Valor Holdings

Creating New Values for Local Communities

# 2021 Annual Report

Fiscal Year Ended March 31, 2021

valor Holdings

# Annual Report 2021

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# 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

valor Holdings

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

# Our Journey in Creating Corporate Values

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

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

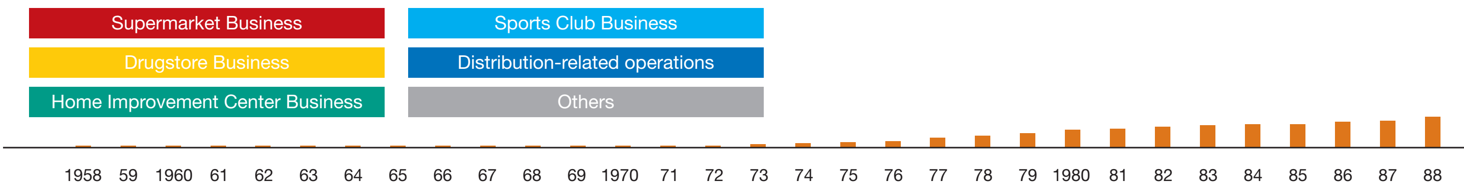
### Clarifying our vision under the influence of the novel coronavirus disease (COVID-19)

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

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

## Revenues Growth

(Revenues from operations)




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

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

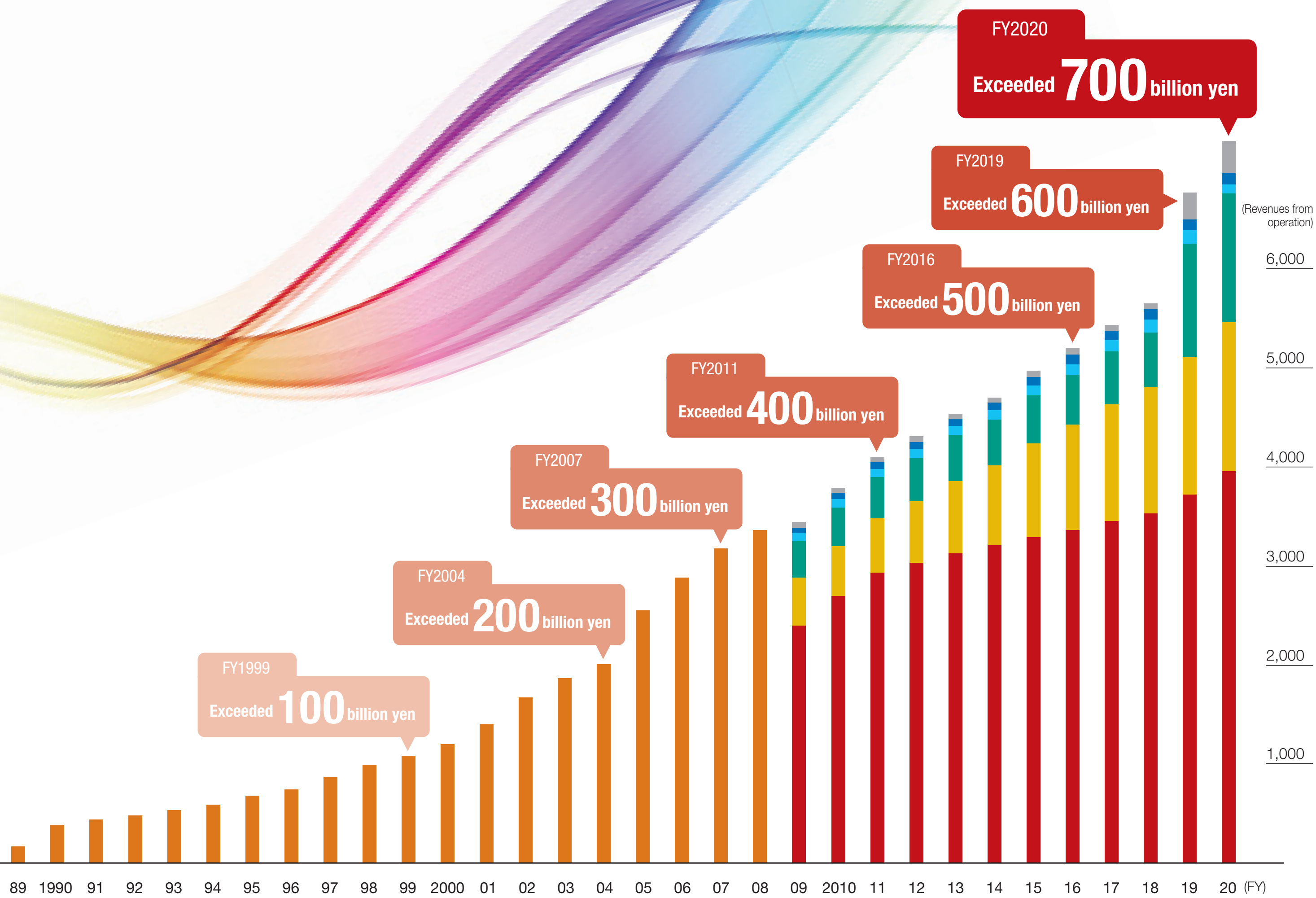
### 1995– Rolling out of Multi-format Retailing and Establishment of Distribution Network

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

### 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.

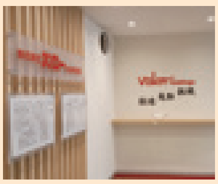
**Pursuit of Economies of Scales 1995 ▶**




## 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 ▶

# 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

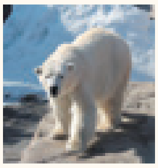
- Aging and decline in workforce
- Changing labor-related policies
- Labor shortage and increasing labor costs

### Accelerating Change in Consumer & Retail Market

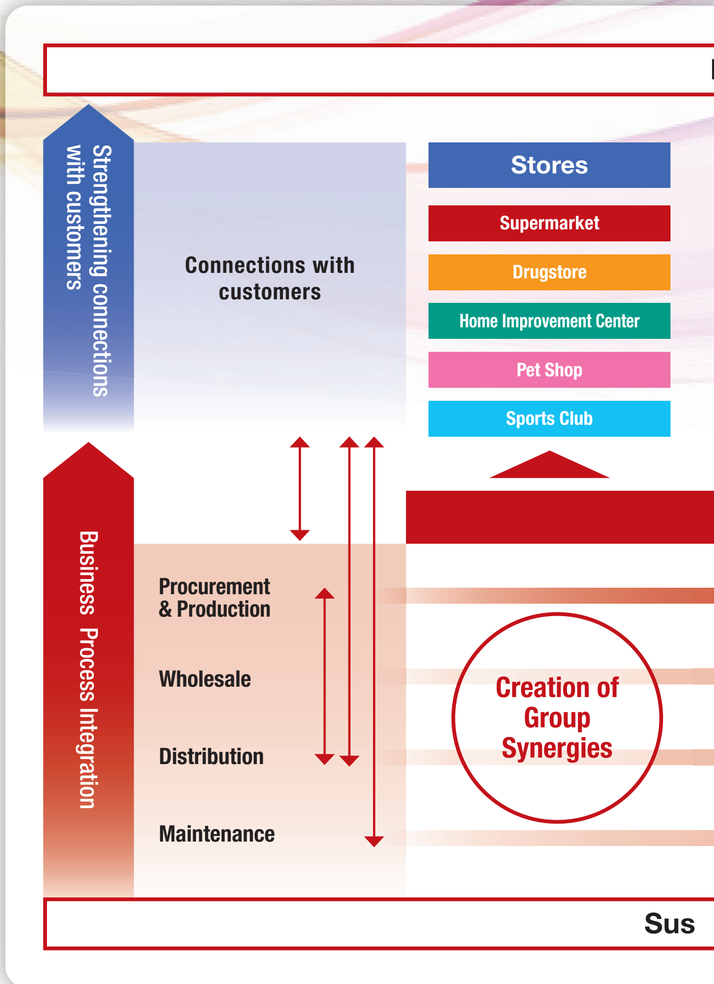
- Aging and declining population
- Impact of IT innovation on shopping behavior
- Decreasing local suppliers serving local communities

### Changing Global Environment

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



## 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.

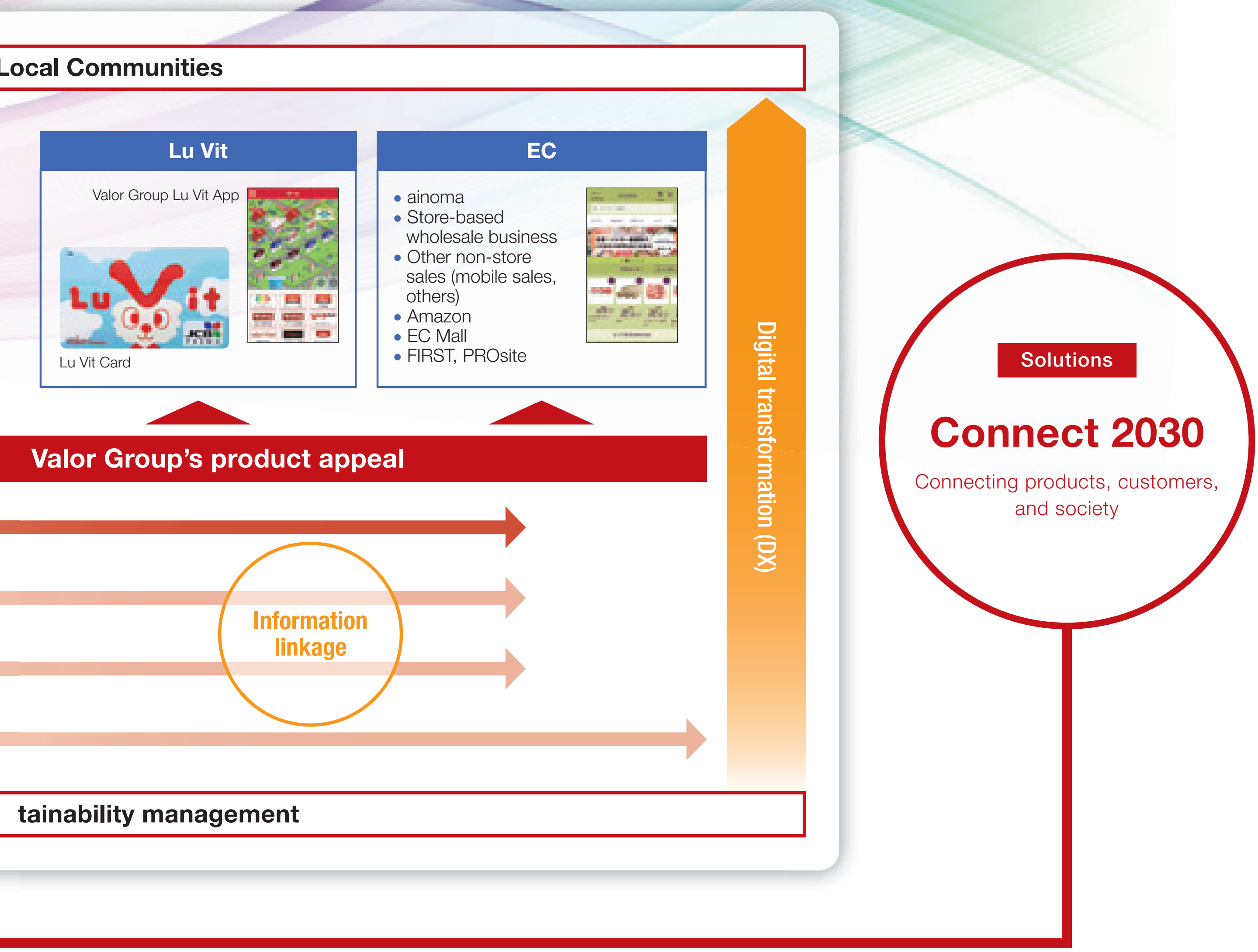
## Connections with products

### 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.

# Message from CEO

*Masami Tashiro*

Chairman & CEO

# To evolve into a destination company that is chosen by society, and grows together with the community

## Transformation by transitioning into a destination store

Since 2020, COVID-19 has cast a dark shadow across all of society, causing stagnation in a wide range of economic activities and leading to changes in consumer behavior. The Group, belonging to the food distribution industry and active in peripheral fields, has been no exception when it comes to feeling such impact, and there is an ongoing situation where each company endeavors to adapt to environmental changes in order to survive.

However, looking back from a medium- to long-term perspective, even prior to the COVID-19 pandemic, the Group's business environment that focused on supermarkets had for a decade or so dealt with management issues concerning questions of just how do we perceive and address changing customer needs for the past ten years. The COVID-19 pandemic, is, we believe, a factor that is accelerating those changing needs. Approximately five years ago, we began trials of a new store model, and based on the direction its transformation has taken, we are adapting stores to the COVID-19 environment.

A pillar of that transformation is the transition to "destination stores." In recent years, convenience stores and drugstores have bolstered sales of food products, and furthermore, with the increasing introduction and use of EC sales, the "proximity to market area" that supermarkets had used to their advantage has diminished in merit. In other words, we can say that it is no longer possible for a store to survive unless its customers feel a strong purpose in making a visit. While curtailing what had been aggressive launches of new stores, the Group believed that it needed to convert existing stores to a model where the unique product and category mix itself would be the motivation for customer visits. We therefore moved forward on the renovation and expansion of fresh food sections, and strived to improve product appeal by renewing private brands.

This management policy, based on "undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products," has enabled us to enhance store competitiveness and go beyond market areas to acquire customers that would not normally be targets, while growing the support that they offer.

## Accomplishments made through medium-term strategic plans to date

Consolidated operating results for FY2020 were revenues from operations of ¥730,168 million, an increase of 7.7% year on year, which marked an increase for the 26th consecutive year. In terms of profit, operating income amounted to ¥25,648 million, an increase of 65.3%; ordinary income was ¥28,397 million, an increase of 68.2%; and profit attributable to owners of parent was ¥12,592 million, an increase of 94.4% for a substantial increase and a new record high.

As a result, the three-year medium-term strategic plan, which commenced in FY2018, has achieved all its final-year targets, namely, revenues from operations of ¥680.0 billion, ordinary income of ¥21.0 billion, ROA of 5.6% or higher, and ROE of 7.7% or higher. We believe that we are on track to improve the profitability of the supermarket business, mainly in existing stores, which had been a pending issue.

