Valor Holdings

Creating New Values for Local Communities

2023 Annual Report

Fiscal Year Ended March 31, 2023

Valor Holdings
Annual Report
2023

Valor Holdings

Creating New Values for Local Communities

Corporate Philosophy

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

Mission Statements

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

"Valor" is derived from a Late Latin word meaning 'a person of courage'.
We believe in courage as essential to fulfill our social responsibilities.

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

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



CONTENTS

The Path of the Valor Group's Growth

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.

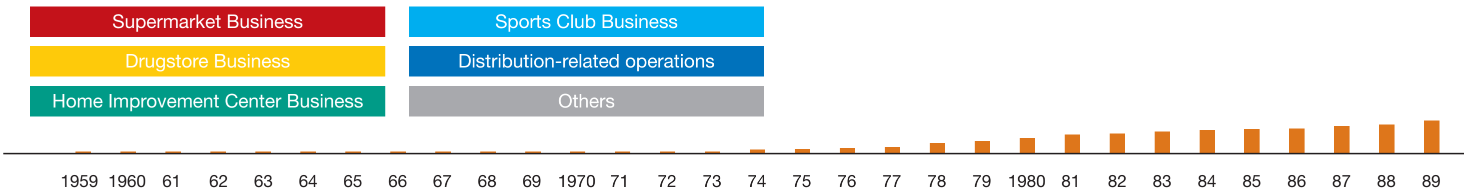
Our vision in the face of significant social and environmental changes

With the progressive lifting of various restrictions related to the COVID-19 pandemic and the reclassification of COVID-19 under the Infectious Diseases Law to Category 5 in May 2023, marking a significant milestone after more than three years of extraordinary coronavirus policies, expectations of a rise in employee compensation are increasing as movements towards normalization of social and economic activities accelerate. Meanwhile, the rise in consumer consciousness towards life preservation due to inflation, along with increases in raw material and labor costs, signify that social and environmental changes are drastic. In fulfilling our unchanging social mission of providing necessities for daily life, we aim to be selected as a Destination Company within society amidst these changes.

Looking towards 2030, we have established our medium-term management policies, "Valor Group Vision 2030" and "Sustainability Vision 2030." With the attitude of "Creation, Advance & Challenge" as stated in our corporate philosophy, we are committed to achieving sustainable growth and realizing a sustainable society.

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.

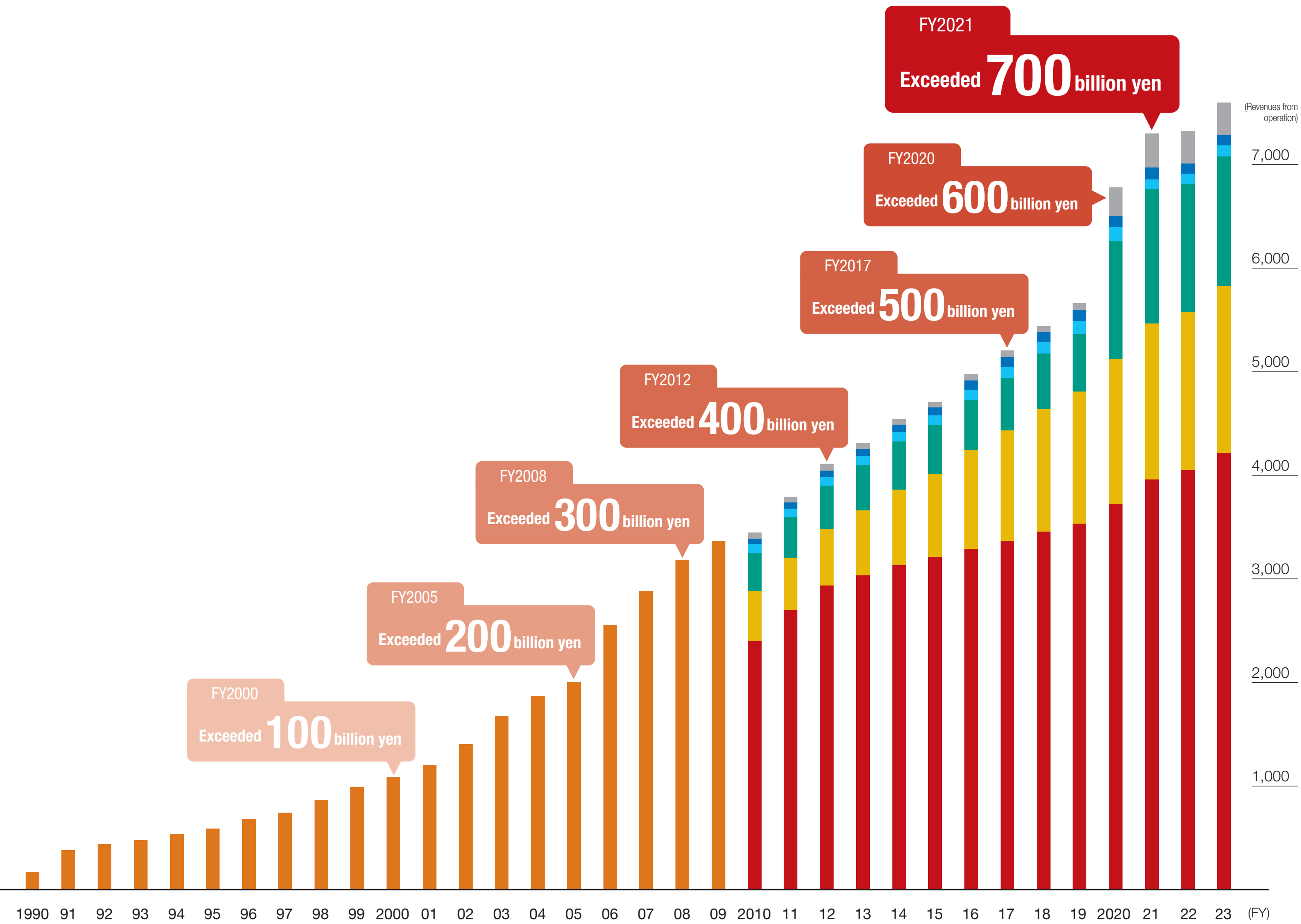
1995– Rolling out of Multi-format Retailing and Establishment of Distribution Network

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.

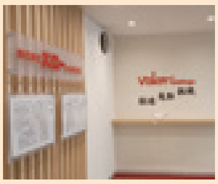
Pursuit of Economies of Scales 1995 ▶



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

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

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



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

Expansion of Operational Areas 2005 ▶

Increase in Market Share 2005 ▶

Enhancement of Product Appeal/ Evolution of Business Models 2015 ▶

Message from CEO

Masami Tashiro

Chairperson & CEO

Shaping the Future through Evolving Business Models and People Development Initiatives with a Long-term View

Changes and Future Prospects in the Valor Group's Business Environment

In recent years, the social situation has shown a tendency towards prolonged crises, following the COVID-19 pandemic and then the Ukraine crisis, leading to soaring prices for raw materials and energy, as well as price increases due to the weakening yen and inflation. These circumstances have had a significant impact on the retail industry, where our group operates. However, upon closer examination of changes in the business environment, it is evident that trends such as the ongoing aging population and declining labor force, depopulation in rural areas, expansion of e-commerce, and intensified competition beyond traditional industry boundaries, which had been progressing from before, are accelerating and becoming more significant and continuous factors.

To overcome these changes in the business environment, companies that have streamlined their operations and enhanced the value-added aspect of their products and services, thereby evolving their business models, are surviving, while those that have not are being left behind. This "polarization" is believed to be advancing in the retail industry following the COVID-19 pandemic.

Within this context, our group has been focusing on transforming our main supermarket business into “destination stores” that attract customers based on our unique product and category offerings. This effort began about seven years ago. By leveraging our strengths in fresh foods while evolving our categories, our supermarket business has been able to attract customers from beyond our immediate market area. Moreover, starting two years ago, we also began opening specialty stores in urban areas that focus on fresh foods and delicatessen (prepared dishes), achieving success in competition with businesses in different sectors.

Simultaneously, the drugstore and home improvement center businesses, which support our group’s diversification strategy, have built up their strengths by leveraging scale advantages in selling groceries and daily necessities, as well as group synergies through private brand (PB) products. Alongside the supermarket business, we create a dominant presence, with each business model offering the convenience that customers seek, thereby encompassing the lifestyle needs within the community. Together with the supermarket business, they establish a dominant presence, offering the convenience that customers seek through each business format, thereby encompassing the lifestyle needs within the community.

The drugstore business contributes to the health of the local community through initiatives such as incorporating dispensing pharmacies, offering medicine delivery services, and collaborating with the group’s sports club business and health food sales, providing value in a manner that responds to changes in social structure and lifestyles. It has also received collaboration offers from the local governments. The home center business is driving a growth strategy centered on private brands (PB), enhancing product and store capabilities. After acquiring Alleanza Holdings Co., Ltd. as a subsidiary in 2019, it has completed system integration, aiming to further streamline operations and accelerate the joint development of PB products.

We will continue to evolve our diversified business formats in this way, responding to changes in the business environment surrounding the retail industry. Beyond the confines of our stores, we aim to realize a "Valor Economic Zone" that encompasses the entire community.

Shaping our business portfolio for the future : A medium to long-term strategy

Currently, our group’s business portfolio is dominated

Message from CEO

by the supermarket business, which accounts for about 55% of sales revenue and more than 60% of operating profit. The combined sales revenue of the drugstore and home improvement center businesses hovers around 37%, and we plan to accelerate growth and expansion in both areas in the future. However, in the medium to long term, further growth is expected in the supermarket business as well, so the composition ratio in the business portfolio is not expected to change significantly. The sports club business has faced challenges recently due to the impact of the COVID-19 pandemic and rising energy costs, but it is showing signs of improvement. We will continue our efforts to expand the range of value provided within the “Valor Economic Zone.”

Despite the impact of approximately ¥50 billion due to changes in revenue recognition standards, fiscal year 2022’s (FY23’s) sales revenue increased, reaching nearly ¥760 billion. For the current fiscal year (FY24), we are planning for sales revenue of ¥772 billion, bringing us within ¥200 billion of reaching the medium- to long-term quantitative target of over ¥1 trillion in sales revenue by fiscal year 2029 (FY30). We are now setting our sights on achieving levels beyond this target.

Specifically, we aim to increase the operating revenues of the supermarket business from this fiscal year's plan of ¥427.5 billion to ¥500 billion within two years. For the drugstore and home improvement center businesses, the plan is to double their operating revenues over approximately five years. In addition to these, we expect growth in the “non-store business,” which combines the BtoB business selling products to corporations and municipalities, the EC (e-commerce) business, and the PB (private brand) business. We are also optimistic about the expansion of the credit card business, which we entered this fiscal year, as well as growth in the distribution-related businesses and other group businesses.

As a medium-to long-term direction, the supermarket business, with the progression of depopulation in rural areas, is facing difficulties in expanding through the opening of suburban stores. Therefore, we aim to grow by opening fresh food supermarkets in urban areas. The subsidiarization of Yaosen Co., Ltd. and Yamata Co., Ltd. in the fiscal year 2021 is part of this initiative, expanding in the Nagoya and Osaka areas. Following this, we will build a system that includes business acquisitions to develop urban-type stores in the Tokyo area, leveraging our strengths in fresh produce.

The drugstore business has leveraged its strength up to now through the incorporation of dispensing pharmacies. However, in recent years, further success has been achieved by attracting clinics within store premises, thereby seamlessly incorporating both community and healthcare needs. Expanding this new format as a fresh growth driver, we will also push forward with the shift from suburban to urban areas.

The home improvement center business currently has a presence primarily in the Tohoku and Tokai regions, as well as the Chugoku and Shikoku regions. Therefore, it is necessary to expand operations to fill the gap between these areas. We aim to differentiate ourselves from other home improvement centers and achieve nationwide expansion as a recognized brand.

The talents we seek and their professional development

In the fiscal year 2023, our group welcomed 607 new graduate employees across 18 companies, an increase of 92 compared to the previous year. The human resources strategy of our group focuses on the recruitment and development of permanent employees, seeking individuals with a strong orientation towards growth and a willingness to challenge, who can share the corporate philosophy of “Creation, Advance & Challenge” as members of the group. By building and operating an effective human resource development system, we promote the success and growth of each employee. Since each employee is human capital contributing to the enhancement of corporate and social value, we actively invest in them.

In 2019, we established the Human Resource Development Center "Don Yo Sha," equipped with facilities and systems to conduct hierarchical and business-specific training, technical training for enhancing front-line capability, and management training. As a company committed to "developing people," this center will be utilized across the entire group.

