Valor Holdings

FY2024 2Q

Financial Presentation

株式会社バローホールディングス

November 16th , 2023

<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

*a company that is chosen by society

Towards the next growth stage as a destination company*

I am Takayuki Koike, and I have had the privilege of serving as Acting Director and President since August 2022, subsequently assuming the role of Director and President on June 29, 2023. I will continue to strive to propel the group's business to greater heights. Regarding the management structure after my appointment, I have retained positions as Chairman of the Board of Directors and Chairman of the Group Executive Committee. Throughout our 65-year journey since establishment, our group has continuously evolved alongside our stakeholders, guided by our corporate philosophy of "Creation, Advance, and Challenge." Embracing these principles, I am committed to leading the group towards success.

We are dedicated to executing a medium- to long-term management strategy aligned with our strategic goal, "Connect 2030: Connecting Products, Customers, and Society." Currently, all our operating companies are performing well and experiencing growth. Moving forward, we aim to adopt a more aggressive approach, targeting an elevated level of growth. The role of our holding company is pivotal in realizing this ambition. We are transitioning from a passive supporter of our operating companies to an active guide, providing leadership in crucial areas like human resources, finance, and procurement, to foster an optimal group synergy. Our aim is to assess the growth challenges and medium- to long-term potential of each company, strategically creating a more robust profit model by considering their scalability in the future.

We, Valor Holdings, will remain committed to enhancing our governance framework and strive to grow together with all stakeholders. We kindly ask our shareholders and investors for your ongoing support. Please stay tuned as we take on further challenges.

President

Takayuki Koike

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Key Points of Financial Presentation

- **Summary of FY2024 2Q Financial Results**
  - Operating revenues reached a record high as last year.
  - Operating revenues increased due to the increased existing store sales of Valor Co. by 4.7% YoY in the supermarket business and to the increased existing store sales by 5.9% YoY in the drugstore business.
  - Operating income and ordinary income secured the third-highest level ever.

- **FY2024 Forecast**
  - In an environment where costs are increasing due to rising energy, logistics, and raw material prices, we will advance a full-scale expansion into Kansai area in addition to improving product appeal and renovating existing stores. Then we forecast:
    ¥772.0 billion in Operating revenues, **¥20.5 billion** in Operating income **¥23.3 billion** in Ordinary income, and **¥9.3 billion** in Net income attributable to owners of parent are expected.

- **Valor Group's Growth Strategy**
  - In the final year of the medium-term three-year strategic plans, the business has performed strongly, benefiting from the impact of destination stores in the supermarket business and enhanced profitability in the drugstore business. A project under the direct oversight of President has been initiated to develop the next medium-term strategic plans.

Ⅰ. Summary of FY2024 2Q Financial Results

Ⅱ. FY2024 Forecast

Management Director
Akira Shinohana

FY2024 2Q Results

- Operating revenues reached a record high as last year.
- Third-highest operating income and ordinary income in history; second-highest net income in history
- Operating revenues and all profit levels exceeded the planned figures.

(Yen in millions, except for EPS)

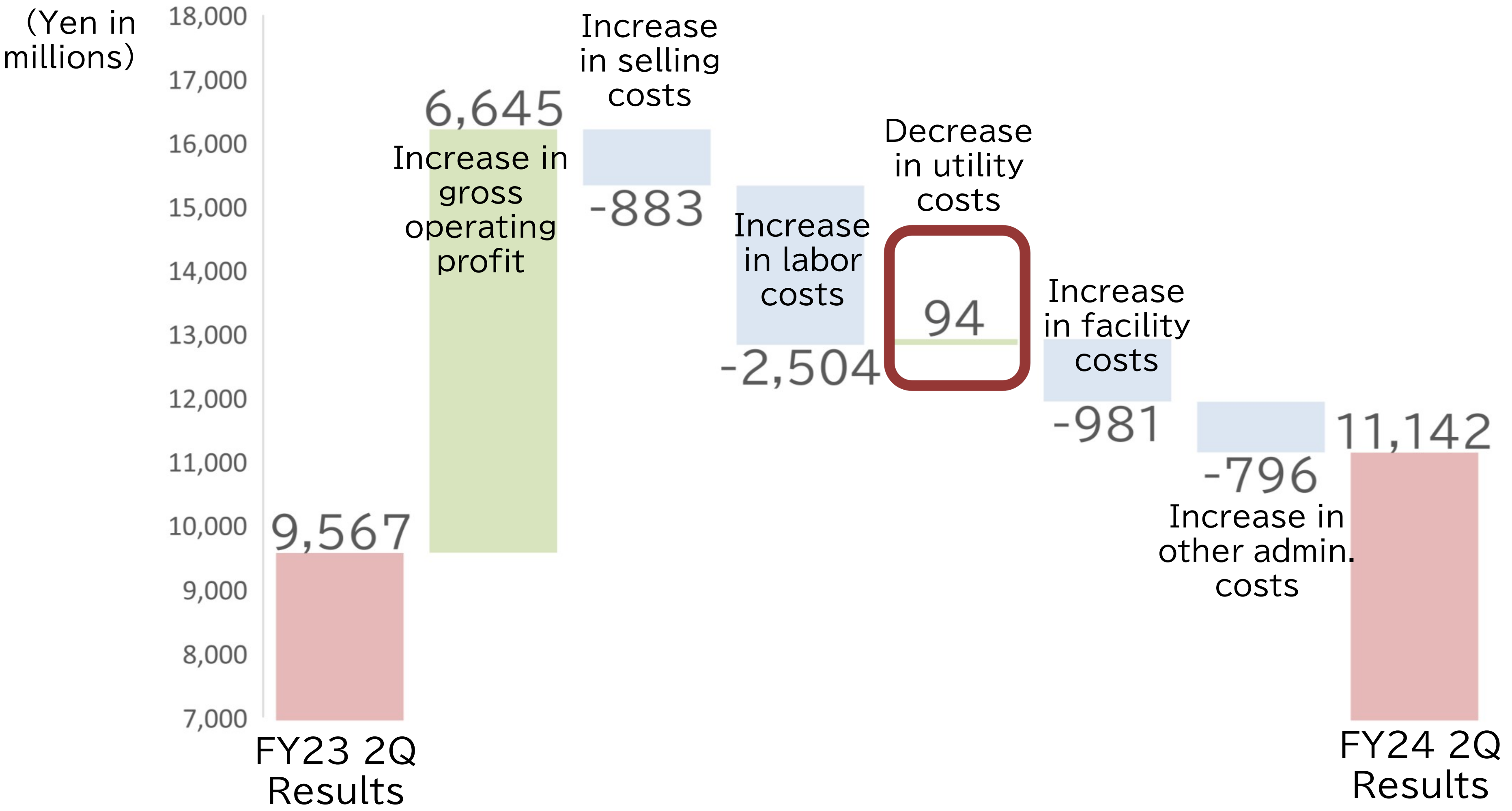
	FY21 2Q	FY22 2Q	FY23 2Q	FY24 2Q		
	Results	Results	Results	Plan	Results	vs. Plan
Operating Revenues	367,523	365,934	374,661	384,000	399,140	+3.9%
Operating income	16,326	12,458	9,567	9,900	11,142	+12.5%
Ordinary income	17,500	14,044	11,106	11,300	12,643	+11.9%
Net income attributable to owners of parent	8,794	6,104	5,736	6,300	6,627	+5.2%

