ibaraki Prefecture. The sake is brewed at the Okabe Sake Brewery, which is also in Hitachiota City. This initiative began in 2018, with the concepts of creating an "exclusively Ibaraki product" from production to sale, and of "connecting with everyone in the community."



Local producers



Kasumi's original Yuikasumi sake

Participation in Reforestation through Planting Efforts

A total of 40 MaxValu Kanto employees took part in the Kimitsu AEON Forest Program. Going forward, we will manage a section of the trees planted by these employees as a "MaxValu Forest," and contribute to regional environmental conservation.



Tree planting participants

Initiatives to Deepen Our Connections with Customers

Main Initiatives

- (1) Use DX to identify consumer needs
- (2) Promote OMO
- (3) Enhance customer service at stores
- (4) Actively engage with communities



Digital Brand ignica

ignica is a unique U.S.M.H digital brand, launched with the aim of creating the ideal future for retail.

Main ignica Services



Scan&Go

Scan&Go is a service that speeds up the shopping process by reducing checkout wait times at supermarkets and offers a safe, contactless shopping experience.



Buy Online Pick-up In Store (BOPIS)

Our Online Delivery service not only provides home delivery, but also an unstaffed pick-up service, so that customers can collect their orders without having to enter the store (some stores do not offer this service).

Implementation Flow



Simplification of checkout operations through digital transformation makes it possible to shift employees into customer service and sales roles.



Material Theme

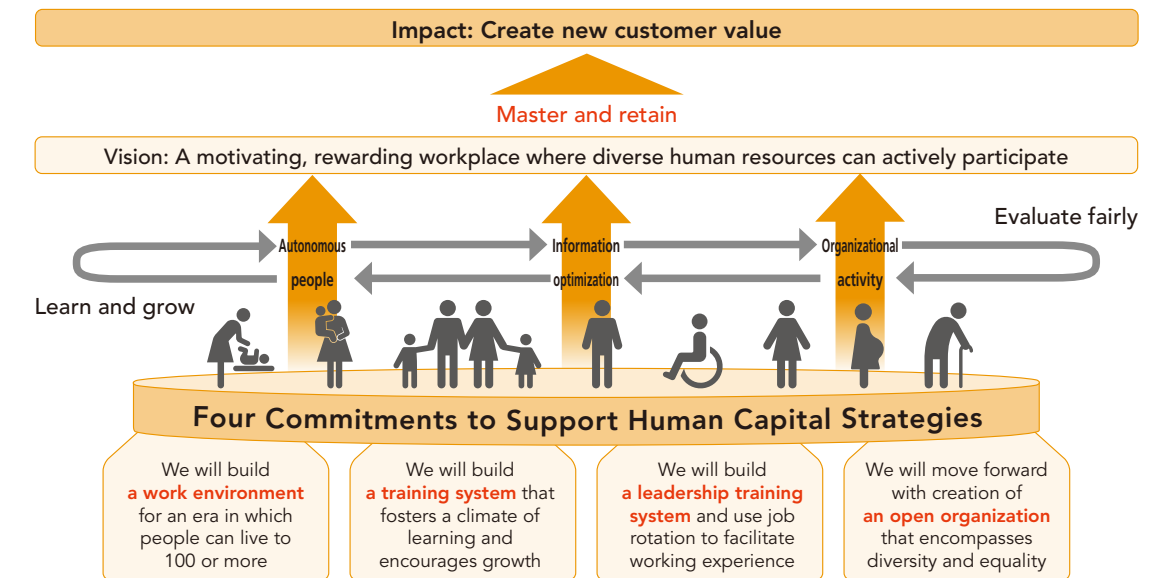
Pursuit of Diverse Human Resources and Job Satisfaction

Basic Approach to Human Capital

As the corporate value of U.S.M.H is greatly influenced by the mindset and actions of each individual, we consider our human resources as "capital." Our basic approach is to respect each employee's individuality, rather than treating them as one group.

In this way, we aim to become an organization composed of a group of individuals who work autonomously.

HR Strategies



Initiatives to Develop New Human Resources

U.S.M.H Retail Chef Academy

This original U.S.M.H course to teach culinary skills helps employees gain sales skills and product knowledge from a consumer's perspective. Course launched in April 2021

1. Preparatory study via e-learning
2. Practical training provided by cookery school instructors and culinary experts
3. Cooking practice to apply the skills that have been learned

This is a six-month program that runs in cycles.

With the completion of the 4th cycle in February 2023, 64 people have taken the course.



U.S.M.H Business Academy

This internal training program specializes in training core management personnel, teaching them the specialist knowledge required for problem solving through single subject study and case study presentations.

1. Business strategy planning
2. Marketing strategy
3. Branding
4. Data marketing
5. Data science
6. Project management
7. Managerial accounting



Motivating and Rewarding Work

Basic Approach to Health Management and to Motivating and Rewarding Work

An era where people can live to 100 or more brings with it a “multi-stage life,” and people experience many different transitions between stages. As options in life become ever more varied, the question is now how we plan our lives responsibly.

Our employees, who are also consumers, are the human capital that creates our corporate value. To choose from so many lifestyle options in an era where people live for 100 years or more, it is increasingly important for people to find a balance between tangible assets (which are often financial) and intangible assets including their relationships with family and friends, knowledge, and their health. Sufficient rest not only alleviates physical fatigue but also has

psychological health benefits, which in turn vitalizes work. By maintaining and improving the physical and mental health of each employee, we believe that they will perform better in the workplace and help enhance business results and corporate value.

For these reasons and more, we are building systems and work environments that promote flexible working styles and the physical and mental health of each employee. These efforts include encouraging employees to take paid leave, balancing work with childcare and nursing care by using the relevant leave allowances, and the use of work interval and flexible working hours systems.

Specific Initiatives

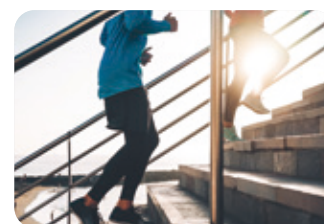
1. Prepare work environments

- Promote no smoking on business premises
- Encourage employees to take consecutive holidays and annual paid leave
- Promote specific health guidance
- Promote acquisition of Platinum Kurumin certification
- Enhance childcare support and nursing care support systems
- Establish special subsidiary companies to employ people with disabilities



2. Heighten health awareness

- Provide health support to employees
- Hold employee walking rallies
- Support people in maintaining or improving their Health Age through Rakuten's Pep Up health management portal
- Internal certification programs related to dietary education



Working Style Data

Fiscal year ended February 28, 2022	Year-on-Year Comparison of Total Working Hours (Existing Stores)	Year-on-Year Personnel Costs	Net Sales per Work-Hour	Ratio of Eligible Employees Taking Childcare Leave	Ratio of Employees Undergoing Regular Health Checks
Maruetsu	-1.2%	+0.7%	13,058 yen	100%	99.8%
Kasumi	-2.5%	+0.5%	14,277 yen	100%	97.8%
MaxValu Kanto	+1.5%	+1.0%	11,750 yen	100%	98.3%

Diversity and Inclusion

Basic Approach to Diversity and Inclusion

In recent years, there has been greater emphasis on working to promote a society that embraces diversity, as one of the elements of the Sustainable Development Goals (SDGs). The “realization of diversity” is not just an issue for government or local authorities, but a material issue that we, as a company that relies on people as a vital management resource, must also actively work to resolve.

We will make use of people’s diverse attributes and differences and bring out the full potential of each employee, to promote diversity, equality and inclusion as a Groupwide, ongoing priority initiative for management. By incorporating the promotion of diversity and inclusion in our management strategy and continuing to implement it, we will enhance the Group’s corporate value in society.

As a specific initiative, we are making Groupwide efforts to offer adaptable work styles suitable for each life stage. We are promoting activities to reach targets of a 30% ratio of both female managers and female directors by 2030 and a 50% ratio by 2050. Our vision is to become a corporate group that brings together human resources with diverse experience and skills. As such, we are promoting diversity by strengthening mid-career recruitment, to increase the ratio of employees with experience at other companies.

