

Creating New Values for Local Communities

# 2020 Annual Report

Fiscal Year Ended March 31, 2020



# valor<sup>®</sup> Holdings

**We will create new values in response to changing social needs by making a transition to a more competitive format and strengthening our connection with customers leveraging Group management resources.**

**Enhancing the appeal of products**

Aiming for the advancement of business process integration between manufacturing and retailing, the Valor Group is focusing on developing strong products that foster the customers' motivation to visit our stores. Supermarkets, drugstores and home improvement centers are changing its product line-ups to showcase the strengths of their own business formats, while leveraging the Group's procurement and manufacturing capabilities in introducing new products.



**Transition to a more competitive format**

As we aim to transition to competitive formats focusing on the three core businesses, the supermarket business aims to become a “destination store” that offers attractive products and product categories that are well worth a visit for customers even from afar. Through the opening of new stores and renovations, we are steadily switching over to a sales floor layout that especially highlights fresh food departments.



**Human resources development**

In order to develop human resources necessary for the transition to new formats, at the Human Resources Development Center launched in April 2019, we are expanding group training for our employees to acquire product knowledge and processing techniques. In addition to technical training, we hold management training for managers and executive candidates systematically, focusing on developing employees who can think for themselves.



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

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

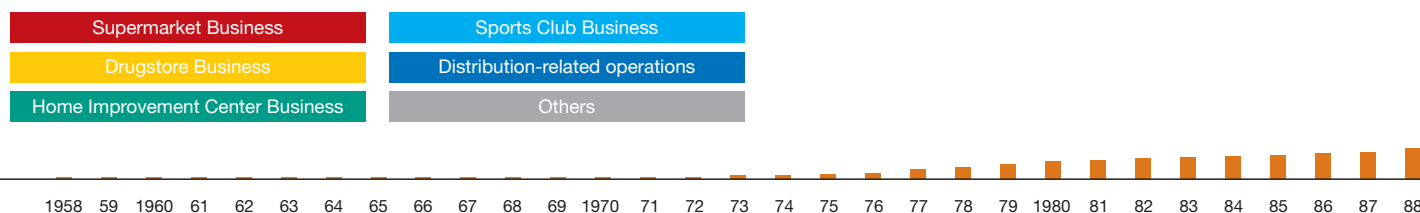
## The Valor Group's value creation reaffirmed under the influence of the novel coronavirus disease (COVID-19)

Due to the COVID-19 pandemic, we reaffirmed our belief that diversified business development, one of the pillars of our business model, would lead to stable business operations. Subsequent to a request from local governments to refrain from opening stores, the sports club business had to take voluntary measures such as a temporary suspension of operations. However, our supermarkets, drugstores and home improvement centers took on the mission of supporting people's lifeline and stayed open to ensure a stable supply of products. As these three core businesses responded to the needs for infection prevention and stay-at-home demands, the impact on business for FY2019 was limited. We believe that consumers who are forced to change their lives will seek a new lifestyle rather than returning to the pre-COVID-19 life once the pandemic is contained.

The Valor Group will continue to provide products and services that meet the changing needs of consumers, without allowing the effect of increased demand due to the lifestyle changes temporary, while making the most of the Group's management resources.

## Revenues Growth

(Revenues from operations)



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



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

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



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

### Changing Objectives of Capital and Business Partnerships

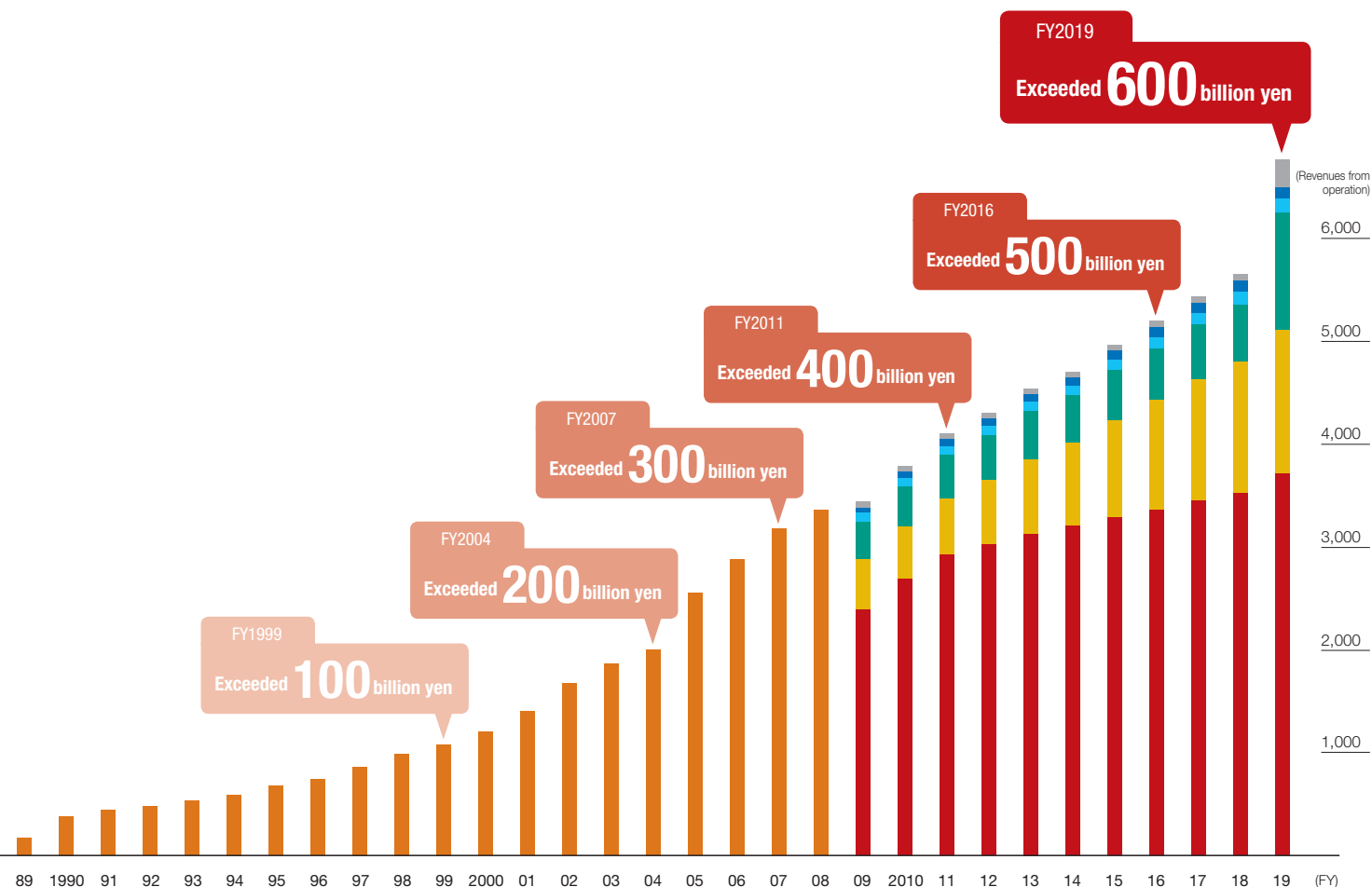
In the past, we executed M&As centering on the supermarket business to expand the size and scope of our business. Since 2015, we have acquired food manufactures with unique products and have concluded capital and business partnerships that lead not only to product sourcing and development improvements,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

### Pursuit of Economies of Scales 1995 ▶

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



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

**2015 – Further Optimization of Business Processes and Next Step for Growth**



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

Expansion of Operational Areas 2005 ▶

Increase in Market Share 2005 ▶

Enhancement of Product Appeal/  
Evolution of Business Models

2015 ▶

# The Valor Group Business Models

- 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 Issues

**Imbalance between Food Supply and Demand**

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



**Changes in Labor Market**

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



**Changing Consumers & Retail Market**

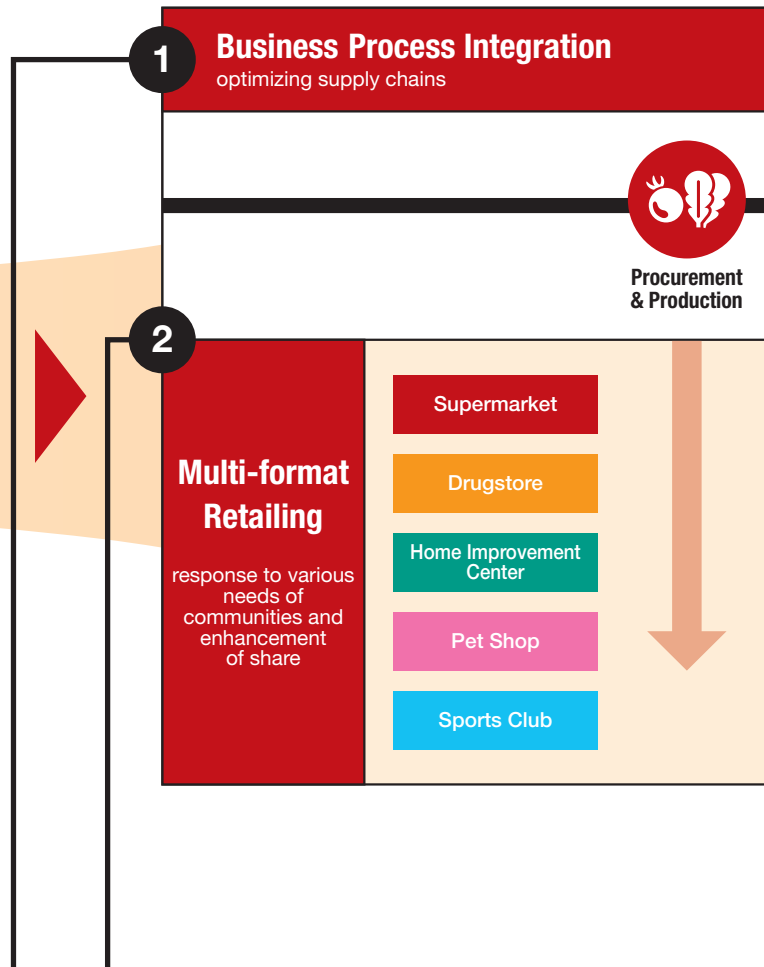
- Aging and declining population
- Impact of IT innovation on shopping behavior
- Decreasing local suppliers serving local communities



**Changing Global Environment**

- Impact of global warming and climate changes on supply of produces

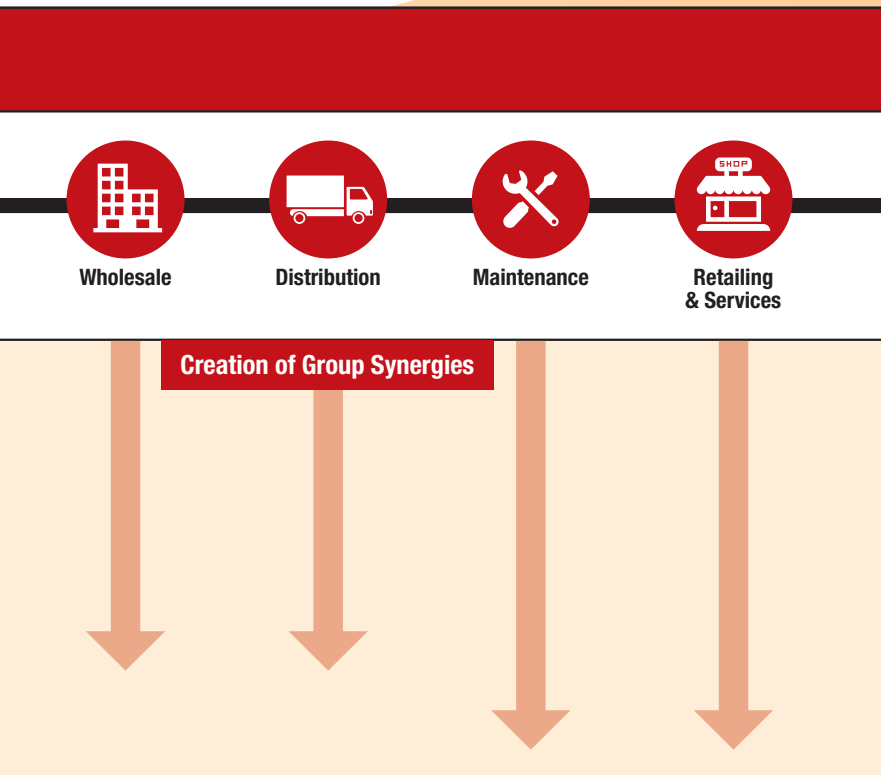




## 1 Business Process Integration

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 process 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 infrastructures including manufacturing bases and distribution centers. As a leading initiative in the fresh meat

category, we have secured intermediate margins by providing stores with packaged meat from our processing centers, which source raw materials from Chubu Meat Co., Ltd., a wholesale subsidiary. Additionally, by transferring processing operations such as trimming and cutting at stores to the processing centers, manufacturing products with standardized skills and at a high hygienic level, and allocating existing staff to other departments, we are reducing capital expenditures per store by eliminating the need for processing equipment and space.



## 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
- In-house power-generation initiatives
- Reduction of food waste
- Reduction of waste and recycling encouragement

## 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. Such format development is driven by not only an economic motive for larger shares, but also a belief that it is our corporate mission to bring richness to people's lifestyles.

In recent years, we have launched new types of services and formats such as life support services in Home Center Valor and the delicatessen "Delica Kitchen" in response to changing lifestyles and diverse social needs.

**Maximizing the appeal of our products:  
We will accelerate the improvement of management  
efficiency, propelled by changes of lifestyle and society**



***Masami Tashiro***

Chairman & CEO



## The significance of aiming to become a “destination store”

Taking a grand view of the current business climate of the food distribution industry, the Group’s main industry of involvement, we continue to be faced with the problem of low profitability, as the declining birth rate and aging population continue to progress while the excessive number of stores is compounded by competition against various business formats beyond our own. Supermarkets in particular are having their share of the market taken away by competitors such as drugstores and convenience stores with a location advantage. Standard stores that were effective in an age of a growing population are now suffering a loss of competitive edge. This is why we have been aiming to create a “destination store” centered on the supermarket business, consisting of irresistibly unique products and product categories that would make customers feel it is worth a visit even from far.

