Valor Holdings

“Valor” is derived from a Late Latin word meaning ‘a person of courage’.

We believe in courage as essential to fulfill our social responsibilities.

Forward Looking Statement

This report's coverage extends beyond current information and date for the Valor Group to future forecasts. These forecasts represent assumptions and viewpoint based on information available at the time of publication. The actual results may differ from the forecasts due to various circumstances and external environmental factors.

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Valor Holdings

Creating New Values for Local Communities

2022 Annual Report

Fiscal Year Ended March 31, 2022

Valor Holdings

Creating New Values for Local Communities

Corporate Philosophy

The Valor Group has defined its philosophy, **“Creation, Advance & Challenge”** in mission statements.
Shared with all the employees since 1958, they have been considered as guiding principles in management.

Mission Statements

All the employees of the Valor Group should be aware of its social responsibilities for advancement of local communities and culture. To fulfill them, we perform our duties sincerely; set challenging goals in the spirit of the philosophy “Creation, Advance & Challenge”; and put together our wisdom and power.
There is only one truth, “Pursuing prosperity is good”.

“Valor” is derived from a Late Latin word meaning ‘a person of courage’.
We believe in courage as essential to fulfill our social responsibilities.

On our way to becoming a destination company* that continues to provide new value to local communities

*Destination company ··· a company that is chosen by society.

Valor Holdings
Annual Report
2022

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We will create new values in response to changing social needs by strengthening our connection with customers leveraging Group management resources.

The Valor Group has met the diverse needs of local communities by rolling out multi-format retailing which comprises supermarkets, drugstores and home improvement centers, while maintaining business models that optimize the entire process from sourcing to retailing. We will achieve medium- & long-term growth by making a transition to a more competitive format and strengthening our connection with customers.

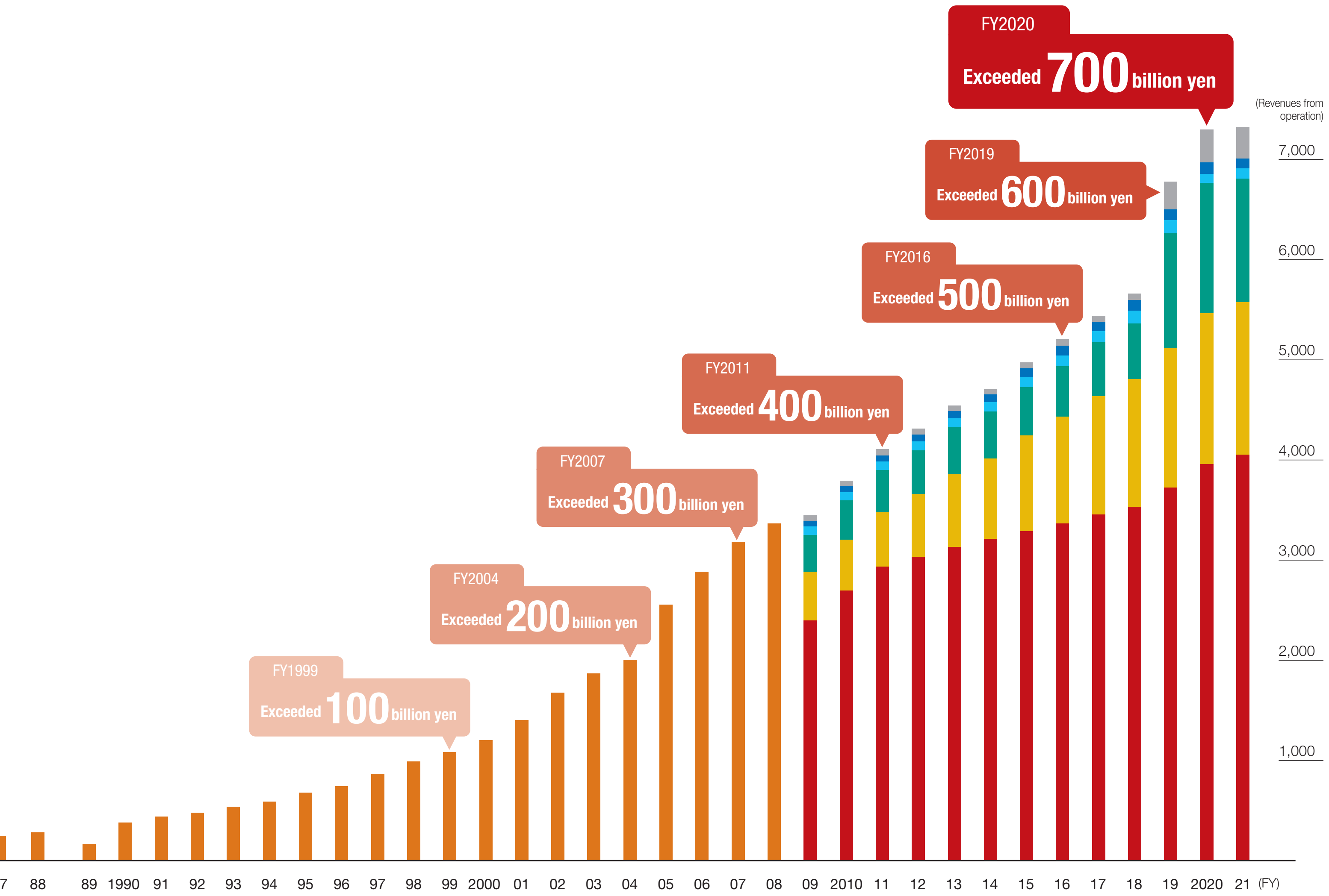
Clarifying our vision under the influence of the novel coronavirus disease (COVID-19)

Under the influence of COVID-19, we were reminded of both our unwavering social mission of providing a stable supply of products essential to daily life, as well as the necessity to rethink the way we deliver products and services to address new life-styles and consumption behaviors. This led us to reorganize our thoughts on just how we see the Group's role in society and how we will create value.

As a result, we established "Valor Group Vision 2030" and "Sustainability Vision 2030," our medium- to long-term management policies with an eye to the year 2030, and to bring these to reality, formulated the "Valor Group New FY2021- 2023 Strategic Plans" in FY2021. We will continue to strive toward sustainable growth and the realization of a sustainable society, taking the stance of "Creation, Advance & Challenge," as set forth in our Corporate Philosophy.

Revenues Growth

(Revenues from operations)



1958– Startup of Supermarket and Related Businesses of Manufacturing, Wholesale & Logistics

In 1958, we established Shufu-no-Mise Co., Ltd. (changed the company name to Valor Co., Ltd. in 1974) and opened the first supermarket in Ena-shi, Gifu. We subsequently established Chubu Yakuhin Co., Ltd., a drugstore subsidiary, and Chubu Foods Co., Ltd., a prepared food manufacturing subsidiary, and started a materials wholesale business through Chubu Ryutu Co., Ltd. We entered into the logistics business through Chubu Kosan Co., Ltd., a logistics subsidiary, and in 1989, established the first distribution center in Tajimi-shi, Gifu.

1995– Rolling out of Multi-format Retailing and Establishment of Distribution Network

While expanding the scale of our supermarket business, we solidified our foundations for multi-format retailing. We merged with Fujiya Co., Ltd., a home improvement center company, and then established AXTOS Co., Ltd. and spun off a sports club business. We also established a distribution network in Hokuriku region in response to expanding business areas.

2005– Expansion of Supermarket Business and Challenge to Integrate Business Processes

In the supermarket business, we expanded our scale through organic growth and M&As. The major companies acquired are as follows: Tachiya Co., Ltd., Youth Co., Ltd. and Sun-Friend Co., Ltd.(currently Shokusenkan-Taiyo Co., Ltd.). We also integrated the entire process from sourcing to retailing via our manufacturing and wholesale subsidiaries, and developed production bases and distribution centers.

2015– Business Process Integration and Growth Gained from Multi-format Group Management

In October 2015, we made a transition to a holding company to promote the growth of business companies and improve corporate governance. We took the next step for growth by integrating home center businesses as of April 1, 2019 through a share exchange agreement between Alleanza Holdings Co., Ltd. and Home Center Valor Co., Ltd.

Changing Objectives of Capital and Business Partnerships

In the past, we executed M&As centering on the supermarket business to expand the size and scope of our business. Since 2015, we have acquired food manufactures with unique products and have concluded capital and business partnerships that lead not only to product sourcing and development improvements, but also to comprehensive approaches.

Pursuit of Economies of Scales 1995 ▶

Expansion of Operational Areas 2005 ▶

Increase in Market Share 2005 ▶

Enhancement of Product Appeal/ Evolution of Business Models 2015 ▶

A future of a "Valor Economic Zone" realized by a destination company that is chosen by society

Transformation and challenges under the new FY2021-2023 strategic plans

The food distribution industry and surrounding industries continue to maintain their functions as lifelines that support people's lives and fulfill their social responsibilities amid the prolonged impact of the new coronavirus infection and continue to respond to changes in consumer behavior in the COVID-19 pandemic to survive their businesses.

While the Group has been making efforts to respond to the COVID-19 pandemic in recognition of its urgency and importance, it has also been taking a new direction in recent years as a medium- to long-term management issue, from the perspective of how to perceive customer needs, which have changed over the past decade, and how to link them to future business growth.

The pillar of that transformation based on this direction is the transition to “destination stores.” Due to the bolstering sales of food products by convenience stores and drugstores and the rise of EC sales, supermarkets have lost the advantage of the “proximity to the market area.” In response to this, we have navigated management toward a basic policy of “undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products.” In other words, converting existing stores to a model where the unique product and category mix itself would be the motivation for customer visits, we have been renovating and expanding the fresh food sections at stores and striving to improve product appeal by renewing private brands to go beyond market areas to acquire customers that would not normally be the targets.

These efforts have enabled us to steadily enhance store competitiveness and profitability to achieve steady growth while overcoming the effects of the COVID-19 pandemic in FY 2019 and onwards.

In FY 2021, the Valor Group has clarified its medium- to long-term management policies leading up to 2030 as the “Valor Group Vision 2030” and “Sustainability Vision 2030,” in rethinking just how we see the Group’s role in society and in what way we will create value in the society of tomorrow. In addition, we commenced our new FY2021-2023 strategic plans. These plans aim to evolve into a "destination company" by further promoting the transition to "destination stores" and focusing on the future vision in the new strategic plans.

Sales increased for the 27th consecutive year, driven by the supermarket business

In the first year of the plans, consolidated operating results for FY2021 were revenues from operations of ¥732,519 million, an increase of 0.3% year on year. Although affected by the application of the new revenue recognition standard by approximately ¥20,000 million, the growth of the supermarket business led the way to a new record high, marking the 27th consecutive year. Compared to the figures before the application of the new standard, real growth was up 3.1% year on year. Profit decreased year on year, affected by mainly an increase in expenses for renovating and launching new stores. Operating income decreased 17.3% to ¥21,205 million, ordinary income decreased 15.0% to ¥24,140 million, and profit attributable to owners of parent decreased 28.4% to ¥9,014 million. Despite the decrease in profit, operating income and ordinary income were the second highest ever recorded.

While the effects and restrictions on social and economic activities due to the COVID-19 pandemic continue, in the retail environment, the stockpiling and stay-at-home demand that was predominant last year has subsided, and the consumption behavior toward “living with COVID” has taken root in this year.

As a key strategy in our leading supermarket business, the Group continued to promote the transition to destination stores while striving to improve product appeal. Specifically, we renovated 28 stores to expand the fresh food sections, and at the same time, we enhanced product appeal by creating products that leverage the strength of specialty stores, strengthening manufacturing and retailing, and incresing private brands (PB), and we sought to enclose customers with our Lu Vit card application (app), our own electronic money.

In the supermarket business, as a new focus theme, we began opening "specialty stores" specializing in fresh food and delicatessen in urban areas, building a chain development format that differs from that of suburban areas. To perceive the need for fresh food and delicatessen in urban areas with small stores that are easy to secure locations, we are creating highly specialized stores that utilize the supermarket style. We are also focusing on training employees to hold "Meister" certifications, who demonstrate advanced product knowledge and sales techniques in in-store sales.

Meanwhile, in EC business, used increasingly in the COVID-19 pandemic, net supermarkets, which began cooperation with Amazon Japan LLC. in June 2021, grew steadily, contributing to an increase in market share.

As a result, the supermarket business in this fiscal year increased revenues from operations due to the successful renovation to become destination stores, which led to an increase in existing store sales, especially in the fresh food sections, and the contribution of Yaosen Co., Ltd. and Yamata Co., Ltd, which became subsidiaries in October 2021. The drugstore business achieved an increase in revenue, supported by higher new store sales and strong performance in dispensing and EC sales, while the home improvement center business saw a decline in operating revenue due to a reaction to the special demand during COVID-19.

The first year of the medium-term strategic plans with steady progress in the three growth strategies

Two medium- to long-term management policies, “Valor Group Vision 2030” and “Sustainability Vision 2030,” are roadmaps for the Group to endure as an indispensable company in society. Under the “Valor Group Vision 2030,” we will build a comprehensive economic zone that transcends the boundaries of our stores as a destination company that connects communities through products, services, and payments. Under the “Sustainability Vision 2030,” we aim to be a company that contributes to the creation of a sustainable society and develops together with our stakeholders through the efforts of all employees of the Group in its business activities.

The new FY2021-2023 strategic plans, currently underway, are positioned as the first step in the three-year process of realizing these visions. The plans aim to achieve operating revenue of ¥780,000 million, operating income of ¥29,000 million, ordinary income of ¥31,000 million, ROE of 9.3%, ROIC of 6.3%, and D/E ratio of 0.6 times in the final year of the plan, the fiscal year ending March 31, 2024. We will continue to pursue three growth strategies: “connections with products,” “connections with customers,” and “ties with society.

The “connections with products” initiative focuses on creating attractive products that are “unique to Valor” by leveraging the Group’s procurement and manufacturing functions. In the first year of the plans, the number of Group-manufactured products with annual sales exceeding ¥100 million reached 129 items (up 15 items from the previous year), showing steady progress. In addition, PB products are not only sold in stores, but also sold to external customers, including exports.

In efforts to “connections with customers, we are expanding the number of members of the “Lu Vit Card and app” and strengthening our EC business. In the first year of the plans, the number of “Lu Vit Card and app” members totaled 4.29 million (up 590,000 from the previous year), and in the EC business, as mentioned above, the cooperation with Amazon Japan LLC. was a positive success, while the “ainoma” online supermarket for business office delivery also performed well.

The PB and EC businesses, together with the BtoB business that sells products to corporations and municipalities, are positioned as “non-store businesses” and were integrated into V-Solution Co., Ltd. in May 2022. Through this consolidation, we aim to enhance our competitiveness, expand our scale, and develop new markets.

In terms of our connection with society, we are promoting the introduction of solar power generation systems and a surplus solar power circulation model at our facilities to reduce our environmental impact. We are also engaged in resource recycling through specialized subsidiaries and cooperate with government agencies to respond to various social needs.

Through these three growth strategies, the Group will further strengthen its business foundation and lay the foundation for the formation of a Valor economic zone, evolution into a destination company, and realization of a sustainable society, which are the goals of the medium- to long-term management policies.

A prosperous future shared with our stakeholders

In the second year of the plans, consolidated results for FY2022 are expected to be increased in revenue and profit, which are projected to be ¥750,000 million in operating revenue (up 2.4% year-on-year), ¥22,700 million in operating income (up 7.0%), ¥25,000 million in ordinary income (up 3.6%), and ¥11,500 million in profit attributable to owners of parent (up 27.6%).

Based on our profit return policy of maintaining stable and continuous dividends with a target consolidated dividend payout ratio of 25%, we plan to pay an annual dividend of ¥58 per share (interim dividend: ¥27 per share; year-end dividend: ¥31 per share) for FY2022, an increase of ¥2 over the previous fiscal year. To meet the expectations of our shareholders, we will strive to further improve our business performance and increase our corporate value while raising even higher the level of returns.