Diversity-related Results

Fiscal year ended February 28, 2022	Total Number of Managers	Number of Female Managers	Ratio of Female Managers	Number of Non-Japanese Employees
Maruetsu	146	13	8.9%	929
Kasumi	86	13	15.1%	308
MaxValu Kanto	26	4	15.3%	68
Group Total	258	30	11.6%	1,305

Promoting Women's Empowerment

Q1. When did you first start focusing on developing your career?

I enjoyed learning a lot of things during my time as a contract employee. I think my desire to take on more (and more varied) challenges initially sparked my interest in advancing my career.



Kaori Shimada
Assistant Manager, Food Square Vivamall Kazo, Kasumi Co., Ltd.

Q2. Would Kasumi change with a higher number of women in management?

Women tend to value their personal life as much as their professional life. I believe that more women in management could result in a company with greater respect for work-life balance.

Example of Career Development



Promotion of Paternal Involvement in Childcare

Shared Childcare Provides Emotional Leeway for Both Parents

Yusuke Yamada
In Charge of Seafood at Yaita Store, Kasumi Co., Ltd. (Joined in 2019/26 years old)



What do you think about the low ratio of men who take childcare leave?

I think we need to overcome the unconscious bias of seeing housework and childcare as women's work. In fact, I learned how hard it is to raise children during my leave. Dividing childcare between both parents, rather than leaving everything up to one, can provide both parents with emotional leeway.

Childcare is a Job for Both Parents, Not Just One

Takahiro Kawamura
Digital Planning, U.S.M.H (Joined in 2014/33 years old)



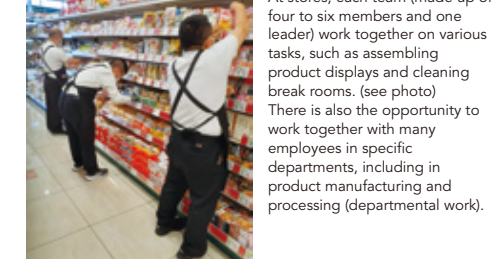
How did your supervisor and colleagues react when you told them you were taking childcare leave?

I was concerned my supervisor would ask why I was taking childcare leave now. Instead they responded positively, asking me if the short amount of time I'd requested was enough. My colleagues were also dealing with quite a hectic schedule, but everyone approved of my choice.

Promoting the Employment of People with Disabilities

Maruetsu Special Subsidiary: Marno Co., Ltd.

Established March 1992 (certified as a special subsidiary company in May 1992)



Work in Stores

At stores, each team (made up of four to six members and one leader) work together on various tasks, such as assembling product displays and cleaning break rooms. (see photo) There is also the opportunity to work together with many employees in specific departments, including in product manufacturing and processing (departmental work).



Governance

Material Theme

Enhancing Corporate Governance

Corporate Governance

Basic Approach

- (1) We respect the independence and autonomy of our operating companies, based on each company offering customers healthy, valuable choices in food and contributing to the development and prosperity of local communities, as stated in our Core Philosophy.
- (2) We will ensure transparency and fairness in our decision-making in order to facilitate appropriate cooperation with shareholders and other stakeholders.
- (3) We will build a structure that enables us to incorporate the feedback we receive from customers in the course of their day-to-day shopping and from constructive dialogue with shareholders and other stakeholders into our operations.
- (4) We will ensure the rationality of management's decision-making process, demonstrate a sound entrepreneurial spirit, and make prompt, bold decisions to enable the Company to achieve sustainable growth and increase medium- to long-term corporate value.

Corporate Governance Guidelines (Japanese only) https://cdn.usmh.co.jp/wp-content/themes/usmh/files/20211220/US_governanceguide_20211213.pdf
 Corporate Governance Report (Japanese only) https://cdn.usmh.co.jp/wp-content/themes/usmh/files/20220531/US_20220527.pdf

Changes to Strengthen Corporate Governance

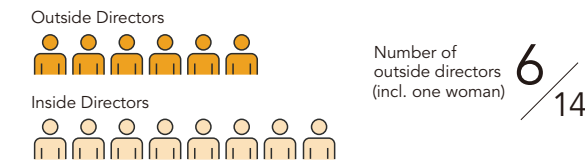
	Up to Feb. 2015	Mar. 2015	2016	2017	2018	2019	2020	2021	2022
Company name	The Maruetsu, Inc. Kasumi Co., Ltd. MaxValu Kanto Co., Ltd.	United Super Markets Holdings Inc.							
Company form	Joint holding company								
Corporate governance structure	Company with an Audit and Supervisory Board								
Voluntary committees	Human Resources and Compensation Advisory Committee (Performance achievement point verification, compensation levels): May 2016 onward								Special Committee: Dec. 2021 onward
	Board of Directors Effectiveness Evaluation Advisory Committee (Verification of effectiveness issues): Jan. 2017 onward								
Directors	8	9	May 2016 onward						
Of that, outside directors	2	3							
(Of that, women)	—	(1)							
Corporate auditors	4	5							
Of that, outside corporate auditors	2	3							
Enhancement of Board of Directors effectiveness	Evaluation mechanism	Board of Directors effectiveness evaluation survey: Jan. 2017 onward							
	Officer compensation	Changes to question design							
		System introduced (cash and stocks): May 2017 onward				Revised (expansion of performance-based component): May 2020 onward			
		Restricted stock unit compensation (3-year RSUs)				Reduction of restriction period (1-year RSUs)			
Key issues	Stock-based compensation: 1 yen stock options				Increase in the ratio of performance-based cash compensation				
	Review of approach to diversity of Board of Directors → ○								
								Review of approach to succession planning → ○	
Basic Corporate Governance Policy	Formulation of basic policy								
Corporate Governance Guidelines	Formulation				Revision based on TSE*'s revised Corporate Governance Code			Revision in response to TSE* market restructuring	

* TSE: Tokyo Stock Exchange

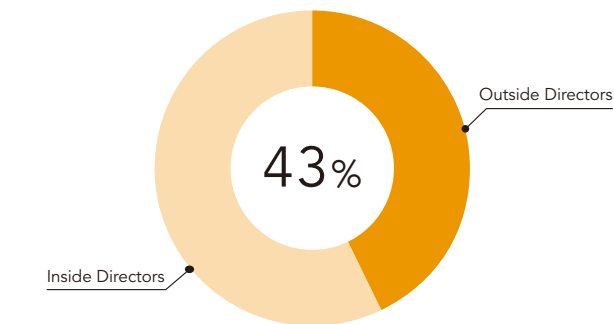
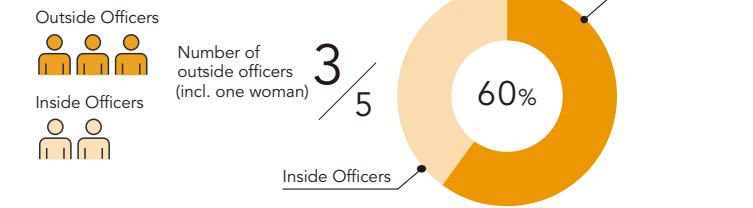
Corporate Governance Structure

We are structured as a company with a Board of Directors and an Audit and Supervisory Board, and we are working to enhance our corporate governance through each of these bodies.