The COVID-19 pandemic ongoing since January 2020 has led to major lifestyle changes. More consumers are eating meals at home, due to the temporary closure of schools and the restrictions on going outside, raising the demand for food items sold at supermarkets. Since March, supermarket operators voluntarily stopped distributing sales flyers to prevent over-crowding and ensure a stable supply of products. Those stores that were able to turn themselves into a “destination store” were recognized as safe places to shop and as such patronized by many customers. Purchasing behavior itself has also changed, shifting to something more like a western style of shopping less often yet buying more each time. The tendency is growing among consumers to select stores based on whether the store has what they want, to ensure they fulfill their shopping needs on a single shopping trip. This trend reaffirms the fact that stores are being selected for their products, not their sales promotions, underlining our certainty that a “destination store” is the only way forward to the future.

## Integrated initiatives for stores, training, and products

A “destination store” is not just about product appeal but also a transformation of hardware such as sales floor layout and software such as people who work there. The effectiveness of sales floor layout emphasizing fresh food departments has already been validated in new stores with an average of 1,000 tsubo (approx. 3,300 square meter) floor space. On the other hand, for stores with 500 tsubo (approx. 1650 square meter) floor space, which consist the majority of Valor supermarkets, the change of sales floor layout remained to be a challenge. However, the store refurbished in February and March 2020 has shown that we can create a store emphasizing fresh food departments even at the size of 500 tsubo, and therefore we have decided to focus on refurbishing medium-sized stores.

The behavior we expect of our employees will also change with a “destination store”. With standard stores they were required to work according to manuals, but with a “destination store” the expectation will be to show initiative and constantly alter how the items are displayed according to the ever-changing product delivery status and customer needs. Up to now our technical training has mainly done through everyday operations in stores, but since opening our Human Resources Development Center in April 2019 we have changed to group training there. Through intensive learning on products and processing techniques, our employees can become capable of creating products appropriate for each cooking use in a correct procedure, helping also to cut down food waste. Our efforts go beyond just technical training, to systematically instruct management skills for managers and educate executive candidates, building the foundation to promote the transformation of software (our employees).

In fall 2020, we will fully renew our private labels. By providing high-quality products at reasonable prices, we aim to not only gain the trust of our customers but also boost our stores and the power of our brand.

As we aim to become a “destination store”, our stores, human resources training, and product initiatives are becoming integrated together and gradually producing results. Going forward, we will further speed up this process.

### **In the final fiscal year of our medium-term strategic plans**

The FY2018-2020 strategic plans with the basic policy of “a paradigm shift from expanding standardized stores to enhancing the appeal of products” is now in its final year. The Valor Group aims not just simply to expand the scale of its businesses but to strengthen the core of each business while improving the management efficiency, resulting in a stronger corporation that will naturally expand in size. When the scale of our business - the denominator - was small, we focused on opening new stores to increase sales and gain efficiency, but now that the existing stores that make up our denominator have reached such a great size, we believe that the improvement of existing stores will directly lead to higher management efficiency. Regarding the organizational structure with a holding company, we will enhance the function of group strategy and improve the management efficiency by adopting a two-headquarters system, with the administration headquarters to handle overall business management while the retail technology headquarters to promote distribution efficiency, such as with IT and logistics.

The COVID-19 pandemic has forced us to reassess what we took for granted and actually implement changes we had only vaguely considered until now, propelling us to move forward. Reexamining our sales promotions triggered by the voluntary suspension of sales flyer distribution is one example. Through efforts to become a “destination store” and emphasize the distinctive features of each business format, we will set ourselves apart from a kind of store operation depending on sales promotions alone.

In addition, we must reevaluate the nature of our business in the future as we coexist with COVID-19.

This is not necessarily a negative factor for the Valor Group. The challenge is to reassess our existing businesses while coming up with a new type of business different to what we have had before. In addition to providing infection control related products such as face masks and disinfectant products at drugstores and catering to stay-at-home demand at supermarkets and home improvement centers, we need to offer new programs in response to increasing demand for health maintenance and fitness improvement. In the U.S., more stores are offering a product pickup option via drive-through instead of in-store. The Valor Group also has made a product pickup available via drive-through in May 2020, built upon the system of “ainoma,” an online supermarket service delivering to offices that we started last fiscal year.

### **Greater emphasis on business safety under the influence of COVID-19**

Operating results for FY2019 saw consolidated revenues from operations exceed the targets while operating income and other income figures fall short, resulting in profit improvement in particular having failed to match the increase in assets. ROA fell from 5.4% last year to 4.9%, while ROE went from 6.7% to 5.1%. These and other factors indicate more challenges to face for improving efficiency. The earnings forecast for FY2020 is ¥690.0 billion in revenue from operations, an increase of 1.8% year on year, and ¥17.2 billion in ordinary income, an increase of 1.9%. Ordinary income has diverged from the quantitative target of ¥21.0 billion in the final year of our medium-term strategic plans. At the same time, we are steadily progressing with the closure of candidate stores identified at the start of the medium-term strategic plans, primarily in the supermarket business. We will work to correct the deviation while continuing to implement these efforts for improving efficiency.

Our policies on creating cash flow, capital expenditure, and financial discipline are set out in the FY2018-2020 strategic plans, but under the influence of the COVID-



19 pandemic we will focus on securing liquidity on hand in particular. With regard to capital expenditure, we will maintain a high level of new store openings in the drugstore business, which plays a key role as a driver of growth. In contrast in the sports club business which were accelerating its expansion, we will limit the opening of new fitness gyms for the time being. While intending to maintain a steady return to shareholders with a dividend payout ratio of 25%, we also believe it is important to maintain business safety by raising our internal reserves.

### **Responsibility we must fulfill for our stakeholders**

The Valor Group considers its ultimate responsibility to be the unceasing quest for growth while prioritizing sound management practices. The growth in the scale of our business has increased the management resources available to us, giving us a wider range of choices and possibilities. By leveraging the diverse management resources the Group has, we will create new businesses in sync with the changing times. Nonetheless, as our business is primarily centered on lifelines such as supermarkets, drugstores, and home

improvement centers, our mission to contribute to local communities through our operations comes first. We will keep on challenging and hope to bring returns to our shareholders as a result.

It is also our duty to society to ensure that our business operations are sustainable. Our participation in the “White Logistics” is part of this belief. While acknowledging social issues such as the declining working population and lack of truck drivers to support the increase in courier deliveries, we are taking action such as adopting a reservation system for product delivery to reduce waiting time for our suppliers, and extending the lead time of delivery orders for processed food to mutually improve productivity with our suppliers. Through these efforts, we are steadily building a sustainable supply chain.

Lastly, we believe the future will place a greater emphasis on the product appeal. As the transition of business format, which is the foundation for the advancement of business process integration we have been working toward, is steadily progressing, we intend to focus on development of products, aiming always for further growth. In closing, I would like to ask our shareholders for their understanding and support for the future as the Group forges ahead with efforts for the medium-to-long term.

# 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 FY2018-2020 strategic plans, we will establish a foundation to support next growth, while redesigning values that stores provide and improving systems supporting stores.

As stated in the “Announcement Regarding Update of Quantitative Targets for the FY2018-FY2020 Strategic Plans” issued on May 9, 2019, we updated our quantitative targets in line with the conversion of Alleanza Holdings Co., Ltd. into a consolidated subsidiary, while maintaining strategic goals and major policies in the FY2018-2020 Strategic Plans. However, there has been a divergence between the forecasts for FY2020, including ordinary income of 17.2 billion yen, and the quantitative targets in the final year of the plan as mentioned above. We will work to minimize this deviation by continuing to implement measures for improving managerial efficiency.

## 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
<b>Strategic goals</b>	Expanding scale	Improving efficiency	Undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products
<b>Major policies</b>	<ul style="list-style-type: none"> <li>Expansion of store network (organic growth and M&amp;As)</li> <li>Enhancing functions of manufacturing and processing</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of competitive formats</li> <li>Increase efficiency of infrastructures</li> <li>Expansion of drugstore and home improvement center businesses</li> </ul>	<ul style="list-style-type: none"> <li>Transition to competitive formats</li> <li>Advancement of Business Process Integration between manufacturing and retailing</li> <li>Establishment of new axis for growth</li> </ul>
<b>Viewpoint on organizational structure</b>	<ul style="list-style-type: none"> <li>Improvement of infrastructures to support expanding scale</li> </ul>	<ul style="list-style-type: none"> <li>Transition to a holding company structure (Enhancement of group management and governance)</li> <li>increase recruitment of new graduates</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of asset efficiency</li> <li>Enhance strategic functions of the holding company</li> <li>From closed innovation to cooperation</li> <li>Human resources development and improvement of productivity</li> </ul>
<b>Medium- to long-term initiatives</b>	Quantitative expansion of standardized stores		Transition to creation of a more competitive format with a focus on products

## FY2010-2014 Strategic Plans

### Results

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

### Challenges

- ◆ 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

### Results

- 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

### Challenges

- ◆ 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)	FY2020 (forecast)
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	680,000	690,000
Operating income	9,452	15,000	13,470	—	—
Ordinary income	9,916	16,108	14,937	21,000	17,200
Net income	3,945	9,214	7,570	—	—
CAGR (Revenue from operations)		6.4%	5.0%	7.7%	8.2%
ROA	5.7%	6.7%	5.4%	above 5.6%	—
ROE	7.0%	10.7%	6.9%	above 7.7%	—
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**

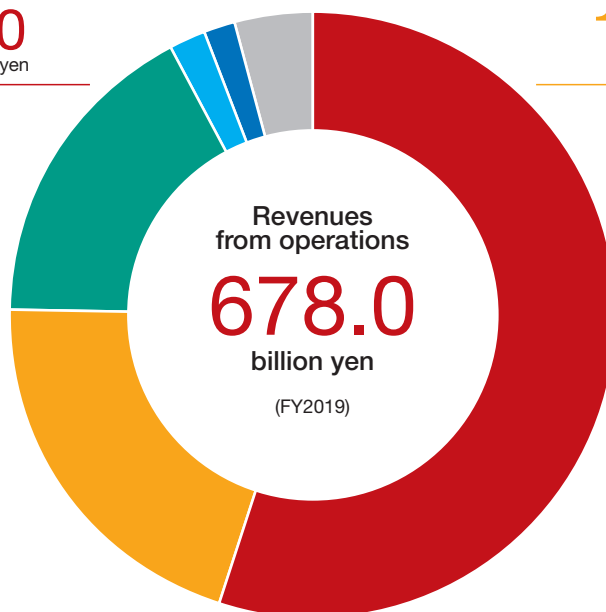
**55.0%**

Revenues from operations	Operating income
<b>372.7</b> billion yen	<b>9.0</b> billion yen

**Drugstore Business**

**20.5%**

Revenues from operations	Operating income
<b>139.3</b> billion yen	<b>4.3</b> billion yen



**Home Improvement Center Business**

**16.9%**

Revenues from operations	Operating income
<b>11.4</b> billion yen	<b>3.4</b> billion yen

**Sports Club Business**

**2.0%**

Revenues from operations	Operating income
<b>13.5</b> billion yen	<b>0.5</b> billion yen

**Distribution-related operations**

**1.6%**

Revenues from operations	Operating income
<b>10.6</b> billion yen	<b>2.7</b> billion yen

**Supermarket Business**

No. of stores..... **298**      Ave. floor space..... **1,803**m<sup>2</sup>  
(Valor Co., Ltd.)



**▶ Business summary**

This business segment includes the operations of supermarket operators Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., Kohseiya Co., Ltd., Futabaya Co., Ltd., Sanko Co., Ltd. and Terao Store Inc.; 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. These companies aim at creating business models that optimize the entire business process from sourcing to retailing.

Besides opening new stores, the segment has expanded in scale through M&As. The operating companies have shared knowledge and skills in sourcing and selling fresh foods through the conversion of Tachiya Co., Ltd. and others into subsidiaries. As for operating areas, Valor Co., Ltd. operates stores in 13 prefectures, mainly in Gifu and Aichi prefectures; Tachiya Co., Ltd. has stores in Aichi, Gifu and Mie prefectures; Shokusenkan-Taiyo Co., Ltd. operates in Shizuoka prefecture; Kohseiya Co., Ltd. has stores in Yamanashi and Kanagawa prefectures; Futabaya Co., Ltd. operates in Shiga prefecture; Sanko Co., Ltd. has stores in Toyama prefecture; and Terao Store Inc. operates in Chiba prefecture.

## Drugstore Business

No. of stores..... 416 Ave. floor space..... 769m<sup>2</sup>



### ▶ Business summary

We started the drugstore business by establishing Chubu Yakuhin Co., Ltd. and selling medicines in February 1984. Expanding its store network under the brand name of “V-drug”, Chubu Yakuhin Co., Ltd. reached 100 stores in 2003, 200 stores in 2012, 300 stores in 2016, and 400 stores in 2019. It extends across ten prefectures, primarily in Aichi and Gifu prefectures. The chain has increased convenience by expanding food offerings as well as medicines and cosmetics. As a local medical support provider, it has developed pharmacies and drugstores with pharmaceutical functions, and acquired shares of Hida Pharmaceutical LLC in July 2019.

