

The Valor Group

New Medium-term Strategic Plans

FY2025 – FY2027

- 1 Overview
- 2 Key Management Indicators
(Consolidated Performance Targets)
- 3 Growth Strategy
- 4 Profitability Strategy
- 5 Sustainability Strategy
- 6 Differentiation Strategy
- 7 Segment-specific Initiatives
- 8 Major Capital Investments and Cash Flow during the Term
- 9 Measures for Achieving the Management Conscious
of Cost of Capital and Stock Price

1. Review of the Previous Medium-term Strategic Plans

◆ Achieved Sales Revenue Plan

The target of “¥780 billion in sales revenue” was achieved. However, “¥31 billion in ordinary profit,” and “ROIC of 6.3% or higher” was not achieved. Revenue improvement in the supermarket business by transformation into the destination store has progressed.

◆ A Next Strategic Plans, “Strengthening HD functions“

- Promotion of group-wide Private Brand (PB) development
- Establishment of a group cross-functional investment committee (aimed at reducing impairment losses)
- Promotion of new business models leveraging group resources (e.g., combining drugstores with delicatessens)

Internal Environment

- New Management Structure
From 2023,
Chairperson & CEO
Masami Tashiro
President
Takayuki Koike

External Environment

- Post-COVID era
- From Deflation to Inflation
- Growing Awareness of Financial Security

2030

Valor Group Vision 2030

Becoming a “Destination Company, and building a “Valor Economic Zone” in our dominant areas.

VISION

Sustainability Vision 2030

Contributing to the realization of a sustainable society, the development of local communities, and the enhancement of social and cultural values

Strategic Goal

Connect 2030:

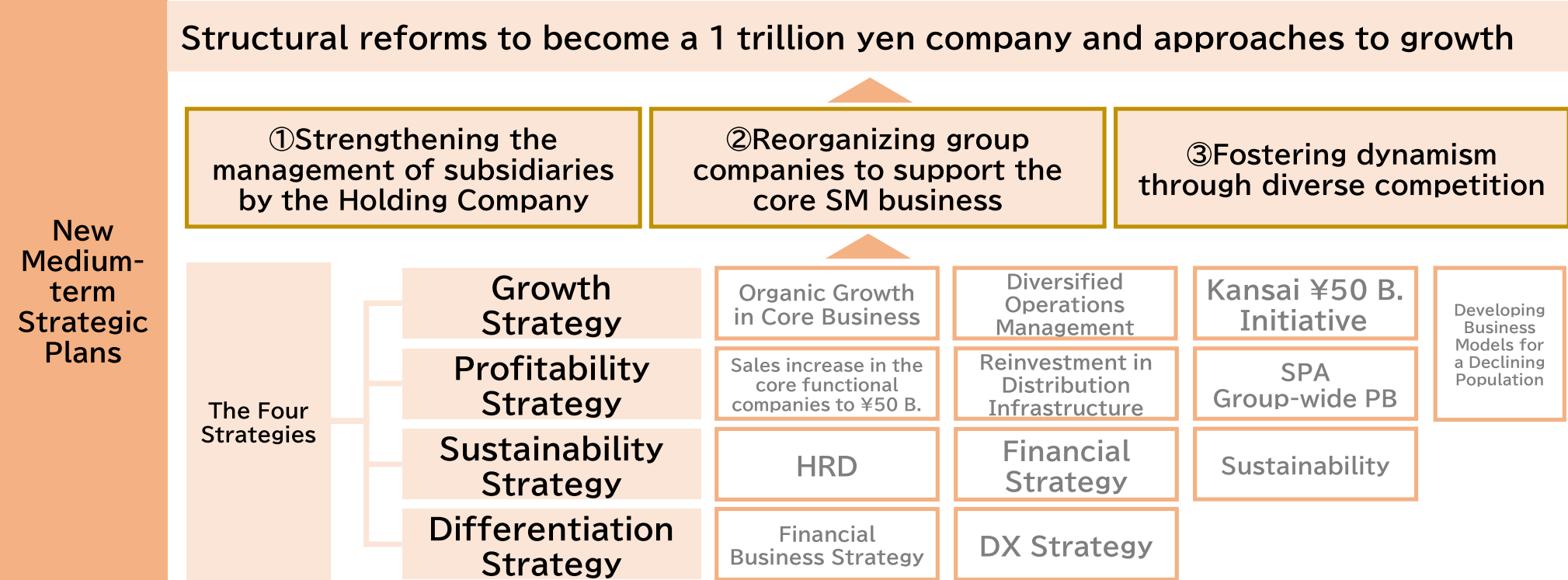
Businesses for “Connecting Products, Customers, and Society”

1. Overview of New Medium-term Strategic Plans

● Positioning of the New Strategy

Structural reforms for becoming a 1 trillion yen company and fostering a culture of continuous growth

To **1.2 trillion yen** by FY 2034,
10 years from now



(Ref.) Positioning of the New Strategic Plans



◆ To achieve the Valor Group Vision 2030

We aim to build a “Valor Economic Zone” that conveniently and prosperously connects local communities with the Valor Group’s products, services, and payment systems. We strive to become a “destination company” that attracts customers through the appeal of our products. To achieve this goal, we will strengthen our connections with customers and evolve our business model as a manufacturing and retailing company.



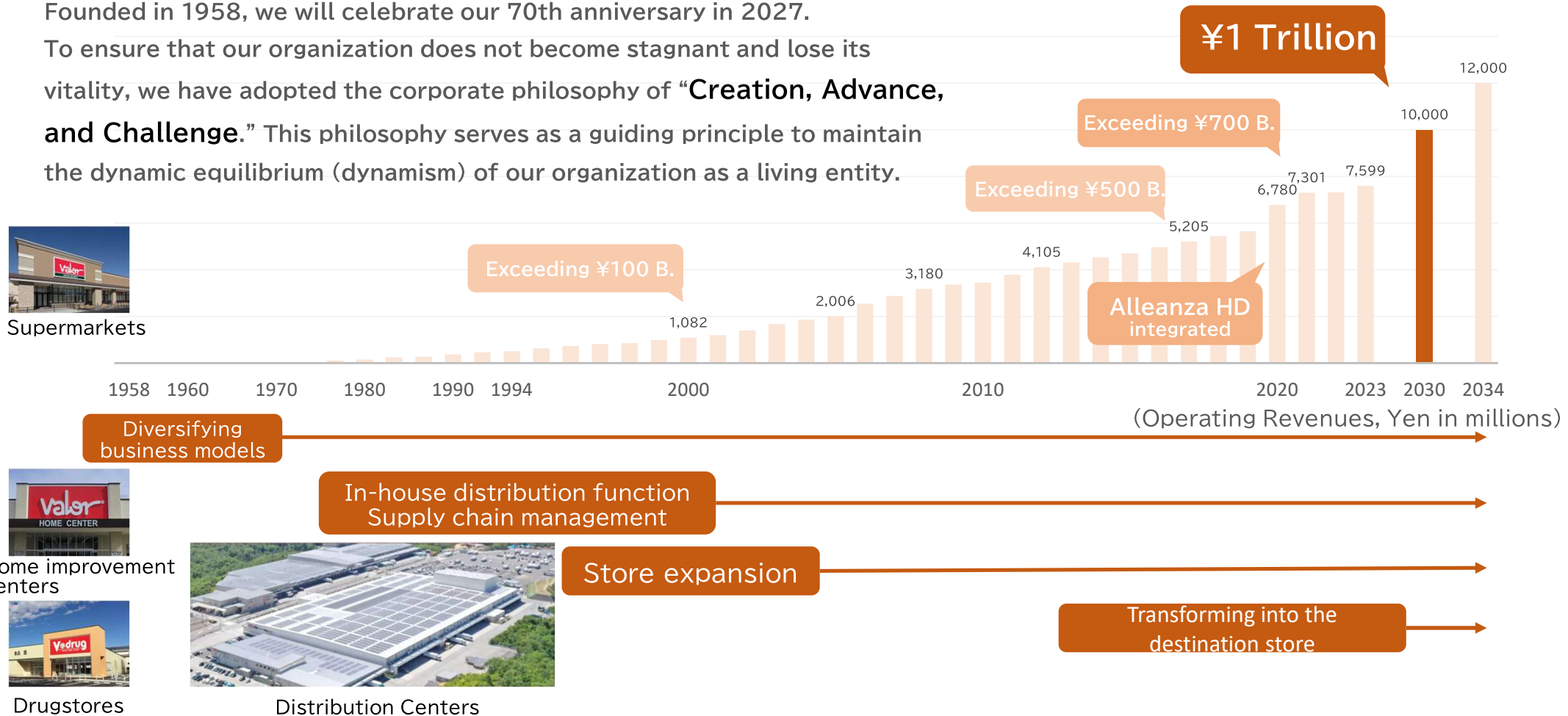
Corporate Philosophy	「Creation・Advance・Challenge」					
Medium- to Long-term Management Policy	FY2011-2015 Strategic Plans	FY2016-2018 Strategic Plans	FY2019-2021 Strategic Plans	FY2022-2024 Strategic Plans	New FY2025-2027 Strategic Plans	Valor Group Vision 2030
Strategic Goals	Business expansion	Enhancing operational efficiency	Shifting focus from store count to product quality	Connect 2030 Connecting products, customers, and society	Connect 2030 Connecting products, customers, and society	
Growth Driver	Expansion of store network	Stable growth driven by core businesses	Product appeal	Product appeal	The four strategies	
Connections with Customers	Stores (Various business formats)	Stores (Various business formats)	Stores Partially EC, and others	Stores, EC and, Our own electronic money, LuVit		

(Ref.) The History of Our Group



Founded in 1958, we will celebrate our 70th anniversary in 2027.

