

Creating New Values for Local Communities

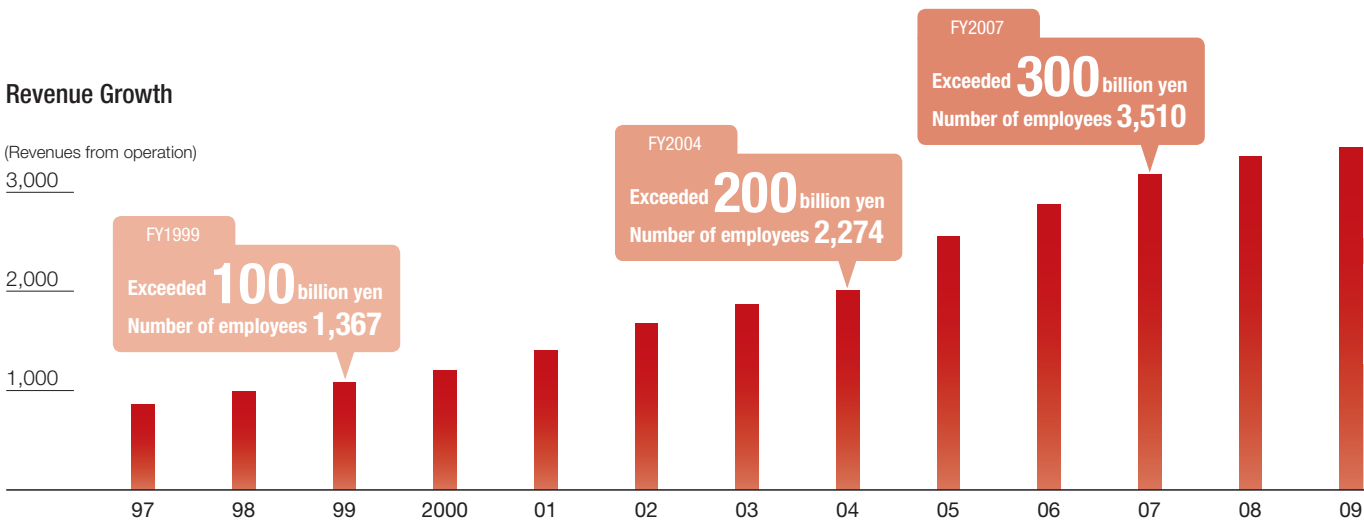
2018 Annual Report

Fiscal Year Ended March 31, 2018



We will achieve medium- & long-term growth adapted to the changing business environment by undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products.

The Valor Group has created group synergies through adapting sourcing, production and logistics functions derived from the supermarket business to other businesses, and established a store network by combining formats. Based on our business models consisting of “Business Process Integration” and “Multi-format Retailing”, we will strive to strengthen corporate structure to respond to the rapidly changing business environment with a focus on enhancing of the appeal of products.



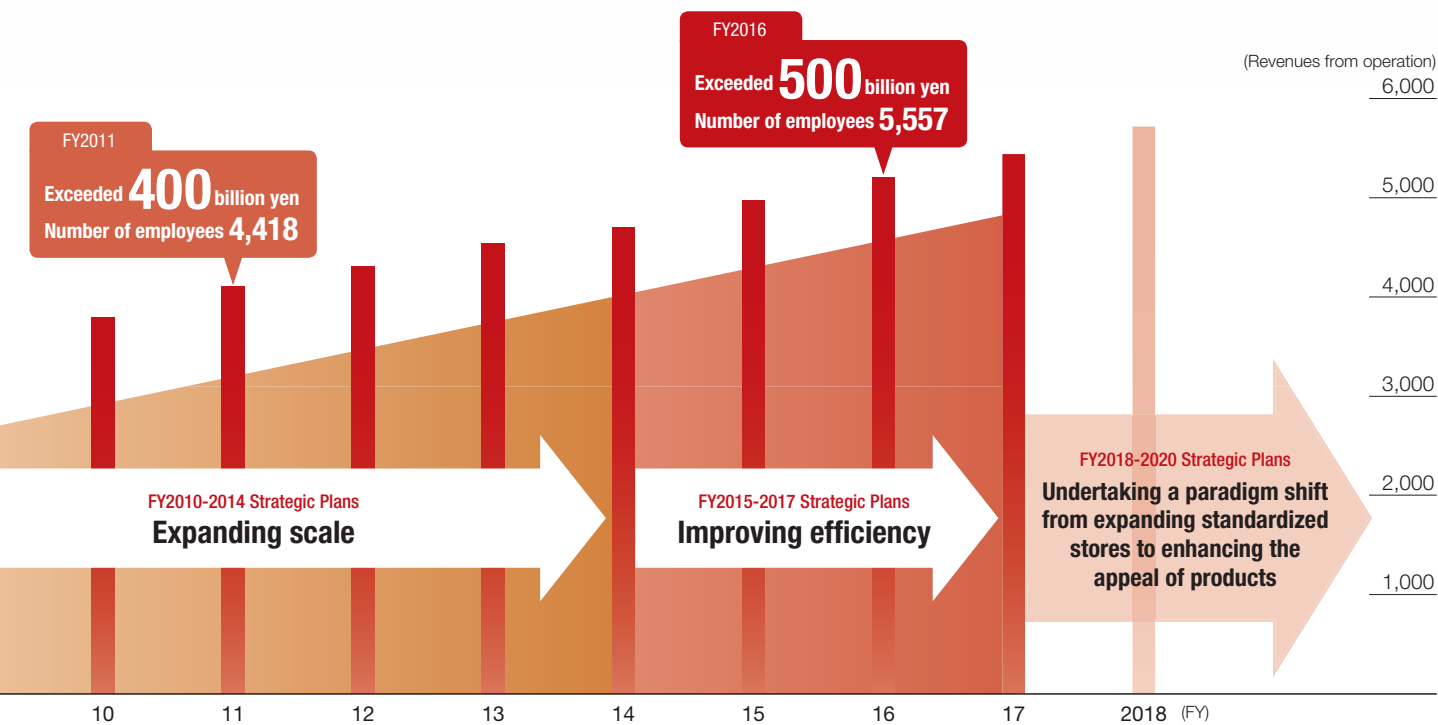
Major initiatives until FY2009	
Stores	<p>-expanded the number of supermarkets and regional development through organic growth and M&As</p> <p>[Major subsidiaries acquired] Tachiya Co., Ltd. Youth Co., Ltd. (merged into Valor Co., Ltd.) Sun-Friend Co., Ltd. (currently Shokusenkan-Taiyo Co., Ltd.)</p> <p style="text-align: right;">[Number of Stores at the end of FY2009] 462</p>
Products	<p>-developed private labels with fine quality and affordable prices. -launched “Surprise 50”, which offered 50 food products at overwhelmingly competitive prices, in November 2009</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>V-Select</p> <p>“V Select” covers basic items which are indispensable to your daily life. Under this brand name, we offer good-quality products at low prices.</p> <div style="display: flex; align-items: center;"> <div> <p>▶ Tea 500ml</p> <p>▼ Sliced Ham 160g</p> </div> </div> </div> <div style="width: 45%;"> <p>V-Quality</p> <p>“V Quality” represents tasty food items made from carefully chosen ingredients. We deliver fine quality at an affordable price.</p> <div style="display: flex; align-items: center;"> <div> <p>▶ Sesame Dressing</p> <p>▶ Japanese Soy Beans Tofu</p> </div> </div> </div> </div> <div style="text-align: right; margin-top: 20px;"> <p>[Sales Composition of Fresh Produce in the Valor supermarket chain]</p> <div style="text-align: center;"> <p>33.0%</p> </div> <p>▲ 18 yen Croquette (currently sold at 20 yen), an iconic product of “Surprise 50”</p> </div>
Employees (Frontline Performance)	<p style="text-align: right;">[Number of employees at the end of FY2009]</p> <p>Employees4,041 Part-timers*10,662</p>






Note: *Number of part-timers is calculated by 8-hour conversion and annually averaged.

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Major initiatives until FY2014	Major initiatives until FY2017	Upcoming initiatives from FY2018
<p>-accelerated store expansion of supermarkets and drugstores to secure necessary scale for business process integration</p> <p>[Net increase in store openings within the five years] Supermarkets+76 Drugstores.....+112</p> <p>[Number of Stores at the end of FY2014] 648</p>	<p>-focused on refurbishment to strengthen existing stores in the supermarket business, whereas development of drugstores accelerated</p> <p>[Net increase in store openings within the three years] Supermarkets+18 Drugstores+90</p> <p>[Number of Stores at the end of FY2017] 799</p>	<p>-accelerate the creation of a more competitive format in supermarkets through refurbishment of existing stores -maintain rapid store expansion in drugstores and expand network of fitness gyms, which moved into a full-swing franchise</p>
<p>-integrated operational processes in the fresh meat category such as cutting and packaging to five processing centers (since 2012) and established a meat sourcing company -launched new brand "V-Premium", which manufacturing processes and ingredients were carefully selected, in June 2014</p> <p>[Sales Composition of Fresh Produce in the Valor supermarket chain] 34.9%</p> <p>V-Premium "V Premium" refers to premium food made from hand-picked and superior ingredients and recipes. Turn your meal into fine dining with this brand!</p>   <p>▲ Black Pork Dumplings</p>  <p>▲ Processing Center in Kani-shi, Gifu</p>	<p>-drastically changed sales floor allocation through refurbishment to increase sales of fresh produce -accelerated product development utilizing the Group's manufacturing and processing sites</p> <p>[Sales Composition of Fresh Produce in the Valor supermarket chain] 36.0%</p>  <p>▲ expansion of sales floor for the fresh meat category through refurbishments</p>  <p>▲ improvement in manufacturing process of rice balls</p>	<p>-further improve product development and customer services, aiming to become a store chosen for its attractive products</p>
<p>-added accessible recruitment offices, which enabled recruitment staffs to conduct interviews with the candidates more frequently -opened Valor Recruiting Office Meieki, Nagoya in April 2014, and Valor Recruiting Satellite Kyoto Shijo-Karasuma in February 2015</p> <p>[Recruiting of new graduates within the five years] 1,578</p> <p>[Number of employees at the end of FY2014] Employees4,800 Part-timers*10,662</p>	<p>-integrated the recruiting office in Nagoya into the Nagoya Headquarters upon its opening in March 2016, where operating companies conduct interviews with the candidates</p> <p>[Recruiting of new graduates within the three years] 1,422</p> <p>[Number of employees at the end of FY2017] Employees5,821 Part-timers*16,820</p>	<p>-emphasize on human resources development as well as recruiting of new graduates</p>

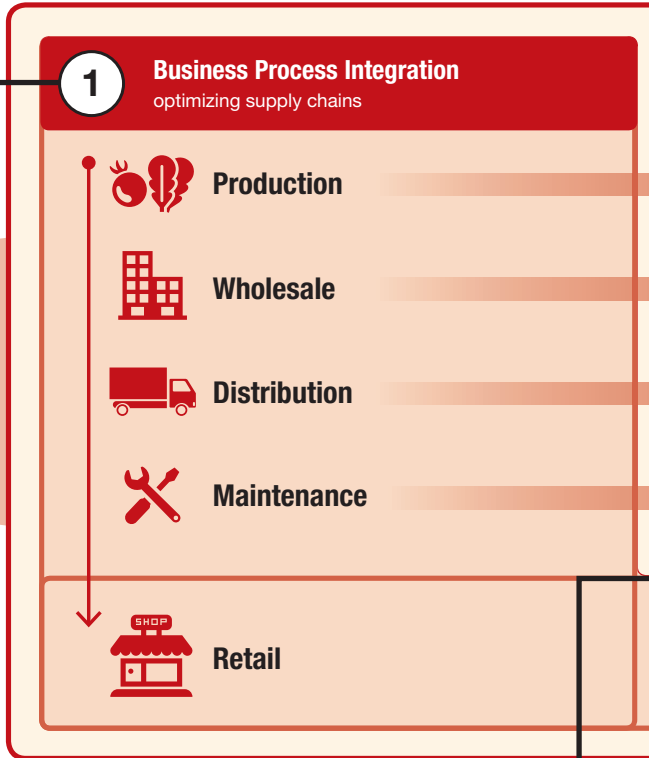
We have been offering new values for local communities through

- 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”.

Social Issue

- Imbalance between Food Supply and Demand**
 - Intense competition between formats
 - Aging and lack of successors in regional agriculture
 - Possible impact of TPP agreement on local suppliers
- Changes in Labor Market**
 - Aging and decline in workforce
 - Changing labor-related policies
 - Labor shortage and increasing labor costs
- Changing Consumers & 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

Business Models



1 Business Process Integration

In the food distribution industry, the Valor Group has struggled for lean margins, which were shared by many intermediates. To achieve “increasing returns” type growth, we have been striving to secure the margins by optimizing the entire processes from sourcing to retailing. As many of our stores were located in areas with lower population density, we also consider it crucial to reduce the break-even point and pursue operational efficiency through establishing and utilizing infrastructure including manufacturing bases and distribution centers. As its leading initiative, in the fresh meat category, we have integrated processes by providing stores with packaged meat from our processing centers, which source raw materials from Chubu Meat Co., Ltd., a subsidiary of the Group, enabling us to reserve intermediate margins. Additionally, by transferring and integrating processing operations (such as trimming and cutting) at stores to the processing centers and by manufacturing products with standardized skills and at a high hygienic level, we are reducing personnel costs of processing staffs as well as capital expenditure at each store. Furthermore, supporting functions at processing centers reduce wastes in manufacturing processes by scheduling accurate sales plans and synchronizing them with manufacturing plans.

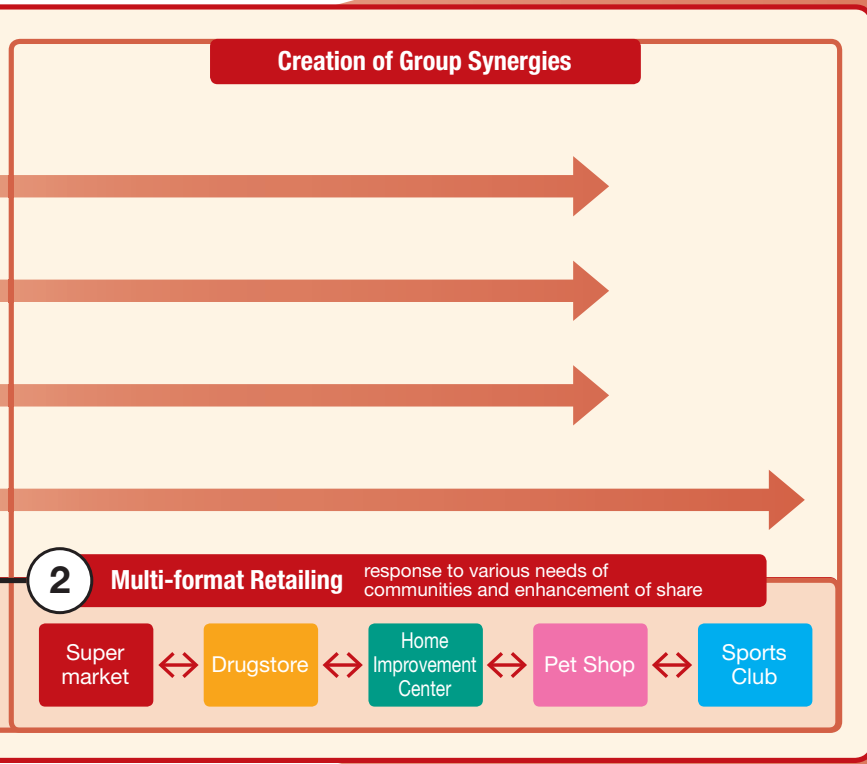
In recent years, there are new concerns arising regarding stable and low-cost distribution of fresh produce, caused mainly by aging farmers and the lack of their successors as well as global climate change. We are working on initiatives for stable procurement, including collaborations with local suppliers.