We have appointed Mr. Takayuki Koike as Acting President effective August 10, 2022. As CEO, I will do my utmost to support the members of the Board of Directors, while at the same time, I am determined to establish a more solid group management structure than ever before so that all of our stakeholders can feel secure in our company.

We hope that all of our stakeholders will continue to look forward to the prosperous future that we, the Valor Group, will create, and we look forward to your continued support.

Message from Acting President and Director

Takayuki Koike

Acting President and Director

Provide local communities with the value that only the Valor Group can create

"Double Cropping," strengthening the core business and leveraging the Group's resources

My name is Takayuki Koike, and I have been appointed Acting President and Director as of August 10, 2022. This sudden appointment may have made all concerned, but I will continue to exercise leadership as the person in charge of navigating the group management. Under the current management structure, I serve as Chairperson of the Board of Directors and Chairperson of the Group Executive Committee.

I have been with the company for 27 years since I joined in 1995, and I believe that I have grown along with the company. I have been in charge of stores, the System Department, and the Merchandise Department, and then transferred to a trading company, after which I was involved in the Logistics Department for a long time. In addition, in 2005, I became involved in M&A and business development as General Manager of the President's Office, and in 2018, I became President and Representative Director of Chubu Kosan Co., Ltd., which is a company among our logistics group companies. Now I have been the Director of the Distribution Technology Department since 2020.

The challenge throughout my career has been "how to create synergy by connecting the strengths of each company. To reveal the group's potential, I will make use of my experience and leverage what I can do in the management of the company.

I believe that I have three main missions for the future.

The first is to pursue a destination company for the stakeholders of the Valor Group. In the future, it will be important not only to achieve sales and profit but also to be a company that is valuable to society. In addition to creating stores where customers enjoy shopping, we aim to be a company where employees find their work rewarding, a company where business partners can share in mutual growth, and a company that meets the expectations of our shareholders.

The second is to rebuild and redesign the assets and values that the Valor Group has built up to date. As we expand our business, we have nearly 60 group companies, and we feel that we need to consolidate and integrate their functions with a view to future growth strategies. We will create an environment in which each group company can achieve maximum cost performance.

Third, we will reform our internal structure in terms of human resource development, with an eye to generational change. The environment surrounding us has undergone a major transformation in fundamental elements. The COVID-19 pandemic has accelerated this process. We will use this change in top management as an opportunity to raise the level of management for growth.

The two major growth policies to realize the above are "strengthening the core business" and "double cropping by leveraging the resources of the Valor Group."

The Valor Group has created a model in which the growth of its three core businesses (supermarket, drugstore, and home improvement center) has triggered the growth of other group companies. At this time, we aim to improve group earnings by re-focusing on the three core businesses, especially the supermarket business. From the second half of the fiscal year, we will launch six projects: "productivity improvement," "human resource development," "strengthening manufacturing and retailing," "leveraging PB," "establishing a method of target management that is resistant to change," and "gaining a competitive edge in sales policy." In line with these projects, we will enhance our core business from both short- and long-term perspectives.

We also refer to the policy of earning profits through a separate axis from the store channel by leveraging the resources of the Valor Group as "double cropping". This initiative is an innovation in profit-earning measures. Specifically, we will expand our non-store business through EC and BtoB operations, and develop a business model that returns value to society through government cooperation and regional symbiosis.

Message from Acting President and Director

Progress and future of growth strategies to connect products, customers and society

It has passed one and a half years since we commenced our new FY2021-2023 strategic plans. Although there have been significant changes in the external environment, we believe that progress to date has been generally favorable in implementing the strategic goal of "Connect 2030: Connecting Products, Customers, and Society."

First, in our "connection with products" initiative, we are continuing to develop PB products, aiming to produce products with group sales of over ¥500 million, while gradually expanding external sales. Against the backdrop of National Brand (NB) price hikes, PB is prevailing and even more important. As for fresh food products, we are feeling the benefits of being destination stores by developing category killer level merchandising (MD) such as "Sushi, directly made by fisheries sections" and "the roasted pork and offal processed at our in-house process center."

As prices continue to rise, customers' sensitivity to price value and their sense of affordability are changing dramatically. Our strength as a retailer is that we can quickly identify and respond to these changes. We will leverage this strength to pursue the development of products and sales floors from the customer's perspective. At the same time, we will optimize our manufacturing and sales cycles using DX and reduce costs through group-wide supply chain management.

In our efforts to the "connection with customers," we are pursuing the maximization of connections with our customers through our EC business, improvements to the Lu Vit app, and direct marketing efforts using digital signage, all against the backdrop of the COVID-19 pandemic. Under this circumstance, the number of members of the Lu Vit card and app has been steadily increasing, and the company is now ready to respond to the diversification of payments. In the fan-building project, we have established analytical methods through task teams with our business partners and are accumulating knowledge. In addition, we are cooperating with Amazon Japan LLC. to open more stores. To develop the "double cropping" mentioned above, we will assess various local needs and expand our non-store business.

In our "connection with society" initiative, we are working to contribute to decarbonization through the use of renewable energy, including the introduction of solar power generation systems and a surplus solar power circulation model, and the provision of EV charging services at our stores, as part of our efforts to address sustainability issues. In addition, as a group that deals with food products in many situations, we plan to continue to promote the provision of food products in cooperation with local children's cafeterias and food banks as a measure to address food loss and waste. To support the livestock industry in the face of rising feed prices and other problems, we are also working on integrated and cyclical solutions by converting residues from our food processing operations into animal feed. In recent years, natural disasters have frequently occurred locally and unexpectedly. We recognize that our role as a corporate group responsible for lifelines is becoming increasingly significant. We have concluded agreements with 47 municipalities in 4 prefectures to provide support in the event of a disaster, and we are actively providing supplies and other assistance to disaster-stricken areas. We intend to further promote the conclusion of comprehensive partnership agreements with local governments in the future.

In executing our plans, we believe that "backcasting" is more necessary than ever before. The economic environment surrounding us continues to be unpredictable due to the recent sharp rise in raw material prices, weaker yen, and rising indirect costs. Even if we compare numerical improvements and business performance with that of last year, we cannot cover unexpected negative factors. We believe that the condition for survival is to clearly define "what are the numerical targets and status targets we should aim for," then formulate strategies and policies and implement them with management that can respond to changes more quickly.

DX innovation and Valor Group's unique group synergies

We will also move forward to realize our goal of evolving into a "destination company" as stated in our medium- to long-term management policy for 2030. As in the past, we will not only continue to create stores with high customer value, but also create a system that can deliver value to customers without involving real stores, and create a regional symbiosis model that can provide a wide range of value and services through cooperation with government agencies and other corporations.

We believe that DX innovation is necessary to realize this goal, and in August 2021, we obtained certification as a "DX certified operator" as defined by the Ministry of Economy, Trade and Industry.

Regarding the promotion of DX, our priority is to "accelerate communication" in the following three cases.

One is DX between manufacturing and sales. We replaced our core system in the spring of 2022 with a network that enables the manufacturing group and the sales group to exchange information. By sharing necessary information, we will improve the efficiency of supply chain management and realize the product production and sales floors that meet customer needs.

The second is DX between the fields and the headquarter. Delays of communication are inevitable issues between more than 1,300 stores in the group and the headquarter, which is in charge of making policies. By introducing smart devices, we aim to put the policies into action and efficiently, evaluate them, and correct the course timely if necessary.

The third is DX between customers and the Valor Group. We will continue to actively promote the use of the Lu Vit app as well as our EC service, ainoma, and the app for Sports Club AXTOS members. We will take a multi-layered approach to the market by working to maximize the connection with our customers. We can be more multifaceted and closely connected.

As mentioned above, the retail industry is facing a difficult environment, but we believe that this tough situation is also an opportunity. We will take this opportunity to take on the challenge of undertaking initiatives unique to the Valor Group that our competitors cannot imitate. For example, in the logistics function, we will realize the cost improvement across each business through a large-scale switchover of the material handling system. By converting supermarket stores to drugstores, we will also offset investment costs related to closing and opening stores. From April 2022, the Valor Group will also increase its joint efforts in procurement and take on the challenge of more efficient procurement.

We believe that the Valor Group still has much room for improvement in terms of synergy. While paying close attention to the disadvantages of grouping, we will create the next Valor model by improving the productivity of all group companies and conducting more efficient management.

We hope you look forward to the further development of the Valor Group.

The Valor Group Business Models for Sustainable Growth

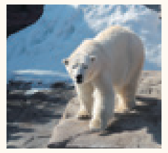
Social Issues

Imbalance between Food Supply and Demand
- Intense competition between formats
- Aging and lack of successors in regional agriculture
- Possible impact of trade policies on local suppliers

Changes in Labor Market
- Aging and decline in workforce
- Changing labor-related policies
- Labor shortage and increasing labor costs

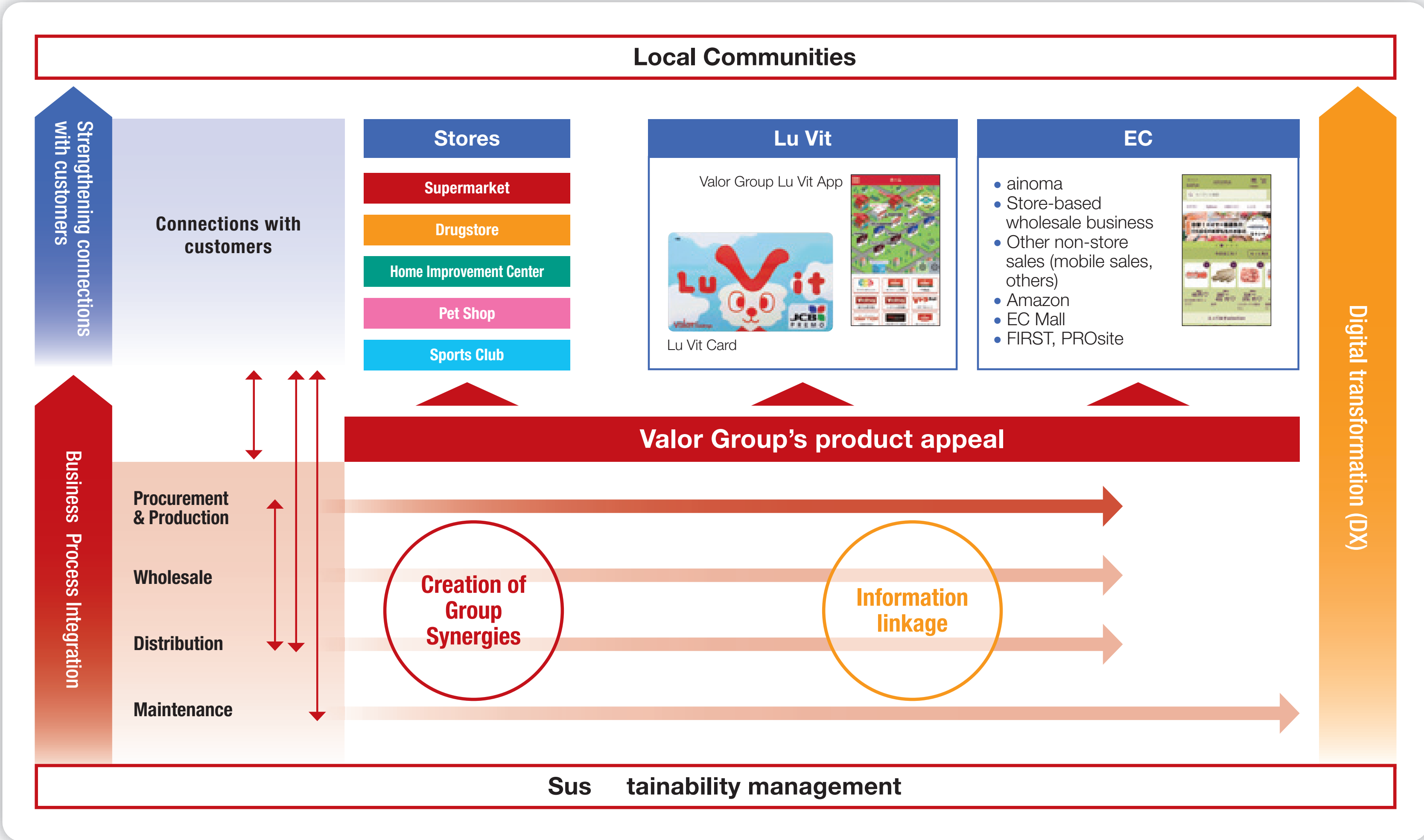
Accelerating Change in Consumer & Retail Market
- Aging and declining population
- Impact of IT innovation on shopping behavior
- Decreasing local suppliers serving local communities

Changing Global Environment
- Impact of global warming and climate changes on supply of produces



Rise in oil prices
- Rising energy cost
- Coexisting with COVID
- Rising food prices

The Valor Group Business Models



Solutions

Connect 2030

Connecting products, customers, and society

Solutions

Valor Group Vision2030

Our aim is to build a "Valor Economic Zone" that connects local communities conveniently and prosperously with the Valor Group's products, services, and payments and become a "destination company," that is chosen through the appeal of products. To realize this goal, we will strengthen our connections with customers and evolve our business model as a manufacturing and retailing company.

Connections with products

Valor Group's product appeal

In creating a "destination store" that offers seasonal foods and gives customers a purpose to shop, we will connect with customers through appealing products that are only available from the Valor Group by utilizing the Group's manufacturing capabilities.

Business Process Integration

Together with enhancing the product development and manufacturing capabilities, and productivity of each manufacturing company that makes up the Group, we will coordinate supply chain information through digital transformation (DX) and work to accommodate the expansion of procurement and manufacturing bases as well as inter-company collaboration.

Connections with customers

Strengthening connections with customers

Going beyond just our connections with customers that had been primarily gained through stores, we will work to strengthen new relationships that address the diversifying lifestyles of people by utilizing e-commerce (EC) and the Lu Vit Card and app. In regions with less developed EC infrastructure, we will promote "the Company as a dominant force in EC" by using our own management resources, and in large areas where EC infrastructure is more mature, we will promote "wide-area collaborative EC" by working with our partners.

Connections with local communities as a particular to be strengthened

We will use the Group's management resources to strengthen ties with local communities while striving to resolve local issues.

Management that is conscious of ties with society

Strengthening Group governance

We will further promote the Group's growth potential by ensuring transparency and strengthening functions of the Board of Directors, as well as by enhancing the governance of Group management.

Promoting activities of all Group employees

By promoting activities of all Group employees, we consider the "global environment," "local communities," and "diversity of human resources" to be key initiatives, to which we will endeavor to find solutions while strengthening ties to the local community. We will implement problem-solving programs in six subcommittees, namely, Energy and Water, Food Loss, Recycling, Local Communities, Shopping Issues, and Human Resource Activities.