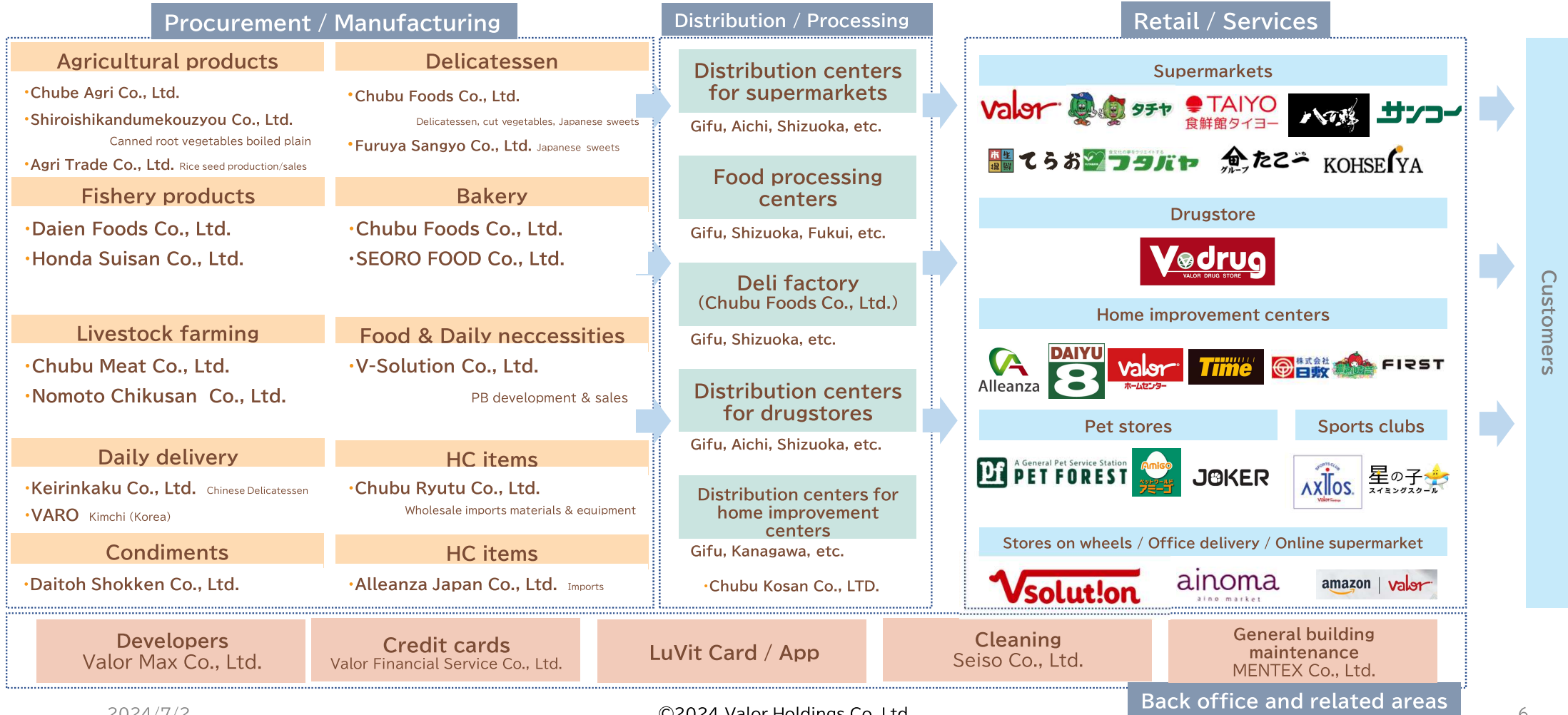
To ensure that our organization does not become stagnant and lose its vitality, we have adopted the corporate philosophy of **“Creation, Advance, and Challenge.”** This philosophy serves as a guiding principle to maintain the dynamic equilibrium (dynamism) of our organization as a living entity.



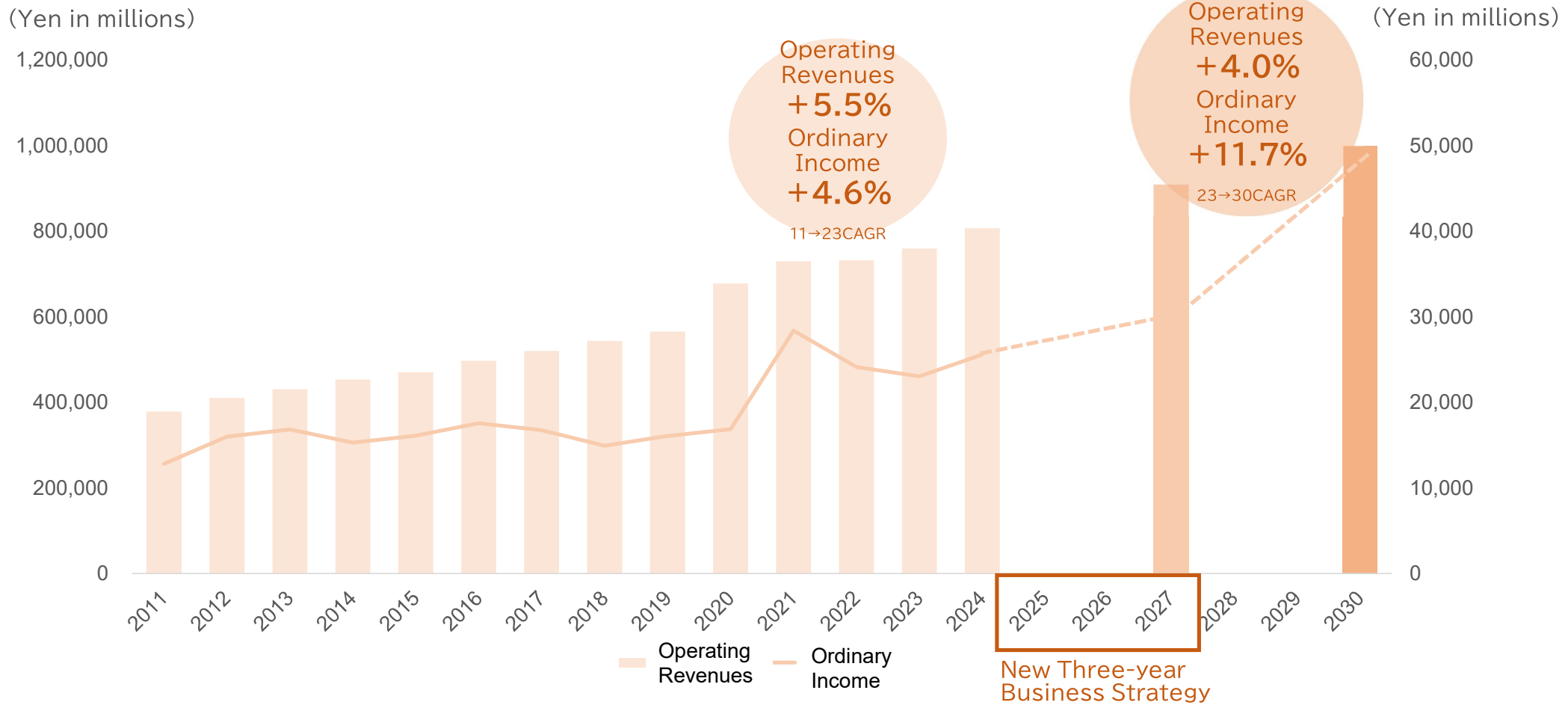
(Ref.) The Valor Group Business Model



Our strength lies in driving growth through the retail and service industries while capturing profits across the entire supply chain with our value chain network.



(Ref.) Three Years of Structural Reforms for Breakthrough Growth



(Ref.) Performance Trends



		FY15 Results FY11-15 Plans Final Year	FY18 Results FY16-18 Plans Final Year	FY21 Results FY19-21 Plans Final Year	FY24 Results FY22-24 Plans Final Year	FY27 Plan FY25-27 Plans Final Year
Operating revenues		470,564	544,020	730,168	807,795	910,000
Operating income		15,000	13,470	25,648	22,844	27,200
Ordinary income		16,108	14,937	28,397	25,604	30,000
NIA		9,214	7,570	12,592	11,945	14,000
Total assets		245,386	285,905	404,458	444,807	474,000
Net assets		90,881	113,167	155,190	179,328	205,000
Interest-bearing debt		86,880	88,821	120,884	123,049	124,000
Efficiency metrics	ROA	6.7%	5.4%	7.2%	5.9%	6.4%
	ROE	10.7%	6.9%	9.2%	7.5%	7.7%
	D/E ratio	1.0	0.8	0.8	0.7	0.6
CapEx (Composition ratio)	Case basis	20,131 (5-year average)	24,019 (3-year average)	30,615 (3-year average)	28,020 (3-year average)	35,000 (3-year average)
	Investment in new stores	<u>59.9%</u>	57.1%	49.1%	<u>44.8%</u>	<u>35%</u>
	Investment in existing stores	15.4%	<u>29.4%</u>	<u>38.2%</u>	<u>48.2%</u>	30%
	Others	<u>24.8%</u>	13.4%	12.7%	7.0%	<u>35%</u>

(Ref.) Segment-specific Plans



(Yen in millions)	FY24 Results		FY27 Plan FY25-FY27 Final Year	
	Operating revenues	Operating income	Operating revenues	Operating income
Group consolidation	807,795	22,844	910,000	27,200
Supermarket business	454,217	18,614	500,000	21,500
Drugstore business	170,870	5,444	200,000	6,200
Home improvement center business	124,962	3,844	138,500	4,400
Sports club business	10,072	(842)	11,000	0
Distribution-related business	16,348	3,664	19,500	4,300
Others	32,291	(546)	41,000	300
Regarding the above, Only Pet stores	-	-	40,000	-

2. Management Indicators (FY27 Consolidated Performance Targets)



Financial KGI	Consolidated Performance	Expansion into the Kansai Area	Development of New Channels
	Operating revenues ¥910 billion Operating income ¥27.2 billion Ordinary income ¥30 billion	Sales in the Kansai Area Over ¥50 billion	Sales in EC Over ¥20 billion
Growth KPI	Supermarket Business	Drugstore Business	Home Improvement Center Business
	Segment operating revenues ¥500 billion	Segment operating revenues ¥200 billion Pharmacies with prescription services 35%→50%	Segment operating revenues ¥138.5 billion plus Sales of Pet stores ¥32 billion→¥40 billion
	PB ratio 12%→13%	PB ratio 10% → 15%	PB ratio 15% → 25%

3. Growth Strategy

Continuously adapting to the environment

- ①Growth of the core supermarket business
- ②Capturing the market outside of the stores
- ③Expansion into new growth areas based on demographic trends
- ④Efficient operation of existing dominant areas

Key Initiatives	Strategies	Implementation measures
	<p>STEP① Organic Growth in Core Business</p>	<ul style="list-style-type: none"> ■ Promotion of transformation into the destination store with clearly defined purposes for customer visits. ■ Establishment of the DS model in the three businesses formats(SM, DgS, HC) ■ (SM)Neo-DS transformation for stores with annual sales below ¥1 billion
	<p>STEP② Diversified Operations Management</p>	<ul style="list-style-type: none"> ■ (EC)Achievement of the direct manufacturing and sales model to reach ¥20 billion in sales ■ (Overseas) Expansion of “<i>Nigiritate</i>” business (Bangkok), Export of PB products(Hanoi) ■ (Collaboration with local government)Participation in public events, construction-related sales, utilization of the sports club as educational purposes.
	<p>STEP③ Kansai ¥50 billion Initiative</p>	<ul style="list-style-type: none"> ■ Expansion into Kansai through diverse store formats+M&A(+business transfer) ■ Opening fresh food-focused supermarkets in urban areas (Yaosen・Takoichi) ■ Expansion of the prepared food (Deli) business into Kansai(Osaka, Umeda, etc.)(Delica Kitchen) ■ (Infrastructure) Operation of Hirakata distribution center (Oct. 2024)
	<p>STEP④ Developing Business Models for the Declining Population</p>	<ul style="list-style-type: none"> ■ Development of new business formats in small trade areas with low break-even points ■ Promotion of business formats leveraging group company resources(e.g., DgS+Deli, HC+Fresh food)



(Ref.) Diversified Operations Management

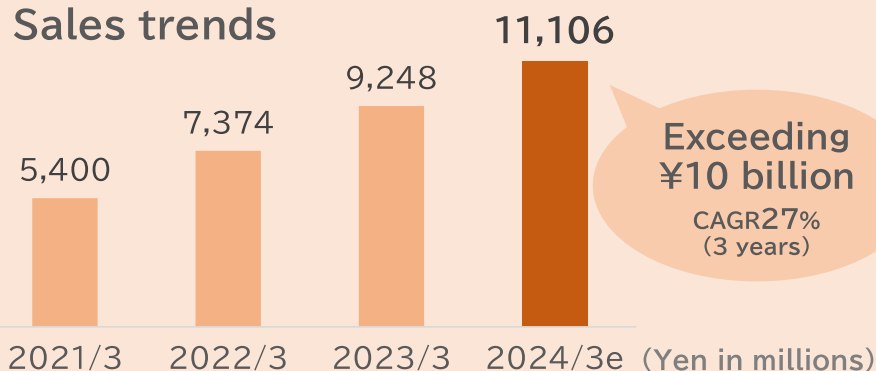
(EC, Stores on wheels, Collaboration with local governments)



Leveraging the assets of our core businesses—SM, DgS, and Sports clubs—through diversified operations management to achieve multi-layered market development starting from physical stores

EC & Stores on wheels

Sales trends



Collaboration with local governments

“Comprehensive partnership agreements” signed with 8 municipalities

- ✓ Installation of food drive posts
- ✓ Provision of food supplies to children’s cafeterias
- ✓ Supply of COVID-19 care kits
- ✓ Support during disasters
- ✓ Bento box production for large-scale events



Comprehensive partnership agreement ceremony in Nagoya City (Right: President Koike)

Contracted to provide swimming lessons

- ✓ Contracts with 4 municipalities
- many others are considering it.



