FY 2024

Financial Presentation

株式会社バローホールディングス

May 17, 2024

<Cautionary Statement Regarding This Document>

Forward-looking statements are based on the information available to Valor and its consolidated subsidiaries when preparing this presentation. Various factors in the future may cause our actual results to be materially different from any future results expressed or implied by these forward-looking statements.

Message from President

Developing an Outstanding Presence as a Destination Company

Approximately seven years ago, we began experimenting with a new store model, adapting quickly to environmental changes such as population decline and the COVID-19 pandemic. The core of this transformation has been the shift towards “Destination Stores.” Our group has been remodeling and expanding fresh produce sales floors while working on product improvement initiatives, such as the renewal of our private brand. All these efforts are aimed at transitioning to a store model where the unique product and category offerings themselves serve as the motivation for customers to visit. This shift, ”from number of stores to product strength” as a fundamental policy, has increased our store competitiveness, allowing us to attract customers from beyond our usual market area and expand our support base.

Additionally, our newly formulated “Valor Group New Medium-Term Three-Year Business Strategy” (FY2025 to FY2027) continues to set “Connect 2030–Connecting Products, Customers, and Society” as its strategic goal. Through its implementation, we aim to grow into a “Destination Company.” These plans are steps towards clearly defining our future vision as “Valor Group Vision 2030” and “Sustainability Vision 2030.”

To achieve “management that is conscious of the cost of capital and stock prices,” we will also focus on management with a greater consciousness of the balance sheet.

The Valor Group will continue to strengthen its governance system and develop alongside all our stakeholders. We ask our shareholders and investors for their continued support and look forward to your expectations for our further challenges.

President & Director

Takayuki Koike

Key Points

➢ Summary of FY2023 Financial Results

- Operating revenues reached **a record high for 29 consecutive FYs.**

- **Profits increased** to the second-highest level in history.
  The increase in personnel expenses due to wage increases was covered by an increase in gross profit by the top line of our main businesses (SM existing stores +5.6%, DgS existing stores +5.1%).

- The annual dividend will be increased to **¥65** (+ ¥7 YoY) to strengthen shareholder returns.

➢ FY2025 Forecast

Operating revenues: **¥840.0 billion**
Operating income: **¥23.5 billion**
Ordinary income: **¥26.4 billion**
NIA: **¥12.3 billion**

*NIA: Net income attributable to owners of parent

➢ Performance Plan for FY2027

(Final year of the new medium-term three-year business strategy)

Operating revenues: **¥910.0 billion**
Operating income: **¥27.2 billion**
Ordinary income: **¥30.0 billion**
NIA: **¥14.0 billion**

Contents

FY2024 Consolidated Business Results

Valor Holdings

- Operating revenues achieved a record high (29 consecutive FYs)
- SM and DgS drove sales and profits, resulting in increased revenue and profit.
- A significant increase in net income growth rate achieved through the strengthening of investment management (Reduced impairment losses by ¥1 billion YoY.

(Yen in millions, except for EPS)

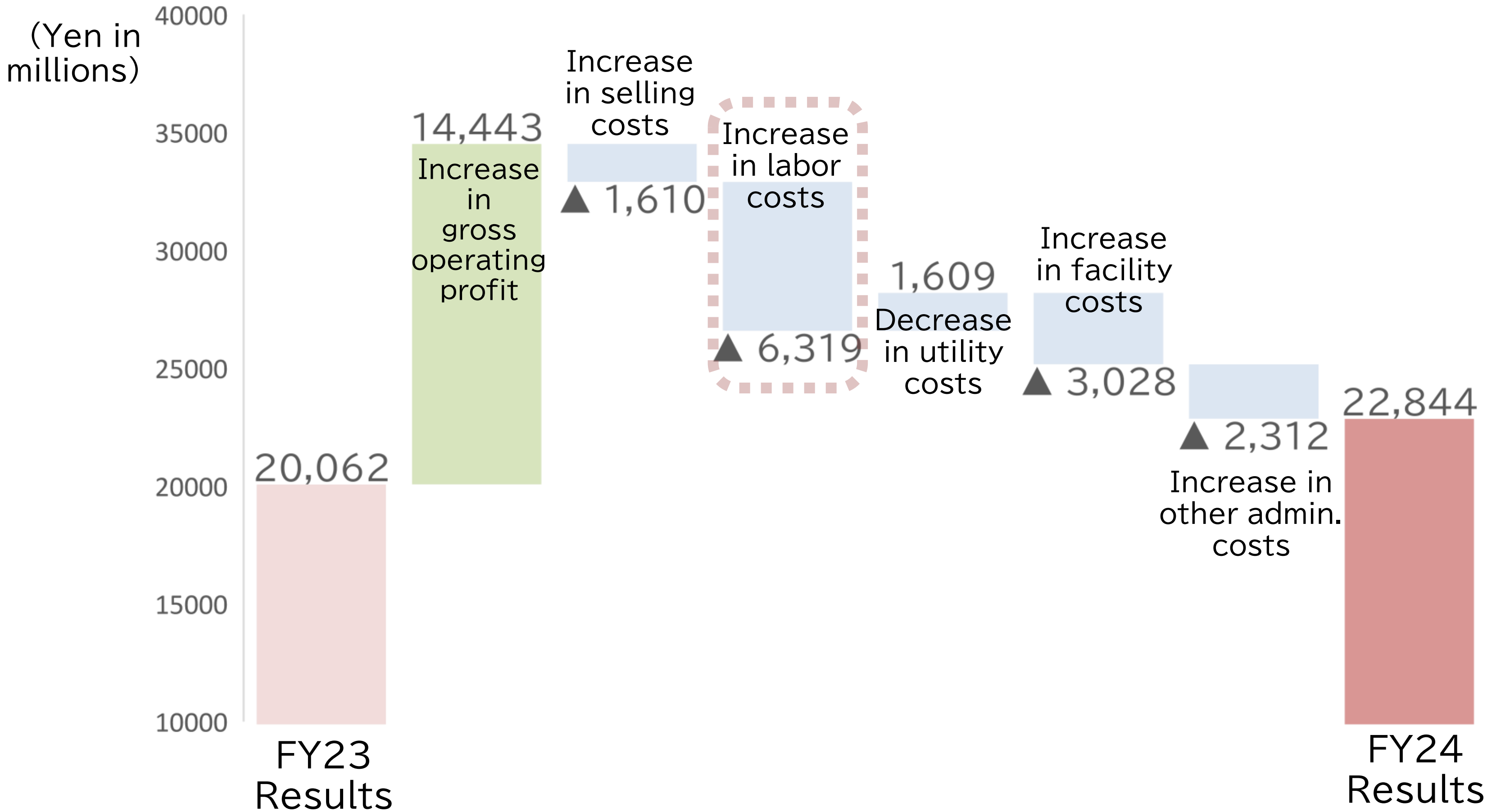
	FY22	FY23	FY24			
	Results	Results	Forecast	Results	YoY	vs. Plan
Operating Revenues	732,519	759,977	772,000	807,795	+6.3%	+4.6%
Operating income	21,205	20,062	20,500	22,844	+13.9%	+11.4%
Ordinary income	24,140	23,049	23,300	25,604	+11.1%	+9.9%
NIA	9,014	7,603	9,300	11,945	+57.1%	+28.4%