Medium- to long-term management policy

FY2021-2023 Strategic Plans

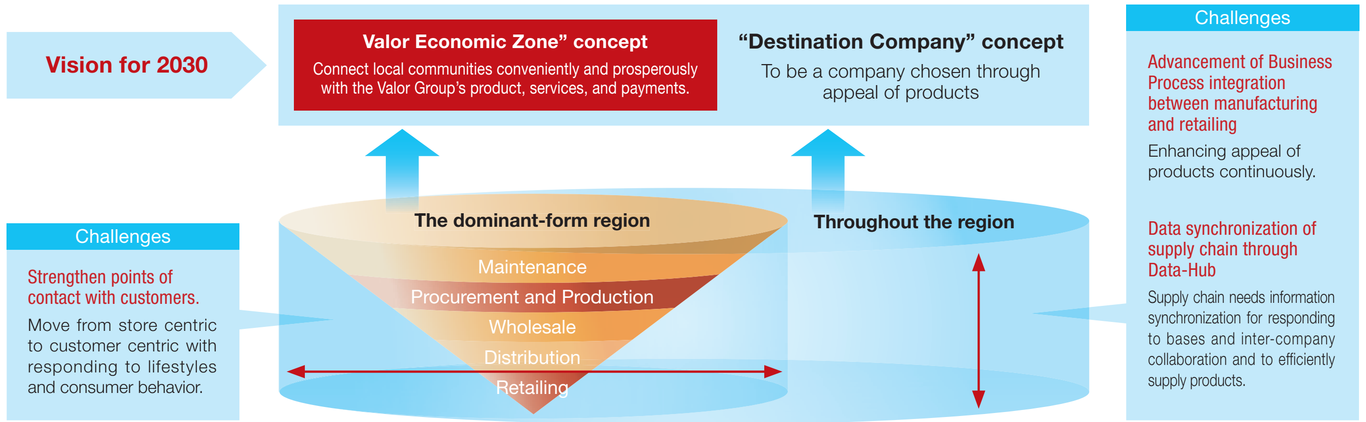
Valor Group Vision2030

Aiming "Destination Company" with product strength throughout the region, and the "Valor Economic Zone" in the dominant-form region.

Under the previous three-year medium-term strategic plan, along with promoting our transformation into a "destination store" with attractive products and categories that motivate customers to visit our stores, as well as advancing partnerships on comprehensive initiatives, we are beginning to see results in areas such as product procurement, although we believe that it is necessary to make full use of our diverse management resources in order to achieve further improvements in management efficiency. Our aim is to realize a sustainable society and achieve corporate growth through the evolution of our business model, while utilizing our management resources.

Evolving our business model

Today we have a sales network of more than 1,200 stores, including supermarkets, drugstores, home improvement centers, and others, which gives us the advantage of being in close proximity to our customers. In the future, though, we will strengthen connections with our customers not only through our stores, but also through e-commerce (EC) and our own electronic money, Lu Vit. In addition to making our manufacturing capabilities more robust, the transition to a destination company will require the establishment of an efficient supply chain that can accommodate the expansion of procurement and manufacturing bases and collaboration with partners. For this reason, we will work to evolve our business model by linking information through digital transformation (DX).



Medium- to long-term quantitative targets

(FY2021-2029)

	FY2020 Final year of previous medium-term strategic plans	FY2023 Final year of medium-term strategic plans	FY2026 Reference	FY2029 Valor Group Vision 2030
Scale				
· Revenues from operations	¥730.1 billion	¥780.0 billion		Over ¥1 trillion
· Operating income	¥25.6 billion	¥29.0 billion		Over ¥48.0 billion
· Ordinary income	¥28.3 billion	¥31.0 billion		Over ¥50.0 billion
Efficiency ROIC*	6.0% (>WACC)	6.3% (>WACC)	8% (>WACC)	9% (>WACC)
= Operating margin after tax: Operating margin	3.5%	3.7%	↑	4.8%
Gross profit ratio	26.4%	↑	↑	↑
Selling, general and administrative expenses ratio	25.3%	↑	↓	↓
× Return on invested capital	2.7 times	2.7 times	↑	3.1 times

Note: Effective from the beginning of the fiscal year ending March 31, 2022, the Company will apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29).
In the summer of 2021, launch of a new service in collaboration with Amazon Japan G.K.
*Calculated as follows: Operating income after tax (using the income tax burden ratio after the application of tax effect accounting) / (interest-bearing debt + shareholders' equity + non-controlling interests)

Business model KPI

	FY2020 Final year of the previous three-year medium-term strategic plans	FY2022 result	FY2023 Final year of the three-year medium-term strategic plans	FY2026 Reference	FY2029 Valor Group Vision 2030
Product appeal (Valor Co., Ltd.) · Products manufactured by the Group with annual sales of over \100 million	114 items	129 items		No. 1 in sales of prepared foods manufactured by the Group "Ginger flavored! Deep fried chicken"	300 items
Store turnover rate (Valor Co., Ltd.) · Sales per store	¥1.24 billion	¥1.27 billion	¥1.3 billion	¥1.4 billion	¥1.5 billion
Connections with customers · Number of LuVit Card holders	3.38 million	3.76 million			6 million
· Number of registered app members	320 thousand	530 thousand	1 million		3 million
· EC sales volume*	¥5.1 billion	¥7.3 billion	¥10.0 billion		¥50.0 billion

Note: *EC sales (drugstore and home improvement center businesses), ainoma online supermarket service delivering to offices, drive-through, and other non-store sales businesses.
In the summer of 2021, launch of a new service in collaboration with Amazon Japan G.K.

FY2021-2023 Strategic Plans

Quantitative targets (FY ending March 31, 2024)

Scale	Revenues from operations ¥780.0 billion; operating income ¥29.0 billion; ordinary income ¥31.0 billion
Management efficiency	ROE 9.3 %; ROIC 6.3 %; D/E ratio 0.6 times

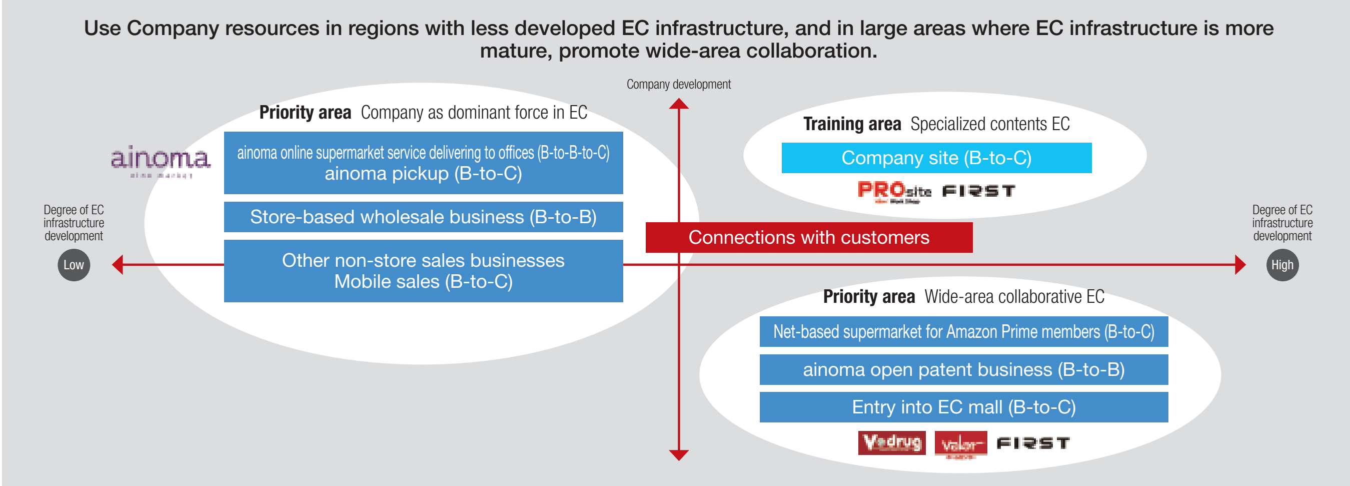
Connect 2030 — Connecting products, customers, and society

Major Policies	Enhancing the appeal of products	• Promoting the transition to a "destination store" • Making our manufacturing capabilities more robust • Linking information in the supply chain
	Strengthening connections with customers	• Promoting EC strategy • Leveraging Lu Vit Card and app data
	Improving productivity	• Formation of foundation for low-cost management • Improving asset efficiency
Sustainability Management	Strengthening Group governance	• Improving Board of Directors' effectiveness • Strengthening supervision of Group companies
	Realizing a de-carbonized society Reducing food waste	• 10% reduction in CO_2 emissions at Company sites (compared to FY2019) • 35% reduction in food waste generation (compared to FY2016)

Details of major policies

Promote transition to a "destination store"	• Approximately 30 existing stores in the supermarket business renovated annually • Expand product knowledge and sales training programs • Operation of the Meister system for the training and treatment of experts
Make manufacturing capabilities more robust	• Review of product development process for Group manufacturing capabilities • Improve quality and productivity through the replacement of equipment
Link information in the supply chain	• Introduction of data HUB and improved accuracy of registered information
Promote EC strategy	• Company as dominant force in EC/ wide-area collaborative EC
Leverage LuVit Card and app data	• Promotion of digital sales promotions, testing, and marketing using purchase history information (ID-POS data) linked to membership information • Respond to reservation sales, business format links, and diversification of payment methods by enhancing app functionality
Formation of foundation for low-cost management	• Maintain a smart device environment in stores • Business automation and simplification with RPA and AI utilization
Improve asset efficiency	• Effective use of store assets, integration of functions among Group companies

Promoting EC strategy



The Valor Group Business Model, Advancing Process Integration between Manufacturing and Retailing

The Valor Group develops a diverse range of businesses, including supermarkets, drugstores, and home improvement centers, and builds business models oriented toward manufacturing and retailing, which encompasses every step along the way, from manufacturing to distribution and sales, creating synergies while integrating the Group's management resources.

Toward ¥1 trillion in revenues from operations, we will develop and expand our infrastructure, including procurement and manufacturing functions, logistics and processing functions, to accommodate the growing scale of the retail and service sectors.

Procurement / Manufacturing

This corporate group is responsible for procurement and manufacturing functions to launch attractive products by building and establishing a product development process based on customer information. Through the development of value-added products, we will strengthen vertical integration and promote sales outside the group.

Agricultural products
- Chubu Agri Co., Ltd.
  Agricultural business
- Shiroishikandumekouzyou Co., Ltd.
  Manufacturing canned root vegetables in water
- Agri Trade Co., Ltd.
  Manufacturing & sales of rice seeds

others

Food planning
- Food & Partners Co., Ltd.
  Product Planning & Sales

Fisheries
- Daien Foods Co., Ltd.
  Fisheries processing
- Honda Suisan Co., Ltd.
  Fisheries processing
- Ishinomaki Foods Co., Ltd.
  Fisheries processing

Food & Daily necessities
- V-Solution Co., Ltd.
  PB development & sales

Livestock
- Chubu Meat Co., Ltd.
  Livestock business

Materials
- Chubu Ryutu Co., Ltd.
  Wholesale imports of materials and equipment

others

Daily delivery
- Fukui Chuo Tsukemono Co., Ltd.
  Manufacturing Japanese pickled vegetables
- VARO Co., Ltd.
  Manufacturing kimchi (Korea)

others

Agricultural materials
- Agurirun Co., Ltd.
  Wholesale of agricultural materials, Collecting farm-fresh vegetablese

Delicatessen
- Chubu Foods Co., Ltd.
  Delicatessen, cut vegetables, manufacturing Japanese sweets
- Furuya Sangyo Co., Ltd.
  Manufacturing Japanese sweets
- Keirinkaku Co., Ltd.
  Manufacturing Chinese delicatessen

others

HC items
- Alleanza Japan Co., Ltd.
  Imports of HC merchandise

Seasonings
- Daitoh Shokken Co., Ltd.
  Manufacturing seasoning

Logistics / Processing

Since 1989, we have expanded our distribution area while designing and developing our own logistics centers to meet various logistical needs. We have comprehensively built an original logistics system, including establishing a cold chain system in food logistics, where freshness is essential, the know-how to meet the needs of supermarkets, home improvement centers, drugstores, and other types of businesses, and every detail from the designs of our logistics centers to those of computer operation screens.

Supermarkets Logistics centers
Gifu, Aichi, Shizuoka, etc.

Food processing centers
Gifu, Shizuoka, Fukui, etc.

Delicatessen factory Chubu Foods Co., Ltd.
Gifu, Shizuoka, etc.

Drugstores Logistics centers
Gifu, Aichi, Shizuoka, etc.

Home improvement centers Logistics centers
Gifu, Kanagawa

Retail / Services

The Group operates a total of more than 1,300 stores in multiple business categories, including supermarkets, drugstores, home improvement centers, pet shops, sports clubs, and e-commerce, as a regional logistical business. We continue to provide new values to local communities. Under the basic management policy of "shifting the paradigm from the number of stores to the strength of products," we are promoting the transformation into a "destination store". By transforming ourselves into destination stores, whose unique products and categories motivate customers to visit our stores, in our supermarket business, we are improving product appeal through renewal of our private brands, while renovating stores to expand the fresh food department to attract customers beyond our trade area.

Supermarkets


others

Drugstores


Home Improvement Centers


others

Pet Shops


others

Sport clubs
Sports Club AXTOS

others

Stores On Wheels / Business Office Delivery / Online supermarket
ainoma

Customers

Back Office Function

System development	Cleaning Seiso Co., Ltd.	General building maintenance MENTEX Co., Ltd.	Recycling Japan Clean Services LLC	Developers Valor Max Co., Ltd.	Credit cards Valor Financial Service Co., Ltd.	Lu Vit card / Apps	others

Segment Overview/Segment Information

Revenues from operations by segment and their distribution

Distribution-related operations

1.4%

Revenues from operations	Operating income
10.4 billion yen	3.2 billion yen

Sports Club Business

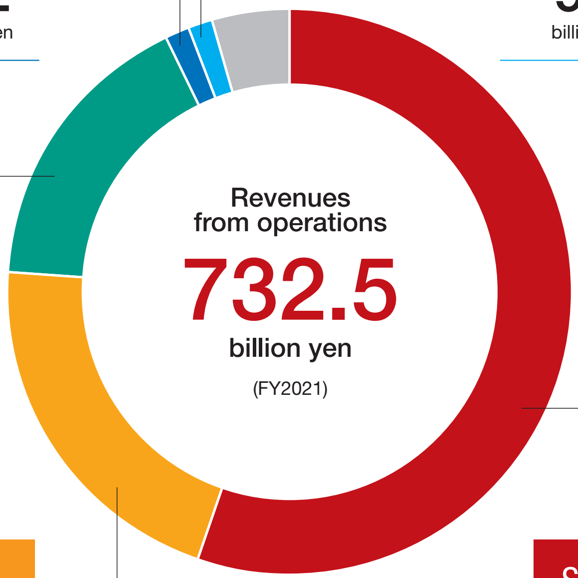
1.3%

Revenues from operations	Operating income
9.8 billion yen	△5 billion yen

Home Improvement Center Business

16.8%

Revenues from operations	Operating income
122.9 billion yen	5.0 billion yen



Drugstore Business

20.8%

Revenues from operations	Operating income
152.4 billion yen	2.9 billion yen

Supermarket Business

55.4%

Revenues from operations	Operating income
405.5 billion yen	14.9 billion yen

Supermarket Business

No. of stores 312 Ave. floor space 1,817m² (Valor Co., Ltd.)

Business summary

In the Supermarket business, the Group now has a total of 312 stores, including 13 stores operated by Yaosen Co., Ltd. and Yamata Co., Ltd., which became subsidiaries in October 2021. Chubu Foods Co., Ltd., which has continued strong sales at supermarkets and delicatessen specialty stores, as well as Daid Shokuhaken Co., Ltd., which became a subsidiary in the previous FY, and Yaosen Co. Ltd. and Yamata Co. Ltd. contributed to the expansion of operating revenue. Operating income was affected by the renovation costs and the higher personnel expenses at Valor Co., Ltd., the lower gross profit and the higher opening costs at Tachiya Co., Ltd..

Drugstore Business

No. of stores 478 Ave. floor space 759m²

Business summary

In the drugstore business, 38 new stores were opened and 9 stores were closed, bringing the total number of stores in the group to 478 (including 136 dispensing stores) as of the end of the current FY. The Group continued to actively provide health-related information using the LuVit app, post recipes created by nutritionists, and distribute app-only coupons, while EC sales also increased. Existing stores sales (excluding the impact of the application of the accounting standard for revenue recognition) decreased 1.9% year-on-year due to a reactionary decline in sales of masks and hygiene products, but the dispensing division performed well and there were signs of a recovery in sales of cosmetics.