(Ref.) The Appeal of the Kansai Area=A Powerful Growth Driver

For continued growth, a strong growth driver that leads to the creation of corporate dynamism is necessary.

- ① A market area that can continually update the top-sales store
- ② Full-scale expansion into the Kansai area to identify and address challenges through strong competitors

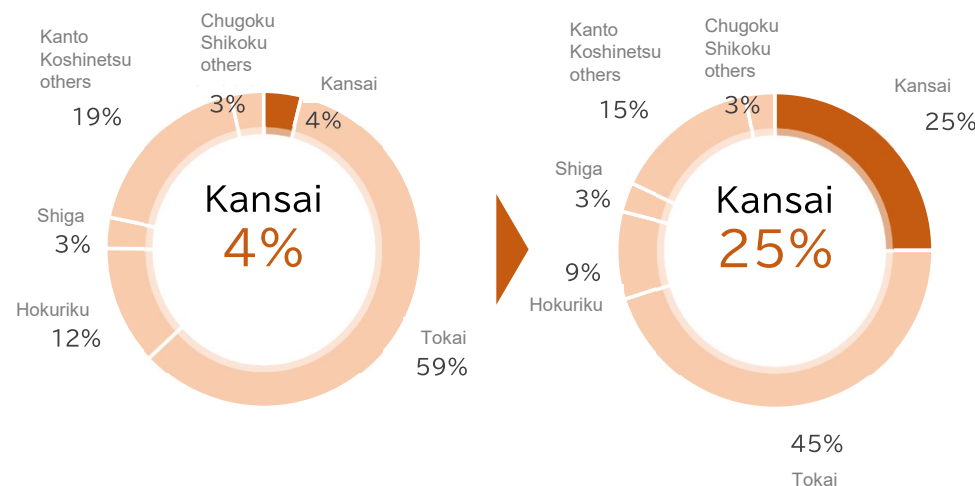
Medium-term sales target of ¥250 billion in the Kansai area

- Assuming the market size of the Kansai area to be ¥27 trillion
- In Shiga, achieved 1% market share over approx. 10 years since the first store opened in 2010
- Aiming for 1% market share = ¥250 billion in the Kansai area, excluding Shiga, over the next 10 years

	Tokai	Hokuriku	Shiga	Kansai (Excluding Shiga)	Kanto Koshinetsu others	Chugoku Shikoku others
SM	2,325	593	206	181	655	-
DgS	1,221	235	13	30	64	-
HC + Pet stores	529	8	-	54	547	231
連結	4,076	837	220	267	1,268	231
Market share	2.8%	2.3%	1.2%	0.1%	0.1%	0.1%
(Market size)	¥14.8 Tri.	¥3.6 Tri.	¥1.7 Tri.	¥27.3 Tri.	¥93.1 Tri.	¥35.3 Tri.

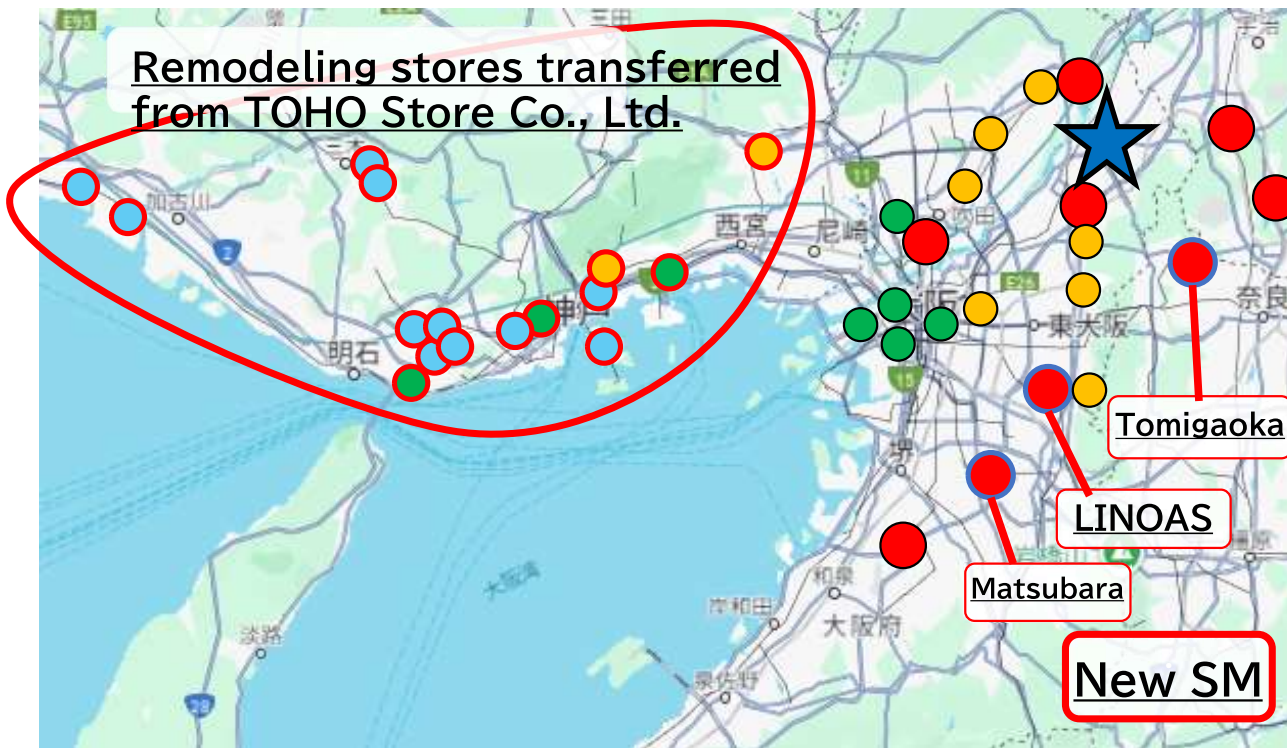
Increasing the Kansai ratio: 4%→25%

- Strengthening dominance in the Kansai area to increase the Kansai ratio to 25%



(Ref.) Vdrug×Fresh food/Deli/Urban Fresh food SM(Yaosen, Takoichi) **valor Holdings**

- ① A market area that can continually update the top-sales store
- ② Identifying and addressing challenges through strong competitors



- Valor Co.,Ltd. ● Yaosen ● Takoichi ● Vdrug
- ★ Hirakata distribution center



▲Vdrug Kamitakamaru ▼Takoichi Takarazuka asahimachi



(Ref.) Developing New Business Models for a Declining Population

Due to demographic changes, some regions are experiencing a withdrawal of food retailers, which are essential to daily life. In response, we are advancing the development of store formats tailored to the population, location, market area, and needs by leveraging diverse business formats and categories.

A hybrid format addressing population decline and the weakening of various business formats

- A low break-even format leveraging group resources
- Store design adapted to the location and trade area, offering fresh food, processed food, daily necessities, pet-related items, delivery services, and home medical care

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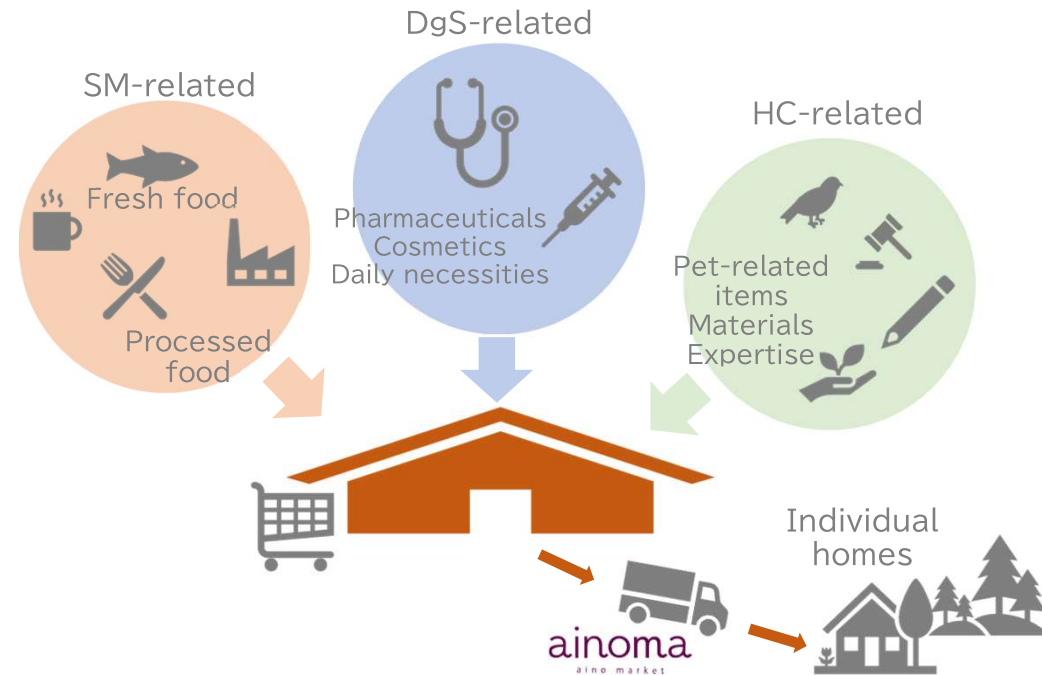
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「Source: Gifu Newspaper (Nov. 17, 2023)」

The fresh-food focused supermarket “Yaosen Nagoya-kita” opened in a property previously occupied by a different type of business



(Ref.) An Ecosystem by M-aid × the Valor Group

- We have formed a capital alliance with M-aid Co., Ltd. (Nagoya, Aichi Prefecture), which offers various services that integrate healthcare and mobility to address social issues related to medical care.

M-aid



valor group

Medical MaaS Vehicle
「MedaaS」

- Building a comprehensive healthcare system
- MedaaS (Medical as a Service)
- Transitioning from visiting the clinic to the clinic coming to you
- Offering online medical records
- Developing medical services
- Creating and enhancing apps
- Offering service opportunities in stores
- Introducing services to customers
- Implementing medical logistics using Medical MaaS and drones
- Supplying products from the drugstore business
- Providing services from the sports club business

4. Profitability Strategy

- The Holdings will proactively demonstrate leadership and take the initiative.