*EBITDA is calculated based on operating income + amortization (CF basis)

EBITDA*	41,434	40,754	-	44,595
EPS	167.87	141.61	214.17	223.02 (Yen)

Factors of Increase/Decrease in Operating Income

- Gross operating profit increased by ¥14.4 billion, with the improvement in the gross profit margin (26.6% → 26.7%)
- Utility costs decreased by approx. ¥1.6 billion, while labor costs increased by ¥6.3 billion due to wage increases.



Quarterly Results

- In Q3, despite the high performance in the previous year, we secured increased profits and set a new record for operating profit (¥7.2 billion).

	Results				YoY			
	H1	Q3	Q4	計	H1	Q3	Q4	計
Operating revenues	399,140	211,434	197,220	807,795	+6.5%	+5.8%	+6.4%	+6.3%
Net sales	386,512	204,826	191,262	782,601	+6.7%	+5.9%	+6.5%	+6.4%
Gross profit	102,410	54,160	52,678	209,249	+6.6%	+6.1%	+9.0%	+7.1%
GOP	115,038	60,767	58,636	234,443	+6.1%	+5.7%	+8.3%	+6.6%
Total expenses	103,896	53,548	54,154	211,599	+5.1%	+5.8%	+7.2%	+5.8%
Operating income	11,142	7,219	4,482	22,844	+16.5%	+5.5%	+22.7%	+13.9%
Ordinary income	12,643	7,943	5,017	25,604	+13.8%	+9.0%	+7.8%	+11.1%
	Ratio to operating revenues				YoY difference			
Gross profit (vs. Net sales)	26.5%	26.4%	27.5%	26.7%	0.0%	+0.1%	+0.6%	+0.2%
GOP	28.8%	28.7%	29.7%	29.0%	△0.1%	0.0%	+0.5%	+0.1%
Total expenses	26.0%	25.3%	27.5%	26.2%	△0.4%	0.0%	+0.2%	△0.1%
Operating income	2.8%	3.4%	2.3%	2.8%	+0.2%	0.0%	+0.3%	+0.2%
Ordinary income	3.2%	3.8%	2.5%	3.2%	+0.2%	+0.1%	0.0%	+0.1%

Operating Results by Segment

※ For details, see p.19 -

Valor Holdings

- **Supermarket Business:** Increased profits due to the strong performance of existing stores (+5.6%) and the success of new stores in Osaka and Aichi Prefectures.
- **Drugstore Business:** Increased revenue and profits driven by the remodeling of 30 stores and the strong performance of PB products, leading to higher sales and improved gross profit margins for existing stores.
- **Home Improvement Center Business:** Despite the subsidiary acquisition of HC Ant and deepening market dominance, revenue and profits decreased due to a decline in customer numbers.
- **Sports Club Business:** Increased revenue and reduced operating losses due to the increase in the number of members.

* "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and others have been applied from the beginning of FY2022

(Yen in millions)

	Operating revenues				Segment profit			
	FY22	FY23	FY24		FY22	FY23	FY24	
	Results	Results	Results	YoY(%)	Results	Results	Results	YoY(%)
Supermarket business	405,537	421,838	**454,217**	+7.7%	14,908	13,374	**18,614**	+39.2%
Drugstore business	152,474	160,947	**170,870**	+6.2%	2,950	4,317	**5,444**	+26.1
Home improvement center business	122,947	124,962	**123,995**	(0.8%)	5,061	4,620	**3,844**	(16.8%)
Sports club business	9,847	9,439	**10,072**	+6.7%	(559)	(1,159)	**(842)**	Loss reduced
Distribution-related operations	10,451	11,373	**16,348**	+43.7%	3,206	3,296	**3,664**	+11.2%
Others	31,260	31,414	**32,291**	+2.8%	2,510	1,635	**(546)**	Operating loss
Elimination or corporate expenses					(6,872)	(6,022)	**(7,335)**	
Total	732,519	759,977	**807,795**	+6.3%	21,205	20,062	**22,844**	+13.9%

Changes in Management Indicators

- Profitability, efficiency, and safety have all improved.
- We aim to achieve an ROE of 8% and an ROIC of 5.5% (greater than the cost of capital) to further improve profitability.