2 Multi-format Retailing

The Valor Group has met the demands by rolling out multi-format retailing; drugstore in 1984, pet shop in 1988, home improvement center in 1990 and sports club in 1998. Our motivation for such format development, which reflect the diversifying needs in economic development, was not only an economic motive for larger share, but also with a belief that it is corporate mission to bring richness to people’s lifestyles. We are striving to adapt to changing demands of consumers by combining our competencies as can be seen in drugstores offering prepared foods & fresh bakery. Meanwhile, the recent decrease in local suppliers supporting local communities forces us to rethink our roles. In order to succeed such functions, we are starting new initiatives from a medium- to long-term perspective, such as offering life supporting services in the home improvement center business and receiving increased orders for festivals’ meals at Chubu Foods, Co., Ltd, which produces and sells prepared foods. In April 2018, we also launched food sales truck business in Mizunami-city, Gifu for customers with difficulties shopping outside.

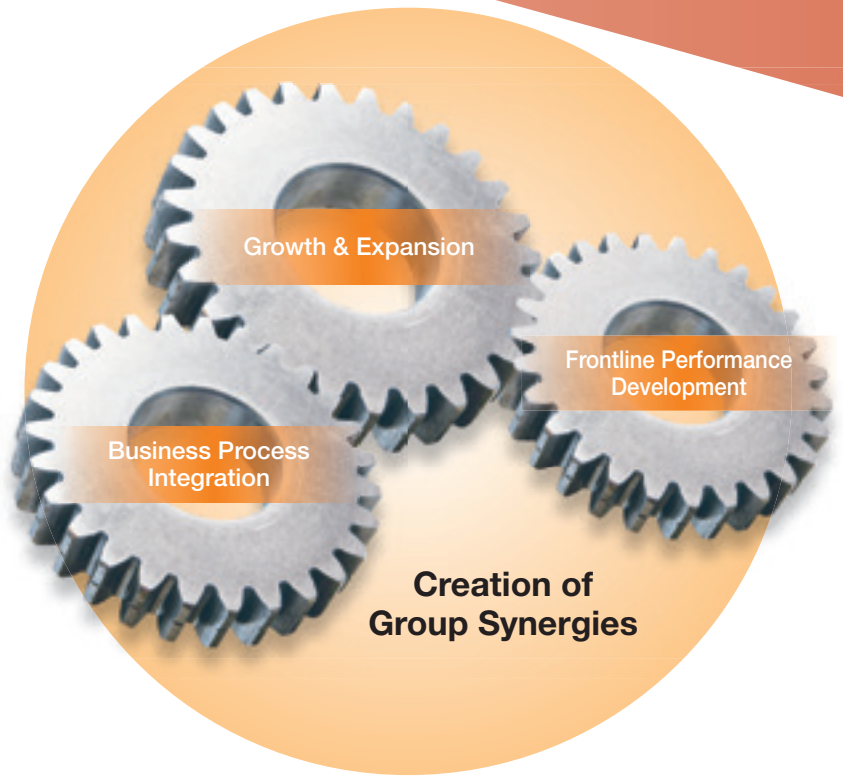


multi-format retailing and business process integration.



Our Solutions

- Stable Procurement**
 - Collaboration with suppliers to secure a stable supply of produces
- Human Resource Development & Recruitment**
 - Simplification of operational processes by utilizing infrastructures
 - Professional development
 - Increasing diversity in the workplace
- Local Communities**
 - Maintenance of Living Environment for Local Communities**
 - Format development
 - Taking over functions performed by local suppliers
 - Reduction of environmental impacts**
 - Greenhouse gas emissions control
 - Reduction of food waste
 - Recycling encouragement



Business Strategies "Three Gears"

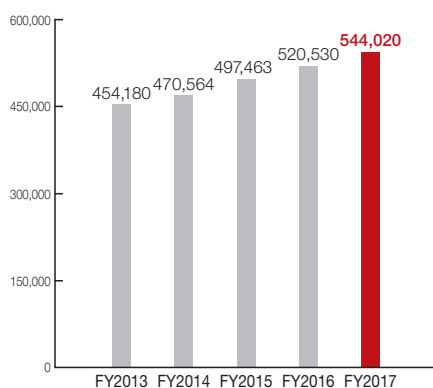
The Valor Group has business strategies called the "Three Gears," which systematize "Growth & Expansion", "Business Process Integration between Manufacturing and Retailing" and "Frontline Performance Development". By balancing and meshing the three gears and accelerating them, we strive to secure the effectiveness of our business model. We believe that a certain scale of operations is required to make a qualitative shift in manufacturing and retailing, which is why we seek "Growth & Expansion". Also, to realize "Business Process Integration between Manufacturing and Retailing", in addition to enhancing the appeal of products, we deem it crucial to nurture sales capabilities thereby include "Frontline Performance Development".

V 11-year Summary of Financial Results

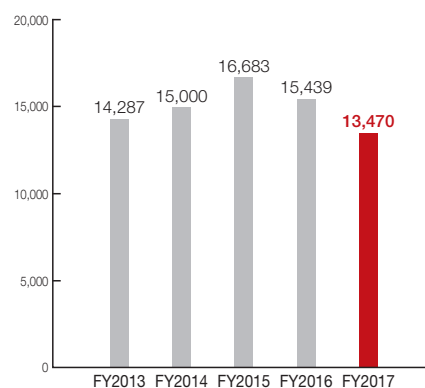
Valor Holdings Co.,Ltd. and its consolidated subsidiaries for the financial year ended March 31.

	FY2007	FY2008	FY2009	FY2010
For the year:				
Revenues from operations	318,026	336,342	344,900	379,172
Operating income	10,491	9,795	9,452	12,347
Ordinary income	10,835	10,186	9,916	12,817
Net income	4,136	3,387	3,945	4,232
At year-end:				
Total assets	164,609	170,328	176,440	190,065
Net assets	53,774	55,354	58,578	61,821
Net assets (excl. subscription rights to shares and non-controlling interests)	53,341	54,560	57,760	60,998
Interest-bearing debt	61,710	69,631	69,107	69,746
Cash Flows:				
Cash flows from operating activities	13,942	11,408	16,004	20,324
Cash flows from investing activities	(16,869)	(15,929)	(10,453)	(14,428)
Free cash flows	(2,927)	(4,520)	5,550	5,895
Cash flows from financial activities	3,643	6,150	(5,291)	(1,608)
Cash and cash equivalents at the end of fiscal year	7,372	9,000	9,259	13,547
Capital Expenditures:				
Capital expenditures (based on payment)	19,607	16,988	11,537	15,245
Breakdown of expenditures:				
for new store openings	15,243	13,072	8,267	8,995
for refurbishing existing stores	3,025	2,562	2,663	5,007
for others	1,339	1,354	607	1,243
Depreciation and amortization (CF)	7,030	8,081	8,399	9,017
Per Share data:				
Net assets per share (BPS) (yen)	1,027.07	1,071.19	1,134.05	1,197.67
Net income per share (EPS) (yen)	79.66	65.57	77.46	83.10
Cash dividends per share (yen)	18	20	20	22
Dividend payout ratio	22.6%	30.5%	25.8%	26.5%
Financial indicators:				
Return on total assets (ROA)	6.8%	6.1%	5.7%	7.0%
Return on equity (ROE)	8.0%	6.3%	7.0%	7.1%
Shareholders' equity ratio	32.4%	32.0%	32.7%	32.1%
Debt equity ratio (times)	1.2	1.3	1.2	1.1

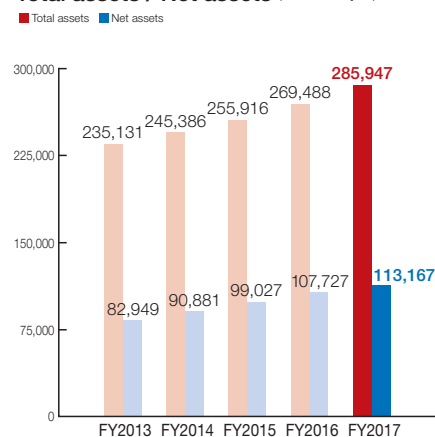
Revenues from operations (millions of yen)



Operating income (millions of yen)



Total assets / Net assets (millions of yen)

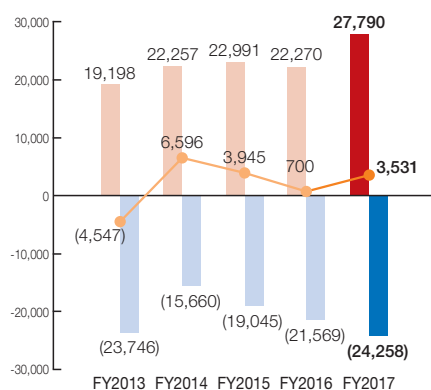


(Millions of yen)

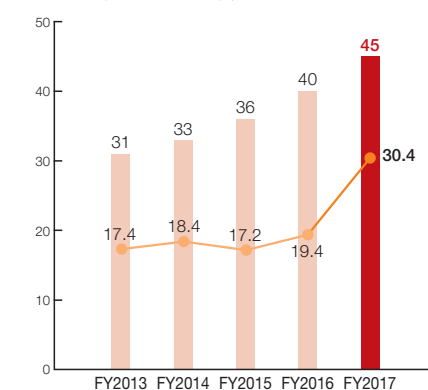
FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
410,577	431,218	454,180	470,564	497,463	520,530	544,020
15,236	15,852	14,287	15,000	16,683	15,439	13,470
16,020	16,844	15,311	16,108	17,586	16,762	14,937
7,149	8,184	9,162	9,214	10,759	10,522	7,570
199,774	213,629	235,131	245,386	255,916	269,488	285,947
68,134	75,466	82,949	90,881	99,027	107,727	113,167
67,243	74,887	82,395	90,301	98,408	107,057	112,365
69,383	75,679	87,265	86,880	84,952	87,231	88,821
19,190	21,139	19,198	22,257	22,991	22,270	27,790
(17,793)	(20,961)	(23,746)	(15,660)	(19,045)	(21,569)	(24,258)
1,397	177	(4,547)	6,596	3,945	700	3,531
(2,283)	2,914	5,983	(3,745)	(6,758)	(3,168)	(3,223)
12,676	15,764	17,055	19,960	17,103	14,659	14,938
17,859	22,101	25,226	20,225	20,041	24,441	27,576
11,230	14,414	12,851	12,763	11,628	15,144	14,394
4,114	1,788	2,306	2,237	3,650	7,709	9,850
2,515	5,899	10,069	5,225	4,763	1,587	3,332
9,612	10,255	11,090	12,168	12,683	13,125	13,952
1,320.33	1,454.43	1,600.25	1,751.57	1,925.45	2,093.74	2,196.89
140.38	159.56	177.95	178.91	208.87	205.83	148.04
26	29	31	33	36	40	45
18.5%	18.2%	17.4%	18.4%	17.2%	19.4%	30.4%
8.2%	8.1%	6.8%	6.7%	7.0%	6.4%	5.4%
11.2%	11.5%	11.7%	10.7%	11.4%	10.2%	6.9%
33.7%	35.1%	35.0%	36.8%	38.5%	39.7%	39.3%
1.0	1.0	1.1	1.0	0.9	0.8	0.8

Cash Flows (millions of yen)

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

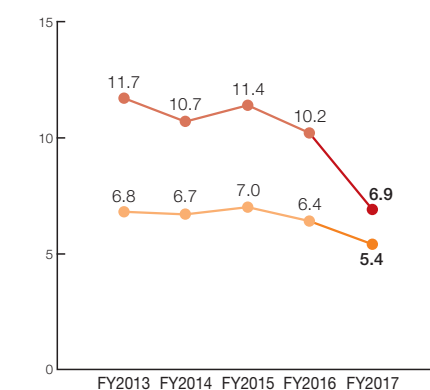
Cash dividends per share (yen)
Dividend payout ratio (%)

■ Cash dividends per share ■ Dividend payout ratio



ROE-ROA (%)

● ROE ● ROA



Shifting from expanding standardized stores to enhancing the appeal of products Launch of FY2018-2020 strategic plans



Masami Tashiro

Chairman & CEO

A look back on strategic plans over the past eight fiscal years

The Valor Group has executed strategic plans for sustainable growth since FY2010 and achieved many reforms including a transition to a holding company structure.

In the FY2010-2014 strategic plans, the Group set a strategic goal of “Growth and Expansion.” While accelerating the pace of store openings in the supermarket and drugstore businesses, we took steps to expand logistics as well as manufacturing and processing functions, so as to create the infrastructure necessary for business process integration between manufacturing and retailing.

Based on the results and challenges, we aimed for “Improving Efficiency,” in the FY2015-FY2017 strategic plans, in order to resolve the distortion caused by the scale expansion. Major policies during the three years focused on the structural reform through efficient utilization of infrastructure and reinforcement of existing stores in the supermarket business, as well as accelerated store expansion in the drugstore business, which is entrusted to lead the Group’s growth.

As a result, revenues from operations exceeded the ¥500.0 billion mark, recording an increase for the 23rd consecutive year, and achieved an expansion centered on the growth of the drugstore business. However, we failed to meet any of our initial profit targets. Despite some success in improving infrastructure utilization, we were slow to boost operational efficiency, especially in the supermarket business, where earnings declined due to the increase of costs in personnel, store openings and refurbishment. Asset efficiency also deteriorated from pre-plan levels, with return on assets (ROA) stuck at 5.4% and return on equity (ROE) at 6.9% in FY2017.

Emergence of risk factors due to change in the business environment

Over the past few years, the business environment surrounding the Valor Group has changed enormously and many risk factors have become evident. Stores have suffered a fall in profitability due mainly to a significant shortage of personnel attributable to the shrinking working-age population, increased personnel and recruitment costs, and soaring construction costs. Meanwhile, consumer purchasing behavior is changing; showing diversification of needs and a clearer emphasis on quality, therefore homogenized product offerings no longer fully satisfy the demand.

With the expansion of sales channels by other formats such as convenience stores, supermarkets, which used to retain customers through “dominant” store development as well as operational efficiency by chain-store management, are now losing their advantage of “customer proximity” to other formats. Such changes are behind the deterioration in store profitability and asset efficiency that lead to the failure to meet targets of the strategic plans.

To deal with the environmental changes and find a breakthrough, the Valor Group must not only pursue the business models that optimize the entire process from sourcing to retailing, but also redesign the values provided by the frontline in the supermarket business. We are required to enhance product categories and each product to attract customers outside our doorsteps and expand retail trade areas.