## Home Improvement Center Business

No. of stores..... 148



### ▶ Business summary

The home improvement center business began its operations in August 1990 after the business transfer from Valor Co., Ltd. The segment grew in scale in October 1995 resulting from a merger with Fujiya Co., Ltd. Home Center Valor Co., Ltd. offers building and agricultural materials for professional needs, mainly at large stores. It also strives to meet customers' lifestyle needs by offering a tire replacement and storage service through “Tire Ichiba”. In February 2018, we acquired shares of FIRST Co., Ltd., an online retailer of materials and tools. In April 2019, we integrated the home improvement center business through a share exchange between Home Center Valor Co., Ltd. and Alleanza Holdings Co., Ltd. As for operating areas of the major three operators, Daiyu Eight Co., Ltd. operates in the Tohoku and Kanto regions; Home Center Valor Co., Ltd. has stores in the Tokai region; and Time Co., Ltd. operates in the Chugoku and Shikoku regions.

## Sports Club Business

No. of stores..... 192



### ▶ Business summary

The sports club business commenced operations in April 1998 following the transfer of assets from Valor Co., Ltd. AXTOS Co., Ltd., which formerly operated general sports clubs with swimming pools and tennis courts, began operating the low-investment chain of “Sports Club AXTOS Will\_G”, also accelerating its franchise operations. The network of these sports clubs is not only based in the prefectures of Aichi and Gifu, but is also expanding throughout the country, including regions with higher population densities such as the Kanto and Kansai regions.

## Distribution-related operations



### ▶ Business summary

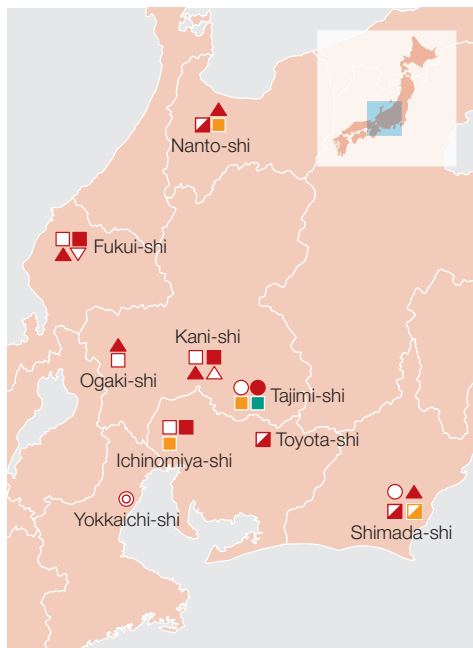
The principal subsidiaries operating in this segment are the logistics operator Chubu Kosan Co., Ltd.; food, sundries and materials wholesaler Chubu Ryutu Co., Ltd.; and the facilities maintenance services provider Mentex Co., Ltd. Besides helping to increase the operational efficiency of other Group companies, these firms also engage in transactions with external customers.

**Store Network**

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Supermarkets</b>	187	202	218	238	251	263	266	275	281	290	298
Valor Co.,Ltd.	131	147	163	179	221	232	235	238	243	240	240
Tachiya Co., Ltd.	10	10	11	11	13	13	13	14	15	16	17
Youth Co., Ltd.*	29	28	29	31	—	—	—	—	—	—	—
Shokusenkan-Taiyo Co.,Ltd.	10	17	15	15	15	17	17	17	17	17	17
Kohseiya Co.,Ltd.	—	—	—	—	—	—	—	5	5	5	6
Futabaya Co.,Ltd.	—	—	—	—	—	—	—	—	—	3	3
Sanko Co.,Ltd.	—	—	—	—	—	—	—	—	—	8	8
Terao Stores Inc.	—	—	—	—	—	—	—	—	—	—	4
VARO Co.,Ltd.	—	—	—	2	2	1	1	1	1	1	3
Other	7	—	—	—	—	—	—	—	—	—	—
<b>Drugstores</b>	159	174	193	214	241	271	301	337	361	379	416
<b>Home Improvement Centers</b>	36	36	34	35	35	36	37	35	36	36	148
<b>Sports Clubs</b>	51	51	51	52	54	58	65	75	95	146	192
<b>Pet Shops</b>	17	16	17	17	17	17	18	19	21	22	107
<b>Others</b>	12	15	15	11	3	3	3	4	5	7	14
<b>Total</b>	<b>462</b>	<b>494</b>	<b>528</b>	<b>567</b>	<b>601</b>	<b>648</b>	<b>690</b>	<b>745</b>	<b>799</b>	<b>880</b>	<b>1,175</b>

Note: \*merged into Valor in October, 2013.

**Number of Stores by Region and Locations of Infrastructures (FY2019)**



**Supermarket Business**

- Distribution : □ for chilled products  
Centers ■ for ambient- temperature products  
■ for chilled & ambient- temperature products
- Processing : ▲ for fresh meat  
Centers △ for fresh vegetables & fruits  
▽ for fresh fish
- Production : ○ for prepared food  
Bases ● for fresh bakery  
⊙ for fish products

**Drugstore Business**

- Distribution Centers  
■ Distribution Centers (Shared with the Supermarket Business)

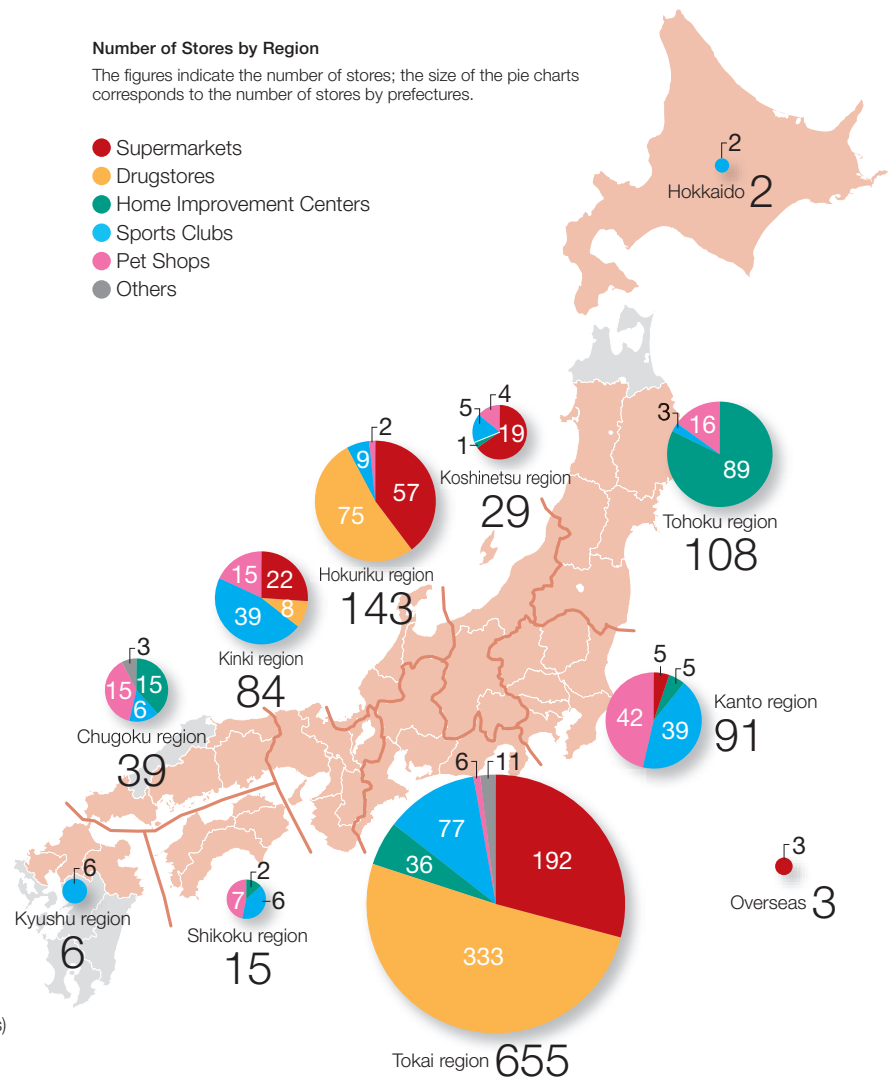
**Home Improvement Center Business**

- Distribution Centers

**Number of Stores by Region**

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

- Supermarkets
- Drugstores
- Home Improvement Centers
- Sports Clubs
- Pet Shops
- Others



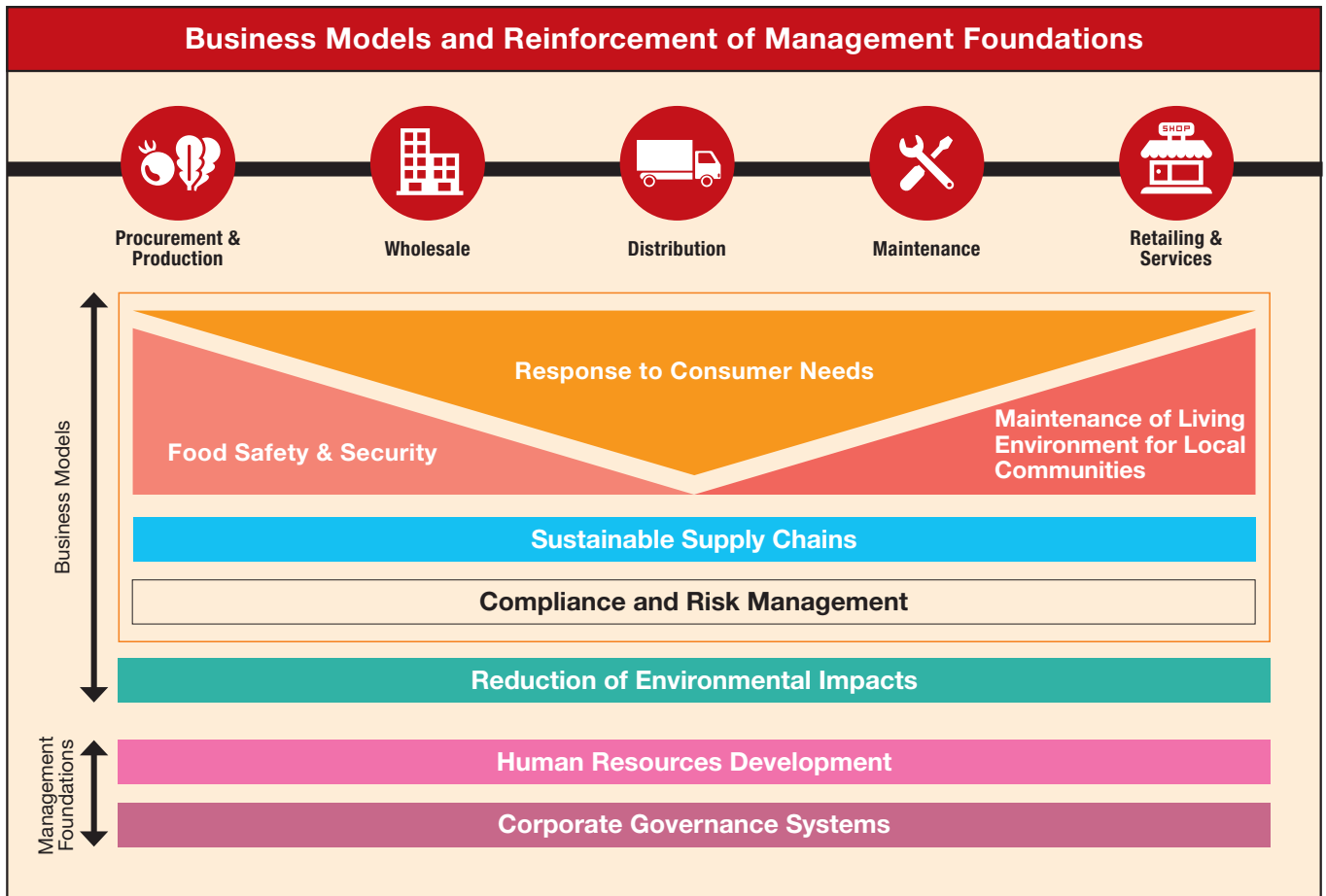


(Millions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Supermarkets</b>											
Revenues from operations	240,138	269,918	293,505	303,521	313,208	321,458	329,266	336,555	345,960	353,311	372,733
Operating income	7,683	9,580	10,783	11,028	8,443	9,760	9,887	9,738	8,518	9,433	9,050
Total assets	105,438	114,693	119,293	127,490	142,260	144,604	153,045	176,384	184,386	195,231	200,720
Capital expenditures	7,477	12,012	9,199	12,915	17,931	12,078	10,506	11,887	12,574	13,376	7,462
Depreciation and amortization	5,283	5,430	5,978	6,346	6,826	7,381	7,556	7,339	7,490	7,633	8,431
<b>Drugstores</b>											
Revenues from operations	48,373	50,651	54,850	62,497	73,028	80,470	95,152	107,045	117,949	127,781	139,358
Operating income	1,009	1,357	2,294	1,934	2,449	1,961	2,736	2,692	2,532	3,488	4,317
Total assets	21,493	22,814	26,501	29,065	33,649	38,557	44,602	52,019	58,849	58,725	67,755
Capital expenditures	947	1,400	2,547	3,134	3,893	4,333	5,776	8,087	5,359	4,622	6,135
Depreciation and amortization	817	860	979	1,183	1,454	1,780	2,114	2,588	2,927	3,104	3,170
<b>Home Improvement Centers</b>											
Revenues from operations	36,919	38,928	41,734	43,810	46,559	46,556	48,629	50,373	53,555	55,173	114,301
Operating income	677	1,269	1,677	1,869	2,330	2,011	2,450	2,302	2,149	2,616	3,465
Total assets	17,633	17,479	18,553	19,456	19,068	22,430	22,499	23,942	25,562	31,020	81,239
Capital expenditures	166	730	1,943	1,259	464	2,276	1,478	4,777	1,316	645	4,677
Depreciation and amortization	983	876	867	899	875	910	945	1,000	1,099	1,083	2,505
<b>Sports Clubs</b>											
Revenues from operations	8,371	8,514	8,604	8,788	8,955	9,271	9,838	10,459	11,397	13,157	13,597
Operating income	40	77	247	420	419	463	532	639	680	672	556
Total assets	13,023	12,009	11,287	10,760	10,382	10,611	10,634	10,776	13,059	15,175	15,768
Capital expenditures	1,755	146	124	319	338	527	791	1,119	3,114	2,565	1,960
Depreciation and amortization	747	770	669	666	636	655	711	785	882	1,080	1,295
<b>Distribution-related operations</b>											
Revenues from operations	5,282	5,929	6,383	6,699	7,228	7,638	8,590	9,610	9,075	10,265	10,687
Operating income	1,943	2,410	2,761	3,062	2,995	3,395	3,647	3,699	3,725	2,910	2,793
Total assets	11,456	15,339	17,514	18,809	22,351	24,082	23,961	24,894	27,230	28,569	29,733
Capital expenditures	28	439	1,659	1,888	2,155	624	478	2,018	3,044	384	1,050
Depreciation and amortization	40	381	439	550	784	819	716	721	758	817	846

# The Valor Group Sustainability Management

To enhance its medium- & long-term corporate values, the Valor Group is engaged in sustainability management via two approaches, namely 1) sustainability of business activities and 2) management of the social and environmental impacts of business activities to realize a sustainable society.