Home Improvement Center Business

No. of stores 158

Business summary

Daiyu Eight Co.,Ltd. opened three new stores and closed one store, Home Center Valor Co. Ltd. opened two new stores, including the first store specializing in camping gears, named CAMP LINK Gifu (Gifu City, Gifu Prefecture), and Time Co. Ltd. opened two new stores. As of the end of this FY, the Group has a total of 158 stores. In this business, sales of building materials were strong, but existing stores sales (excluding the effect of the application of accounting standards for revenue recognition) decreased 3.0% year-on-year at the three companies: DAI-YU-EIGHT Co., Ltd., Home Center Valor Co. Ltd., and Time Co. Ltd.

Sports Club Business

No. of stores 193

Business summary

The sports club business commenced operations in April 1998 following the transfer of assets from Valor Co., Ltd. AXTOS Co., Ltd., which formerly operated general sports clubs with swimming pools and tennis courts, began operating the low investment chain of "Sports Club AXTOS Will_G," also establishing its franchise operations. These sports clubs are not only growing in the prefectures of Aichi and Gifu, but are also expanding throughout the country, including regions with higher population densities such as Kanto and Kansai. Although some stores in areas declared to be under a state of emergency had to be closed temporarily or operate on a shortened schedule, others operated normally, implementing infection control measures, and made efforts to maintain existing members, and promote the return of members who had used the leave of absence system.

Distribution-related operations

Business summary

The principal subsidiaries operating in this segment are the logistics operator Chubu Kosan Co., Ltd.; food, sundries and materials wholesaler Chubu Ryutu Co., Ltd.; and the facilities maintenance services provider Mentex Co., Ltd. Group companies involved in distribution-related businesses above, installed fixtures for new store constructions and renovations, and proceeded to replace equipment with the one that would reduce costs and environmental impact.

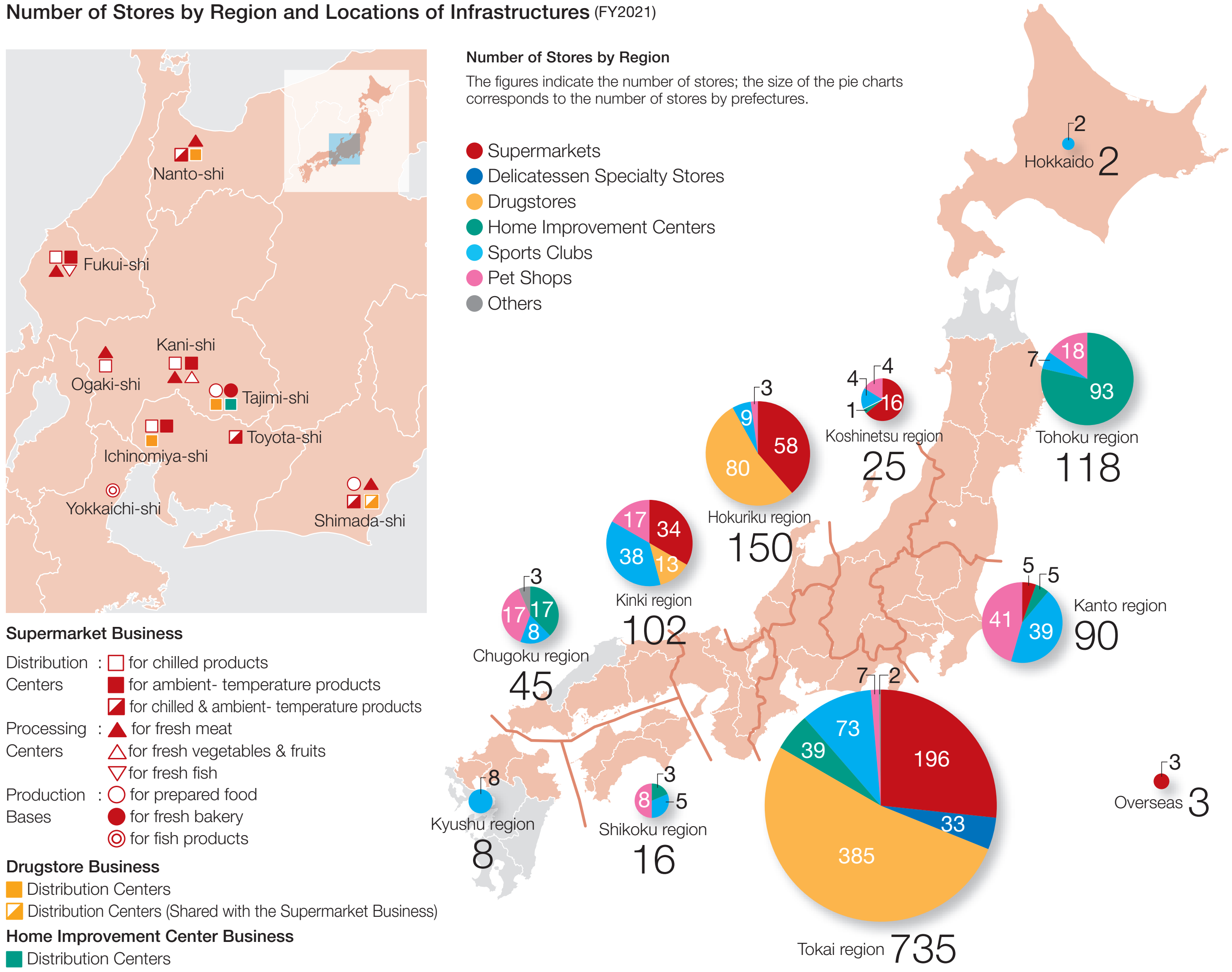
Segment Financial Review

Store Network

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Supermarkets	218	238	251	263	266	275	281	290	298	297	312
Valor Co.,Ltd.	163	179	221	232	235	238	243	240	240	239	239
Tachiya Co., Ltd.	11	11	13	13	13	14	15	16	17	17	19
Youth Co., Ltd.*	29	31	—	—	—	—	—	—	—	—	—
Shokusenkan-Taiyo Co.,Ltd.	15	15	15	17	17	17	17	17	17	16	16
Kohseiya Co.,Ltd.	—	—	—	—	—	5	5	5	6	6	6
Futabaya Co.,Ltd.	—	—	—	—	—	—	—	3	3	3	3
Sanko Co.,Ltd.	—	—	—	—	—	—	—	8	8	8	8
Terao Stores Inc.	—	—	—	—	—	—	—	—	4	4	4
Yamato Store LLC.	—	—	—	—	—	—	—	—	—	1	1
Yaosen Co., Ltd.	—	—	—	—	—	—	—	—	—	—	6
Yamata Co., Ltd.	—	—	—	—	—	—	—	—	—	—	7
VARO Co.,Ltd.	—	2	2	1	1	1	1	1	3	3	3
Other	—	—	—	—	—	—	—	—	—	—	—
Drugstores	193	214	241	271	301	337	361	379	416	449	478
Home Improvement Centers	34	35	35	36	37	35	36	36	148	152	158
Sports Clubs	51	52	54	58	65	75	95	146	192	190	193
Pet Shops	17	17	17	17	18	19	21	22	107	110	115
Others	15	11	3	3	3	4	5	7	14	28	38
Total	528	567	601	648	690	745	799	880	1,175	1,226	1,294

Note: *merged into Valor in October, 2013.

Number of Stores by Region and Locations of Infrastructures (FY2021)



(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Supermarkets											
Revenues from operations	293,505	303,521	313,208	321,458	329,266	336,555	345,960	353,311	372,733	396,248	405,537
Operating income	10,783	11,028	8,443	9,760	9,887	9,738	8,518	9,433	9,050	16,103	14,908
Total assets	119,293	127,490	142,260	144,604	153,045	176,384	184,386	195,231	200,720	207,938	214,395
Capital expenditures	9,199	12,915	17,931	12,078	10,506	11,887	12,574	13,376	7,462	13,562	12,798
Depreciation and amortization	5,978	6,346	6,826	7,381	7,556	7,339	7,490	7,633	8,431	8,363	9,510
Drugstores											
Revenues from operations	54,850	62,497	73,028	80,470	95,152	107,045	117,949	127,781	139,358	150,575	152,474
Operating income	2,294	1,934	2,449	1,961	2,736	2,692	2,532	3,488	4,317	3,978	2,950
Total assets	26,501	29,065	33,649	38,557	44,602	52,019	58,849	58,725	67,755	75,511	78,702
Capital expenditures	2,547	3,134	3,893	4,333	5,776	8,087	5,359	4,622	6,135	7,123	7,274
Depreciation and amortization	979	1,183	1,454	1,780	2,114	2,588	2,927	3,104	3,170	3,533	3,962
Home Improvement Centers											
Revenues from operations	41,734	43,810	46,559	46,556	48,629	50,373	53,555	55,173	114,301	130,177	122,947
Operating income	1,677	1,869	2,330	2,011	2,450	2,302	2,149	2,616	3,465	7,327	5,061
Total assets	18,553	19,456	19,068	22,430	22,499	23,942	25,562	31,020	81,239	81,602	82,404
Capital expenditures	1,943	1,259	464	2,276	1,478	4,777	1,316	645	4,677	3,595	4,374
Depreciation and amortization	867	899	875	910	945	1,000	1,099	1,083	2,505	2,440	2,622
Sports Clubs											
Revenues from operations	8,604	8,788	8,955	9,271	9,838	10,459	11,397	13,157	13,597	9,146	9,847
Operating income	247	420	419	463	532	639	680	672	556	(1,933)	(559)
Total assets	11,287	10,760	10,382	10,611	10,634	10,776	13,059	15,175	15,768	15,331	12,260
Capital expenditures	124	319	338	527	791	1,119	3,114	2,565	1,960	140	435
Depreciation and amortization	669	666	636	655	711	785	882	1,080	1,295	1,236	1,144
Distribution-related operations											
Revenues from operations	6,383	6,699	7,228	7,638	8,590	9,610	9,075	10,265	10,687	11,269	10,451
Operating income	2,761	3,062	2,995	3,395	3,647	3,699	3,725	2,910	2,793	3,210	3,206
Total assets	17,514	18,809	22,351	24,082	23,961	24,894	27,230	28,569	29,733	32,519	29,535
Capital expenditures	1,659	1,888	2,155	624	478	2,018	3,044	384	1,050	965	785
Depreciation and amortization	439	550	784	819	716	721	758	817	846	976	1,014

Sustainability Management

The Valor Group Sustainability Management

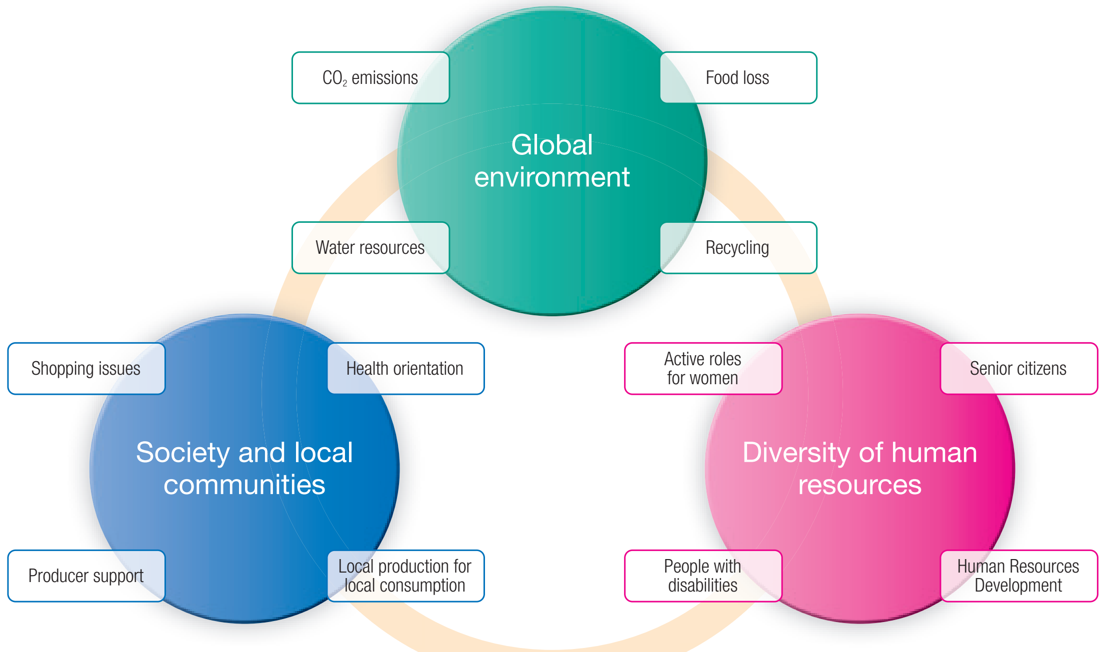
The Valor Group has established its Valor Group Vision 2030, its vision of itself for 2030, and aims to build “Valor Economic Zone” that connects local communities conveniently and prosperously with the Valor Group’s products, services, and payments. It also seeks to become a “destination company” that is chosen through the appeal of products while realizing a sustainable society through its Sustainability Vision 2030. As one basic policy under its FY2021-2023 strategic plans, the Company has the goal of management that is conscious of ties with society, and it endeavors to strengthen Group governance that underpins its business model while forging ahead on the three priority areas of “global environment,” “local communities,” and “diversity of human resources” that support sustainable business growth.

Sustainability Vision 2030

“The Valor Group will contribute to the development of local communities and the advancement of social life and culture based on the efforts of all its employees, and through its business activities that lead to the realization of a sustainable society.”

The Valor Group has established six subcommittees, namely, Food Loss, Recycling, Energy and Water, Local Communities, Shopping Issues, and Human Resource Activities, for the three priority areas of the “global environment,” “local communities,” and “diversity of human resources,” through the activities of all employees, with the promotion manager of each Group company taking the lead to carry out efforts.

Initiatives taken from order of high priority throughout the Valor Group	Platform (shared platform) upon which actions are taken in FY2021
	● **Global environment** *Tackling the challenge of meeting numerical targets with the goal of delivering the connection of a sustainable global environment to the next generation ● **Society and local communities** ● **Diversity of human resources**



Subcommittee activities

In addition to the retail business, which includes supermarkets, drugstores, and home improvement centers, in each of the operating companies involved in the sports business, manufacturing and processing business, distribution business, wholesale business, cleaning business, security business, and others, we have been working on how to ensure the sustainability of business activities and how to manage their impact on the environment and society. Based on this, we promote subcommittee activities to identify key issues and define targets for addressing these issues, and to strengthen cooperation and information sharing within the Group on matters that are strongly related to achieving the goals of each operating company and the Group. A total of 70 members that comprise the six subcommittees gather at the subcommittee meetings, which are held seven times a year (both online and offline), to promote the exchange of information that transcends business segments and responsibilities. This works to expand food bank initiatives, to accelerate the installation of solar panels, and also the development of new ways to utilize food waste and other efforts that promote activity throughout the Group. The progress of subcommittee activities is reported to the Group Management Executive Committee.

Setting goals for key issues

Establishing goals for key issues to be prioritized under the FY2021-2023 strategic plans

Objectives

	Three-year targets (2021-2023)	2030 challenge targets	2050 challenge targets	Initiatives
Climate change countermeasures	● **10%** reduction of emissions of CO_2 from Company sites *Compared to FY2019	● **40%** reduction of greenhouse gas emissions in the supply chain *Compared to FY2019	● Greenhouse gas emissions in the supply chain gross volume of **zero** *Compared to FY2020	● Promoting EMS utilization, energy conservation activities ● Promoting introduction of renewable energy ● Collaboration with suppliers ● Environmental training for all employees
Food waste	● **35%** reduction *Compared to FY2016	● **45%** reduction *Compared to FY2016	● **55%** reduction *Compared to FY2016	● Improvement of store operations, infrastructure maintenance, collaboration with suppliers ● Environmental training for all employees

Initiatives for all Valor Group employees

For the Valor Group to support in realizing a sustainable society, we held study sessions and moved forward on the distribution of action declaration cards with the aim of enabling each and every employee of the Group to think about social issues and take action to address them. Considering what each of us can do and taking action will allow us to expand our circle of activities.