A paradigm shift from expanding standardized stores to enhancing the appeal of products

In the future business environment, we recognize that our conventional store expansion will not enhance

corporate values. With this in mind, we have set a basic policy of “A paradigm shift from expanding standardized stores to enhancing the appeal of products” in the FY2018-2020 strategic plans. The aim is to boost profitability, mainly in stores, not by depending on the “quantitative expansion of standardized stores” but through a medium- to long-term growth initiative of “transition to a more competitive format with a focus on products.” As major policies to realize this initiative, we will execute “transition to competitive formats,” “advancement of business process integration between manufacturing and retailing,” and “establishment of a new driver for growth.”

In “transition to a more competitive format with a focus on products,” we will further increase merchandise specialization, enhance product categories, and foster the sense to visit the stores by products themselves in the supermarket, drugstore, and home improvement center businesses. In the supermarket business, we will refurbish 30-40 stores a year, while scaling back the number of new openings. In the drugstore business, which continues to serve as the primary growth driver, we will conduct refurbishment, relocation, scrap & build, and pursue store development centered on health, with addition of counseling services along with other measures to increase convenience. In the home improvement center business, we will increase merchandise specialization as well as add products and service functions related to “lifestyle” mainly in the large-scale stores. Given our belief that developing personnel with high product knowledge and service capabilities is the key for frontline performance development required by each business, we are thinking of further emphasizing store staff training and fostering smoother internal communications to extract organizational capabilities of stores.

Through “business process integration between

manufacturing and retailing,” we aim to develop products, service quality and cost competitiveness that attract customers. Also, as an initiative for “establishment of a new driver for growth,” we will open at least 200 outlets of the fitness gym “Will_G” over the three years in the sports club business, expand its share and structure the brand power.

Through these initiatives, we aim to achieve the consolidated results of “revenues from operations of ¥600.0 billion and ordinary income of ¥18.5 billion” in FY2020, the final year of the FY2018-2020 strategic plans, and target ROA of 6.0% and ROE of 8.5% with regard to improvement of asset efficiency.

First year of the strategic plans: gaining a foothold for improved profitability

In financial policy of the FY2018-2020 strategic plans, we aim to focus on generating cash flow, of at least ¥73.0 billion over the three years, through improved profitability. We will also uphold our financial commitment to a “debt-equity ratio of 0.8 times,” and a “shareholders’ equity ratio of 40%.”

Turning to profit distribution, we plan capital expenditure of ¥23.0 billion to ¥24.0 billion a year, of which 30-40% will be allocated to existing stores. Our policy is to ensure stable and continuous return of profit to shareholders, maintaining a payout ratio of 25%.

As for the consolidated results of FY2017, the final dividend was ¥24 per share in line with the initial plan, despite ¥2,943 million of impairment loss on noncurrent assets in extraordinary loss and shortfall in our final earnings targets. Combined with the interim dividend of ¥21 per share, total annual dividends were ¥45 per share (a payout ratio of 30.4%), a year-on-year increase of ¥5 per share. We expect to maintain the increased dividend and raise total annual dividends to ¥48 per

share (interim ¥22, year-end ¥26) in FY2018.

Forecasts for consolidated results in FY2018 are as follows: revenues from operations of ¥560.0 billion, a year-on-year increase of 2.9%; operating income of ¥14.8 billion, an increase of 9.9%; ordinary income of ¥16.3 billion, an increase of 9.1%; and profit attributable to owners of parent of ¥9.0 billion, an increase of 18.9%. As the first year of the FY2018-2020 strategic plans, we will speedily engage in each policy measure and gain a foothold for improved profitability.

Generate synergies leveraging Group management resources

On April 1, 2018, the Valor Group completed a revamp of its Directors' responsibilities and personnel changes in consolidated subsidiaries. Through such changes, we further promoted delegation of authority within Group management, and at the same time established a system for rapid management decision-making and execution, with the goal of further raising the competitiveness of our individual operating companies. Looking ahead, we will create a system capable of generating synergies, while strengthening mutual collaborations by breaking down barriers dividing operating companies and making effective use of Group management resources.

To overcome drastic changes and adapt to the new age, the Valor Group shall steadily and speedily proceed with business reconfiguration as outlined above, to further secure growth and improve profitability. In this way, I believe we can become a corporate group that is indispensable to and cherished by the local communities, and one that will develop together with the society.

In closing, I would like to ask our shareholders and investors to have great expectations for the Valor Group's future and for their continued support.



FY2018-2020 Strategic Plans

We have established and executed strategic plans to enhance medium- to long-term corporate values from FY2010 to FY2014, and from FY2015 to FY2017. The FY2010-2014 strategic plans focused on “Expanding scale”, in which we accelerated store expansion in supermarkets and drugstores, and enhanced logistics, manufacturing and processing functions to keep up with the business expansion. In the FY2015-2017 plans, we aimed for “Improving efficiency” through reinforcement of existing stores and utilization of infrastructures, and continued vigorous openings of drugstores, placing drugstore business as a key driver of the Group’s growth

During the period, the business environment has dramatically changed due to decreasing and aging consumers, labor shortage, changes in consumer behavior and intensifying competitions. As we assume that store expansion through conventional methods will not enhance corporate values, in the new FY2018-2020 strategic plans, we will establish a foundation to support next growth, while redesigning values that stores provide and improving systems supporting stores.

Basic Policy

“Undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products”

Although we maintain growth-oriented corporate culture, setting “creation of a more competitive format with a focus on products” as a medium-to long-term growth initiative, we intend to improve profitability through enhancing frontline store competitiveness.

	FY2010-2014 Strategic Plans	FY2015-2017 Strategic Plans	FY2018-2020 Strategic Plans
Business strategies	The “Three Gears” strategies		
Business models	1. Multi-format Retailing 2. Business Process Integration	Create synergies through combining group competencies	
Strategic goals	Expanding scale	Improving efficiency	Undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products
Major policies	<ul style="list-style-type: none"> Expansion of store network (organic growth and M&As) Enhancing functions of manufacturing and processing 	<ul style="list-style-type: none"> Establishment of competitive formats Increase efficiency of infrastructures Expansion of drugstore and home improvement center businesses 	<ul style="list-style-type: none"> Transition to competitive formats Advancement of Business Process Integration between manufacturing and retailing Establishment of new axis for growth
Viewpoint on organizational structure	<ul style="list-style-type: none"> Improvement of infrastructures to support expanding scale 	<ul style="list-style-type: none"> Transition to a holding company structure (Enhancement of group management and governance) increase recruitment of new graduates 	<ul style="list-style-type: none"> Improvement of asset efficiency Enhance strategic functions of the holding company From closed innovation to cooperation Human resources development and improvement of productivity
Medium- to long-term initiatives	Quantitative expansion of standardized stores	Transition to creation of a more competitive format with a focus on products	

FY2010-2014 Strategic Plans



- Secured a scale of operations and improved infrastructures
- Improved profitability
- Improved balance sheet
- Enhanced corporate values



- ◆ Increase efficiency in the supermarket business
Strengthen existing stores and improve efficiency of infrastructure utilization
- ◆ Nurture key drivers for growth
- ◆ Improvement of governance in the holding company and development of human resources

FY2015-2017 Strategic Plans



- Expanded the drugstore business
Revenues increased from 80.4 billion yen to 117.9 billion yen.
- Improved utilization and efficiency of infrastructures enhanced product development and secured manufacturing profits
changed sales floor allocation centered on fresh vegetables & fruits, fresh meat and prepared food
- Created group synergies by combining resources collaborations in opening new stores



- ◆ Improvement of profitability
Improve profitability by enhancing the appeal of products and frontline competitiveness
- ◆ Improvement of asset efficiency
Enhance strategic functions of the holding company
From closed innovation to cooperation
- ◆ Human resources development and improvement of productivity

FY2018-2020 Strategic Plans

(Millions of yen)

	FY2009	FY2014	FY2017	FY2020 (plan)
Business strategies	The "Three Gears" strategy			
Basic policy		Expanding scale	Improving efficiency	Undertaking a paradigm shift from expanding standardized stores to enhancing product offerings
Revenues from operations	344,900	470,564	544,020	600,000
Operating income	9,452	15,000	13,470	—
Ordinary income	9,916	16,108	14,937	18,500
Net income	3,945	9,214	7,570	—
CAGR (Revenue from operations)		6.4%	5.0%	3.3%
ROA	5.7%	6.7%	5.4%	6.0%
ROE	7.0%	10.7%	6.9%	above 8.5%
D/E ratio	1.2	1.0	0.8	0.8
Dividend payout ratio	25.8%	18.4%	30.4%	25%

Transition to competitive formats

- Refurbish 30-40 stores of supermarkets and drugstores annually, and conduct relocation and reconstruction
- Effectively utilize group competencies for improved asset efficiency, and close/transform underperforming stores

Advancement of Business Process Integration between manufacturing and retailing

- Realize product offerings selected by customers, and achieve service quality and cost competitiveness available for external sales

Establishment of a new driver for growth

- Accelerate store expansion of fitness gyms "Will_G", which investment costs are relatively low and membership fees are competitive
- Utilize group competencies and develop new businesses in harmony with real stores

Revenues from operations by segment and their distribution

Supermarket Business

63.6%

Revenues from operations

345.9
billion yen

Operating income

8.5
billion yen

This business segment includes sourcing, manufacturing and other food companies as well as supermarket operators Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd. and Kohseiya Co., Ltd.



Drugstore Business

21.7%

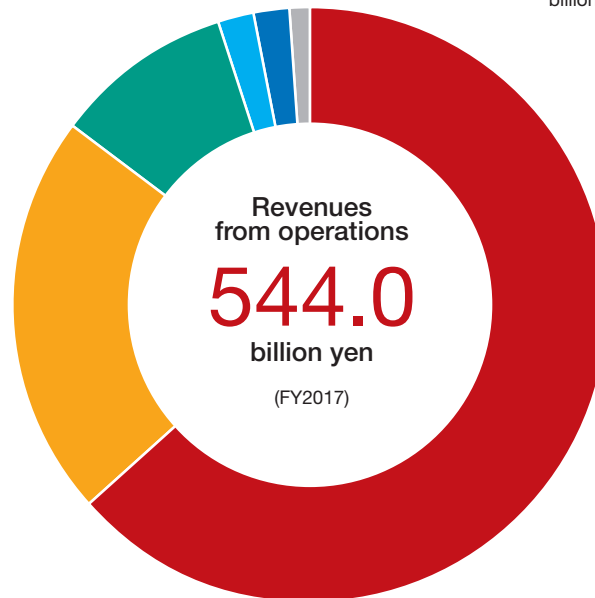
Revenues from operations

117.9
billion yen

Operating income

2.5
billion yen

This business segment includes Chubu Yakuin Co., Ltd., which operates a drugstore chain brand "V-drug".



Home Improvement Center Business

9.8%

Revenues from operations

53.5
billion yen

Operating income

2.1
billion yen

This business segment includes a wholesaler of agricultural materials, an online distributor of materials and tools, and Home Center Valor Co., Ltd.



Sports Club Business

2.1%

Revenues from operations

11.3
billion yen

Operating income

0.6
billion yen

This business segment includes AXTOS Co., Ltd., which operates sports clubs brand "AXTOS".



Distribution-related operations

1.7%

Revenues from operations

9
billion yen

Operating income

3.7
billion yen

This business segment includes wholesalers of supplies, a logistics operator, and facility maintenance providers.



(Millions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Supermarkets									
Revenues from operations	240,138	269,918	293,505	303,521	313,208	321,458	329,266	336,555	345,960
Operating income	7,683	9,580	10,783	11,028	8,443	9,760	9,887	9,738	8,518
Total assets	105,438	114,693	119,293	127,490	142,260	144,604	153,045	176,384	184,386
Capital expenditures	7,477	12,012	9,199	12,915	17,931	12,078	10,506	11,887	12,574
Depreciation and amortization	5,283	5,430	5,978	6,346	6,826	7,381	7,556	7,339	7,490
Drugstores									
Revenues from operations	48,373	50,651	54,850	62,497	73,028	80,470	95,152	107,045	117,949
Operating income	1,009	1,357	2,294	1,934	2,449	1,961	2,736	2,692	2,532
Total assets	21,493	22,814	26,501	29,065	33,649	38,557	44,602	52,019	58,849
Capital expenditures	947	1,400	2,547	3,134	3,893	4,333	5,776	8,087	5,359
Depreciation and amortization	817	860	979	1,183	1,454	1,780	2,114	2,588	2,927
Home Improvement Centers									
Revenues from operations	36,919	38,928	41,734	43,810	46,559	46,556	48,629	50,373	53,555
Operating income	677	1,269	1,677	1,869	2,330	2,011	2,450	2,302	2,149
Total assets	17,633	17,479	18,553	19,456	19,068	22,430	22,499	23,942	25,562
Capital expenditures	166	730	1,943	1,259	464	2,276	1,478	4,777	1,316
Depreciation and amortization	983	876	867	899	875	910	945	1,000	1,099
Sports Clubs									
Revenues from operations	8,371	8,514	8,604	8,788	8,955	9,271	9,838	10,459	11,397
Operating income	40	77	247	420	419	463	532	639	680
Total assets	13,023	12,009	11,287	10,760	10,382	10,611	10,634	10,776	13,059
Capital expenditures	1,755	146	124	319	338	527	791	1,119	3,114
Depreciation and amortization	747	770	669	666	636	655	711	785	882
Distribution-related operations									
Revenues from operations	5,282	5,929	6,383	6,699	7,228	7,638	8,590	9,610	9,075
Operating income	1,943	2,410	2,761	3,062	2,995	3,395	3,647	3,699	3,725
Total assets	11,456	15,339	17,514	18,809	22,351	24,082	23,961	24,894	27,230
Capital expenditures	28	439	1,659	1,888	2,155	624	478	2,018	3,044
Depreciation and amortization	40	381	439	550	784	819	716	721	758