In particular, for the development of talents who will shape the future of our group, we conduct “Executive Management Training” for the management layer and

"Next-Generation Executive Management Training" for the middle layer, striving to acquire skills required by leaders. Simultaneously, we are implementing initiatives that enable these potential leaders to enhance their experience in various ways, including personnel rotations within the group. Our group has grown through learning from the cultures of companies with their own histories, following many mergers and acquisitions, and business transfers. We expect our leadership candidates to play a role in contributing to mutual understanding and strengthening collaboration between business companies through personnel rotations within the group, while broadening their knowledge and enhancing their skills.

Another focus for us as a company dedicated to "developing people" is supporting the success of diverse talents and providing a work environment that is easy to work in. We have introduced systems for promoting the active participation of women, employing persons with disabilities, and re-employing retirees, aiming to expand diversity. Furthermore, we are working towards creating workplaces where employees can work flexibly in response to changes in their life stages and thrive without constraints.

Additionally, our group places a high emphasis on employees' experience working in stores, and in our 16 core business companies, we have introduced a "employee promotion system" that opens the door for part-timers working in stores to become full-time employees. The experience of directly interacting with customers and delivering products and services in store operations is the origin of our value proposition. Through communication with customers, employees have the opportunity to reaffirm their mission. By sharing and valuing this understanding across all group employees, we will continue to exist as a company that is wanted by society.

To all our stakeholders, we ask for your continued attention to the Valor Group's challenge of becoming a destination company and request your further support in this endeavor.

Message from President

Takayuki Koike

President and Director

Steadily Executing Our Medium-term Management Plan Leads to the Next Stage of Growth

Transforming into a holding company that leads the growth of the group

Since August 2022, I have served as the acting President and Director, and as of June 29, 2023, I have been formally appointed as the President and Director. I am determined to continue working with all my might towards the further development of our group's business.

Over the past year, I have repeatedly engaged in communication both internally and externally to leverage my own insights on how to grow and evolve the Valor Group, and have been organizing our management policies accordingly.

Throughout its 65-year history since its establishment, our group has developed alongside our stakeholders by consistently practicing the corporate philosophy of "Creation, Advance & Challenge," as our predecessors accumulated achievements. As a manager inheriting this legacy, I will return to these origins while steering the company from a generalist perspective in pursuit of future "Creation, Advance & Challenge."

Currently, each of our business companies is progressing well and growing, but we aim to aggressively move towards an even higher level of growth in the future. In doing so, the presence of the holding company itself is crucial. We will step forward from a passive role of supporting business companies from behind to actively leading towards group optimization in terms of human resources, finance, and procurement. By identifying the growth challenges and medium-to long-term potential of each company, we intend to create a stronger profit model from the perspective of whether we can scale up in the future.

28th consecutive increase in operating revenues, reaching a new record high.

Our group has established a medium- to long-term management policy, "Valor Group Vision 2030" and "Sustainability Vision 2030," aimed for the fiscal year 2029 (FY30), and has been promoting the three-year business plan since the fiscal year 2021 (FY22) towards its realization.

Reflecting on the second year of the plan in fiscal 2022 (FY23), the business environment saw a gradual easing of the impacts from the COVID-19 pandemic, with recovery in people's movements and consumer behaviors, marking a year of significant shifts in the distribution industry. However, on the other hand, the worsening cost environment continued, including the soaring prices of raw materials and energy, the progression of the yen's depreciation, and the rise in logistics and labor costs, leading to an uncertain and challenging management environment.

Amid an ongoing trend of inflation and rising prices, our group is striving to form prices that are rational and perceived as fair, while focusing on reducing indirect costs, which constitute a significant portion of prices, and moving forward with responses that do not rely on easy price increases. Since fiscal 2022 (FY23), we have been gradually launching front centers and infrastructure facilities to improve logistics and operational efficiency, as well as expanding the area of joint distribution. In May 2022, we launched a beverage front center; in February 2023, an instant noodle front center; and in May of the same year, a rice joint distribution center. Additionally, in April of the same year, we acquired Showa Film Co., Ltd., a packaging material company, securing the product packaging value chain within the group.

The consolidated performance for fiscal 2022 (FY23) saw operating revenues reach ¥759.9 billion, updating the record for the 28th consecutive term of revenue increase, yet profit fell below the initial plan and decreased. The increase in selling, general, and administrative expenses (SG&A), primarily utility costs, led to a delayed response in the first half of the year, but a recovery in profits was seen in the second half. This term also recorded an increase in impairment losses as special losses. Going forward, as a holding

Message from President

company, we will take proactive measures to understand and assess the impairment risks of each business company and respond appropriately.

The supermarket business, by the transitioning towards "destination stores" that attract customers with more attractive product and category arrangements, and the opening of urban-style fresh food and deli specialty stores, has been successful, creating winning patterns. Subsidiaries acquired in fiscal year 2021 (FY22), Yaosan Co., Ltd. and Yamata Co., Ltd., have contributed to group growth both in terms of performance and procurement including sales know-how. However, in fiscal year 2022 (FY23), existing store sales remained flat compared to the previous year due to a decrease in demand from stay-at-home measures and an increase in utility costs, resulting in increased revenue but decreased profits for this business. The next step for Destination Stores will be to target the Kansai area, reviewing store formats to suit regional characteristics and proceeding with store openings.

The drugstore business has been able to demonstrate the most presence amid the changes brought about by the COVID-19 pandemic, effectively catering to a wide range of needs. In fiscal year 2022 (FY23), we continued the trend of revenue growth due to the success of our store opening strategy and the strong performance of the dispensing department. Additionally, we achieved significant profit recovery by improving cost efficiency and reducing sales expenses through the digitization of sales promotion methods. We will continue to advance the incorporation of dispensing pharmacies into our stores and meet a variety of community needs through medical collaboration with clinics attracted to our store buildings.

The home improvement center business currently operates three brands, "Daiyu Eight," "Time," and "Home Center Valor," following the integration with Alleanza Holdings Co., Ltd. Efforts are underway to realize the effects of this integration by enhancing systems and personnel and organizational structures. In fiscal year 2022 (FY23), although existing store sales remained flat, increased revenue was achieved due to the strong performance of the EC business, but profits fell below the previous year. We will pursue a growth strategy centered around private brand (PB) products, enhance product appeal and store capabilities, and differentiate ourselves from other home centers to secure profitability.

Entered the credit card business to expand "Valor Economic Zone"

Starting from the fiscal year 2023 (FY24), our group has embarked on a new business venture by issuing the "Lu Vit credit card," with recruitment commencing from April 2023.

The entry into the credit card business has been led by Valor Financial Services, established in December 2021. This company, as the issuer of the card, has received expertise and human resources support in credit card operations from Juroku Financial Group. Additionally, various administrative and processing tasks are outsourced to JCB Corporation. With these arrangements, the "Lu Vit credit card" will enhance customer convenience as a JCB-branded credit card equipped with contactless payment functionality, operated under a robust operational framework.

Over the years, our group has been offering the "Lu Vit Card" as a prepaid point card shared across the group, and by the end of March 2023, we have acquired 4.15 million card members and 740,000 app registered members. With the increasing adoption of cashless payments in recent years, the burden of transaction fees has significantly increased. Therefore, we have taken steps to address this by introducing our own credit card solution. At the same time, as part of our vision for the "Valor Economic Zone," we aim to create a foundation by leveraging the synergy among our group businesses operating in various regions to meet diverse lifestyle needs. We seek to capture customer needs, particularly in cashless payment usage data, with higher accuracy and validate hypotheses to drive our vision forward.

We aim to expand the issuance of our credit card by switching from "Lu Vit prepaid point cards' and acquiring new customers who sign up for it in the future. We are aware of the high hurdles due to entering the market late, but we will utilize the advantage of having physical stores to facilitate widespread adoption.

Leveraging the strengths of group management to demonstrate adaptability to change

The three-year business plan has made steady progress and achieved success in the growth themes of "Strengthening the Main Business" and "Diversified

Operation Management" over the past two years.

In "Strengthening the Main Business", as previously mentioned, we have realized tangible achievements through the transformation of the supermarket business into destination stores, creating synergistic effects in the home improvement center business, and strengthening the management foundation of the drugstore business, overall manifesting the strength of our front-line operations.

In "Diversified Operation Management," we have solidly built achievements in non-store sales operations, such as the online supermarket "ainoma," collaboration with Amazon, and the e-commerce department of our home center. We have also made progress in sustainability activities focused on the food loss issue, in collaboration with local governments, and have been accumulating insights into market needs. We will continue to encompass the increasing complexity of the market with the collective strength of our group, including launching credit card operations and utilizing digital transformation (DX).

On the other hand, regarding qualitative aspects, the situation has changed significantly from the time of planning due to the prolonged effects of the COVID-19 pandemic and worsening cost environment. There is a need to revise our target settings, and as a result, the target figures for the final fiscal year of the plan (FY24) have been downwardly revised to "operating revenues of ¥772 billion," "operating income of ¥20.5 billion," and "ordinary income of ¥23.3 billion."

In an environment of increasing uncertainty, I believe that the strength of a company is demonstrated not so much by its ability to plan as by its adaptability to change. Our group management may be more difficult to understand compared to single-business companies, but we see having a business portfolio that compensates for the ups and downs of business conditions through multiple operations as an advantage suited to the times. Moving forward, we will leverage this advantage to actively take on challenges and adapt to changes, realizing the long-term vision we aim for and responding to the demands of society.

We kindly request your continued understanding and further support for our group's business activities.

The Valor Group Business Models for Sustainable Growth

Social Issues

Imbalance between Food Supply and Demand

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

Changes in Labor Market

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

Accelerating Change in Consumer & Retail Market

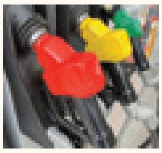
- Aging and declining population
- Impact of IT innovation on shopping behavior
- Decreasing local suppliers serving local communities

Changing Global Environment

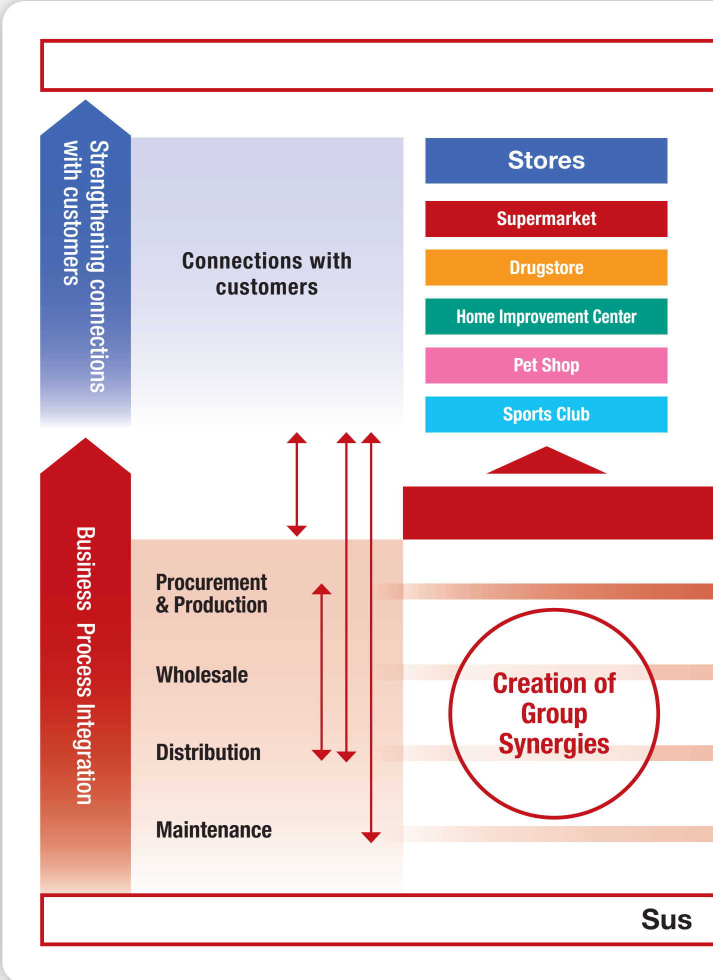
- Impact of global warming and climate changes on supply of produces