Established Sustainability Promotion Office (March 2022)

We created our Instagram account to share our sustainability promotion activities.
ID : valor_sustainability

VALOR_SUSTAINABILITY

To live prosperously even a century from now SDG initiatives, taken together with customers

The Valor Holdings exhibited a Food Drive booth and the Ethical Market booth, which promotes people shop ethically, in the “Totteokino-Ongakusai” event in Nagoya, and in Gifu. Many people supported us and bought things. The “Totteokino-Ongakusai” means the street concert where people with and without disabilities come together to enjoy music.

2021 store SDGs educational poster

Global Environment

Reduction of greenhouse gas emissions

At Valor Holdings Co., Ltd., we are working to calculate and reduce greenhouse gas (GHG) emissions at Group companies and to create renewable energy sources.

Calculating greenhouse gas in the supply chain

Concerning the calculation of greenhouse gas emissions, following the calculation of its own emissions in FY2019, Valor Co., Ltd. has expanded the scope of its calculation to the entire supply chain since FY2020, and calculated its emissions in accordance with the GHG Protocol, a recommended international standard. Going forward, we will continue to calculate the emissions of our Group companies and work to accomplish reductions.

FY2021[*1] Greenhouse gas (GHG) emissions[*2]

Category		Calculation target	Emission volume (t-CO_2)
Scope 1	Direct emissions from business operators themselves	Emissions associated with fuel combustion[*3]	7,735
		Emissions due to leakage of CFCs[*4]	36,582
Scope 2	Indirect emissions from the use of electricity, heat, or steam supplied by other companies[*5]		118,878
Scope 3	Indirect emissions other than Scope 1, 2		1,083,897

Scope 3 emissions

Scope/Category		Emission volume (t-CO_2)	Ratio	
			Scope3	Scope1,2,3
Supply chain emissions volume		1,247,092		100.0%
Scope1		44,317		3.6%
Scope2		118,878		9.5%
Category 1	Purchased goods	997,577	92.0%	80.0%
Category 2	Capital goods	20,543	1.9%	1.6%
Category 3	Fuel- and energyrelated activities	22,581	2.1%	1.8%
Category 4	Upstream transportation and distribution	9,708	0.9%	0.8%
Category 5	Waste generated in operations	25,598	2.4%	2.1%
Category 6	Business travel	350	0.0%	0.0%
Category 7	Employee commuting	3,916	0.4%	0.3%
Category 8	Upstream leased assets	—	—	—
Category 9	Downstream transportation and distribution	—	—	—
Category 10	Processing of sold products	—	—	—
Category 11	Use of sold products	—	—	—
Category 12	End-of-life treatment of sold products	3,625	0.3%	0.3%
Category 13	Downstream leased assets	—	—	—
Category 14	Franchises	—	—	—
Category 15	Investments	—	—	—
Scope3		1,083,897	100.0%	86.9%

*1 April 2021 to March 2022
*2 Among consolidated business operators, all locations (239 supermarkets, as well as distribution centers, chilled centers, processing centers, produce centers, etc.) of Valor Co., Ltd.
*3 Usage of city gas and LP gas at each site (including tenant usage), gasoline usage by Company-owned vehicles, usage of autogas for forklifts, etc.
*4 Leakage of HFCs due to the use of freezing and refrigeration, as well as air conditioning equipment at each site. Converted to CO_2 equivalent by multiplying a global warming potential.
*5 Power usage at each site (including tenant usage)
*6 In this fiscal year, only the scope of specific shipper reporting

Response to TCFD

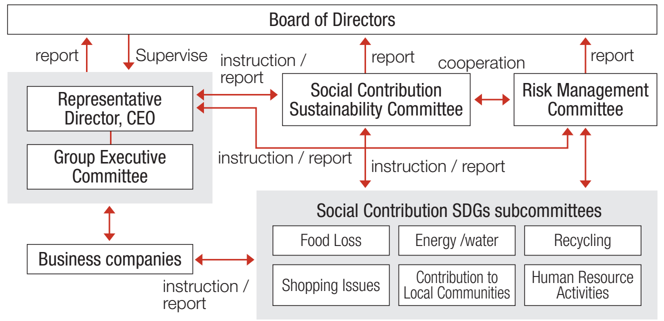
We have decided to express our support for the TCFD recommendations and have identified and assessed the risks and opportunities that climate change poses to our group's business in line with the TCFD final recommendations. We will enhance our disclosures and work toward achieving our goals by more quantitatively assessing potential impacts based on climate-related risks and opportunities using climate scenario analysis, in line with the disclosure framework recommended by the TCFD.

Note: TCFD: Abbreviation for the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board at the request of the G20.

Governance

In March 2022, we established the Social Contribution and Sustainability Committee under the Board of Directors to build a system to address climate change issues and strengthen our efforts.

Climate change-related governance structure



Strategy

We recognize climate change as a management issue, and we are committed to long-term and continuous efforts to address it in terms of both a business risk and an opportunity. In FY2021, based on the TCFD recommendations, we assessed climate-related risks and opportunities that could affect our major businesses using multiple scenarios.

Risks and opportunities identified are reflected in the medium-term management plan and incorporated into activities to reduce risks or capture profit-earning opportunities, thereby strengthening the resilience of the strategy.

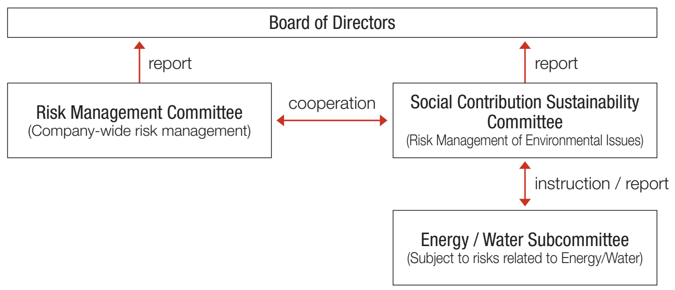
Possible scenarios

		Anticipated Worldview
Scenario below 2°C	A world in which average temperature increase by 2100 is limited to less than 2°C than that before the Industrial Revolution	Changes related to the transition to a decarbonized society will affect businesses (transition risk) • Regulations on climate change will be strengthened and carbon tax and other laws and regulations will be introduced. • Progress in low-carbon technologies and other technological innovations • Society as a whole is moving toward decarbonization and companies are appreciated for their efforts to achieve it
Scenario 4°C	A world in which the average temperature increase by 2100 is 4°C higher than that before the Industrial Revolution	Physical damages by climate change will affect businesses (physical risk) • Regulations on climate change introduced but limited • Increasingly severe extreme weather events and frequent natural disasters • Temperature rise and water shortage cause changes in crop growth conditions and water withdrawal restrictions, etc.

Risk Management

We have established Risk Management Committee to comprehensively identify company-wide risks, including climate change-related risks, in accordance with the "Risk Management Basic Regulations," and to assess the importance of potential risks within the Group in terms of their impact and probability of occurrence. The Risk Management Committee Office shall be the Risk Management Department, which is chaired by an executive director and meets on a regular basis. Risks identified by the Risk Management Committee are managed by working groups (subcommittees), and a system for risk management during normal times and crisis management during emergencies has been established. In addition, we assess vulnerability to natural disasters and other risks and prepare for BCPs. We recognize the impact related to climate change as a risk to the Group, and in cooperation with the Risk Management Committee, we will implement measures to address the issues identified and examined mainly by the Energy and Water Subcommittee and the Social Contribution and Sustainability Committee. These efforts are management issues and are reported regularly to the Board of Directors.

Climate Change Risk Management System



Indicators and Targets

We have set "Global Environment" as one of the priority areas in our "Sustainability Vision 2030" and have been working to reduce greenhouse gas (GHG) emissions as a measure against climate change by setting long-term GHG emission reduction targets in our supply chain.

2030 Target	40% reduction in GHG emissions in the supply chain	FY2019 ratio
2050 Target	Zero GHG emissions in the supply chain	FY2020 ratio

Local Communities and Global Environment

Under the four policies of regional cooperation utilizing the comprehensive strengths of the Valor Group, we will strive to strengthen cooperation with local communities on the themes of food and nutrition education, healthy society, SDGs, and contingency support.

1 Food and Nutrition Education

Cooperation through Foods and Products as a regional distributor.

•Product Development

We develop private products (local brands) in cooperation with local companies. This leads to the creation of local employment and contributes to utilizing local assets.

•Food Supply

We participate in the food service business (utilization of facilities and assets, service improvement) and sponsor food drives and various events.

Conducted a food drive at a store

2 Healthy Society

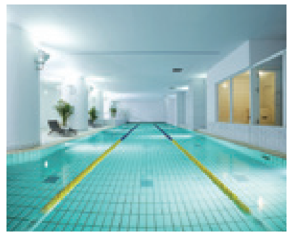
Leveraging the Group's management resources to solve health and medical issues.

•Health

We utilize the facilities of our sports club (AXTOS), collaborate with them and dispatch instructors and coaches (support for school club activities).

•Medical Care

We are developing next-generation dispensing systems such as opening dispensing pharmacies (Chubu Yakuhin Co., Ltd.) in hospitals (industry collaboration), cooperating medical care with stores on wheels, and online medical care + medicine delivery. We are building a system that can respond to changes in the healthcare system.



V-drug Gifu University Hospital Pharmacy

3 SDGs

Cooperation on social issues as a private company

•Food Bank

•Support for Children's Cafeterias

The areas where we have provided food for the Children's Cafeterias were mainly Aichi, Gifu, and Mie prefectures, but will be expanded to Nagano prefecture in December. We will continue to gradually expand our support areas for those who need food due to the prolonged the coronavirus pandemic and high prices.

•Support for disadvantaged shoppers (stores on wheels)

Providing food for the supply centers of school meals

Stores on wheels

4 Contingency Support

Expanding the support that we, a local company, can provide.

•We distribute boxed lunches, supply and transport necessities for those diagnosed with new coronavirus infection.

•We have agreements with the following cities, towns, and villages to provide support in times of disaster.

Supplies : 32 cities, towns and villages
Shelters : 3 cities, towns and villages / 5 stores

Home-based Care Kit

New Initiatives of the Valor Group

Efforts to convert pineapple residue into animal feed

Patented for "Product Delivery System" for business offices

Order & Pick-up on the Same Day OK

We will deliver your order on the same day!

The flow from order to pick-up

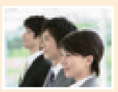
01 Order	02 Sorting	03 Shipping	04 Arrival of items	05 Pick-up
Easy ordering from your phone in your spare time!	You can buy grocery and daily necessities together.	Items are delivered in a special temperature-controlled box.	Items are delivered to designated racks located at each office.	You pick up your items and go straight home!

The "Product Delivery System" for business offices that we have recently conceived focuses on the fact that many commuters drive their own cars to work in less densely populated areas, and realizes that "if you order products using your smartphone during your lunch break, the products will be packed and delivered to your workplace at an appropriate temperature-controlled level by the time you leave off work in the evening." The sales stores can deliver products purchased by multiple users to a single location at once, greatly improving delivery efficiency. Users can also reduce the time they spend stopping by a store on their way home from work and the time they spend waiting for delivery at home. (Registration date: January 5, 2021)

Diversity of Human Resources

Supporting a diversified workforce in HR system

We support people who are highly motivated and whose experience and backgrounds are diverse. The principal HR systems are as described below.

	Status		FY2019	FY2020	FY2021
Promoting female workers 	Aside from offering all our employees opportunities to display their personalities and their capabilities, we also aim to enhance the workplace environment where female workers can flourish in their careers.	Ratio of female managerial personnel to all managerial personnel (managers or higher) (The number of female managerial personnel/The number of all managerial personnel)	5.6% (43people/774people)	5.8% (48people/826people)	6.0% (46people/766people)
Diverse workstyles 	We are working to improve the workplace environment corresponding to the phase of the individual's life and career, including raising awareness of maternity leave, childcare leave, and family care leave, and creation of a workplace that facilitates easy return to work.	Number of female workers who took maternity leave or child care leave			
		Maternity leave (Employees/Part-timers)	224 people (92people/132people)	165 people (62people/103people)	260 people (104people/156people)
		Child care leave (Employees/Part-timers)	205 people (68people/137people)	201 people (75people/126people)	224 people (85people/139people)
Hiring of the disabled 	We are actively recruiting people with disabilities who wish to work for regular companies and be independent. The Gifu Prefectural Government established a registration system in November 2011 to enable companies to support the employment of people with disabilities in cooperation with schools for learners with special needs. Valor registered in February 2012. In order to facilitate employment of people with disabilities also in other regions and support them so that they can work at Valor for a long time, we intend to promote education and training of our store staff and while facilitating collaborations with regional recruitment centers and the social welfare departments of municipalities.	The rate of hiring people* with disabilities	2.40%	2.40%	2.61%
		Contracted by Gifu Prefecture			
		Adviser for people with disabilities seeking jobs	from FY2013 to present		
		Adviser for employment of people with disabilities	from FY2015 to present		
		Member of Gifu Prefecture taskforce for abolition of discrimination against people with disabilities	from FY2015 to present		
Post-retirement reemployment program 	Against the backdrop of population aging, Valor has introduced a post-retirement reemployment program whereby Valor reemploys all the employees who are willing to work after retirement, in principle. Eligible employees may be reemployed after they retire until they reach 65 years old if they wish to do so.	Usage rate of post-retirement reemployment program	95.7%	79.1%	88.7%
Promotion to full-time employees 	16 key operating companies of the Group have programs to promote part-time workers to full-time employees. Part-time workers have periodic opportunities for promotion to full-time employees. Part-time workers who satisfy the criteria can apply for promotion and, after screening, successful applicants are promoted to full-time employees. In addition, heads of departments can recommend part-time workers as candidates for promotion to full-time employees.	Number of part-time workers promoted to full-time employees	205 people	238 people	141 people
Number of Employees 	Following the transition of important issue in human resources development to "Frontline performance development", the Company will further promote initiatives to establish an environment for better places to work including programs for human resources development and supporting diverse human resources. Through such policies, we aim to retain talented human resources in addition to improving productivity and organizational capabilities through developing individual abilities and skills.	Number of employees (Average length of service)	8,168 people (9.0years)	8,661 people (9.1years)	9,036 people (9.4years)
		Female workers (Average length of service)	2,299 people (5.9years)	2,552 people (5.9years)	2,794 people (6.1years)
		Male workers (Average length of service)	5,869 people (10.2years)	6,109 people (10.5years)	6,242 people (10.9years)

Note: The above figures are based on the 216 companies accounting for about 88% of the Group's total employee.
*In FY2016, we started group reporting of the rate of hiring people with disabilities for operating companies, of which voting rights are directly held by the Company.

Valor Group's New Education System


Human Resource Development Center

Based on our corporate philosophy of "Creation, Advance & Challenge," we are seeking personnel who are growth-minded and willing to take on new challenges. In addition to preparing for the expansion of our supermarket, drugstore, home improvement center, and other businesses, through the diversification of our human resource development program, we are also striving to secure personnel with expertise and skills in food manufacturing and processing, logistics, and other fields so that we will build a business model as a manufacturing and retailing company.

To achieve the "Valor Group Vision 2030" and "Sustainability Vision 2030," which are the medium- to long-term management policies of the Valor Group, it is important to develop "leaders who can connect products, customers, and society," which forms the basis of these policies from a human resource perspective.

For the purpose of this, we have launched a Valor Group's new education system.

Educational Policy

To achieve the "Valor Group Vision 2030" and "Sustainability Vision 2030", our policy is to develop "leaders who can connect products, customers, and society", which forms the basis of those visions.