	Strategies	Implementation measures
Key Initiatives	<p>Reorganization of Distribution Functions</p> <p>Sales Target for the Four Core Functional Companies: ¥50 B.</p>	<ul style="list-style-type: none"> ■ (Chubu Kousan Co., Ltd.) Building distribution infrastructure and establishing comprehensive centers in Aichi and Gifu ■ (Chubu Ryutsu Co., Ltd.) Integrating group trading company functions, vertically integrating packaging materials, and supporting product development ■ (Chubu Foods Co., Ltd.) Expanding shipments to drugstores and operating a new factory ■ (Mentex Co., Ltd.) Strengthening collaboration with group companies and entering the coin laundry business
	<p>Reinvestment in Distribution Infrastructure</p>	<ul style="list-style-type: none"> ■ Operation of Hirakata distribution center (Oct. 2024) ■ Nagoya Minato Dry Goods Logistics Center (SM/DgS, Oct. 2024) ■ Four processing centers in Toyama, Shizuoka, and two in Gifu, plus a new processing center planned for the Kansai area
	<p>Group-wide PB</p>	<ul style="list-style-type: none"> ■ Developing SPA model products ■ Creating a common private brand (PB) across three business formats ■ Unifying procurement and sourcing, and aligning sales strategies



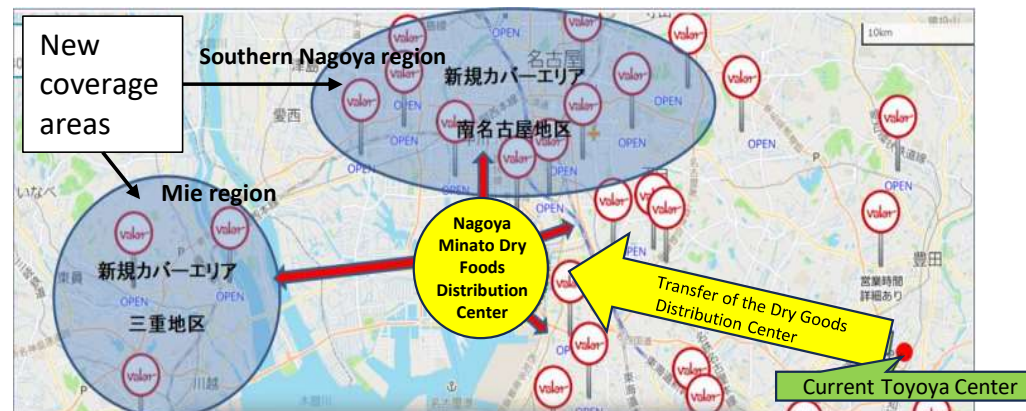
Established a new “PB Promotion Office” directly under the HD’s control to enhance our PB leveraging our group’s strengths

(Ref.) Investments in Infrastructure

Reorganization of the distribution group companies

- Raising the sales of the four functional companies to ¥50 billion, establishing a foundation for continuous growth
- Chubu Kousan Co., Ltd. - Distribution functions
- Chubu Ryutsu Co., Ltd. - Trading company functions
- Chubu Foods Co., Ltd. - Food manufacturing
- MENTEX Co., Ltd.' - Comprehensive maintenance

Transitioning to an “asset-light” management strategy (leveraging leasing and outsourcing for non-core operations)



Nagoya Minato Dry Goods Distribution Center

To Address the increase in new store openings for the Valor Group (SM/DgS)

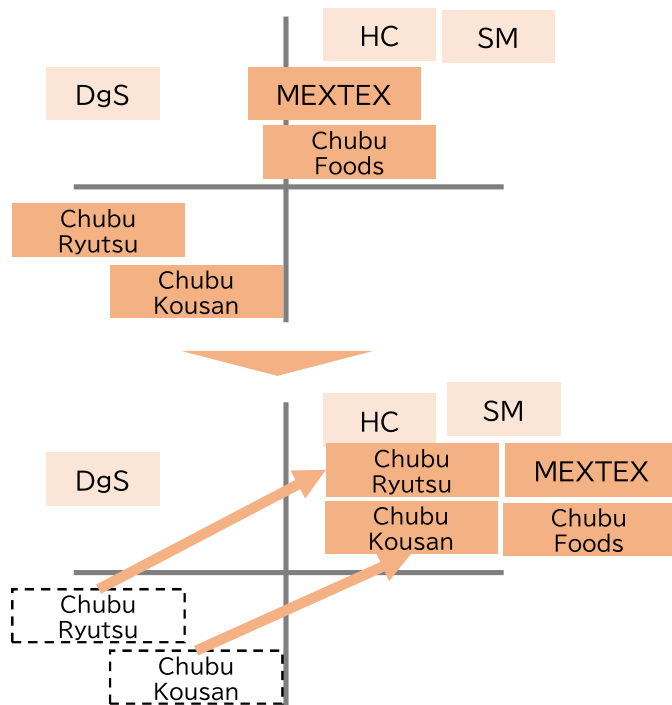


Hirakata Distribution Center

©2024 Valor Holdings Co.,Ltd. (Serving approximately 20 stores in Shiga, Kyoto, and Osaka)

Vertical Axis:
Average Profit
Growth Rate from
2016 to 2023

Horizontal Axis:
Average Profit
Growth Rate from
2020 to 2023



5. Sustainability Strategy

- Strengthening “human resource development” and “financial control,” which are crucial for corporate continuity
- Enhancing social value through sustainability initiatives

	Strategies	Implementation measures
Key Initiatives	Human Resource Development	<ul style="list-style-type: none"> ■ Developing next-generation leaders (executive training) ■ Promoting work style reforms ■ Offering diverse career paths (fostering “multifaceted talent” through group-wide personnel transfers) ■ Implementing an internal recruitment system
	Financial Strategy	<ul style="list-style-type: none"> ■ Establishing an Investment Committee for better investment management ■ Enhancing group management accounting and budget control ■ Improving the disclosure of business and segment information
	Sustainability	<ul style="list-style-type: none"> ■ By providing solutions to social issues, we aim to become a beloved presence among society, local communities, and consumers, thereby creating new supporters. ■ Building a “community co-creation model” (e.g., providing food and daily necessities to those in need, addressing shopping challenges) ■ Disclosing information based on TCFD recommendations



(Ref.) Building a Foundation to Support Sustainable Growth






Human resource development + Implementing engagement surveys

- In addition to the existing hierarchical training programs, new training programs has been established:
 For executives: **Executive Management Training**
 For middle management: **Next-Generation Executive Management Training**

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

6. Differentiation Strategy

- As a company in the distribution industry, Valor should develop the next generation of “distribution technology” and maximize its effectiveness.

	Strategies	Implementation measures	
Key Initiatives	Financial & LuVit Business	<ul style="list-style-type: none"> Cost reduction effect through the use of our own credit card to minimize external transaction fees (External transaction costs for FY24 reduced from ¥2.5 B. to ¥2.3 B. Expected cumulative savings over 10 years: ¥13.5 B.) LuVit Credit Card applications: 180,000 accounts in the first year. Expanding membership (Targeting 5.5 million card members and 2 million app members) Collaboration with local governments focused on “health functions” 	 
	DX	<ul style="list-style-type: none"> Enhancing sales and operations by setting a focused inventory clearance period Controlling product changes with automated ordering linked to shelf layout data (Effect) Reducing out-of-stock items and long-term stagnant inventory ▶ Contributing to sales and shortening days sales of inventory (DSI) 	

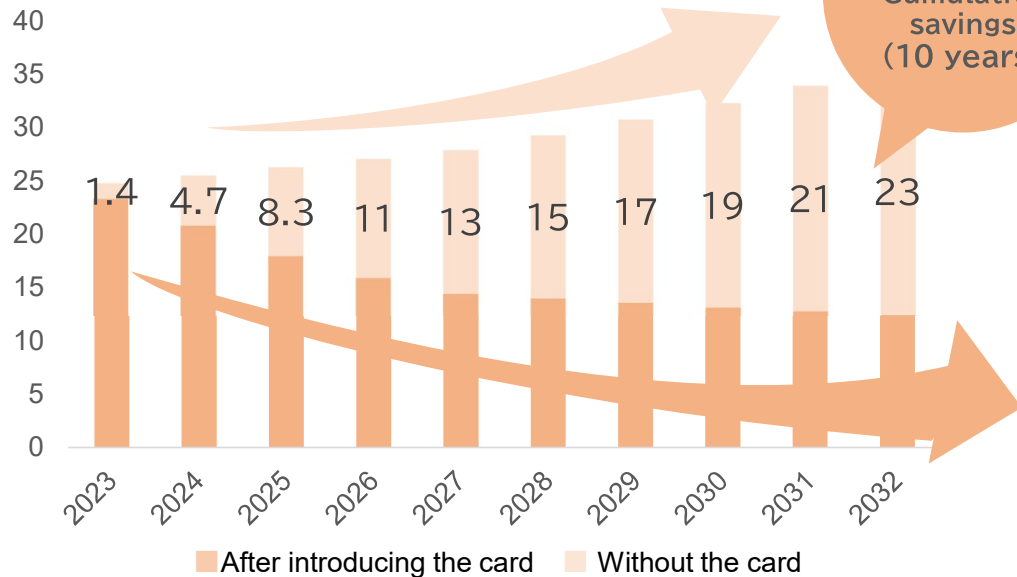
(Ref.) Investing in the Next Phase of Differentiation in Financial and the LuVit Card Businesses

Cost reduction effect through the use of our own credit card

- Expecting to reduce transaction fee costs by ¥0.2 billion to 2.3 billion per year.
- Expected cumulative savings over 10 years: ¥13.5 billion

| Projected transaction costs (external outflow)
(comparison before and after introducing our own card)

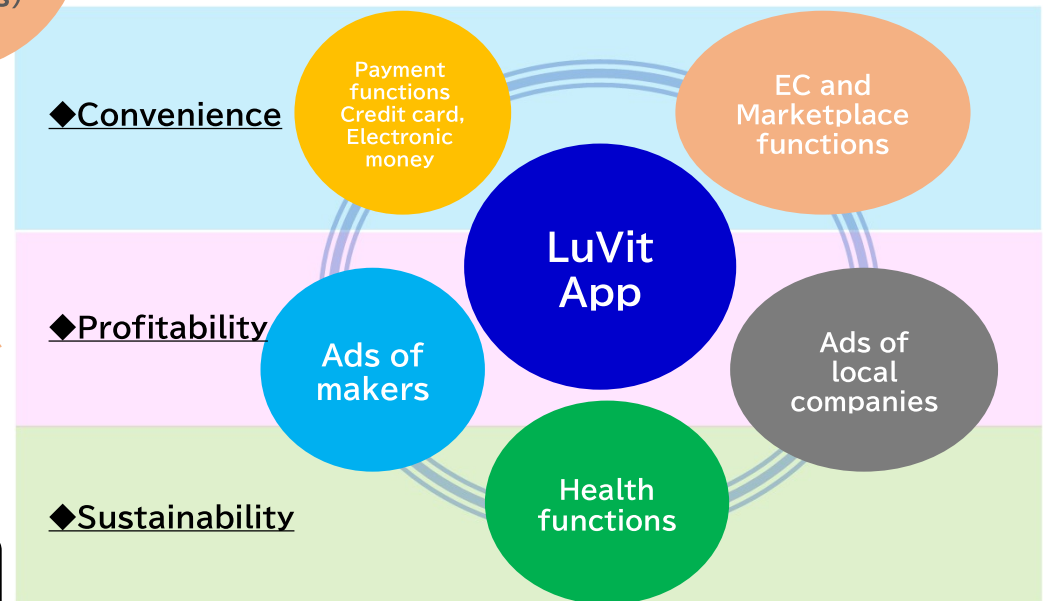
(Yen in 100 millions)



FY24: 180,000 accounts
FY25 target: 337,000 accounts, FY26 target: 481,000 accounts

Building a “Valor Economic Zone” through the LuVit App

- By focusing on the LuVit app, used by 1.05 million people, we aim to enhance customer convenience, ensure sustained use, generate new revenue, and build a “Valor Economic Zone”.