Rise in oil prices

- Rising energy cost
- Coexisting with COVID
- Rising food prices



The Valor Group Business Models



Solutions

Valor Group Vision2030

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

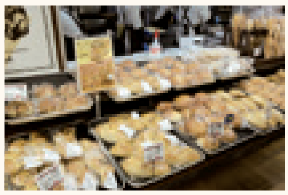
Connections with products

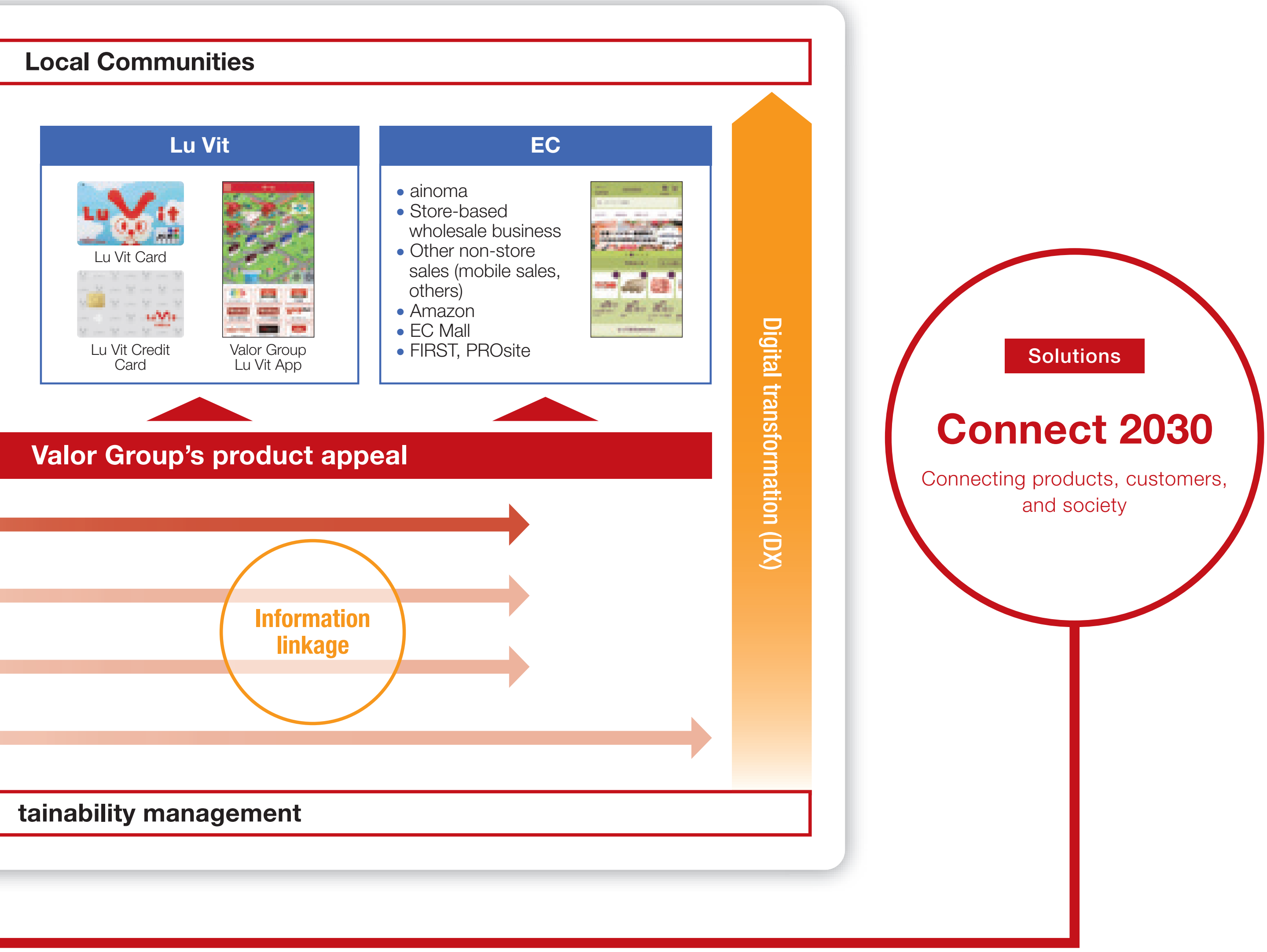
Valor Group's product appeal

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

Business Process Integration

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





Connections with customers

Strengthening connections with customers

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

Connections with local communities as a particular to be strengthened

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

Management that is conscious of ties with society

Strengthening Group governance

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

Promoting activities of all Group employees

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

The Vision and Key Initiatives of the Valor Group

Under our three-year business plan, we are advancing the transformation into a “destination store” that features products and categories that serve as reasons for visits. Simultaneously, we have set “Connect 2023” as our strategic goal to connect products, customers, and society. We aim to deepen and broaden our engagement with customers not only through physical stores but also via our e-commerce platform, our own electronic money LuVit, and our credit card. By leveraging our management resources, we will evolve our business model to realize a sustainable society and aim for corporate growth.

Vison for 2030

“Valor Economic Zone” concept

Connect local communities conveniently and prosperously with the Valor Group’s product, services, and payments.

“Destination Company” concept

To be a company chosen through product appeal

Key Initiatives

Supermarket Business

- To expand our market and encourage customer visits, we will proceed with the transition to a new format, “Destination Store” (D·S), focusing on enhancing fresh food products to improve purposeful visitation.
- As part of the strategy for the Supermarket (SM) Group, we will focus on opening suburban Destination Stores and urban specialty (product-specific) stores as our core, and strengthen strategic collaboration among each SM business company.
- We will also expand the infrastructure functions supporting the destination transformation of all departments, focusing on fresh food (vegetables and fruits, seafood, and meat) departments, along with deli, bakery, grocery, and confectionery.

Drugstore Business

- As a “community-based health station,” we will pursue the expertise and convenience of Drugstores (DgS). Following the COVID-19 pandemic, the role of DgS has evolved, with an increased demand for their function of stocking hygiene products and medicines. Furthermore, by offering food and general merchandise, DgS has transformed into a format that allows for one-stop shopping and meets the demand for savings amidst rising prices.
- We will promote store openings utilizing the group's infrastructure and, in terms of merchandise policy, strengthen the health and beauty, and dispensing sections. The proportion of private brands (PB) will be expanded to 15% in the medium term.

Home Improvement Center Business

- Toward our long-term vision of “Challenge 3000” (operating revenues of 300 billion yen and an ordinary income margin of 5.0%), we will grow our product and store strengths based on new store openings and M&A, centered on private brands (PB).
- Through the opening of professional shops dealing with materials and work clothes, and specialty stores with a high degree of specialization such as bicycles, we will create destination stores.
- We will expand our pet store business tailored to areas and market zones, aiming to become the No. 1 pet store industry leader.
- The composition ratio of PB products is set as an immediate target at 20%, and we are advancing development primarily in categories where the assortment of national brands is limited, such as gardening, interior, storage goods, and work clothes.

Sports Club Business

- We aim for early profit normalization through the enhancement of specialization, including swimming schools and similar initiatives.

Distribution-related Business

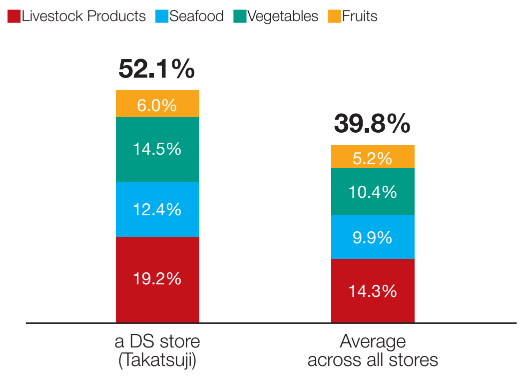
- We will continue further investment in our strength, the logistics infrastructure.
- We will vertically integrate design and packaging functions to further promote SPA (Specialty Store Retailer of Private Label Apparel) transformation.

Key Initiative① Supermarket Business

Destination Store (D·S) Strategy

- In the domestic market, which continues to experience population decline, it is necessary to transition to stores with strong purposeful visitation. To achieve this, we are working on transforming into "Destination Stores" (D·S) by enhancing categories such as the fresh food department through renovations of existing stores and new store openings.
- Currently, out of approximately 240 stores of Valor Co., Ltd., 70 are D·S stores, which have a higher composition of fresh food sales compared to the other stores. By valuing "seasonality" in the fresh food department, we can also develop sales floors to show seasonal products vividly in the grocery sections, working together as two wheels of a car.
- For stores with relatively small sales scale, we have also started the development of "Neo D·S" stores, which utilize infrastructure such as processing centers to improve operations.

Evaluation of DS Effects
(Comparison of Fresh Food Department Composition Ratios)



SM Group Strategy

- In the Valor Group's medium- to long-term goal of achieving "operating revenue of 1 trillion yen," we aim to achieve 500 billion yen within the SM segment. By improving not only scale but also profitability, we can enhance employee compensation and enable continuous investment.
- Aiming for group sales of 50 billion yen in the Kansai area, our strength lies in being able to open stores suited to the location and market, such as "Yaosen" and "Takoichi," whose company name is Yamata, in densely populated areas like in front of stations and shopping districts, and "Valor" in suburban areas. Additionally, within the group, we have SMs based in the Kanto region like "Terao Shokuhin" in Chiba prefecture and "Kohseiya" in Yamanashi prefecture, so we are also considering growth strategies through expansion into the Kanto area in the future.

Infrastructure functions supporting the destination transformation of all departments

- The function of the Processing Centers (PC) supports the high purposeful visitation due to the enrichment of fresh food products at D·S. We manufacture products for the livestock, seafood, and agricultural departments, reinforcing our own logistics network. With four PCs located in Toyama prefecture (Hokuriku PC), Shizuoka prefecture (Shizuoka PC), and Gifu prefecture (Kani PC and Ogaki PC) at the core, we not only support labor-saving efforts in stores but also handle the development of competitive hit products at stores, such as the "Yakiniku Meal with Rare Cuts of Meat," for sale.
- We continuously carry out capital investments, supplying products to the group's drugstores and ingredients to local school lunch centers, thereby promoting business growth.

Key Initiative② Drugstore Business

Enhancing customer satisfaction through strengthening the healthcare department, beauty (cosmetics) department, and private brands (PB)

A customer satisfaction survey for monthly merchandising was conducted in February, May, and August 2022 across 41 companies and 532 stores.

Vdrug had 15 stores under evaluation and impressively ranked 3rd in the "Company Ranking" among 41 companies nationwide based on the average score.

Expansion of dispensing facilities and doctor recruitment in dominant regions

We are advancing responses in line with the times, such as incorporating dispensing pharmacies into our drugstores and online medical consultations, in accordance with the easing of restrictions and the progress of the novel coronavirus.

Key Initiative③ Home Improvement Business

Enhancing product strength

Increasing the sales composition ratio of private brand (PB) products to 18%

The sales composition ratio of private brand (PB) products for the fiscal year ending in February 2023 was 13.2% (including Daiyu Eight, Time, and Home Center Valor), but we aim to reach 18%. To achieve this, we will enhance single-item sales capabilities and review standard shelf allocations to promote sales, aiming to improve the gross profit margin.

Differentiation Strategy

Pet store business as a strength not found in other HC (Home Center) companies

As a challenge to become number one in pet shop sales share in Japan, we will utilize the know-how of operating three different types of pet shops - Amigo, PET FOREST, and JOKER, each with its own scale and strengths - to promote nationwide expansion.

Key Initiative④ Sports Club Business

Expansion of junior swimming schools

In recent years, the decline in children's physical fitness has become a serious social issue. To address this challenge, our company has proactively introduced junior swimming instruction to clubs that had not previously offered it.

Through the additional introduction across 6 clubs, we have made contributions to the local community. This initiative has been recognized by municipalities, leading to requests for swimming instruction. In response, we have strengthened our support system and are providing assistance in promoting health within the community.

Furthermore, we have secured a business transfer from Hoshi-no-ko Swimming School (Kyoto prefecture), incorporating lessons learned from other companies while steadily expanding our operations.

Expansion of physical ability improvement academies for continuous support

AXTOS has increased the number of clubs introducing physical ability improvement academies from 16 to 29, in response to the decline in children's physical fitness. Through continuous focus on children's school activities, AXTOS contributes to fostering exercise habits in the community.

To lay the foundation for children to lead healthy lives and achieve prosperous growth in the future, AXTOS will continue to actively strengthen its school business.

Key Initiative⑤ Distribution-related Business

Efficiency improvement through the establishment of front centers

Since May 2022, we have launched a front center for beverages, and from February 2023, for instant noodles.

By storing and managing the inventory of manufacturers and wholesale warehouses, and combining the delivery of beverages and instant noodles, we have achieved efficient delivery while avoiding overloading.

Key Initiative⑥ EC Business

Expansion of the online supermarket business in the Kansai region

In the "ainoma" business of V Solution, which handles the delivery service of fresh food and other items, we have formed a business alliance with Shokubun Co., Ltd., which has a logistics network in the Kansai region, thereby expanding our online supermarket business in the Kansai area as well.