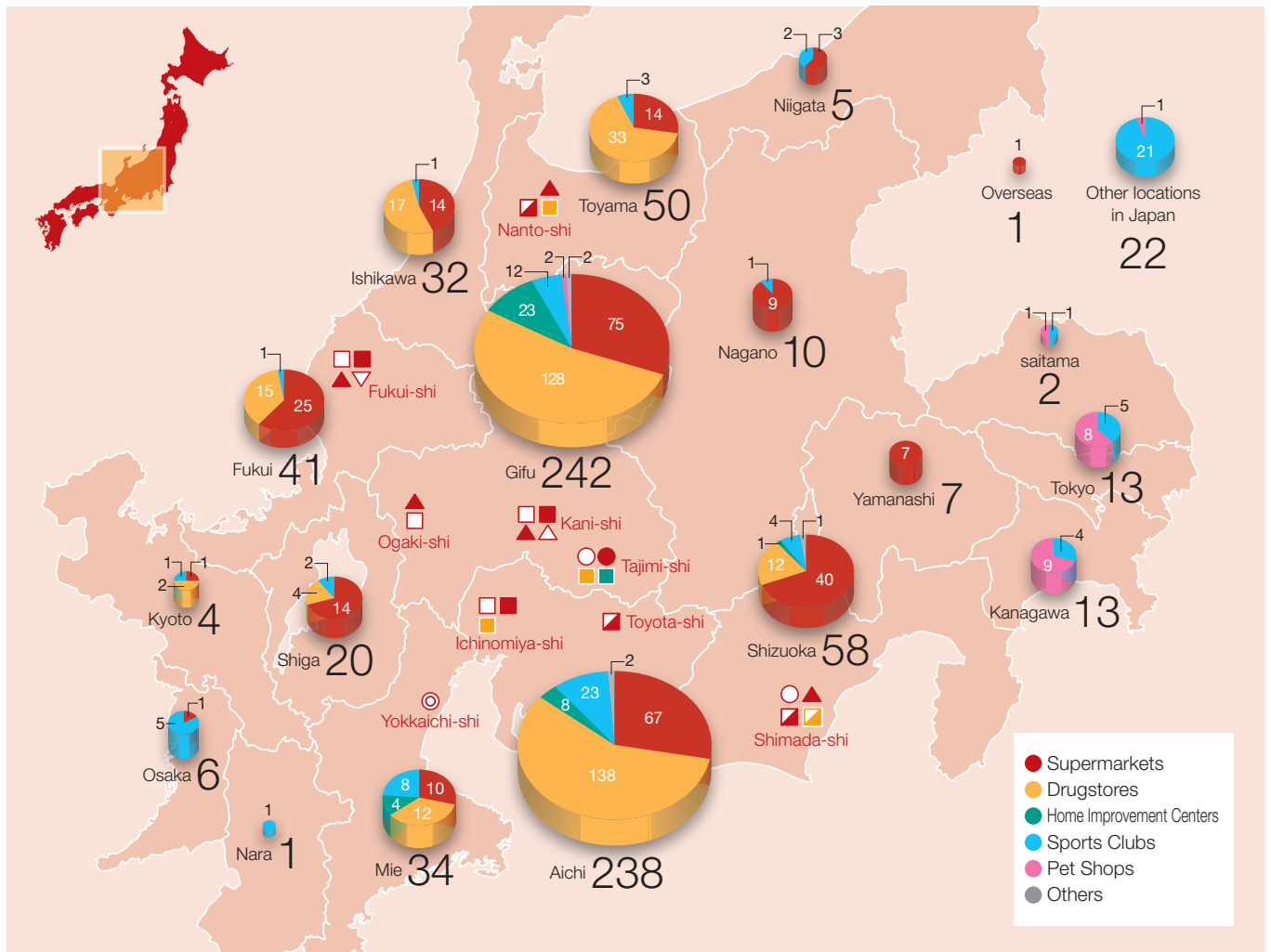
Store Network

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Supermarkets	187	202	218	238	251	263	266	275	281
Valor	131	147	163	179	221	232	235	238	243
Tachiya	10	10	11	11	13	13	13	14	15
Youth*	29	28	29	31	—	—	—	—	—
Shokusenkan-Taiyo	10	17	15	15	15	17	17	17	17
Kohseiya	—	—	—	—	—	—	—	5	5
Varo Mart	—	—	—	2	2	1	1	1	1
Other	7	—	—	—	—	—	—	—	—
Drugstores	159	174	193	214	241	271	301	337	361
Home Improvement Centers	36	36	34	35	35	36	37	35	36
Sports Clubs	51	51	51	52	54	58	65	75	95
Pet Shops	17	16	17	17	17	17	18	19	21
Others	12	15	15	11	3	3	3	4	5
Total	462	494	528	567	601	648	690	745	799

Note: *merged into Valor in October, 2013.

Store Network and Locations of infrastructures for the Supermarket, Drugstore and Home Improvement Center businesses (FY2017)

The figures indicate the number of stores; the size of the pie charts corresponds to the number of stores by prefectures.



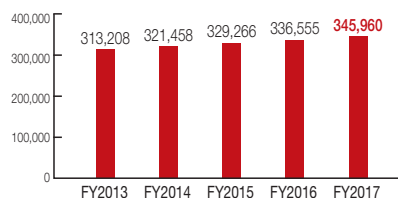
Supermarket Business

No. of stores..... **281**

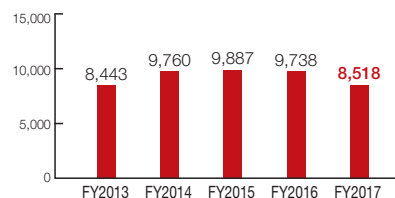
Ave. floor space..... **1,754**m²
(Valor Co., Ltd.)



Revenues from operations (millions of yen)



Operating income (millions of yen)



► Business summary

This business segment includes the operations of supermarket operators Valor Co.Ltd. Tachiya Co., Ltd., Shokusenkan-Taiyo Co.,Ltd. and Kohseiya Co., Ltd.; food processing subsidiaries Chubu Foods Co., Ltd. and Daien Foods Co., Ltd.; and food wholesalers Shufu-no-Mise Shoji Chubu Honsha Co., Ltd., Chubu Meat Co., Ltd. and V-Solution Co., Ltd. The target business model is one that optimizes the entire business process from sourcing to retailing.

Besides opening new stores, operating companies in this segment have expanded in scale through M&A. The main companies that have been converted into subsidiaries are Tachiya Co., Ltd., Youth Co., Ltd. (merged into Valor in October 2013), SunFriend Co., Ltd. (currently Shokusenkan-Taiyo) and Kohseiya Co., Ltd.. Valor Co., Ltd. expands stores in 13 prefectures, centering in Gifu and Aichi prefectures; Tachiya Co., Ltd. has stores in Aichi, Gifu and Mie prefectures; Shokusenkan-Taiyo Co., Ltd. operates in Shizuoka prefecture; and Kohseiya Co., Ltd. has stores in Yamanashi prefecture. The Group is looking to increase store density steadily across each of these parts of Japan.

► FY2017 Results

We refurbished 28 stores of the Valor supermarket stores and proceeded with store development that enabled us to draw customers from broad retail trade areas as a "category killer." The refurbished stores introduced product offerings, pricing, and initiatives for better freshness and taste, which were tested in new stores. We opened a total of eight stores, including the Valor Kitaterashima supermarket (Naka-ku, Hamamatsu, Shizuoka Prefecture) that was relocated and reopened in April 2017, and closed two stores, leaving the Group with a total of 281 supermarket stores as of the end of FY2017. Although same-store sales of Valor supermarket decreased 1.6% year on year, revenues from operations for the Group as a whole increased owing to the contributions by the stores opened in FY2016 and FY2017 and Kohseiya Co., Ltd., which became the Company's subsidiary in FY2016, as well as expansion of the production and sales business of prepared foods.

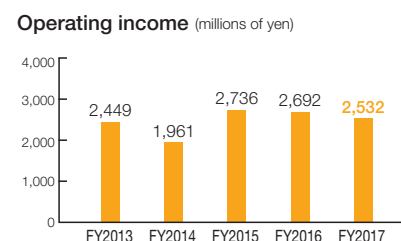
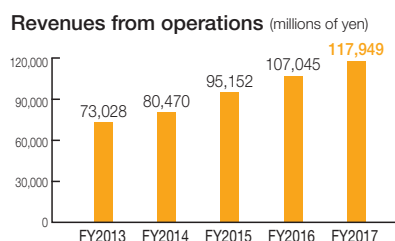
Despite ongoing improvements to infrastructure efficiency, earnings in the overall business dropped, due to the increase of costs in personnel, store openings and refurbishment.

Drugstore Business



No. of stores..... 361

Ave. floor space..... 792 m²



► Business summary

Established in February 1984 as a retailer of medicines, Chubu Yakuin Co., Ltd. has since steadily expanded its network of drugstores. Surpassing 100 stores in 2003, 200 stores in 2012, and 300 stores in 2016, the chain now extends across nine prefectures, centering in Aichi and Gifu.

► FY2017 Results

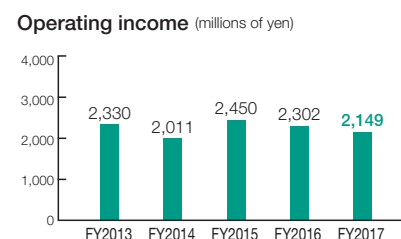
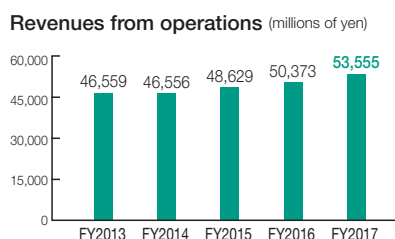
In the drugstore business, along with improvement of convenience and merchandise specialization, we opened 27 new outlets centering on Gifu and Aichi prefectures and closed three, resulting with 361 drugstores at the end of FY2017. At the V-drug Takayama Chuo Pharmacy (Takayama, Gifu Prefecture), which was relocated and reopened in October 2017, we allocated a space to prepared foods, installed a health check corner, and reinforced cosmetics. Aiming for further growth of the existing stores, we reconsidered the pricing policy in the third quarter, which brought strong growth of dispensing, cosmetics and food categories, resulting with a 4.6% year-on-year increase in same-store sales of Chubu Yakuin Co., Ltd. Despite stores opened in FY2016 and FY2017 also contributed to the rise in revenue, we could not absorb increased personnel and store opening costs.

Home Improvement Center Business



No. of stores..... 36

Ave. floor space..... 5,907 m²



► Business summary

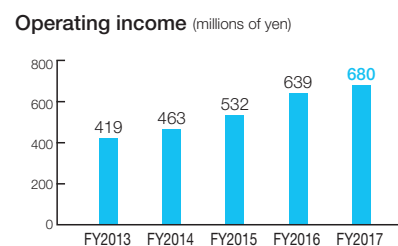
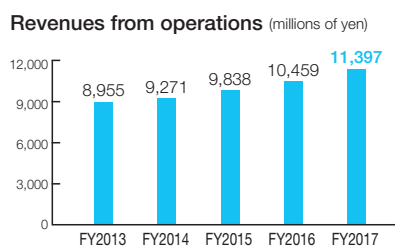
The home improvement center business began operations in August 1990 after the transfer of assets from the other Group companies. It grew in scale in October 1995 resulting from a merger with Fujiya. Located mainly in Gifu Prefecture, the chain is also expanding in Aichi, Mie and Shizuoka prefectures.

► FY2017 Results

In the home improvement center business, we enhanced categories supporting “lifestyle” such as our car-tire change service and pet products, to increase merchandise specialization and achieve the position as the No. 1 store in the locality. To further step up specialization, in February 2018, we changed an existing store to PROsite Kakamigahara Interchange Store (Kakamigahara, Gifu Prefecture), a specialist format for construction industry professionals (craftsmen). Prior to opening the store, we acquired shares of FIRST Co., Ltd. (head office: Miyagino-ku, Sendai, Miyagi Prefecture), an online distributor of materials and tools, converting it into a subsidiary, with an aim to supplement our lineups of tools and other hardware and increase the efficiency of online marketing. In the business, same-store sales of Home Center Valor increased 2.8% year on year, on the back of a strong performance from strengthened areas such as car-tire change services and pet products, as well as from construction and agricultural materials and gardening equipment. Stores opened in FY2016 and FY2017 also contributed, but profit decreased despite the rise in revenues, as we could not absorb increased personnel and refurbishment costs.

Sports Club Business

No. of stores..... 95



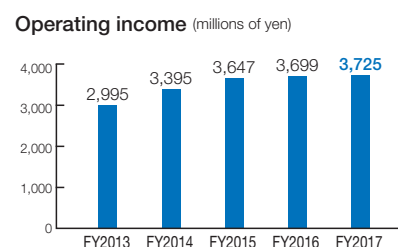
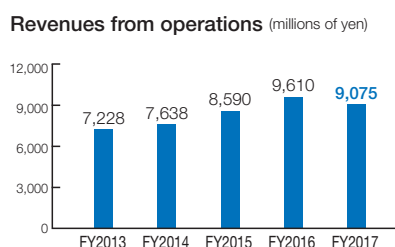
Business summary

The sports club business commenced operations in April 1998 following the transfer of assets from Valor. Its clubs feature a combination of training gyms, swimming pools, tennis courts and other facilities. It also began operating the low-investment chain of "Will_G" fitness gyms in September 2013, which offers memberships on a relatively low monthly subscription basis. The network of clubs is mainly based in the prefectures of Aichi and Gifu, but is also expanding into other regions with higher population densities such as the Kanto and Kansai regions.

FY2017 Results

In the sports club business, we accelerated openings of the fitness gym "Will_G," for which investment is minimized and monthly membership fees are set low, and also moved into its full-swing franchise operation. We newly opened 22 outlets including AXIOS Will_G KARIBU Umejima (Adachi-ku, Tokyo) (including four franchise operations), closed two outlets, and converted one outlet to franchise operation, resulting with 95 sports clubs (including seven franchise operation) as of the end of FY2017. We are seeking further streamlining of front operations including introduction of cashless payment at seven newly opened outlets. The sports club business achieved higher revenues and higher profit owing to the increase in the membership and higher revenues from fee-based programs, such as stretching supported by staff.

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. Besides helping to increase the operational efficiency of other Group companies, these firms also engage in transactions with external customers.

FY2017 Results

Group companies involved in distribution-related operations, such as logistics, wholesale of materials and facility maintenance, promoted introduction of facilities that will lead to cost reduction and lower environmental impacts, and strove to improve infrastructure and the service level in order to keep up with the business expansion. Regarding the logistics business, Ichinomiya Distribution Center (Ichinomiya, Aichi Prefecture) has previously handled logistics operations in the western part of Aichi Prefecture as well as supermarkets and drugstores in the neighboring areas. To support the medium- to long-term growth of the drugstore business, the Chubu Yakuin Kisogawa Distribution Center (Ichinomiya, Aichi Prefecture) was newly established in November 2017, and distribution operations were transferred to the new center.

The Valor Group is engaged in sustainability management using two approaches, namely 1) sustainability of business activities and 2) management of the social and environmental impacts of business activities to contribute to realization of a sustainable society, to enhance its corporate value over the medium to long term.

Regarding corporate governance, human resources development and the environment, we have clarified the organizational structure of the Group and key issues concerning the business model. We are cultivating a corporate culture in which continuous improvement is pursued.