**Corporate Governance Systems** ▶ P24-26

### Faster Decision-making and Strengthened Oversight

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.

**Human Resources Development** ▶ P20-21

### Supporting a Diversified Workforce

Based on its corporate philosophy of "Creation, Advance & Challenge", the Company seeks individuals who are ambitious and undertake challenges. We are actively recruiting people with expertise in such area as food production, processing and distribution, in order to improve 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 business. We also support people who are highly motivated and whose experience and backgrounds are diverse through promoting female workers, hiring of the disabled, post-retirement reemployment program and promotion to full-time employees. Thus we are developing staff members as managerial resources.

## Response to Consumer Needs

### Development of Private Labels

We have developed private labels, which offer fine quality, value for money and better margin than other national brands. They are sold under the brand names of “V-Select”, comprising low-priced products, and “V-Quality”, comprising value-added products. In June 2014, we launched the new brand, “V-Premium”, made from selected ingredients which are only available in certain seasons. We provide these brands to supermarkets, drugstores, home improvement centers and other companies through V-Solution Co., Ltd., a wholesale subsidiary, which manages demand-supply mismatch risks by preparing highly accurate sales plans. We also take measures to reduce costs and improve quality.

#### V-Select

“V Select” covers basic items which are indispensable to your daily life. Under this brand name, we offer good-quality products at low prices.



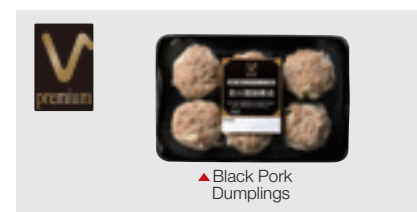
#### V-Quality

“V Quality” represents tasty food items made from carefully chosen ingredients. We deliver fine quality at an affordable price.



#### V-Premium

“V Premium” refers to premium food made from handpicked and superior ingredients and recipes. Turn your meal into fine dining with this brand!



## Response to Consumer Needs

### Response to Customer Feedback

We have a Customer Relations Office, which receives customer feedback via our toll-free number or inquiry emails on our website. The Office shares the feedback with related departments to reflect them in product development and sales policies. In FY2019, the Office received 11,850 comments and other forms of feedback including 2,888 comments on products, of which 984 were comments concerning private labels. The COVID-19 pandemic led to the increasing number of inquiries on our store opening status and products since January 2020, receiving 99 comments in three months.

## Food Safety and Security

### Process Control and Product Labeling

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 carried out audits in areas such as hygiene management and manufacturing process management at manufacturing outsourcing plants. As for the information provided on product packaging, we 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 disclose product information on the Valor website, when introducing new products or renewing existing products. In FY2019, we completed changes to all items subject to modification of product packaging to comply with the Food Labeling Act. In response to the new display system of ingredients and origin for processed foods, which will become mandatory in April 2022, we plan to complete the changeover of labelling by September 2021.

## Maintaining Service Levels for Local Communities

### Product Pickup via Drive-through

In order to solve a problem of the working generation not having time to go shopping, in July 2019, we started “ainoma,” an online supermarket service delivering to offices. Leveraging the system of this business, we started a service called “ainoma pick-up” in May 2020, which enables customers to pick up products via drive-through. We believe this service will meet the needs of customers who want to pick up their purchases without having to go into a store and shop with peace of mind.



## Reduction of Environmental Impacts

▶ P22-23

### Waste Reduction by Improving Product Packaging of Private Labels

For private label products, we not only work to improve how we manufacture them and what ingredients to use, but we also constantly work to create packaging that is easier to open, sort and dispose of. Eliminating a plastic inner tray from the packaging of “V-Select Dried Shredded Squid” has resulted in a reduction of about 260 kg of waste per year. As for the plastic bottle of “Hida-no-Inochi Mineral Water”, we improved the package to make it easier to peel off and sort for disposal.



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"> <li>Organizational design</li> </ul>	<ul style="list-style-type: none"> <li>Transition to a company with audit &amp; supervisory committee</li> <li>Report by the Nomination and Compensation Committee</li> </ul>	P.24-26
	2. Faster decision-making		<ul style="list-style-type: none"> <li>Framework for decision-making concerning business execution (Group Management Executive Committee)</li> </ul>	P.24
	3. Risk management in relation to the business model	<ul style="list-style-type: none"> <li>Internal control and compliance systems</li> <li>Risk management systems</li> </ul>	<ul style="list-style-type: none"> <li>Systems for ensuring appropriate business operations within the Valor Group</li> <li>Awareness of business risks</li> <li>Development and labeling of private labels</li> </ul>	P.27 P.27 P.17
Society (Human Resources Development)	1. Human resources development to sustain growth	<ul style="list-style-type: none"> <li>Human resources development</li> <li>Supporting a diversified workforce</li> <li>For better places to work</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced training for acquiring knowledge and skills</li> <li>Support of female workers, disabled workers and others to enable them to maximize their capabilities</li> <li>Introduction of work location selection system</li> <li>Employer-provided child care services</li> <li>Introduction of shop holidays</li> </ul>	P.20-21
	2. Sustainable Supply Chains	<ul style="list-style-type: none"> <li>"White Logistics"</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration for increasing productivity</li> </ul>	P.19
Environment	Reduction of environmental impacts	<ul style="list-style-type: none"> <li>Greenhouse gas emission control</li> <li>Development of renewable energy</li> <li>Reduction and recycling of food waste</li> <li>Reduction of waste and recycling encouragement</li> </ul>	<ul style="list-style-type: none"> <li>Energy-saving delivery and fluorocarbon control</li> <li>Installation of solar panels</li> <li>Reduction of food waste and recycling of food waste</li> <li>Reduction of waste plastics</li> </ul>	P.22-23 P.17

## Establishing a Sustainable Supply Chain

The Group aspires to maintain business models that optimize the entire process from sourcing to retailing. We strive to improve efficiency of our distribution channels by establishing infrastructures including manufacturing and processing bases and distribution centers, undertaking the intermediary function in distribution by ourselves. To enhance the effectiveness of this business model, we believe that it is essential to establish a sustainable supply chain.

### Initiatives for “White Logistics”

Securing stability in logistics has now become a social issue against the backdrop of problems including a lack of truck drivers. Therefore, we have submitted a declaration of voluntary actions in agreement with the objectives of the “White Logistics Movement” in which the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries are calling on to participate.

#### 1. Utilize reservation system for product delivery

There have been problems at our distribution centers where our suppliers (manufacturers, wholesalers, and delivery companies) had to wait upon delivery, while we also had problems such as taking too long to handle delivery, causing issues on both sides. Therefore, since March 2019, we have introduced a reservation system for product delivery at multiple distribution centers. As more suppliers utilize the system, the advance reservation rate exceeded 90% by the end of June, reducing waiting time and improving the efficiency of handling the delivery.

#### 2. Extend lead time for delivery orders of processed food

Regarding delivery to distribution centers for ambient-temperature products, our suppliers (manufacturers and wholesalers) used to receive the order data from Valor Co., Ltd. one day prior to the product delivery date to stores. Our suppliers had to secure the necessary trucks in a short period of time between receipt of data and shipment to the distribution center, which placed a burden on the shipping process, while distribution centers also had to deal with problems such as different delivery time by each supplier. Therefore, we have extended the lead time to receive the order data to two days before the product delivery to stores. As a result, our suppliers have sufficient time to arrange shipments, and we are now able to flexibly schedule deliveries from the distribution centers to stores, which has helped us to level the workload.

#### 3. Review the “one-third rule” for acceptable rate of storage period

Valor Co., Ltd. has been making a full-scale effort to reduce food waste. As part of this initiative, we took steps to ease the limit on acceptable number of days for storage, targeting products delivered to the distribution center for ambient-temperature products in Kani-shi, starting in July 2019. By reducing the number of returned products to suppliers (manufacturers and wholesalers), we hope to contribute to the reduction of food waste generated during the process from manufacture to delivery to the distribution centers.

## Supporting regional suppliers

Impacted by the temporary closure of all schools in Gifu prefecture due to the COVID-19 pandemic, local milk producers who supply milk for school lunches were looking for alternative buyers. Meanwhile, producers of Hida beef in Gifu prefecture, which had strong demand from the tourism, lodging and restaurant industries, have been affected by the prolonged stay-at-home trend of refraining from non-essential and non-urgent outing, and the decline in demands resulted in lower wholesale prices. To support these affected local producers, Valor Co., Ltd. held special sales of milk and Hida beef at its stores within Gifu prefecture.



## 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.

## Human resources development

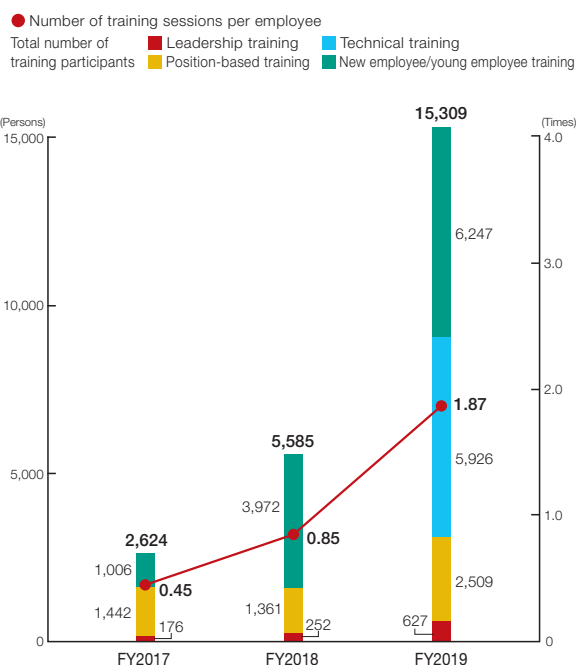
We aim to strengthen our organizational competencies and improve corporate value by improving frontline performance capabilities through offering on-the-job training and fostering self-motivating leaders who can identify problems and execute solutions. The Company’s human resources development programs are based on Group-wide training programs plus training on the techniques and expertise needed at each business operation. The Group-wide position-based programs focusing on Corporate Philosophy (DNA) education are mainly designed for those who have just joined the Company or those who have passed the Group qualification screening and been promoted. Attendees are helped to link philosophy to practice by cultivating an understanding of the Corporate Philosophy advocated by Valor’s founder Yoshimi Ito, and listening to lectures by the current management. The Valor Historical Museum and the Company Founder Yoshimi Ito Memorial Gallery, which are housed in the Human Resources Development Center, serve as venues for experience to understand the Corporate Philosophy. In addition, we have incorporated human rights related themes into position-based programs since FY2018 in which participants learn how employee satisfaction leads to customer satisfaction by appropriately responding to various human rights issues in the workplace and in business activities.

In FY2019, we especially expanded product knowledge and technical training programs. The supermarket business offered practical training on fresh fish, vegetables & fruits and bakeries, while the drugstore business provided training for pharmacists and dietitians, and the home improvement center business conducted training for obtaining qualifications, as well as study sessions for acquiring division-specific knowledge. We are also increasing the number of training sessions for younger employees in their second and third years to develop their frontline performance capabilities and create a culture of learning.

## Creating better places to work

In FY2019, Valor Co., Ltd. introduced store holidays to close all its stores four days per year. This applies not just to Valor Co., Ltd., but also to all Group companies involved in manufacturing, distribution, and other functions, creating an environment that makes it easier for employees to have a day off. In the supermarket business, in addition to Tachiya Co., Ltd., which already have regular store holidays, Shokusenkan-Taiyo Co., Ltd. and Kohseiya Co., Ltd., have introduced store holidays to close all stores.

### Total number of training participants and number of training sessions per employee



Note\*: The number of technical training, which used to be included in position-based training, new employee training and young employee training, has been separately counted since FY2019.