Educational Policy

1 Building a foundation of human resources	• Enhancing educational opportunities / Improving training effectiveness • Instructor training • Spreading to Valor Group
2 Enhancing field capabilities	• Productivity Improvement Training
3 Strengthening human resources / Searching for the talented	• Executive Training • Next generation Executive Training • Training for the selected young employees

Establishing "Ensou Gakusha" (Corporate university named Ensou)

Under the name of "Ensou Gakusha," which means "a place where things gather and a center of activities," the Valor Group's joint training programs are underway with the aim of educating human resources with the collective wisdom of the group.

Based on the "human resources who can sell and do business" required by the Valor Group, we will enhance educational opportunities, and in strengthening human resources and searching for the talented, we will pursue how much the senior managers (leaders) of each organization are involved in education.

In addition to the existing level-specific training, the new training programs are "Management Executive Training" for management-level employees and "Next Generation Management Executive Training" for middle-level employees.

Management Level — **Executive Training**

This program is designed to help participants acquire the skills to be aware that they are in a position to lead Valor Holdings in the future, to grasp changes in the environment surrounding the company, and to exercise unwavering judgment and group power as a management leader.

Middle Level — **Next Generation Executive Training**

- Valor GP joint selection training
- Training to learn management and exchange among GP
- Six-month training program

Acquisition of basic business skills for management

- Marketing
- Organizational Behavior
- Management Strategy
- Corporate Accounting
- Human Resource Management
- Finance

Corporate Governance

Basic Policy

The fundamental objectives of Valor Holdings' corporate governance are to achieve efficient management and faster decision-making and enhance corporate value continuously, while ensuring management transparency and fairness, thorough risk management as well as timely and appropriate disclosure from the viewpoints of shareholders, customers, and all other stakeholders.

Corporate Governance Systems

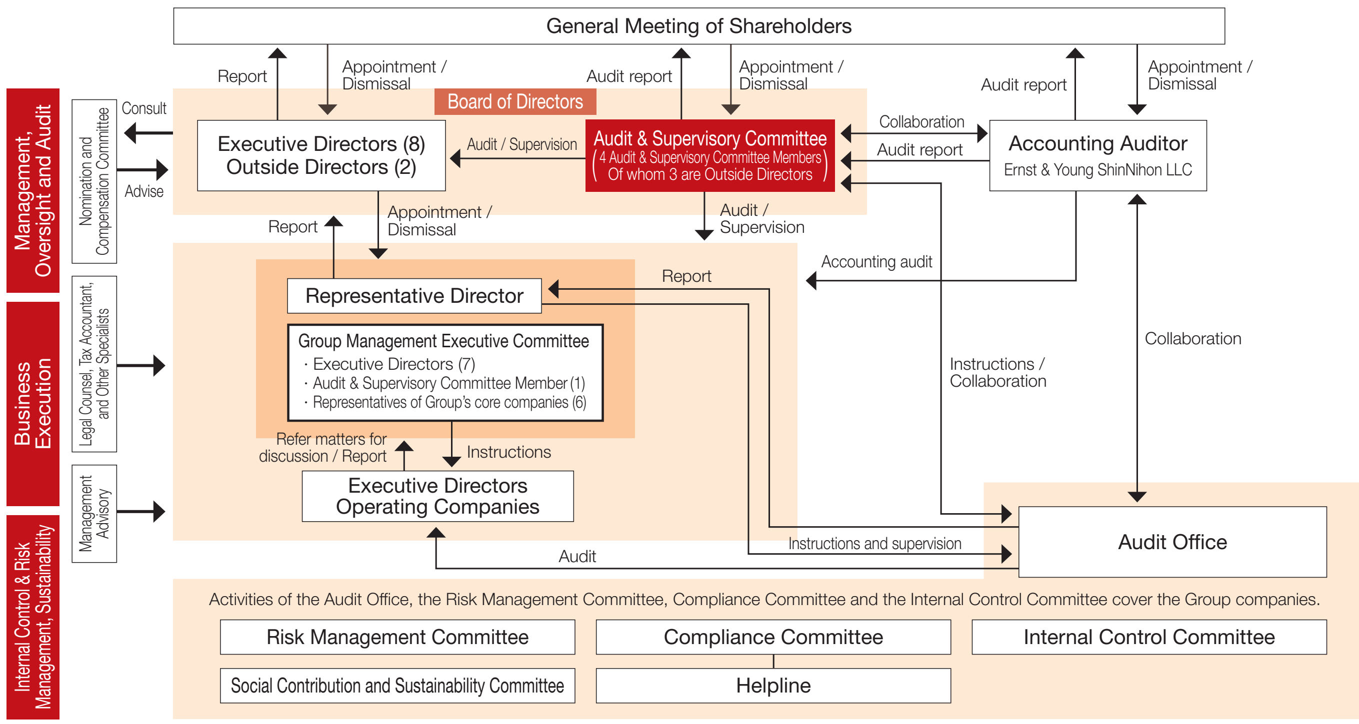
Overview of Valor's Corporate Governance Structure (As of October 24, 2022)

Upon the transition to a holding company structure in October 2015, the Company separated its management decision-making and oversight system and business execution system, aiming for faster business execution and strengthening oversight. For faster business execution, we have established the Group Management Executive Committee which is comprised of the Company's Executive Directors, the Standing Audit & Supervisory Committee Member and Representatives of the Group's core companies, where decisions are made on investment projects and management issues of operating companies are discussed. All decisions of the Group Management Executive Committee are reported to the Board of Directors.

At the 59th Ordinary General Meeting of Shareholders held on June 30, 2016, a partial amendment to the Articles of Incorporation was approved and the Company transitioned to a company with Audit & Supervisory Committee System. By establishing an Audit & Supervisory Committee with more than half of the members being Outside Directors, the Company aims to enhance the oversight function of the Board of Directors and further strengthen corporate governance.

Organization Form	Company with Audit & Supervisory Committee System
Chairperson of the Board	Chairman & CEO

Number of Directors	14 (of whom 5 are Outside Directors)
Number of Audit & Supervisory Committee Members	4 (of whom 3 are Outside Directors)



Performance evaluation on the Board of Directors

Since 2015, the Company has been considering whether or not the Board of Directors is functioning effectively. Based on the results of this consideration, the Company intends to improve the Board of Directors as a whole through a continuous process of taking appropriate actions to rectify weaknesses and build up strengths.

To improve the Board of Directors, all of the Directors have been conducting self-evaluation questionnaires, which are designed to evaluate the effectiveness of the structure of the Board of Directors and its discussion and consideration, etc. on a scale of one to five.

FY2021, the Board of Directors scored 4.1 on average, up 0.2 points from FY2020, and the result indicates that the Board of Directors is generally deemed to be effective.

Policy and procedures for appointment and removal of management executives by the Board of Directors, and reasons for nomination of candidates for Director
Reasons for appointment, removal and nomination

(1) Policy

· Regarding Directors who are not Audit & Supervisory Committee Members, people with specialized knowledge and excellent management & decision-making capabilities or people who execute important businesses or are responsible for key operating companies are nominated as candidates. For Outside Directors, people with abundant experience in their respective fields, excellent character, and high level of insight as well as the capability of providing objective and multifaceted suggestions about management, are nominated as candidates.

· Regarding Directors who are Audit & Supervisory Committee Members, people with abundant experience in their respective fields, excellent character, and high level of insight as well as knowledge of finance and accounting, understanding of the Group's business and diverse viewpoints about corporate management are nominated as candidates to ensure accurate auditing of compliance and appropriateness of business execution.

· The dismissal of a Director shall be deliberated at the Board of Directors meetings in the event that the Director is in violation of laws and regulations or the Articles of Incorporation, other circumstances occur that prevent the Director from properly performing his or her duties, or the Company's corporate value is significantly damaged by the Director due to negligence of his or her duties, etc.

(2) Procedures

· Regarding Directors who are not Audit & Supervisory Committee Members, candidates shall be determined by the Board of Directors after consideration by the Nomination and Compensation Committee chaired by Representative Director Masami Tashiro consisting of two Executive Directors and three Outside Directors.

· Regarding Directors who are Audit & Supervisory Committee Members, candidates shall be determined by the Board of Directors after consideration by the Nomination and Compensation Committee and subsequent consent of the Audit & Supervisory Committee.

· The dismissal of a Director shall be determined by the Board of Directors after hearing opinions of the Audit & Supervisory Committee, in addition to reports from the Nomination and Compensation Committee.

(3) Explanation about appointment, removal and nomination

· Reasons for election of each candidate for Director are disclosed in the reference document for the General Meeting of Shareholders.

· Reasons for election of each candidate for Outside Director are disclosed in [Directors] "Relations with Valor Holdings Co., Ltd. (2)" of "II Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision" in the Corporate Governance Report.

· Explanation of the dismissal of Directors (excluding non-reappointment) shall be disclosed in the reference documents for the General Meeting of Shareholders.

Policy for determining the amount of compensation and the calculation method

(1) Basic policy

· Directors' compensation consists of basic compensation, performance-linked bonuses and share-based compensation, all of which shall be set separately for inside and outside directors. For Outside Directors and Directors who are Audit & Supervisory Committee members, compensation consists only of basic compensation, in view of their roles and independence.

· Basic compensation, paid monthly, shall be, in principle, provided in an amount that is adequate for securing (recruiting) excellent people as executives and shall be determined based on comprehensive evaluation of the Company's financial performance, each Director's performance of duties, achievements and degree of contribution. Regarding Directors who are also employees, the salary as an employee shall be paid in accordance with the Rules for Wages for Employees. For Directors (excluding executive directors) from a consolidated subsidiary, compensation at the subsidiary shall be paid in accordance with the subsidiary's rules for directors' compensation.

· The amount of performance-linked bonuses shall be determined within the maximum amount approved at the General Meeting of Shareholders in consideration of the previous amount of bonuses paid, the Company's financial results for the current year and the business performance that the Director is delegated. In addition, in accordance with the "Determination of Remuneration for Granting Restricted Shares to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)" approved at the 65th Ordinary General Meeting of Shareholders held on June 30, 2022, the compensation limit for Directors shall be reduced and restricted shares shall be granted as part of Directors' bonuses.

· Share-based compensation is an employee stock ownership plan approved at the 60th General Meeting of Shareholders held on June 29, 2017. At the time of resignation or retirement of a Director, the Company's shares are delivered to the Director in accordance with the Rules for Delivering Shares to Directors, which was approved at the Board of Directors meeting held on the same date.

(2) Procedures

The amount of compensation for Directors shall be an agenda item of the General Meeting of Shareholders and shall be determined within the maximum amount decided at the General Meeting of Shareholders. Regarding the amount of basic compensation and bonuses, in order to increase transparency and objectiveness, the Nomination and Compensation Committee, which is an advisory organ for the Board of Directors consisting of two Executive Directors and three Outside Directors, shall examine and review the details, after which the amount shall be determined by resolution of the Board of Directors; then the decision is redirected to the discretion of Chairman & CEO Masami Tashiro, on the condition that the report of the Nomination and Compensation Committee is emphasized.

The amount of compensation for Directors who are Audit & Supervisory Committee Members shall be determined by resolution of the Audit & Supervisory Committee.

Independence criteria and qualifications for Independent Outside Directors

Our criteria for selecting Outside Directors are that they satisfy the requirements for independent officers pursuant to the Companies Act and as specified by the stock exchanges where the Company's shares are listed; that they are unlikely to have conflicts of interest with general shareholders; that they are not affiliated with a supplier or a customer of the Company with which transactions exceed an amount equal to 2% of the Company's consolidated net sales or exceed ¥10 million in direct individual transactions; and they have specialized knowledge about finance, accounting, law, management, etc. or experience in corporate management, etc.

Number of meetings of the Board of Directors and the Audit & Supervisory Board held and attendance status (FY 2021)

	Meetings of the Board of Directors	Meetings of the Audit & Supervisory Board*
Number of meetings	15	15
Attendance of Outside Directors	100%	100%

Note: The figures are based on the number of meetings held from April 1, 2021 to March 31, 2022.

Dialogues with shareholders in FY2021

65th Ordinary General Meeting of Shareholders (Held June 25, 2022)	133 shareholders attended	63 minutes (FY2021: 89 attendees, 65 minutes)

Directors' Skills Matrix (as of October 24, 2022)

Name	Positions	Diversity		Skills that the board of directors should have					
		Sex	Age	Corporate Management and Strategy	Industry Expertise	Sustainability	Technology	Finance, Accounting	Governance, Risk Management
Masami Tashiro	Representative Director, Chairperson and CEO	Male	75	○	○	○		○	○
Takayuki Koike	Acting President and Director	Male	49	○	○		○		○
Katsuyuki Mori	Senior Management Director	Male	61	○	○	○			○
Akira Shinohana	Management Director	Male	49	○	○	○		○	○
Satoru Yokoyama	Director	Male	49	○	○		○	○	○
Morisaku Wagato	Director	Male	63	○	○	○			○
Motohiko Takasu	Director	Male	48	○	○	○			○
Shunichi Asakura	Director	Male	72	○	○	○			○
Toshiyuki Takahashi	Outside Director	Male	71	○	○			○	○
Mihoko Hayashi	Outside Director	Female	51	○		○	○		○
Toshio Abiko	Director, Audit & Supervisory Committee Member (full-time)	Male	55					○	○
Mutsuo Masuda	Outside Director, Audit & Supervisory Committee Member	Male	77	○				○	○
Hirofumi Hata	Outside Director, Audit & Supervisory Committee Member	Male	70					○	○
Tokimitsu Ito	Outside Director, Audit & Supervisory Committee Member	Male	67					○	○

*1 The above table does not indicate all of the skills and areas of expertise possessed by each director.
*2 The age of the directors is as of June 30, 2022.
*3 "Industry" with respect to industry expertise is defined as retail trade, food manufacturing, sports club business, and transportation business.
*4 Although none of the Company's directors has legal expertise (lawyers), the Company receives advice from its legal counsel when necessary for management decisions.

Basic Policy on the internal control system and the status of its development

The Company considers internal control and compliance to be an important management issue and has articulated the Corporate Philosophy, the basic management policy, and the Action Guidelines for Corporate Ethics in order to gain trust from society and contribute to social development. Efforts are made to ensure that all officers and employees comply by defining and implementing the basic policies and basic rules.

Internal control and compliance system

Regarding the internal control system, the Company has articulated the Basic Policy on the Internal Control System (partially revised on April 19, 2021) and strives to improve and operate the internal control system. The Internal Control Committee meets regularly to confirm the status of the improvement and operation of the internal control system. The Audit & Supervisory Committee Members may attend meetings of the Internal Control Committee and state their opinions. The confirmation results of the Internal Control Committee are reported to the Board of Directors once a year. When promptly reportable matters are confirmed, they are also reported as needed to the Board of Directors.

Risk management system

Regarding the establishment of a risk management system, the Company has established the Basic Rules for Risk Management and manages Company-wide risk of losses in a comprehensive, integrated manner under a clearly defined risk management system. The Rules were revised on April 1, 2021, to consolidate the relevant risks into six categories, establish working groups (subcommittees) to manage each risk category, clearly specify the department(s) in charge, define the regular risk management promotion system of the Risk Management Committee and establish an emergency risk management system including BCP.

The secretariat of the Risk Management Committee is the Risk Management Department. Meetings are held twice per year, and reports are made to the Board of Directors once per year. The full-time Audit & Supervisory Committee Member and the Head of the Audit Office may attend meetings of the Risk Management Committee and state their opinions.

Compliance

Regarding the establishment of a compliance management system, the Company has articulated the Company-wide Basic Compliance Rules, and in order to ensure compliance, efforts are made to improve, maintain and develop the internal control system by responding to new and amended laws. In addition, the Compliance Committee usually meets jointly with the Risk Management Committee twice per year and reports to the Board of Directors once per year. When a major compliance violation is discovered, an emergency meeting is convened to discuss the formation and composition of a committee to investigate the matter, and the results of this meeting are escalated to the Board of Directors. If necessary, the committee chairperson selects members. The full-time Audit & Supervisory Committee Member and the Head of the Audit Office may attend meetings of the Compliance Committee and state their opinions. As part of internal control systems concerning violations of the law and other compliance issues, the Compliance Committee also has established rules for whistleblowing and adopted a whistleblowing system with the Audit Office as the contact point. Whistleblowing matters are reported to the Compliance Committee.