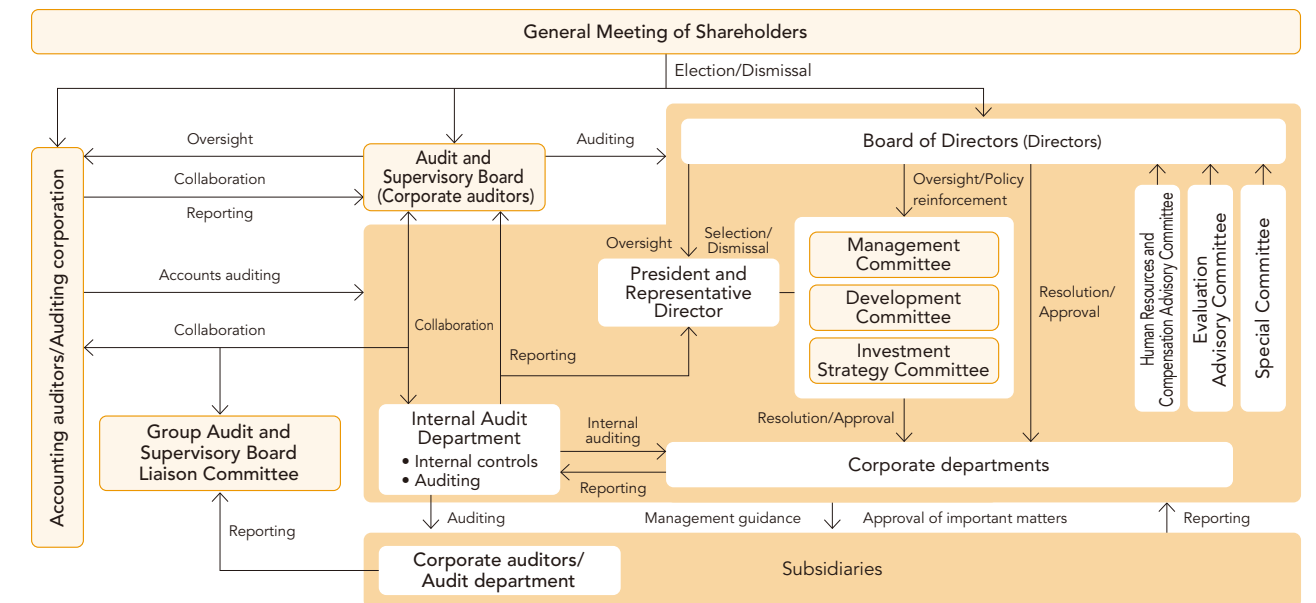
Composition of the Board of Directors



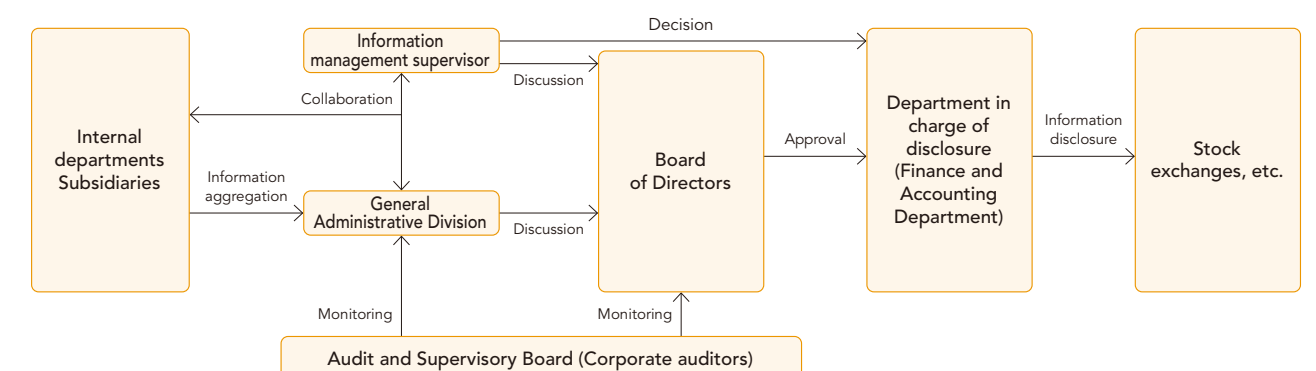
Composition of Human Resources and Compensation Advisory Committee



Composition of Board of Directors Effectiveness Evaluation Advisory Committee



Timely Disclosure System



Board of Directors Effectiveness Evaluation

(1) Evaluation Process



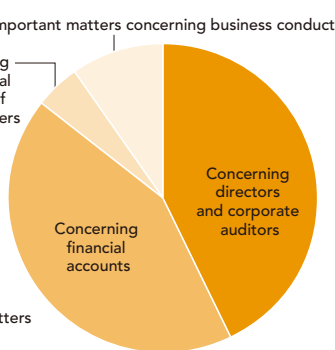
(2) Evaluation Items and Results

	Scores (Past 3 Years)				FY2021	Deviation From 3-Year Average
	FY2018	FY2019	FY2020	Average		
1. Roles and functions of Board of Directors	2.3	2.5	2.6	2.5	2.6	+0.2
2. Composition and size of Board of Directors	2.8	2.7	2.8	2.8	2.6	-0.1
3. Operation of Board of Directors	2.7	2.6	2.8	2.7	2.7	±0
4. Cooperation with auditing organizations	2.7	2.7	2.8	2.7	2.8	+0.1
5. Communication with managers	2.7	2.9	2.8	2.8	2.8	±0
6. Relationships with shareholders and investors	2.8	2.8	2.7	2.8	2.8	±0

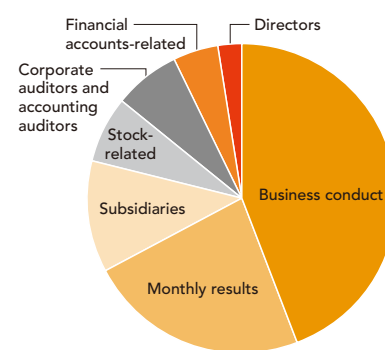
Proposals submitted between March 2021 and January 2022



Discussion of management-related matters



Reported matters



(3) FY2022 Issues and Future Course of Action

Issues	Course of Action
(Proposals from the Board of Directors Effectiveness Evaluation Advisory Committee) i) Promote diversity on the Board of Directors of the Company and its subsidiaries ii) Consider having the Company's Board of Directors participate in succession planning at operating companies	(Report from the Board of Directors Effectiveness Evaluation Advisory Committee) i) Promote diversity on the Board of Directors of the Company and its subsidiaries <ul style="list-style-type: none"> Propose bylaws (articles) on the purpose and goals of planning, human resource requirements and appointment of outside directors Confirm that specific studies of the proposed matters will be initiated, with a focus on operating companies ii) Consider having the Company's Board of Directors participate in succession planning at operating companies <ul style="list-style-type: none"> Propose the purpose and goals of planning, the promotion structure, required experience, the type of human resources required, establishment of a talent pool and methods for selecting candidates Confirm that the Board of Directors will regularly monitor the development of operating companies' plans regarding the proposed matters

Experience and Skills Matrix

In nominating candidates for the Board of Directors, we make a comprehensive assessment of their qualities. This includes whether they have the ability to accurately grasp issues facing administrative departments and cooperate with other executives to solve problems, and have the discernment needed for compliance with laws and

business ethics, in addition to being able to contribute to the further development of the Group as a whole in accordance with our Core Philosophy. As part of our efforts to promote the strong effectiveness of our Board of Directors, we have listed our highly skilled directors below.

Name	Position	Corporate management	Human resources/Organizational development	Finances and accounting/Investment strategy	Legal/Governance	Business transformation	Global perspective	Consumer perspective
Motohiro Fujita	President and Representative Director	●	●			●		
Ryota Furuse	Vice President and Representative Director	●	●	●				
Shinichiro Yamamoto	Vice President and Representative Director	●	●			●		
Satoshi Shimada	Vice President and Director	●	●					
Masaharu Homma	Director		●	●				
Motoya Okada	Director and Advisor	●				●	●	
Akira Terakawa	Outside Director	●					●	
Shigekazu Torikai	Independent Outside Director	●		●	●			
Naoko Makino	Independent Outside Director							●
Tadayoshi Yoyogi	Corporate Auditor (Standing)				●			
Masami Sakamoto	Corporate Auditor (Standing)			●	●			
Koichi Ihara	Outside Corporate Auditor			●			●	
Hirofumi Ishimoto	Outside Corporate Auditor			●	●			
Shinobu Okamoto	Independent Outside Corporate Auditor		●	●	●			

Voluntary Committees and Member Composition

Name	Position	Human Resources and Compensation Advisory Committee	Board of Directors Effectiveness Evaluation Advisory Committee	Special Committee
Shigekazu Torikai	Independent Outside Director	Committee Chair	Committee Chair	Committee Chair
Naoko Makino	Independent Outside Director	Committee Member	Committee Member	Committee Member
Shinobu Okamoto	Independent Outside Corporate Auditor	Committee Member	Committee Member	Committee Member

Officer Nomination and Compensation

• Nomination Policies and Procedures for Director and Corporate Auditor Candidates

At present, the Company has not established policies and procedures for the nomination of director and corporate auditor candidates in its internal rules and regulations. However, it makes a comprehensive assessment from the viewpoint of whether the candidate can be expected to contribute to the Company's Core Philosophy and the further development of the Group as a whole. (For further details, please see "Principle 3-1. Full Disclosure" in the Corporate Governance Report.) (Japanese only)

For dismissal proposals submitted to the General Meeting of Shareholders, if the person's behavior violates, or may violate, the law or the Articles of Incorporation, or if the person is deemed unable to perform their duties for any reason, the Human Resources and Compensation Advisory Committee deliberates on whether the dismissal criteria apply, and then reports its findings to the Board of Directors.