## Supporting a diversified workforce in HR system

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

	Status	FY2017	FY2018	FY2019	
<b>Promoting female workers</b> 	<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"> <li>Expansion of coaching and trainings for promoting the appointment of women <ul style="list-style-type: none"> <li>For better understanding of managers supervising female staff and creation of a better workplace environment</li> </ul> </li> <li>Development of potential candidates for managerial positions</li> <li>Improvement of the workplace environment corresponding to the phase of the individual's life and career <ul style="list-style-type: none"> <li>Rising awareness about maternity leave, child care leave and family care leave</li> <li>Creation of workplace environment that facilitates easy return to work</li> </ul> </li> </ol>	Ratio of female managerial personnel to all managerial personnel (managers or higher)  (The number of female managerial personnel/The number of all managerial personnel)	<b>5.3 %</b> (23people/433people)	<b>5.3 %</b> (23people/437people)	<b>5.6 %</b> (43people/774people)
		Number of female workers who took maternity leave or child care leave			
		Maternity leave (Employees/Part-timers)	<b>135 people</b> (56people/79people)	<b>169 people</b> (66people/103people)	<b>224 people</b> (92people/132people)
		Child care leave (Employees/Part-timers)	<b>140 people</b> (63people/77people)	<b>179 people</b> (71people/108people)	<b>205 people</b> (68people/137people)
<b>Hiring of the disabled</b> 	<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. 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	<b>2.30 %</b>	<b>2.20 %</b>	<b>2.40 %</b>
		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	
<b>Post-retirement reemployment program</b> 	<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	<b>90.0 %</b>	<b>87.2 %</b>	<b>95.7 %</b>
<b>Promotion to full-time employees</b> 	<p>16 key operating companies of the Group have programs to promote part-time workers to full-time employees. Part-time workers have periodic opportunities for promotion to full-time employees. Part-time workers who satisfy the criteria can apply for promotion and, after screening, successful applicants are promoted to full-time employees. In addition, heads of departments can recommend part-time workers as candidates for promotion to full-time employees.</p>	Number of part-time workers promoted to full-time employees	<b>102 people</b>	<b>122 people</b>	<b>205 people</b>
<b>Number of Employees</b> 	<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. 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 (Average length of service)	<b>5,821 people</b> (9.1years)	<b>6,501 people</b> (9.0years)	<b>8,168 people</b> (9.0years)
		Female workers (Average length of service)	<b>1,428 people</b> (5.8years)	<b>1,739 people</b> (5.6years)	<b>2,299 people</b> (5.9years)
		Male workers (Average length of service)	<b>4,393 people</b> (10.2years)	<b>4,762 people</b> (10.2years)	<b>5,869 people</b> (10.2years)

Note: The above figures are based on the following 17 companies accounting for 89.1% of the Group's total employees: Valor Holdings Co., Ltd., Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., Kohseiya Co., Ltd., Futabaya Co., Ltd., Sanko Co., Ltd., Chubu Foods Co., Ltd., Chubu Yakuhin Co., Ltd., Daiyu Eight Co., Ltd., Home Center Valor Co., Ltd., Time Co., Ltd., Amigo Co., Ltd., AXTOS Co., Ltd., Chubu Ryutu Co., Ltd., Chubu Kosan Co., Ltd. and Core Support Co., Ltd.

\*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. Development of renewable energy
3. Reduction and recycling of food waste
4. Reduction of waste and recycling encouragement

### Reduction of greenhouse gas emissions

The Group has positioned the reduction of greenhouse gas (GHG) emissions as an important issue, and is working on the calculation and the reduction of the emission amount. The amount of emissions is calculated based on the GHG Protocol, which is recommended as an international standard, and we work to reduce GHG emissions throughout the entire supply chain. Valor Co., Ltd., which is included in the scope of the calculation of GHG emissions, is significantly influenced by energy derived from electricity. Thus, in FY2019, the Company endeavored to reduce electricity usage mainly at stores through initiatives such as the use of energy management systems (EMS).

#### Greenhouse gas (GHG) emissions in FY2019

Scope 1	Direct emissions from business operators themselves	Emissions associated with fuel combustion*	7,456t-CO <sub>2</sub>
		Emissions due to leakage of CFCs**	34,313t-CO <sub>2</sub>
Scope 2	Indirect emissions from the use of electricity, heat, or steam supplied by other companies***		144,669t-CO <sub>2</sub>
Total			186,438t-CO <sub>2</sub>

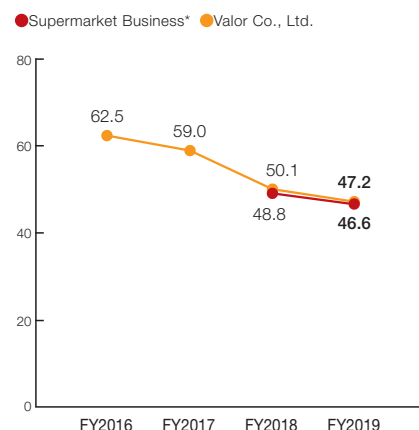
Note: Calculation covers 252 business sites, including stores and processing bases of Valor Co., Ltd.  
 \*Usage of city gas and LP gas at each site (including tenant usage), gasoline usage by company-owned vehicles, etc.  
 \*\*Converted to CO<sub>2</sub> equivalent by multiplying a global warming potential.  
 \*\*\*Power usage at each site (including tenant usage)

### Reduction of food waste

The Group mainly belongs to the food distribution industry, and we view the reduction of food waste as a particularly important issue. Each operating company involved in food distribution works to reduce food waste by manufacturing, producing, and selling products based on a plan.

Since FY2017, Valor Co., Ltd. has expanded product categories available for the automatic ordering system in order to improve order accuracy while reviewing product lineup and optimizing inventory in line with its sales policies aimed for improving freshness and selling out. In FY2019, we achieved a 16% reduction in food waste compared to the previous year, especially at the processing center for fresh vegetables & fruits in Kani-shi. In addition, the Company has concluded agreements with Tajimi-shi and Ena-shi in Gifu prefecture, and has been providing food products such as rice, noodles and seasonings in support for Kodomo-Shokudo (children's cafeteria) since June 2019. We will strive to further reduce food waste while combining support activities for local communities with the reduction efforts in our business activities.

#### Changes in the rate of food waste generated for every 1 million yen of net sales (kg/million yen)\*



Note\*: Calculation covers Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., and Kohseiya Co., Ltd. In FY2019, Futabaya Co., Ltd. and Sanko Co., Ltd. were added for calculation.



## 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	FY2018 results	FY2019 results	Evaluation	Causes and Effects
Reduction of greenhouse gas emis	Development of power consumption	<ul style="list-style-type: none"> <li>● Demand management</li> <li>● Management of air-conditioning temperature</li> <li>● Turning off of unnecessary lighting</li> <li>● Introduction of highly efficient facilities and equipment</li> </ul>	<p><b>1.08</b> [kWh/million yen]*</p>	<p><b>1.04</b> [kWh/million yen]*</p>	☀️	Achieved a 4% reduction compared to the previous year. We will continue to make efforts to improve the efficiency of our energy use by utilizing energy management systems.
	Energy-saving deliveries	<ul style="list-style-type: none"> <li>● Store deliveries</li> <li>● Encouragement of idling stop practice</li> <li>● Instructions and education for energy-saving driving</li> </ul>	<p>Compared with the previous year</p> <ul style="list-style-type: none"> <li>● Driving distance: <b>105%</b></li> <li>● Amount of fuel used: <b>101%</b></li> <li>● Fuel economy improved: <b>104%</b></li> </ul>	<p>Compared with the previous year</p> <ul style="list-style-type: none"> <li>● Driving distance: <b>99%</b></li> <li>● Amount of fuel used: <b>98%</b></li> <li>● Fuel economy improved: <b>101%</b></li> </ul>	☀️	Driving distance and amount of fuel used decreased by reviewing the number of deliveries and routes, and fuel economy also improved. We will continue to aim to improve delivery efficiency.
	Reduction of specified CFCs emissions	<ul style="list-style-type: none"> <li>● Replacement of refrigerators and air-conditioners</li> <li>● Regular facility inspections</li> </ul>	Stores covered: <b>14</b>	Stores covered: <b>37</b>	☀️	We will continue replacement and regular facility inspections.
Development of renewable energy	Development of energy	<ul style="list-style-type: none"> <li>● Installation of solar panels</li> </ul>	<ul style="list-style-type: none"> <li>● Total wattage generated: <b>3,352kW</b></li> <li>● Business premises covered: <b>19</b></li> </ul>	<ul style="list-style-type: none"> <li>● Total wattage generated: <b>9,100kW</b></li> <li>● Business premises covered: <b>60</b></li> </ul>	☀️	We will continue to examine where to install solar panels, and will also work on the trial introduction of solar power generation systems equipped with BCP functions.
Reduction and recycling of food waste	Reduction of food waste	<ul style="list-style-type: none"> <li>● Implementation of planned ordering and production</li> <li>● Store shelf management</li> <li>● Review of product lineups in evenings and volume adjustment</li> </ul>	<p><b>48.8</b> [kg/million yen]**</p>	<p><b>46.6</b> [kg/million yen]**</p>	☀️	We worked on planned manufacturing and sales at stores and processing bases, and were able to continuously reduce the amount of food waste.
	Recycling encouragement of food waste	<ul style="list-style-type: none"> <li>● Reduction of disposing products</li> <li>● Expansion of stores to conduct recycling</li> </ul>	<ul style="list-style-type: none"> <li>● Recycling rate: <b>46.3%</b></li> </ul>	<ul style="list-style-type: none"> <li>● Recycling rate: <b>42.0%</b></li> </ul>	☔️	Although the number of stores to conduct recycling increased, the recycling volume decreased. We will strive to improve the recycling rate.

Note: Calculation for power consumption, food waste generation, and food waste recycling rate covers Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., and Kohseiya Co., Ltd. In FY2019, Futabaya Co., Ltd. and Sanko Co., Ltd. were added for calculation.

\*Rate of electricity usage for every 1 million yen of net sales (Units), \*\*Rate of food waste generated for every 1 million yen of net sales (Units)

## Development of renewable energy

The Group is working to create renewable energy to reduce the environmental impacts from business operations. In addition to companies that already have installed solar panels, in FY2019, AXTOS Co., Ltd. and Chubu Kosan Co., Ltd. newly installed solar panels. In addition to reducing greenhouse gas emissions, the Company is encouraging energy-generating activities.



### Amount of power generated by renewable energy sources

FY2018 results	FY2019 results	FY2020 targets
Installation of solar panels: 75 sites* Cumulative power generation capacity: 4,515kW*	Installation of solar panels: 135 sites* Cumulative power generation capacity: 13,615kW*	Cumulative power generation capacity by renewable energy sources: 15,000kW*

Note: Solar panels were installed at Valor Holdings Co., Ltd., Valor Co., Ltd., Chubu Yakuin Co., Ltd., Home Center Valor Co., Ltd., AXTOS Co., Ltd. and Chubu Kosan Co., Ltd.  
\*Cumulative figures from FY2017

**Basic Policy**

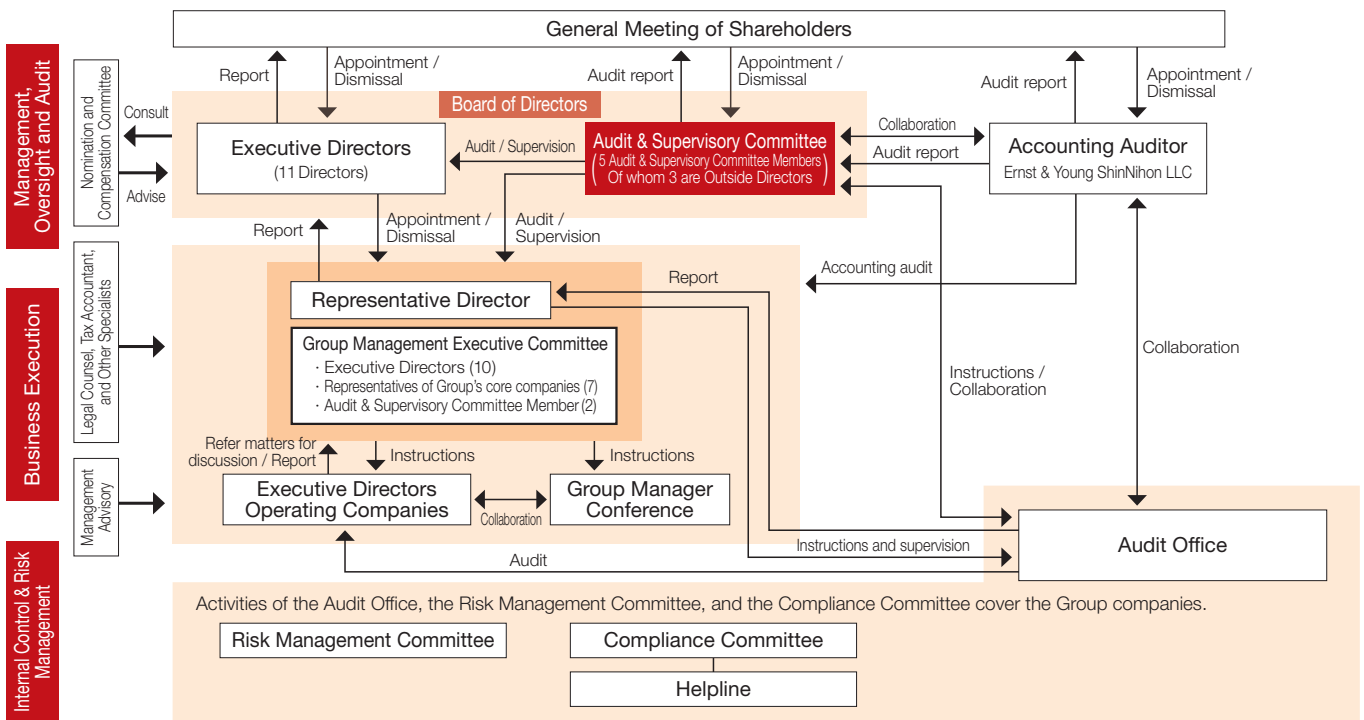
The fundamental objectives of the Company's corporate governance are to achieve efficient management and faster decision-making and enhance corporate value continuously, while ensuring management transparency and fairness, thorough risk management as well as timely and appropriate disclosure from the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

**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.

**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, which are designed to evaluate the effectiveness of the structure of the Board of Directors and its discussion & consideration, monitoring etc. on a scale of one to five. In FY2019, the Board of Directors scored 3.7 on average, down 0.1 points from FY2018, but the result indicates that the Board of Directors is generally deemed to be effective. However, as the number of matters to be resolved and reported have increased, there have been requests for more active discussions on business strategies.