System to ensure the appropriateness of business operations of subsidiaries

The Action Guidelines for Corporate Ethics has been applied to all Group companies to foster the legal compliance awareness of all the Group's directors and employees. In addition, the Company has established the Rules for Management of Group Companies and Affiliates and the Rules of Authority of Group Companies and Affiliates, which require Group companies to report to the Company on certain matters based on these rules. Matters that meet certain criteria are submitted to the Company's Board of Directors or the Group Management Executive Committee as matters to be discussed. The Audit Office, which reports directly to the Representative Director, audits the operations of each Group company based on the internal audit plan, and reports the results of its audits to the Board of Directors, the Audit & Supervisory Committee, the Accounting Auditor and other relevant departments to ensure sound business operations.

Risk awareness

The Company considers that the following matters may have a significant impact on investors' decisions concerning the Company's statuses of operations and accounting.

1. Factors that may have an impact on the Group's financial performance

(1) External environment of the retail business(economic trends, increased price competition, competition, taxation on consumption, climate change, etc.)
(2) Store opening policies (difficulty in securing land or premises satisfying the store opening criteria, regulatory restrictions, etc.)
(3) Food safety (quality incidents such as food poisoning and contamination, erroneous food labeling, etc.)
(4) Natural disasters, infectious diseases, etc. (in case that natural disasters such as earthquakes and typhoons occur or infectious diseases spread)
(5) Entry to new businesses (in the event that anticipated results cannot be achieved because of changes in the external environment, etc.)
(6) Interest rate fluctuations
(7) Securing of human resources (difficulty in recruiting human resources and developing them as planned)
(8) Security measures for information systems (in case of troubles beyond the Company's expectation)

2. Regulatory restrictions concerning the Group

(1) Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment (in the event that it is not possible to open new stores or increase the floor space of existing stores as planned)
(2) Leakage of personal information
(3) Other regulatory restrictions

3. Impairment of noncurrent assets

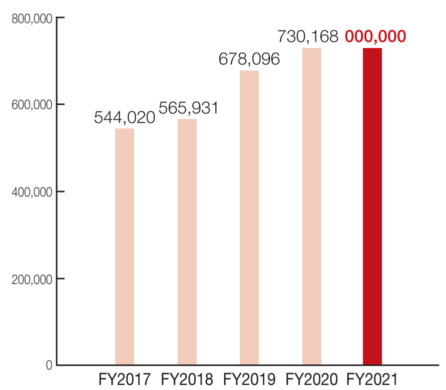
4. Defferred tax assets

11-year Summary of Financial Results

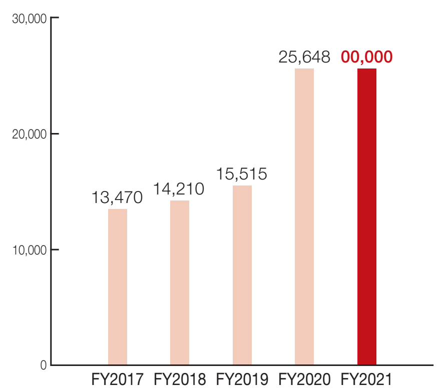
(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
For the year:											
Revenues from operations	410,577	431,218	454,180	470,564	497,463	520,530	544,020	565,931	678,096	730,168	732,519
Operating income	15,236	15,852	14,287	15,000	16,683	15,439	13,470	14,210	15,515	25,648	21,205
Ordinary income	16,020	16,844	15,311	16,108	17,586	16,762	14,937	16,091	16,878	28,397	24,140
Net income	7,149	8,184	9,162	9,214	10,759	10,522	7,570	7,910	6,477	12,592	9,014
At year-end:											
Total assets	199,774	213,629	235,131	245,386	255,916	269,488	285,905	311,813	383,919	404,458	410,365
Net assets	68,134	75,466	82,949	90,881	99,027	107,727	113,167	125,395	140,645	155,190	162,521
Net assets (excl. subscription rights to shares and non-controlling interests)	67,243	74,887	82,395	90,301	98,408	107,057	112,365	124,599	132,375	142,095	148,156
Interest-bearing debt	69,383	75,679	87,265	86,880	84,952	87,231	88,821	96,717	124,872	120,884	125,456
Cash Flows:											
Cash flows from operating activities	19,190	21,139	19,198	22,257	22,991	22,270	27,790	27,369	30,871	44,138	24,361
Cash flows from investing activities	(17,793)	(20,961)	(23,746)	(15,660)	(19,045)	(21,569)	(24,258)	(31,621)	(26,615)	(28,137)	(26,729)
Free cash flows	1,397	177	(4,547)	6,596	3,945	700	3,531	(4,252)	4,256	16,001	(2,367)
Cash flows from financial activities	(2,283)	2,914	5,983	(3,745)	(6,758)	(3,168)	(3,223)	7,302	(551)	(10,472)	(4,115)
Cash and cash equivalents at the end of fiscal year	12,676	15,764	17,055	19,960	17,103	14,659	14,938	17,938	24,159	29,349	22,867
Capital Expenditures:											
Capital expenditures (based on payment)	17,859	22,101	25,226	20,225	20,041	24,441	27,575	26,878	32,138	32,832	30,947
Breakdown of expenditures:											
for new store openings	11,230	14,414	12,851	12,763	11,628	15,144	14,394	14,903	20,457	9,742	14,484
for refurbishing existing stores	4,114	1,788	2,306	2,237	3,650	7,709	9,850	9,451	8,498	17,145	15,158
for others	2,515	5,899	10,069	5,225	4,763	1,587	3,332	2,524	3,183	5,945	1,304
Depreciation and amortization (CF)	9,612	10,255	11,090	12,168	12,683	13,125	13,952	15,163	17,665	18,234	20,228
Per Share data:											
Net assets per share (BPS) (yen)	1,320.33	1,454.43	1,600.25	1,751.57	1,925.45	2,093.74	2,196.89	2,320.53	2,435.06	2,660.56	2,766.89
Net income per share (EPS) (yen)	140.38	159.56	177.95	178.91	208.87	205.83	148.04	153.06	120.63	234.52	167.87
Cash dividends per share (yen)	26	29	31	33	36	40	45	48	52	54	56
Dividend payout ratio	18.5%	18.2%	17.4%	18.4%	17.2%	19.4%	30.4%	31.4%	43.1%	23.0%	33.4%
Financial indicators:											
Return on total assets (ROA)	8.2%	8.1%	6.8%	6.7%	7.0%	6.4%	5.4%	5.4%	4.9%	7.2%	5.9%
Return on equity (ROE)	11.2%	11.5%	11.7%	10.7%	11.4%	10.2%	6.9%	6.7%	5.1%	9.2%	6.2%
Shareholders' equity ratio	33.7%	35.1%	35.0%	36.8%	38.5%	39.7%	39.3%	40.0%	34.1%	35.3%	36.2%
Debt equity ratio (times)	1.0	1.0	1.1	1.0	0.9	0.8	0.8	0.8	0.9	0.8	0.8

Revenues from operations (millions of yen)

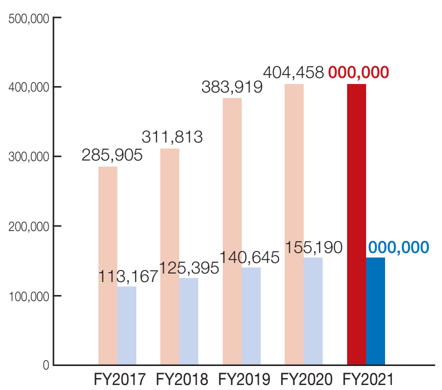


Operating income (millions of yen)



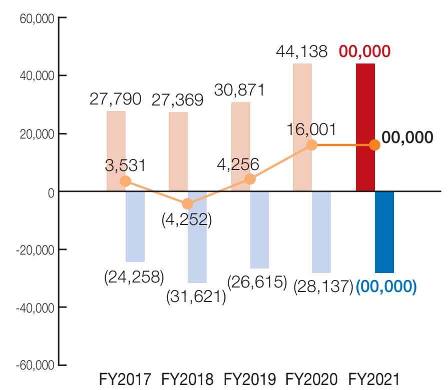
Total assets / Net assets (millions of yen)

■ Total assets ■ Net assets



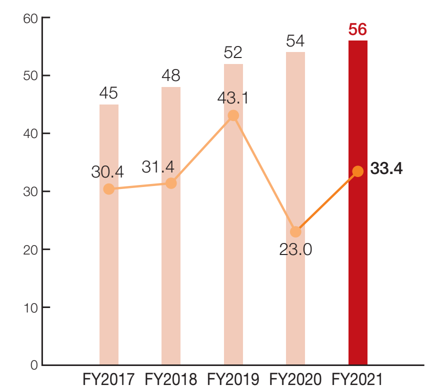
Cash Flows (millions of yen)

■ Cash flows from operating activities ■ Cash flows from investing activities
■ Free cash flows



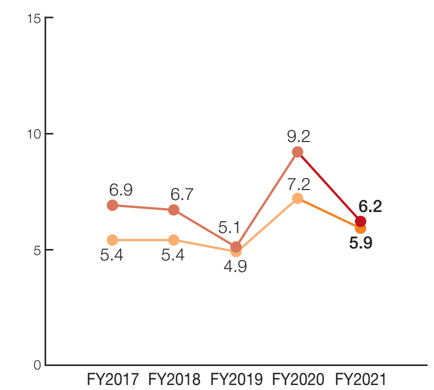
Annual cash dividends per share (yen)
Dividend payout ratio (%)

■ Cash dividends per share ● Dividend payout ratio



ROE·ROA (%)

● ROE ● ROA



Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

Valor Holdings Co.,Ltd. and Subsidiaries (As of March 31, 2021 and 2022)

(Millions of yen)

	FY2020	FY2021
(Assets)		
Current assets		
Cash and deposits	29,924	23,260
Notes and accounts receivable-trade	13,717	—
Note, accounts receivable-trade, and contract asset	—	14,905
Merchandise and finished goods	52,878	56,261
Raw materials and supplies	1,149	1,128
Other	14,537	14,670
Allowance for doubtful accounts	(7)	(9)
Total current assets	112,199	110,217
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	292,338	305,319
Accumulated depreciation	(152,877)	(161,166)
Buildings and structures, net	139,460	144,152
Machinery, equipment and vehicles	13,593	14,241
Accumulated depreciation	(9,094)	(10,009)
Machinery, equipment and vehicles, net	4,499	4,231
Land	52,096	54,282
Lease assets	23,681	23,227
Accumulated depreciation	(14,777)	(15,266)
Lease assets, net	8,903	7,961
Construction in progress	3,669	4,497
Other	43,311	46,764
Accumulated depreciation	(33,767)	(36,577)
Other, net	9,544	10,186
Total property, plant and equipment	218,173	225,312
Intangible assets		
Goodwill	1,496	2,323
Lease assets	157	112
Other	14,339	15,323
Total intangible assets	15,993	17,759
Investments and other assets		
Investment securities	9,964	9,787
Long-term loans receivable	1,106	1,078
Deferred tax assets	11,039	9,900
Guarantee deposits	32,350	32,578
Other	4,023	4,092
Allowance for doubtful accounts	(392)	(360)
Total investments and other assets	58,092	57,077
Total noncurrent assets	292,259	300,148
Total assets	404,458	410,365

(Millions of yen)

	FY2020	FY2021
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	59,423	57,237
Short-term loans payable	21,962	19,841
Commercial papers	10,000	17,000
Current portion of bonds	10,010	—
Current portion of long-term loans payable	20,495	17,795
Lease obligations	2,574	2,445
Income taxes payable	7,848	3,480
Provision for bonuses	3,634	3,540
Provision for directors' bonuses	205	198
Provision for point card certificates	1,542	485
Provision for loss on recollection of gift certificates	291	—
Provision for loss on store closing	248	58
Asset Retirement Obligations	30	65
Other	27,218	25,895
Total current liabilities	165,484	148,045
Noncurrent liabilities		
Bonds payable	—	10,000
Long-term loans payable	44,520	47,511
Lease obligations	11,320	10,862
Deferred tax liabilities	247	198
Provision for directors' retirement benefits	673	496
Provision for retirement benefits	5,804	6,297
Asset retirement obligations	13,342	16,143
Long-term deposits received	6,603	6,821
Other	1,269	1,468
Total noncurrent liabilities	83,783	99,799
Total liabilities	249,267	247,844
(Net assets)		
Shareholders' equity		
Capital stock	13,609	13,609
Capital surplus	20,049	20,063
Retained earnings	108,998	115,030
Treasury stock	(561)	(547)
Total shareholders' equity	142,095	148,156
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	880	559
Deferred gains (loss) on hedges	—	5
Foreign currency translation adjustment	140	132
Remeasurements of defined benefits plan	(254)	(266)
Total accumulated other comprehensive income	766	431
Subscription rights to shares	134	121
Minority interests	12,194	13,811
Total net assets	155,190	162,521
Total liabilities and assets	404,458	410,365

Consolidated Statement of Income

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2021 and 2022)

(Millions of yen)

	FY2020	FY2021
Net sales	706,331	708,484
Cost of sales	519,555	520,255
Gross profit	186,775	188,228
Operating revenues	23,837	24,034
Operating gross profit	210,613	212,263
Selling, general and administrative expenses		
Advertising expenses	5,842	5,080
Packaging expenses	141	159
Supplies expenses	1,405	1,512
Distribution expenses	1,679	1,864
Provision for point card certificates	3,601	1,587
Provision of allowance for doubtful accounts	4	2
Directors' remuneration	988	989
Salaries and wages	69,773	73,227
Bonuses	6,120	6,282
Provision for bonuses	3,403	3,226
Provision for directors' bonuses	203	179
Retirement benefit expenses	1,240	1,067
Provision for directors' retirement benefits	61	(16)
Welfare expenses	12,099	12,636
Utilities expenses	9,299	10,226
Rent expenses	30,286	31,915
Repair and maintenance	4,758	4,811
Depreciation	16,283	18,071
Amortization of goodwill	434	652
Other	17,336	17,579
Total selling, general and administrative expenses	184,964	191,057
Operating income	25,648	21,205
Non-operating income		
Interest income	133	134
Dividend income	186	182
Office work fee	1,576	1,588
Rent income	855	648
Investment gain on equity method	19	85
Other	1,927	1,963
Total non-operating incomes	4,698	4,603
Non-operating expenses		
Interest expenses	854	764
Rent cost of real estate	680	497
Other	415	405
Total non-operating expense	1,950	1,668
Ordinary income	28,397	24,140
Extraordinary income		
Loss on sales of noncurrent assets	47	84
Gain on receipt of donated land	103	—
Gain on sale of investment securities	42	1
Gain on negative goodwill	17	0
Penalty income	170	77
Subsidy income	467	582
Other	50	95
Total extraordinary income	898	841
Extraordinary loss		
Loss on sales of noncurrent assets	24	42
Loss on retirement of noncurrent assets	287	186
Impairment loss	2,843	3,308
Loss on reduction of noncurrent assets	197	421
Loss on valuation of investment securities	138	6
losses of business restraint	702	—
Other	557	358
Total extraordinary loss	4,751	4,324
Income before income taxes	24,544	20,657
Income taxes-current	10,877	7,985
Income taxes-deferred	(1,793)	1,421
Total income taxes	9,083	9,407
Net income	15,461	11,250
Profit (loss) attributable to non-controlling interests	2,868	2,235
Profit attributable to owners of parent	12,592	9,014

Consolidated Financial Statements (Summary)

Consolidated Statements of Cash Flows

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2021 and 2022)

(Millions of yen)