	FY22	FY23	FY24
	Results	Results	Results
ROA	5.9%	5.6%	5.9%
ROR	3.3%	3.0%	3.2%
Total Asset Turnover	1.8	1.8	1.9
ROE	6.2%	5.0%	7.5%
ROIC*	4.1%	3.7%	4.8%
Equity ratio	36.2%	36.6%	36.9%
D/E ratio	0.8	0.7	0.7
Net D/E ratio	0.6	0.6	0.5

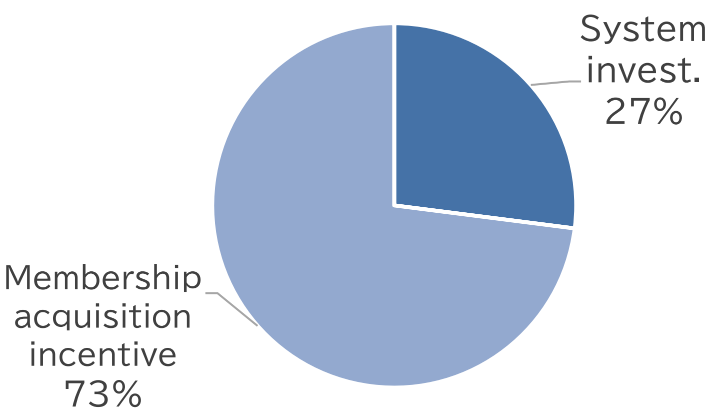
*ROIC is calculated by dividing operating income after tax (using the effective tax rate) by (interest-bearing debt + net worth + noncontrolling interests).

Impact of Investments in the Credit Card Business

- Started accepting applications for the "Lu Vit Credit Card' in April 2023
- 180,000 applications as of the end of FY24
- Planning to invest approx. ¥3.2 billion over 5 years (including the portion to be implemented in FY24).
- Expected impacts: 1) the suppression of external outflow costs (estimated to reduce by approx. ¥13.5 billion over 10 years), 2) business development utilizing the membership base (e.g. retail media and regional collaborations)

Investment

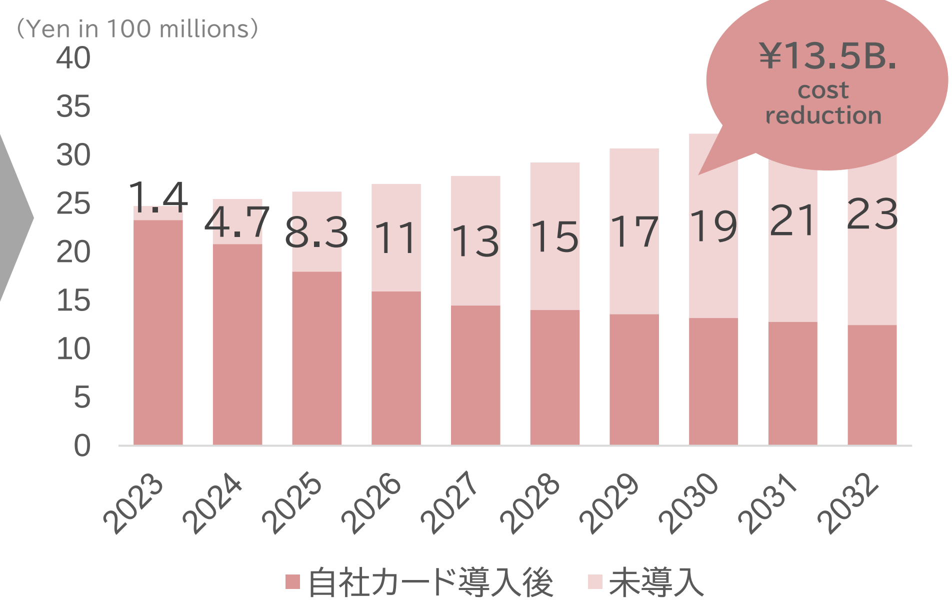
Plan to invest approx. ¥3.2B. over 5 years.



*Achieving profitability for Valor Financial Services Co., Ltd. is planned for FY27.

Impact

Estimated Payment Costs (External Outflow) Comparison (Before and After Introduction of In-house Card)



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FY2025 Forecast

- **Supermarket Business:** Accelerate store openings in the Kansai region, implement the new pricing policy "Low Price Guarantee," and open urban fresh food supermarkets.
- **Drugstore Business:** Accelerate store openings in metropolitan areas (Nagoya and Kansai), and strengthen food offerings (fresh and prepared foods).
- **Home Center Business:** Increase the proportion of PB products to 20%, and strengthen specialty stores (for professionals).