EBITDA*	25,007	21,993	19,668	-	21,337	
EPS	163.79	113.69	106.81	-	123.75	(Yen)

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

Factors of Increase/Decrease in Operating Income

- Gross operating income increased ¥6.6 billion.
- Utilities costs turned to decrease, but labor costs increased due to wage hikes



Operating Results by Segment

- Supermarket business recorded a significant increase in profit (segment profit margin of 3.67%) due to strong performance of existing stores as a result of DS store renovation.
- Drugstore business achieved higher sales and income on the back of higher sales at existing stores due to price response to daily necessities and the addition of dispensing pharmacy facilities, etc.
- Home improvement center business decreased sales and income due to a slowdown in DIY and gardening products as a result of a recovery in human flow, as well as consumers' thrifty spending habits.
- The sports club business achieved higher sales and decreased its operating loss by attracting more members through successful revisions in membership types and strengthening of specialization.
- Distribution-related business increased sales as a result of the contribution of SHOWAFILM Co., Ltd. and Unidopack Co., Ltd., both of which became subsidiaries.

	Operating revenues				Segment profit			
	FY22 2Q	FY23 2Q	FY24 2Q		FY22 2Q	FY23 2Q	FY24 2Q	
(Yen in millions)	Results	Results	Results	YoY(%)	Results	Results	Results	YoY(%)
Supermarket business	201,868	206,401	**221,523**	+7.3%	8,060	5,251	**8,134**	+54.9%
Drugstore business	76,390	80,071	**85,323**	+6.6%	1,667	2,117	**2,720**	+28.5%
Home improvement center business	62,507	63,322	**63,269**	△0.1%	3,479	3,032	**2,206**	△27.2%
Sports club business	4,829	4,845	**4,899**	+1.1%	△275	△448	**△386**	loss decrease
Distribution-related operations	4,952	4,916	**8,330**	+69.4%	1,618	1,634	**1,816**	+11.2%
Others	15,386	15,104	**15,795**	+4.6%	1,282	962	**180**	△81.2%
Elimination or corporate expenses					△3,374	△2,983	**△3,530**	
Total	365,934	374,661	**399,140**	+6.5%	12,458	9,567	**11,142**	+16.5%

Management Indicators

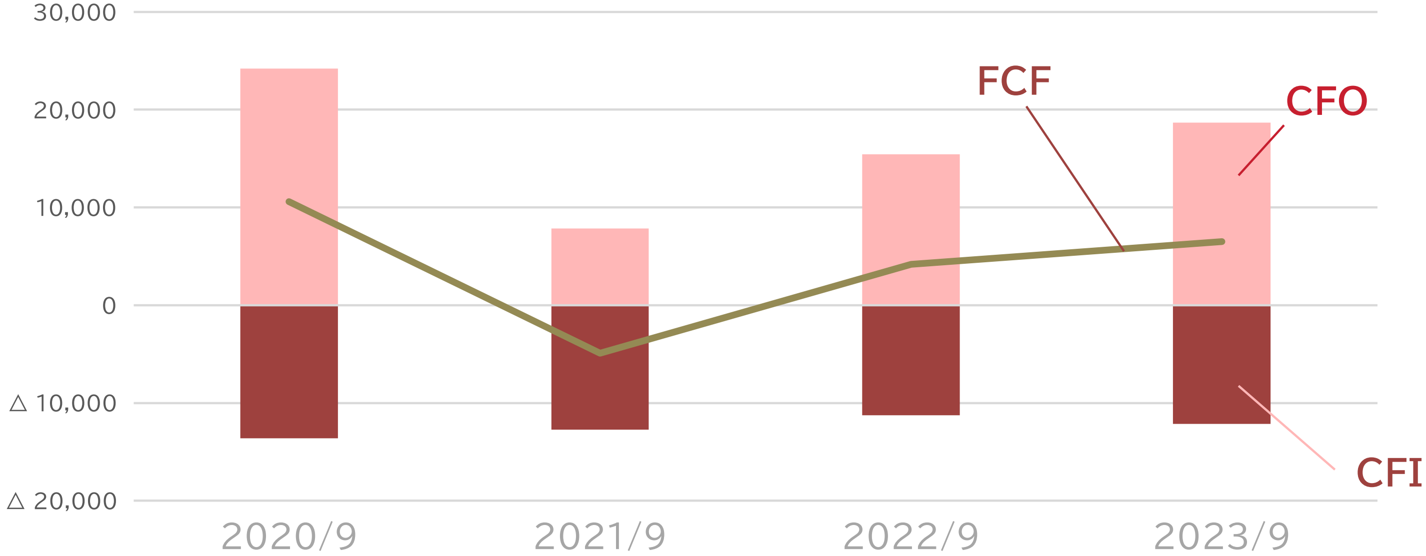
- ROE over 8% due to improved profitability
- Continued improvement in stability indicators