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

### Reasons for appointment, removal and nomination

#### (1) Policy

- Regarding Directors who are not Audit & Supervisory Committee Members, people with specialized knowledge and excellent management & decision-making capabilities or people who execute important businesses or are responsible for key operating companies are nominated as candidates. For Outside Directors, people with abundant experience in their respective fields, excellent character, and high level of insight as well as the capability of providing objective and multifaceted suggestions about management, are nominated as candidates.
- Regarding Directors who are Audit & Supervisory Committee Members, people with knowledge of finance and accounting, understanding of the Group's business and diverse viewpoints about corporate management are nominated as candidates to ensure accurate auditing of compliance and appropriateness of business execution.
- The dismissal of a Director shall be deliberated at the Board of Directors meetings in the event that the Director is in violation of laws and regulations or the Articles of Incorporation, other circumstances occur that prevent the Director from properly performing his or her duties, or the Company's corporate value is significantly damaged by the Director due to negligence of his or her duties, etc.

#### (2) Procedures

- Regarding Directors who are not Audit & Supervisory Committee Members, candidates shall be determined by the Board of Directors after consideration by the Nomination and Compensation Committee chaired by Representative Director Masami Tashiro consisting of two Executive Directors and 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.
- The dismissal of a Director shall be determined by the Board of Directors after hearing opinions of the Audit & Supervisory Committee, in addition to reports from the Nomination and Compensation Committee.

#### (3) Explanation about appointment, removal and nomination

- Reasons for election of each candidate for Director are disclosed in the reference document for the General Meeting of Shareholders.
- Reasons for election of each candidate for Outside Director are disclosed in [Directors] "Relations with Valor Holdings Co., Ltd. (2)" of "II Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision" in the Corporate Governance Report.
- Explanation of the dismissal of Directors (excluding non-reappointment) shall be disclosed in the reference documents for the General Meeting of Shareholders.

## 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.
- Regarding share-based compensation, points are granted to Directors within the maximum amount approved at the General Meeting of Shareholders. At the time of resignation or retirement of a Director, the Company's shares are delivered to the Director in accordance with the number of points granted.
- 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.

##### 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 who are not Audit & Supervisory Committee Members and for Directors who are Audit & Supervisory Committee Members shall be determined within the maximum amount approved at the General Meeting of Shareholders.
- Regarding the amount of compensation for Directors who are not Audit & Supervisory Committee Members, 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 shall be determined by resolution of the Board of Directors; then the decision is redirected to the discretion of Representative Director Masami Tashiro, on the condition that the report of the Nomination and Compensation Committee is emphasized.
- The amount of compensation for Directors who are Audit & Supervisory Committee Members shall be determined by resolution of the Audit & Supervisory Committee.

### Number of meetings of the Board of Directors and the Audit & Supervisory Board held and attendance status (FY 2019)

	Meetings of the Board of Directors	Meetings of the Audit & Supervisory Board*
Number of meetings	11	12
Attendance of Outside Directors	100%	97%

Note: The figures are based on the number of meetings held from April 1, 2019 to March 31, 2020.

### Dialogues with shareholders in FY2019

62th Ordinary General Meeting of Shareholders (Held June 27, 2019)	521 shareholders attended
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### Directors (as of June 26, 2020)

Name	Title	Significant concurrent positions at major subsidiaries
Masami Tashiro	Chairman & CEO	
Satoru Yokoyama	Executive vice-president	Chairman, AXTOS Co.,Ltd. Executive vice-president, Valor Co.,Ltd.
Akira Shinohana	Managing Director	CEO, Chubu Agri Co.,Ltd.
Katsuyuki Mori	Director	Chairman, Tachiya Co., Ltd. Senior Managing Director, Valor Co., Ltd.
Takayuki Koike	Director	Retail Technology CEO, Chubu Kosan Co., Ltd.
Satoshi Yoneyama	Director	Organizational Transformation and Luvit Cards
Masami Shidara	Director	Deputy General Manager of Business Administrator Valor Co.,Ltd.
Morisaku Wagato	Director	Executive vice-president, Alleanza Holdings Co.,Ltd. CEO, Home Center Valor Co., Ltd.
Motohiko Takasu	Director	CEO Chubu Yakuhin Co.,Ltd.
Hirokazu Tamai	Director	M&A Strategies
Shunichi Asakura	Director	Chairman, Alleanza Holdings Co.,Ltd.
Yukihiko Shizu	Director	Audit & Supervisory Committee Member (full-time)
Takashi Takayama	Director	Audit & Supervisory Committee Member (full-time)
Mutsuo Masuda	Outside Director	Audit & Supervisory Committee Member
Hirofumi Hata	Outside Director	Audit & Supervisory Committee Member
Tokimitsu Ito	Outside Director	Audit & Supervisory Committee Member

### 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. As for ensuring compliance, the Company has improved, maintained and developed the compliance system. It has also 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.

### 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.

### System to ensure the appropriateness of business operations of subsidiaries

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

### Risk awareness

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

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

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

#### 2. Regulatory restrictions concerning the Group

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

#### 3. Accounting standard for impairment of fixed assets

### Impact of COVID-19

The Group established the Business Continuity Planning (BCP) Task Force in January 2020 and developed a simplified manual on infection control to educate employees on health management. The BCP Task Force also outlined action guidelines for business trips, meetings, and training, as well as actions to be taken when infection is suspected, in an effort to prevent infection.

In each business segment, we put the highest priority on the safety of our customers and employees, and implemented measures to prevent respiratory droplets from transmitting viruses in our stores and facilities, while striving to ensure a stable supply of products to meet sudden changes in demand. In the sports club business, from late February to mid-March, the Company took preventive measures such as cancellation of scheduled events and voluntary suspension of operations in all locations. For the consolidated financial results for FY2019, the Company recorded an extraordinary loss for fixed costs incurred during the voluntary suspension and expenses related to the preparation and cancellation of events.

After April 2020, in response to the expansion of the areas subject to the declaration of a state of emergency to nationwide, we distributed work locations among offices mainly engaged in administrations, product purchasing and sales management and also introduced telework. While creating an environment to ensure the business continuity, we also reinforced measures to reduce the number of customers in stores of each business in order to prevent infections by contact. The sports club business voluntarily suspended its operation at a maximum of 181 branches in response to requests from local governments.

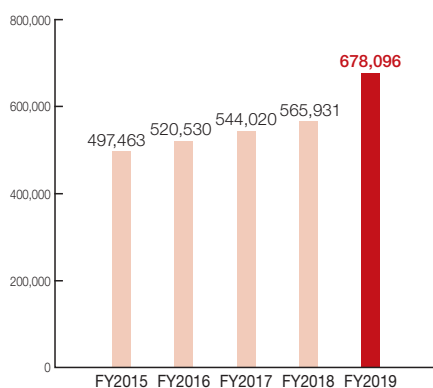
Subsequently, with the declaration of a state of emergency being lifted, the offices that distributed work locations and introduced telework have returned to normal working conditions. The sports club business, which had been refraining from opening its business, has gradually resumed operations in the areas where a request for the voluntary suspension was lifted, and all locations reopened by the beginning of June, but the impact on the business is expected to continue throughout FY2020.

## V 11-year Summary of Financial Results

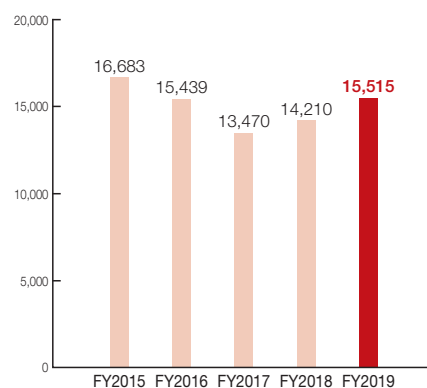
Valor Holdings Co.,Ltd. and its consolidated subsidiaries for the financial year ended March 31.

	FY2009	FY2010	FY2011	FY2012
<b>For the year:</b>				
Revenues from operations	344,900	379,172	410,577	431,218
Operating income	9,452	12,347	15,236	15,852
Ordinary income	9,916	12,817	16,020	16,844
Net income	3,945	4,232	7,149	8,184
<b>At year-end:</b>				
Total assets	176,440	190,065	199,774	213,629
Net assets	58,578	61,821	68,134	75,466
Net assets (excl. subscription rights to shares and non-controlling interests)	57,760	60,998	67,243	74,887
Interest-bearing debt	69,107	69,746	69,383	75,679
<b>Cash Flows:</b>				
Cash flows from operating activities	16,004	20,324	19,190	21,139
Cash flows from investing activities	(10,453)	(14,428)	(17,793)	(20,961)
Free cash flows	5,550	5,895	1,397	177
Cash flows from financial activities	(5,291)	(1,608)	(2,283)	2,914
Cash and cash equivalents at the end of fiscal year	9,259	13,547	12,676	15,764
<b>Capital Expenditures:</b>				
Capital expenditures (based on payment)	11,537	15,245	17,859	22,101
Breakdown of expenditures:				
for new store openings	8,267	8,995	11,230	14,414
for refurbishing existing stores	2,663	5,007	4,114	1,788
for others	607	1,243	2,515	5,899
Depreciation and amortization (CF)	8,399	9,017	9,612	10,255
<b>Per Share data:</b>				
Net assets per share (BPS) (yen)	1,134.05	1,197.67	1,320.33	1,454.43
Net income per share (EPS) (yen)	77.46	83.10	140.38	159.56
Cash dividends per share (yen)	20	22	26	29
Dividend payout ratio	25.8%	26.5%	18.5%	18.2%
<b>Financial indicators:</b>				
Return on total assets (ROA)	5.7%	7.0%	8.2%	8.1%
Return on equity (ROE)	7.0%	7.1%	11.2%	11.5%
Shareholders' equity ratio	32.7%	32.1%	33.7%	35.1%
Debt equity ratio (times)	1.2	1.1	1.0	1.0

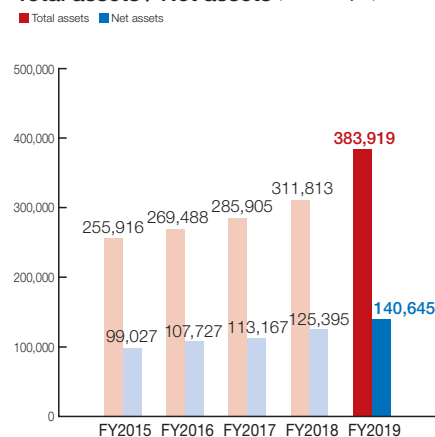
Revenues from operations (millions of yen)



Operating income (millions of yen)



Total assets / Net assets (millions of yen)

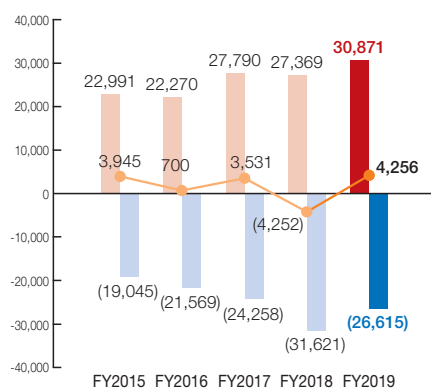


(Millions of yen)

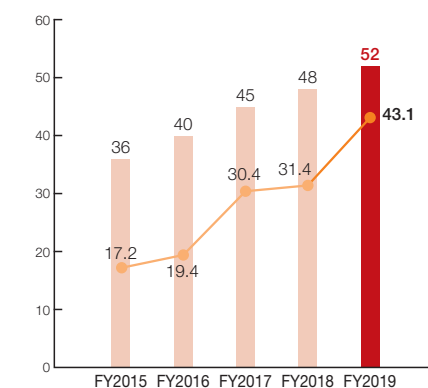
FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
454,180	470,564	497,463	520,530	544,020	565,931	678,096
14,287	15,000	16,683	15,439	13,470	14,210	15,515
15,311	16,108	17,586	16,762	14,937	16,091	16,878
9,162	9,214	10,759	10,522	7,570	7,910	6,477
235,131	245,386	255,916	269,488	285,905	311,813	383,919
82,949	90,881	99,027	107,727	113,167	125,395	140,645
82,395	90,301	98,408	107,057	112,365	124,599	130,748
87,265	86,880	84,952	87,231	88,821	96,717	124,872
19,198	22,257	22,991	22,270	27,790	27,369	30,871
(23,746)	(15,660)	(19,045)	(21,569)	(24,258)	(31,621)	(26,615)
(4,547)	6,596	3,945	700	3,531	(4,252)	4,256
5,983	(3,745)	(6,758)	(3,168)	(3,223)	7,302	(551)
17,055	19,960	17,103	14,659	14,938	17,938	24,159
25,226	20,225	20,041	24,441	27,576	26,878	32,138
12,851	12,763	11,628	15,144	14,394	14,903	20,457
2,306	2,237	3,650	7,709	9,850	9,451	8,498
10,069	5,225	4,763	1,587	3,332	2,524	3,183
11,090	12,168	12,683	13,125	13,952	15,163	17,665
1,600.25	1,751.57	1,925.45	2,093.74	2,196.89	2,320.53	2,435.06
177.95	178.91	208.87	205.83	148.04	153.06	120.63
31	33	36	40	45	48	52
17.4%	18.4%	17.2%	19.4%	30.4%	31.4%	43.1%
6.8%	6.7%	7.0%	6.4%	5.4%	5.4%	4.9%
11.7%	10.7%	11.4%	10.2%	6.9%	6.7%	5.1%
35.0%	36.8%	38.5%	39.7%	39.3%	40.0%	34.1%
1.1	1.0	0.9	0.8	0.8	0.8	0.9

## Cash Flows (millions of yen)

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

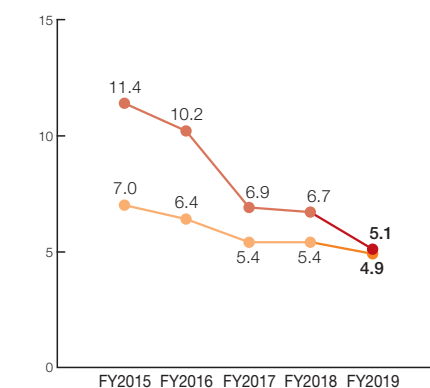
Cash dividends per share (yen)  
Dividend payout ratio (%)

■ Cash dividends per share ● Dividend payout ratio



## ROE-ROA (%)

● ROE ● ROA



## Summary of consolidated results and financial conditions

Consolidated operating results for FY2019 were revenues from operations of ¥678,096 million, an increase of 19.8% year on year; operating income of ¥15,515 million, an increase of 9.2%; ordinary income of ¥16,878 million, an increase of 4.9%; and profit attributable to owners of parent of ¥6,477 million, a decrease of 18.1%. Revenues from operations increased for the 25th consecutive year, and operating income and ordinary income increased for the second consecutive year. However, profit attributable to owners of parent decreased due to an increase in extraordinary loss and an increase in profit attributable to non-controlling interests following the consolidation of Alleanza Holdings Co., Ltd.