Segment Overview/Segment Information

Revenues from operations by segment and their distribution

Distribution-related operations

1.5%

Revenues from operations	Operating income
11.3 billion yen	3.2 billion yen

Sports Club Business

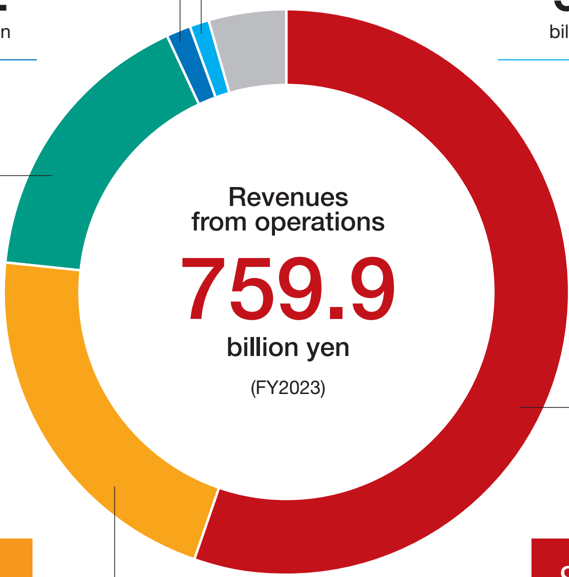
1.2%

Revenues from operations	Operating income
9.4 billion yen	△1.1 billion yen

Home Improvement Center Business

16.4%

Revenues from operations	Operating income
124.9 billion yen	4.6 billion yen



Drugstore Business

21.2%

Revenues from operations	Operating income
160.9 billion yen	4.3 billion yen

Supermarket Business

55.5%

Revenues from operations	Operating income
421.8 billion yen	13.3 billion yen

Supermarket Business

No. of stores··············· 316 Ave. floor space··············· 1,839m²

(Valor Co., Ltd.)

Business summary

In our Supermarket business, we have opened 8 new stores and closed 4, bringing the group's total to 316 stores. The strengthening of the fresh and prepared foods departments was supported by contributions from the food processing and wholesale businesses, as well as contributions from companies that became subsidiaries in the previous fiscal year, leading to an increase in revenue. However, due to an increase in consumer awareness of lifestyle protection and a decrease in demand from stay-at-home tendency, existing store sales (excluding the impact of revenue recognition accounting standards, etc.) decreased by 0.1% compared to the same period last year, leading to a decrease in gross sales profit. Additionally, an increase in utility costs such as water, electricity, and gas contributed to a decrease in earnings.

Drugstore Business

No. of stores··············· 495 Ave. floor space·············· 744m²

Business summary

In May 2022, our drugstore business acquired Nagisa Pharmacy, a dispensing pharmacy, making it a subsidiary. We also opened 22 new stores, including Nagisa Pharmacy, and closed 5 stores. As a result, by the end of the period, the total number of stores reached 495, of which 157 are dispensing pharmacies. The effect of store renovations centered around the integration of the dispensing pharmacy department, along with an increase in demand for related products due to the easing of movement restrictions and the re-expansion of COVID-19 infections, led to a 2.9% increase in existing store sales (excluding the impact of the application of revenue recognition accounting standards, etc.) compared to the same period last year.

Home Improvement Center Business

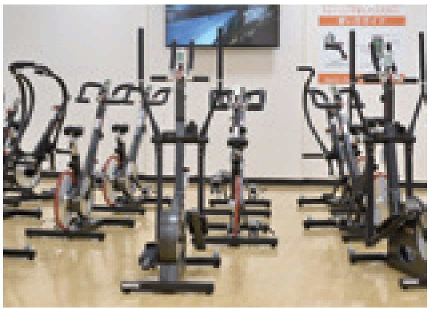
No. of stores··············· 161

Business summary

In our Home improvement center business, we opened 5 new stores and closed 2, bringing the total number of stores to 161 across the group as of the end of the period. Due to the impact of price increases on products caused by the rising cost of raw materials, the average spend per customer on an existing store basis increased by 4.3% compared to the same period last year. However, the number of visitors decreased by 4.8% compared to the same period last year, and existing store sales (excluding the impact of the application of revenue recognition accounting standards, etc.) decreased by 0.7% year-on-year across three companies: Daiyu Eight Co., Ltd., Home Center Valor Co., Ltd., and Time Co., Ltd. On the other hand, the e-commerce business significantly exceeded the previous year's performance, securing an increase in revenue.

Sports Club Business

No. of stores··············· 184



Business summary

In our sports club business, we opened 2 new stores and closed 11 stores, bringing the total number of stores to 184 within the group at the end of the period, including 52 franchise-operated stores. In this business, from July, the increase in monthly membership fees for "Sports Club AXTOS Will_G" and the reduction in the number of members who suspended their memberships due to the pandemic led to increased revenue. However, a significant increase in the cost of sales, such as utilities, resulted in an expanded operating loss.

Distribution-related Business

Business summary

In our group companies involved in distribution-related businesses, such as logistics, material wholesaling, and equipment maintenance, operating revenues increased, centered around the logistics and wholesaling businesses. This increase in revenues absorbed the rise in selling expenses and general administrative expenses, leading to higher profits.

Results

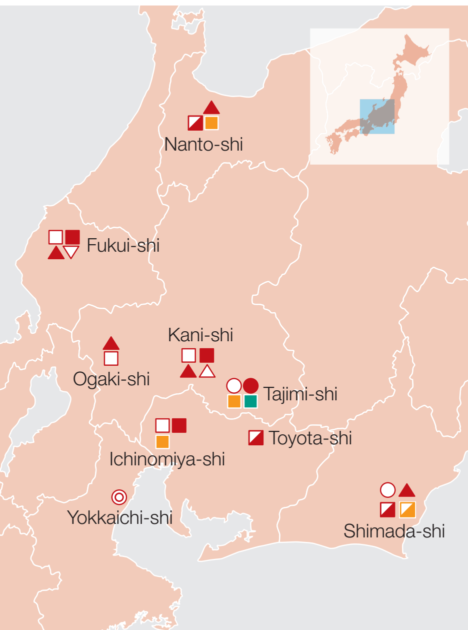
Segment Financial Review

Store Network

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Supermarkets	238	251	263	266	275	281	290	298	297	312	316
Valor Co.,Ltd.	179	221	232	235	238	243	240	240	239	239	240
Tachiya Co., Ltd.	11	13	13	13	14	15	16	17	17	19	20
Youth Co., Ltd.*	31	—	—	—	—	—	—	—	—	—	—
Shokusenkan-Taiyo Co.,Ltd.	15	15	17	17	17	17	17	17	16	16	16
Kohseiya Co.,Ltd.	—	—	—	—	5	5	5	6	6	6	6
Futabaya Co.,Ltd.	—	—	—	—	—	—	3	3	3	3	4
Sanko Co.,Ltd.	—	—	—	—	—	—	8	8	8	8	8
Terao Stores Inc.	—	—	—	—	—	—	—	4	4	4	4
Yamato Store LLC.	—	—	—	—	—	—	—	—	1	1	1
Yaosen Co., Ltd.	—	—	—	—	—	—	—	—	—	6	7
Yamata Co., Ltd.	—	—	—	—	—	—	—	—	—	7	7
VARO Co.,Ltd.	2	2	1	1	1	1	1	3	3	3	3
Other	—	—	—	—	—	—	—	—	—	—	—
Drugstores	214	241	271	301	337	361	379	416	449	478	495
Home Improvement Centers	35	35	36	37	35	36	36	148	152	158	161
Sports Clubs	52	54	58	65	75	95	146	192	190	193	184
Pet Shops	17	17	17	18	19	21	22	107	110	115	119
Others	11	3	3	3	4	5	7	14	28	38	47
Total	567	601	648	690	745	799	880	1,175	1,226	1,294	1,322

Note: *merged into Valor in October, 2013.

Number of Stores by Region and Locations of Infrastructures (FY2023)



Supermarket Business

Distribution Centers : □ for chilled products
■ for ambient- temperature products
◩ for chilled & ambient- temperature products

Processing Centers : ▲ for fresh meat
△ for fresh vegetables & fruits
▽ for fresh fish

Production Bases : ○ for prepared food
● for fresh bakery
◎ for fish products

Drugstore Business

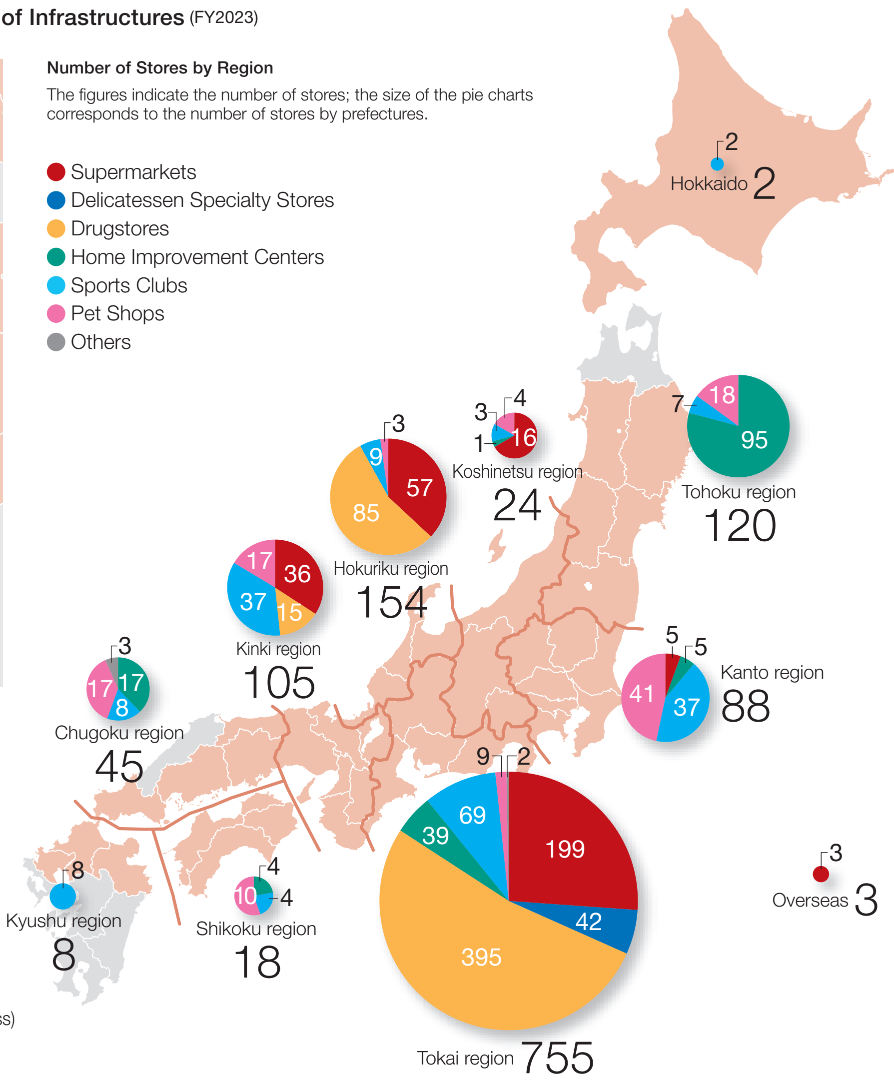
■ Distribution Centers
◩ Distribution Centers (Shared with the Supermarket Business)

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.



(Millions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Supermarkets											
Revenues from operations	303,521	313,208	321,458	329,266	336,555	345,960	353,311	372,733	396,248	405,537	421,838
Operating income	11,028	8,443	9,760	9,887	9,738	8,518	9,433	9,050	16,103	14,908	13,374
Total assets	127,490	142,260	144,604	153,045	176,384	184,386	195,231	200,720	207,938	214,395	220,190
Capital expenditures	12,915	17,931	12,078	10,506	11,887	12,574	13,376	7,462	13,562	12,798	14,604
Depreciation and amortization	6,346	6,826	7,381	7,556	7,339	7,490	7,633	8,431	8,363	9,510	9,941
Drugstores											
Revenues from operations	62,497	73,028	80,470	95,152	107,045	117,949	127,781	139,358	150,575	152,474	160,947
Operating income	1,934	2,449	1,961	2,736	2,692	2,532	3,488	4,317	3,978	2,950	4,317
Total assets	29,065	33,649	38,557	44,602	52,019	58,849	58,725	67,755	75,511	78,702	77,286
Capital expenditures	3,134	3,893	4,333	5,776	8,087	5,359	4,622	6,135	7,123	7,274	2,547
Depreciation and amortization	1,183	1,454	1,780	2,114	2,588	2,927	3,104	3,170	3,533	3,962	3,732
Home Improvement Centers											
Revenues from operations	43,810	46,559	46,556	48,629	50,373	53,555	55,173	114,301	130,177	122,947	124,962
Operating income	1,869	2,330	2,011	2,450	2,302	2,149	2,616	3,465	7,327	5,061	4,620
Total assets	19,456	19,068	22,430	22,499	23,942	25,562	31,020	81,239	81,602	82,404	83,078
Capital expenditures	1,259	464	2,276	1,478	4,777	1,316	645	4,677	3,595	4,374	4,295
Depreciation and amortization	899	875	910	945	1,000	1,099	1,083	2,505	2,440	2,622	2,897
Sports Clubs											
Revenues from operations	8,788	8,955	9,271	9,838	10,459	11,397	13,157	13,597	9,146	9,847	9,439
Operating income	420	419	463	532	639	680	672	556	(1,933)	(559)	(1,159)
Total assets	10,760	10,382	10,611	10,634	10,776	13,059	15,175	15,768	15,331	12,260	7,403
Capital expenditures	319	338	527	791	1,119	3,114	2,565	1,960	140	435	739
Depreciation and amortization	666	636	655	711	785	882	1,080	1,295	1,236	1,144	1,106
Distribution-related operations											
Revenues from operations	6,699	7,228	7,638	8,590	9,610	9,075	10,265	10,687	11,269	10,451	11,373
Operating income	3,062	2,995	3,395	3,647	3,699	3,725	2,910	2,793	3,210	3,206	3,296
Total assets	18,809	22,351	24,082	23,961	24,894	27,230	28,569	29,733	32,519	29,535	27,892
Capital expenditures	1,888	2,155	624	478	2,018	3,044	384	1,050	965	785	704
Depreciation and amortization	550	784	819	716	721	758	817	846	976	1,014	1,009