	Key issues	Activities to secure sustainability of business or activities to manage impact of business	The Company's characteristics and improvements	Related page
Governance	1. Management transparency	<ul style="list-style-type: none"> Organizational design 	<ul style="list-style-type: none"> Transition to a company with audit & supervisory committee Change of the composition of the Board of Directors and change of the quorum of Outside Directors 	P.20-21
	2. Faster decision-making		<ul style="list-style-type: none"> Framework for decision-making concerning business execution 	P.20-21
	3. Risk management in relation to the business model	<ul style="list-style-type: none"> Internal control and compliance systems Risk management systems 	<ul style="list-style-type: none"> Relations with organs Expansion of the scope of application to include operating companies Integrated information management Expansion of the scope of application to include operating companies Development and labeling of private labels 	P.23 P.24
Human resources development	Human resources development to sustain growth	<ul style="list-style-type: none"> Recruitment and education of human resources Human resources development Supporting diversified workforce For better places to work 	<ul style="list-style-type: none"> Increase in the number of sites for recruiting offices Support recruitment of part-time employees Support of female workers, disabled workers and others to enable them to maximize their capabilities Introduction of work location selection system Employer-provided child care services 	P.25 P.26 P.27 P.26
Environment	Reduction of environmental impacts	<ul style="list-style-type: none"> Greenhouse gas emissions control Reduction of food waste Recycling encouragement 	<ul style="list-style-type: none"> Energy-saving driving and fluorocarbon control Reduction of food waste and recycling of food waste Promotion of recycling of containers and packaging 	P.28-29

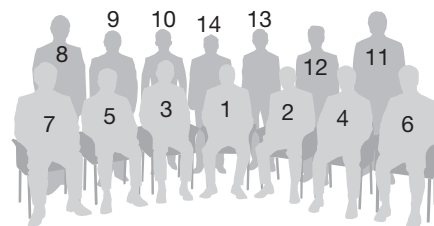
Constructive Dialogues with Shareholders

The IR Office represents the Company in its constructive dialogues with shareholders. It actively engages in dialogues with shareholders and provides feedback to management. In pursuit of appropriate disclosure in a timely manner, the IR Office has published the disclosure policy at the Company's corporate website, and discloses not only financial information but also non-financial information including corporate philosophy, business strategies and mid-term business plan. For effective IR activities, the IR Office has identified the composition of the Company's shareholders and endeavors to reflect it in the dialogues.

Dialogues with shareholders in FY2017

60th Ordinary General Meeting of Shareholders (Held June 29, 2017)	758 shareholders attended
Dialogues with institutional investors	Direct dialogues: 120 times (In addition to business results presentations and small meetings attended by top management, includes individual meetings, facility tours, teleconferences, etc.)

Directors (as of June 28, 2018)



	Name	Title	Significant concurrent positions at major subsidiaries
1	Masami Tashiro	Chairman & CEO	
2	Satoru Yokoyama	Executive vice-president	Chairman, AXTOS Co.,Ltd. Executive vice-president, Valor Co.,Ltd.
3	Akira Shinohana	Managing Director Human Resources Management & General Affairs	
4	Yukihiko Shizu	Director Finance & Information System	
5	Katsuyuki Mori	Director	Chairman, Tachiya Co., Ltd. Managing Director, Valor Co.,Ltd.
6	Satoru Yoneyama	Director General Planning & Policies	
7	Masami Shidara	Director	Director, Sourcing & Merchandise, Valor Co.,Ltd. CEO, Kohseiya Co.,Ltd.
8	Morisaku Wagato	Director	CEO Home Center Valor Co., Ltd.
9	Takao Yamashita	Director Non-store Retailing	
10	Motohiko Takasu	Director	CEO Chubu Yakuhin Co.,Ltd.
11	Osamu Takasaki	Director Audit & Supervisory Committee Member (full-time)	
12	Mutsuo Masuda	Outside Director Audit & Supervisory Committee Member	
13	Hirofumi Hata	Outside Director Audit & Supervisory Committee Member	
14	Tokimitsu Ito	Outside Director Audit & Supervisory Committee Member	

Basic Policy

The fundamental objectives of the Company's 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. Having established the basic policy on corporate governance consisting of five points, namely 1. Upholding shareholders' rights and equality, 2. Appropriate collaboration with non-shareholding stakeholders, 3. Appropriate disclosure and securing of transparency, 4. Responsibility of the Board of Directors etc., and 5. Dialogues with shareholders, we are working to strengthen our corporate governance.

Corporate Governance Systems

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 strengthened 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.

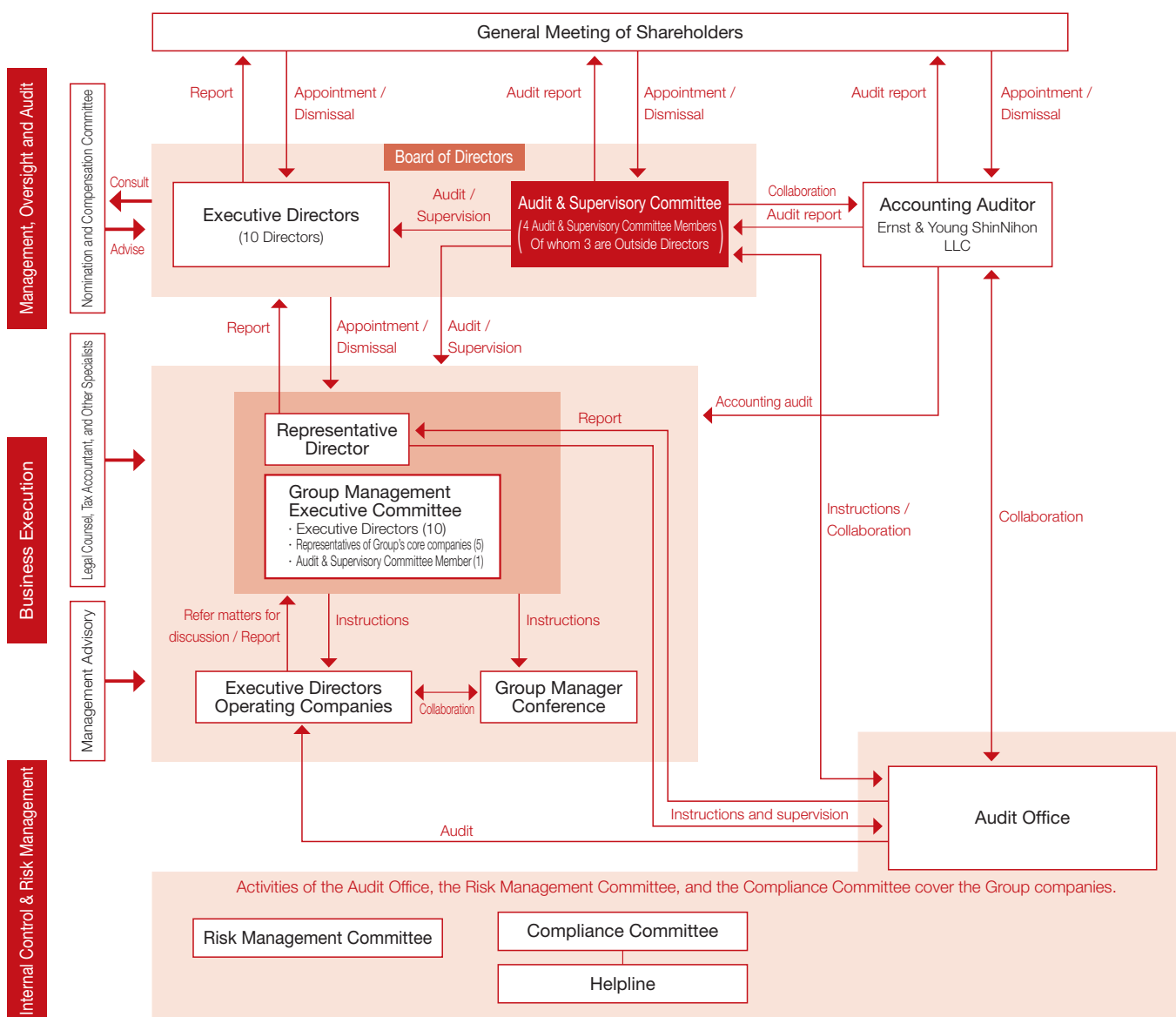
At the 59th Ordinary General Meeting of Shareholders held on June 30, 2016, a partial amendment to the Articles of Incorporation was approved and the Company transitioned to a company with Audit & Supervisory Committee System. By establishing an Audit & Supervisory Committee with more than half of the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

Corporate Governance Initiatives

	Initiatives	Basic Policy on Corporate Governance*				
		1	2	3	4	5
April 2015	Establishment of the IR Office					○
June 2015	Appointment of two Outside Directors				○	
October 2015	Transition to a holding company structure				○	
	Relaunch of the Company's website			○		
December 2015	Establishment of Basic Policy on Corporate Governance and a policy on constructive dialogues with shareholders	○	○	○	○	○
	Establishment of the Nomination and Compensation Committee (voluntary advisory organ consisting of two Outside Directors and two Executive Directors)				○	
January-February 2016	Performance evaluation of the Board of Directors Discussion at the Board of Directors meeting based on the results of analysis and evaluation				○	
June 2016	Transition to a company with audit & supervisory committee Change of the composition of the Board of Directors (total of 14 Directors consisting of 10 Executive Directors and four Directors who are Audit & Supervisory Committee Members)				○	
August 2016	Issuance of the annual report (Japanese and English) *issue on an annual basis since 2016	○	○	○		○
January-February 2017	Performance evaluation of the Board of Directors Discussion & analysis of effectiveness of the Board at the meeting of the Board of Directors				○	
June 2017	Abolition of retirement benefits for Directors Introduction of Share-based Compensation Plan for Directors				○	
January-February 2018	Performance evaluation of the Board of Directors Discussion & analysis of effectiveness of the Board at the meeting of the Board of Directors				○	

*1. Upholding shareholders' rights and equality, 2. Appropriate collaboration with stakeholders other than shareholders, 3. Appropriate disclosure and securing of transparency, 4. Responsibility of the Board of Directors etc., and 5. Dialogues with shareholders.

Overview of Valor's Corporate Governance Structure



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 on the effectiveness of the Board once a year, and the Board has comprehensively reviewed the results. The questionnaires are designed to evaluate the effectiveness of Structure of the Board of Directors, Discussion & Consideration, Monitoring etc. by five scores. Average scores are calculated, while some of them are compared with the previous year. The results are compiled as reports and used as evaluation materials. In addition to scores, comments written at the questionnaires are also disclosed.

On February 6, 2018, the Board of Directors analyzed and discussed the results of the questionnaires. Average scores for each segment were above 3.0, which gives the Board of Directors an evaluation of generally effective.

Policy and procedures for election of management executives by the Board of Directors and for nomination of candidates for Director, and explanation of reasons for election 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 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.

(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 consisting of two Executive Directors and two 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.

(3) Explanation about election 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 Audit & Supervisory Committee Member are disclosed in [Directors] "Relations with Valor Holdings Co., Ltd.(1)" and "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.

Independence criteria

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 yen in direct individual transactions; and they have specialized knowledge about finance, accounting, law, management, etc. or experience in corporate management etc.

Policy for determining the amount of compensation and the calculation method

(1) Basic policy

1 For Directors who are not Audit & Supervisory Committee Members

- Compensation consists of basic compensation, bonuses and share-based compensation.
- Compensation 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 is paid in accordance with the Rules for Wages for Employees.
- The amount of bonuses shall be determined within the maximum amount of compensation approved at the General Meeting of Shareholders in consideration of the previous amount of bonuses paid and the company's financial results for the current year.
- The Company has a stock option program for the Company's Executive Directors and employees, as well as the directors and employees of the Company's subsidiaries, in order to enhance their motivation for achieving better performance of the Group.
- The Share-based Compensation Plan for Directors (the Plan), which was implemented by a resolution of the 60th General Meeting of Shareholders, aims to enhance Directors' motivation for contributing to mid-term and long-term improvement of financial results and corporate value. A trustee will acquire shares of Valor Holdings Co., Ltd. in the stock market using the money contributed in establishment of the trust and deliver the shares to Directors at their retirement based on the Company's rules for the issue of shares. Points assigned to each rank will be awarded to Directors. The number of shares to be delivered to each Director shall be determined by multiplying the number of the points assigned by 1.0. The initial period of the trust shall be 5 years, and as funds necessary for the acquisition of stocks to be delivered to Directors during the trust period under the Plan, the Company will contribute a maximum of 300 million yen during the target period (covering the 5 years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2022), and the trustee will use these funds to acquire shares in bulk. The maximum points assigned to the Directors are 50,000 points for one fiscal year.

2 For Directors who are Audit & Supervisory Committee Members

- Compensation consists only of basic compensation, in view of their roles and independence.

(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 approved at the General Meeting of Shareholders.
- Regarding the amount of compensation for Directors, 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 two Outside Directors, shall examine and review the details, after which the amount of compensation for Directors who are not Audit & Supervisory Committee Members shall be determined by the Board of Directors; the amount of compensation for Directors who are Audit & Supervisory Committee Members shall be determined by the Audit & Supervisory Committee Members.

Number of meetings of the Board of Directors and the Audit & Supervisory Board held and attendance status (FY 2017)

	Meetings of the Board of Directors	Meetings of the Audit & Supervisory Board*
Number of meetings	10	11
Attendance of Outside Directors	100%	100%

Note: The figures are based on the number of meetings held from April 1, 2017 to March 31, 2018.

Internal control and compliance system

The Company considers ensuring compliance to be an important management issue and has articulated the Corporate Philosophy, the basic management policy, and the Action Guidelines for Corporate Ethics. Efforts are made to ensure that all officers and employees comply with them as well as the Compliance Rules. The Compliance Committee is convened when deemed necessary to improve, maintain, and develop the compliance system.

Relationship between the Company's organs and the internal control system

The Audit Office conducts operational audits based on an audit plan. Audit results are reported to Directors and the relevant departments to ensure sound business operation. The main role of Audit & Supervisory Committee Members is to oversee performance of duties by the Board of Directors and investigate operations and the financial positions of the Company and of the operating companies. They attend meetings of the Board of Directors and monitor details surrounding management.

The Audit & Supervisory Committee Members, the Audit Office, and the Accounting Auditor meet periodically and exchange information and views on matters including reporting and explanation of their respective audit plans, progress, and results. The Audit & Supervisory Committee Members, the Audit Office, and the Accounting Auditor receive reports from Directors and departments in charge of internal control, and discuss and consider appropriateness of the design of the internal control system.

Reinforcement of whistleblowing system

The Company has established the rules for whistleblowing and adopted a whistleblowing system as part of internal control systems concerning violations of the law and other compliance issues. Following the transition to the holding company structure in October 2015, the Audit Office has thoroughly notified all operating companies of the whistleblowing system and extended its operation.

To ensure operational appropriateness of all the operating companies, manufacturing and processing sites established in recent years are also subject to operational audits, in addition to the headquarters and stores. In accordance with expansion of the store network, the Audit Office has increased the number of stores that were subject to operational audits, and to ascertain whether or not daily operations are being conducted appropriately, the audits are occasionally conducted without prior notice.

Status of Whistleblowing System and Operational Audit

	FY2014	FY2015	FY2016	FY2017
Number of reports through the whistleblowing system	155	212	237	226
Number of operational audits	268	258	277	346
For the headquarters	24	24	26	26
For stores	239	228	244	313
For manufacturing and processing sites	5	6	7	7

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 Audit Office audits risk management statuses when deemed necessary and reports the audit results to the Board of Directors and the Audit & Supervisory Committee.

Business risks

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, 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) Entry to new businesses (in the event that anticipated results cannot be achieved because of changes in the external environment, etc.)
- (5) Natural disasters, etc.