	FY22 2Q Results	FY23 2Q Results	FY24 2Q Results
※ROA	6.9%	5.4%	*5.9%*
ROR	3.8%	3.0%	*3.2%*
※Total Asset Turnover	1.8	1.8	*1.9*
※ROE	8.4%	7.6%	*8.5%*
*ROIC	5.0%	4.2%	*4.7%*
Equity ratio	36.4%	36.7%	*36.7%*
D/E ratio	0.76	0.73	*0.68*
Net D/E ratio	0.62	0.61	*0.54*

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

Cash Flows

- FCF continued to increase due to higher operating CF.
- Further improve CF generation in FY2024 and beyond.



【CF breakdown】 *(Yen in Millions)*

	FY21 2Q	FY22 2Q	FY23 2Q	FY24 2Q
CFO	24,186	7,827	15,421	18,655
CFI	△13,608	△12,736	△11,247	△12,156
FCF	10,577	△4,909	4,173	6,498
FCF	△2,749	△2,548	△7,743	△4,325
Net increase/decrease in CCE	7,744	△7,455	△3,558	2,176
CCE at end of period	31,903	21,894	19,309	23,149

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FY2024 Forecast

- Although the supermarket and drugstore businesses achieved higher-than-expected existing-store sales growth, those in the home improvement center business were negative partly due to the weak external environment.
- Strengthening expansion into the Kansai area by taking advantage of diverse formats.

(Yen in millions)	FY24 2Q Results	FY24 rate of progress	FY24 Plan	FY24 The last year of the medium-term strategic plans
Operating revenues	399,140	51.7%	772,000	772,000
Operating income	11,142	54.4%	20,500	20,500
Ordinary income	12,643	54.3%	23,300	23,300
Net income attributable to owners of parent	6,627	71.3%	9,300	9,300
Existing stores sales growth rate				
Supermarkets	+4.7%		±0.0%	
Drugstores	+5.9%		+1.5%	
Home improvement centers	△1.5%		±0.0%	

Number of Stores and Capital Investment Plan

- In the supermarket business, Valor Co. plans to open three new stores in the second half.
- Infrastructure investments are also planned for the Hokuriku processing center and the Kansai distribution center.

(Number of stores)	FY23	FY24 2Q			FY24 Plan		
	FY end	Open	Closed	FY end	Open	Closed	FY end
Supermarkets	316	2	1	317	5	2	319
Delicatessen Specialty Stores	42	4		46	12	-	54
Drugstores	495	7	2	500	15	5	505
Home improvement centers	161	1	2	160	9	2	168
Sports clubs (FC)*	184 (52)	2	8	178 (43)	2	8	178 (43)
Pet shops	119	3	1	121	6	1	124
Others	5	-	-	5	-	-	5
Total	1,322	19	14	1,327	49	18	1,353