• Policy on Officer Compensation

The Company's basic policy is to reflect medium- to long-term business performance in compensation and facilitate

the Company's sustainable growth and increase corporate value by having its directors demonstrate a sound entrepreneurial spirit. As such, officer compensation is structured so that a higher percentage is linked to business performance.

• Process of Determining Officer Compensation

The Company sets compensation amounts according to role, as shown in the tables on the following page. The Company maintains a Human Resource and Compensation Advisory Committee, comprised mainly of independent outside directors, under the Board of Directors. This committee works with objectivity and transparency when confirming the previous year's business results for each operating company (in April every year), and when verifying the appropriateness of compensation levels.

• Calculation of Compensation for Individual Directors

As defined in the table of criteria for compensation by position, compensation consists of fixed cash compensation, performance-based cash compensation and performance-based non-cash stock compensation (restricted stock unit compensation and stock options).

• Overview of Compensation System for Directors (Excluding Outside Directors)

Board Member Type	Summary
Directors	Determined by resolution of the Board of Directors, within the compensation limits set by resolution of the General Meeting of Shareholders, based on reports by the Human Resources and Compensation Advisory Committee.
Outside Directors	Consists solely of monthly compensation. The level of compensation is determined by resolution of the Board of Directors, within the compensation limits set by resolution of the General Meeting of Shareholders, based on reports by the Human Resources and Compensation Advisory Committee, using compensation levels at other companies in Japan (according to an independent third party) as reference.
Corporate Auditors	Consists solely of monthly compensation. The level of compensation is set through deliberations by the Audit and Supervisory Board, within the compensation limits approved by the General Meeting of Shareholders, using compensation levels at other companies in Japan (according to an independent third party) as reference.

Compensation	Plan	Description	Compensation Type	Deliverables	Scope Of Evaluation
Monthly compensation	Per-month compensation	Cash compensation paid monthly as a fixed amount set according to the director's position	Fixed	Cash	—
	Annual performance-based compensation (updated monthly)	Performance-based compensation with the payment amount determined by the business performance achievement rate in the previous fiscal year and evaluation of each individual director	Performance-based		Short term
Equity compensation	Restricted stock unit compensation (RSU)	Predetermined stock compensation linked to the medium-term business plan and granted for each year of the period covered by the plan		Performance-based	Stock
	Stock-based compensation Stock options (SO)	Company stock compensation granted according to the business performance achievement rate in the previous fiscal year	Stock acquisition rights		

Compensation By Position	Ratio (%)				Total
	Fixed Compensation	Performance-Based Compensation			
		Cash Compensation	Stock-Based Compensation Stock Options (SO)	Restricted Stock Unit Compensation (RSU)	
(Representative directors) Chairman and president	45	40	10	5	100
(Representative director) Vice president	45	40	10	5	
(No right of representation) Chairman and vice president	50	35	10	5	
Senior managing director	55	30	10	5	
Managing director	58	27	10	5	
Concurrent director	60	25	10	5	

Relationship with the Parent Company

Two directors of AEON Co., Ltd., the parent company of U.S.M.H, concurrently serve as Company directors. However, U.S.M.H's business operations are based on independent management. In addition, U.S.M.H has a corporate governance system that places importance on sustainable growth, development and improvement of business performance. U.S.M.H maintains a collaborative relationship with AEON Co., Ltd. based on mutual respect for each other's autonomy, and has secured independence from AEON Co., Ltd.

AEON Co., Ltd.'s "Policy on Governance of Listed Subsidiaries" is as follows.

Based on its basic principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core," AEON believes that the enterprise value of the entire Group can be enhanced by emphasizing the autonomy and originality of the management of Group companies and practicing group management based on a decentralized system, and has practiced this philosophy since its founding.

Against this backdrop, as a parent company, AEON was one of the first to transition to a company with

a Nomination Committee in 2003 in order to increase the transparency of Group governance and the speed of management. In 2008, AEON transitioned to a pure holding company in order to strengthen management from the perspective of the entire Group without being biased toward any particular business, and has been implementing management measures to increase synergy across the entire Group.

Among the Group companies, those that are expected to achieve sustainable growth through self-directed management that reflects business and regional characteristics and improve management quality as a result of the discipline imposed by the capital markets are made into listed subsidiaries.

In addition, from the perspective of protecting minority shareholders of listed subsidiaries, AEON requests the appointment of independent outside directors and the establishment of an advisory committee of independent officers.

We believe that collaborating and maximizing our synergy with AEON Group companies will benefit minority shareholders, as described in the policy above.

Messages from Outside Directors

As an outside director, I have been entrusted by shareholders with the role of increasing the Company's management transparency and making the Company better for society, its customers, business partners and employees.

The Company is facing challenges from an extremely tough external environment, due not only to the COVID-19 pandemic but also to rising energy prices and the cost of various food ingredients. In conjunction with these business issues, consumption patterns are changing significantly and at a much faster rate than could be anticipated.

However, the Company's essential role as a social lifeline, and its steadfast commitment to standing in the customer's shoes in order to enable them to truly feel the value and enjoyment of food, has never wavered.

In discussions at Board of Directors meetings and in dialogue with executives and employees, I firmly adopt the perspective not just of a manager but also of a consumer, and believe I can support the Company's determination to grow as a supermarket business that exceeds the expectations of customers and business partners.



Akira Terakawa
Outside Director
(part-time)



Shigekazu Torikai
Independent Outside Director
(part-time)

The Company is aiming to carry out major reforms, with a focus on senior management. As an example, below is the agenda presented by senior management and discussed at the Board of Directors meeting earlier this year.

- Third Medium-Term Business Plan measures
 1. Product Reform Unit
 2. Store Reform Unit
 3. Outside Digital Unit
 4. Engine 3 Unit
 5. Human Resource Strategy Unit
 6. Digital Development Unit
- Report on sustainability promotion activities
- Board of Directors effectiveness measures

As this indicates, senior management and other executives are trying to interpret and anticipate the changing times, and are seeking to make major operational reforms. These actions are reflected in the use of words such as "reform," "digital," "human resource strategy" and "sustainability."

In fact, some stores that have undergone digital transformation are already up and running, and measures to further drive this initiative are in the process of being implemented.

We, as outside directors, will not hesitate to freely express our opinions in order to ensure the effectiveness of these reforms.

As someone close to consumers, a registered dietician and a culinary expert, I bring the perspective of a cooking enthusiast to Board of Directors meetings. In Board meetings, I talk about what customers need from today's supermarkets and about food and health trends. Outside of these meetings, I am involved in menu development to support customers' healthy eating habits, and in training human resources who demonstrate culinary sense through their ideas and suggestions.

Information from Board of Directors meetings is also provided to independent outside directors as appropriate. The Company promptly shared details of the Second Medium-Term Business Plan (particularly in relation to the very challenging conditions currently faced), while visits to stores and related facilities help us deepen our understanding of United Super Markets Holdings (U.S.M.H), and pertinent internal information is also shared with us.