Sustainability Management

The Valor Group Sustainability Management

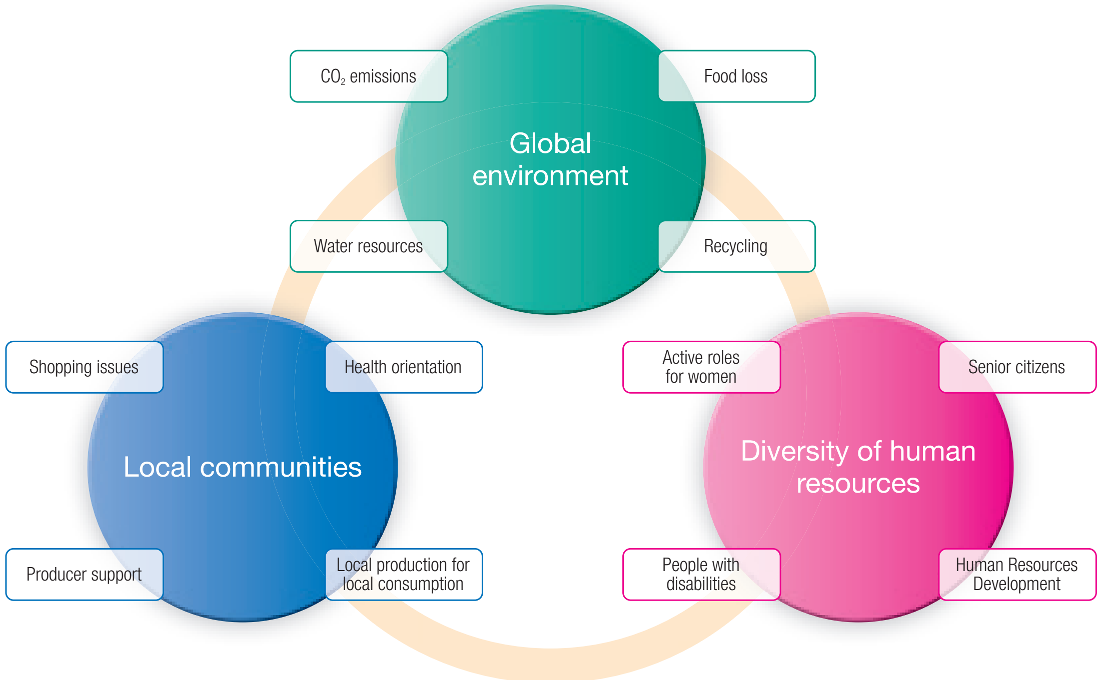
The Valor Group has established its Valor Group Vision 2030, its vision of itself for 2030, and aims to build "Valor Economic Zone" that connects local communities conveniently and prosperously with the Valor Group's products, services, and payments. It also seeks to become a "destination company" that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

Sustainability Vision 2030

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

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

Initiatives taken from order of high priority throughout the Valor Group	Platform (shared platform) upon which actions are taken in FY2023
	● **Global environment** *Tackling the challenge of meeting numerical targets with the goal of delivering the connection of a sustainable global environment to the next generation ● **Local communities** ● **Diversity of human resources**



Subcommittee activities

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

Setting goals for key issues

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

Objectives

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

Initiatives for all Valor Group employees

Valor Group Fan-Making project

Launch event - partner members' tasting & evaluation meeting

On November 24, 2022 (Thurs.), at the Valor Human Resource Development Center, we invited 35 individuals, including partner members participating in the "Valor Group Fan-Making" project being conducted by the LuVit division, to a tasting and evaluation meeting of prototypes and currently available products planned by various manufacturing companies within the Valor Group.

The participating companies

Raikusu Co., Ltd.
Daien Foods Co., Ltd.
Furuya Sangyo Co., Ltd.
Keirinkaku Co., Ltd.
Daitoh Shokken Co.,Ltd.
Saitou Coffee Co., Ltd.
(PB Manufacturing Company)

What's "Valor Group Fan-Making" project?

This project, as a new initiative leveraging the Lu Vit card, was launched in January 2021, primarily by the Lu Vit division, aimed at retaining and expanding the customer base of the Valor Group stores.

Premium Lu Vit cardholders are designated as "Partner Members," and through the surveys and interviews for them, we gather the "authentic voices" of our customers to inform product development, store layout improvements, and promotional strategies.

Scenes from the tasting & evaluation meeting

Foundation for Value Creation

Global Environment

Reduction of greenhouse gas emissions

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

Calculating greenhouse gas in the supply chain

Concerning the calculation of greenhouse gas emissions, following the calculation of its own emissions in FY2020, Valor Co., Ltd. has expanded the scope of its calculation to the entire supply chain since FY2021, and calculated its emissions in accordance with the GHG Protocol, a recommended international standard. Going forward, we will continue to calculate the emissions of our Group companies and work to accomplish reductions.

Regarding the greenhouse gas (GHG) emissions for FY2023, due to the expansion of the scope of group companies, they are currently being measured as of the issuance of the Annual Report. Therefore, the GHG emissions figures provided below are for FY2022 (subject to replacement upon completion of the measurement).

FY2021*1 Greenhouse gas (GHG) emissions*2

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

Scope 3 emissions

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

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

Response to TCFD

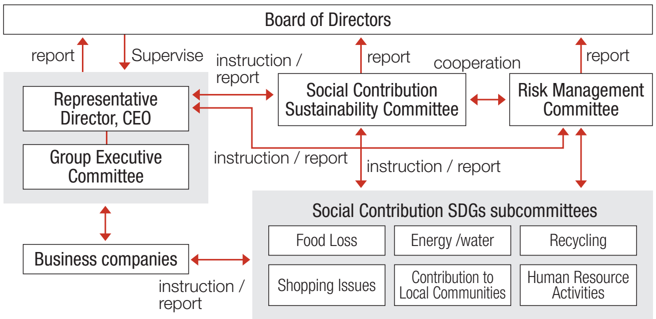
We have decided to express our support for the TCFD recommendations and have identified and assessed the risks and opportunities that climate change poses to our group's business in line with the TCFD final recommendations. We will enhance our disclosures and work toward achieving our goals by more quantitatively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

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

Governance

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

Climate change-related governance structure



Strategy

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

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

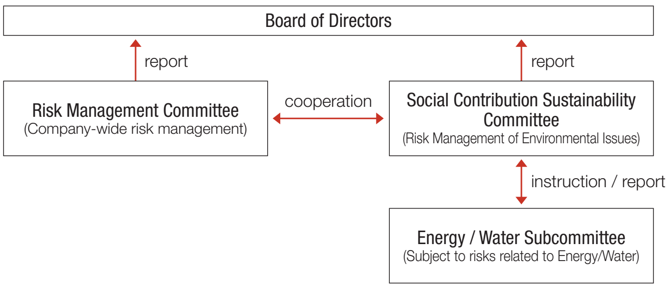
Possible scenarios

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

Risk Management

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

Climate Change Risk Management System



Indicators and Targets

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

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

Local Communities

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

1 Education through Foods

Contributing to society through food and products

Environmental Learning in Kani city

On July 30th (Sat.), the summer vacation event “Parent-Child Food and Plastic Workshop – Path to an environmental doctor” hosted by Kani city was held at the Valor Human Resource Development Center. Approximately 30 parent-child pairs (elementary school students in the third grade and above and their guardians) residing in the city participated.

Valor hosted the “Osakana (fish) class.” A seafood trainer from Valor demonstrated fish filleting in front of the children. Feedback from the guardians mentioned that it was a valuable experience for the children, providing them with an opportunity to engage in activities they usually wouldn't be able to do, making it a positive experience.

School Lunch Provision Business

Since April 2022, we have been supplying pork and chicken from Valor for the school lunch in Tajimi city. As the number of businesses handling regional school lunches has been decreasing, Valor, owning a processing center, has entered the business. We received high praise for the quality when we made our first delivery to the Tajimi City School Lunch Center on April 20th.

2 Healthy Society

To solve health and medical issues by utilizing our group management resources.

AXTOS Marché

We are utilizing our closed days to hold this event aimed at “regional revitalization,” “community engagement,” and “community interaction.” With the goal of fulfilling our concept of “wanting to make all people healthy and happy,” we will continue to hold this to widely promote the appeal of exercise and the charm of AXTOS."

Introduction of advanced pharmaceutical management and cutting-edge dispensing equipment.

V-drug pharmacy at Gifu University Hospital, in cooperation with the affiliated hospital, plays a part in comprehensive community care in collaboration with multiple professions and contributes to people's healthy and happy lives as a community-based medical institution.

Installation of infectious disease response waiting rooms and private consultation rooms

While sharing information about medication status with the hospital for patients with various diseases, we provide appropriate dispensing services and have introduced the latest dispensing equipment (such as automatic medication picking systems, fully automated tablet packaging machines, powder dispensing robots, and fully automated powder packaging machines). By automating these processes, we have further improved the accuracy of our dispensing operations, enhancing safety and security.

3 SDGs

Solving social issues in collaboration with the community

Collaborations with the Social Welfare Councils

In collaboration with the Social Welfare Councils and municipalities in Gifu prefecture and eight other prefectures, the number of affiliated children's cafeterias has increased from 75 to 161 locations within a year. Valor is actively promoting the installation of food drive posts at its stores.

Furthermore, food drives are also being conducted at local events such as the Tajimi Pottery Festival, Ceramic Craft Camp (Toki city), and "Totteoki no Ongakusai in GIFU" (Special Music Festival in Gifu).

4 Contingency Support

Assistance for those evacuated from Ukraine

Individuals who have evacuated from Ukraine to municipalities in Gifu prefecture, as well as one who will evacuate in the future, were supported with 100,000 yen worth of Valor Group gift vouchers, ten tickets for the Sports Club AXTOS, and employment opportunities at the supermarket Valor (70 stores within the prefecture). On April 26th (Tue.), a letter of appreciation was awarded by Gifu prefecture for these efforts.

The Valor Group's New Initiatives

Gifu prefecture × Valor Holdings Comprehensive Partnership Agreement

As part of our efforts to address community challenges, we have signed a Comprehensive Partnership Agreement with Gifu Prefecture. The signing ceremony took place at the Gifu prefectural government office on March 17, attended by Hajime Furuta, Governor of Gifu prefecture, our Chairperson and CEO Masami Tashiro, and Acting President (at the time) Takayuki Koike.

While we have previously collaborated based on individual agreements, such as expanding mobile sales within the prefecture and providing food and other necessities during disasters and outbreaks of infectious diseases, this new comprehensive partnership agreement will further enhance our collaboration and joint efforts in various fields. These fields include creating a safe living environment through food, building a healthy society, promoting SDGs, and disaster prevention and response. Through this agreement, we will continue to advance our ongoing activities aimed at solving local challenges.

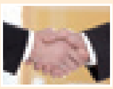
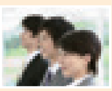
Valor × i GRID Lauch Valor PPA Solarship

Valor PPA Solarship Agreement. We have initiated a CO_2 reduction model project in collaboration with i GRID SOLUTIONS Co., Ltd. We are taking steps to reduce CO_2 emissions throughout the entire supply chain, marking the first such initiative in the domestic retail distribution industry. Additionally, within the Valor Group, we have installed approximately 38MW of solar power facilities across 350 facilities, generating electricity equivalent to approximately 10,000 households.