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. Accounting standard for impairment of fixed assets

Development and display of private labels

Food safety is one of the risks involved in the business models that optimize the entire process from sourcing to retailing. In developing private labels, we have concluded agreements with manufacturing outsourcing companies with regard to selection of ingredients and manufacturing processes and have carried out audits in areas such as hygiene management and manufacturing process management at manufacturing outsourcing plants. As for information on private labels, we indicate nutritional component on product packaging, and also provide easy-to-understand displays using icons for 7 ingredients of specified raw ingredients, which have obligation of labeling, as well as 20 ingredients equivalent to specified raw ingredients. Furthermore, we also disclose product information on the Valor website (<http://valor.jp/pb>), when introducing new products or improving existing products. In FY2017, we

completed changes to 196 items subject to modification of product packaging to comply with the Food Labeling Act, which has an interim measures period up to March 2020. We will also take steady measures to comply with the new display system of ingredients and origin for processed foods, which was applied in September 2017.

Customer Relations Office, which receives customers' comments via our free-dial number or inquiry emails on our website, has shared them with related departments to reflect such feedback in product development. In FY2017, the Customer Relations Office received 11,066 comments and other forms of feedback including 2,780 comments on our products, of which 1,479 were comments concerning private labels.

Human resources development fuels medium- to long-term growth

Based on its Corporate Philosophy of “Creation, Advance & Challenge,” Valor seeks individuals who are ambitious and eager to take up challenges. We are actively recruiting people with expertise in such areas as food production, processing and distribution, in order to establish business models that optimize the entire process from sourcing to retailing, as well as in preparation for expansion of the scope of the supermarket, drugstore, and home improvement center businesses.

Amid drastic changes in the business environment, the Company set a basic policy of a paradigm shift from expanding standardized stores to enhancing the appeal of products in the FY2018-2020 strategic plans. Given our aims of strengthening existing stores centered on the supermarket stores, and of establishing business models that optimize the entire process from sourcing to retailing, there is an increasing demand for product appeal and sales capabilities. We also regard Frontline Performance Development as a priority issue and will focus on personnel development to support medium- to long-term growth.

Basic principle on human resources development
Growing through undertaking “challenges” for ambitious targets

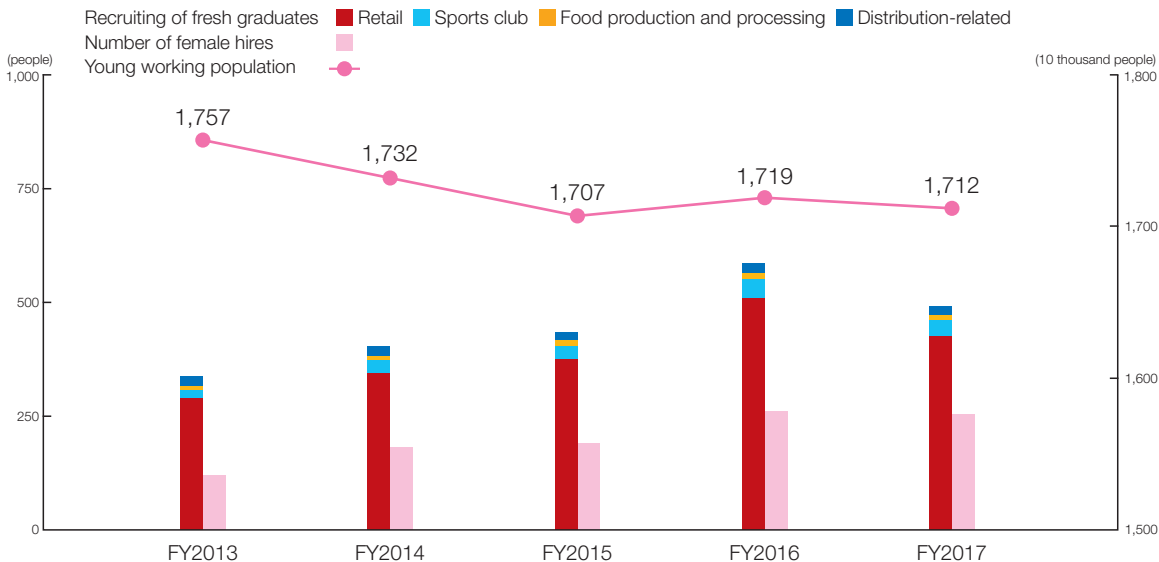
	Until FY2017	From FY2018
Business models	Business process integration and multi-format retailing	
Store development strategy	Quantitative expansion of standardized stores	Transition to a more competitive format with a focus on products
Key issues concerning human resources development	Recruitment of human resources	Frontline performance development
	Promoting diversified human resources	

Recruitment of human resources

Against a backdrop of aging and decline in workforce, finding ways to secure human resources to respond to the expansion of business scope and diversification of the operational expertise and skills has become an issue. To deal with this issue, although our recruiting interviews were previously conducted in Tajimi, Gifu Prefecture, we added recruitment offices that enabled recruitment staff to conduct interviews more frequently. In April 2014, we opened the relatively accessible Valor Recruiting Office Meieki in Nagoya, Aichi Prefecture. In February 2015, in line with the expansion of our geographical coverage, we opened the Valor Recruiting Satellite Kyoto Shijo-Karasuma in Nakagyo-ku, Kyoto. Additionally, with the opening of the Company’s Nagoya Headquarters in March 2016, we took the opportunity of integrating the recruiting office in Nagoya into the Nagoya Headquarters, where operating companies of the Group also conduct interviews with the candidates, and such measures promote recruiting in sectors other than retail.

We are increasingly facing difficulties in recruiting not only fresh graduates but also part-timers. In the past, hiring of part-timers was led by individual stores. However, for stores in Aichi and Gifu prefectures that require large numbers of part-time employees, we changed the recruiting process by assigning specialist staff of the Company to provide support for selecting advertising media, arrange interview schedule with candidates, coordinate employment terms and stores’ demands, and prepare documents for entry. As a result, there were successful outcomes such as rise of the employment contract rate; therefore we are now developing similar support in other regions.

Young working population and recruiting of fresh graduates



Compiled based on the “Labour Force Survey 2017” (Statistics Bureau, Ministry of Internal Affairs and Communications) <http://www.stat.go.jp/data/roudou/sokuhou/hen/ft/pdf/index1.pdf> (in Japanese).

Human resources development

We aim to strengthen our organizational competency and improve corporate value by fostering employees who can improve frontline capabilities through on-the-job training and self-motivating leaders capable of identifying, analyzing and acting on issues independently. The Company's human resources development program is based on Group-wide standard education & training programs plus programs on the expertise needed at each operating company. Group-wide programs consist of position-based programs and programs for next-generation managerial positions. The position-based programs are mainly designed for those who have just joined the Company or those who have been promoted as a result of passing the Group's qualification exams. Focused on the Corporate Philosophy (DNA), the programs are positioned as an opportunity to connect philosophy and practice by cultivating the attitude and mindset concerning work expressed in the Corporate Philosophy advocated by Valor's founder Yoshimi Ito and from lectures by the current management. The curriculum of the programs for next-generational managerial positions is committed to practices on how to achieve the organization's goals while enhancing the motivation of co-workers, with the Corporate Philosophy (DNA) as a base. Outcomes from practices at stores are shared with all employees of the Group at the annual Joint Conference. In FY2018, we began to offer trainings for creation of a better working environment, targeting all managers supervising female staff, as part of initiatives to promote female participation across the Company.

Human resources development program

		Person qualified	Contents	
Programs for next-generation managerial positions	· Training for managerial positions	Managerial positions and candidates for managerial positions	· Overall management · "Foundation" training (from theory to practice) · Industry trends, overseas training	Expansion of coaching and trainings for promoting the appointment of women
Position-based programs	· Training for promoted employees · Training for new employees	Employees who have been promoted as a result of passing the Group's qualification exams New employees	· Corporate philosophy (DNA) training · Basic understanding of store operation · Corporate philosophy (DNA) training	
Technical programs	· Various technical trainings	New employees or employees hired in the past 2-3 years Section chiefs	· Understanding of the section · Skills acquisition · Support for qualification acquisition	Expanding trainings at human resources development center (planned)



Training for managers to promote the appointment of women

Creating better places to work

The spread of regional development accompanying the development of the Valor Group's business operations in recent years has created more opportunities for personnel relocation and greater diversity in working conditions. However, from the results of a questionnaire survey of employees and the Group's self-reporting system, it is clear that certain employees wish to develop their capabilities and improve skills, while they adopt lifestyles combining work with family responsibilities, notably childcare and care for the aged. To respond to increasingly diverse values and attitudes concerning work styles, we introduced a work region selection system in July 2017. Under the system, which

covers non-managerial employees of Valor Holdings Co., Ltd., Valor Co., Ltd., Home Center Valor Co., Ltd., and Core Support Co., Ltd., each worker selects one of the two categories: National employee, who are willing to work in any region; and Regional employee, who prefer to be based in a particular region.

In September 2017, to support employees who wish to combine work with childcare, we opened an on-site nursery school, "Smile Nest Valor Hiromi Nursery School", on the site of the Kani Office (Kani-shi, Gifu Prefecture) following the relocation of some headquarters functions. In FY2017, 10 of 18 users were the Group's employees and part-timers.

HR systems to help diverse people flourish

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

	Status		FY2016	FY2017
Promoting female workers 	<p>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. The key initiatives are as follows:</p> <ol style="list-style-type: none"> 1. Development of potential candidates for managerial positions (buyers, deputy store managers, managers, etc.) 2. Improvement of the workplace environment corresponding to the phase of the individual's life and career <ul style="list-style-type: none"> - Raising awareness about maternity leave, child care leave, and family care leave - Creation of a workplace environment that facilitates easy return to work - Training for managers to promote the appointment of women 	Ratio of female managerial personnel to all managerial personnel (managers or higher) <small>(The number of female managerial personnel/The number of all managerial personnel)</small>	6.0% <small>(23people/383people)</small>	5.3% <small>(23people/433people)</small>
		Number of female workers who took maternity leave or child care leave		
		Maternity leave <small>(Employees/Part-timers)</small>	78 people <small>(31people/47people)</small>	135 people <small>(56people/79people)</small>
		Child care leave <small>(Employees/Part-timers)</small>	104 people <small>(41people/63people)</small>	140 people <small>(63people/77people)</small>
Hiring of the disabled 	<p>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.</p> <p>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.</p>	The rate of hiring people with disabilities	2.28% *	2.30% *
		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 	<p>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.</p>	Usage rate of post-retirement reemployment program	82.1%	90.9%
Promotion to full-time employees 	<p>Ten of the twelve 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.</p>	Number of part-time workers promoted to full-time employees	128 people	102 people
Number of Employees 	<p>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.</p> <p>Through such policies, we aim to retain talented human resources in addition to improving productivity and organizational capabilities through developing individual abilities and skills.</p>	Number of employees <small>(Average length of service)</small>	5,517 people <small>(9.2years)</small>	5,821 people <small>(9.1years)</small>
		Female workers <small>(Average length of service)</small>	—	1,428 people <small>(5.8years)</small>
		Male workers <small>(Average length of service)</small>	—	4,393 people <small>(10.2years)</small>

Note*: The above figures are based on Valor Holdings Co., Ltd. and key operating companies (Valor Co., Ltd., Chubu Yakuin Co., Ltd., Home Center Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., Kohseiya Co., Ltd., AXTOS Co., Ltd., Chubu Foods Co., Ltd., Chubu Kosan Co., Ltd., Chubu Ryutusu Co., Ltd. and Core Support Co., Ltd.), which account for over 95% of the Valor Group's workforce.
*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.

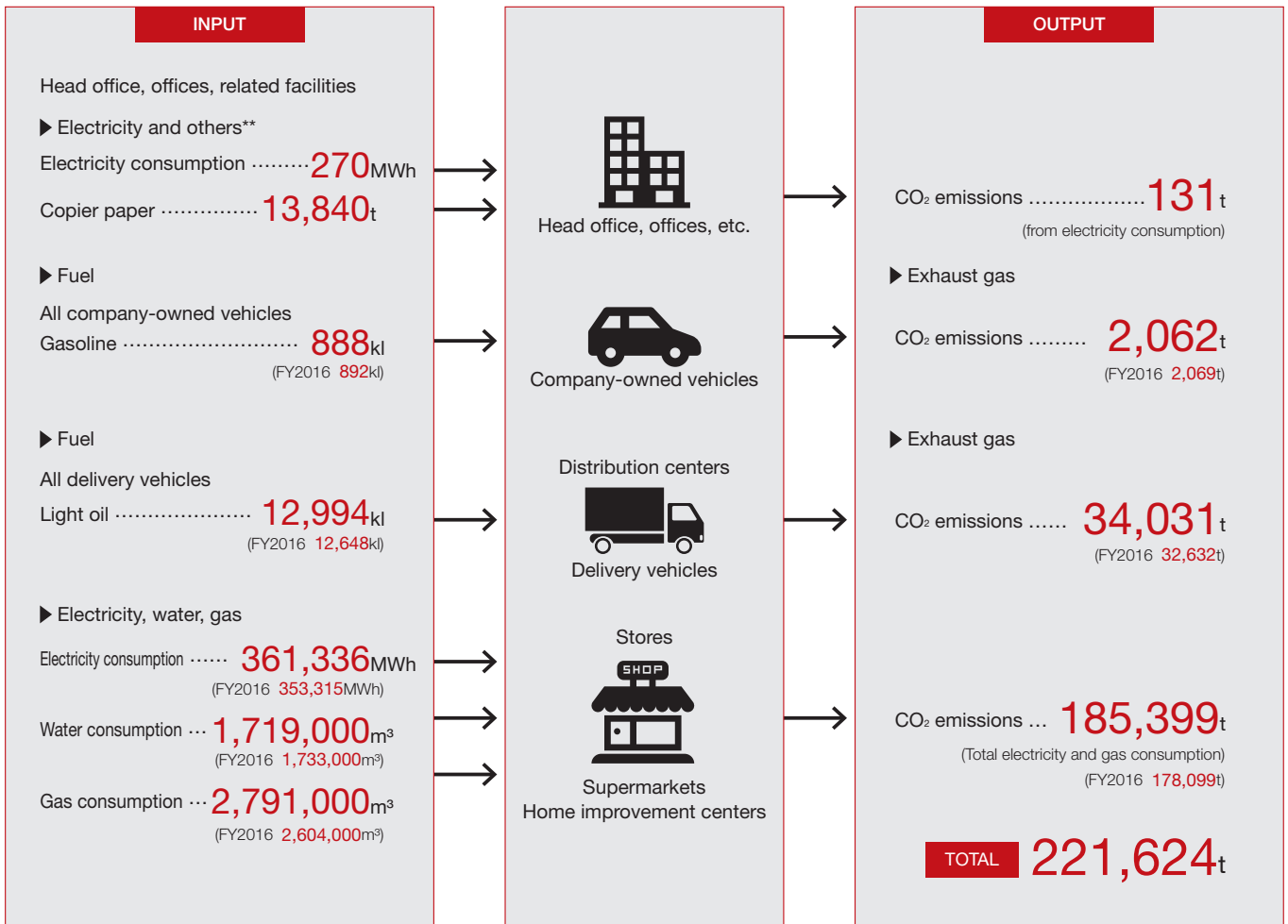
Environmental Policy

We recognize that reducing the environmental impacts of our business activities is an important task. And for us to achieve reductions, we identified issues that need to be addressed and tackle them in cooperation with local communities.