I look forward to seeing U.S.M.H continue to be a company that provides sustainable food, leading to wellbeing for all, through the digital technology reforms set out in the Second Medium-Term Business Plan.



Naoko Makino
Independent Outside Director
(part-time)

Directors and Corporate Auditors

Directors

**Motohiro Fujita**

President and Representative Director

Born July 11, 1955

Term of office: One year

Number of shares owned: 143,000

Attendance at Board of Directors meetings: 100% (12/12)

Mar. 1978: Joined Kasumi Co., Ltd.
 May 2000: Director, Kasumi Co., Ltd.
 May 2004: Managing Director, Kasumi Co., Ltd.
 Mar. 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.
 Feb. 2009: Manager, Store Development and Service Division, Kasumi Co., Ltd.
 Sep. 2010: Manager, Sales Managing Division; Manager, Food Market Managing Division, Kasumi Co., Ltd.
 Sep. 2011: Manager, Sales Control Division; Manager, Food Market Managing Division, Kasumi Co., Ltd.
 Mar. 2012: President and Representative Director, Kasumi Co., Ltd.
 Mar. 2015: Executive Vice-President, the Company

Mar. 2017: President and Representative Director, the Company (to present)
 Executive Officer responsible for the Supermarket Business, AEON Co., Ltd. Director, Kasumi Co., Ltd. (to present)
 May 2017: Director, MaxValu Kanto Co., Ltd. (to present)
 Mar. 2019: Vice President and Representative Executive Officer responsible for the Supermarket Business, AEON Co., Ltd.
 Mar. 2020: Vice President and Representative Executive Officer responsible for the Supermarket Business and Merchandise/Logistics, AEON Co., Ltd.
 Mar. 2021: Vice President and Representative Executive Officer responsible for the Supermarket Business, AEON Co., Ltd.
 Mar. 2022: Executive Officer and Vice Chairman responsible for special missions, AEON Co., Ltd. (to present)

**Ryota Furuse**

Vice President and Representative Director

Born January 3, 1957

Term of office: One year

Number of shares owned: 41,000

Attendance at Board of Directors meetings: 100% (12/12)

Mar. 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.
 Apr. 2013: General Manager, Corporate Planning Division; Supervising Finance and Accounting, The Maruetsu, Inc.
 May 2013: Vice President, Executive Officer, The Maruetsu, Inc.
 Mar. 2014: General Manager, Corporate Planning Division; Supervising Finance and Accounting; Supervising Development, The Maruetsu, Inc.

Mar. 2015: Director, the Company
 Apr. 2015: General Manager, Corporate Planning Division; Supervising Development, The Maruetsu, Inc.
 Mar. 2017: Vice President and Representative Director responsible for administration, The Maruetsu, Inc.
 Mar. 2019: Vice President and Representative Director; Supervising Corporate Planning Division, the Company
 Mar. 2019: President and Representative Director, The Maruetsu, Inc. (to present)
 Mar. 2020: Vice President and Representative Director, the Company (to present)

**Shigekazu Torikai**

Independent Outside Director

Born March 12, 1947

Term of office: One year

Number of shares owned: —

Attendance at Board of Directors meetings: 100% (12/12)

Apr. 1975: Joined a tax accountant office
 Apr. 1990: Registered as Attorney
 Apr. 1994: Representative, Torikai Management and Law Office (currently Torikai Law Office) (to present)
 Mar. 2015: Independent Outside Director, the Company (to present)

Jun. 2017: External Member of the Audit & Supervisory Board, Kurita Water Industries Ltd.
 Jun. 2018: Outside Director, Riso Kagaku Corporation (to present)

**Naoko Makino**

Independent Outside Director

Born January 28, 1968

Term of office: One year

Number of shares owned: —

Attendance at Board of Directors meetings: 91.7% (11/12)

Apr. 1990: Joined Asako Aramaki Office Co., Ltd. (currently Diet Communications Co., Ltd.)
 Dec. 1995: Resigned from Asako Aramaki Office Co., Ltd. (currently Diet Communications Co., Ltd.)
 Jan. 1996: Freelance (Member of Association of Freelance Dieticians in Nakano Ward)
 Mar. 2004: Representative Director, Studio Ku Ltd. (to present)
 May 2007: Councilor and Member of Editorial Committee, Japanese Society of Shokuiku

Apr. 2013: Councilor, Japanese Society of Shokuiku; Member of Editorial Committee, Japanese Society of Shokuiku
 Jan. 2016: Member of Planning Committee, Japanese Society of Shokuiku (to present)
 May 2016: Independent Outside Director, the Company (to present)
 Jan. 2022: Councilor, Japanese Society of Shokuiku; Member of Award Nomination Committee, Japanese Society of Shokuiku (to present)

**Shinichiro Yamamoto**

Vice President and Representative Director

Born July 24, 1959

Term of office: One year

Number of shares owned: 24,000

Attendance at Board of Directors meetings: 100% (12/12)

Mar. 2013: Joined Kasumi Co., Ltd. as Advisor
 May 2014: Senior Executive Officer; Manager, Logistics Division, Kasumi Co., Ltd.
 Mar. 2017: Senior Managing Director and Senior Executive Officer, Kasumi Co., Ltd.
 Mar. 2018: General Manager, ICT Division, the Company
 Mar. 2019: Senior Managing Director and Senior Executive Officer; Manager, Business Reform Office; Manager, Business Remodeling, Kasumi Co., Ltd.

Mar. 2020: President and Representative Director, Kasumi Co., Ltd. (to present)
 General Manager, Digital Division, the Company
 May 2020: Director; General Manager, Digital Division, the Company
 Mar. 2022: Vice President and Representative Director; General Manager, Digital Division, the Company (to present)

**Satoshi Shimada**

Vice President and Director

Born June 5, 1972

Term of office: One year

Number of shares owned: —

Attendance at Board of Directors meetings: —

(Newly appointed)

Apr. 1995: Joined JUSCO Co., Ltd.
 Sep. 2002: Agricultural Merchandise Division, JUSCO Co., Ltd.
 Mar. 2011: Strategic Division, AEON Co., Ltd.
 Apr. 2015: Assistant to Group COO, AEON Co., Ltd.
 May 2019: President and Representative Director, AEON LIFE Co., Ltd.

Feb. 2021: Director, MaxValu Kanto Co., Ltd.
 Mar. 2021: President and Representative Director, MaxValu Kanto Co., Ltd. (to present)
 May 2022: Vice President and Director, the Company (to present)

Corporate Auditors

**Tadayoshi Yoyogi**

Corporate Auditor (Standing)

Born January 27, 1959

Term of office: Four years

Number of shares owned: 9,000

Attendance at Audit & Supervisory Board meetings: 100% (13/13)

Mar. 1981: Joined Kasumi Co., Ltd.
 Sep. 2002: Manager, Sales Department No. 10, Kasumi Co., Ltd.
 Mar. 2005: Manager, Food Market Sales Division No. 3, Kasumi Co., Ltd.
 May 2007: Executive Officer, Kasumi Co., Ltd.
 Jun. 2007: Deputy Manager, Compliance Control Office; Manager, Audit operation, Kasumi Co., Ltd.

Mar. 2013: Manager, Compliance Control Office; Manager, Audit operation, Kasumi Co., Ltd.
 May 2014: Full-time Corporate Auditor, Kasumi Co., Ltd.
 May 2019: Corporate Auditor, Kasumi Co., Ltd. (to present); Standing Corporate Auditor, the Company (to present)

**Masami Sakamoto**

Corporate Auditor (Standing)

Born February 25, 1958

Term of office: Four years

Number of shares owned: 21,000

Attendance at Audit & Supervisory Board meetings: 100% (13/13)

Mar. 1980: Joined The Maruetsu, Inc.
 Mar. 2008: Manager, Corporate Planning Department, Corporate Planning Division, The Maruetsu, Inc.
 Mar. 2010: General Manager, Finance and Accounting Division, The Maruetsu, Inc.
 May 2010: Executive Officer, General Manager, Finance and Accounting Division, The Maruetsu, Inc.
 May 2012: Executive Officer, General Manager, Human Performance Reform Division, The Maruetsu, Inc.
 Apr. 2013: Executive Officer, The Maruetsu, Inc.; President and Representative Director, Mamo Co., Ltd.; President and Representative Director, The Maruetsu, Inc.