In the supermarket business in FY2020 we leveraged the stay-at-home demand that existed under the COVID-19 pandemic to make huge gains, and this was a driver of performance growth throughout the Group. Both the drugstore business and the home improvement center business increased revenues from operations due to increased sales of products that meet the needs of new lifestyles within the COVID-19 environment and products that catered to stay-at-home demand. The home improvement center business made a particularly significant contribution to the Group's overall profit growth owing to the effects of the consolidation of Alleanza Holdings Co., Ltd. On the other hand, the sports club business experienced an

# Message from CEO

unavoidable decline in sales and profit due to the voluntary suspension of store operations in response to the request for suspension of operations following the declaration of a state of emergency, as well as the closure of certain stores.

Looking back on the past, the Group's basic policy in the five-year medium-term strategic plan that began in FY2010 was to "expand the scale of operations," and we aggressively opened new stores and expanded our manufacturing and retailing functions. In the following three-year medium-term strategic plan that began in FY2015, the Group sought to enhance efficiency, and focused on structural reforms and streamlined infrastructure in its supermarket business, while continuing to open a high level of new stores and entrusting the drugstore business to drive the Group's growth.

As I mentioned earlier, in the final plan, which is a succession of the previous plans, we have navigated management toward a basic policy of "undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products," and have achieved steady growth amid an environment transformed by the COVID-19 pandemic, which we did not anticipate when we formulated the plan.

## Realizing two medium- to long-term visions on our way to 2030

In rethinking just how we see the Group's role in society and in what way we will create value in the society of tomorrow, the Valor Group has clarified its medium- to long-term management policies leading up to 2030 as the "Valor Group Vision 2030" and "Sustainability Vision 2030." In order to endure as an indispensable company that is chosen by society, over the next nine years we will realize the two visions stated here, and through these efforts we will build overwhelming strength.

With Valor Group Vision 2030 we will position our dominant areas as central to the creation of Valor Economic Zone that connects local communities with the Valor Group's products, services, and payments. As a concept for all areas set for further development, we aim to evolve from a destination store to a "destination company" that is chosen by society. The expansion of business development and diverse functionality of the Group are generating new business opportunities at the request of local communities, governments, and companies, and by giving form to these opportunities we will build a comprehensive economic zone that surpasses the framework of stores. Nine years from now, in FY2029, we are keen to expand the scale of our business to "over ¥1 trillion in revenues from operations," "over ¥48.0 billion in operating income," and "over ¥50.0 billion in ordinary income," and to secure an efficiency of "9% ROIC" by increasing the operating margin and the return on invested capital.

Sustainability Vision 2030 seeks to contribute to a sustainable society through our business activities and to continue as a company that grows together with all our stakeholders. We have set KPIs relevant to the realization of a decarbonized society and the reduction of food waste, and will continue efforts to reduce our environmental impact over the long term. Specifically, we aim to lower by 40% total greenhouse gas emissions from our supply chain in FY2029 (compared to FY2020) and a 45% reduction in food waste generation (compared to FY2016).

## New three-year medium-term strategic plans to connect products, customers, and society

Valor has commenced our new FY2021-2023 strategic plans as the first step toward realizing the Valor Group Vision 2030 and Sustainability Vision 2030. The strategic goal of this plan is "Connect 2030: Connecting Products, Customers, and Society," and through the implementation of this goal we seek to achieve growth into a destination company. Connect 2030 is the foundation that supports the realization of our vision, and guides the direction of our efforts toward our vision for 2030 as the three "connections."

First, in "connections with products," we will respond to changes in society and consumer behavior by evolving our business model through leveraging our fresh food sales and product capabilities and our manufacturing and retail supply chain functions. The second is "connections with customers." Here we will strengthen ties woven through the new lifestyles of customers by reinforcing the Lu Vit Card, our proprietary card with app that provides prepaid services, and will also build out e-commerce capabilities. The third is "management that is conscious of ties with society," where we confront issues of sustainability, promote the activities of all

Group employees as a company that contributes to future environmental and community development, while also endeavoring to bolster governance.

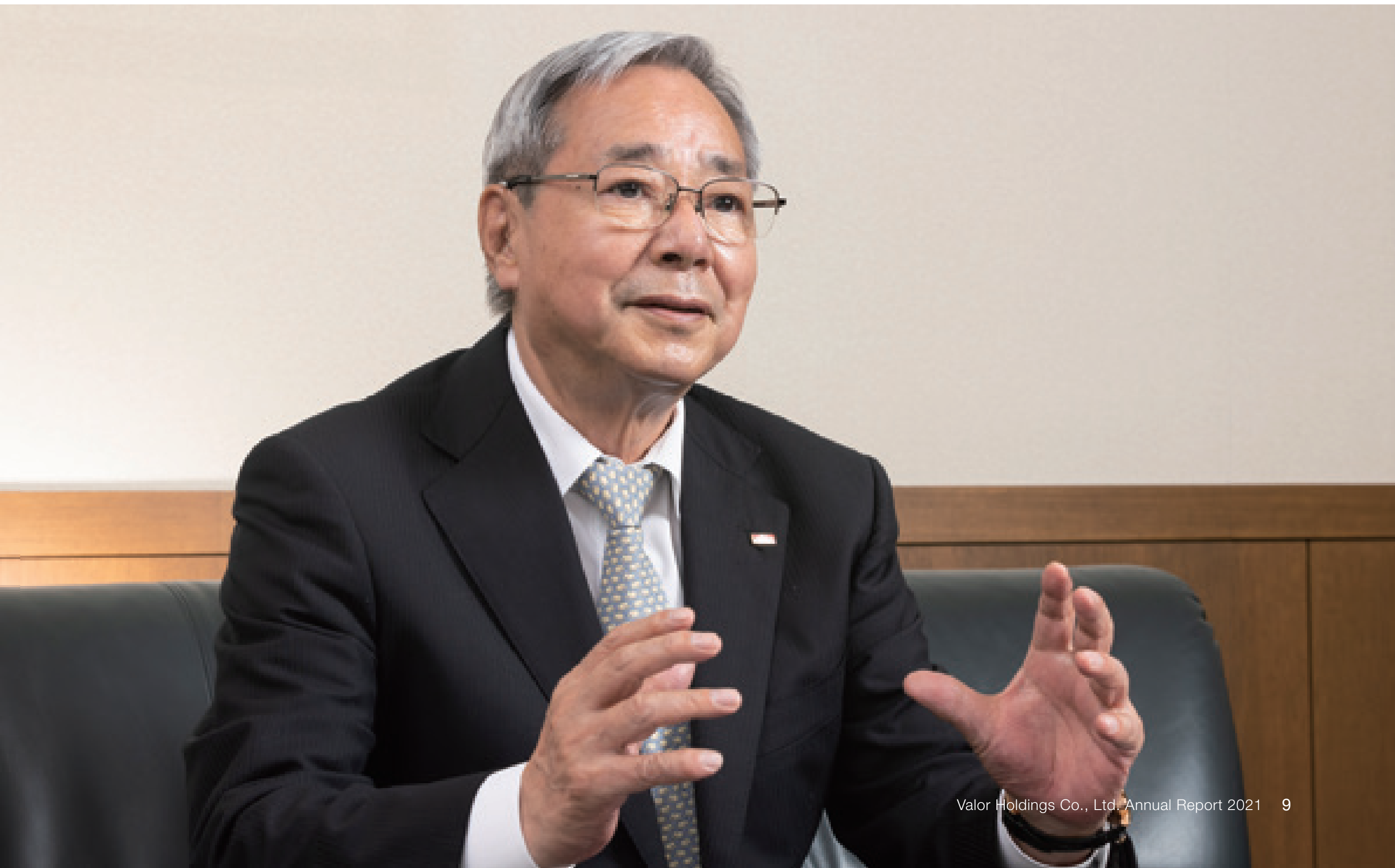
Using these to map out our course, over the next three years, the Group will implement major policies and sustainability management, aiming to achieve revenues from operations of ¥780.0 billion, operating income of ¥29.0 billion, ordinary income of ¥31.0 billion, ROE of 9.3%, ROIC of 6.3%, and D/E ratio of 0.6 times in FY2023. In FY2021, the first year of the strategy, we will invest heavily in the renovation of approximately 30 existing supermarkets to transform them into “destination stores,” and we also plan to make other DX-related investments that will lead to the evolution of our business model. As a result, profit is expected to decline, but the current operating conditions are healthy.

## Becoming a company that grows together with all our stakeholders

In terms of the return of profit to our shareholders, we will continue to pay stable and continuous dividends with a target consolidated dividend payout ratio of 25%. Based on this policy, we plan to pay an annual dividend of ¥56 per share (interim dividend: ¥26 per share; year-end dividend: ¥30 per share) for FY2021, an increase of ¥2 over the previous fiscal year. To meet the expectations of our shareholders, we will strive to further improve our business performance and increase our corporate value while raising even higher the level of returns.

In July 2021, the Company received the results of the determination of compliance with the listing maintenance standards for the new market category from the Tokyo Stock Exchange, and confirmed that it complies with the standards for the Prime Market. Based on the results, we have selected the Prime Market as our new market category and will proceed with the application process. We would like to ask for the continued support of our shareholders and investors.

By providing new value to local communities and supporting the creation of a prosperous future, the Valor Group will continue to grow together with all its stakeholders. Please look forward to seeing us tackle further challenges.



# Review of medium-term strategic plans

## Flow of three-year medium-term strategic plans

The Valor Group develops a diverse range of businesses, including supermarkets, drugstores, and home improvement centers, and builds business models oriented toward manufacturing and retailing, which encompasses every step along the way, from manufacturing to distribution and sales, creating synergies while integrating the Group's management resources. The Group has been formulating and implementing medium-term strategic plans since the fiscal year ended March 31, 2011, with the aim of increasing corporate value. In the first five years, we set the strategic goal of "expanding scale" and accelerated the opening of supermarkets and drugstores while establishing and enhancing infrastructure such as logistics, manufacturing, and processing functions to keep up with business expansion. In the three years under the FY2015-2017 plans, we aimed to "improve efficiency" through renovation of existing stores and streamlining of infrastructure, and positioned the drugstore business as a key driver of the Group's growth while continuing to open stores a high pace. In the following three-year medium-term strategic plans that started FY2018, we promoted the transformation of supermarkets and other stores into "destination stores" that offered products and categories that customers would find compelling to visit, and focused on heightening the appeal of products, a component of this transformation. As stated in our basic policy of "undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products," we successfully transitioned away from growth based on store openings.

| | Founding FY2009 | FY2014 | FY2017 | FY2020 | FY2023 | FY2026 | FY2029 |
|---|---|---|---|---|---|---|---|
| Corporate Philosophy | "Creation, Advance & Challenge" → | | | | | | |
| Medium- to long-term management policy | | FY2010-2014 Strategic Plans | FY2015-2017 Strategic Plans | FY2018-2020 Strategic Plans | New three-year medium-term strategic plans | Valor Group Vision2030<br>Sustainability Vision 2030 | |
| Strategic goals | | Expanding scale | Improving efficiency | Undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products | Connect 2030<br>Connecting products, customers, and society | | |
| Growth driver | | Expansion of store network | Stable growth backed by main businesses | Product appeal | Product appeal | | |
| Connections with customers | Store (Various business formats) | Store (Various business formats) | Store (Various business formats) | Store<br>Partial EC, other | Stores, e-commerce (EC)<br>Proprietary electronic money Lu Vit | | |

## Results and topics of past medium-term strategic plans

| Period | Results | Challenges |
|---|---|---|
| FY2010-2014 Strategic Plans | • Secured a scale of operations and improved infrastructures<br>• Improved profitability<br>• Improved balance sheet<br>• Enhanced corporate values | • Increase efficiency in the supermarket business<br>• Strengthen existing stores and improve efficiency of infrastructure utilization<br>• Nurture key drivers for growth<br>• Improvement of governance in the holding company and development of human resources |
| FY2015-2017 Strategic Plans | • Expanded the drugstore business<br>Revenues increased from 80.4 billion yen to 117.9 billion yen.<br>• Improved utilization and efficiency of infrastructures<br>enhanced product development and secured manufacturing profits<br>changed sales floor allocation centered on fresh vegetables & fruits, fresh meat and prepared food<br>• Created group synergies by combining resources<br>collaborations in opening new stores | • Improvement of profitability<br>Improve profitability by enhancing the appeal of products and frontline competitiveness<br>• Improvement of asset efficiency<br>Enhance strategic functions of the holding company<br>From closed innovation to cooperation<br>• Human resources development and improvement of productivity |
| FY2018-2020 Strategic Plans | • Enhanced competitiveness gained by transitioning format to destination stores that clarified motivation to visit store<br>• Platform creation for manufacturing and retailing<br>• Human resources fostered by promoting exchange within Group | • Improved management efficiency<br>• Strengthened financial structure<br>• Higher product appeal across Group<br>• Crystallization of corporate value in response to accelerating changes in environment and society |

## Basic policy of the FY2018-2020 strategic plans

In the previous strategic plan commenced in FY2018, we established a basic policy of "undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products." We set "creation of a more competitive format with a focus on products" as a medium-to long-term growth initiative, with the intention of improving profitability by growing sales and broadening the market area of respective stores.

## Results

(Millions of yen)

| | | FY2009 results (FY ended March 31, 2010) | FY2014 results Final year of FY2010-2014 strategic plans | FY2017 results Final year of FY2015-2017 strategic plans | FY2020 results Final year of FY2018-2020 strategic plans |
|---|---|---|---|---|---|
| Revenues from operations | | 344,900 | 470,564 | 544,020 | 730,168 |
| Operating income | | 9,452 | 15,000 | 13,470 | 25,648 |
| Ordinary income | | 9,916 | 16,108 | 14,937 | 28,397 |
| Net income | | 3,945 | 9,214 | 7,570 | 12,592 |
| Total assets | | 176,440 | 245,386 | 285,905 | 404,458 |
| Net assets | | 58,578 | 90,881 | 113,167 | 155,190 |
| Interest-bearing debt | | 69,107 | 86,880 | 88,821 | 120,884 |
| Management efficiency indicator | ROA | 5.7% | 6.7% | 5.4% | 7.2% |
| | ROE | 7.0% | 10.7% | 6.9% | 9.2% |
| | D/E ratio | 1.2 | 1.0 | 0.8 | 0.8 |
| Capital Expenditures (composition ratio) | Based on payment | 11,537 (single year) | 20,131 (5-year average) | 24,019 (3-year average) | 30,615 (3-year average) |
| | for new store openings | 71.7% | 59.9% | 57.1% | 49.1% |
| | for refurbishing existing stores | 23.1% | 15.4% | 29.4% | 38.2% |
| | for others | 5.2% | 24.7% | 13.5% | 12.7% |

## Summary of medium-term strategic plans

**Results**

### Quantitative targets achieved

We achieved all our quantitative targets for the fiscal year ended March 31, 2021, which were revenues from operations of ¥680.0 billion, ordinary income of ¥21.0 billion, ROA of 5.6% or higher and ROE of 7.7% or higher. We are on track to improve the profitability of our supermarket business, especially in existing stores.