	FY2020	FY2021
Cash flows from operating activities		
Income before income taxes	24,544	20,657
Depreciation and amortization	18,234	20,228
Impairment loss	2,843	3,308
Amortization of goodwill	434	652
Gain on bargain purchase	(17)	(0)
Increase (decrease) in allowance for doubtful accounts	42	(35)
Increase (decrease) in defined benefit liabilities	624	471
Increase (decrease) in provision for directors' retirement benefits	21	(197)
Increase (decrease) in provision for point card certificates	57	108
Interest and dividends income paid	(320)	(317)
Interest expenses received	854	764
Loss on retirement of noncurrent assets	287	186
Loss on reduction of noncurrent assets	197	421
Payment for business acquisition	702	—
Loss (gain) on valuation of investment securities	138	6
Equity in losses (earnings) of affiliates	(19)	(85)
Subsidy income	(467)	(582)
Decrease (increase) in notes and accounts receivable-trade	(256)	(987)
Decrease (increase) in inventories	(1,552)	(3,206)
Increase (decrease) in notes and accounts payable-trade	1,364	(2,515)
Increase (decrease) in accrued consumption taxes	1,306	(705)
Increase (decrease) in accounts payable-other and accrued expenses	847	(1,958)
Other	1,952	1,370
Subtotal	38,142	51,822
Interest and dividends income received	255	220
Interest expenses paid	(818)	(834)
Income taxes paid	(6,708)	(7,069)
Net cash provided by operating activities	30,871	44,138
Cash flows from investing activities		
Payments into time deposits	(427)	(221)
Proceeds from withdrawal of time deposits	532	462
Purchase of property, plant and equipment	(26,981)	(24,339)
Proceeds from sales of property, plant and equipment	1,023	228
Purchase of intangible assets	(1,250)	(2,506)
Purchase of investment securities	(118)	(355)
Proceeds from sales of investment securities	227	7
Payments of loans receivable	(6)	(29)
Proceeds from collection of loans receivable	83	676
Payments for guarantee deposits	(1,766)	(2,003)
Proceeds from collection of guarantee deposits	1,868	1,738
Proceeds from guarantee deposits received	450	653
Repayments of guarantee deposits received	(770)	(341)
Payment for acquisition of shares in subsidiaries resulting in change in scope of consolidation	(193)	(1,570)
Income for acquisition of shares in subsidiaries resulting in change in scope of consolidation	102	—
Payment for acquisition of business	(76)	(92)
Subsidy income	467	582
Other	(1,300)	381
Net cash provided by investing activities	(28,137)	(26,729)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,241)	(2,121)
Net increase (decrease) in commercial papers	10,000	7,000
Proceeds from long-term loans payable	12,156	21,800
Repayments of long-term loans payable	(22,218)	(23,982)
Proceeds from issuance of bonds	—	9,950
Redemption of bonds	(34)	(10,010)
Repayments of finance lease obligations	(2,802)	(3,221)
Proceeds from sales of treasury stock	5	15
Purchase of treasury stock	(1)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(46)	—
Cash dividends paid	(2,848)	(2,958)
Dividends paid to non-controlling shareholders	(441)	(586)
Other	0	0
Net cash provided by financing activities	(10,472)	(4,115)
Effect of exchange rate change on cash and cash equivalents	(337)	0
Net increase (decrease)in cash and cash equivalents	5,190	(6,482)
Cash and cash equivalents at beginning of period	24,159	29,349
Cash and cash equivalents at end of period	29,349	22,867

Consolidated Statements of Changes in Net Assets

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2021 and 2022)

FY2020

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital Stock	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (loss) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefits plan	Total accumulated other comprehensive income			
Balance, March 31, 2019	13,609	20,076	99,256	(566)	132,375	(1,865)	0	273	(34)	(1,627)	142	9,754	140,645
Cumulative effects of changes in accounting policies					—								—
Restated balance	13,609	20,076	99,256	(566)	132,375	(1,865)	0	273	(34)	(1,627)	142	9,754	140,645
Changes of items during the period													
Equity transaction with noncontrolling interests		(26)			(26)								(26)
Dividends from surplus			(2,850)		(2,850)								(2,850)
Net income			12,592		12,592								12,592
Disposal of treasury stock				5	5								5
Net changes of items during the period						2,746	(0)	(133)	(219)	2,393	(8)	2,440	4,825
Total changes of items during the period	—	(26)	9,742	5	9,720	2,746	(0)	(133)	(219)	2,393	(8)	2,440	14,545
Balance, March 31, 2020	13,609	20,049	108,998	(561)	142,095	880	—	140	(254)	766	134	12,194	155,190

FY2021

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital Stock	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (loss) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefits plan	Total accumulated other comprehensive income			
Balance, March 31, 2020	13,609	20,049	108,998	(561)	142,095	880	—	140	(254)	766	134	12,194	155,190
Cumulative effects of changes in accounting policies			(24)		(24)							(31)	(56)
Restated balance	13,609	20,049	108,973	(561)	142,070	880	—	140	(254)	766	134	12,162	155,134
Changes of items during the period													
Equity transaction with noncontrolling interests		13			13								13
Dividends from surplus			(2,958)		(2,958)								(2,958)
Net income			9,014		9,014								9,014
Purchase of treasury stock				(0)	(0)								(0)
Disposal of treasury stock		0		14	15								15
Net changes of items during the period						(321)	5	(7)	(12)	(335)	(12)	1,649	1,301
Total changes of items during the period	—	14	6,056	14	6,085	(321)	5	(7)	(12)	(335)	(12)	1,649	7,386
Balance, March 31, 2021	13,609	20,063	115,030	(547)	148,156	559	5	132	(266)	431	121	13,811	162,521

Corporate Data/ Share Information

(as of March 31, 2022)

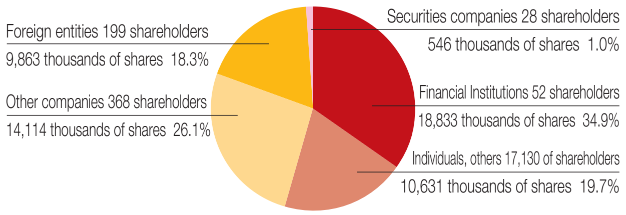
Corporate Data

Name	Valor Holdings Co., Ltd. (Changed from Valor Co., Ltd. in 1 October, 2015)
Registered head office	180-1 Oi-cho, Ena-shi, Gifu 509-7201 Japan
Headquarters	661-1 Ohari-cho, Tajimi-shi, Gifu 507-0062 Japan
Established	July 1958
Representative	Masami Tashiro Chairman & CEO
Paid-in-capital	¥13,609 million

Share Information

Number of authorized shares	200,000,000
Number of outstanding shares	53,987,499
Number of shareholders	17,777
Stock exchange listings	Tokyo Stock Exchange, first section Nagoya Stock Exchange, first section

Distribution of shareholders by Type



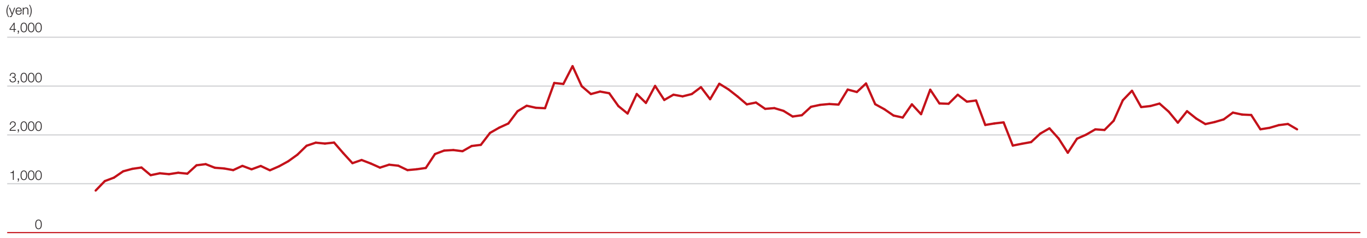
Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Percentage of * Shares Held
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,860	10.89
Ito Youth Scholarship Foundation	2,910	5.41
Shiunsha Co.,Ltd.	2,730	5.07
The Norinchukin Bank	2,542	4.72
The Juroku Bank	2,536	4.71
Custody Bank of Japan, Ltd. (Trust Account)	2,429	4.51
Masami Tashiro	1,439	2.67
Retail Partners Co.,Ltd.	1,260	2.34
Arcs Group Co.,Ltd.	1,260	2.34
MUFG Bank, Ltd.	1,223	2.27

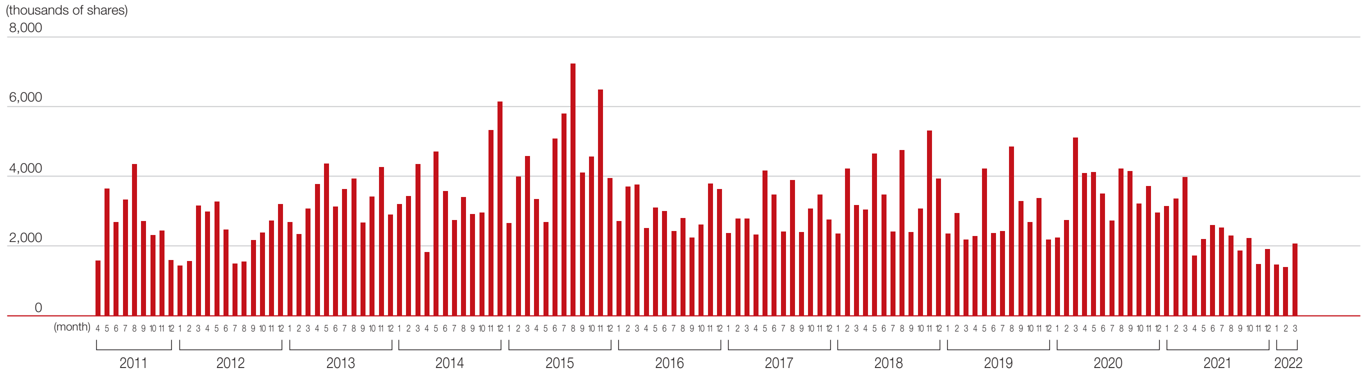
Notes: Shareholders are listed by shareholder number if they hold the same number of shares.
*The percentages of total outstanding shares excluding treasury stock are displayed by rounding down after the three decimal points.

Stock price and trading volume

Stock price (closing price after adjustment)



Volume



Valor Group

Segment	Subsidiaries	
Supermarkets	Valor Co.,Ltd. Tachiya Co., Ltd. Shokusenkan-Taiyo Co.,Ltd. Kohseiya Co.,Ltd. Futabaya Co.,Ltd. Sanko Co.,Ltd. Terao Stores Inc. Yamato Store LLC. Yaosen Co., Ltd. Yamata Co., Ltd. Chubu Foods Co., Ltd. Daien Foods Co., Ltd.	Fukui Chuo Tsukemono Co., Ltd. Honda Suisan Co., Ltd. Furuya Sangyo Co., Ltd. Keirinkaku Co., Ltd. Shiroishikandumekouzyou Co. Ltd. Daitoh Shokken Co.,Ltd. Shufu-no-Mise Shoji Chubu Honsha Co.,Ltd. V-Solution Co., Ltd. Chubu Meat Co., Ltd. Chubu Agri Co.,Ltd. Valor Max Co., Ltd.*** VARO Co., Ltd.
Drugstores	Chubu Yakuhin Co., Ltd. Hida Pharmaceutical LLC	Nagisa Pharmacy Co., Ltd.
Home Improvement Centers	Home Center Valor Co., Ltd. Daiyu Eight Co.,Ltd. Time Co.,Ltd. Nisshiki Co.,Ltd.	FIRST Co., Ltd. Aguriru Co.,Ltd Alleanza Japan Co.,Ltd.
Sports Clubs	AXTOS Co., Ltd.	
Distribution-related operations	Chubu Ryutu Co., Ltd. Chubu Kosan Co., Ltd. SHIGA CHUO PACK Inc. MENTEX Co., Ltd. Seiso Co., Ltd. V-Flower Co., Ltd.	Shanghai Valor co., Ltd. Valor Vietnam Co., Ltd. Valor Agency Co., Ltd. Japan Clean Services LLC Face Co., Ltd.
Others	Alleanza Holdings Co.,Ltd. Home Center Valor Co., Ltd.** Amigo Co.,Ltd. Joker Co.,Ltd. Agri Genki Okayama LLC	Gito Family Department Co., Ltd. Chubu Hoken Service Co., Ltd. Valor Max Co., Ltd.*** Valor Financial Service Co, Ltd.

Note: **Pet Shop Business ***Same company

History

1958	Established Shufu-no-Mise Co., Ltd. in Ena-shi, Gifu and opened the first supermarket.
1969	Established Chubu Kosan Co., Ltd., a logistics subsidiary.
1970	Changed the company name to Shufu-no-Mise Valor Co., Ltd.
1974	Changed the company name to Valor Co., Ltd.
1977	Relocated the headquarters from Ena- shi to Tajimi- shi, Gifu.
1984	Established Chubu Yakuhin Co., Ltd., a drugstore subsidiary.
1985	Established Chubu Foods Co., Ltd., a prepared food manufacturing subsidiary.
1989	Established a distribution center in Tajimi- shi. Started a material wholesale business for stores by Chubu Ryutu Co., Ltd.
1993	Listed on the Second Section of the Nagoya Stock Exchange.
1995	Merged with Fujiya Co., Ltd., a home improvement center company.
1996	Relocated the headquarters and the distribution center to the current location in Tajimi- shi.
1998	Established AXTOS Co., Ltd. and spun off the sports club business.
1999	Established MENTEX Co., Ltd., a facility maintenance service subsidiary.
2001	Established Hokuriku distribution center in Nanto- shi, Toyama.
2005	Acquired Tachiya Co., Ltd. and Youth Co., Ltd., supermarket subsidiaries. Assigned to the First Section of Tokyo Stock Exchange and Nagoya Stock Exchange
2007	Acquired Sun Friend Co., Ltd (currently Syokusenkan- Taiyo Co., Ltd.), a supermarket subsidiary.
2012	Established Hokuriku processing center for fresh meat in Nanto- shi, Toyama. Established Kani distribution center for products stored at ambient temperatures in Kani- shi, Gifu.
2013	Established Shizuoka integrated center in Shimada- shi, Shizuoka. Established Kani distribution center for chilled products. Established Ogaki processing center for fresh meat in Ogaki- shi, Gifu and Kani processing center for fresh vegetables and fruits in Kani- shi.
2015	Made a transition to a holding company and changed the company name to Valor Holdings Co.,Ltd.
2016	Established Nagoya Headquarters in Nakamura-ku Nagoya-shi. Acquired Kohseiya Co., Ltd.,a supermarket subsidiary.
2018	Acquired Futabaya Co.,Ltd., a supermarket subsidiary. Established capital and business partnership with Arcs Co.,Ltd. and Retail Partners Co.,Ltd.
2019	Acquired Sanko Co.,Ltd., a supermarket subsidiary. Integrated the home improvement center business by a share exchange between Home Center Valor Co.,Ltd. and Alleanza Holdings Co.,Ltd.
2020	Acquired Daitoh Shokken Co., Ltd. a food and seasonings manufacturing subsidiary.
2021	Honda Suisan Co., Ltd., one of the Valor Group, merged Ishinomaki Foods Co., Ltd. Acquired Tsurumaru Co., Ltd., a supermarket subsidiary. Acquired Faith Co., Ltd., a supermarket subsidiary. Acquired Yaosen Co., Ltd., a supermarket subsidiary. Acquired Yamata Co., Ltd., a supermarket subsidiary. Established Valor Financial Service Co., Ltd., a facility maintenance service subsidiary.
2022	Moved from the 1st Section to the Prime Market due to the revision to the new market classification of the Tokyo Stock Exchange. Moved from the 1st Section to the Premier Market due to the revision to the new market classification of the Nagoya Stock Exchange.