Diversity of Human Resources

Supporting a diversified workforce in HR system

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

	Status		FY2021	FY2022	FY2023
Promoting female workers 	Aside from offering all our employees opportunities to display their personalities and their capabilities, we also aim to enhance the workplace environment where female workers can flourish in their careers.	Ratio of female managerial personnel to all managerial personnel (managers or higher) (The number of female managerial personnel/The number of all managerial personnel)	5.8 % (48people/826people)	6.0 % (46people/766people)	5.2 % (41people/795people)
Diverse workstyles 	We are working to improve the workplace environment corresponding to the phase of the individual's life and career, including raising awareness of maternity leave, childcare leave, and family care leave, and creation of a workplace that facilitates easy return to work.	Number of female workers who took maternity leave or child care leave			
		Maternity leave (Employees/Part-timers)	165 people (62people/103people)	260 people (104people/156people)	184 people (85people/99people)
		Child care leave (Employees/Part-timers)	201 people (75people/126people)	224 people (85people/139people)	252 people (109people/143people)
Hiring of the disabled 	We are actively recruiting people with disabilities who wish to work for regular companies and be independent. The Gifu Prefectural Government established a registration system in November 2011 to enable companies to support the employment of people with disabilities in cooperation with schools for learners with special needs. Valor registered in February 2012. In order to facilitate employment of people with disabilities also in other regions and support them so that they can work at Valor for a long time, we intend to promote education and training of our store staff and while facilitating collaborations with regional recruitment centers and the social welfare departments of municipalities.	The rate of hiring people* with disabilities	2.40 %	2.61 %	2.89 %
		Contracted by Gifu Prefecture			
		Adviser for people with disabilities seeking jobs	from FY2013 to present		
		Adviser for employment of people with disabilities	from FY2015 to present		
		Member of Gifu Prefecture taskforce for abolition of discrimination against people with disabilities	from FY2015 to present		
Post-retirement reemployment program 	Against the backdrop of population aging, Valor has introduced a post-retirement reemployment program whereby Valor reemploys all the employees who are willing to work after retirement, in principle. Eligible employees may be reemployed after they retire until they reach 65 years old if they wish to do so.	Usage rate of post-retirement reemployment program	79.1 %	88.7 %	90.5 %
Promotion to full-time employees 	16 key operating companies of the Group have programs to promote part-time workers to full-time employees. Part-time workers have periodic opportunities for promotion to full-time employees. Part-time workers who satisfy the criteria can apply for promotion and, after screening, successful applicants are promoted to full-time employees. In addition, heads of departments can recommend part-time workers as candidates for promotion to full-time employees.	Number of part-time workers promoted to full-time employees	238 people	141 people	124 people
Number of Employees 	Following the transition of important issue in human resources development to "Frontline performance development", the Company will further promote initiatives to establish an environment for better places to work including programs for human resources development and supporting diverse human resources. Through such policies, we aim to retain talented human resources in addition to improving productivity and organizational capabilities through developing individual abilities and skills.	Number of employees (Average length of service)	8,661 people (9.1years)	9,036 people (9.4years)	9,189 people (9.7years)
		Female workers (Average length of service)	2,552 people (5.9years)	2,794 people (6.1years)	2,926 people (6.2years)
		Male workers (Average length of service)	6,109 people (10.5years)	6,242 people (10.9years)	6,263 people (11.3years)

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

Collective Wisdom-Based
Human Resource Development

The Valor Group's Education System

Ensou Gakusha

(our corporate university)

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

We are working towards creating a more comfortable work environment, including the establishment of the HD Human Resources Department.


Human Resource Development Center

Educational Policy

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

Educational Policy

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

Ensou Gakusha (our corporate university)

In the new education system named "Enso Gakusha," meaning "a place where things gather, the center of activity," we aim to educate talents by gathering collective knowledge. Under the following educational framework, the Valor Group's joint training programs are underway.

Education System

Position	Hierarchical Human Resource Development Program				Self-Development Support	Thematic Training	By Group Company
	Annual and Hierarchical Training	Specialized Knowledge & Skill Training	Selected Young Employee Training	Executive Candidate Selection Training			
Executive				Valor Management Academy			
Department Head Level				Executive Management Department Head Management Training			
Section Chief Level		District Manager Training	Business School Dispatch	Next-Generation Executive Management Valor Business School			
Leader	Corporate Philosophy Training Promotee (H1) Training Promotee (J4-2nd Year) Training Promotee (J4-1st Year) Training	Store Manager Training by Scale Store Manager & Supervisory Manager Training New Store Manager Training Buyer Training New Chief Training	Corporate Philosophy training Next-Generation Buyer Training Young Employee Training in US		Correspondence Education Support Qualification Acquisition Support	Human Rights Awareness & Compliance Promotion of Women's Advancement	Group Secondment Training by Group Company, Function, and Job Type
General/Staff	3rd Year Employee Training 2nd Year Employee Training New Employee Training Initial Employee Training Mid-career Employee Training	Department-Specific 3rd Year Employee Training Department-Specific 2nd Year Employee Training Department-Specific New Employee Training					

Corporate Governance

Basic Policy

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

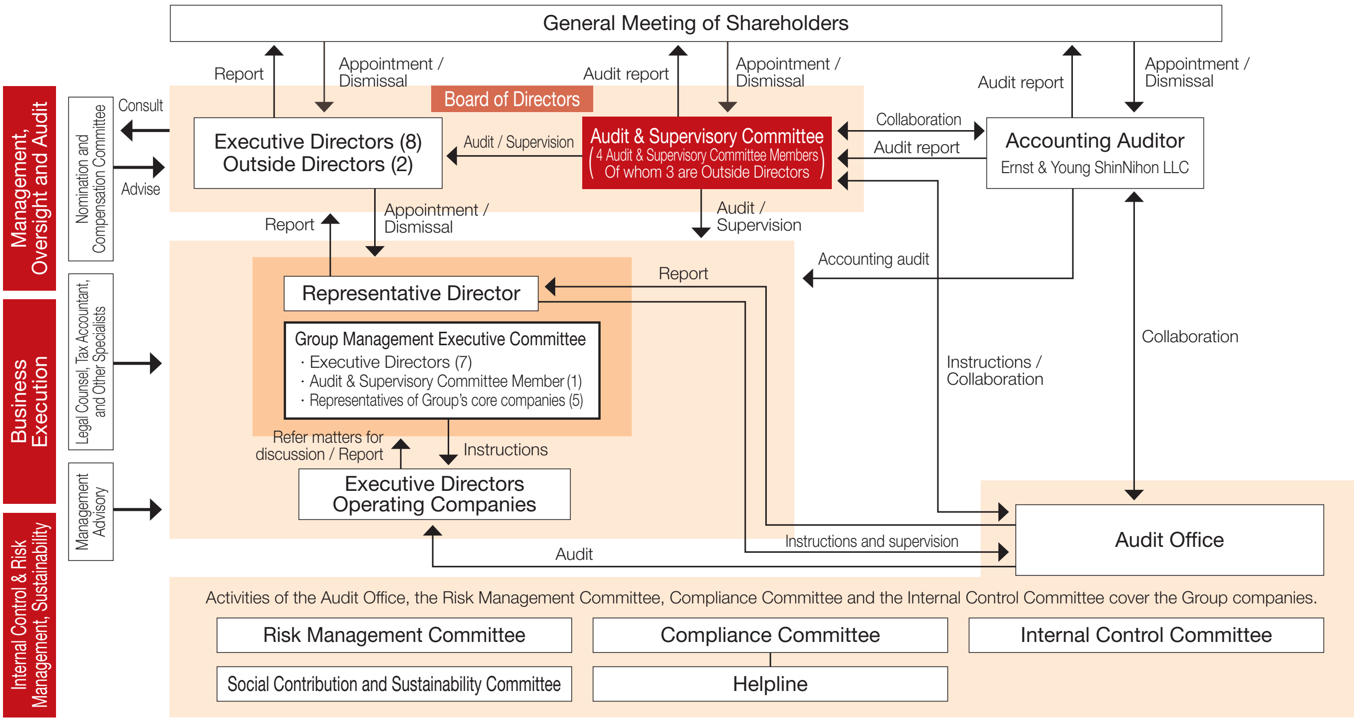
Corporate Governance Systems

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

On October 1, 2015, our company transitioned to a holding company structure, separating management decision-making and supervision from business execution. This has enabled us to establish an efficient management and execution system. Additionally, by appointing external directors, we are committed to building an effective and high-level supervisory system and achieving transparent management. Furthermore, on June 30, 2016, we transitioned to a company with an Audit and Supervisory Committee, placing a majority of external directors on the committee to enhance the supervisory function of the Board of Directors and further strengthen our corporate governance.

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

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



Performance evaluation on the Board of Directors

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

To improve the Board of Directors, all of the Directors have been conducting self-evaluation questionnaires, which are designed to evaluate the effectiveness of the structure of the Board of Directors and its discussion and consideration, etc. on a scale of one to five. The overall evaluation for FY 2023 was 4.1 (same as the previous year, 4.1), indicating that effectiveness has been generally maintained.

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

(1) Policy

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

(2) Procedures

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

(3) Explanation about appointment, removal and nomination

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

Policy for determining the amount of compensation and the calculation method

(1) Basic policy

- Directors' compensation consists of basic compensation, performance-linked bonuses and share-based compensation, all of which shall be set separately for inside and outside directors. For Outside Directors and Directors who are Audit & Supervisory Committee members, compensation consists only of basic compensation, in view of their roles and independence.
- Basic compensation, paid monthly, shall be, in principle, provided in an amount that is adequate for securing (recruiting) excellent people as executives and shall be determined based on comprehensive evaluation of the Company's financial performance, each Director's performance of duties, achievements and degree of contribution. Regarding Directors who are also employees, the salary as an employee shall be paid in accordance with the Rules for Wages for Employees. For Directors (excluding executive directors) from a consolidated subsidiary, compensation at the subsidiary shall be paid in accordance with the subsidiary's rules for directors' compensation.
- The amount of performance-linked bonuses shall be determined within the maximum amount approved at the General Meeting of Shareholders in consideration of the previous amount of bonuses paid, the Company's financial results for the current year and the business performance that the Director is delegated. In addition, in accordance with the "Determination of Remuneration for Granting Restricted Shares to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)" approved at the 65th Ordinary General Meeting of Shareholders held on June 30, 2022, the compensation limit for Directors shall be reduced and restricted shares shall be granted as part of Directors' bonuses.
- Share-based compensation is an employee stock ownership plan approved at the 60th General Meeting of Shareholders held on June 29, 2017. At the time of resignation or retirement of a Director, the Company's shares are delivered to the Director in accordance with the Rules for Delivering Shares to Directors, which was approved at the Board of Directors meeting held on the same date.

(2) Procedures

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

Independence criteria and qualifications for Independent Outside Directors

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

Corporate Governance

Number of meetings of the Board of Directors and the Audit & Supervisory Board held and attendance status (FY 2023)

	Meetings of the Board of Directors	Meetings of the Audit & Supervisory Board*
Number of meetings	12	13
Attendance of Outside Directors	100%	97%

Note: The figures are based on the number of meetings held from April 1, 2022 to March 31, 2023.

Dialogues with shareholders in FY2023

66th Ordinary General Meeting of Shareholders (Held June 29, 2023)	**152** shareholders attended	72 minutes (FY2022: 133 attendees, 63 minutes)

Directors' Skills Matrix (As of August 18, 2023)

Name	Positions	Diversity		Skills that the board of directors should have						
		Sex	Age	Corporate Management and Strategy	Industry Expertise	Sustainability	Technology	Finance, Accounting	Legal	Governance, Risk Management
Masami Tashiro	Representative Director, Chairperson and CEO	Male	76	○	○	○		○		○
Takayuki Koike	President	Male	50	○	○		○	○		○
Katsuyuki Mori	Senior Managing Director	Male	62	○	○	○				○
Akira Shinohana	Managing Director	Male	50	○	○	○		○		○
Morisaku Wagato	Director	Male	64	○	○	○				○
Motohiko Takasu	Director	Male	49	○	○	○				○
Naotaka Koketsu	Director	Male	59	○	○					○
Shunichi Asakura	Director	Male	73	○	○	○				○
Toshiyuki Takahashi	Outside Director	Male	72	○	○			○		○
Yoko Yamashita	Outside Director	Female	44			○			○	○
Toshio Abiko	Director, Audit & Supervisory Committee Member (full-time)	Male	56					○		○
Mutsuo Masuda	Outside Director, Audit & Supervisory Committee Member	Male	78	○				○		○
Hirofumi Hata	Outside Director, Audit & Supervisory Committee Member	Male	71					○		○
Tokimitsu Ito	Outside Director, Audit & Supervisory Committee Member	Male	68					○		○

*1 The above table does not indicate all of the skills and areas of expertise possessed by each director.
*2 The age of the directors is as of June 29, 2023.
*3 "Industry" with respect to industry expertise is defined as retail trade, food manufacturing, sports club business, and transportation business.

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

Our company is committed to maintaining and enhancing corporate governance by establishing and operating an internal control system based on the "Basic Policy on Internal Control Systems to Ensure the Appropriateness of Operations" determined by our Board of Directors. Below is a summary and an overview of the operational status of the internal control system. (The "Basic Policy on Internal Control Systems to Ensure the Appropriateness of Operations" of our company was decided at the Board of Directors meeting held on May 8, 2006, and was most recently partially revised on March 20, 2023.)