**Challenges**

### Improving management efficiency is an ongoing issue

We are still on the starting line in terms of initiatives to raise product appeal across the Group and business in the post COVID-19 period. Although the acquisition of Alleanza Holdings Co., Ltd. as a subsidiary has contributed to enhancing the appeal of products, issues remain when it comes to management efficiency and financial position after consolidation, and our efforts to make further improvements are ongoing.

# Formulating a medium- to long-term management policy

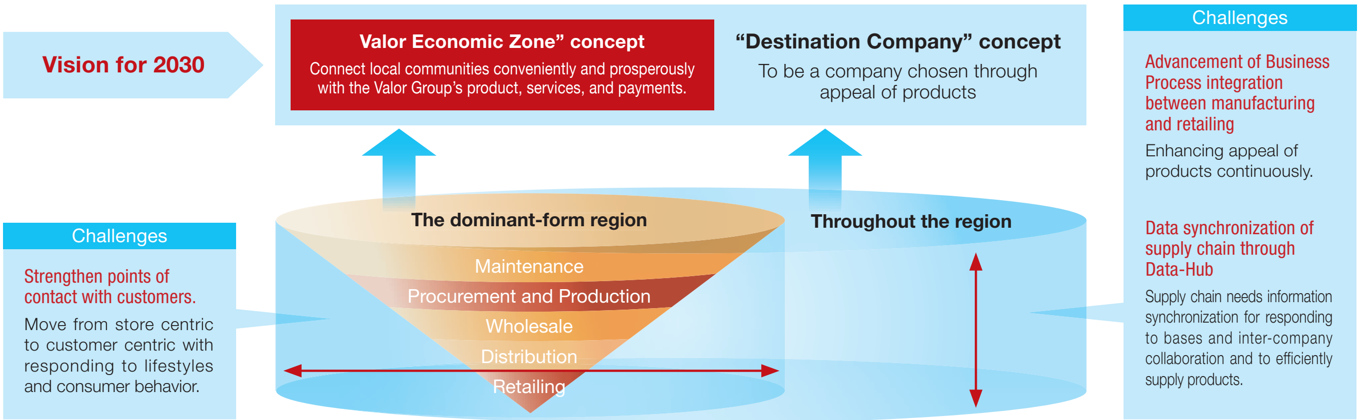
## Valor Group Vision2030

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

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

### Evolving our business model

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




### Medium- to long-term quantitative targets

(FY2021-2029)

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

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

### Business model KPI

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

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

# FY2021-2023 Strategic Plans



## FY2021-2023 Strategic Plans

**Quantitative targets** (FY ending March 31, 2024)

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

**Connect 2030** — Connecting products, customers, and society

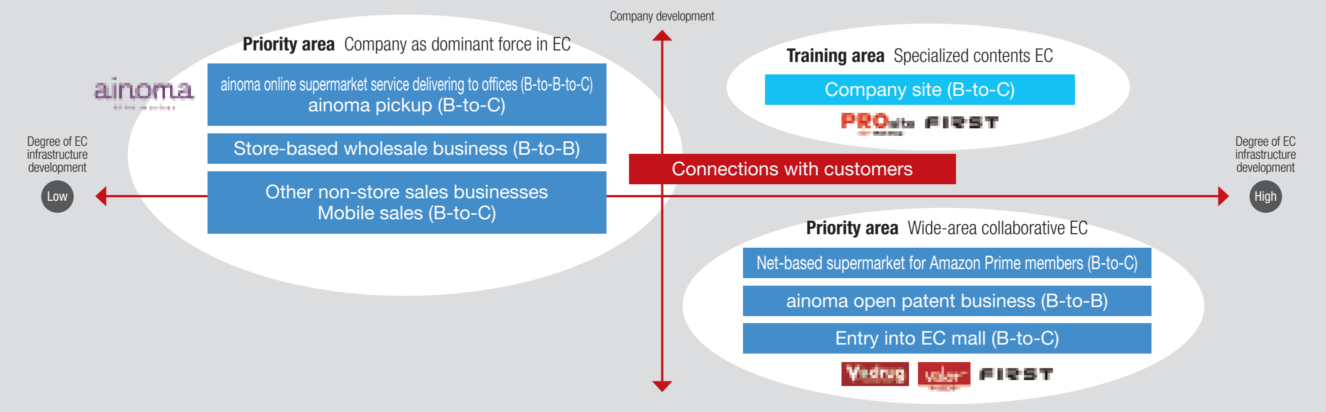
| | | |
|---|---|---|
| Major Policies | Enhancing the appeal of products | • Promoting the transition to a "destination store"<br>• Making our manufacturing capabilities more robust<br>• Linking information in the supply chain |
| | Strengthening connections with customers | • Promoting EC strategy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

## Details of major policies

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

## Promoting EC strategy

**Use Company resources in regions with less developed EC infrastructure, and in large areas where EC infrastructure is more mature, promote wide-area collaboration.**



# Segment Overview/Segment Information

Revenues from operations by segment and their distribution

## Supermarket Business

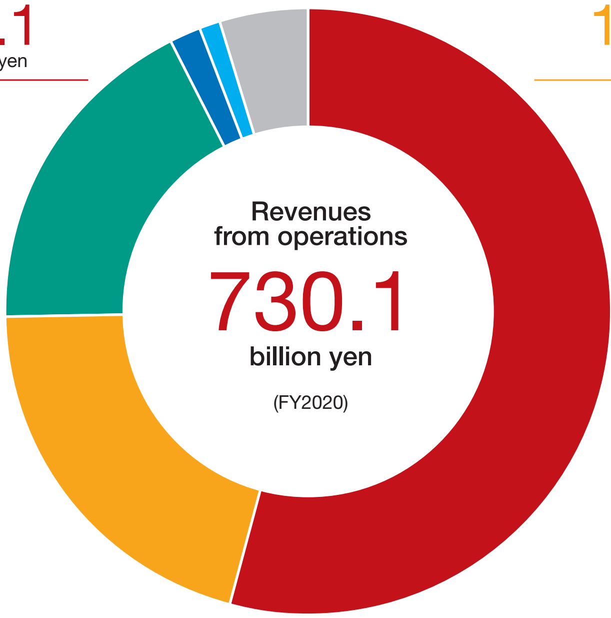
54.3%

| Revenues from operations | Operating income |
|---|---|
| 396.2 billion yen | 16.1 billion yen |

## Drugstore Business

20.6%

| Revenues from operations | Operating income |
|---|---|
| 150.5 billion yen | 3.9 billion yen |




## Home Improvement Center Business

17.8%

| Revenues from operations | Operating income |
|---|---|
| 130.1 billion yen | 7.3 billion yen |

## Sports Club Business

1.2%

| Revenues from operations | Operating income |
|---|---|
| 9.1 billion yen | △1.9 billion yen |

## Distribution-related operations

1.5%

| Revenues from operations | Operating income |
|---|---|
| 11.2 billion yen | 3.2 billion yen |

## Supermarket Business

No. of stores·············· 297 Ave. floor space·············· 1,813m²

(Valor Co., Ltd.)


### ▶Business summary

This business segment includes the operations of supermarket operators Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., Kohseiya Co., Ltd., Futabaya Co., Ltd., Sanko Co., Ltd. and Terao Store Inc.; food processing subsidiaries Chubu foods Co., Ltd. and Daien Foods Co., Ltd.; and food wholesalers Shufu-no-Mise Shoji Chubu Honsha Co., Ltd., Chubu Meat Co., Ltd., and V-Solution Co., Ltd. These companies aim at creating business models that optimize the entire business process from sourcing to retailing.

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

## Drugstore Business

No. of stores…………… 449 Ave. floor space…………… 764 m²

### Business summary

We started the drugstore business by establishing Chubu Yakuhin Co., Ltd. and selling medicines in February 1984. Expanding its store network under the brand name of “V-drug”, Chubu Yakuhin Co., Ltd. reached 100 stores in 2003, 200 stores in 2012, 300 stores in 2016, and 400 stores in 2019. It extends across ten prefectures, primarily in Aichi and Gifu prefectures. The chain has increased convenience by expanding food offerings as well as medicines and cosmetics.

As a local medical support provider, it has developed pharmacies and drugstores with pharmaceutical functions, and acquired shares of Hida Pharmaceutical LLC in July 2019. In 2020, it also acquired Sun Pharmacy LLC and Aoi Pharmaceutical LLC as it continues to expand stores with pharmaceutical functions.

*As of April 1, 2021, Sun Pharmacy LLC was merged into Chubu Yakuhin Co., Ltd.

## Home Improvement Center Business

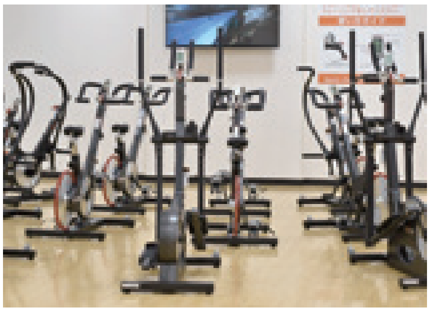
No. of stores…………… 152


### Business summary

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

## Sports Club Business

No. of stores…………… 190



### Business summary

The sports club business commenced operations in April 1998 following the transfer of assets from Valor Co., Ltd. AXTOS Co., Ltd., which formerly operated general sports clubs with swimming pools and tennis courts, began operating the low investment chain of “Sports Club AXTOS Will_G,” also establishing its franchise operations. These sports clubs are not only growing in the prefectures of Aichi and Gifu, but are also expanding throughout the country, including regions with higher population densities such as Kanto and Kansai. Considering the impact caused by the spread of COVID-19 in 2020, we are moving forward with business operations that contribute to local health-related demand while improving management efficiency by reducing fixed costs and reviewing expenses.

## Distribution-related operations


### Business summary

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

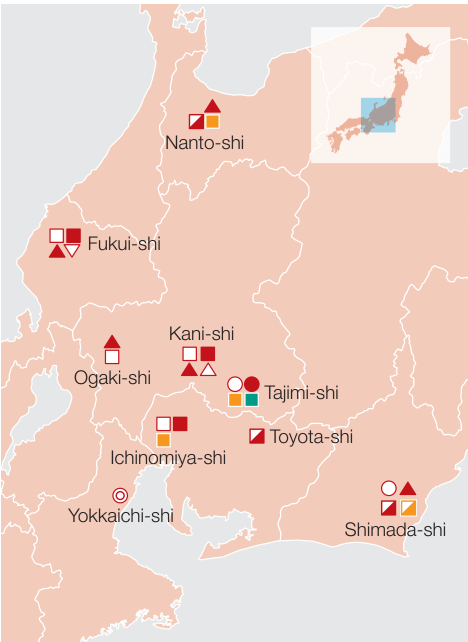
# Segment Financial Review

## Store Network

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Supermarkets** | 202 | 218 | 238 | 251 | 263 | 266 | 275 | 281 | 290 | 298 | 297 |
| Valor Co.,Ltd. | 147 | 163 | 179 | 221 | 232 | 235 | 238 | 243 | 240 | 240 | 239 |
| Tachiya Co., Ltd. | 10 | 11 | 11 | 13 | 13 | 13 | 14 | 15 | 16 | 17 | 17 |
| Youth Co., Ltd.* | 28 | 29 | 31 | — | — | — | — | — | — | — | — |
| Shokusenkan-Taiyo Co.,Ltd. | 17 | 15 | 15 | 15 | 17 | 17 | 17 | 17 | 17 | 17 | 16 |
| Kohseiya Co.,Ltd. | — | — | — | — | — | — | 5 | 5 | 5 | 6 | 6 |
| Futabaya Co.,Ltd. | — | — | — | — | — | — | — | — | 3 | 3 | 3 |
| Sanko Co.,Ltd. | — | — | — | — | — | — | — | — | 8 | 8 | 8 |
| Terao Stores Inc. | — | — | — | — | — | — | — | — | — | 4 | 4 |
| Yamato Store LLC. | — | — | — | — | — | — | — | — | — | — | 1 |
| VARO Co.,Ltd. | — | — | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 3 | 3 |
| Other | — | — | — | — | — | — | — | — | — | — | — |
| **Drugstores** | 174 | 193 | 214 | 241 | 271 | 301 | 337 | 361 | 379 | 416 | 449 |
| **Home Improvement Centers** | 36 | 34 | 35 | 35 | 36 | 37 | 35 | 36 | 36 | 148 | 152 |
| **Sports Clubs** | 51 | 51 | 52 | 54 | 58 | 65 | 75 | 95 | 146 | 192 | 190 |
| **Pet Shops** | 16 | 17 | 17 | 17 | 17 | 18 | 19 | 21 | 22 | 107 | 110 |
| **Others** | 15 | 15 | 11 | 3 | 3 | 3 | 4 | 5 | 7 | 14 | 28 |
| **Total** | **494** | **528** | **567** | **601** | **648** | **690** | **745** | **799** | **880** | **1,175** | **1,226** |

Note: *merged into Valor in October, 2013.