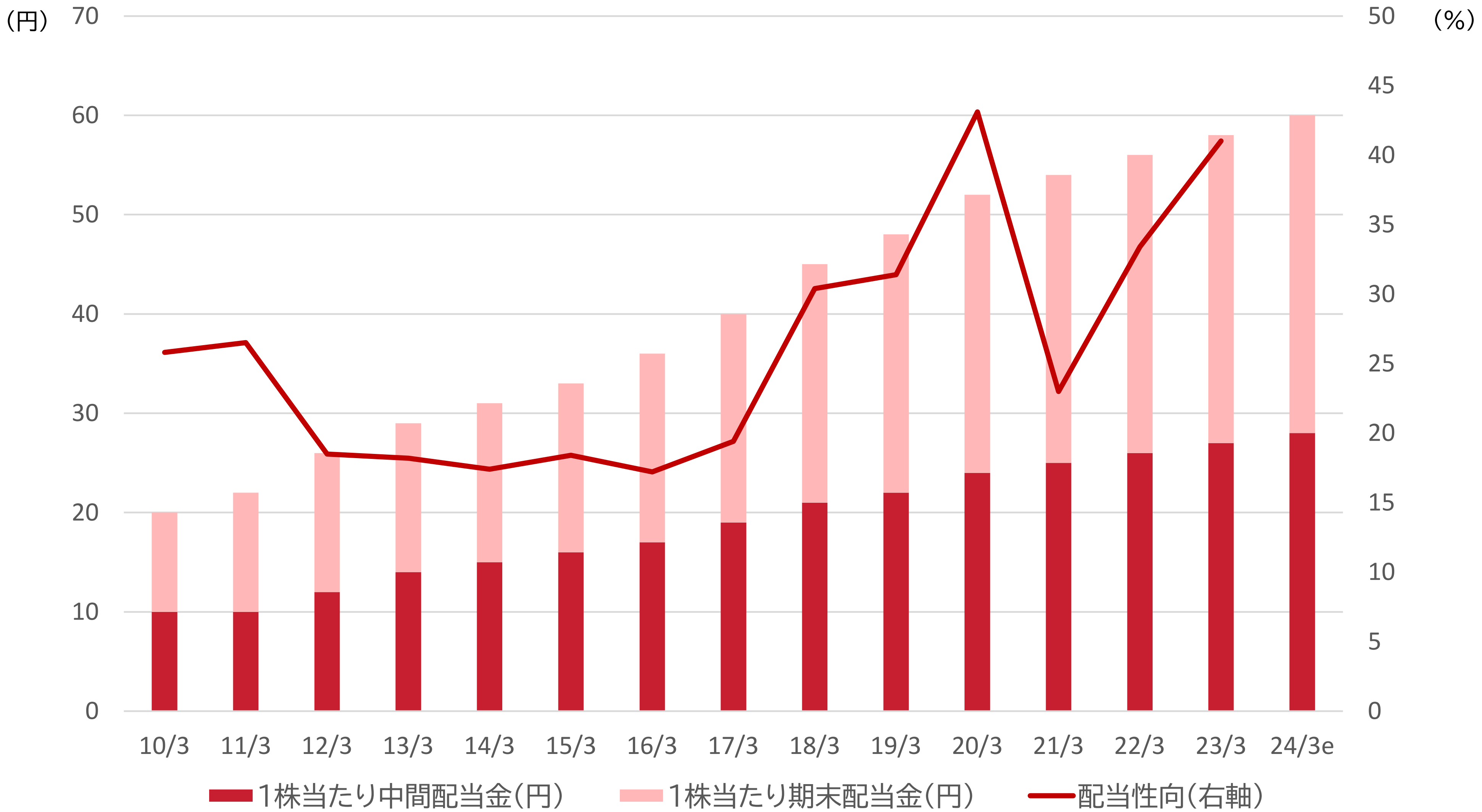
(*) The number of AXTOS franchise stores at the end of FY23 excludes the number of franchise stores converted to company-operated stores during the period.

(Yen in millions)
※payment basis

	FY23	FY24 2Q Open	FY24 2Q Closed	FY24 2Q FY end	FY24 Plan
Capital investment	25,995	-	-	14,517	22,838
New investment	13,464	-	-	5,145	12,121
Existing stores investment	11,726	-	-	6,261	6,645
Others	805	-	-	3,111	4,065

Shareholder Return (Dividend Forecast for FY24)

➢ Planning to pay an annual dividend of ¥60 (interim dividend: ¥28; year-end dividend: ¥32).
Stable and continuous profit distribution policy with a target dividend ratio of 25%.



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Ⅲ. Valor Group’s Growth Strategy

President
Takayuki Koike

Business environment

Valor's strength as a change-responsive business company

➢ ①Demographic Change ②From Inflation to Deflation ③Post-pandemic

①Population decline and urban concentration

Population decline is accelerating. The size of trade areas is shrinking, and the population is returning to cities.

【Our strength】

Various store formats

Multi-business management allows for the opening of stores in the optimal format for limited land area.

②Rising material, logistics, and energy costs

If you just buy and sell, you have to pass on the price. A company with a low area market share cannot survive.

【Our strength】

Profitability improvement through distribution internalized

Surpress price pass-through by having logistics and procurement subsidiaries absorb the impact of cost increases. Respond to major changes in the external environment.

③Pandemic special demand and post-pandemic

In the retail sector, sales grew due to the special demand during the pandemic, including the stay-at-home and eating-at-home demand. Potential issues before the pandemic became apparent, and companies that were able to respond to these issues are continuing to grow in post-pandemic.

【Our strength】

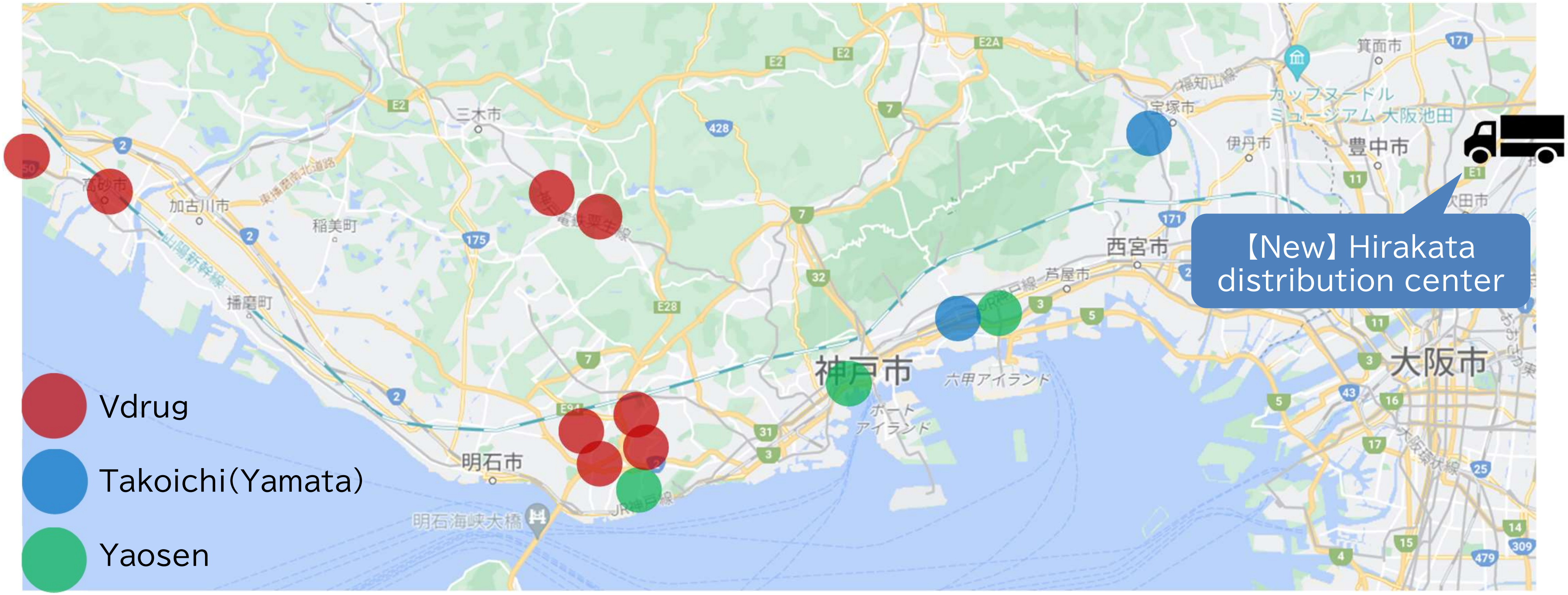
Dynamic equilibrium management by multiple business types