President and Representative Director, Mamo Co., Ltd.; President and Representative Director, Mamo Center Support Co., Ltd.
 May 2014: President and Representative Director, Mamo Co., Ltd.
 Mar. 2017: President and Representative Director, Asubiz Support Co., Ltd.
 Mar. 2018: Advisor to President, The Maruetsu, Inc.
 May 2018: Full-time Corporate Auditor, The Maruetsu, Inc.
 May 2020: Corporate Auditor, The Maruetsu Inc. (to present); Standing Corporate Auditor, the Company (to present)

May 2013: Advisor, The Maruetsu, Inc.;

**Masaharu Homma**

Director

Born October 11, 1969

Term of office: One year

Number of shares owned: 11,000

Attendance at Board of Directors meetings: 100% (10/10)

Mar. 1992: Joined The Maruetsu, Inc.
 Mar. 2010: Manager, Corporate Planning Department, Corporate Planning Division, The Maruetsu, Inc.
 May 2013: Executive Officer, Manager, Corporate Planning Department, Corporate Planning Division, The Maruetsu, Inc.
 May 2015: Director, MaxValu Kanto Co., Ltd. (to present)
 Mar. 2017: Executive Officer responsible for administration; General Manager, Corporate Planning Division, The Maruetsu, Inc.

Mar. 2019: Executive Officer; General Manager, Corporate Planning Division, The Maruetsu, Inc.
 May 2019: Managing Executive Officer; General Manager, Corporate Planning Division, The Maruetsu, Inc.
 May 2020: Director and Managing Executive Officer, General Manager, Corporate Planning Division, The Maruetsu, Inc. (to present)
 May 2021: Director, the Company (to present)

**Motoya Okada**

Director and Advisor

Born June 17, 1951

Term of office: One year

Number of shares owned: —

Attendance at Board of Directors meetings: 91.7% (11/12)

Mar. 1979: Joined JUSCO Co., Ltd. (currently AEON Co., Ltd.)
 May 1990: Director, JUSCO Co., Ltd.
 Feb. 1992: Managing Director, JUSCO Co., Ltd.
 May 1995: Senior Managing Director, JUSCO Co., Ltd.
 Jun. 1997: President and Representative Director, JUSCO Co., Ltd.
 May 2002: Director and Advisor, AEON Mall Co., Ltd. (to present)
 May 2003: Director, President and Representative Executive Officer, AEON Co., Ltd.
 May 2004: Director and Advisor, Kasumi Co., Ltd.

Nov. 2005: Outside Director and Advisor, TSURUHA HOLDINGS Inc.
 Mar. 2012: Director, President and Representative Executive Officer, and Group CEO, AEON Co., Ltd.
 Aug. 2014: Director, KUSURI NO AOKI HOLDINGS CO., LTD. (to present)
 Nov. 2014: Director, Welcia Holdings Co., Ltd. (to present)
 Mar. 2015: Director and Advisor, the Company (to present)
 Mar. 2020: Director, Chairman and Representative Executive Officer, AEON Co., Ltd. (to present)

**Koichi Ihara**

Outside Corporate Auditor

Born October 8, 1962

Term of office: Four years

Number of shares owned: —

Attendance at Audit & Supervisory Board meetings: 100% (13/13)

Apr. 1986: Joined Marubeni Corporation
 Apr. 2013: CFO, Marubeni ASEAN Pte. Ltd. (Singapore)
 Apr. 2015: Senior Manager, Finance Dept., Marubeni Corporation
 Jan. 2017: Director; General Manager, Administration Division, Marubeni Mate Co., Ltd.
 Apr. 2018: General Manager, Planning Dept., Consumer Products Group, Marubeni Corporation

Oct. 2018: General Manager, Planning Dept., Food Group; General Manager, Planning Dept., Consumer Products Group, Marubeni Corporation
 Nov. 2018: General Manager, Planning Dept., Food Group, Marubeni Corporation
 Apr. 2019: General Manager, Administration Dept., Food, Agriculture & Chemicals Group, Marubeni Corporation
 May 2019: Outside Corporate Auditor, the Company (to present)
 Apr. 2022: Administration Dept., Consumer Products Group, Marubeni Corporation (to present)

**Hirofumi Ishimoto**

Outside Corporate Auditor

Born January 8, 1962

Term of office: Four years

Number of shares owned: —

Attendance at Audit & Supervisory Board meetings: 100% (13/13)

Aug. 1986: Joined JUSCO Co., Ltd. (currently AEON Co., Ltd.)
 Feb. 2002: Manager, Corporate Branding Division, AEON Co., Ltd.
 Mar. 2005: Strategic Division, AEON Co., Ltd.
 May 2011: Director; General Manager, Marketing Division, General Manager, New Business Development Division, AEON Eheart Co., Ltd.

Mar. 2015: Manager, Corporate Planning Division, AEON Retail Co., Ltd.
 Sep. 2016: Manager, Affiliated Companies Division, AEON Retail Co., Ltd.
 May 2020: Full-time Corporate Auditor, AEON Big Co., Ltd. (to present)
 May 2021: Outside Corporate Auditor, the Company (to present)

**Akira Terakawa**

Director

Born February 8, 1958

Term of office: One year

Number of shares owned: —

Attendance at Board of Directors meetings: 100% (12/12)

Apr. 1981: Joined Marubeni Corporation
 Apr. 2010: Executive Officer; General Manager, Corporate Planning & Strategy Dept., Marubeni Corporation
 Apr. 2012: Executive Officer, Chief Operating Officer, Chemicals Division, Marubeni Corporation
 Apr. 2013: Managing Executive Officer, Chief Operating Officer, Chemicals Division, Marubeni Corporation
 Apr. 2014: Managing Executive Officer, Chief Operating Officer, Corporate Planning & Strategy Dept., Chairman of Internal Control Committee, Vice Chairman of Investment and Credit Committee, Marubeni Corporation

Jun. 2014: Managing Executive Officer; Member of the Board, Chief Operating Officer, Corporate Planning & Strategy Dept.; Chairman of Internal Control Committee; Vice Chairman of Investment and Credit Committee, Marubeni Corporation
 Apr. 2015: Managing Executive Officer; Representative Director and CSO, Senior Operating Officer, Executive Secretariat; Regional CEO for East Asia; Chairman of Officers Treatment Committee; Vice Chairman of Investment and Credit Committee, Marubeni Corporation
 Apr. 2016: Managing Executive Officer; Member of the Board, Chief Executive Officer, Chemical & Forest Products Group, Marubeni Corporation

Jun. 2016: Managing Executive Officer; Chief Executive Officer, Chemical & Forest Products Group, Marubeni Corporation
 Apr. 2018: Senior Managing Executive Officer; Chief Executive Officer, Food Group; Regional CEO for East Asia; Vice Chairman of Investment and Credit Committee, Marubeni Corporation
 Apr. 2019: Senior Managing Executive Officer; Chief Executive Officer, Food, Agriculture & Chemicals Group; Vice Chairman of Investment and Credit Committee, Marubeni Corporation
 May 2019: Director, the Company (to present)
 Apr. 2020: Senior Executive Vice President, Chief Executive Officer, Food, Agriculture & Chemicals Group; Chief Operating Officer, Food Div., Marubeni Corporation

Apr. 2021: Senior Executive Vice President; Chief Executive Officer, Food, Agriculture & Chemicals Group; Vice Chairman of Investment and Credit Committee, Marubeni Corporation
 Jun. 2021: Representative Director and Senior Executive Vice President; Chief Executive Officer, Food, Agriculture & Chemicals Group; Vice Chairman of Investment and Credit Committee, Marubeni Corporation
 Apr. 2022: Representative Director and Senior Executive Vice President; Chief Executive Officer, Consumer Products Group; Vice Chairman of Investment and Credit Committee, Marubeni Corporation (to present)