Issues to be tackled

1. Greenhouse gas emissions control
2. Reduction of food waste
3. Recycling encouragement

Material Flow



Note: *Calculation covers Valor Holdings Co., Ltd., Valor Co., Ltd. and Home Center Valor Co., Ltd. For fuel, calculation covers all delivery vehicles including those owned by and chartered by Chubu Kosan Co., Ltd.
 **The number of target offices and facilities is changed in FY2017. Input of "Electricity and others" is incomparable with that of FY2016.

Inochi no mori (Forest of life)

Before tree-planting (July 2012)



Status as of March 2018



In July 2012, under the direction of botanist Mr. Akira Miyawaki, we planted some 30,000 saplings within the premises of the Kani logistics center in Kani, Gifu Prefecture, which brought together some 3,000 local residents, Valor trading partners and Group employees. This was the Inochi no mori (Forest of life) initiative, dedicated to the preservation of rare species and revitalization of original forests. It was part of environmental protection and improvement activities aimed at the securing a better future for children and the Earth. Our goals are to nurture a genuine forest that lives on for another 1,000 years.

Activity Highlights

Results of the major management items for the year under review will be the basis for performance indicators for the next year and subsequent years. We pursue initiatives in order to contribute to the environment, society and our customers.

Environmental Performance

	Management items	Specific initiatives	FY2016 results	FY2017 targets	FY2017 results	Evaluation	Causes and Effects	FY2018 targets
Reduction of greenhouse gas emission	Reduction of power consumption	<ul style="list-style-type: none"> Demand management Management of air-conditioning temperature Turning off of unnecessary lighting Introduction of highly efficient facilities and equipment 	502.3 [kWh/m ²]*	—	495.0 [kWh/m ²]*	○	Introduced energy-management system at some stores. Continued appropriate management of air-conditioning and refrigerators at stores.	494.0 [kWh/m ²]
	Energy-efficient driving	<ul style="list-style-type: none"> Store deliveries Turning off engines when vehicles are stationary Instructions and education for energy-efficient driving 	Compared with the previous year <ul style="list-style-type: none"> Driving distance: 119% Amount of fuel used: 124% Fuel consumption: 96% 	Fuel economy improved 100% YoY	Compared with the previous year <ul style="list-style-type: none"> Driving distance: 119% Amount of fuel used: 124% Fuel consumption: 100% 	○	Due to store openings, driving distance and fuel consumption increased, but fuel economy improved. We continue with trainings for energy-saving driving.	Fuel secured 100% YoY
	Reduction of specified CFCs emissions	<ul style="list-style-type: none"> Replacement of refrigerators and air-conditioners Regular facility inspections 	—	—	Stores covered: 2	—	Continued replacement and regular facility inspections	Stores covered: 60
Development of renewable energy	In-house power-generation initiatives	<ul style="list-style-type: none"> Installation of solar panels 	—	—	<ul style="list-style-type: none"> Total wattage generated: 289,108kWh (October 2017–March 2018) Business premises covered: 5 	—	Installed solar panels from October 2017. We will steadily add more stores for the initiative.	Business premises covered: 15
Reduction of food waste	Reduction of food waste	<ul style="list-style-type: none"> Planned production Early small discounts Review of product lineups in evenings and volume adjustment 	62.5 [kg/million yen]**	53.0 [kg/million yen]	59.0 [kg/million yen]	×	Although the target was unachieved, the amount of food waste generated was held at 94% of the previous-year level. We will continue to strengthen planned production, etc. and reduce waste volume.	58.0 [kg/million yen] 99% YoY
	Promotion of recycling of food waste	<ul style="list-style-type: none"> Reduction of disposing products Expansion of stores to conduct recycling Expansion of the scope of recyclable products 	<ul style="list-style-type: none"> Recycling rate: 52.5% Number of stores conducting recycling: 238 (106% YoY) 	<ul style="list-style-type: none"> Number of stores conducting recycling: 240 (101% YoY) 	<ul style="list-style-type: none"> Recycling rate: 53.5% Number of stores conducting recycling: 242 (101% YoY) 	○	We improved the recycling ratio by expanding the number of recycling bases and by introducing processing machinery.	<ul style="list-style-type: none"> Recycling rate: 53.8% Number of stores conducting recycling: 247 (102% YoY)
Reduction of waste	Increase of the proportion of customers avoiding use of plastic bags	<ul style="list-style-type: none"> Charging for plastic bags Implementation of "My Bag" campaign "No Plastic Bag Day" 	Proportion of customers avoiding use of plastic bags: 85.7% (All stores of Valor Co., Ltd.)	Proportion of customers avoiding use of plastic bags: 87% (All stores of Valor Co., Ltd.)	Proportion of customers avoiding use of plastic bags: 85.3% (All stores of Valor Co., Ltd.)	×	The number of stores charging plastic bag fees increased from 220 to 232 . We will cooperate with our customers to reduce the use of plastic bags.	Proportion of customers avoiding use of plastic bags: 86% (All stores)
Promotion of recycling	Promotion of recycling of used paper	<ul style="list-style-type: none"> Sorting and storage of used paper at designated places More stores to recycle used paper 	<ul style="list-style-type: none"> Number of stores recycling used paper: 87 (129% YoY) Recycling volume: 98,105 kg (187% YoY) 	<ul style="list-style-type: none"> Number of stores recycling used paper: 100 (114% YoY) Recycling volume: 111,800 kg (114% YoY) 	<ul style="list-style-type: none"> Number of stores recycling used paper: 121 (139% YoY) Recycling volume: 364,620 kg (371% YoY) 	○	We expanded the number stores covered. Looking ahead, we will ensure rigorous garbage-sorting and expand the number of stores covered.	<ul style="list-style-type: none"> Number of stores recycling used paper: 127 (104% YoY) Recycling volume: 380,000 kg (104% YoY)
	Promotion of recycling of containers and packaging	<ul style="list-style-type: none"> Installation of more recycling boxes Expansion of the scope of recyclable items 	<ul style="list-style-type: none"> Number of stores with installation of recycling boxes Milk cartons: 235 Aluminum/steel cans: 249 Plastic food trays: 229 PET bottles: 219 	Increase in the number of stores with installation of recycling boxes	<ul style="list-style-type: none"> Number of stores with installation of recycling boxes Milk cartons: 243 Aluminum/steel cans: 255 Plastic food trays: 238 PET bottles: 222 	○	We strove for expansion of the number of recycling bases and garbage-sorting. We will further increase recycling bases.	Increase in the number of stores with installation of recycling boxes

Notes: * Rate of power consumption to sales floor space (Units) ** Rate of food waste generated to net sales of Valor Co., Ltd. (Units)

Summary of consolidated results and financial conditions

In FY2017, the final year of the three-year strategic plans, the Valor Group focused on three key policies: 1) structural reforms centering on reinforcement of the existing stores in the supermarket segment and efficient utilization of infrastructure, 2) development of key growth drivers to expand drugstore and home improvement center operations, and 3) organizational reforms to achieve growth of operating companies and strengthen governance.

Consolidated operating results for FY2017 were revenues from operations of ¥544,020 million, an increase of 4.5% year on year; operating income of ¥13,470 million, a decrease of 12.8%; ordinary income of ¥14,937 million, a decrease of 10.9%; and profit attributable to owners of parent of ¥7,570 million, a decrease of 28.1%. Although revenues from operations increased for the 23rd consecutive year, operating income and income items below that decreased for the second consecutive year.

The breakdown of the increase in revenues (¥23,490 million) was ¥10,904 million for the drugstore business, ¥9,404 million for the supermarket business, and ¥3,182 million for the home improvement center business. In the drugstore business, growth rate of existing stores was strong at 4.6% and high standards of new store openings also contributed. In the supermarket

business, stores opened in FY2016 and FY2017 and Kohseiya Co., Ltd., which became a subsidiary in August 2016, contributed to higher revenues throughout the year.

The breakdown of the decrease in earnings (¥1,968 million) was ¥1,220 million for the supermarket business, ¥160 million for the drugstore business, and ¥153 million for the home improvement center business. This indicates that the improvement in profitability of stores in three major businesses has been slow. In addition to the fall in operating and ordinary income, the posting an impairment loss of ¥2,943 million based on the accounting standard for impairment on noncurrent assets led to a steep fall in profit attributable to owners of parent.

Although the gross profit ratio increased 0.1 percentage points from the previous year, the expense ratio worsened 0.5 percentage points. As a result, the ratio of ordinary income to revenues from operations decreased from 3.2% for the previous year to 2.7%. As a result, ROA deteriorated from 6.4% for the previous year to 5.4%. ROE deteriorated from 10.2% to 6.9% owing to a decrease in profit attributable to owners of the parent.

As a result of promoting the repayment of interest-bearing debt, the debt equity ratio was held at previous fiscal year level of 0.8 times.

Financial position

Total assets increased ¥16,459 million from the end of the previous year to ¥285,947 million. The main factors were an increase of ¥1,517 million in inventories because of new store openings and an increase of ¥9,924 million in property, plant and equipment mainly due to capital expenditure. Total liabilities increased ¥11,019 million from the end of the previous year to ¥172,780 million, mainly due to an increase of ¥2,773 million in

asset retirement obligations, an increase of ¥1,878 million in notes and accounts payable-trade, and an increase of ¥1,040 million in loans payable. Net assets excluding non-controlling interests and subscription rights to shares increased ¥5,307 million from the end of the previous year to ¥112,365 million and the shareholders' equity ratio was 39.3%.

Cash flows

Cash and cash equivalents at March 31, 2018 were ¥14,938 million, an increase of 1.9% year on year. Although free cash flow (cash flow from operating activities minus cash flow from investing activities) was positive at ¥3,531 million, cash flow from financing activities was negative at ¥3,223 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥27,790 million, having increased ¥5,520 million compared with the previous year (an increase of 24.8% year on year). This increase was mainly attributable to income before income taxes amounting to ¥11,829 million, depreciation and amortization amounting to ¥13,952 million, and an increase in accounts payable-other and accrued expenses amounting to ¥4,177 million, despite cash outlays including an increase in inventories amounting to ¥1,273 million and income taxes paid amounting to ¥5,920 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥24,258 million, having increased ¥2,689 million compared with the previous year (an increase of 12.5% year on year). The main factors were purchase of property, plant and equipment amounting to ¥21,447 million for new store openings and refurbishment and payments for guarantee deposits amounting to ¥2,092 million, despite proceeds from collection of guarantee deposits amounting to ¥872 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,223 million, having decreased ¥55 million compared with the previous year (an increase of 1.7% year on year). The main factors were repayments of long-term loans payable amounting to ¥19,282 million, repayments of finance lease obligations amounting to ¥1,692 million, and cash dividends paid amounting to ¥2,149 million, despite proceeds from long-term loans payable amounting to ¥19,897 million.

Policy on Profit Distribution and Dividends for FY2017

The Company's basic policy is to ensure stable and continuous returns of profit to shareholders while increasing the internal reserves to strengthen its corporate structure in preparation for stable business development over the long term. In accordance with this policy, our medium- to long-term target is to achieve a consolidated payout ratio of 25%.

In view of the performance in FY2017, the Company increased the year-end dividend by ¥3, compared with the previous year to ¥24 per share. Combined with the interim dividend of ¥21 per share, this resulted in total annual dividends for FY2017 of ¥45 per share, ¥5 higher than for the previous year. The payout ratio was 30.4%.

Forecasts for FY2018



The business environment has dramatically changed due to decreasing and aging consumers, labor shortage, changes in consumer behavior and intensifying competitions. As we assume that store expansion through conventional methods will not enhance corporate values, in the new FY2018-2020 strategic plans, which cover the three year period starting FY2018, the Company set a basic policy of a shifting from expanding standardized stores to enhancing the appeal of products. Under the plans, we will strive to improve earnings by enhancing competitiveness, focusing on products in our three core businesses of supermarkets, drugstores and home improvement centers. Although the drugstore business will continue to serve as growth driver, we will develop the sports club business with full-scale franchising as the next growth axis and accelerate outlet openings of the "Will_G" fitness gyms. As for capital investment in

FY2018, in addition to newly opening a total of 81 stores and outlets—6 supermarkets, 24 drugstores, 50 sports clubs and 1 pet shop—we plan to refurbish 30-40 supermarkets and drugstores, and carry out other priority investments in existing outlets.

Based on the above assumptions, forecasts for consolidated financial performance for FY2018 are as follows: revenues from operations of ¥560.0 billion, an increase of 2.9% year on year; operating income of ¥14.8 billion, an increase of 9.9%; ordinary income of ¥16.3 billion, an increase of 9.1%; and profit attributable to owners of the parent of ¥9.0 billion, an increase of 18.9%.

Financial policy in the FY2018-2020 strategic plans is as follows.

Financial policy in the FY2018-2020 strategic plans

Generation of cash flow		At least ¥73.0 billion in the three years from FY2018 (cumulative)
		
Profit distribution	1) Capital expenditure	Target of ¥23.0-24.0 billion a year in capital expenditure (allocate 30-40% for investments in existing outlets) Refurbishment: 30-40 supermarkets and drugstores per year New openings: At least 200 fitness gyms (over the three years, including franchise operation)
	2) Dividend	Stable and continuous returns of profit, with a dividend payout ratio target of 25%
		
Financial commitment		Debt equity ratio of 0.8 times and shareholders' equity ratio of 40%.