(Ref.) Investing in the Next Level of Differentiation (DX)

DX evolves from Stage 1 (accelerating communication) to Stage 2, aiming to achieve practical benefits

Reducing inventory using DX

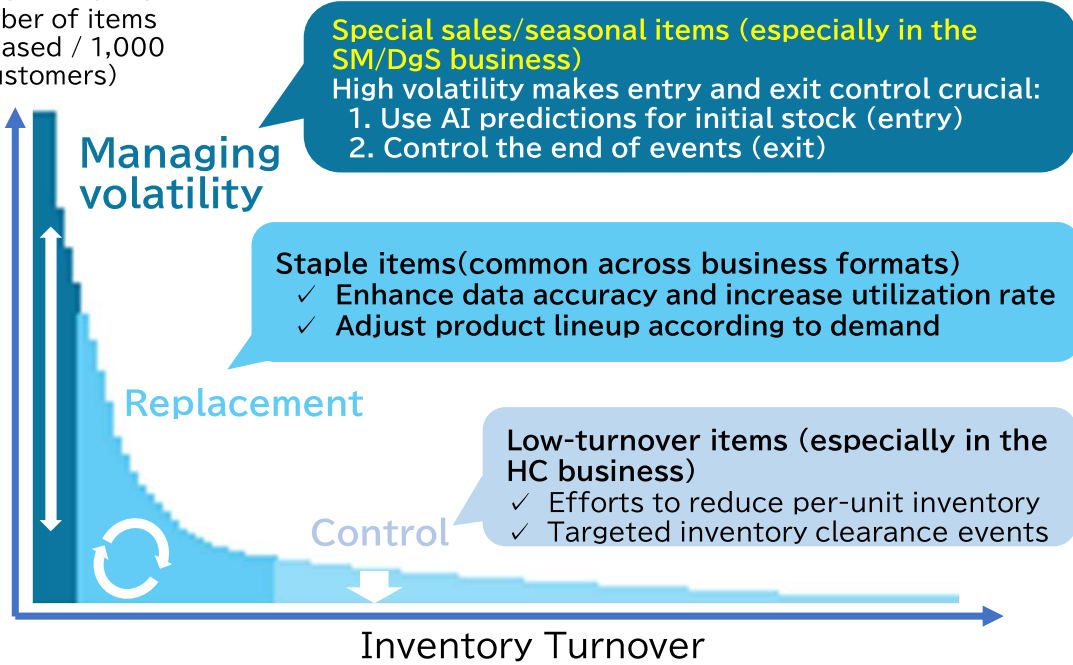
- Contributing to sales growth and reducing DSI through automated ordering



Inventory management through three approaches (automated ordering)

- Approaching store inventory from three perspectives: “special sales/seasonal items,” “staple items,” and “low-turnover items”

Sales PI Value
(number of items purchased / 1,000 customers)



(Ref.) Enhancing Disclosure (improving supplementary financial materials) **valor Holdings**

- In response to strong requests from analysts and investors, and to promote understanding of our multi-format and manufacturing retail business model, we will provide additional disclosure of “operating income by business format,” allocating and reagggregating internal group transactions and common costs for each business format.
- This will improve the accuracy of comparisons and analyses with other companies’ performance, thereby contributing to the assessment of our corporate value.

Image of profit margins by business format

Table: Traditional Segment Information (Ongoing Disclosure)

FY24 (Yen in millions)	Operating revenues	Segment income
Supermarket business	454,217	18,614
Drugstore business	170,870	5,444
Home improvement center business	123,995	3,844
Sports club business	10,072	(842)
Distribution-related business	16,348	3,664
Others	32,291	(546)
Elimination of Inter-Segment Transactions	-	(4,390)
Corporate expenses	-	(2,945)
Consolidated	807,795	22,844

Allocated based on reasonable criteria (e.g., operating revenue)

Table: Operating Income by Business Format (New Disclosure)
※Not Subject to Audit

FY24 (Yen in millions)	Operating revenues	Operating income by business format
Supermarket business	454,217	16,265
Drugstore business	170,870	4,323
Home improvement center business	123,995	2,917
Sports club business	10,072	(893)
Distribution-related business	16,348	1,051
Others	32,291	(819)
Elimination of Inter-Segment Transactions	-	-
Corporate expenses	-	-
Consolidated	807,795	22,844

Each Segment + Others ≠ Consolidated

Each business format + Others = Consolidated

7. Segment-specific Initiatives – Supermarket Business



Strategies

Implementation measures

Destination Store(D·S)

- Promote the transformation into D.S, defining customer visit purposes
Currently about 70 stores (out of 240 stores, SM Valor)
- Transform the grocery and delicatessen departments into D.S



Neo D·S + "Low Price Guarantee"

- leveraging infrastructure and implementing cost-effective operations for stores with sales under ¥1 billion.
- The first Neo D.S store, "Valor Dempoji," achieved a 120% increase in sales
- Sell products that customers particularly need at great value during inflation, leading to increased customer numbers



Investment in Processing Centers

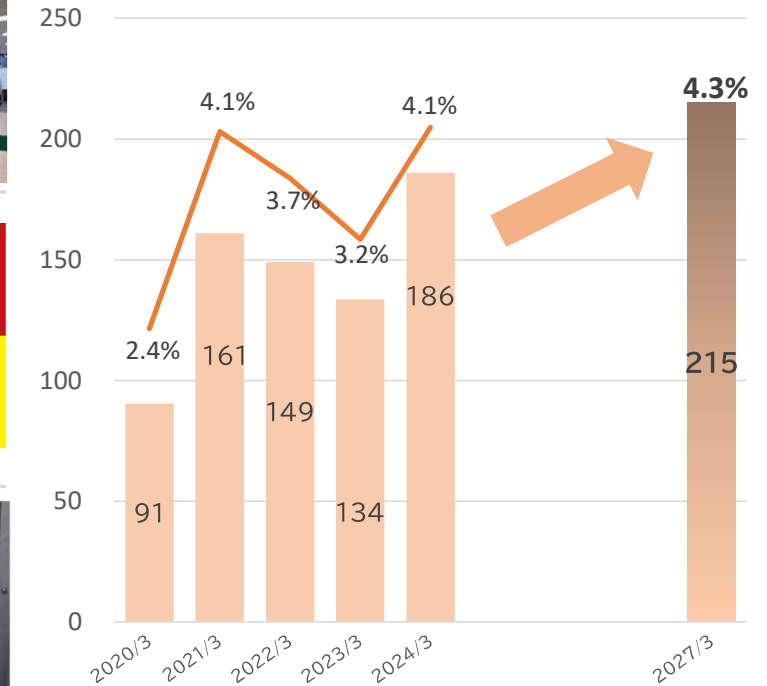
- 4 PC + a new PC plan for the Kansai area
- Strengthen technology at the fish PC
- (Chubu Foods Co., Ltd.) Investment in a factory to supply products to drugstores as well as supermarkets



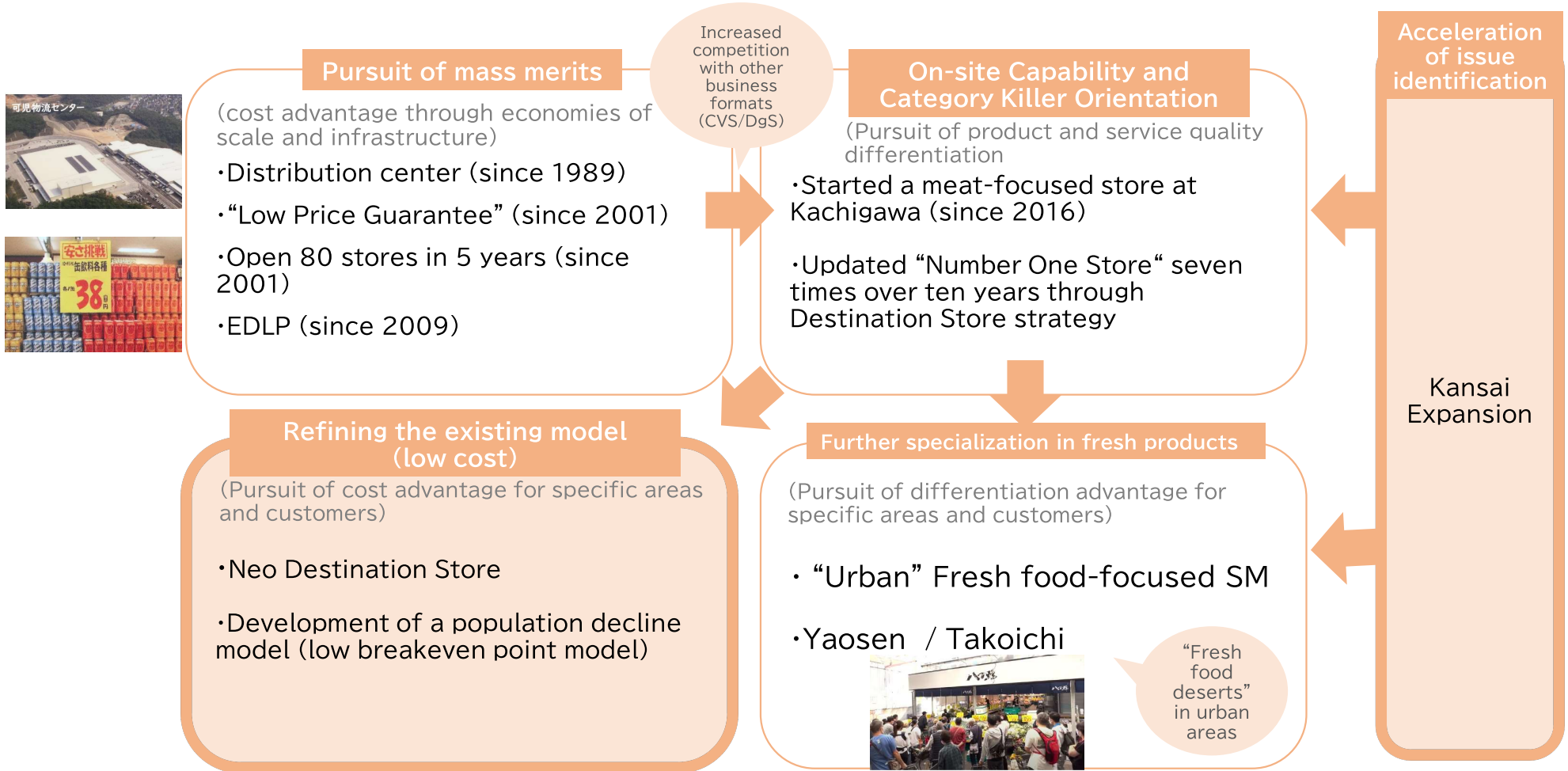
New/Existing Stores

- Open 20 new stores over the next 3 years (combined total for Valor Co., Ltd. and SM Group companies)
- Maintaining existing store performance at 102%

(Yen in 100 millions) Segment income amount and rate



(Ref.) Evolution of the SM Segment Strategy in Response to Environmental Changes



(Ref.) Supermarket Business

Strengthening Destination Stores (DS)

- The original business model
- Defining customer visit purposes through fresh produce (fruits and vegetables, fresh fish, and meat products)



Building Neo DS

- Enhancing backup to transform all stores into destination stores by leveraging infrastructure and implementing cost-effective operations (through investment in processing centers).