## Number of Stores by Region and Locations of Infrastructures (FY2020)




**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)

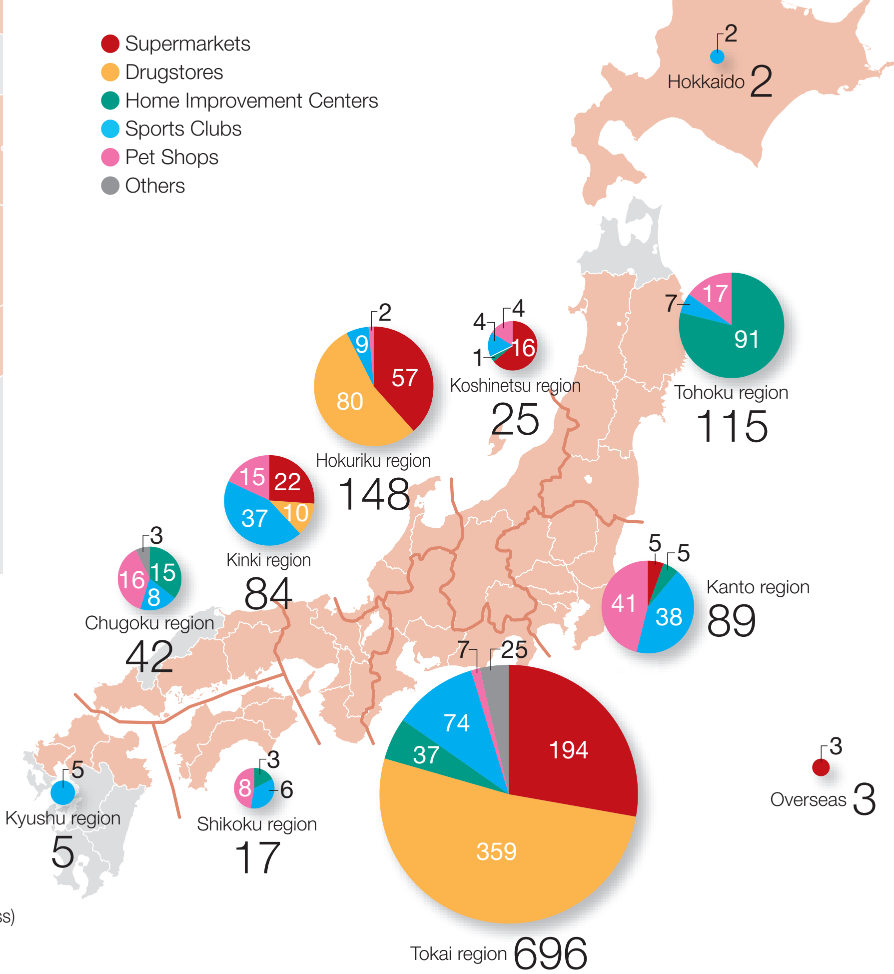
**Home Improvement Center Business**

■ 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.

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



(Millions of yen)

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Supermarkets** | | | | | | | | | | | |
| Revenues from operations | 269,918 | 293,505 | 303,521 | 313,208 | 321,458 | 329,266 | 336,555 | 345,960 | 353,311 | 372,733 | 396,248 |
| Operating income | 9,580 | 10,783 | 11,028 | 8,443 | 9,760 | 9,887 | 9,738 | 8,518 | 9,433 | 9,050 | 16,103 |
| Total assets | 114,693 | 119,293 | 127,490 | 142,260 | 144,604 | 153,045 | 176,384 | 184,386 | 195,231 | 200,720 | 207,938 |
| Capital expenditures | 12,012 | 9,199 | 12,915 | 17,931 | 12,078 | 10,506 | 11,887 | 12,574 | 13,376 | 7,462 | 13,562 |
| Depreciation and amortization | 5,430 | 5,978 | 6,346 | 6,826 | 7,381 | 7,556 | 7,339 | 7,490 | 7,633 | 8,431 | 8,363 |
| **Drugstores** | | | | | | | | | | | |
| Revenues from operations | 50,651 | 54,850 | 62,497 | 73,028 | 80,470 | 95,152 | 107,045 | 117,949 | 127,781 | 139,358 | 150,575 |
| Operating income | 1,357 | 2,294 | 1,934 | 2,449 | 1,961 | 2,736 | 2,692 | 2,532 | 3,488 | 4,317 | 3,978 |
| Total assets | 22,814 | 26,501 | 29,065 | 33,649 | 38,557 | 44,602 | 52,019 | 58,849 | 58,725 | 67,755 | 75,511 |
| Capital expenditures | 1,400 | 2,547 | 3,134 | 3,893 | 4,333 | 5,776 | 8,087 | 5,359 | 4,622 | 6,135 | 7,123 |
| Depreciation and amortization | 860 | 979 | 1,183 | 1,454 | 1,780 | 2,114 | 2,588 | 2,927 | 3,104 | 3,170 | 3,533 |
| **Home Improvement Centers** | | | | | | | | | | | |
| Revenues from operations | 38,928 | 41,734 | 43,810 | 46,559 | 46,556 | 48,629 | 50,373 | 53,555 | 55,173 | 114,301 | 130,177 |
| Operating income | 1,269 | 1,677 | 1,869 | 2,330 | 2,011 | 2,450 | 2,302 | 2,149 | 2,616 | 3,465 | 7,327 |
| Total assets | 17,479 | 18,553 | 19,456 | 19,068 | 22,430 | 22,499 | 23,942 | 25,562 | 31,020 | 81,239 | 81,602 |
| Capital expenditures | 730 | 1,943 | 1,259 | 464 | 2,276 | 1,478 | 4,777 | 1,316 | 645 | 4,677 | 3,595 |
| Depreciation and amortization | 876 | 867 | 899 | 875 | 910 | 945 | 1,000 | 1,099 | 1,083 | 2,505 | 2,440 |
| **Sports Clubs** | | | | | | | | | | | |
| Revenues from operations | 8,514 | 8,604 | 8,788 | 8,955 | 9,271 | 9,838 | 10,459 | 11,397 | 13,157 | 13,597 | 9,146 |
| Operating income | 77 | 247 | 420 | 419 | 463 | 532 | 639 | 680 | 672 | 556 | (1,933) |
| Total assets | 12,009 | 11,287 | 10,760 | 10,382 | 10,611 | 10,634 | 10,776 | 13,059 | 15,175 | 15,768 | 15,331 |
| Capital expenditures | 146 | 124 | 319 | 338 | 527 | 791 | 1,119 | 3,114 | 2,565 | 1,960 | 140 |
| Depreciation and amortization | 770 | 669 | 666 | 636 | 655 | 711 | 785 | 882 | 1,080 | 1,295 | 1,236 |
| **Distribution-related operations** | | | | | | | | | | | |
| Revenues from operations | 5,929 | 6,383 | 6,699 | 7,228 | 7,638 | 8,590 | 9,610 | 9,075 | 10,265 | 10,687 | 11,269 |
| Operating income | 2,410 | 2,761 | 3,062 | 2,995 | 3,395 | 3,647 | 3,699 | 3,725 | 2,910 | 2,793 | 3,210 |
| Total assets | 15,339 | 17,514 | 18,809 | 22,351 | 24,082 | 23,961 | 24,894 | 27,230 | 28,569 | 29,733 | 32,519 |
| Capital expenditures | 439 | 1,659 | 1,888 | 2,155 | 624 | 478 | 2,018 | 3,044 | 384 | 1,050 | 965 |
| Depreciation and amortization | 381 | 439 | 550 | 784 | 819 | 716 | 721 | 758 | 817 | 846 | 976 |

# Sustainability Management

## The Valor Group Sustainability Management

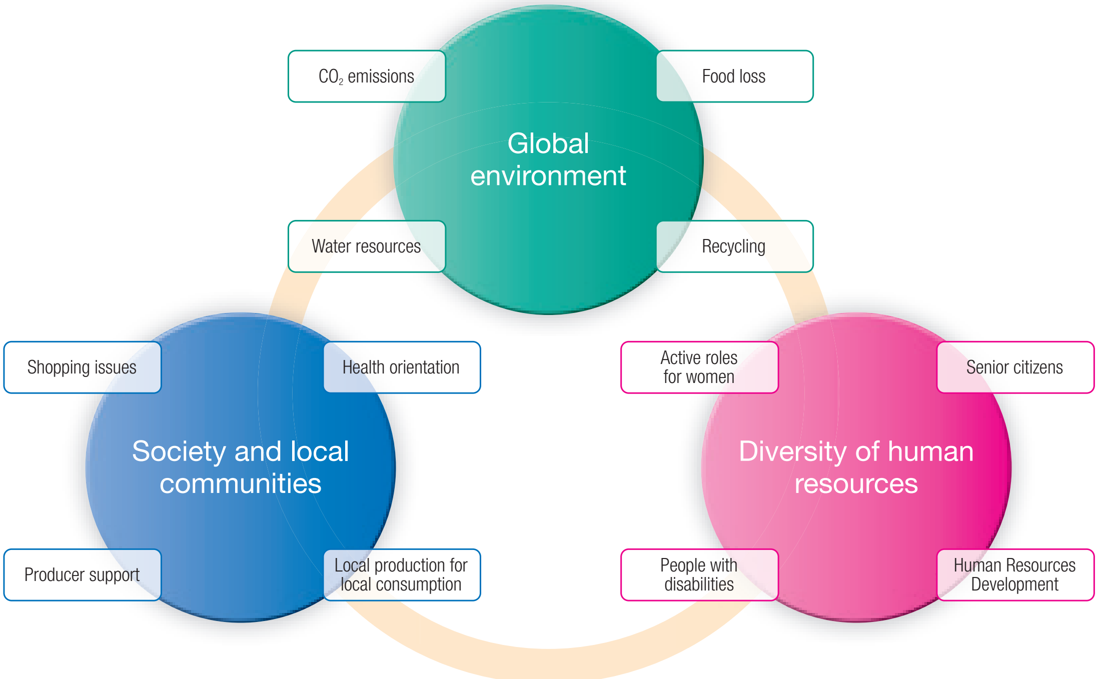
The Valor Group has established its Valor Group Vision 2030, its vision of itself for 2030, and aims to build "Valor Economic Zone" that connects local communities conveniently and prosperously with the Valor Group's products, services, and payments. It also seeks to become a "destination company" that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

## Sustainability Vision 2030

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

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

| Initiatives taken from order of high priority throughout the Valor Group | Platform (shared platform) upon which actions are taken in FY2021 |
|---|---|
| | ● Global environment *Tackling the challenge of meeting numerical targets with the goal of delivering the connection of a sustainable global environment to the next generation<br>● Society and local communities<br>● 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<br>• Promoting introduction of renewable energy<br>• Collaboration with suppliers<br>• 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<br>• Environmental training for all employees |

## Initiatives for all Valor Group employees


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

**1,000 participants in the Group SDGs learning program**

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


### Connections with customers

Under the Company-wide slogan of "Delicious Future," we are rolling out the "Temaedori (pick the item on the front of the shelf) Movement." In addition to promoting the reduction of food waste at food processing and manufacturing sites and at each and every company in the Group, we are also expanding the scope of our activities for what we can do together with our customers.


Exhibiting at SDGs AICHI EXPO 2021 (Oct. 2021)


2021 store SDGs educational poster

# Global Environment

## Reduction of greenhouse gas emissions

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

## Calculating greenhouse gas in the supply chain

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

### FY2020[*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] | 7,270 |
| | | Emissions due to leakage of CFCs[*4] | 46,979 |
| Scope 2 | Indirect emissions from the use of electricity, heat, or steam supplied by other companies[*5] | | 131,252 |
| Scope 3 | Indirect emissions other than Scope 1, 2 | | 1,059,763 |

### Scope 3 emissions

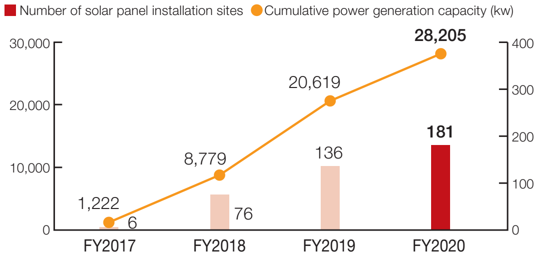
| Scope/Category | | Emission volume (t-$CO_2$) | Ratio | |
|---|---|---|---|---|
| | | | Scope3 | Scope1,2,3 |
| Supply chain emissions volume | | 1,245,264 | | 100.0% |
| Scope1 | | 54,249 | | 4.4% |
| Scope2 | | 131,252 | | 10.5% |
| Category 1 | Purchased goods | 964,188 | 91.1% | 77.4% |
| Category 2 | Capital goods | 30,937 | 2.9% | 2.5% |
| Category 3 | Fuel- and energyrelated activities | 22,633 | 2.1% | 1.8% |
| Category 4 | Upstream transportation and distribution | 9,795 | 0.9% | 0.8% |
| Category 5 | Waste generated in operations | 24,685 | 2.3% | 2.0% |
| Category 6 | Business travel | 344 | 0.0% | 0.0% |
| Category 7 | Employee commuting | 3,819 | 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 | 3,360 | 0.3% | 0.3% |
| Category 13 | Downstream leased assets | — | — | — |
| Category 14 | Franchises | — | — | — |
| Category 15 | Investments | — | — | — |
| Scope3 | | 1,059,763 | 100.0% | 85.1% |

*1 April 2020 to March 2021
*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

## Development of renewable energy

The Group will work to create renewable energy sources in order to reduce greenhouse gas emissions. The use of renewable energy is expected to reduce $CO_2$ emissions by about 20% compared to before the panels were installed. Concerning the third-party ownership model of solar power generation systems with BCP functions (the "PPA model"), Valor Co., Ltd. made installations at two stores in FY2019 and two stores in FY2020. Even in the event of a power outage due to lightning strikes, disasters, or other emergencies, store operations can be continued with power automatically supplied from the energy storage system, enabling activities without suspending shopping by local customers.

**Number of solar panel installation sites and cumulative power generation capacity**




Note: Installed at Valor Holdings Co., Ltd., Valor Co., Ltd., Chubu Yakuhin Co., Ltd., Home Center Valor Co., Ltd., AXTOS Co., Ltd. and Chubu Kosan Co., Ltd.
Added stores with PPA model type

## Reduction of food waste

The Group views the reduction of food waste as an important issue, and each company strives at activities to reduce food waste. In Valor Co., Ltd.'s sales policy, it has worked with its customers as it endeavors to reduce food waste by improving order accuracy, product turnover rate, and product sell-through, while incorporating customer feedback. Initiatives at each Group company remain ongoing.

**Changes in the rate of food waste generated for every 1 million yen of net sales**


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

## Activity Highlights

Results of the major management items for the year under review will be the basis for performance indicators for the next year and subsequent years.

We pursue initiatives in order to contribute to the environment, society and our customers.