Consolidated Financial Statements (Summary)

Valor Holdings Co., Ltd. and Subsidiaries
The financial year ended March 31, 2017 and 2018

Consolidated Balance Sheet

	(Millions of yen)			(Millions of yen)	
	FY2016	FY2017		FY2016	FY2017
(Assets)			(Liabilities)		
Current assets			Current liabilities		
Cash and deposits	14,818	15,178	Notes and accounts payable-trade	36,718	38,596
Notes and accounts receivable-trade	7,241	8,333	Short-term loans payable	16,954	17,123
Merchandise and finished goods	33,911	35,216	Current portion of bonds	40	30
Raw materials and supplies	507	720	Current portion of long-term loans payable	17,678	13,488
Deferred tax assets	1,832	1,886	Lease obligations	1,500	1,681
Other	10,741	11,099	Income taxes payable	2,951	2,491
Allowance for doubtful accounts	(7)	(6)	Provision for bonuses	2,531	2,694
Total current assets	69,045	72,428	Provision for directors' bonuses	136	126
Noncurrent assets			Provision for point card certificates	647	933
Property, plant and equipment			Provision for loss on recollection of gift certificates	215	235
Buildings and structures	198,516	214,437	Asset Retirement Obligations	3	64
Accumulated depreciation	(103,031)	(109,523)	Other	15,643	19,613
Buildings and structures, net	95,485	104,914	Total current liabilities	95,020	97,079
Machinery, equipment and vehicles	7,190	8,043	Noncurrent liabilities		
Accumulated depreciation	(4,561)	(5,376)	Bonds payable	10,060	10,030
Machinery, equipment and vehicles, net	2,628	2,666	Long-term loans payable	31,512	36,572
Land	38,556	39,429	Lease obligations	9,486	9,894
Lease assets	14,674	16,295	Deferred tax liabilities	140	118
Accumulated depreciation	(6,223)	(8,430)	Provision for directors' retirement benefits	868	440
Lease assets, net	8,451	7,865	Provision for retirement benefits	3,049	3,515
Construction in progress	3,242	2,883	Asset retirement obligations	5,625	8,336
Other	30,715	33,852	Long-term deposits received	5,879	6,143
Accumulated depreciation	(23,382)	(25,990)	Other	116	647
Other, net	7,333	7,862	Total noncurrent liabilities	66,740	75,700
Total property, plant and equipment	155,697	165,621	Total liabilities	161,761	172,780
Intangible assets			(Net assets)		
Goodwill	751	747	Shareholders' equity		
Lease assets	11	5	Capital stock	11,916	11,916
Other	7,639	8,524	Capital surplus	12,722	12,799
Total intangible assets	8,402	9,278	Retained earnings	84,442	89,898
Investments and other assets			Treasury stock	(2,558)	(2,608)
Investment securities	2,290	2,076	Total shareholders' equity	106,522	112,005
Long-term loans receivable	794	898	Accumulated other comprehensive income		
Deferred tax assets	4,231	5,316	Valuation difference on available-for-sale securities	364	323
Guarantee deposits	25,830	27,176	Deferred gains (loss) on hedges	—	(2)
Other	3,415	3,423	Foreign currency translation adjustment	139	129
Allowance for doubtful accounts	(219)	(273)	Remeasurements of defined benefits plan	30	(90)
Total investments and other assets	36,343	38,619	Total accumulated other comprehensive income	534	359
Total noncurrent assets	200,443	213,519	Subscription rights to shares	96	113
Total assets	269,488	285,947	Minority interests	573	688
			Total net assets	107,727	113,167
			Total liabilities and assets	269,488	285,947

Consolidated Statement of Income

(Millions of yen)

	FY2016	FY2017
Net sales	501,627	524,313
Cost of sales	377,610	394,399
Gross profit	124,016	129,913
Operating revenues	18,903	19,707
Operating gross profit	142,919	149,621
Selling, general and administrative expenses		
Advertising expenses	6,269	7,055
Packaging expenses	99	112
Supplies expenses	659	942
Distribution expenses	655	416
Provision for point card certificates	2,024	2,573
Provision of allowance for doubtful accounts	2	3
Directors' remuneration	459	445
Salaries and wages	49,615	52,036
Bonuses	3,783	4,064
Provision for bonuses	2,312	2,516
Provision for directors' bonuses	146	126
Retirement benefit expenses	593	670
Provision for directors' retirement benefits	59	43
Welfare expenses	7,829	8,194
Utilities expenses	7,594	8,326
Rent expenses	21,296	22,695
Repair and maintenance	2,708	2,981
Depreciation	11,774	12,474
Amortization of goodwill	153	181
Other	9,441	10,289
Total selling, general and administrative expenses	127,480	136,150
Operating income	15,439	13,470
Non-operating income		
Interest income	109	114
Office work fee	932	990
Rent income	627	680
Other	1,383	1,226
Total non-operating incomes	3,052	3,010
Non-operating expenses		
Interest expenses	714	693
Rent cost of real estate	509	524
Other	505	326
Total non-operating expense	1,729	1,543
Ordinary income	16,762	14,937
Extraordinary income		
Subsidy income	228	193
Other	79	308
Total extraordinary income	307	502
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	106	150
Impairment loss	663	2,943
Loss on reduction of noncurrent assets	228	169
Loss on valuation of investment securities	3	56
Provision of allowance for doubtful accounts	20	60
Other	177	229
Total extraordinary loss	1,199	3,610
Income before income taxes	15,870	11,829
Income taxes-current	5,819	5,312
Income taxes-deferred	(519)	(1,087)
Total income taxes	5,300	4,225
Net income	10,570	7,604
Profit (loss) attributable to non-controlling interests	47	33
Profit attributable to owners of parent	10,522	7,570

Consolidated Financial Statements (Summary)

Valor Holdings Co., Ltd. and Subsidiaries
(Fiscal years ended March 31, 2017 and 2018)

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2016	FY2017
Cash flows from operating activities		
Income before income taxes	15,870	11,829
Depreciation and amortization	13,125	13,952
Impairment loss	663	2,943
Amortization of goodwill	153	181
Increase (decrease) in allowance for doubtful accounts	(52)	47
Increase (decrease) in defined benefit liabilities	267	290
Increase (decrease) in provision for directors' retirement benefits	(15)	(538)
Increase (decrease) in provision for point card certificates	102	285
Interest and dividends income paid	(142)	(134)
Interest expenses received	714	693
Loss on retirement of noncurrent assets	106	150
Loss on reduction of noncurrent assets	228	169
Loss (gain) on valuation of investment securities	3	56
Equity in losses (earnings) of affiliates	46	91
Subsidy income	(228)	(193)
Decrease (increase) in notes and accounts receivable-trade	(878)	(883)
Decrease (increase) in inventories	(3,025)	(1,273)
Increase (decrease) in notes and accounts payable-trade	873	1,712
Increase (decrease) in accrued consumption taxes	110	(91)
Increase (decrease) in accounts payable-other and accrued expenses	735	4,177
Other	455	889
Subtotal	29,115	34,357
Interest and dividends income received	45	34
Interest expenses paid	(704)	(680)
Income taxes paid	(6,186)	(5,920)
Net cash provided by operating activities	22,270	27,790
Cash flows from investing activities		
Payments into time deposits	(89)	(109)
Proceeds from withdrawal of time deposits	166	107
Purchase of property, plant and equipment	(19,458)	(21,447)
Proceeds from sales of property, plant and equipment	441	187
Purchase of intangible assets	(1,224)	(1,593)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	—	177
Payments of loans receivable	(97)	(112)
Proceeds from collection of loans receivable	5	1
Payments for guarantee deposits	(1,597)	(2,092)
Proceeds from collection of guarantee deposits	912	872
Proceeds from guarantee deposits received	580	599
Repayments of guarantee deposits received	(264)	(387)
Purchase of stocks of affiliates	(438)	(211)
Subsidy income	228	193
Other	(730)	(443)
Net cash provided by investing activities	(21,569)	(24,258)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(16)	(76)
Proceeds from long-term loans payable	11,184	19,897
Repayments of long-term loans payable	(13,797)	(19,282)
Proceeds from issuance of bonds	9,947	—
Redemption of bonds	(7,040)	(40)
Repayments of finance lease obligations	(1,515)	(1,692)
Proceeds from payment of non-controlling shareholders	—	60
Purchase of treasury stock	(1)	(223)
Proceeds from sales of treasury stock	30	248
Payments from purchase of investments in subsidiaries resulting in no change in scope of consolidation	(17)	—
Proceeds from sales of investments in subsidiaries resulting in no change in scope of consolidation	—	34
Cash dividends paid	(1,943)	(2,149)
Net cash provided by financing activities	(3,168)	(3,223)
Effect of exchange rate change on cash and cash equivalents	23	(28)
Net increase (decrease) in cash and cash equivalents	(2,444)	278
Cash and cash equivalents at beginning of period	17,103	14,659
Cash and cash equivalents at end of period	14,659	14,938

Consolidated Statements of Changes in Net Assets

FY2016

(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, 2015	11,916	12,713	75,841	(2,596)	97,875	368	(23)	161	26	533	52	565	99,027
Cumulative effects of changes in accounting policies			20		20								20
Restated balance, March 31, 2016	11,916	12,713	75,861	(2,596)	97,895	368	(23)	161	26	533	52	565	99,047
Changes of items during the period													
Equity transaction with noncontrolling interests		9			9								9
Dividends from surplus			(1,942)		(1,942)								(1,942)
Net income			10,522		10,522								10,522
Purchase of treasury stock				(1)	(1)								(1)
Disposal of treasury stock		(0)		38	37								37
Net changes of items during the period						(3)	23	(22)	3	1	44	7	53
Total changes of items during the period	—	8	8,580	37	8,627	(3)	23	(22)	3	1	44	7	8,680
Balance, March 31, 2016	11,916	12,722	84,442	(2,558)	106,522	364	—	139	30	534	96	573	107,727

FY2017

(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, 2016	11,916	12,722	84,442	(2,558)	106,522	364	—	139	30	534	96	573	107,727
Changes of items during the period													
Equity transaction with noncontrolling interests		1			1								1
Dividends from surplus			(2,159)		(2,159)								(2,159)
Net income			7,570		7,570								7,570
Purchase of treasury stock				(223)	(223)								(223)
Disposal of treasury stock		75		173	248								248
Increase in retained earnings by decreasing companies accounted for using the equity method			45		45								45
Net changes of items during the period						(41)	(2)	(9)	(121)	(175)	16	115	(43)
Total changes of items during the period	—	77	5,456	(50)	5,482	(41)	(2)	(9)	(121)	(175)	16	115	5,439
Balance, March 31, 2017	11,916	12,799	89,898	(2,608)	112,005	323	(2)	129	(90)	359	113	688	113,167

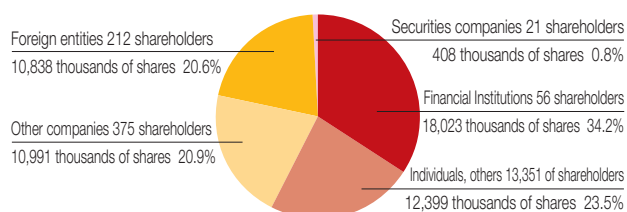
Corporate Data

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	¥11,916 million

Share Information

Number of authorized shares	200,000,000
Number of outstanding shares	52,661,699
Number of shareholders	14,015
Stock exchange listings	Tokyo Stock Exchange, first section Nagoya Stock Exchange, first section

Distribution of shareholders by Type



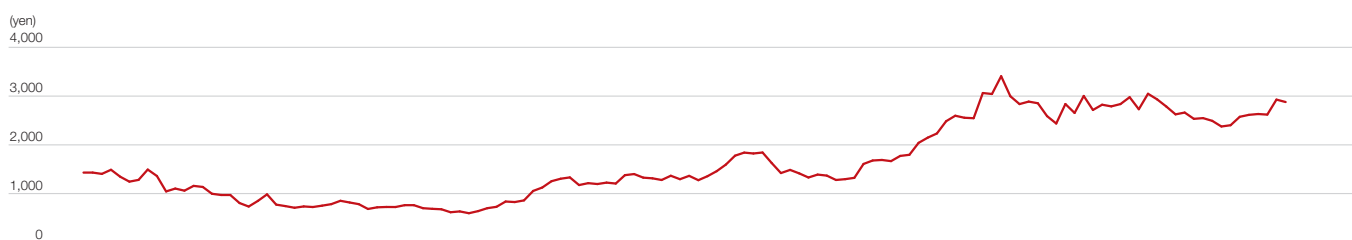
Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Held
The Norinchukin Bank	2,542	4.8%
The Juroku Bank	2,536	4.8%
Ito Youth Scholarship Foundation	2,400	4.5%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,280	4.3%
Masami Tashiro	1,571	2.9%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,548	2.9%
Tomoko Ito	1,360	2.5%
Shiunsha Co., Ltd.	1,326	2.5%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*	1,256	2.3%
Chubu Agent Co., Ltd.	1,103	2.0%

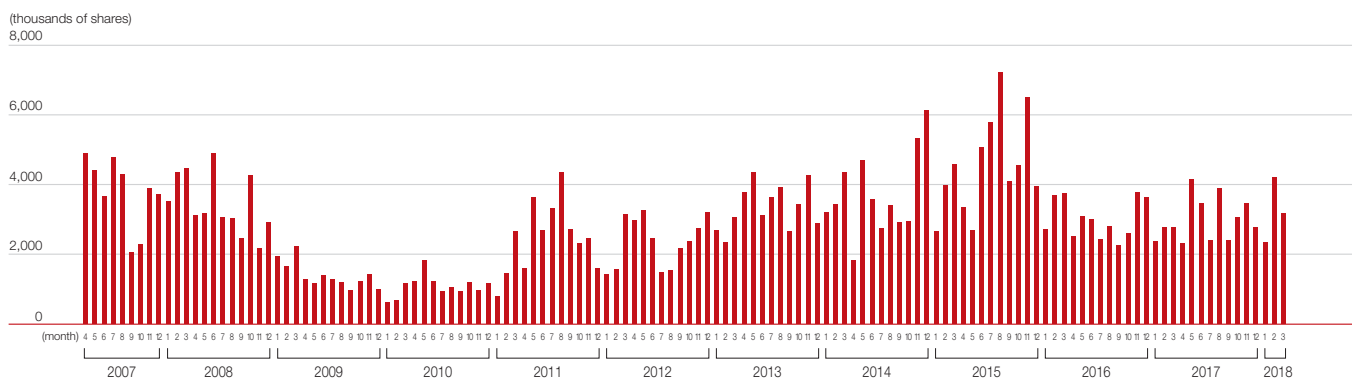
Notes: excludes treasury stock. *Changed to MUFG Bank, Ltd. in April 1, 2018.

Stock price and trading volume

Stock price (closing price after adjustment)



Volume



Note: The Company conducted a 1.2-for-1 stock split on September 27, 2005 and a 2-for-1 stock split on March 28, 2006. The stock prices are retrospectively adjusted to reflect the aforementioned stock splits.

Valor Group

Segment	Subsidiaries	
● Supermarkets	Valor Co.,Ltd. Tachiya Co., Ltd. Shokusenkan-Taiyo Co.,Ltd. Kohseiya Co.,Ltd. Chubu Foods Co., Ltd. Daien Foods Co., Ltd. Honda Suisan Co., Ltd. Furuya Sangyo Co., Ltd. Keirinkaku Co., Ltd. Shufu-no-Mise Shoji Chubu Honsha Co.,Ltd. Fukui Chuo Tsukemono Co., Ltd.	V-Solution Co., Ltd. Chubu Taisei Co., Ltd.* Chubu Meat Co., Ltd. Hida-Osaka Buna-Shimeji Co., Ltd. Gujyo Kinoko Farm Co., Ltd. Toho Sangyo Co., Ltd. Kita-Shinshu Kinoko Farm Co., Ltd. Valor Farm Kaizu Co.,Ltd. VARO Co., Ltd. Valor Max Co., Ltd.
● Drugstores	Chubu Yakuhin Co., Ltd. V-drug International Co., Ltd.	V-drug Hong Kong Co., Ltd.
● Home Improvement Centers	Home Center Valor Co., Ltd. Morosada Agri Co., Ltd.	FIRST Co., Ltd.
● Sports Clubs	AXTOS Co., Ltd.	
● Distribution-related operations	Chubu Ryutu Co., Ltd. Chubu Kosan Co., Ltd. MENTEX Co., Ltd. Seiso Co., Ltd.	VMC (Vending Machine Corporation) V-Flower Co., Ltd. Shanghai Valor co., Ltd.
● Others	Home Center Valor Co., Ltd.** Gito Family Department Co., Ltd. Chubu Hoken Service Co., Ltd.	Core Support Co., Ltd. Valor Agency Co., Ltd.

Note: *merged into Daien Foods Co., Ltd. in April 1, 2018. **Pet Shop Business

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.
2010	Established Ichinomiya distribution center in Ichinomiya- shi, Aichi.
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.



“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.

Valor Holdings Co.,Ltd.

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URL: http://valorholdings.co.jp/	IR Site URL: http://valorholdings.co.jp/ir/