7. Segment-specific Initiatives – Drugstore Business



Strategies

Implementation measures

Strengthening Store Capabilities

- Utilizing a competitive line expansion strategy to acquire new customers and increase the number of premium, loyal customers
 - Introducing fresh food and delicatessen in all stores
 - Promoting pharmacies with attached medical clinics.
- Expand store openings in densely populated areas (Kansai and Nagoya) → Aim to increase sales per store from ¥360 million to ¥400 million within three years
- Utilize digital transformation (DX) and group resources to improve productivity

Enhancing Product Capabilities

- Strengthen PB products and evolve into an SPA.
- Maximize group synergy in the fresh food and delicatessen departments



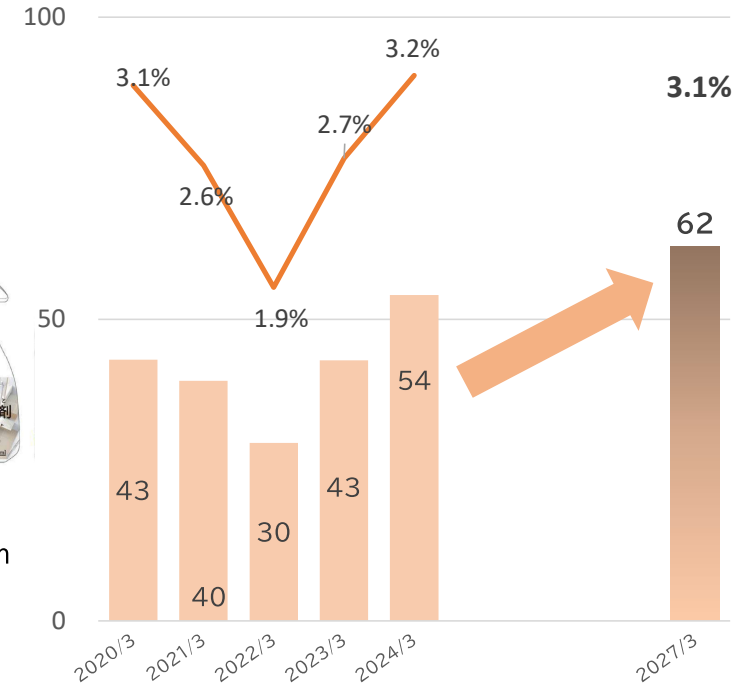
Dispensing Pharmacies

- Increase the percentage of pharmacies with prescription services from 35% to 50%
- Maintain a top 3 industry position in sales growth through attracting medical institutions and acquiring pharmacies (Increase sales from ¥23 billion to ¥33 billion)

New / Existing Stores

- Open 80 new stores over the next 3 years (continue to open 20-30 stores per year)
- Maintain existing store performance at 102%

(Yen in 100 millions) Segment income amount and rate



(Ref.) Drugstore Business

Strengthening store capabilities

- Increase the percentage of the pharmacies with prescription services from 35% to 50%
- promote dispensing pharmacies with attached medical clinics



V-drug with attached clinics



Automated Medication Picking System 『Drug Station』

Enhancing product capabilities

- Strengthen the fresh food and delicatessen departments through group synergy
 - Implement delicatessen products in all stores from the dedicated Chubu Foods factory
 - Conduct in-store cooking at key stores and deliver the products to dominant stores.



V-drug's original hamburgers



V-drug stores with enhanced fresh food sections

7. Segment-specific Initiatives

– Home Improvement Center Business



Strategies

Implementation measures

Challenge 3000

Open new format of stores

Deepen existing categories

Become the No. 1 in the pet store industry

New / Existing Stores

- Increase the sales ratio of PB products (Targeting 20% PB composition by the end of FY25)
- M&A
- Strengthen and evolve store openings in the pro shop market, which has a market size of ¥6 trillion
- Strengthen category specialization (narrow and deep)
- Accelerate the opening of existing specialty stores (bicycles, outdoor)
- Achieve industry leadership through diverse formats (currently the second in the industry)



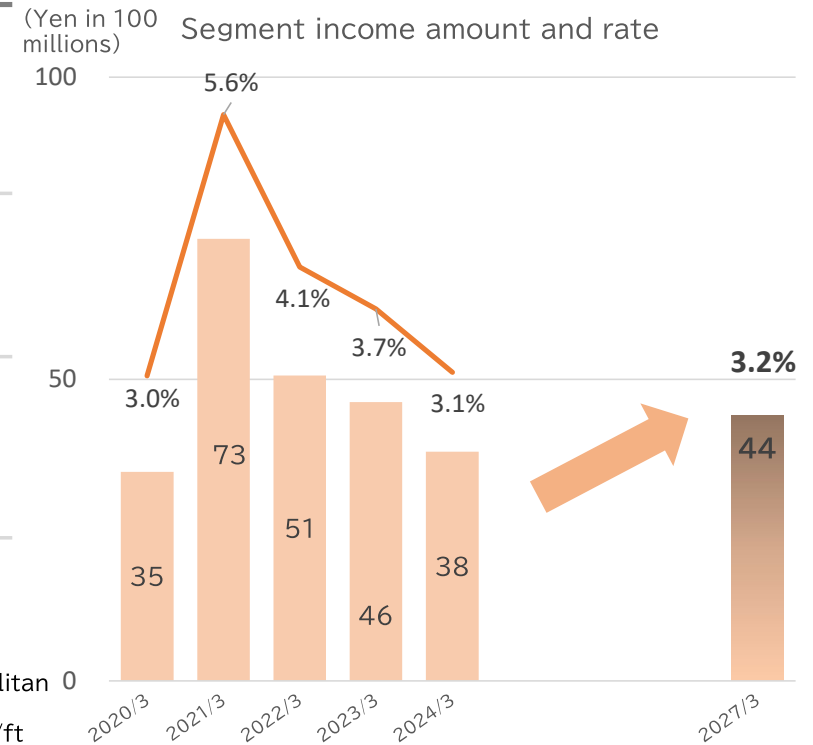
✓ Core cities (nationwide)
✓ 8900 sq/ft



✓ Suburbs of the metropolitan area
✓ 7120 sq/ft



✓ Metropolitan area
✓ 3560 sf/ft



(Ref.) Home Improvement Center Business

Creating product value only available in our group

- Increase the sales ratio of PB
- Evolve into an SPA
- Collaborate with manufacturers



Enhance store value by strengthening specialization and improving services (increase purposeful visits)

- Promote the renovation of existing stores
- Reform shelf allocation
- Strengthen the service department



(Ref.) Pet Store Business



Nationwide expansion
(excluding some regions)
AMIGO

- 84 stores with sales of ¥24.6 billion
- Plan to have 100 stores by FY27
- Improve productivity through better inventory turnover



Expansion focused on
Tokyo and Kanagawa
PET FOREST

- 24 stores with sales of ¥4.5 billion
- Develop specialists

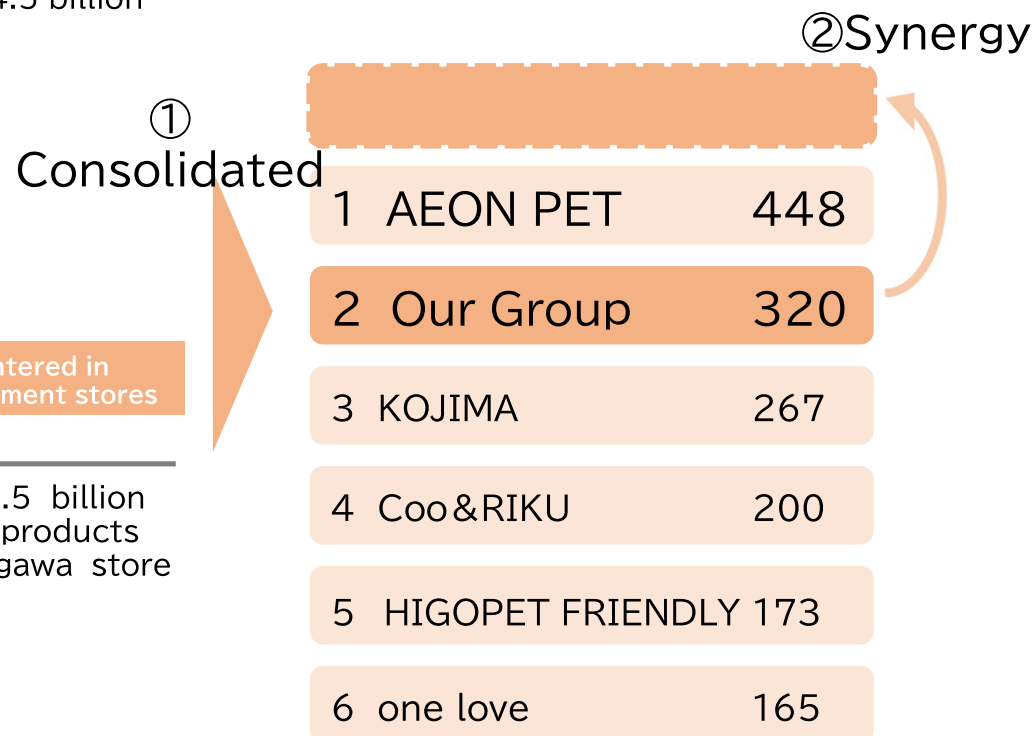


Expansion centered in
downtown department stores
JOKER

- 17 stores with sales of ¥2.5 billion
- Increase the share of PB products
- Replace the Futako-Tamagawa store



Striving to become the “No. 1”
pet store industry in Japan



※Sales (operating revenues) ranking in the
pet store industry
(according to our estimates)
(Yen in 100 millions)

7. Segment-specific Initiatives – Sports Club Business



Strategies

Implementation measures

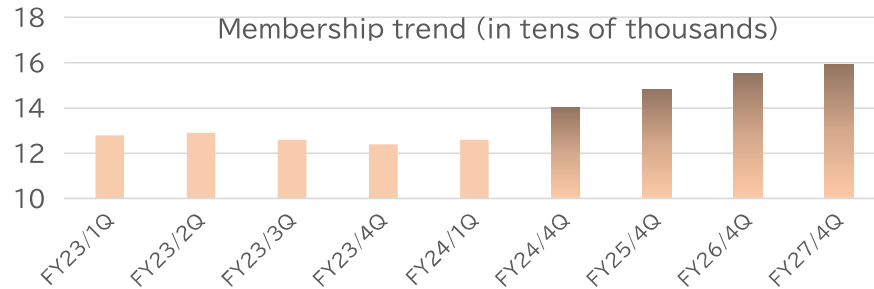
School format

- Strengthen specialization rather than engaging in price competition
- Achieve early profitability optimization through initiatives such as schools
- Explore M&A opportunities in the school format