(Yen in millions)

	FY23	FY24	FY25	
	Results	Results	Plan	YoY
Operating revenues	759,977	807,795	840,000	+4.0%
Operating income	20,062	22,844	23,500	+2.9%
Ordinary income	23,049	25,604	26,400	+3.1%
NIA	7,603	11,945	12,300	+3.0%
Existing stores sales growth rate				
Supermarkets	(0.1%)	+5.6%	+2.0%	
Drugstores	+2.9%	+5.1%	+2.0%	
Home improvement centers	(0.7%)	(2.2%)	±0%	

Number of Stores and Capital Investment Plan

- Plan to invest in new store openings and renovations, including stores acquired from Toho Store Co., Ltd.
- Plan to start operations at the Hirakata Logistics Center in October 2024.

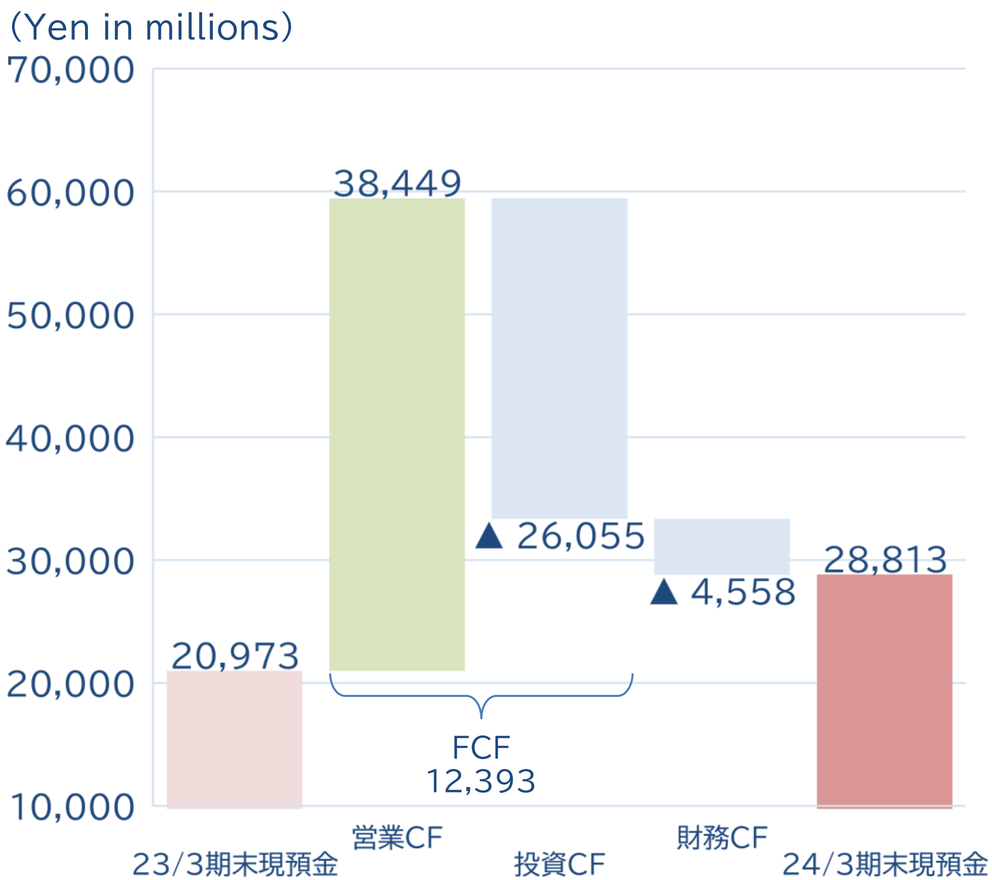
(Number of stores)	FY23 FY end	FY24 FY end	FY25 Open	FY25 Closed	FY25 FY end
Supermarkets	316	317	12	1	328
Delicatessen Specialty Stores	42	51	11	-	62
Drugstores	495	507	26	-	533
Home improvement centers	161	168	4	2	170
Sports clubs (FC)	184 (52)	176 (42)	1	-	177 (42)
Pet shops	119	124	9	5	128
Others	5	5	-	-	5
Total	1,322	1,348	63	8	1,403

(Yen in millions) ※payment basis

	FY23	FY24	FY25
Capital investment	25,995	27,120	34,367
New investment	13,464	9,691	20,093
Existing stores investment	11,726	13,655	12,453
Others	805	3,775	1,821

Cash Flow

- FCF continued to increase from the previous fiscal year due to the increase in operating CF.
- The new medium-term business strategy targets a cumulative operating CF of ¥120 billion over three years.



Cash Flow

●**Operating CF:¥38.449 B.**

・Income before income taxes increased by ¥3.93 B. (→ increase)

・Changes in inventories decreased by ¥1.342 B. (→ increase)

●**Investing CF:(¥26.055 B.)**

・Expenditure for the acquisition of subsidiary shares: ¥1.356 B. (→ decrease)