Management system that is not affected by external environment through multi-business management. After the pandemic, our supermarkets are showing signs of success in the development of the destination store.

Takeover of Toho store SM business
(Expanding into Kansai)

- Toho Store is an SM business established over 50 years ago with a dominant area in Kobe, Hyogo.
- Toho Store and we have built a relationship since the capital and business alliance in 2015.
- Expectations for contribution to **further expansion** of the ”destination company” **into the Kansai region**, including the drugstore business

13 Toho stores to be taken over
→8 Vdrug stores + 2 Takoichi stores +3 Yaosen stores



Progress of the 6 Projects

➤ The project was implemented mainly in the SM segment over a six-month period starting in the second half of 2022. The project included: automation of store operations (①), cross-sectional group personnel management (②), establishment of an integrated product development cycle among manufacturing, distribution, and sales (③), development of PB with group sales exceeding ¥500 M (④), management utilizing backcasting (⑥), and efforts to implement a Reiwa version of the "low-cost offering" (6), etc.

HRD

①Improving productivity PJ

②Developing human resources PJ

Next-Generation Executive Training by CEO Tashiro

Increasing product appeal & producing strong items

③Promoting SPA development PJ

④Developing private brands PJ

New product presentation across the Group

Takoichi×Yaosen
Co-created products
"Hatsukoi Ponzu"

Management

⑤Developing MBO PJ

⑥Developing marketing policy PJ

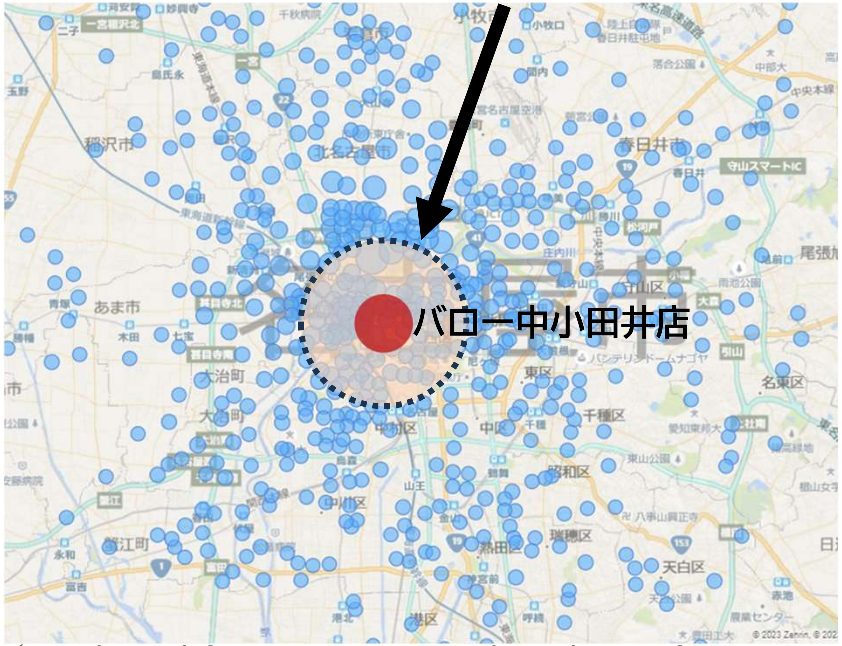
Inventory reduction efforts in grocery and daily delivery

Supermarket business

- Towards creations of new No.1 stores.

  Nakaotai store in Nagoya achieved sales well above budget.
  As a destination store, which shows customers clearly defined purposes of visit, it realized “Destination” = “trade area expansion”

半径5キロ商圏



(Analyzed from Lu Vit membership information)

Attracted customers from a wide trade area

V300 Valor Nakaotai store (Nishi-ku, Nagoya, Aichi) opened on October 27th.