Revitalization project

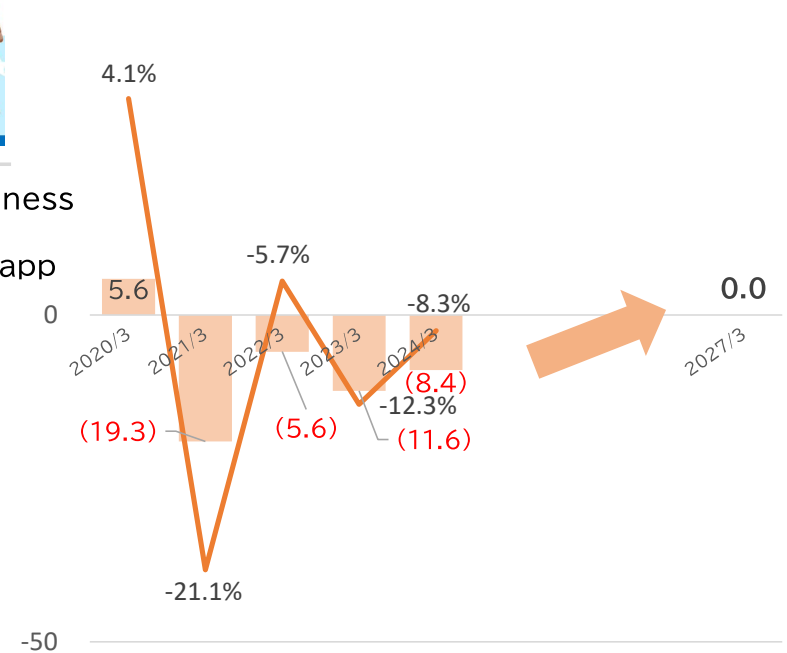
- Membership acquisition project (revising formats such as business hours)
- Membership retention project (individual programs, acquiring app members)
- Specialization enhancement project (strengthening schools)



Development of PB products

- Development and sales of PB products (carnitine, protein)

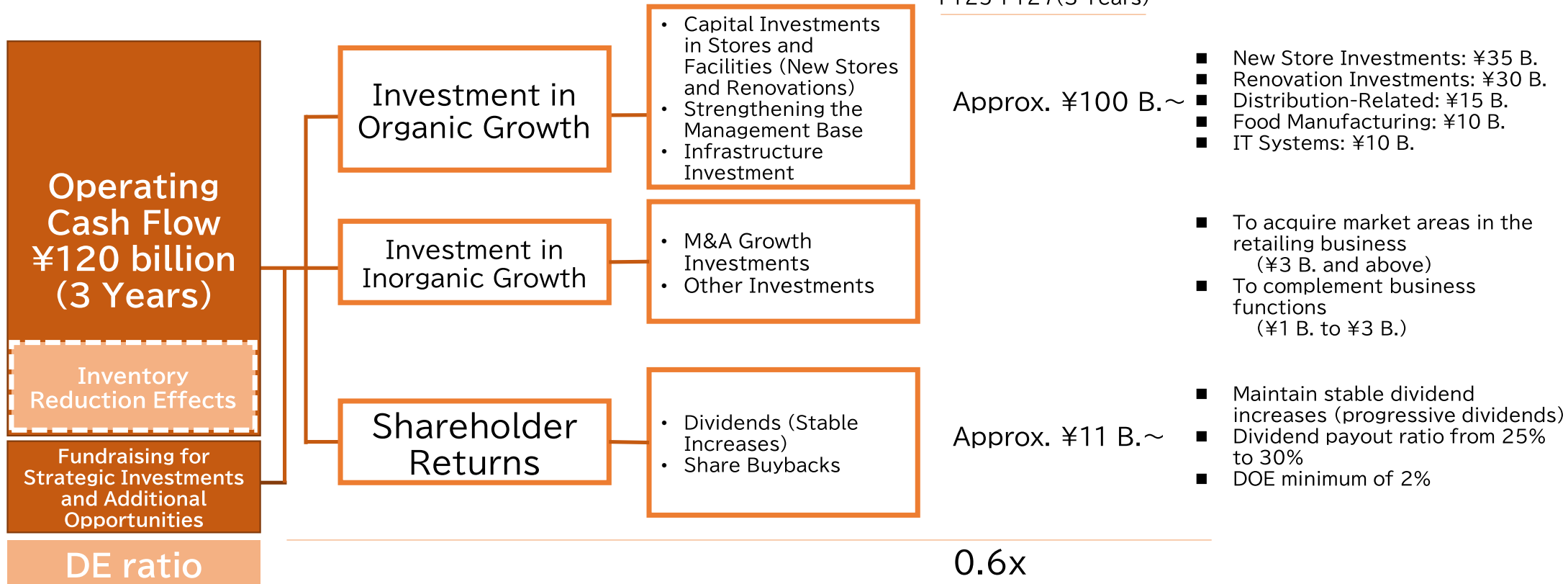
(Yen in 100 millions) Segment income amount and rate



8. Major Capital Investments and Cash Flow during the New Term

Considering the changes in the funding balance, we will implement management conscious of the cost of capital.

✓ An Image of Capital Allocation across the Entire Group



(Ref.) Toward Eliminating the Conglomerate Discount

Creating Horizontal Synergies

Group joint procurement project

- Launched in May 2022
- Joint food procurement with 10 SM companies, 3 HC companies, and DgS
- Some products developed under the New Japan SM Alliance

Joint Procurement Achievements

	Number of Projects	Purchase Amount (Yen in 100 millions)	Cost Reduction
FY23	9	7.6	0.5
FY24	25	41.3	2.3

- Further Strengthening in the Future
 - Consider non-food items
- Establish a “New Product Review Committee” in 2024
 - Collaborate on new products from manufacturers across the entire group to build win-win relationships

5.7%
Cost
Reduction

Creating Vertical Synergies

Initiatives by the fishery department. of Valor Co., Ltd., and Daien Foods Co., Ltd.

- Joint development of new products (from Aug. 2023: thick-cut marinated fish)
- Coho salmon performance (from Aug. 2023 to Jan. 2024) 161.9% compared to the previous year (increase of ¥1.85 billion)



- Synergistic effects from increased in-store sales and secured manufacturing profits
- Daien Foods Co., Ltd. aims for a virtuous cycle through further capital investments, strengthening external sales of sushi products, and more

9. Measures for Achieving the Management Conscious of Cost of Capital and Stock Price



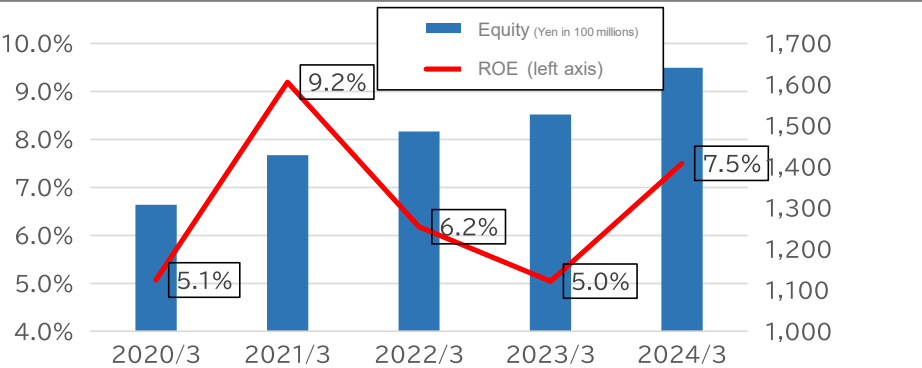
Initiatives and Goals for Improving PBR

Current ROE Analysis

ROE on an improving trend

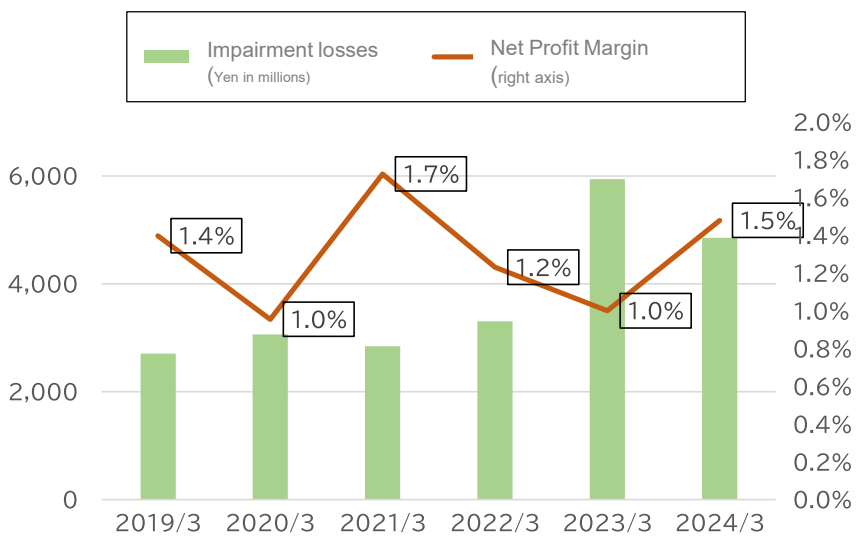
- According to our calculations, the cost of equity is approximately 7%, and we recognize the WACC to be between 4.7% and 4.9%.
- Although ROE declined after the COVID-19 pandemic subsided, in the most recent period, the supermarket and drugstore businesses have driven growth, achieving an ROE that exceeds the cost of equity.
- Under the new medium-term strategic plans, we are entering a new growth phase this fiscal year. We will continuously strive to achieve an ROE that exceeds the cost of equity by improving operating profit margins and reducing impairment losses.

Trends in ROE and Equity



ROE =	Net Profit Margin ×	Net Asset Turnover ×	Financial Leverage
Valor Holdings	✓ 1.5 %	1.9 x	2.7 x
Average of Other Supermarkets	2.3	2.0	2.1