## Environmental Performance

| | Management items | Specific initiatives | FY2019 results | FY2020 results | Evaluation | Causes and Effects |
|---|---|---|---|---|---|---|
| Reduction of greenhouse gas emis | Development of power consumption | ● Demand management<br>● Management of air-conditioning temperature<br>● Turning off of unnecessary lighting<br>● Introduction of highly efficient facilities and equipment | **1.04**<br>[kWh/million yen]* | **0.95**<br>[kWh/million yen]* | | At Valor, we achieved an approximately 4%reduction in usage. We will continue to make efforts to improve the efficiency of our energy use by utilizing energy management systems. |
| | Energy-saving deliveries | Store deliveries<br>● Encouragement of idling stop practice<br>● Instructions and education for energy-saving driving | Compared with the previous year<br>● Driving distance: **99**%<br>● Amount of fuel used: **98**%<br>● Fuel economy improved: **101**% | Compared with the previous year<br>● Driving distance: **106**%<br>● Amount of fuel used: **106**%<br>● Fuel economy improved: **99**% | | Driving distance and amount of fuel used decreased by reviewing the number of deliveries and routes, and fuel economy also improved. We will continue to aim to improve delivery efficiency. |
| | Reduction of specified CFCs emissions | ● Replacement of refrigerators and air-conditioners<br>● Regular facility inspections | Stores covered: **37** | Stores covered: **26** | | We will continue replacement and regular facility inspections. |
| Development of renewable energy | Development of energy | ● Installation of solar panels | ● Total wattage generated: **11,841**kW<br>● Business premises covered: **60** | ● Total wattage generated: **7,586**kW<br>● Business premises covered: **45** | | We will consider where to install the system in each Group company and make efforts in conjunction with the BCP by introducing storage batteries. |
| Reduction and recycling of food waste | Reduction of food waste | ● Implementation of planned ordering and production<br>● Store shelf management<br>● Review of product lineups in evenings and volume adjustment | **46.6**<br>[kg/million yen]** | **45.4**<br>[kg/million yen]** | | Through planned production and sales floor planning and management, we significantly reduced the amount of waste compared to last year. We will continue to aim for zero waste. |
| | Recycling encouragement of food waste | ● Reduction of disposing products<br>● Expansion of stores to conduct recycling | ● Recycling rate: **42.0**% | ● Recycling rate: **44.8**% | | Although the number of stores to conduct recycling increased, the volume decreased. We will strive to improve the recycling rate. |

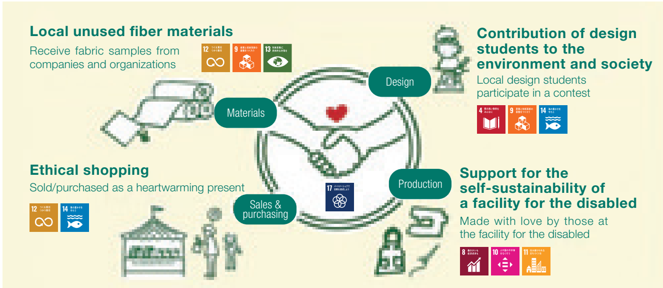
Note: Covers each Valor Holdings Co., Ltd. company. Calculation covers food retail industry regarding power consumption and food waste generation. Covered: Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., Kohseiya Co., Ltd., Futabaya Co., Ltd. and Sanko Co., Ltd. *Electricity usage as a percentage of net sales [1,000 kWh/million yen] (Units)
**Food waste generated as a percentage of net sales [kg/million yen] (Units)

# Local Communities and Global Environment

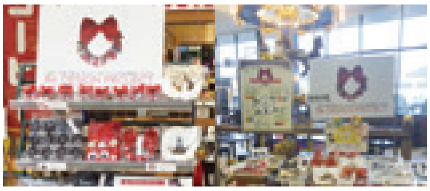
We are cooperating in local activities while advancing sustainable production initiatives through resource circulation in order to solve global environmental issues.

## Participation in the ethical Re DESIGN PROJECT

Aiming for ethical production, this project is a collaboration among various organizations, companies, and others across industries to make local unused fiber materials usable and sell products made of these fiber materials. Valor agrees with this project and has participated mainly as a sales outlet.



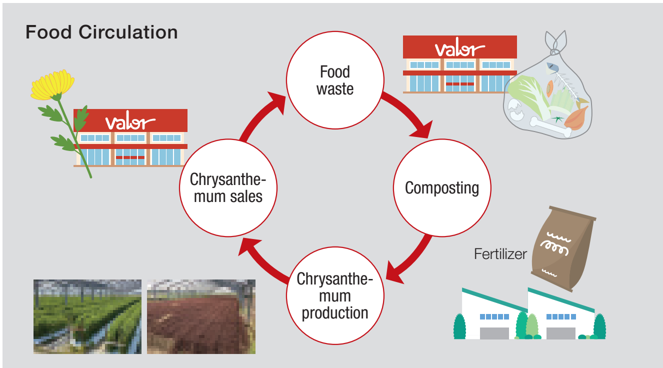

This year stores began charging for plastic bags, so the theme was “SDGs Shopping,” which involved producing multipurpose reusable bags that are made of unused fiber materials. Valor stores in Tajimi (Gifu Prefecture) and Ryoge (Gifu Prefecture) sold the Valor Prize bags and other bags and original bags, which were popular among customers.


Sales outlet


Valor Prize award ceremony

## Food circulation initiatives

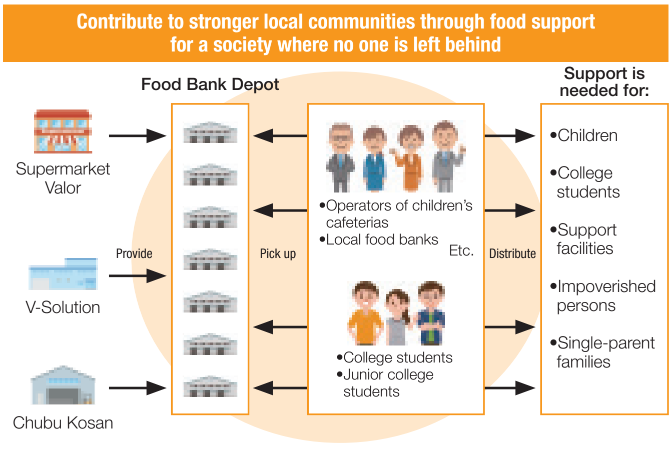
Valor promotes food recycling. In FY2020, food waste from stores in Mie Prefecture was composted by a contracted facility and used to improve the soil for chrysanthemum production by a contracted flower producer, and then the chrysanthemums were sold at Valor Group stores.




## Food Banks: Support mainly for children

Starting in Tajimi-shi in Gifu Prefecture, food support expanded to Ena-shi and Aichi Prefecture. In FY2020, food support worth approximately ¥8 million was provided from a total of 21 Valor, Chubu Kosan, and V-Solution locations. By providing food support to local Kodomo Shokudo (children’s cafeterias) and social welfare councils, we are creating a model for support that meets the needs of individual organizations and results in zero food loss by partnering with Food Bank Aichi, which widely promotes support activities primarily in the Tokai Region.

In FY2021, other Group companies will also begin providing food, and we will work to provide food and other support to local children with the aim of expanding locations and the type of support offered.




### DX paperless initiative

The Valor Group has operated using paper for pay slips, various personal information filings and applications, and so forth. Some companies have already systematized and gone paperless in more than 20 categories for which data can be collected and applications filed using digital systems and smart phones. As a result, ¥15 million and 1.5 million sheets of paper have been saved.

## Response to Consumer Needs

### Improving Private Labels

In 2008, three brands were launched from the former “Aji Quality” brand. “V-Select” offers good quality products at low prices. “V-Quality” offers tasty food items made from carefully chosen methods and ingredients. “V-Organic” was developed to offer JAS certified organic products. In addition, in 2014, “V-Premium” debuted to offer food made from handpicked and superior ingredients and recipes. We have reinforced safety and security initiatives through audits in areas such as hygiene management and manufacturing process management at manufacturing outsourcing plants, nutrition labels, and other measures, while also contributing to the expansion of sales to companies outside the Group. In October 2020, we started to consolidate into two new brands, “Valor Select” and “Valor Plus,” in order to further strengthen our brands. Our logo uses a flag meaning “support,” “symbol,” and “goal” in order to simply express Valor’s position of supporting daily life, “Tasty Food Worth Eating from Valor to the Table.”

#### Valor Select: Support for daily life

This brand supports daily life and offers a wide variety of tasty basic product categories at satisfactory prices.


#### Valor Plus: Better quality

A little better quality and a little more luxury than usual. This brand offers familiar high quality products that brighten daily life.


### Establishing a Sustainable Supply Chain

The Group believes it is essential to build a supply chain in order to increase the effectiveness of its business model as a manufacturing and retailing company.

#### Initiatives for “White Logistics”

The Company submitted a declaration of voluntary actions in agreement with the objectives of the “White Logistics Movement” in which the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries are calling on to participate.

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

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

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

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

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

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

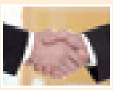
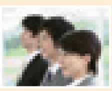
### Initiatives to solve shopping issues

In order to develop mobile sales using 10 vehicles from five stores in Gifu Prefecture in cooperation with a partner for locations where shopping is inconvenient and in order to solve a problem of the working generation not having time to go shopping, we started a service called “ainoma,” an online supermarket service delivering to offices in July 2019, and based on this system, we started “ainoma pick-up” for product pickup via drive-through in May 2020. We are also proceeding to develop services that meet local needs, such as deliveries to childcare and other facilities, personal delivery, in-store pickup, and catalog-based shopping agency service.

# 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 | | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|
| **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) | 5.3% (23people/437people) | 5.6% (43people/774people) | 5.8% (48people/826people) |
| **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) | 169 people (66people/103people) | 224 people (92people/132people) | 165 people (62people/103people) |
| | | Child care leave (Employees/Part-timers) | 179 people (71people/108people) | 205 people (68people/137people) | 201 people (75people/126people) Including 4 male employees |
| **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 | 2.20% | 2.40% | 2.40% |
| | | 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 | 87.2% | 95.7% | 79.1% |
| **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 | 122 people | 205 people | 238 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) | 6,501 people (9.0years) | 8,168 people (9.0years) | 8,661 people (9.1years) |
| | | Female workers (Average length of service) | 1,739 people (5.6years) | 2,299 people (5.9years) | 2,552 people (5.9years) |
| | | Male workers (Average length of service) | 4,762 people (10.2years) | 5,869 people (10.2years) | 6,109 people (10.5years) |

Note: The above figures are based on the following 17 companies accounting for 89.1% of the Group's total employees: Valor Holdings Co., Ltd., Valor Co., Ltd., Tachiya Co., Ltd., Shokusenkan-Taiyo Co., Ltd., Kohseiya Co., Ltd., Futabaya Co., Ltd., Sanko Co., Ltd., Chubu Foods Co., Ltd., Chubu Yakuhin Co., Ltd., Daiyu Eight Co., Ltd., Home Center Valor Co., Ltd., Time Co., Ltd., Amigo Co., Ltd., AXTOS Co., Ltd., Chubu Ryutu Co., Ltd., Chubu Kosan Co., Ltd. and Core Support Co., Ltd.
*In FY2016, we started group reporting of the rate of hiring people with disabilities for operating companies, of which voting rights are directly held by the Company.

## Human resources development to support medium-term growth

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

Sales capabilities and frontline performance capabilities are important for “enhancing the appeal of products,” one of the basic policies of our three-year medium-term strategic plans. Supermarket Valor established a new human resources system that appoints a Meister product and sales professional to lead frontline performance capabilities. We support human resources development that bolsters medium- to long-term growth.

In August 2020, two Meisters in agricultural products and two Meisters in marine products were appointed, who support store growth and act as examples for employees who aim to be true professionals, while also doing their best to create sales floors that continue to evolve.

### Meister Interview

**Q What is motivating and interesting about your job, and what do you try to do in your job?**

**A** The part that I feel is most enjoyable is the fact that there may be wrong answers about how to work but there are no right answers. The results of continuing to move forward and challenge myself appear in the numbers and lead to my evaluation. I think the criteria for this evaluation are my biggest motivators. I try to see things subjectively from the customer’s perspective and feeling. Daily conversations with customers are also important to me so that I do not forget that this work naturally is for the benefit of customers.

## Human resources development

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

## Expanding the field of activity for diverse human resources

### Connecting with society

Flower seedlings raised by students from the Gifu Prefectural Kamo Special Needs School were sold at Supermarket Valor stores. We will continue such activities that connect the students who raised the seedlings with our customers who bought them.

### Promoting diverse workstyles

The Valor Group is improving and revising its systems in response to employee opinions, with the aim of creating an environment where diverse workstyles are possible. In FY2020, four male employees took childcare leave. While working to raise awareness, which is necessary for the penetration of this system, we will promote the sharing of experiences and the exchange of opinions within the Group, as well as proceed to create a workplace environment where it is easy to work.