Overview of the operational status of the internal control system

In our company, to verify the construction and operational status of the internal control system, we have established an Internal Control Committee, which meets regularly. During these meetings, the status of the internal control system's maintenance and operation is confirmed through reports from various departments and the audit office. The Internal Control Committee is composed of executive directors as members, with director, audit & supervisory committee members attending each meeting and providing their opinions as appropriate. The results confirmed by the Internal Control Committee are reported to the Board of Directors once a year. Additionally, if any matters requiring prompt reporting are identified, a system is in place to report these to the Board of Directors as needed.

Compliance and Risk Management Systems

Risk management system

We have established the "Basic Rules for Risk Management" as a regulation for managing the risk of losses. This regulation allows for the comprehensive and overarching management of risks of loss across the entire company (hereinafter referred to as "risks"), clarifies the risk management structure, and includes the establishment of a Risk Management Committee to oversee risk management activities. Furthermore, the Audit Office conducts audits on the management of risks as necessary and reports the findings to the Board of Directors and the Audit & Supervisory Committee.

Compliance

Our company positions the system that ensures the execution of duties by directors and employees conforms to laws and the articles of incorporation as the compliance system and has implemented the following framework:

1. As the foundation of our compliance system, we have established the “Corporate Ethics and Conduct Guidelines” and the “Basic Compliance Rules” that define the ethical behavior of all officers and employees, including directors. Additionally, the Compliance Committee is convened as necessary to maintain, develop, and improve the compliance system.
2. The independent Audit Office serves as the internal auditing department, conducting company-wide internal audits separate from the executive departments.
3. Directors and the Audit Office are required to immediately report to the Audit & Supervisory Committee any significant legal violations or other important facts related to compliance found within the company, and also report these findings without delay to the Board of Directors and similar bodies.
4. As part of the internal management system for compliance, including legal violations, we have established the rules for whistleblowing and operate whistleblowing system in accordance with these rules.
5. Audit & Supervisory Committee members and outside directors may express opinions and request the formulation of improvement measures when they recognize problems with the company's legal compliance system or internal reporting system.

System to ensure the appropriateness of business operations within our company and its group of subsidiaries

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

Risk awareness

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

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

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

2. Regulatory restrictions concerning the Group

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

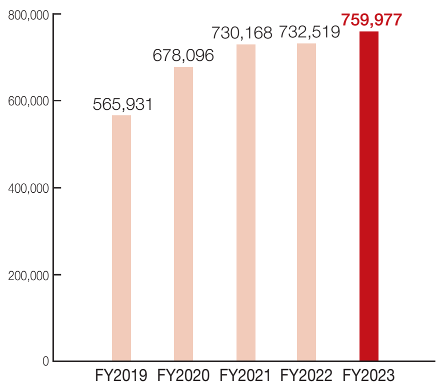
3. Impairment of noncurrent assets

4. Defferred tax assets

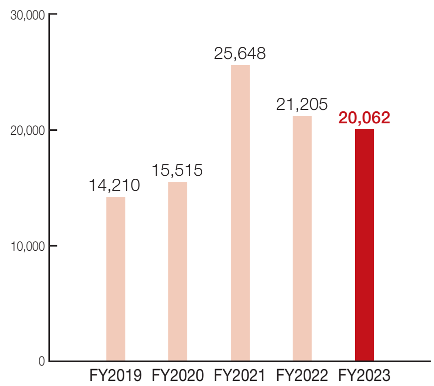
11-year Summary of Financial Results

	FY2013	FY2014	FY2015	FY2016
For the year:				
Revenues from operations	431,218	454,180	470,564	497,463
Operating income	15,852	14,287	15,000	16,683
Ordinary income	16,844	15,311	16,108	17,586
Net income	8,184	9,162	9,214	10,759
At year-end:				
Total assets	213,629	235,131	245,386	255,916
Net assets	75,466	82,949	90,881	99,027
Net assets (excl. subscription rights to shares and non-controlling interests)	74,887	82,395	90,301	98,408
Interest-bearing debt	75,679	87,265	86,880	84,952
Cash Flows:				
Cash flows from operating activities	21,139	19,198	22,257	22,991
Cash flows from investing activities	(20,961)	(23,746)	(15,660)	(19,045)
Free cash flows	177	(4,547)	6,596	3,945
Cash flows from financial activities	2,914	5,983	(3,745)	(6,758)
Cash and cash equivalents at the end of fiscal year	15,764	17,055	19,960	17,103
Capital Expenditures:				
Capital expenditures (based on payment)	22,101	25,226	20,225	20,041
Breakdown of expenditures:				
for new store openings	14,414	12,851	12,763	11,628
for refurbishing existing stores	1,788	2,306	2,237	3,650
for others	5,899	10,069	5,225	4,763
Depreciation and amortization (CF)	10,255	11,090	12,168	12,683
Per Share data:				
Net assets per share (BPS) (yen)	1,454.43	1,600.25	1,751.57	1,925.45
Net income per share (EPS) (yen)	159.56	177.95	178.91	208.87
Cash dividends per share (yen)	29	31	33	36
Dividend payout ratio	18.2%	17.4%	18.4%	17.2%
Financial indicators:				
Return on total assets (ROA)	8.1%	6.8%	6.7%	7.0%
Return on equity (ROE)	11.5%	11.7%	10.7%	11.4%
Shareholders' equity ratio	35.1%	35.0%	36.8%	38.5%
Debt equity ratio (times)	1.0	1.1	1.0	0.9

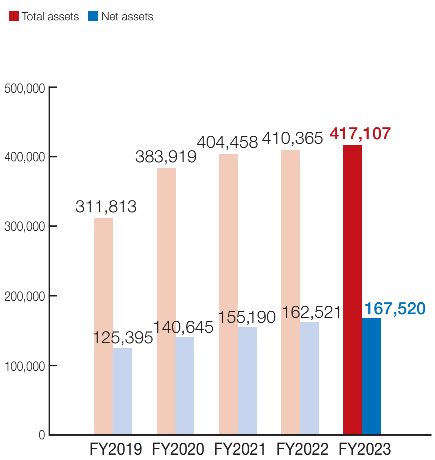
Revenues from operations (millions of yen)



Operating income (millions of yen)



Total assets / Net assets (millions of yen)

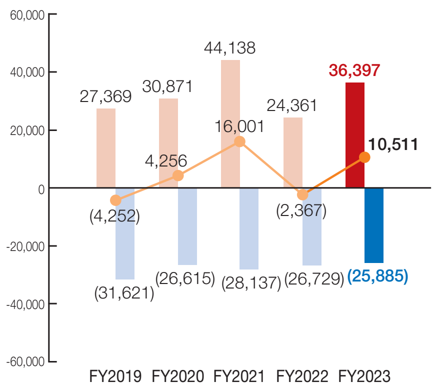


(Millions of yen)

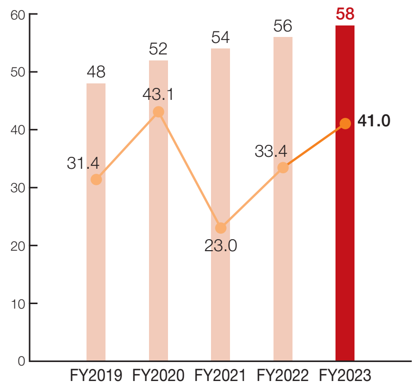
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	520,530	544,020	565,931	678,096	730,168	732,519	759,977
	15,439	13,470	14,210	15,515	25,648	21,205	20,062
	16,762	14,937	16,091	16,878	28,397	24,140	23,049
	10,522	7,570	7,910	6,477	12,592	9,014	7,603
	269,488	285,905	311,813	383,919	404,458	410,365	417,107
	107,727	113,167	125,395	140,645	155,190	162,521	167,520
	107,057	112,365	124,599	132,375	142,095	148,156	152,408
	87,231	88,821	96,717	124,872	120,884	125,456	118,780
	22,270	27,790	27,369	30,871	44,138	24,361	36,397
	(21,569)	(24,258)	(31,621)	(26,615)	(28,137)	(26,729)	(25,885)
	700	3,531	(4,252)	4,256	16,001	(2,367)	10,511
	(3,168)	(3,223)	7,302	(551)	(10,472)	(4,115)	(12,329)
	14,659	14,938	17,938	24,159	29,349	22,867	20,973
	24,441	27,575	26,878	32,138	32,832	30,947	25,995
	15,144	14,394	14,903	20,457	9,742	14,484	13,464
	7,709	9,850	9,451	8,498	17,145	15,158	11,726
	1,587	3,332	2,524	3,183	5,945	1,304	805
	13,125	13,952	15,163	17,665	18,234	20,228	20,691
	2,093.74	2,196.89	2,320.53	2,435.06	2,660.56	2,766.89	2,851.73
	205.83	148.04	153.06	120.63	234.52	167.87	141.61
	40	45	48	52	54	56	58
	19.4%	30.4%	31.4%	43.1%	23.0%	33.4%	41.0%
	6.4%	5.4%	5.4%	4.9%	7.2%	5.9%	5.6%
	10.2%	6.9%	6.7%	5.1%	9.2%	6.2%	5.0%
	39.7%	39.3%	40.0%	34.1%	35.3%	36.2%	36.6%
	0.8	0.8	0.8	0.9	0.8	0.8	0.7

Cash Flows (millions of yen)

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

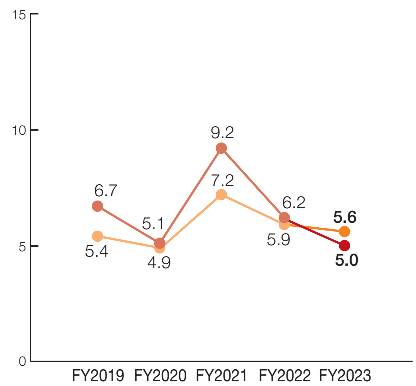


Annual cash dividends per share (yen)
Dividend payout ratio (%)



ROE / ROA (%)

ROE ROA



Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

Valor Holdings Co.,Ltd. and Subsidiaries (As of March 31, 2022 and 2023)

(Millions of yen)

	FY2022	FY2023
(Assets)		
Current assets		
Cash and deposits	23,260	21,482
Note, accounts receivable-trade, and contract asset	14,905	16,701
Merchandise and finished goods	56,261	59,701
Raw materials and supplies	1,128	1,418
Other	14,670	16,379
Allowance for doubtful accounts	(9)	(11)
Total current assets	110,217	115,671
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	305,319	318,091
Accumulated depreciation	(161,166)	(170,491)
Buildings and structures, net	144,152	147,599
Machinery, equipment and vehicles	14,241	14,765
Accumulated depreciation	(10,009)	(10,726)
Machinery, equipment and vehicles, net	4,231	4,039
Land	54,282	54,524
Lease assets	23,227	21,140
Accumulated depreciation	(15,266)	(14,503)
Lease assets, net	7,961	6,637
Construction in progress	4,497	2,448
Other	46,764	49,669
Accumulated depreciation	(36,577)	(39,514)
Other, net	10,186	10,155
Total property, plant and equipment	225,312	225,405
Intangible assets		
Goodwill	2,323	1,807
Lease assets	112	139
Other	15,323	16,479
Total intangible assets	17,759	18,426
Investments and other assets		
Investment securities	9,787	9,981
Long-term loans receivable	1,078	1,061
Deferred tax assets	9,900	10,508
Guarantee deposits	32,578	32,482
Other	4,092	3,909
Allowance for doubtful accounts	(360)	(339)
Total investments and other assets	57,077	57,603
Total noncurrent assets	300,148	301,436
Total assets	410,365	417,107

(Millions of yen)

	FY2022	FY2023
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	57,237	59,911
Short-term loans payable	19,841	20,041
Commercial papers	17,000	19,000
Current portion of long-term loans payable	17,795	11,736
Lease obligations	2,445	2,286
Income taxes payable	3,480	4,744
Provision for bonuses	3,540	3,670
Provision for directors' bonuses	198	210
Provision for point card certificates	485	519
Provision for loss on store closing	58	—
Asset Retirement Obligations	65	82
Other	25,895	28,230
Total current liabilities	148,045	150,433
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	47,511	45,766
Lease obligations	10,862	9,950
Deferred tax liabilities	198	231
Provision for directors' retirement benefits	496	411
Provision for retirement benefits	6,297	6,502
Asset retirement obligations	16,143	18,151
Long-term deposits received	6,821	6,700
Other	1,468	1,439
Total noncurrent liabilities	99,799	99,153
Total liabilities	247,844	249,587
(Net assets)		
Shareholders' equity		
Capital stock	13,609	13,609
Capital surplus	20,063	20,062
Retained earnings	115,030	119,567
Treasury stock	(547)	(831)
Total shareholders' equity	148,156	152,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	559	673
Deferred gains (loss) on hedges	5	(2)
Foreign currency translation adjustment	132	(207)
Remeasurements of defined benefits plan	(266)	(138)
Total accumulated other comprehensive income	431	325
Subscription rights to shares	121	19
Minority interests	13,811	14,766
Total net assets	162,521	167,520
Total liabilities and assets	410,365	417,107