The breakdown of the increase in revenues of major segments (¥112,165 million) was ¥59,127 million for the home improvement center business, ¥21,176 million for the other businesses, ¥19,421 million for the supermarket business, and ¥11,577 million for the drugstore business. Revenues in the home improvement center business and other businesses increased thanks to the contribution of Alleanza Group, and revenues in the supermarket business increased due to the contribution of M&As made during FY2018 and FY2019. In the drugstore business, in addition to strong sales at existing stores, sales of face masks and disinfectant products have increased in the fourth quarter due to the COVID-19 pandemic.

The breakdown of the increase in earnings of major segments (¥1,305 million) was ¥849 million for the home improvement center business benefiting from the business consolidation, ¥698 million for the other businesses, and ¥829 million for the drugstore business that has achieved a lower expense ratio and improved gross profit ratio, securing stable earnings from the main businesses. On the other hand, in the supermarket business, earnings decreased due to factors such as a deterioration in earnings of Sanko Co., Ltd. However, Valor Co., Ltd., one of the core companies, has been steadily refurbishing its stores aiming to become a “destination store,” and its operations has been stabilized through expanded

education and review of management methods. As a result, the gross profit ratio has been improved, which we regard as a significant achievement. The sports club business also saw a decline in earnings with upfront expenses for openings. However, the impact on operating income was limited since the fixed costs, which were incurred during the 13-day voluntary business suspension at all locations, and expenses related to the preparation and cancellation of scheduled events due to the COVID-19 pandemic, were recorded as extraordinary loss.

The major breakdown of the extraordinary loss was impairment loss of ¥3,065 million based on the accounting standard for impairment on noncurrent assets, a loss of ¥365 million due to disasters and a loss of ¥272 million due to the voluntary business suspension. The impairment loss includes a ¥583 million impairment loss posted through the third quarter resulting from the decision to close stores or cancel leases for closed properties. This was due to the steady implementation of the plan to close stores that had been considered as the candidates, mainly in the supermarket business, when the FY2018-2020 strategic plans were launched.

The Company's efficiency went down from the previous year, with ROA falling from 5.4% to 4.9% and ROE falling from 6.7% to 5.1%. The decrease in ROA was mainly due to a decrease in the ratio of ordinary income to revenues from operations from 2.8% to 2.5%, and in particular due to an increase in the expense ratio from 25.0% to 26.1%. We believe that overall expense management and expense reduction efforts were not sufficient while the earnings structure has changed significantly due to the consolidation of Alleanza Holdings Co., Ltd. The decrease in ROE was due to a decrease in profit attributable to owners of parent and an increase in non-controlling interests in net assets. Although revenues from operations and operating income increased, earnings growth has not kept pace with asset growth, leaving issues in improving efficiency.

## Financial position

Total assets increased ¥72,105 million from the end of the previous year to ¥383,919 million. The main factors were an increase of ¥6,193 million in cash and deposits, an increase of ¥15,236 million in inventories, an increase of ¥32,448 million in property, plant and equipment, an increase of ¥5,959 million in intangible assets, and an increase of ¥4,651 million in guarantee deposits.

Total liabilities increased ¥56,855 million from the end of the previous year to ¥243,273 million. The main factors were an

increase of ¥9,835 million in notes and accounts payable-trade, an increase of ¥5,766 million in electronically recorded obligations-operating, an increase of ¥4,116 million in accounts payable-other, and an increase of ¥25,980 million in loans payable. Net assets increased ¥15,250 million from the end of the previous year to ¥140,645 million. Net assets excluding non-controlling interests and subscription rights to shares were ¥130,748 million, and the shareholders' equity ratio was 34.1%.

## Cash flows

Cash and cash equivalents at March 31, 2020 increased ¥6,220 million from the end of the previous year to ¥24,159 million.

### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥30,871 million, having increased ¥3,502 million compared with the previous year. The main factors were increases of ¥2,501 million in depreciation and amortization, ¥2,789 million in notes and accounts payable-trade, and ¥2,089 million in accounts payable-other and accrued expenses, and decreases of ¥59 million in income before income taxes and ¥3,378 million in notes and accounts receivable-trade.

### Cash flows from investing activities

Net cash used in investing activities amounted to ¥26,615 million, having decreased ¥5,006 million compared with the previous year. The main factor was a decrease of ¥6,043 million in purchase of investment securities, despite an increase of ¥1,080 million in payments for acquisition of businesses.

### Cash flows from financing activities

Net cash used in financing activities amounted to ¥551 million, having decreased ¥7,854 million compared with the previous year. The main factors were decreases of ¥3,386 million in proceeds from issuance of shares and ¥3,085 million in proceeds from sales of treasury stock.



## Policy on Profit Distribution and Dividends for FY2019

The year-end dividend for FY2019 was ¥28 per share. Combined with the interim dividend of ¥24 per share, the annual dividend for FY2019 amounted to ¥52 per share, ¥4 higher than for the previous year. The payout ratio was 43.1%. Our policies on creating cash flow, fund employment, and financial discipline are set out in the FY2018-2020 strategic plans, but under the influence of the COVID-19 pandemic we will focus on securing

liquidity on hand in particular. As for our approach to profit distribution, with regard to capital expenditure, we will temporarily limit the investment in opening of new locations for the sports club business during FY2020. While intending to maintain a steady return to shareholders with a dividend payout ratio of 25%, we also believe it is important to maintain business safety by raising our internal reserves.

## Forecasts for FY2020

The food distribution industry, the Group's main industry of involvement, has been urged to review its business models in every business format in response to changes in the social structure. In the past, supermarkets were pursuing efficient operations run by a small number of people, with the assumption of economic and population growth, under the policy of concentrating the opening of standardized stores in a certain area. However, as drugstores and others offering food items increase their number of stores, the competitive advantage of "close-by," which was also a reason for people to choose supermarkets, are being lost. As a result, an ability to transition to a business format that can attract customers from wider geographic areas is becoming crucial.

Under such circumstances, as the final step in the FY2018-2020 strategic plans in line with the basic policy of "a paradigm shift from expanding standardized stores to enhancing the appeal of products," we will work to improve earnings by transitioning to a more competitive format with further focus on products in our three main businesses of supermarkets, drugstores and home improvement centers. In the supermarket business, with an aim to create a "destination store" offering strong products and product categories that attract customers, we will refurbish especially medium-sized stores while at the same time focus on enhancing the appeal of products, which is the core of the transformation. In

the home improvement center business, one year has passed since the business consolidation, and we will promote the remodeling of private labels, shifting the development standard from price-oriented to value-oriented. The Group will also take measures to improve asset efficiency in addition to creating synergies through cross-company collaboration.

With regard to capital expenditure, we plan to refurbish 20 to 30 supermarkets and will continue to focus on investing in existing stores. In terms of new store investment, we plan to open a total of 73 stores, including five supermarkets, 35 drugstores, and four home improvement centers (including specialized formats), 20 sports clubs, six pet shops and three other stores, maintaining a high level of new store openings in the drugstore business, which plays a key role as a driver of growth. In the sports club business, we will limit the opening of new fitness gyms due to the COVID-19 pandemic, shifting from the original plan to accelerate new openings as set forth in the FY2018-2020 strategic plans.

Based on the above assumptions, forecasts for consolidated financial performance for FY2020 are as follows: revenues from operations of ¥690.0 billion, an increase of 1.8% year on year; operating income of ¥15.7 billion, an increase of 1.2%; ordinary income of ¥17.2 billion, an increase of 1.9%; and profit attributable to owners of parent of ¥7.0 billion, an increase of 8.1%.

## Financial policy in the FY2018-2020 strategic plans

<b>Generation of cash flow</b>		At least ¥90.0 billion in the three years from FY2018 (cumulative)
<b>Profit distribution</b>	<b>1) Capital expenditure</b>	Target of ¥25.0-26.0 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) <small>*In FY2020, we slow the pace of new openings.</small>
	<b>2) Dividend</b>	Stable and continuous returns of profit, with a dividend payout ratio target of 25%
<b>Financial commitment</b>		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, 2019 and 2020

### Consolidated Balance Sheet

	(Millions of yen)			(Millions of yen)	
	FY2018	FY2019		FY2018	FY2019
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits	18,494	24,687	Notes and accounts payable-trade	41,564	51,400
Notes and accounts receivable-trade	8,453	12,779	Short-term loans payable	20,547	26,159
Merchandise and finished goods	36,148	51,284	Current portion of bonds	20	20
Raw materials and supplies	790	891	Current portion of long-term loans payable	13,013	21,180
Other	12,199	14,932	Lease obligations	1,872	2,529
Allowance for doubtful accounts	(89)	(10)	Income taxes payable	3,445	3,659
<b>Total current assets</b>	<b>75,995</b>	<b>104,565</b>	Provision for bonuses	2,794	3,143
<b>Noncurrent assets</b>			Provision for directors' bonuses	130	141
<b>Property, plant and equipment</b>			Provision for point card certificates	885	1,479
Buildings and structures	229,436	277,323	Provision for loss on recollection of gift certificates	272	275
Accumulated depreciation	(119,257)	(144,695)	Asset Retirement Obligations	110	91
Buildings and structures, net	110,179	132,628	Provision for loss on store closing	285	562
Machinery, equipment and vehicles	8,696	10,229	Other	19,340	31,143
Accumulated depreciation	(6,127)	(6,966)	<b>Total current liabilities</b>	<b>104,283</b>	<b>141,786</b>
Machinery, equipment and vehicles, net	2,569	3,263	<b>Noncurrent liabilities</b>		
Land	44,382	51,636	Bonds payable	10,010	10,010
Lease assets	17,926	22,397	Long-term loans payable	41,288	53,489
Accumulated depreciation	(10,284)	(13,209)	Lease obligations	9,965	11,483
Lease assets, net	7,641	9,188	Deferred tax liabilities	205	219
Construction in progress	3,755	3,576	Provision for directors' retirement benefits	500	627
Other	37,320	42,398	Provision for retirement benefits	3,884	4,743
Accumulated depreciation	(28,865)	(33,259)	Asset retirement obligations	9,396	12,703
Other, net	8,454	9,139	Long-term deposits received	6,199	6,906
<b>Total property, plant and equipment</b>	<b>176,983</b>	<b>209,431</b>	Other	684	1,301
<b>Intangible assets</b>			<b>Total noncurrent liabilities</b>	<b>82,134</b>	<b>101,486</b>
Goodwill	1,198	1,390	<b>Total liabilities</b>	<b>186,417</b>	<b>243,273</b>
Lease assets	0	144	<b>(Net assets)</b>		
Other	8,547	14,172	<b>Shareholders' equity</b>		
<b>Total intangible assets</b>	<b>9,746</b>	<b>15,706</b>	Capital stock	13,609	13,609
<b>Investments and other assets</b>			Capital surplus	15,543	20,076
Investment securities	8,953	7,141	Retained earnings	95,468	99,256
Long-term loans receivable	973	1,052	Treasury stock	(566)	(566)
Deferred tax assets	7,972	9,599	<b>Total shareholders' equity</b>	<b>124,054</b>	<b>132,375</b>
Guarantee deposits	27,451	32,102	<b>Accumulated other comprehensive income</b>		
Other	3,963	4,660	Valuation difference on available-for-sale securities	421	(1,865)
Allowance for doubtful accounts	(227)	(341)	Deferred gains (loss) on hedges	0	0
<b>Total investments and other assets</b>	<b>49,086</b>	<b>54,215</b>	Foreign currency translation adjustment	155	273
<b>Total noncurrent assets</b>	<b>235,817</b>	<b>279,353</b>	Remeasurements of defined benefits plan	(33)	(34)
<b>Total assets</b>	<b>311,813</b>	<b>383,919</b>	<b>Total accumulated other comprehensive income</b>	<b>544</b>	<b>(1,627)</b>
			<b>Subscription rights to shares</b>	<b>101</b>	<b>142</b>
			<b>Minority interests</b>	<b>693</b>	<b>9,754</b>
			<b>Total net assets</b>	<b>125,395</b>	<b>140,645</b>
			<b>Total liabilities and assets</b>	<b>311,813</b>	<b>383,919</b>

## Consolidated Statement of Income

(Millions of yen)