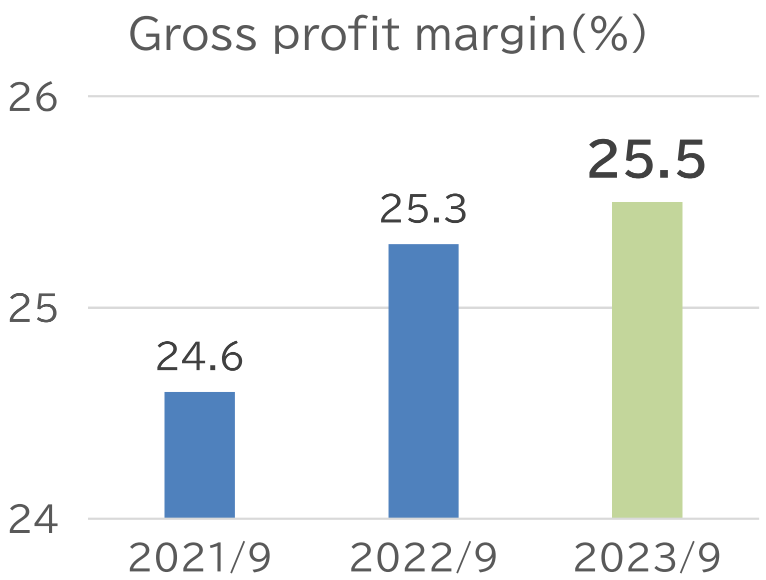
Drugstore business

➢ Towards establishing a Vdrug model (new format)

While profitability improvements achieved through the reinforcement of health care, beauty, and dispensing operations, which have been implemented in the current medium-term strategic plans, are steadily having an effect, competition across industry boundaries is intensifying, and we aim to establish ourselves as a destination store in the drugstore sector.

・Gross margin steadily improved

Contributed by enhancing healthcare, beauty, and dispensing, which are the most prioritized.



・Establishing a Vdrug model

New challenges for Vdrug's unique format while aiming for a product mix that matches regional characteristics

Meat supplied by Group plants

A delicatessen item produced by Vdrug

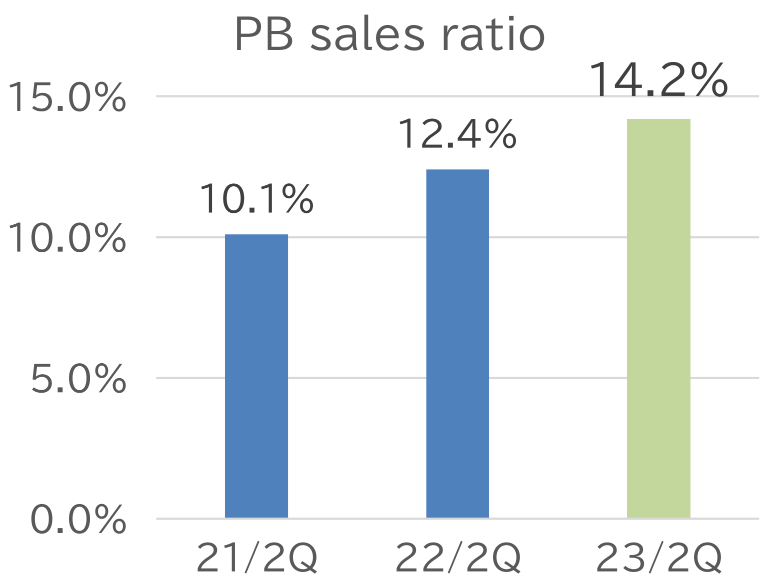
Home improvement center business

➢ The scale of HC industry survival will be ¥150-200 billion or more.

In the HC industry, having scale and offering PB products are necessary condition for survival. Leveraging the merits of scale through the merger with Alleanza HD, further expand scale, including through M&A, and strengthen specialization (pet-related products & products for professional traders, etc.)

·Effect of the integration with Alleanza HD

- Reduction of purchase cost
- PB product development
- Sharing information and know-how



・Strengthening specialization and expanding scale

"PROsite," offering materials and work clothes (Seto, Aichi)

ANT Home Center
Grouped in November 2023

【Purpose】
- To strengthen the dominant position in the market
- To utilize logistics network & improve procurement
- To create synergy with different culture

Next medium-term strategic plans
(FY2025/3～FY2027/3)

President
Takayuki Koike

Gist of the next medium-term strategic plans

- Launched the project for formulating the next medium-term strategic plans
- The plans will be formulated by young executives across the group with a view to the next generation.

1. Growth Strategy
- ✓ Organic growth in core business
- ✓ Double cropping (Non-store & Local governments)
- ✓ Kansai ¥50.0 billion plan

2. Profit-making Strategy
- ✓ Group restructuring
- ✓ Reinvestment in distribution infrastructure

3. Sustainability Strategy
- ✓ Human resource development
- ✓ Financial strategy

4. Distribution Technology Development
- ✓ Financial business strategy
- ✓ DX strategy

1 Growth Strategy ※Strong growth driver Valor Holdings

➢ Existing organic growth + Double cropping (Non-store & Local government) + Kansai ¥50.0 billion initiative

✓ Requirements for future growth

① A business area that can continue to renew the No.1 stores in the area
② Creating challenges through strong competitors