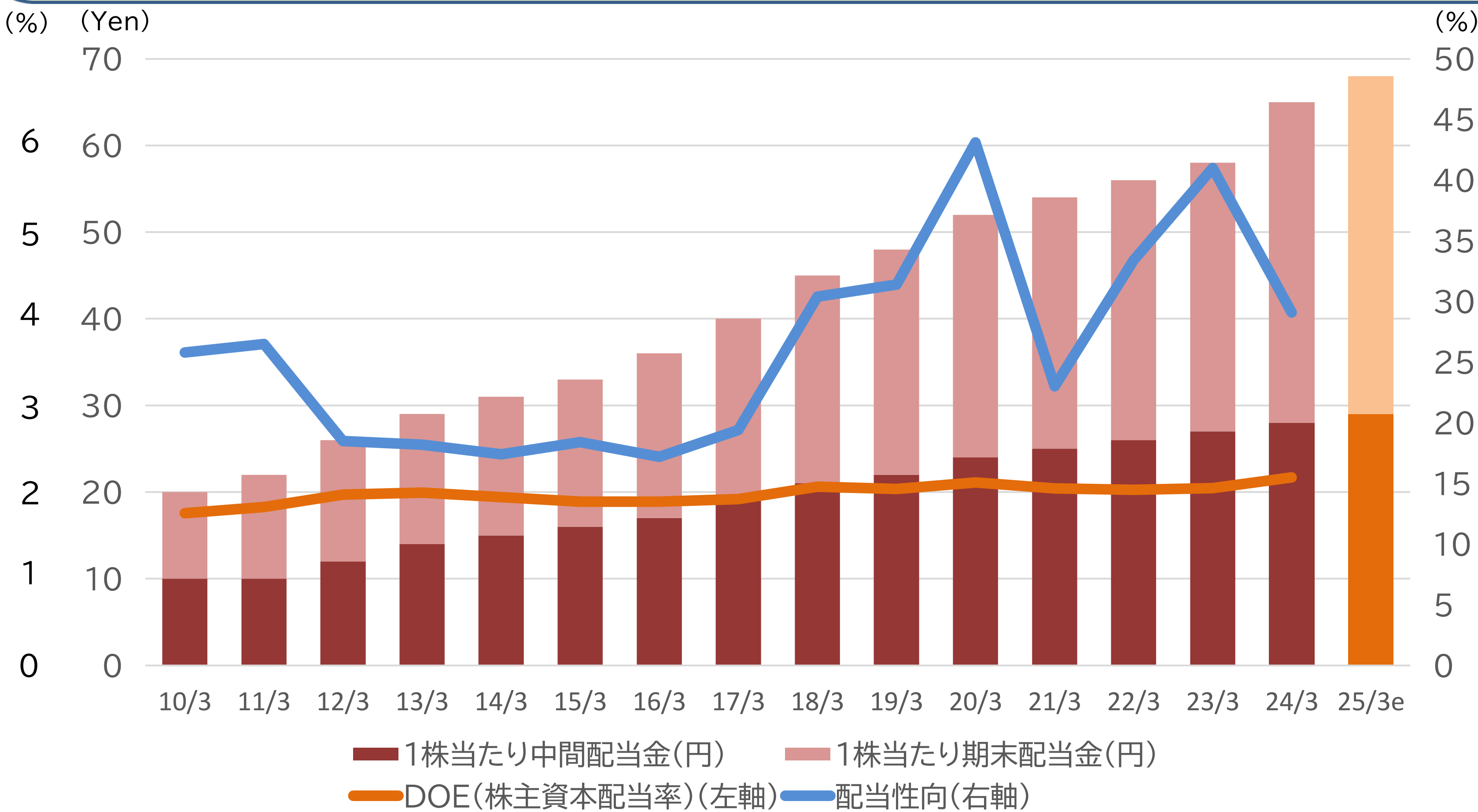
○(Subtotal)**FCF:+¥12.393 B.**

●**Financing CF:(4.558 B.)**

●Net Change in Cash and Cash Equivalents:+7.839 B.

Shareholder Return (Dividend Forecast for FY25)

- An annual dividend of ¥65, consisting of an interim dividend of ¥28 and a year-end dividend of ¥37 (an increase of ¥7 YoY), marking 14 consecutive years of dividend increases.
- Revised shareholder return policy to strengthen returns from three perspectives: 1) increasing the dividend payout ratio from 25% to 30%, 2) adopting a progressive dividend policy, and 3) setting a minimum DOE of 2%.



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※Please refer to the announcement of the “Valor Group New Medium-Term Three-Year Business Strategy” disclosed on May 14, 2024.

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[Ref.] Business Strategy by Segment

- Expenses are expected to increase due to higher utility and labor costs.
- Gross profit margin improved due to increased turnover from enhanced fresh produce and a higher PB (Private Brand) composition ratio.
- Normalization of campaign costs is anticipated for the credit card business.

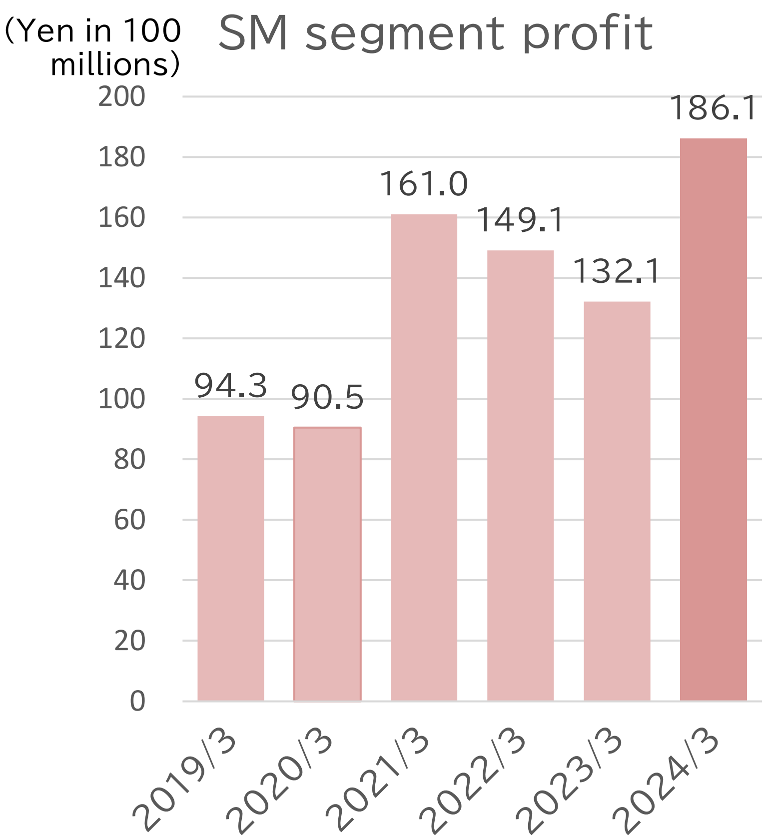
Note: The breakdown of sales and profits in the segment plan consists of approximate values; please take this into consideration.