	FY2018	FY2019
Net sales	546,264	655,859
Cost of sales	410,407	485,339
Gross profit	135,856	170,519
Operating revenues	19,666	22,237
Operating gross profit	155,523	192,757
<b>Selling, general and administrative expenses</b>		
Advertising expenses	6,296	8,486
Packaging expenses	112	38
Supplies expenses	768	1,206
Distribution expenses	932	1,353
Provision for point card certificates	3,075	3,352
Provision of allowance for doubtful accounts	2	2
Directors' remuneration	494	972
Salaries and wages	53,693	65,435
Bonuses	4,237	5,258
Provision for bonuses	2,166	2,919
Provision for directors' bonuses	557	136
Retirement benefit expenses	690	908
Provision for directors' retirement benefits	32	40
Welfare expenses	8,757	11,141
Utilities expenses	8,742	10,014
Rent expenses	23,522	29,330
Repair and maintenance	2,905	4,110
Depreciation	12,896	15,412
Amortization of goodwill	232	391
Other	11,194	16,728
Total selling, general and administrative expenses	141,313	177,241
Operating income	14,210	15,515
<b>Non-operating income</b>		
Interest income	108	133
Dividend income	97	223
Office work fee	1,034	1,425
Rent income	769	834
Investment gain on equity method	32	39
Other	1,451	1,356
Total non-operating incomes	3,492	4,013
<b>Non-operating expenses</b>		
Interest expenses	686	875
Rent cost of real estate	612	696
Other	312	1,078
Total non-operating expense	1,611	2,650
Ordinary income	16,091	16,878
<b>Extraordinary income</b>		
Subsidy income	179	283
Other	154	646
Total extraordinary income	334	930
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets	5	3
Loss on retirement of noncurrent assets	106	218
Impairment loss	2,707	3,065
Loss on reduction of noncurrent assets	144	221
Loss on valuation of investment securities	0	90
Other	538	1,345
Total extraordinary loss	3,503	4,944
Income before income taxes	12,922	12,863
Income taxes-current	5,700	6,439
Income taxes-deferred	(744)	(903)
Total income taxes	4,956	5,535
Net income	7,966	7,328
Profit (loss) attributable to non-controlling interests	56	851
Profit attributable to owners of parent	7,910	6,477

## Consolidated Financial Statements (Summary)

Valor Holdings Co., Ltd. and Subsidiaries  
(Fiscal years ended March 31, 2019 and 2020)

### Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018	FY2019
<b>Cash flows from operating activities</b>		
Income before income taxes	12,922	12,863
Depreciation and amortization	15,163	17,665
Impairment loss	2,218	3,065
Amortization of goodwill	232	391
Gain on bargain purchase	(27)	(40)
Increase (decrease) in allowance for doubtful accounts	40	(7)
Increase (decrease) in defined benefit liabilities	297	334
Increase (decrease) in provision for directors' retirement benefits	(39)	28
Increase (decrease) in provision for point card certificates	(141)	178
Interest and dividends income paid	(205)	(356)
Interest expenses received	686	875
Loss on retirement of noncurrent assets	106	218
Loss on reduction of noncurrent assets	144	221
Disaster losses	—	365
Payment for business acquisition	—	272
Loss (gain) on valuation of investment securities	0	90
Equity in losses (earnings) of affiliates	(32)	(39)
Subsidy income	(31)	(283)
Insurance income	—	(303)
Decrease (increase) in notes and accounts receivable-trade	(49)	(3,427)
Decrease (increase) in inventories	(626)	(917)
Increase (decrease) in notes and accounts payable-trade	2,305	5,095
Increase (decrease) in accrued consumption taxes	826	(622)
Increase (decrease) in accounts payable-other and accrued expenses	(1,100)	988
Other	279	1,486
Subtotal	32,971	38,142
Interest and dividends income received	112	255
Interest expenses paid	(673)	(818)
Income taxes paid	(5,041)	(6,708)
<b>Net cash provided by operating activities</b>	<b>27,369</b>	<b>30,871</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(179)	(283)
Proceeds from withdrawal of time deposits	286	676
Purchase of property, plant and equipment	(22,844)	(22,469)
Proceeds from sales of property, plant and equipment	120	48
Purchase of intangible assets	(762)	(1,680)
Purchase of investment securities	(6,502)	(459)
Proceeds from sales of investment securities	100	115
Payments of loans receivable	(151)	(136)
Proceeds from collection of loans receivable	106	22
Payments for guarantee deposits	(1,132)	(1,607)
Proceeds from collection of guarantee deposits	1,152	1,967
Proceeds from guarantee deposits received	385	333
Repayments of guarantee deposits received	(454)	(651)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,354)	(637)
Payment for acquisition of business	(101)	(1,182)
Subsidy income	31	283
Other	(322)	(953)
<b>Net cash provided by investing activities</b>	<b>(31,621)</b>	<b>(26,615)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,402	2,983
Proceeds from long-term loans payable	17,375	22,348
Repayments of long-term loans payable	(14,637)	(19,516)
Redemption of bonds	(30)	(100)
Repayments of finance lease obligations	(1,888)	(2,821)
Proceeds from issuance of common stock	3,386	—
Proceeds from payment of non-controlling shareholders	12	—
Proceeds from sales of treasury stock	3,085	0
Purchase of treasury stock	(0)	(0)
Proceeds from sales of investments in subsidiaries resulting in no change in scope of consolidation	—	(361)
Cash dividends paid	(2,356)	(2,690)
Dividends paid to non-controlling shareholders	(1)	(393)
Other	(45)	0
<b>Net cash provided by financing activities</b>	<b>7,302</b>	<b>(551)</b>
Effect of exchange rate change on cash and cash equivalents	(50)	(487)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,999</b>	<b>3,217</b>
Cash and cash equivalents at beginning of period	14,938	17,938
Increase in cash and deposits due to share exchange	—	3,003
Cash and cash equivalents at end of period	17,938	24,159

## Consolidated Statements of Changes in Net Assets

### FY2018

(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, 2017	11,916	12,799	89,898	(2,608)	112,005	323	(2)	129	(90)	359	113	688	113,167
Changes of items during the period													
Issuance of common stock	1,693	1,693			3,386								3,386
Dividends from surplus			(2,357)		(2,357)								(2,357)
Net income			7,910		7,910								7,910
Purchase of treasury stock				(0)	(0)								(0)
Disposal of treasury stock		1,051		2,042	3,093								3,093
Increase in retained earnings by decreasing companies accounted for using the equity method			17		17								17
Net changes of items during the period						97	2	26	57	184	(11)	5	178
Total changes of items during the period	1,693	2,744	5,569	2,042	12,049	97	2	26	57	184	(11)	5	12,228
Balance, March 31, 2018	13,609	15,543	95,468	(566)	124,054	421	0	155	(33)	544	101	693	125,395

### FY2019

(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, 2018	13,609	15,543	95,468	(566)	124,054	421	0	155	(33)	544	101	693	125,395
Changes of items during the period													
Equity transaction with noncontrolling interests		(269)			(269)								(269)
Increase due to a share exchange		4,802			4,802								4,802
Dividends from surplus			(2,689)		(2,689)								(2,689)
Net income			6,477		6,477								6,477
Purchase of treasury stock				(0)	(0)								(0)
Disposal of treasury stock				0	0								0
Net changes of items during the period						(2,287)	(0)	117	(1)	(2,171)	40	9,060	6,929
Total changes of items during the period	—	4,532	3,788	(0)	8,320	(2,287)	(0)	117	(1)	(2,171)	40	9,060	15,250
Balance, March 31, 2019	13,609	20,076	99,256	(566)	132,375	(1,865)	0	273	(34)	(1,627)	142	9,754	140,645

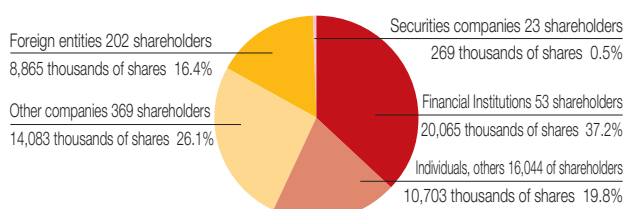
## Corporate Data

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

## Share Information

Number of authorized shares	200,000,000
Number of outstanding shares	53,987,499
Number of shareholders	16,691
Stock exchange listings	Tokyo Stock Exchange, first section Nagoya Stock Exchange, first section

## Distribution of shareholders by Type



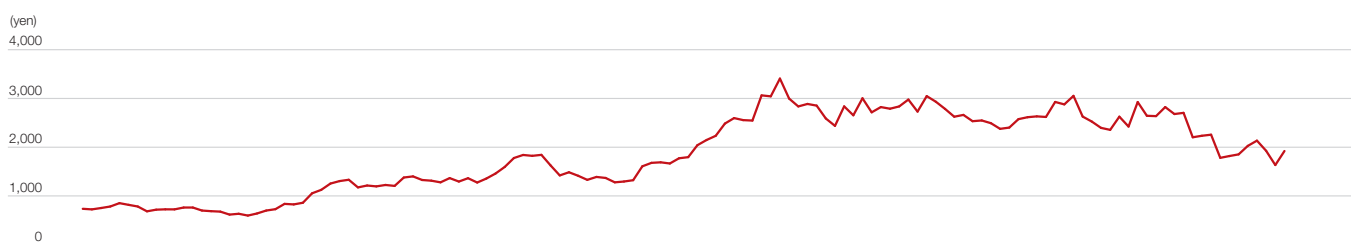
## Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Percentage of* Shares Held
Japan Trustees Services Bank, Ltd.(Trust Account)	3,407	6.33
Ito Youth Scholarship Foundation	2,910	5.41
Chubu Agent Co.,Ltd.	2,730	5.07
The Norinchukin Bank	2,542	4.72
The Juroku Bank	2,536	4.71
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,521	4.68
Masami Tashiro	1,530	2.84
Japan Trustees Services Bank, Ltd.(Trust Account9)	1,404	2.61
Retail Partners Co.,Ltd.	1,260	2.34
Arcs Group Co.,Ltd.	1,260	2.34

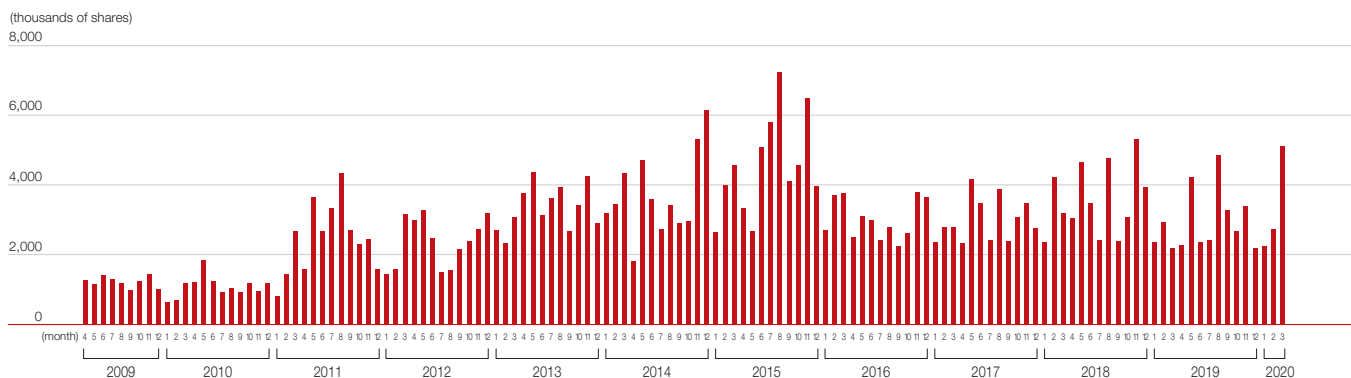
Notes: Shareholders are listed by shareholder number if they hold the same number of shares.  
\*The percentages of total outstanding shares excluding treasury stock are displayed by rounding down after the three decimal points.

## Stock price and trading volume

### Stock price (closing price after adjustment)



### Volume



## Valor Group

Segment	Subsidiaries	
● Supermarkets	Valor Co.,Ltd. Tachiya Co., Ltd. Shokusenkan-Taiyo Co.,Ltd. Kohseiya Co.,Ltd. Futabaya Co.,Ltd. Sanko Co.,Ltd. Terao Stores Inc. Chubu Foods Co., Ltd. Daiei Foods Co., Ltd. Fukui Chuo Tsukemono Co., Ltd. Honda Suisan Co., Ltd.	Ishinomaki Foods Co.,Ltd. Furuya Sangyo Co., Ltd. Keirinkaku Co., Ltd. Shufu-no-Mise Shoji Chubu Honsha Co.,Ltd. V-Solution Co., Ltd. Chubu Meat Co., Ltd. Hida-Osaka Buna-Shimeji Co., Ltd. * Chubu Agri Co.,Ltd. Valor Max Co., Ltd.** VARO Co., Ltd.
● Drugstores	Chubu Yakuhin Co., Ltd. Hida Pharmaceutical LLC Sun Pharmacy LLC	V-drug International Co., Ltd. V-drug Hong Kong Co., Ltd.
● Home Improvement Centers	Daiyu Eight Co.,Ltd. Home Center Valor Co., Ltd. Time Co.,Ltd. Alleanza Japan Co.,Ltd.	Nisshiki Co.,Ltd. Morosada Agri Co., Ltd. FIRST Co., Ltd.
● Sports Clubs	AXTOS Co., Ltd.	Approach Co.,Ltd.
● Distribution-related operations	Chubu Ryutu Co., Ltd. Chubu Kosan Co., Ltd. MENTEX Co., Ltd. Seiso Co., Ltd. VMC Co.,Ltd.	V-Flower Co., Ltd. Shanghai Valor co., Ltd. Valor Agency Co., Ltd. Japan Clean Services LLC
● Others	Alleanza Holdings Co.,Ltd. Home Center Valor Co., Ltd.** Amigo Co.,Ltd. Joker Co.,Ltd. Agri Genki Okayama LLC	Gito Family Department Co., Ltd. Chubu Hoken Service Co., Ltd. Core Support Co., Ltd. * Core Support Vietnam Co.,Ltd. Valor Max Co., Ltd.**

Note: \*In April 1 2020,Hida-Osaka Buna-shimeji Co.,Ltd. was merged into Chubu Agent Co.,Ltd. and Core Support Co.,Ltd. was merged into Valor Holdings Co., Ltd.

\*\*Pet Shop Business \*\*\*Same company

## History

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



“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.**

Headquarters 661-1 Ohari-cho, Tajimi-shi, Gifu 507-0062 Japan  
Phone: +81-572-20-0860

For IR-related Inquires 1957-2 Kita-tanda, Hiromi, Kani-shi, Gifu 509-0214 Japan  
Investor Relations & Public Relations Phone: +81-574-60-0858

URL: <https://valorholdings.co.jp/> IR Site URL: <https://valorholdings.co.jp/ir/>