Open stores in Kansai

✓ Valor group share by area & by business type

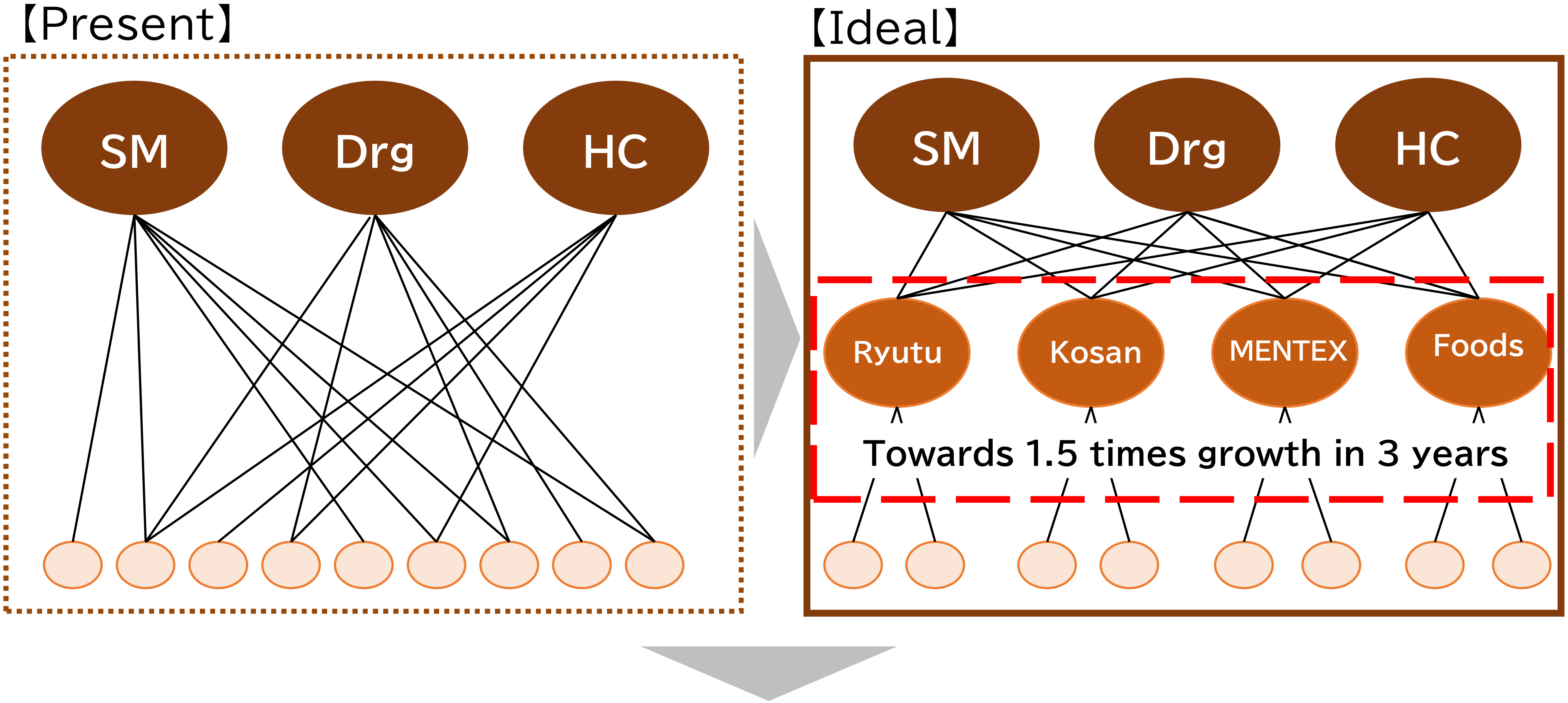
(Figures are for FY23)

	Tokai	Hokuriku	Shiga	Kansai (Excluding Shiga)	Kanto Koshinetsu Other	Chugoku Shikoku Other
SM sales	2,325	593	206	181	655	-
Drg sales	1,221	235	13	30	64	-
HC+pet sales	529	8	-	54	547	231
Total sales	**4,076**	**837**	**220**	**267**	**1,268**	**231**
Share	2.8%	2.3%	1.2%	0.1%	0.1%	0.1%
(Market size)	¥14.8 T	¥3.6 T	¥1.7 T	¥27.3 T	¥93.1 T	¥35.3 T

※The market size is estimated based on data from Statistics Bureau of Japan for products in our related segments.

2 Profit-making Strategy ※Group restructuring

- Launched group restructuring.
- Developing four highly profitable functional companies (Chubu Ryutu, Chubu Kosan, MENTEX, and Chubu Foods) as medium-sized functional companies.

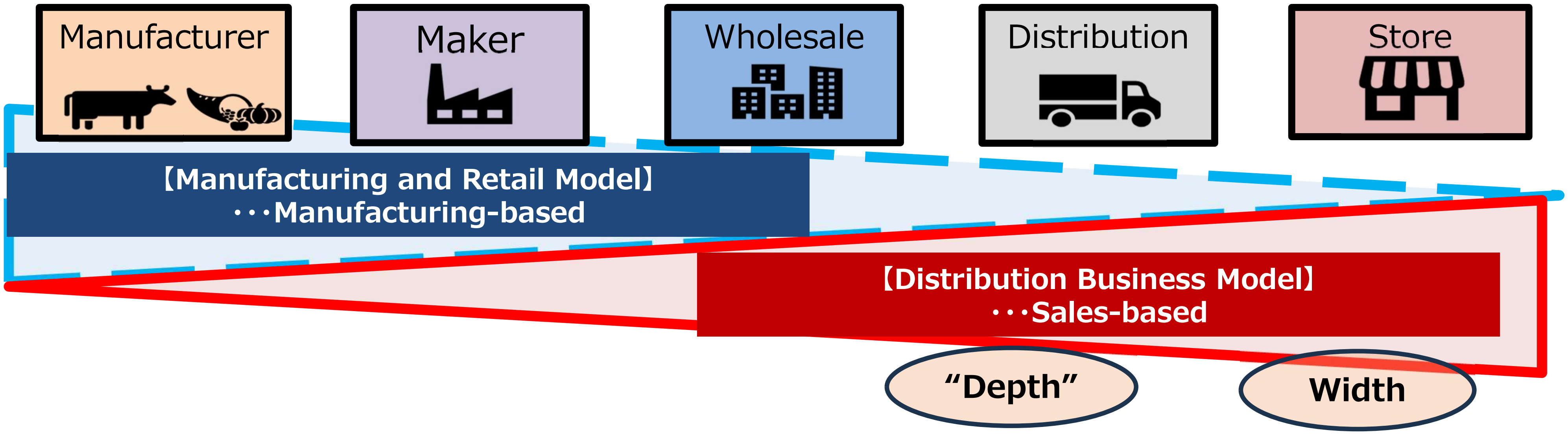


Reviewing the definitions of our business and planning to allow each company to retain and train 10 core future staff members.