**Shinobu Okamoto**

Independent Outside Corporate Auditor

Born June 18, 1954

Term of office: Four years

Number of shares owned: —

Attendance at Audit & Supervisory Board meetings: 100% (13/13)

Apr. 1977: Co-ordination Division, Management and Co-ordination Department, Tokyo Regional Taxation Bureau
 Jul. 2005: Special Officer (Planning and Co-ordination), First Taxation Department, Tokyo Regional Taxation Bureau
 Jul. 2006: District Director, Kawashima Tax Office, Takamatsu Regional Taxation Bureau (Tokushima Prefecture)

Jul. 2007: Chief Examiner, Third Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
 Jul. 2008: Director, Planning Division, Management and Co-ordination Department, Tokyo Regional Taxation Bureau
 Jul. 2009: Director, First Personnel Division, Management and Co-ordination Department, Tokyo Regional Taxation Bureau

Jul. 2012: Chief Internal Inspector, Commissioner's Secretariat, National Tax Agency
 Jun. 2013: Assistant Regional Commissioner (Management and Co-ordination), Nagoya Regional Taxation Bureau
 Jul. 2014: Regional Commissioner, Kumamoto Regional Taxation Bureau
 Oct. 2015: Representative, Shinobu Okamoto Tax Accountant Office (to present)

May 2016: Independent Outside Corporate Auditor, the Company (to present)
 Jun. 2016: Corporate Auditor, RIKENGREEN Co., Ltd.
 Jun. 2019: Outside Audit & Supervisory Board Member, Yamachi Electronics Co., Ltd. (to present)

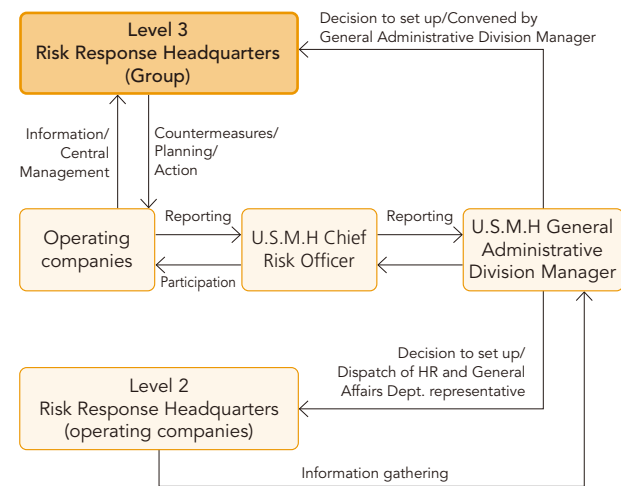
Risk Management

Risk Management System and Initiatives

The Company defines “risk management” as firstly identifying and anticipating situations in which certain events may occur that impact achievement of business objectives for all of the Company’s businesses, and then taking appropriate steps to prevent such situations from occurring or spreading.

In an increasingly complicated operating environment, we have positioned risk management as a material issue, and we will protect our business resources by understanding, assessing and considering countermeasures for risks at the Groupwide level. In the event of a major natural disaster or other emergency, we will fulfill our social and humanitarian responsibilities by giving due consideration to maintaining the safety and health of our

Risk Management System



customers, employees and their families. We have also established systems to ensure that our business activities are not interrupted by natural disasters, accidents or other incidents, and to quickly restore business activities and minimize the associated risks if an interruption is unavoidable, and we ensure that all employees are fully aware of these systems.

In addition, we familiarize everyone concerned with the U.S.M.H Code of Conduct, which is a set of behavioral guidelines for ensuring that the Company’s directors and employees perform their duties in compliance with laws and the Articles of Incorporation, and we regularly report the status of internal audits and internal controls to the Management Committee.

Principal Risks

Risk Classification	Main Risk Items
Product incidents, defective products	Food poisoning, mislabeling, expiry date falsification, violation of labeling requirements, product tampering or foreign objects, expired products
In-store incidents	In-store accidents, robberies, customer falls
Human issues	Crime by or arrest of an executive/employee, executive/employee wrongdoing, executive/employee drunk-driving incidents
Labor issues	Sexual harassment, abuse of power, employee suicide, work-related accidents, death from overwork
Corporate negligence	Fire, food poisoning, product tampering or foreign objects, infectious disease outbreak, discovery of insider trading, leaks of personal information, serious environmental pollution
Corporate crime	Misrepresentation, cover-ups, tax evasion, fraudulent accounting, illegal acts (violation of the Antimonopoly Act, fair trade laws, insider trading or waste disposal regulations), bribery, online accusations
Threats or crimes against the Company	Threats of needle contamination, etc., threats from malicious claims and complaints, product contamination, robbery/theft, blackmail from antisocial forces, etc., trespassing by suspicious persons, bomb threats, inappropriate use of social media, ransom demands made through ransomware
Natural disasters	Earthquakes, typhoons/floods, tornados, sudden downpours, river flooding due to heavy rain, water supply outages, delay of product deliveries due to heavy snow, inability to trade merchandise in markets due to typhoons or heavy rain, power outages due to damaged power lines
Credit uncertainty or bankruptcy of business partners	Bankruptcy of developers, business partners or tenants
Litigation or disputes	Accusations, criminal cases, damage claim cases, shareholder derivative lawsuits

Business Continuity Plan to Respond to Disaster Risks

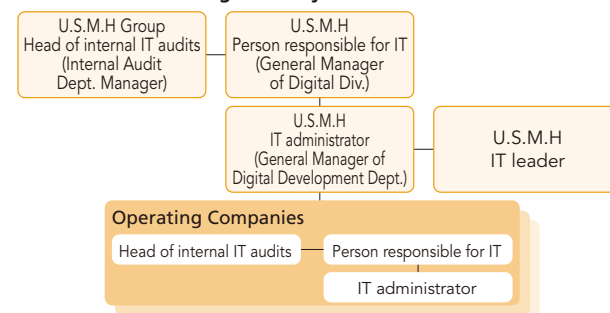
In the event of a major earthquake or other disaster in the greater Tokyo area, we will implement a business continuity plan (BCP) for maintaining the functionality of the Company and each operating company, and for maintaining or quickly restoring store operations at operating companies. We will cooperate with each operating company, make ensuring the safety and security

of customers and employees our highest priority, and take measures to quickly resume business at affected stores and prevent any impact on unaffected stores. We will also cooperate with local authorities to support people unable to return home due to mass transit disruptions in the greater Tokyo area or other issues.

IT Governance and Information Security

In addition to promoting DX at various levels, the Group has established IT governance guidelines as a shared policy with the AEON Group, and is working to strengthen management systems. In managing our IT investments, procurement, outsourcing and development projects, we identify audit items through self-checks, regularly monitor those items, and continue to confirm and improve them at Management Committee meetings and other meetings.

IT Governance Management System



Compliance

Basic Approach to Compliance

The Company’s Core Philosophy is to offer customers healthy, valuable choices in food, and to cultivate deep relationships to build prosperous local communities. The directors and employees of the Group and its subsidiaries perform their duties in compliance with laws, regulations and the Articles of Incorporation, and we familiarize them with the U.S.M.H Code of Conduct, which was established as a set of behavioral guidelines. We continuously educate people in positions of responsibility through various training programs to enhance awareness of compliance, and share our Core Philosophy.

The AEON Code of Conduct “110” Hotline is available as an internal reporting contact point.

Our subsidiaries have also established internal helplines in line with the Group’s structure, and provide a consultation service for contacting the department primarily responsible for HR. In addition, as a result of the revised Whistleblower Protection Act that came into effect in June 2022, we ensure that users of these systems are aware that they will not be treated unfavorably. Upon receiving a whistleblowing report, the department in charge examines the details and, if there is a violation, takes the necessary measures based on internal regulations. That department then formulates measures to prevent a recurrence, or has measures formulated and implemented Groupwide.