# 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.

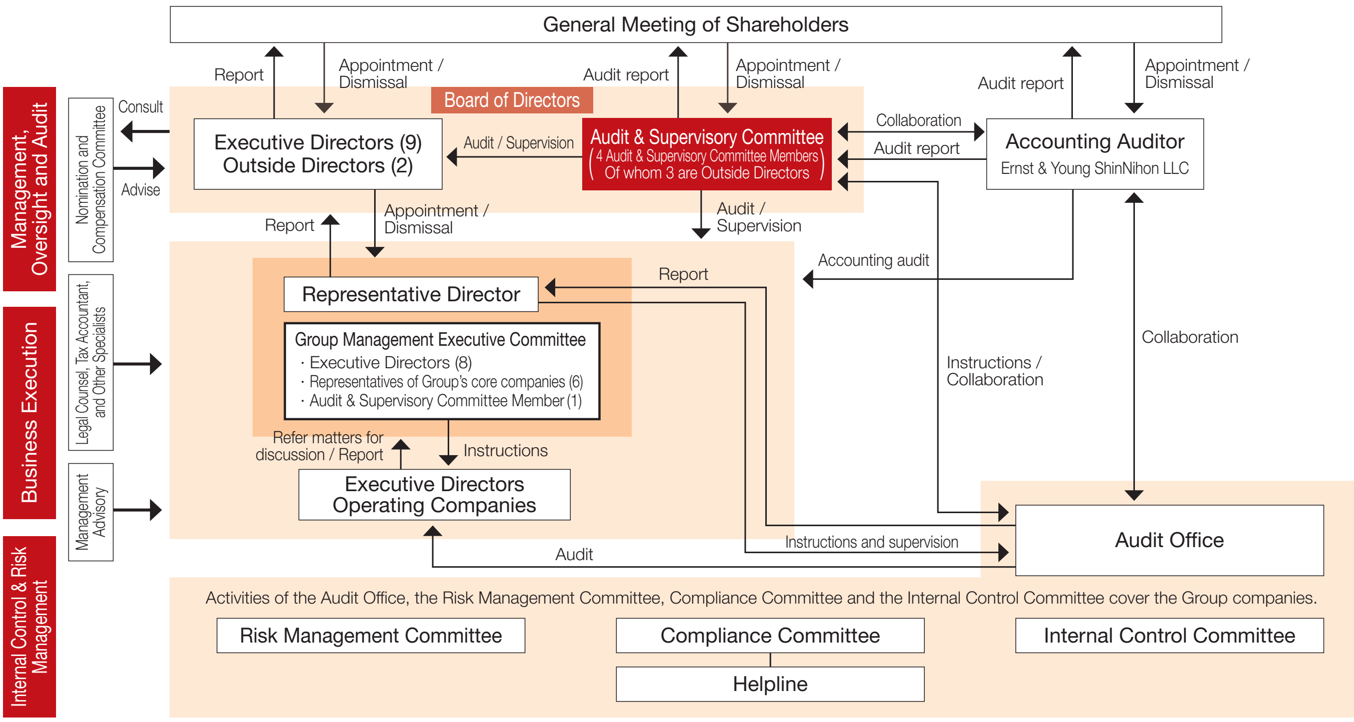
## Corporate Governance Systems

### Overview of Valor's Corporate Governance Structure (As of June 25, 2021)

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

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

| | | | |
|---|---|---|---|
| **Organization Form** | Company with Audit & Supervisory Committee System | **Number of Directors** | 15 (of whom 5 are Outside Directors) |
| **Chairperson of the Board** | Chairman & CEO | **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. In FY2020, the Board of Directors scored 3.9 on average, up 0.1 points from FY2019, and the result indicates that the Board of Directors is generally deemed to be effective. However, as the Group's range of business expands, the number of matters to be resolved and reported has increased, there have been requests for stronger corporate governance and deeper discussions on business strategies.

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

(1) Policy

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

· Regarding Directors who are Audit & Supervisory Committee Members, people with knowledge of finance and accounting, understanding of the Group's business and diverse viewpoints about corporate management are nominated as candidates to ensure accurate auditing of compliance and appropriateness of business execution.

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

(2) Procedures

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

· 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 2020)

| | Meetings of the Board of Directors | Meetings of the Audit & Supervisory Board* |
|---|---|---|
| Number of meetings | 14 | 13 |
| Attendance of Outside Directors | 100% | 100% |

Note: The figures are based on the number of meetings held from April 1, 2020 to March 31, 2021.

## Dialogues with shareholders in FY2020

| | | |
|---|---|---|
| 64th Ordinary General Meeting of Shareholders (Held June 25, 2021) | 89 shareholders attended | 65 minutes (FY2020: 93 attendees, 46 minutes) |

## Directors (as of June 25, 2021)

| Name | Title | Significant concurrent positions at major subsidiaries |
|---|---|---|
| Masami Tashiro | Chairman & CEO | |
| Satoru Yokoyama | Executive vice-president | CEO, AXTOS CO., Ltd.<br>Executive vice-president, Valor Co.,Ltd. |
| Akira Shinohana | Managing Director | CEO, Chubu Agri Co.,Ltd. |
| Katsuyuki Mori | Director | Chairman, Tachiya Co., Ltd.<br>Senior Managing Director, Valor Co., Ltd. |
| Takayuki Koike | Director | Retail Technology<br>CEO, Chubu Kosan Co., Ltd. |
| Satoshi Yoneyama | Director | Director and General Manager, LuVit Business Department |
| Morisaku Wagato | Director | Executive vice-president, Alleanza Holdings Co.,Ltd.<br>CEO, Home Center Valor Co., Ltd. |
| Motohiko Takasu | Director | CEO<br>Chubu Yakuhin Co.,Ltd. |
| Shunichi Asakura | Director | Chairman, Alleanza Holdings Co.,Ltd. |
| Toshiyuki Takahashi | Outside Director | |
| Mihoko Hayashi | Outside Director | |
| Takashi Takayama | Director | Audit & Supervisory Committee Member (full-time) |
| Mutsuo Masuda | Outside Director | Audit & Supervisory Committee Member |
| Hirofumi Hata | Outside Director | Audit & Supervisory Committee Member |
| Tokimitsu Ito | Outside Director | Audit & Supervisory Committee Member |

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

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

## Internal control and compliance system

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

# Compliance and Risk Management Systems

## Risk management system

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

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

## Compliance

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

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

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

## Risk awareness

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

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

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

**2. Regulatory restrictions concerning the Group**

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

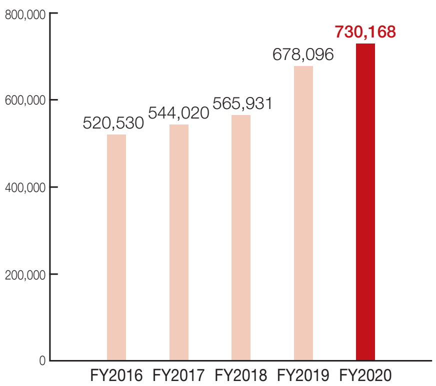
**3. Impairment of noncurrent assets**

**4. Defferred tax assets**

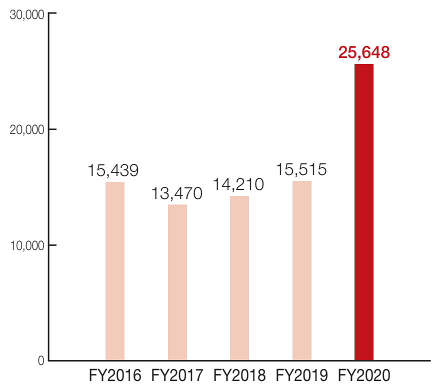
# 11-year Summary of Financial Results

| | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|
| **For the year:** | | | | |
| Revenues from operations | 379,172 | 410,577 | 431,218 | 454,180 |
| Operating income | 12,347 | 15,236 | 15,852 | 14,287 |
| Ordinary income | 12,817 | 16,020 | 16,844 | 15,311 |
| Net income | 4,232 | 7,149 | 8,184 | 9,162 |
| **At year-end:** | | | | |
| Total assets | 190,065 | 199,774 | 213,629 | 235,131 |
| Net assets | 61,821 | 68,134 | 75,466 | 82,949 |
| Net assets (excl. subscription rights to shares and non-controlling interests) | 60,998 | 67,243 | 74,887 | 82,395 |
| Interest-bearing debt | 69,746 | 69,383 | 75,679 | 87,265 |
| **Cash Flows:** | | | | |
| Cash flows from operating activities | 20,324 | 19,190 | 21,139 | 19,198 |
| Cash flows from investing activities | (14,428) | (17,793) | (20,961) | (23,746) |
| Free cash flows | 5,895 | 1,397 | 177 | (4,547) |
| Cash flows from financial activities | (1,608) | (2,283) | 2,914 | 5,983 |
| Cash and cash equivalents at the end of fiscal year | 13,547 | 12,676 | 15,764 | 17,055 |
| **Capital Expenditures:** | | | | |
| Capital expenditures (based on payment) | 15,245 | 17,859 | 22,101 | 25,226 |
| Breakdown of expenditures: | | | | |
| for new store openings | 8,995 | 11,230 | 14,414 | 12,851 |
| for refurbishing existing stores | 5,007 | 4,114 | 1,788 | 2,306 |
| for others | 1,243 | 2,515 | 5,899 | 10,069 |
| Depreciation and amortization (CF) | 9,017 | 9,612 | 10,255 | 11,090 |
| **Per Share data:** | | | | |
| Net assets per share (BPS) (yen) | 1,197.67 | 1,320.33 | 1,454.43 | 1,600.25 |
| Net income per share (EPS) (yen) | 83.10 | 140.38 | 159.56 | 177.95 |
| Cash dividends per share (yen) | 22 | 26 | 29 | 31 |
| Dividend payout ratio | 26.5% | 18.5% | 18.2% | 17.4% |
| **Financial indicators:** | | | | |
| Return on total assets (ROA) | 7.0% | 8.2% | 8.1% | 6.8% |
| Return on equity (ROE) | 7.1% | 11.2% | 11.5% | 11.7% |
| Shareholders' equity ratio | 32.1% | 33.7% | 35.1% | 35.0% |
| Debt equity ratio (times) | 1.1 | 1.0 | 1.0 | 1.1 |

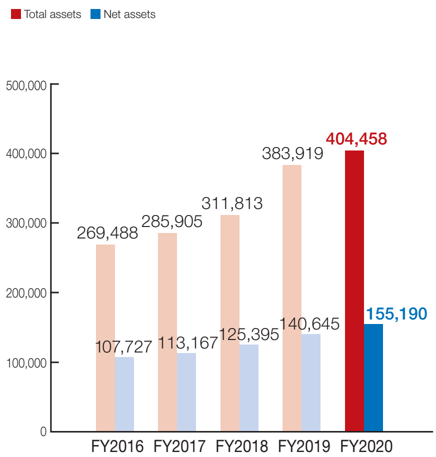
**Revenues from operations** (millions of yen)




**Operating income** (millions of yen)




**Total assets / Net assets** (millions of yen)

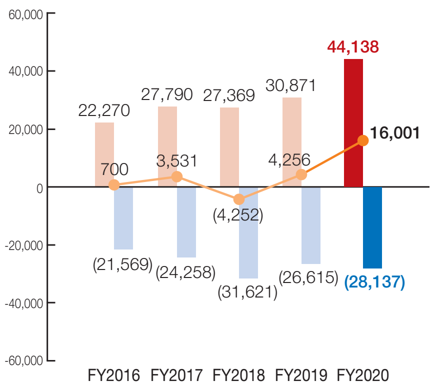


(Millions of yen)

| FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|---|
| 470,564 | 497,463 | 520,530 | 544,020 | 565,931 | 678,096 | 730,168 |
| 15,000 | 16,683 | 15,439 | 13,470 | 14,210 | 15,515 | 25,648 |
| 16,108 | 17,586 | 16,762 | 14,937 | 16,091 | 16,878 | 28,397 |
| 9,214 | 10,759 | 10,522 | 7,570 | 7,910 | 6,477 | 12,592 |
| 245,386 | 255,916 | 269,488 | 285,905 | 311,813 | 383,919 | 404,458 |
| 90,881 | 99,027 | 107,727 | 113,167 | 125,395 | 140,645 | 155,190 |
| 90,301 | 98,408 | 107,057 | 112,365 | 124,599 | 132,375 | 142,095 |
| 86,880 | 84,952 | 87,231 | 88,821 | 96,717 | 124,872 | 120,884 |
| 22,257 | 22,991 | 22,270 | 27,790 | 27,369 | 30,871 | 44,138 |
| (15,660) | (19,045) | (21,569) | (24,258) | (31,621) | (26,615) | (28,137) |
| 6,596 | 3,945 | 700 | 3,531 | (4,252) | 4,256 | 16,001 |
| (3,745) | (6,758) | (3,168) | (3,223) | 7,302 | (551) | (10,472) |
| 19,960 | 17,103 | 14,659 | 14,938 | 17,938 | 24,159 | 29,349 |
| 20,225 | 20,041 | 24,441 | 27,575 | 26,878 | 32,138 | 32,832 |
| 12,763 | 11,628 | 15,144 | 14,394 | 14,903 | 20,457 | 9,742 |
| 2,237 | 3,650 | 7,709 | 9,850 | 9,451 | 8,498 | 17,145 |
| 5,225 | 4,763 | 1,587 | 3,332 | 2,524 | 3,183 | 5,945 |
| 12,168 | 12,683 | 13,125 | 13,952 | 15,163 | 17,665 | 18,234 |
| 1,751.57 | 1,925.45 | 2,093.74 | 2,196.89 | 2,320.53 | 2,435.06 | 2,660.56 |
| 178.91 | 208.87 | 205.83 | 148.04 | 153.06 | 120.63 | 234.52 |
| 33 | 36 | 40 | 45 | 48 | 52 | 54 |
| 18.4% | 17.2% | 19.4% | 30.4% | 31.4% | 43.1% | 23.0% |
| 6.7% | 7.0% | 6.4% | 5.4% | 5.4% | 4.9% | 7.2% |
| 10.7% | 11.4% | 10.2% | 6.9% | 6.7% | 5.1% | 9.2% |
| 36.8% | 38.5% | 39.7% | 39.3% | 40.0% | 34.1% | 35.3% |
| 1.0 | 0.9 | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 |

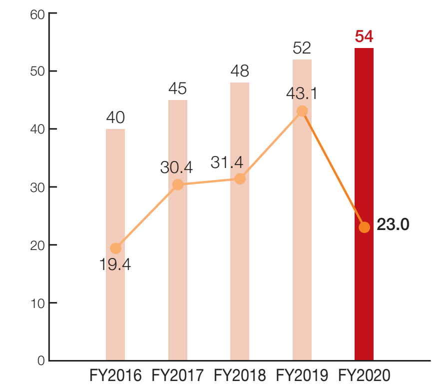
**Cash Flows** (millions of yen)

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



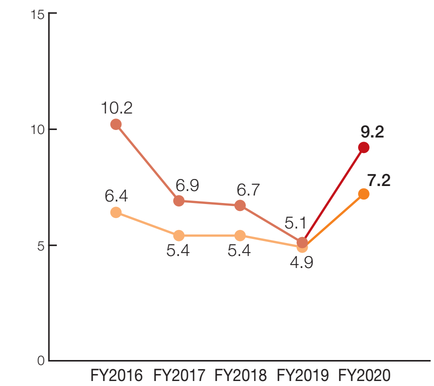

**Annual cash dividends per share** (yen)
**Dividend payout ratio** (%)

Cash dividends per share / Dividend payout ratio




**ROE·ROA** (%)

ROE / ROA



# FY2020 Financial Review

## Summary of consolidated results and financial conditions

Consolidated operating results for FY2020 were revenues from operations of ¥730,168 million, an increase of 7.7% year on year; operating income of ¥25,648 million, an increase of 65.3%; ordinary income of ¥28,397 million, an increase of 68.2%; and profit attributable to owners of parent of ¥12,592 million, an increase of 94.4%. Revenues from operations increased for the 26th consecutive year, and operating income, ordinary income, and profit attributable to owners of parent all reached record highs.