(Yen in millions)	Operating revenues				Segment profit			
	FY23	FY24	FY25		FY23	FY24	FY25	
	Results	Results	Plan	YoY	Results	Results	Plan	YoY
Supermarket business	421,838	454,217	470,000	+3.5%	13,374	18,614	19,500	+4.8%
Drugstore business	160,947	170,870	178,000	+4.2%	4,317	5,444	5,500	+1.0%
Home improvement center business	124,962	123,995	129,000	+4.0%	4,620	3,844	4,000	+4.1%
Sports club business	9,439	10,072	10,800	+7.2%	(1,159)	(842)	(700)	improved
Distribution-related operations	11,373	16,348	18,200	+11.3%	3,296	3,664	3,800	+3.7%
Others※	31,414	32,291	34,000	+5.3%	1,635	(546)	(200)	improved
Elimination or corporate expenses	—	—	—		(6,022)	(7,335)	(8,400)	
Total	759,977	807,795	840,000	+4.0%	20,062	22,844	23,500	+2.9%

※ Includes pet store business, credit card business, etc.

[Ref.] Supermarket business

- Achieved record-high profit surpassing the third quarter of 2021 during the COVID-19 pandemic.
- Valor Co., Ltd: Same-store sales +5.6% (customer count +0.7%) YoY
- Started the current period with positive same-store sales due to an increase in customer count from the new pricing policy "Low Price Guarantee."



Analysis of full-year results

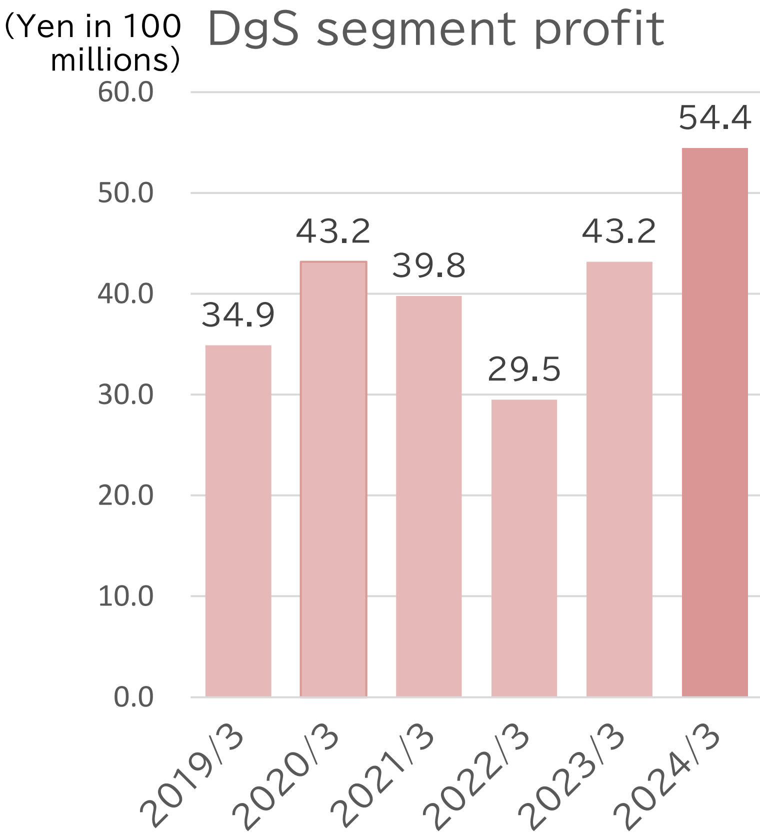
(factors contributing to changes from the plan and from the previous year)

Operating revenues	vs. plan	◎	The impact of remodeling on DS is approx. +9%
	YoY	◎	+¥22.3 B. at Valor Co., Ltd.
Operating income	vs. plan	◎	Utility costs, especially electricity, decreased.
	YoY	◎	Improvement in gross profit margin at Valor Co., Ltd.

※◎:increase, ○:in line with the plan, △:decrease

[Ref.] Drugstore business

- Achieved record-high profit surpassing the third quarter of 2021 during the COVID-19 pandemic.
- Chubu Yakuhin Co., Ltd: Same-store sales +5.1% (customer count +1.0%) YoY
- Increase in customer count due to competitively priced food and daily necessities, mainly PB products.