Specific Initiatives to Prevent Wrongdoing and Misconduct

In accordance with the U.S.M.H Code of Conduct, all executives and employees of the Group share the position that they shall not seek to benefit from bribery or other improper means under any circumstances. Executives and employees of the Group and its subsidiaries are fully aware that any misconduct should be reported to the internal reporting contact point, which acts as a medium for executives, employees and business partners to report information.

Compliance training for Group officers enables them to learn from specific cases of wrongdoing and misconduct, such as offering benefits with wrongful intent.

Participants investigate the causes of those incidents, consider measures to prevent recurrence, and pledge to think, make judgments and act on their own initiative.

In addition, given the gravity of the impact financial reports can have on the Company’s credibility, the General Administrative Division cooperates with outside experts, including certified public accountants, to provide annual training for managers at the Company and its subsidiaries to ensure their awareness of and compliance with laws and regulations.

Internal Reporting System

In regard to performing our duties as a company, we have established Whistleblower Protection Regulations. These regulations protect whistleblowers from unfavorable treatment as a result of reporting acts such as those that violate laws or regulations in any field, acts that violate corporate ethics including the U.S.M.H Code of Conduct, acts against fair trade, and acts that infringe on the interests of customers.

To protect whistleblowers, the Whistleblower Protection Regulations specifically stipulate the information to be protected, the scope of whistleblowers, details about protection of whistleblowers, the duty of confidentiality, and the handling of and response to reported information, and we ensure that executives and employees are fully aware of these regulations. In particular, details about protection of whistleblowers include protection against unfavorable treatment as a result of having made the report, including disciplinary

action such as dismissal or demotion, reassignment of work duties that puts the whistleblower at a disadvantage, and disclosure of personal information that could be used to identify the whistleblower.

Internal reporting results are shared semi-annually with the Management Committee, which includes the presidents and representative directors of each operating company, and the number of reports, most frequently reported categories, and the specific details of reports and results of responses are confirmed. In relation to issues that may arise, as identified from response reports by operating companies, we consider whether reports of internal rule violations, various types of harassment, human relationships and other matters are being effectively resolved through our responses and our management systems. This information is regularly shared with the Management Committee.

7-Year Highlights

(Millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Profit and Loss							
Operating revenue	663,799	684,806	692,248	694,323	691,660	733,850	716,407
Operating income	14,024	14,320	14,068	11,811	9,357	19,124	12,155
Ordinary income	13,862	14,185	14,188	12,253	9,627	19,433	12,474
Profit attributable to owners of parent	5,329	7,350	7,452	5,308	1,636	8,845	5,374
Financial Position							
Net assets	131,664	137,518	139,539	142,326	141,695	148,797	152,238
Total assets	254,006	256,043	262,047	258,315	261,478	285,090	280,741
Total equity ratio (%)	51.6	53.6	53.1	54.9	54.0	52.0	54.0
Interest-bearing debt	30,814	32,036	33,727	31,163	29,635	35,828	40,564
Cash Flows							
Cash flows from operating activities	16,107	16,682	21,060	18,309	16,290	29,919	16,016
Cash flows from investing activities	(16,897)	(20,294)	(16,238)	(13,153)	(18,476)	(15,935)	(24,324)
Cash flows from financing activities	(3,910)	(608)	(4,270)	(4,561)	(4,007)	4,137	2,391
Cash and cash equivalents at end of period	29,470	25,169	25,708	26,238	20,018	38,118	32,498
Share Information							
Basic net income per share (Yen)	40.47	55.82	57.32	41.38	12.76	68.97	41.89
Net assets per share (Yen)	996.17	1,041.49	1,084.53	1,105.74	1,100.33	1,155.18	1,180.56
Cash dividends per share (Yen)	14	14	16	16	16	18	16
Dividend payout ratio (%)	34.6	25.1	27.9	38.7	125.4	26.1	38.2
Price earnings ratio (PER) (Times)	23.6	18.2	19.2	28.7	67.0	15.4	25.3
Closing share price (Yen)	956	1,014	1,100	1,187	855	1,064	1,060
Price book-value ratio (PBR) (Times)	0.96	0.97	1.01	1.07	0.78	0.92	0.90
Financial Indicators							
Return on equity (ROE) (%)	4.1	5.5	5.4	3.8	1.2	6.1	3.6
Return on assets (ROA) (%)	5.5	5.6	5.5	4.7	3.7	7.1	4.4
Return on invested capital (ROIC) (%)	5.61	5.49	5.28	4.43	3.55	6.73	4.10
Other							
Total number of shares issued at end of period	131,681,356	131,681,356	131,681,356	131,681,356	131,681,356	131,681,356	131,681,356
Total number of employees	27,864	29,192	29,597	29,237	28,905	29,184	29,527
Number of new stores opened during the period	30	22	15	13	10	9	8
Number of stores at end of period	494	503	511	516	519	518	521

Company Data / Stock Information (As of February 28, 2023)

Corporate Profile

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

Share Information

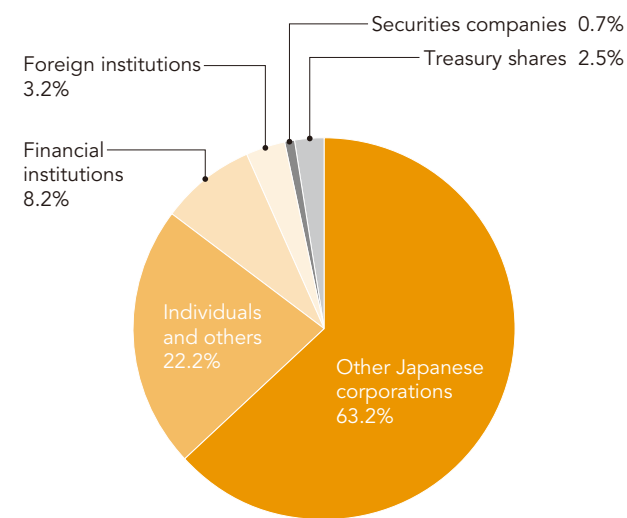
Number of shares authorized: 500,000,000 shares
 Number of shares issued: 131,681,356 shares
 Number of shareholders: 101,021

Major Shareholders

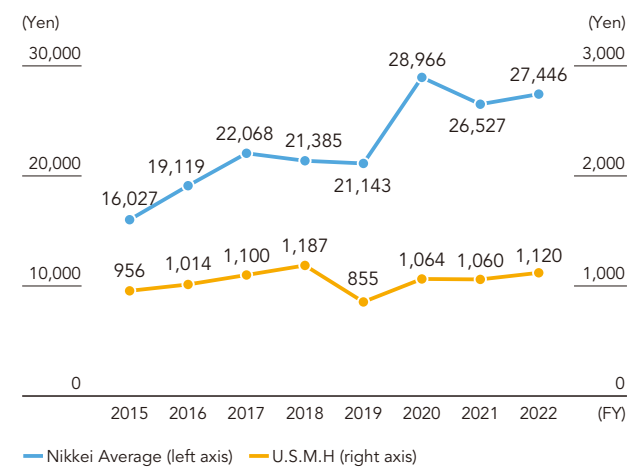
Name	Number Of Shares Held (Thousands)	Ratio Of Shares Held (%)
Aeon Market Investment Inc.	67,159	52.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,751	5.26
U.S.M.H Group Business Partners Shareholding Association	2,891	2.25
The Kambayashi Scholarship Foundation	2,300	1.79
AEON Co., Ltd.	1,629	1.26
NIPPON ACCESS, INC.	1,522	1.18
KOKUBU GROUP CORP.	1,099	0.85
Mitsubishi Shokuhin Co., Ltd.	1,088	0.84
Custody Bank of Japan, Ltd. (Trust Account)	1,049	0.81
Kowa Company, Ltd.	1,010	0.78

Note: Ratio of shares held is calculated excluding treasury shares (3,338,811 shares).

Share Ownership by Shareholder Type



Stock Chart



Total Shareholder Returns (Including Dividends)