The breakdown of the increase in revenues of major segments (¥52,071 million) was ¥23,514 million for the supermarket business, ¥15,876 million for the home improvement center business, and ¥11,217 million for the drugstore business. Sales at existing stores were strong in all three businesses and grew particularly significantly in the supermarket business and home improvement center business due to increased stay-at-home demand in divisions that strengthened merchandising policy.

The breakdown of the increase in earnings of major segments (¥10,133 million) was ¥7,052 million for the supermarket business and ¥3,862 million for the home improvement center business. In the supermarket business, Valor Co., Ltd., one of the core companies, has been steadily refurbishing its stores aiming to become a "destination store," and fresh foods comprised a larger percentage of sales. As a result, the gross profit ratio improved. Lower advertising and other expenses also contributed. In the home improvement center business, the consolidation of Alleanza Holdings Co., Ltd. as a subsidiary resulted in lower cost of goods sold, further development of private label products, and improved gross profit ratio, as well as a lower expense ratio due to increased revenues. Meanwhile, the sports club business was affected by COVID-19 and recorded an operating loss of ¥1,933 million. This was mainly due to a decline in membership fee revenue caused by factors such as emergency shutdowns under the Japanese government's declarations of a state of emergency, implementation of a special membership suspension system, and sports club closings. Although efforts were made to cut the fixed costs and reduce the breakeven point, we were unable to absorb the expenses and need to work more on earnings optimization.

An extraordinary loss of ¥4,751 million was posted, the major breakdown of which was impairment loss of ¥2,843 million based on the accounting standard for impairment on noncurrent assets, a loss of ¥702 million due to the voluntary business suspension. The loss due to the voluntary business suspension includes ¥602 million for the sports club business and ¥99 million for the pet shop business included in the other businesses.

The Company's efficiency improved from the previous year, with ROA rising from 4.9% to 7.2% and ROE rising from 5.1% to 9.2%. The increase in ROA was mainly due to an increase in the ratio of ordinary income to revenues from operations from 2.5% to 3.9%, and in particular due to a decrease in the expense ratio from 26.1% to 25.3%. ROA and ROE exceeded the quantitative targets (ROA at least 5.6%, ROE at least 7.7%) in the final year of the FY2018-2020 strategic plans, but the total asset turnover ratio remained at 1.9 from the previous year. In order to improve efficiency, we believe that further use of Group management resources is necessary. The financial policies of new FY2021-2023 strategic plans starting in FY2021 call for financial discipline in the form of reducing interest-bearing debt, with a debt-equity ratio target of 0.6 times. Assuming a change in the financing balance, in order to shift to management that is more conscious of the cost of capital, we have adopted ROIC as a new management efficiency indicator.

## Financial position

Total assets increased ¥20,539 million from the end of the previous year to ¥404,458 million. The main factors were an increase of ¥5,236 million in cash and deposits, an increase of ¥1,851 million in inventories, an increase of ¥8,741 million in property, plant and equipment, and an increase of ¥1,421 million in deferred tax assets.

Total liabilities increased ¥5,993 million from the end of the previous year to ¥249,267 million. The main factors were an increase of ¥1,822 million in notes and accounts payable-trade and an increase of ¥4,188 million in income taxes payable. Net assets increased ¥14,545 million from the end of the previous year to ¥155,190 million. Net assets excluding non-controlling interests and subscription rights to shares were ¥142,862 million, and the shareholders' equity ratio was 35.3%. As a result, the debt-equity ratio decreased to 0.8 times from 0.9 times from the previous year, thus returning to the target level of the FY2018-2020 strategic plans.

## Cash flows

Cash and cash equivalents at March 31, 2021 increased ¥5,190 million from the end of the previous year to ¥29,349 million.

### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥44,138 million, having increased ¥13,266 million compared with the previous year. The main factors were increases of ¥11,681 million in income before income taxes, ¥3,170 million in notes and accounts receivable-trade, and ¥568 million in depreciation and amortization, despite a decrease of ¥3,730 million in notes and accounts payable-trade.

### Cash flows from investing activities

Net cash used in investing activities amounted to ¥28,137 million, having increased ¥1,521 million compared with the previous year. The main factor was increases of ¥975 million in proceeds from the sale of property, plant and equipment and ¥4,511 million in payments for purchase of property, plant and equipment resulting from opening of new stores and renovations, despite decreases of ¥487 million in payments for acquisition of subsidiary shares due to a change in the scope of consolidation and ¥1,105 million in payments for acquisition of businesses.

### Cash flows from financing activities

Net cash used in financing activities amounted to ¥10,472 million, having increased ¥9,920 million compared with the previous year. The main factor was an increase of ¥10,000 million in proceeds from the issuance of commercial paper, which was offset by a decrease of ¥10,191 million in proceeds from long-term loans payable and increases of ¥7,224 million in repayment of short-term loans payable and ¥2,701 million in repayment of long-term loans payable.

## Policy on Profit Distribution and Dividends for FY2020

The year-end dividend for FY2020 was ¥29 per share. Combined with the interim dividend of ¥25 per share, the annual dividend for FY2020 amounted to ¥54 per share, ¥2 higher than for the previous year. The payout ratio was 23.0%. Our policies on creating cash flow, fund employment, and financial discipline are set out in the FY2021-2023 strategic plans, but we will continue to focus on improving our ability to create cash flow. As for our approach to profit distribution, the three-year total for capital expenditure is set at ¥85,000 million, of which 45-50% is planned to be allocated to investments in new store openings, 35% to investments in existing stores, and 15-20% to other investments including DX. While intending to maintain a steady return to shareholders with a dividend payout ratio of 25%, we also believe it is important to maintain business safety by raising our internal reserves.

## Forecasts for FY2021

Vaccination is expected to end the spread of COVID-19, but due to concerns over the increase in variants, the situation is likely to remain uncertain. In the food distribution industry, which is the Group's main business, demand for meals at home is expected to continue due to people voluntarily staying at home and refraining from eating out, but because of rapid changes in lifestyle and consumer behavior, the ability to respond to change will be put more to the test.

The year ended March 31, 2021 was the final year of the Group's FY2018-2020 strategic plans, and as stated in the basic policy of "undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products," we achieved some positive results in shifting from growth by expansion of the store network. However, in order to further improve management efficiency, we believe it is necessary to leverage the diverse management resources. Realizing both our unchanging social mission to provide a stable supply of products essential to daily life and the need to change our methods of providing products and services in conjunction with new lifestyles and consumer behavior due to COVID-19, we also established the Valor Group Vision 2030 and the Sustainability Vision 2030 as medium- to long-term management policies regarding the Group's position in society and how to create value looking ahead to 2030. The Valor Group's new FY2021-2023 strategic plans were formulated to make these visions a reality. In the dominant-form region, we will aim to build a "Valor Economic Zone" that connects local communities conveniently and prosperously with the Valor Group's products, services, and payments, and throughout the region, we will aim to be a "destination company" that is chosen through the appeal of products. In order to achieve this, we will strengthen points of contact with customers and advance a business process integration between manufacturing and retailing through DX (digital transformation). We will also contribute to the development of local communities and the enhancement of society and culture through company-wide business activities for a sustainable society.

The strategic goals of FY2021-2023 strategic plans based on the visions described above are articulated in "Connect 2030: Connecting Products, Customers, and Society," we will strengthen points of contact with customers through efforts to increase product appeal by strengthening manufacturing capabilities, and synchronizing supply chain information and through the promotion of EC strategies and the Lu Vit Card app. We will also strengthen Group governance, work to become a decarbonized society, reduce food waste, and otherwise promote sustainability management.

With regard to capital expenditures for the year ending March 31, 2022, we plan to continue focusing on investing in existing stores and will refurbish approximately 30 supermarkets in order to promote our transition to the "destination store" concept. We also plan to make other investments, including investments in DX, in order to advance our business model. In terms of new store investment, we plan to open a total of 67 new stores, including five supermarkets, 30 drugstores, nine home improvement centers (including specialized formats), eight sports clubs, seven pet shops, and eight other stores.

Based on the above assumptions, forecasts for consolidated financial performance for FY2021 are as follows: revenues from operations of ¥732.0 billion (see Note); operating income of ¥23.0 billion, a decrease of 10.3% year on year; ordinary income of ¥25.0 billion, a decrease of 12.0%; and profit attributable to owners of parent of ¥12.0 billion, a decrease of 4.7%.

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied from the beginning of the fiscal year ending March 31, 2022. The forecast of revenues from operations presents the figures after said accounting standard is applied, but since accounting methods are different, year-on-year comparison figures are not provided.

## Financial policy in the FY2021-2023 strategic plans

| | |
|---|---|
| **Business portfolio management** | • Aim for stable growth in the highly efficient home improvement center business and in the core supermarket business, which is expected to see sustained improvement in profitability.<br>• Profitability is still low in the drugstore business, but we will allocate funds to capital expenditures for now so that we can benefit from economies of scale in product procurement and development.<br>• The sports club business, which was affected by COVID-19, will pursue further structural reforms to optimize profits from its position of forming contacts with customers by providing value in health promotion. |
| **Generation of cash flow** | • Create operating cash flow totaling at least ¥100.0 billion over the three years ending March 31, 2024. |
| **Capital expenditure** | • We plan to make capital expenditures totaling around ¥85.0 billion over the three years ending March 31, 2024, excluding M&A. The breakdown of capital expenditures is 45-50% to new store investment, 35% to existing store investment, and 15-20% to other investment, including DX. |
| **Repayment of interest-bearing debt** | • Reduce interest-bearing debt to a D/E ratio target of 0.6 times |
| **Shareholder return** | • Based on the dividend policy*, we will aim to maintain a steady return to shareholders at a targeted dividend payout ratio of 25%. |
| **Financial discipline** | • Aim for a D/E ratio of 0.6 times. In light of the changes in the financing balance, we will begin to use ROIC as an indicator of management efficiency and pay more attention to the cost of capital. |

Note: *Our basic policy is to maintain steady returns to shareholders while raising internal reserves in order to strengthen the corporate structure in preparation for long-term, stable business development. Based on this policy, our medium- to long-term goal is a consolidated dividend payout ratio of 25%.

Financial and Corporate Data

# Consolidated Financial Statements (Summary)

## Consolidated Balance Sheet

Valor Holdings Co.,Ltd. and Subsidiaries (As of March 31, 2020 and 2021)

(Millions of yen)

| | FY2019 | FY2020 |
|---|---|---|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 24,687 | 29,924 |
| Notes and accounts receivable-trade | 12,779 | 13,717 |
| Merchandise and finished goods | 51,284 | 52,878 |
| Raw materials and supplies | 891 | 1,149 |
| Other | 14,932 | 14,537 |
| Allowance for doubtful accounts | (10) | (7) |
| Total current assets | 104,565 | 112,199 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 277,323 | 292,338 |
| Accumulated depreciation | (144,695) | (152,877) |
| Buildings and structures, net | 132,628 | 139,460 |
| Machinery, equipment and vehicles | 10,229 | 13,593 |
| Accumulated depreciation | (6,966) | (9,094) |
| Machinery, equipment and vehicles, net | 3,263 | 4,499 |
| Land | 51,636 | 52,096 |
| Lease assets | 22,397 | 23,681 |
| Accumulated depreciation | (13,209) | (14,777) |
| Lease assets, net | 9,188 | 8,903 |
| Construction in progress | 3,576 | 3,669 |
| Other | 42,398 | 43,311 |
| Accumulated depreciation | (33,259) | (33,767) |
| Other, net | 9,139 | 9,544 |
| Total property, plant and equipment | 209,431 | 218,173 |
| Intangible assets | | |
| Goodwill | 1,390 | 1,496 |
| Lease assets | 144 | 157 |
| Other | 14,172 | 14,339 |
| Total intangible assets | 15,706 | 15,993 |
| Investments and other assets | | |
| Investment securities | 7,141 | 9,964 |
| Long-term loans receivable | 1,052 | 1,106 |
| Deferred tax assets | 9,599 | 11,039 |
| Guarantee deposits | 32,102 | 32,350 |
| Other | 4,660 | 4,023 |
| Allowance for doubtful accounts | (341) | (392) |
| Total investments and other assets | 54,215 | 58,092 |
| Total noncurrent assets | 279,353 | 292,259 |
| Total assets | 383,919 | 404,458 |

(Millions of yen)

| | FY2019 | FY2020 |
|---|---|---|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 51,400 | 59,423 |
| Short-term loans payable | 26,159 | 21,962 |
| Commercial papers | — | 10,000 |
| Current portion of bonds | 20 | 10,010 |
| Current portion of long-term loans payable | 21,180 | 20,495 |
| Lease obligations | 2,529 | 2,574 |
| Income taxes payable | 3,659 | 7,848 |
| Provision for bonuses | 3,143 | 3,634 |
| Provision for directors' bonuses | 141 | 205 |
| Provision for point card certificates | 1,479 | 1,542 |
| Provision for loss on recollection of gift certificates | 275 | 291 |
| Asset Retirement Obligations | 91 | 30 |
| Provision for loss on store closing | 562 | 248 |
| Other | 31,143 | 27,218 |
| Total current liabilities | 141,786 | 165,484 |
| Noncurrent liabilities | | |
| Bonds payable | 10,010 | — |
| Long-term loans payable | 53,489 | 44,520 |
| Lease obligations | 11,483 | 11,320 |
| Deferred tax liabilities | 219 | 247 |
| Provision for directors' retirement benefits | 627 | 673 |
| Provision for retirement benefits | 4,743 | 5,804 |
| Asset retirement obligations | 12,703 | 13,342 |
| Long-term deposits received | 6,906 | 6,603 |
| Other | 1,301 | 1,269 |
| Total noncurrent liabilities | 101,486 | 83,783 |
| Total liabilities | 243,273 | 249,267 |
| (Net assets) | | |
| Shareholders' equity | | |
| Capital stock | 13,609 | 13,609 |
| Capital surplus | 20,076 | 20,049 |
| Retained earnings | 99,256 | 108,998 |
| Treasury stock | (566) | (561) |
| Total shareholders' equity | 132,375 | 142,095 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,865) | 880 |
| Deferred gains (loss) on hedges | 0 | — |
| Foreign currency translation adjustment | 273 | 140 |
| Remeasurements of defined benefits plan | (34) | (254) |
| Total accumulated other comprehensive income | (1,627) | 766 |
| Subscription rights to shares | 142 | 134 |
| Minority interests | 9,754 | 12,194 |
| Total net assets | 140,645 | 155,190 |
| Total liabilities and assets | 383,919 | 404,458 |