Analysis of full-year results

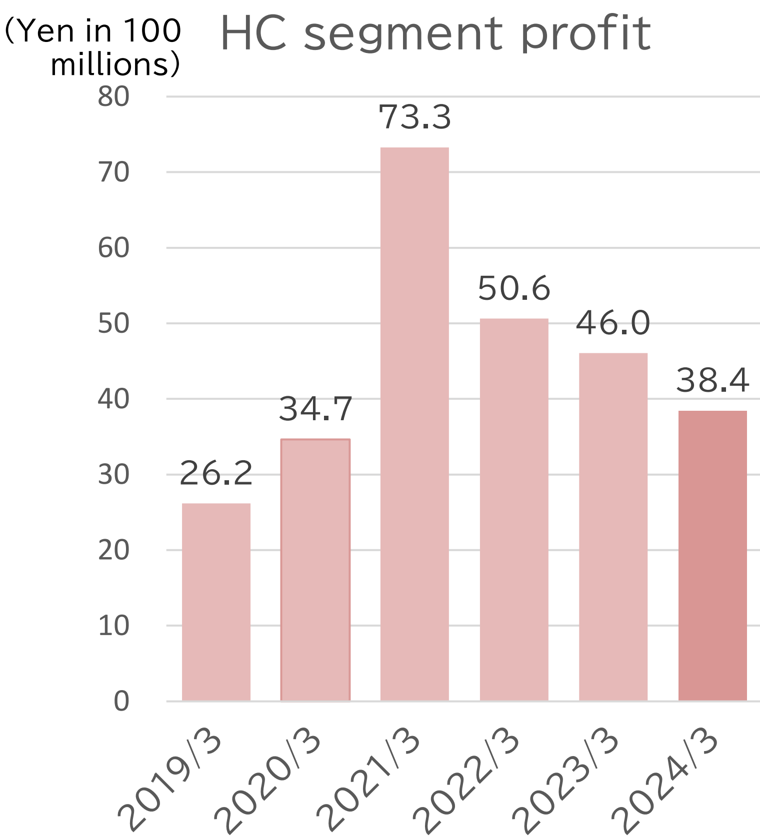
(factors contributing to changes from the plan and from the previous year)

Operating revenues	vs. plan	◎	Recovery in cosmetics sales due to increase in outings
	YoY	◎	Remodeling of 30 stores
Operating income	vs. plan	◎	Increase in gross profit, absorbing the rise in labor costs and other expenses.
	YoY	◎	Improvement in gross profit margin +0.2%

※◎:increase, ○:in line with the plan, △:decrease

[Ref.] Home improvement center business

➢ Profit increased by approx. ¥400 million, compared to FY20, before the COVID-19 pandemic.
➢ Profit increased by ¥170 million YoY in 4Q alone.
➢ Home Center Ant Co., Ltd., which operates five home improvement centers in Aichi Prefecture, has become a subsidiary.



Analysis of full-year results

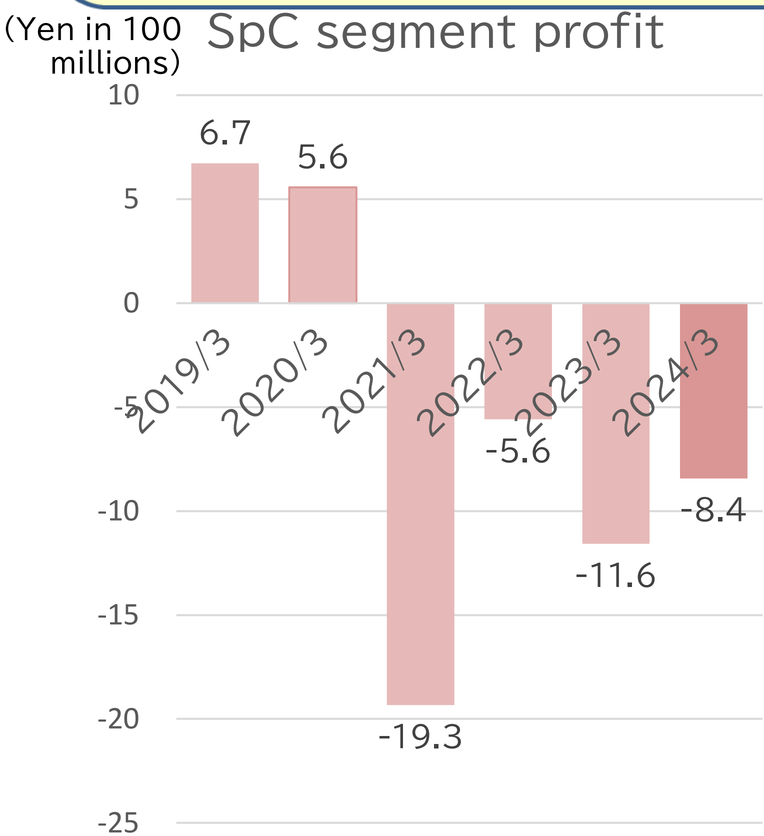
(factors contributing to changes from the plan and from the previous year)

Operating revenues	vs. plan	△	Poor performance of gardening, plant, farm supply, and seasonal products due to the hot summer and mild winter.
	YoY	○	Home Center Ant Co., Ltd. became a subsidiary.
Operating income	vs. plan	△	Decrease in customer count due to an increase in defensive consumption behavior.
	YoY	△	Struggles of Time Co., Ltd. (decrease in gross profit margin due to an increased sales composition ratio of daily necessities and other items)

※◎:increase, ○:in line with the plan, △:decrease

[Ref.] Sports club business

- Profit decreased by approx. ¥1.3 billion, compared to FY20, before the COVID-19 pandemic.
- Junior schools were established as part of a member acquisition strategy, and new swimming schools were opened.
  A new membership category for those under 24 years old was introduced.