Consolidated Statement of Income

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2022 and 2023)

(Millions of yen)

	FY2022	FY2023
Net sales	708,484	735,385
Cost of sales	520,255	539,963
Gross profit	188,228	195,422
Operating revenues	24,034	24,591
Operating gross profit	212,263	220,014
Selling, general and administrative expenses		
Advertising expenses	5,080	4,697
Packaging expenses	159	151
Supplies expenses	1,512	1,251
Distribution expenses	1,864	1,863
Provision for point card certificates	1,587	1,748
Provision of allowance for doubtful accounts	2	0
Directors' remuneration	989	964
Salaries and wages	73,227	75,264
Bonuses	6,282	6,177
Provision for bonuses	3,226	3,388
Provision for directors' bonuses	179	208
Retirement benefit expenses	1,067	1,125
Provision for directors' retirement benefits	(16)	42
Welfare expenses	12,636	13,231
Utilities expenses	10,226	13,691
Rent expenses	31,915	32,937
Repair and maintenance	4,811	4,942
Depreciation	18,071	18,476
Amortization of goodwill	652	711
Other	17,579	19,075
Total selling, general and administrative expenses	191,057	199,951
Operating income	21,205	20,062
Non-operating income		
Interest income	134	123
Dividend income	182	193
Office work fee	1,588	1,555
Rent income	648	683
Investment gain on equity method	85	57
Other	1,963	1,845
Total non-operating incomes	4,603	4,460
Non-operating expenses		
Interest expenses	764	746
Rent cost of real estate	497	492
Other	405	234
Total non-operating expense	1,668	1,473
Ordinary income	24,140	23,049
Extraordinary income		
Gain on sales of noncurrent assets	84	29
Gain on sale of investment securities	1	39
Gain on negative goodwill	0	1
Penalty income	77	263
Subsidy income	582	293
Gain on foreign currency translation adjustment	—	163
Gain on reversal of stock acquisition rights	—	101
Other	95	64
Total extraordinary income	841	957
Extraordinary loss		
Loss on sales of noncurrent assets	42	10
Loss on retirement of noncurrent assets	186	154
Impairment loss	3,308	5,939
Loss on reduction of noncurrent assets	421	221
Loss on valuation of investment securities	6	—
Other	358	349
Total extraordinary loss	4,324	6,675
Income before income taxes	20,657	17,331
Income taxes-current	7,985	8,633
Income taxes-deferred	1,421	(578)
Total income taxes	9,407	8,055
Net income	11,250	9,276
Profit (loss) attributable to non-controlling interests	2,235	1,672
Profit attributable to owners of parent	9,014	7,603

Financial and Corporate Data

Consolidated Financial Statements (Summary)

Consolidated Statements of Cash Flows

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2022 and 2023)

(Millions of yen)

	FY2022	FY2023
Cash flows from operating activities		
Income before income taxes	20,657	17,331
Depreciation and amortization	20,228	20,691
Impairment loss	3,308	5,939
Amortization of goodwill	652	711
Gain on bargain purchase	(0)	(1)
Increase (decrease) in allowance for doubtful accounts	(35)	(19)
Increase (decrease) in defined benefit liabilities	471	448
Increase (decrease) in provision for directors' retirement benefits	(197)	(110)
Increase (decrease) in provision for point card certificates	108	41
Interest and dividends income paid	(317)	(317)
Interest expenses received	764	746
Loss on retirement of noncurrent assets	186	154
Loss on reduction of noncurrent assets	421	221
Loss (gain) on valuation of investment securities	6	—
Equity in losses (earnings) of affiliates	(85)	(57)
Gain on foreign currency translation adjustment	—	(163)
Gain on reversal of stock acquisition rights	—	(101)
Subsidy income	(582)	(293)
Penalty income	(77)	(263)
Decrease (increase) in notes and accounts receivable-trade	(987)	(1,869)
Decrease (increase) in inventories	(3,206)	(3,733)
Increase (decrease) in notes and accounts payable-trade	(2,515)	2,732
Increase (decrease) in accrued consumption taxes	(705)	87
Increase (decrease) in accounts payable-other and accrued expenses	(1,958)	903
Other	1,370	870
Subtotal	37,507	43,948
Interest and dividends income received	218	227
Penalty income received	77	263
Interest expenses paid	(753)	(733)
Income taxes paid	(12,687)	(7,477)
Net cash provided by operating activities	24,361	36,229
Cash flows from investing activities		
Payments into time deposits	(221)	(332)
Proceeds from withdrawal of time deposits	462	276
Purchase of property, plant and equipment	(24,339)	(23,177)
Proceeds from sales of property, plant and equipment	228	232
Purchase of intangible assets	(2,506)	(2,299)
Purchase of investment securities	(355)	(131)
Proceeds from sales of investment securities	7	39
Payments of loans receivable	(29)	(54)
Proceeds from collection of loans receivable	676	74
Payments for guarantee deposits	(2,003)	(1,294)
Proceeds from collection of guarantee deposits	1,738	1,498
Proceeds from guarantee deposits received	653	380
Repayments of guarantee deposits received	(341)	(497)
Payment for acquisition of shares in subsidiaries resulting in change in scope of consolidation	(1,570)	(112)
Payment for acquisition of business	(92)	(128)
Subsidy income	582	293
Other	381	(484)
Net cash provided by investing activities	(26,729)	(25,717)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,121)	200
Net increase (decrease) in commercial papers	7,000	2,000
Proceeds from long-term loans payable	21,800	10,100
Repayments of long-term loans payable	(23,982)	(17,942)
Proceeds from issuance of bonds	9,950	—
Redemption of bonds	(10,010)	—
Repayments of finance lease obligations	(3,221)	(2,697)
Proceeds from sales of treasury stock	15	16
Purchase of treasury stock	(0)	(300)
Cash dividends paid	(2,958)	(3,066)
Dividends paid to non-controlling shareholders	(586)	(577)
Other	0	(61)
Net cash provided by financing activities	(4,115)	(12,329)
Effect of exchange rate change on cash and cash equivalents	0	(76)
Net increase (decrease)in cash and cash equivalents	(6,482	(1,894)
Cash and cash equivalents at beginning of period	29,349	22,867
Cash and cash equivalents at end of period	22,867	20,973

Consolidated Statements of Changes in Net Assets

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2022 and 2023)

FY2022

(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, 2021, adjusted for changes in accounting policies	13,609	20,049	108,998	(561)	142,095	880	—	140	(254)	766	134	12,194	155,190
Cumulative effects of changes in accounting policies			(24)		(24)							(31)	(56)
Restated balance	13,609	20,049	108,973	(561)	142,070	880	—	140	(254)	766	134	12,162	155,134
Changes of items during the period													
Equity transaction with noncontrolling interests		13			13								13
Dividends from surplus			(2,958)		(2,958)								(2,958)
Net income			9,014		9,014								9,014
Purchase of treasury stock				(0)	(0)								(0)
Disposal of treasury stock		0		14	15								15
Net changes of items during the period						(321)	5	(7)	(12)	(335)	(12)	1,649	1,301
Total changes of items during the period	—	14	6,056	14	6,085	(321)	5	(7)	(12)	(335)	(12)	1,649	7,386
Balance, March 31, 2022	13,609	20,063	115,030	(547)	148,156	559	5	132	(266)	431	121	13,811	162,521

FY2023

(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, 2022, adjusted for changes in accounting policies	13,609	20,063	115,030	(547)	148,156	559	5	132	(266)	431	121	13,811	162,521
Cumulative effects of changes in accounting policies					—								—
Restated balance	13,609	20,063	115,030	(547)	148,156	559	5	132	(266)	431	121	13,811	162,521
Changes of items during the period													
Equity transaction with noncontrolling interests		(1)			(1)								(1)
Dividends from surplus			(3,065)		(3,065)								(3,065)
Net income			7,603		7,603								7,603
Purchase of treasury stock				(300)	(300)								(300)
Disposal of treasury stock		0		15	16								16
Net changes of items during the period						113	(8)	(340)	128	(106)	(101)	954	746
Total changes of items during the period	—	(1)	4,537	(284)	4,251	113	(8)	(340)	128	(106)	(101)	954	4,998
Balance, March 31, 2023	13,609	20,062	119,567	(831)	152,408	673	(2)	(207)	(138)	325	19	14,766	167,520

Corporate Data/ Share Information

(as of March 31, 2023)

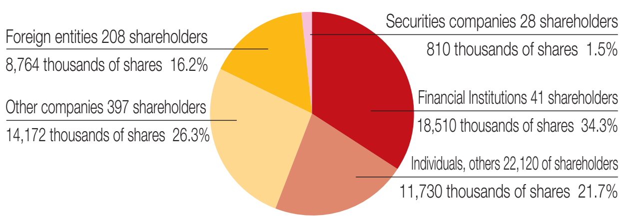
Corporate Data

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 Chairperson & 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	22,794
Stock exchange listings	Tokyo Stock Exchange Prime Market
	Nagoya Stock Exchange Premier Market

Distribution of shareholders by Type



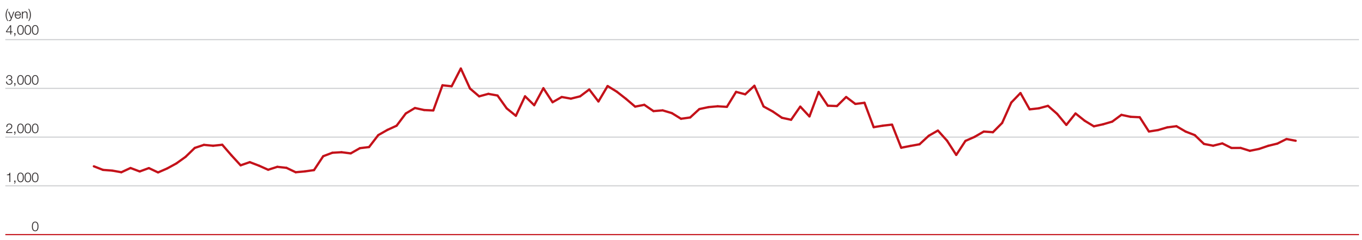
Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Percentage of* Shares Held
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,170	9.61
Custody Bank of Japan, Ltd. (Trust Account)	3,093	5.75
Ito Youth Scholarship Foundation	2,910	5.41
Shiunsha Co.,Ltd.	2,730	5.07
The Norinchukin Bank	2,542	4.72
The Juroku Bank	2,536	4.71
Masami Tashiro	1,389	2.58
Retail Partners Co.,Ltd.	1,260	2.34
Arcs Group Co.,Ltd.	1,260	2.34
MUFG Bank, Ltd.	1,223	2.27

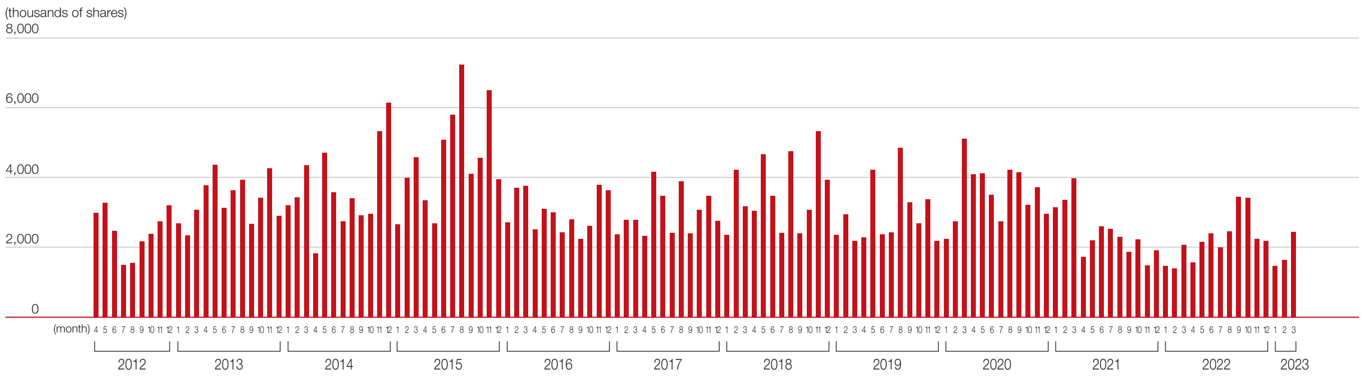
Notes: Shareholders are listed by shareholder number if they hold the same number of shares.
*The percentages of total outstanding shares excluding treasury stock are displayed by rounding down after the three decimal points.

Stock price and trading volume

Stock price (closing price after adjustment)



Volume



Valor Group (As of December 31, 2023)

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

Note: *Same company **Pet Shop Business

Financial and Corporate Data

History

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

"Valor" is derived from a Late Latin word meaning 'a person of courage'.

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

Forward Looking Statement

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

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