## Consolidated Statement of Income

Valor Holdings Co.,Ltd. and Subsidiaries (Consolidated fiscal years ended March 31, 2020 and 2021)

(Millions of yen)

| | FY2019 | FY2020 |
|---|---|---|
| Net sales | 655,859 | 706,331 |
| Cost of sales | 485,339 | 519,555 |
| Gross profit | 170,519 | 186,775 |
| Operating revenues | 22,237 | 23,837 |
| Operating gross profit | 192,757 | 210,613 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 8,486 | 5,842 |
| Packaging expenses | 38 | 141 |
| Supplies expenses | 1,206 | 1,405 |
| Distribution expenses | 1,353 | 1,679 |
| Provision for point card certificates | 3,352 | 3,601 |
| Provision of allowance for doubtful accounts | 2 | 4 |
| Directors' remuneration | 972 | 988 |
| Salaries and wages | 65,435 | 69,773 |
| Bonuses | 5,258 | 6,120 |
| Provision for bonuses | 2,919 | 3,403 |
| Provision for directors' bonuses | 136 | 203 |
| Retirement benefit expenses | 908 | 1,240 |
| Provision for directors' retirement benefits | 40 | 61 |
| Welfare expenses | 11,141 | 12,099 |
| Utilities expenses | 10,014 | 9,299 |
| Rent expenses | 29,330 | 30,286 |
| Repair and maintenance | 4,110 | 4,758 |
| Depreciation | 15,412 | 16,283 |
| Amortization of goodwill | 391 | 434 |
| Other | 16,728 | 17,336 |
| Total selling, general and administrative expenses | 177,241 | 184,964 |
| Operating income | 15,515 | 25,648 |
| Non-operating income | | |
| Interest income | 133 | 133 |
| Dividend income | 223 | 186 |
| Office work fee | 1,425 | 1,576 |
| Rent income | 834 | 855 |
| Investment gain on equity method | 39 | 19 |
| Other | 1,356 | 1,927 |
| Total non-operating incomes | 4,013 | 4,698 |
| Non-operating expenses | | |
| Interest expenses | 875 | 854 |
| Foreign exchange losses | 710 | — |
| Rent cost of real estate | 696 | 680 |
| Other | 367 | 415 |
| Total non-operating expense | 2,650 | 1,950 |
| Ordinary income | 16,878 | 28,397 |
| Extraordinary income | | |
| Loss on sales of noncurrent assets | 10 | 47 |
| Gain on receipt of donated land | — | 103 |
| Gain on sale of investment securities | 2 | 42 |
| Gain on negative goodwill | 40 | 17 |
| Penalty income | 150 | 170 |
| Subsidy income | 283 | 467 |
| Insurance income | 303 | — |
| Other | 138 | 50 |
| Total extraordinary income | 930 | 898 |
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | 3 | 24 |
| Loss on retirement of noncurrent assets | 218 | 287 |
| Impairment loss | 3,065 | 2,843 |
| Loss on reduction of noncurrent assets | 221 | 197 |
| Loss on valuation of investment securities | 90 | 138 |
| disaster Losses | 365 | — |
| losses of business restraint | 272 | 702 |
| Other | 707 | 557 |
| Total extraordinary loss | 4,944 | 4,751 |
| Income before income taxes | 12,863 | 24,544 |
| Income taxes-current | 6,439 | 10,877 |
| Income taxes-deferred | (903) | (1,793) |
| Total income taxes | 5,535 | 9,083 |
| Net income | 7,328 | 15,461 |
| Profit (loss) attributable to non-controlling interests | 851 | 2,868 |
| Profit attributable to owners of parent | 6,477 | 12,592 |

# Consolidated Financial Statements (Summary)

## Consolidated Statements of Cash Flows

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2020 and 2021)

(Millions of yen)

| | FY2019 | FY2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 12,863 | 24,544 |
| Depreciation and amortization | 17,665 | 18,234 |
| Impairment loss | 3,065 | 2,843 |
| Amortization of goodwill | 391 | 434 |
| Gain on bargain purchase | (40) | (17) |
| Increase (decrease) in allowance for doubtful accounts | (7) | 42 |
| Increase (decrease) in defined benefit liabilities | 334 | 624 |
| Increase (decrease) in provision for directors' retirement benefits | 28 | 21 |
| Increase (decrease) in provision for point card certificates | 178 | 57 |
| Interest and dividends income paid | (356) | (320) |
| Interest expenses received | 875 | 854 |
| Loss on retirement of noncurrent assets | 218 | 287 |
| Loss on reduction of noncurrent assets | 221 | 197 |
| Disaster losses | 365 | — |
| Payment for business acquisition | 272 | 702 |
| Loss (gain) on valuation of investment securities | 90 | 138 |
| Equity in losses (earnings) of affiliates | (39) | (19) |
| Subsidy income | (283) | (467) |
| Insurance income | (303) | — |
| Decrease (increase) in notes and accounts receivable-trade | (3,427) | (256) |
| Decrease (increase) in inventories | (917) | (1,552) |
| Increase (decrease) in notes and accounts payable-trade | 5,095 | 1,364 |
| Increase (decrease) in accrued consumption taxes | (622) | 1,306 |
| Increase (decrease) in accounts payable-other and accrued expenses | 988 | 847 |
| Other | 1,486 | 1,952 |
| Subtotal | 38,142 | 51,822 |
| Interest and dividends income received | 255 | 220 |
| Interest expenses paid | (818) | (834) |
| Income taxes paid | (6,708) | (7,069) |
| Net cash provided by operating activities | 30,871 | 44,138 |
| Cash flows from investing activities | | |
| Payments into time deposits | (283) | (427) |
| Proceeds from withdrawal of time deposits | 676 | 532 |
| Purchase of property, plant and equipment | (22,469) | (26,981) |
| Proceeds from sales of property, plant and equipment | 48 | 1,023 |
| Purchase of intangible assets | (1,680) | (1,250) |
| Purchase of investment securities | (459) | (118) |
| Proceeds from sales of investment securities | 115 | 227 |
| Payments of loans receivable | (136) | (6) |
| Proceeds from collection of loans receivable | 22 | 83 |
| Payments for guarantee deposits | (1,607) | (1,766) |
| Proceeds from collection of guarantee deposits | 1,967 | 1,868 |
| Proceeds from guarantee deposits received | 333 | 450 |
| Repayments of guarantee deposits received | (651) | (770) |
| Payment for acquisition of shares in subsidiaries resulting in change in scope of consolidation | (680) | (193) |
| Income for acquisition of shares in subsidiaries resulting in change in scope of consolidation | 43 | 102 |
| Payment for acquisition of business | (1,182) | (76) |
| Subsidy income | 283 | 467 |
| Other | (953) | (1,300) |
| Net cash provided by investing activities | (26,615) | (28,137) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 2,983 | (4,241) |
| Net increase (decrease) in commercial papers | — | 10,000 |
| Proceeds from long-term loans payable | 22,348 | 12,156 |
| Repayments of long-term loans payable | (19,516) | (22,218) |
| Redemption of bonds | (100) | (34) |
| Repayments of finance lease obligations | (2,821) | (2,802) |
| Proceeds from sales of treasury stock | 0 | 5 |
| Purchase of treasury stock | (0) | (1) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (361) | (46) |
| Cash dividends paid | (2,690) | (2,848) |
| Dividends paid to non-controlling shareholders | (393) | (441) |
| Other | 0 | 0 |
| Net cash provided by financing activities | (551) | (10,472) |
| Effect of exchange rate change on cash and cash equivalents | (487) | (337) |
| Net increase (decrease)in cash and cash equivalents | 3,217 | 5,190 |
| Cash and cash equivalents at beginning of period | 17,938 | 24,159 |
| Increase in cash and deposits due to share exchange | 3,003 | — |
| Cash and cash equivalents at end of period | 24,159 | 29,349 |

## Consolidated Statements of Changes in Net Assets

Valor Holdings Co.,Ltd. and Subsidiaries (Fiscal years ended March 31, 2020 and 2021)

### FY2019

(Millions of yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains (loss) on hedges | Foreign currency translation adjustment | Remeasurements of defined benefits plan | Total accumulated other comprehensive income | | | |
| Balance, March 31, 2018 | 13,609 | 15,543 | 95,468 | (566) | 124,054 | 421 | 0 | 155 | (33) | 544 | 101 | 693 | 125,395 |
| Changes of items during the period | | | | | | | | | | | | | |
| Equity transaction with noncontrolling interests | | (269) | | | (269) | | | | | | | | (269) |
| Increase due to a share exchange | | 4,802 | | | 4,802 | | | | | | | | 4,802 |
| Dividends from surplus | | | (2,689) | | (2,689) | | | | | | | | (2,689) |
| Net income | | | 6,477 | | 6,477 | | | | | | | | 6,477 |
| Purchase of treasury stock | | | | (0) | (0) | | | | | | | | (0) |
| Disposal of treasury stock | | | | 0 | 0 | | | | | | | | 0 |
| Net changes of items during the period | | | | | | (2,287) | (0) | 117 | (1) | (2,171) | 40 | 9,060 | 6,929 |
| Total changes of items during the period | — | 4,532 | 3,788 | (0) | 8,320 | (2,287) | (0) | 117 | (1) | (2,171) | 40 | 9,060 | 15,250 |
| Balance, March 31, 2019 | 13,609 | 20,076 | 99,256 | (566) | 132,375 | (1,865) | 0 | 273 | (34) | (1,627) | 142 | 9,754 | 140,645 |

### FY2020

(Millions of yen)

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

# Corporate Data/ Share Information

(as of March 31, 2021)

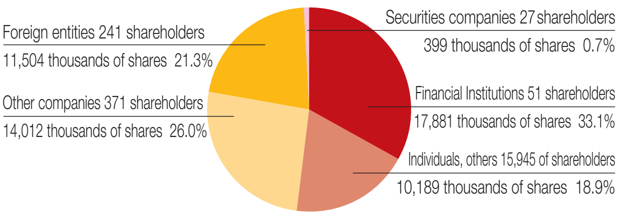
## Corporate Data

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

## Share Information

| | |
|---|---|
| Number of authorized shares | 200,000,000 |
| Number of outstanding shares | 53,987,499 |
| Number of shareholders | 16,635 |
| Stock exchange listings | Tokyo Stock Exchange, first section |
| | Nagoya Stock Exchange, first section |

## Distribution of shareholders by Type



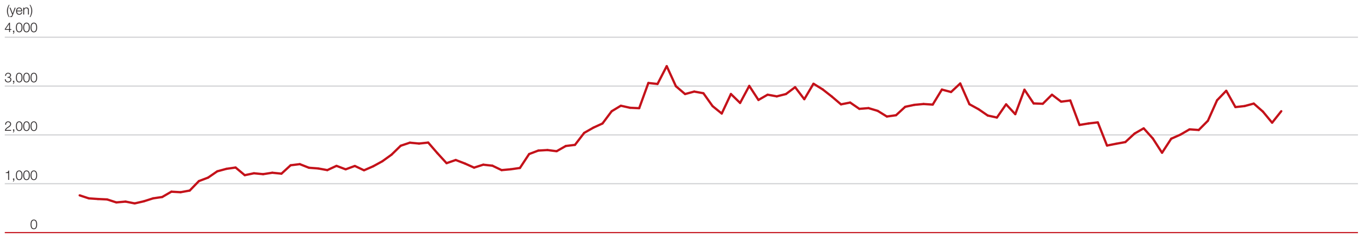

## Major Shareholders

| Shareholder | Number of Shares Held (Thousands) | Percentage of * Shares Held |
|---|---|---|
| Ito Youth Scholarship Foundation | 2,910 | 5.41 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,892 | 5.37 |
| Shiunsha Co.,Ltd. | 2,730 | 5.07 |
| The Norinchukin Bank | 2,542 | 4.72 |
| The Juroku Bank | 2,536 | 4.71 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1,762 | 3.27 |
| Masami Tashiro | 1,475 | 2.74 |
| Retail Partners Co.,Ltd. | 1,260 | 2.34 |
| Arcs Group Co.,Ltd. | 1,260 | 2.34 |
| MUFG Bank, Ltd. | 1,223 | 2.27 |

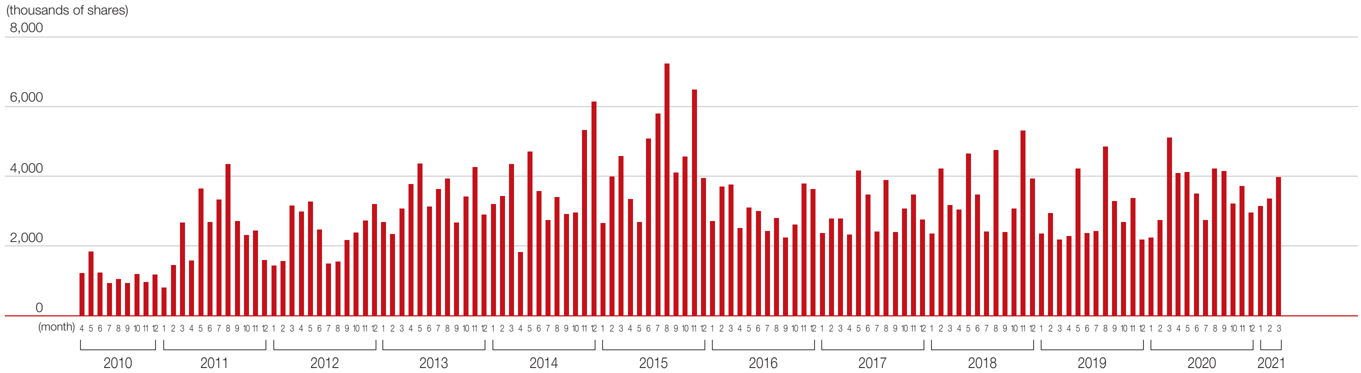
Notes: Shareholders are listed by shareholder number if they hold the same number of shares.
*The percentages of total outstanding shares excluding treasury stock are displayed by rounding down after the three decimal points.

## Stock price and trading volume

Stock price (closing price after adjustment)




Volume



## Valor Group

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

Note: *In April 1 2021,Ishinomaki Foods Co.,Ltd. was merged into Honda Suisan and Sun Pharmacy LLC was merged into Chubu Yakuhin Co., Ltd.
**Pet Shop Business ***Same company

## History

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

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

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

**Forward Looking Statement**

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