Analysis of full-year results

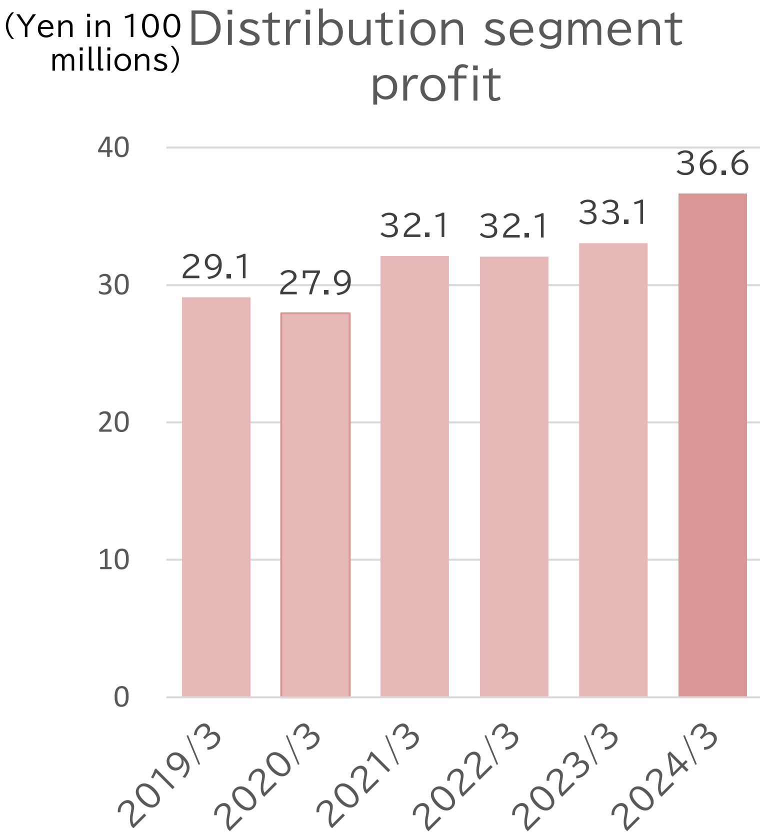
(factors contributing to changes from the plan and from the previous year)

Operating revenues	vs. plan	◎	Increase in membership, especially among young people.
	YoY	◎	Increase in end-of-period membership count.
Operating income	vs. plan	△	Missed top-line targets
	YoY	◎	The operating loss was reduced due to the improvement in gross profit.

※◎:increase, ○:in line with the plan, △:decrease

[Ref.] Distribution-related business

- Profit increased by approx. ¥900 million, compared to FY20, before the COVID-19 pandemic.
- Increase in logistics volume, packaging materials, and consumables handling due to revenue growth in the supermarket business and the drugstore business.



Analysis of full-year results

(factors contributing to changes from the plan and from the previous year)

Operating revenues	vs. plan	◎	Increase in sales of major businesses
	YoY	◎	Contribution from Showa Film Co., Ltd. and Unidopack Co., Ltd., which became subsidiaries during the current period
Operating income	vs. plan	◎	Reevaluation of unprofitable logistics and delivery operations
	YoY	◎	In-house production of flexible packaging materials at Showa Film Co., Ltd. and Unidopack Co., Ltd.

※◎:increase, ○:in line with the plan, △:decrease

[Ref.] Breakdown of Impairment Loss

- In accordance with the "Accounting Standard for Impairment of Fixed Assets," Valor Holdings and its group recognized signs of impairment in some of its fixed assets, such as stores, due to a decline in profitability, etc. As a result, we examined the possibility of future recovery and recorded an impairment loss of ¥4,853 million as an extraordinary loss.

(Yen in millions)

	FY22	FY23	FY24
Supermarket business	768	1,178	**1,452**
Drugstore business	1,057	1,016	**870**
Home improvement center business	698	92	**786**
Sports club business	324	3,192	**137**
Distribution-related operations	144	-	**420**
Others	314	459	**1,186**
Total	3,308	5,939	**4,853**

[Ref.] Sustainability KPI (to 2050)

Valor Holdings

	Standard	FY24 Final year of current strategic plans	FY27	FY30 Sustainability Vision 2030	FY50 Reference
Realizing a decarbonized society CO2 emissions Greenhouse gas emissions	(FY20 results*) CO2 emissions at own sites (Electricity-derived) 233,486t	(FY20 rate) CO2 emissions at own sites (Including non-electrically derived) **10%** reduction		(FY21 rate) Total greenhouse gas emissions in the supply chain **40%** reduction	Total greenhouse gas emissions in the supply chain **ZERO**
Reducing food waste Food waste generated	(FY17 results**) 18,983t	(FY17 rate) **35%** reduction		(FY17 rate) **45%** reduction	(FY17 rate) **55%** reduction

Note: * Calculated for 16 companies comprising 84% or more of consolidated operating revenues.
** Calculated by Valor, Tachiya, and Shokusenkan Taiyo, and will be expanded to cover the entire supermarket business.

Solar panels to be installed to create and use renewable energy.

Promoting food waste reduction and food recycling.

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