Trends in Impairment Losses and Net Profit Margin

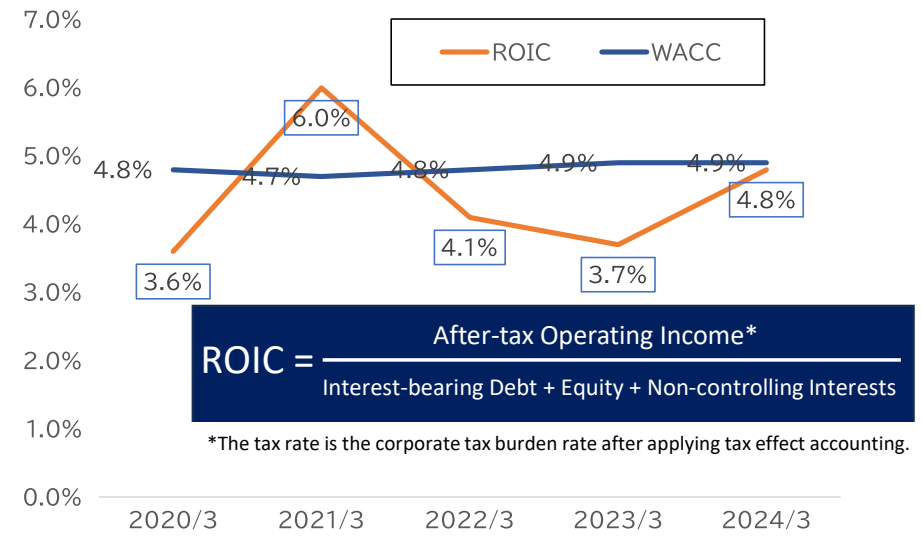


Current PBR Analysis

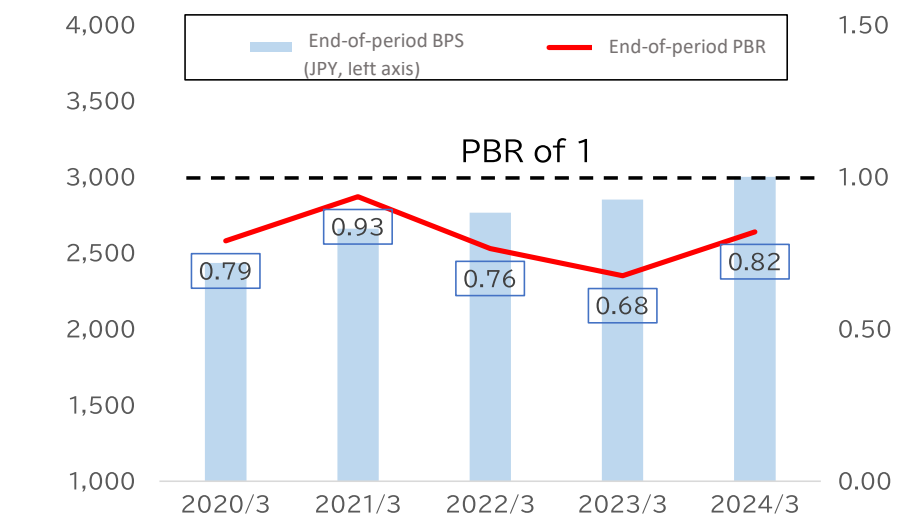
Falling below a PBR of 1

- A consistent PBR below 1 is analyzed to be due to not achieving capital returns that exceed capital costs.
- Considering the low PER, we will strengthen IR activities through enhanced dialogue with investors and proactive information disclosure.
- To improve PBR, we will steadily implement the new medium-term strategic plans and strive for profit growth.

Trends in ROIC and WACC

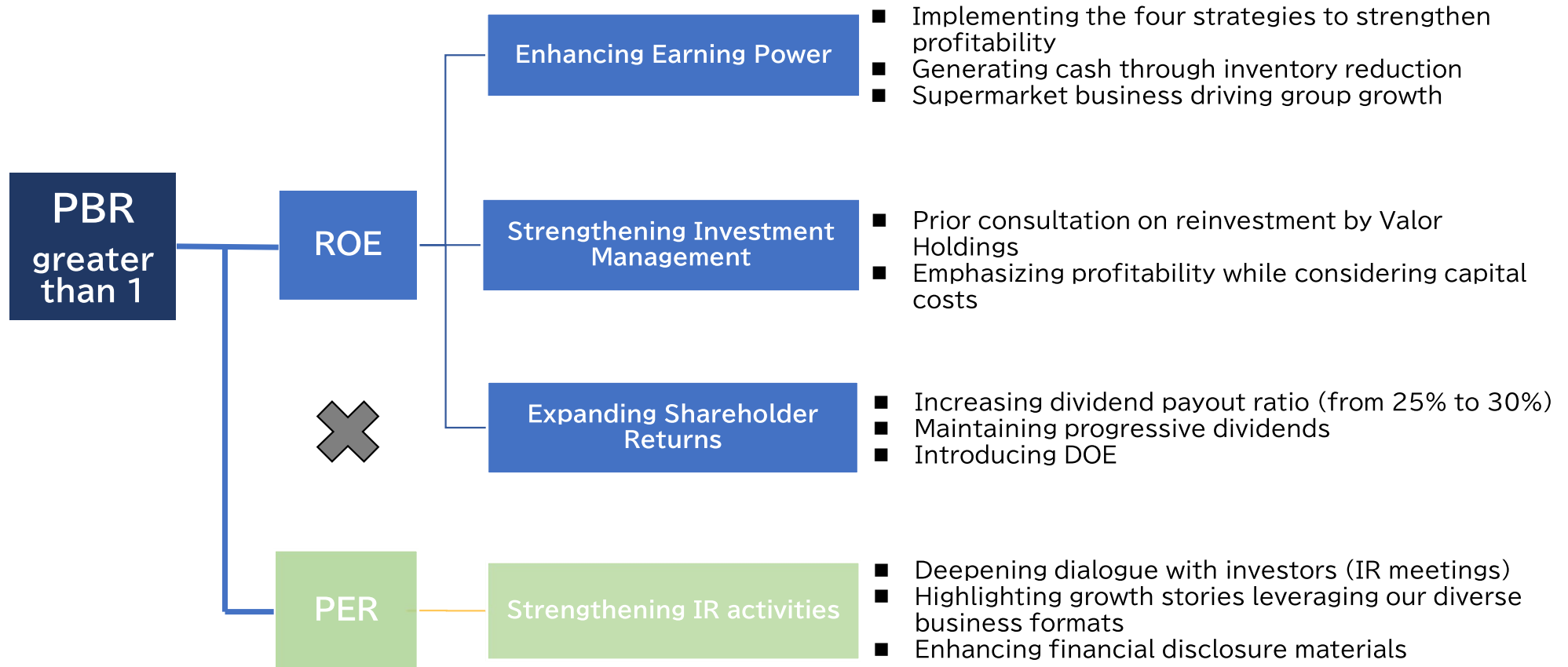


Trends in PBR



Initiatives for Improving PBR and Achieving ROE Goals

Targeting a PBR greater than 1 and an ROE of 8% or higher by FY30



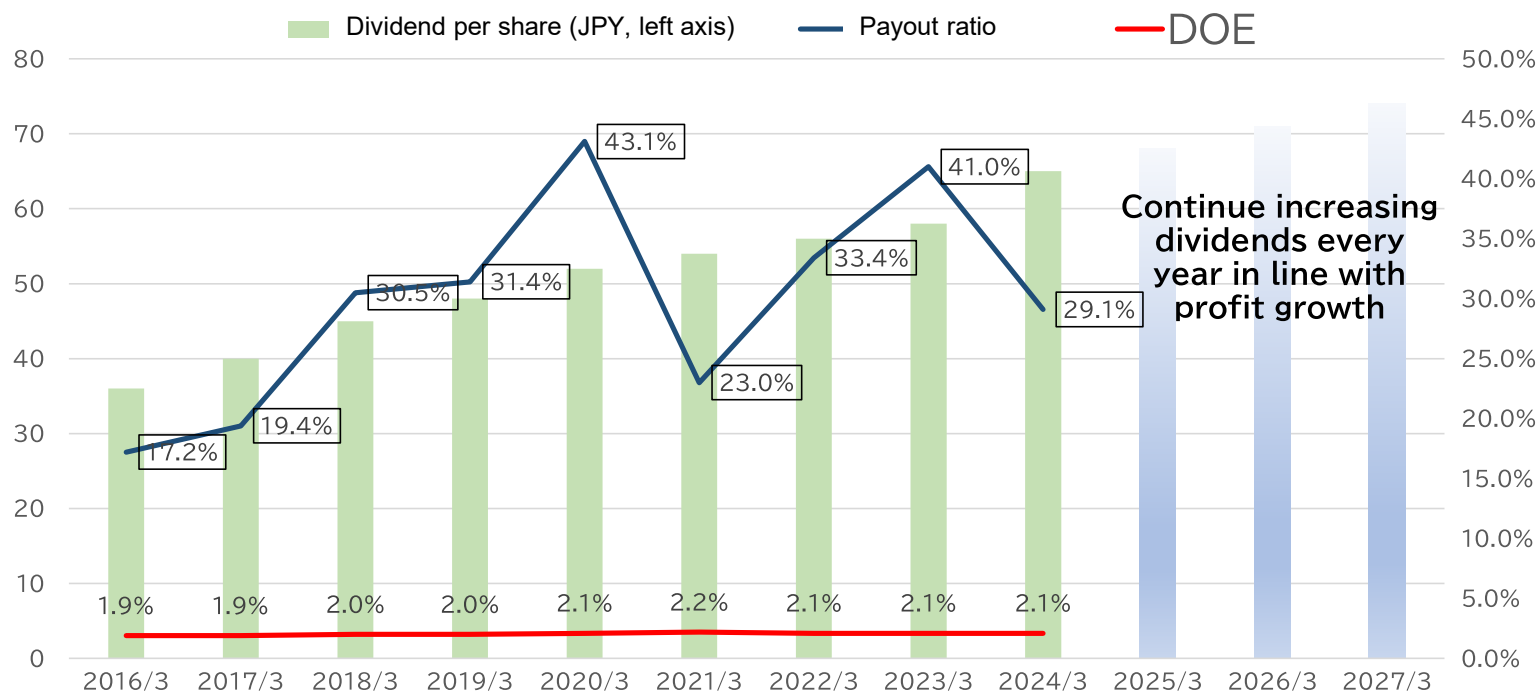
Initiatives for Improving PBR and Achieving ROIC Goals

Targeting a ROIC of 5.5% or higher by FY30

(Yen in 100 millions)	FY24		Strategies	FY27		FY30	
	Operating Revenues Operating Income	ROIC		Operating Revenues Operating Income	ROIC		
Supermarket	4,542 186	4.8%	Strengthening store openings in the Kansai area, rebuilding Neo DS, and opening fresh-food-focused supermarkets in urban areas	5,000 215		<u>5.5%</u> or higher	
Drugstore	1,708 54		Enhancing store openings in the Kansai area, strengthening food offerings, promoting dispensing pharmacies, and reducing inventory	2,000 62			
Home improvement center	1,239 38		Strengthening specialty categories, expanding new specialty store formats, and reducing inventory	1,385 44			
Sports club	100 (8)		Acquiring members through new store openings and renovating existing ones, and strengthening swimming schools	110 0			
Distribution-related	163 36		Integrating group trading company functions, and strengthening the foundation through investment in distribution infrastructure	195 43			
Others	322 (5)		Integrating the pet business, acquiring credit card members, and increasing credit card usage rates through promotional measures	410 3			

Change in Shareholder Return Policy

- To improve capital efficiency, we will increase the dividend payout ratio from 25% to a target of 30%.
- We will continue our progressive dividend policy (14 consecutive periods of dividend increases).
- Additionally, we will introduce a DOE (Dividend on Equity) with a minimum threshold of 2%.



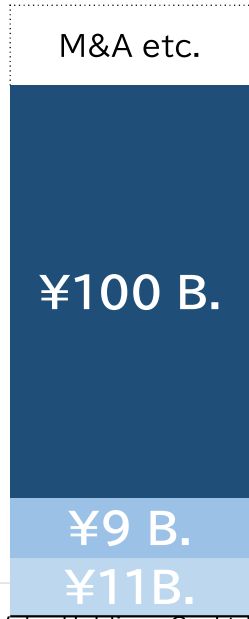
Cash Allocation

- Generating operating cash flow of ¥120 billion in next three years (an increase of ¥20 billion compared to the previous medium-term plan)
- Allocating ¥100 billion to growth investments (an increase of ¥15 billion compared to the previous medium-term plan), and strengthening shareholder returns.

FY25 - FY27 Cumulative Total

Cash In

Cash Out



Growth Investments

Lease Liabilities

Shareholder Returns



- ¥65 B. • New Stores, Remodeling Investments
- ¥25 B. • Distribution, Food Manufacturing
- ¥10 B. • System Investments

Creation Advance Challenge
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