2 Profit-making Strategy ※SCM positioning

Valor Holdings

- Developing SCM (Supply Chain Management) by DCM (Demand Chain Management) to complete area dominance.
- Valor Group belongs to the distribution business model.



Procurement
Product Development
Information Gathering
+ Intermediate distribution **know-how** and **Technology for developing "Value Chain"** + **"Sales force"** through our store network

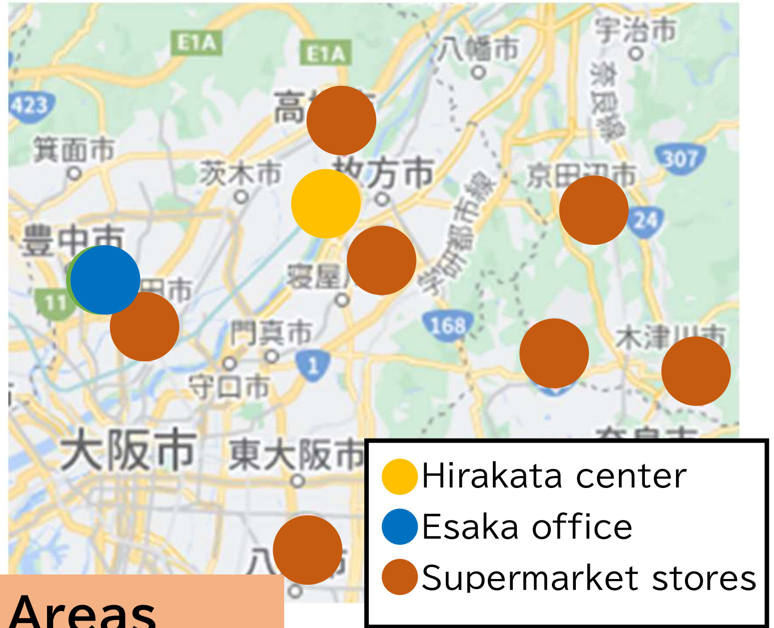
→ Strengths of the Group (controllable)

2 Profit-making Strategy
※Building infrastructure to sustain growth

- Labor and labor management costs are expected to rise further in the future.
- → The key point is to build a new infrastructure.

Infrastructure expansion to Kansai

- ✓ Hirakata distribution center … Operation starts in Oct. 2024
- ✓ Processing center … Livestock Factory Center
- ✓ HD Kansai office … Esaka office & distribution center
- ✓ Kobe depot center



Restructuring of western Gifu (Ogaki)

- ✓ Distribution center
  - Expansion of frozen area and warehouse
  - Delicatessen and Bakery
  - Meat processing plant (Keirinkaku Co., Ltd.)

Areas considered

- ✓ Processed meat (ham, sausage)
- ✓ Fish processing

3 Sustainability Strategy
※ Strengthening HD (human resource development)

Valor Holdings

➢ Volar’s Human Resource Development Theme:
“Creating Next-Generation Leaders” & “Creating a Retention-Focused Environment”

Human Resource Development Policy

Creation of Next-Generation Leaders

【Lecture】Management Executive Training

【Practice】Promoting cross-company personnel movement within the Group
→ Development of multi-perspective talent
→ “Human Resource Development Meeting,” held regularly

Creation of a Retention-Focused Environment

Establishing systems and fostering morality
= Creating an environment where employees want to continue working

- ✓ Promoting personnel system reforms (changes in evaluation criteria and establishment of new promotion requirements)
→ Started with the renewal of interview sheets and the development of requirements for pay raises for part-timers.
- ✓ Promoting work style reforms
→Considering reinstating the 5-day consecutive holiday system, and adding regular holidays, etc.

3 Sustainability Strategy
※ Strengthening HD (segment disclosure)

- Started reviewing segments to be disclosed to make it easier to compare with other companies in the same industry.
- e.g. Combine the profits of the distribution-related business segment with those of the other segments.
- Disclosure after factoring value chain strengths as a distributor into each segment.

Operating income of the “distribution-related business” segment allocated to each company. Operating profit margin improved. The verification of the effectiveness of management to utilize our value chain will become more visible.

Table Comparative image of operating income margin after allocating “distribution-related business” profit

(Figures are for FY23)

Figures are actual results for FY2023	Segment Operating profit margin	Distribution-related business Operating profit margin	Operating profit margin (totaled)
SM	3.2%	0.5%	**3.7%**
DRG	2.7%	0.2%	**2.9%**
HC	3.7%	0.1%	**3.8%**

Note: The figures are based on a simplified allocation according to the sales scale of the segments and have not been audited.

Overall profit margin for each segment, including profits from in-house functions.

3 Sustainability Strategy
※ Strengthening HD (Finance)

Valor Holdings

- Financial strategy goes hand in hand with business strategy.
- → Fixed-point management through meetings on investment and impairment.

Buisiness Strategy × **Financial Strategy**

- **Increase in profits** → Growth Strategy･Profit-making Strategy･M&A
- **Improvement in net income margin**
  - Impairment:¥5.94 B → Towards ¥3.0 B basis
  - Income tax expense ratio :46% → To be reduced
- **Capital adequacy** Review of capital policy (optimal capital structure)
- **Interest-bearing debt control** FY21 ¥106.9 B FY22 ¥112.1 B FY23 ¥106.5 B

Investment meeting
Coordination among segments (which investments are prioritized) and discussion of investment profitability
→ Operating company-led, with new stores and renovations under enhanced management.

Financial meeting
= Meeting on impairment
Discussing measures to address impairments that have occurred

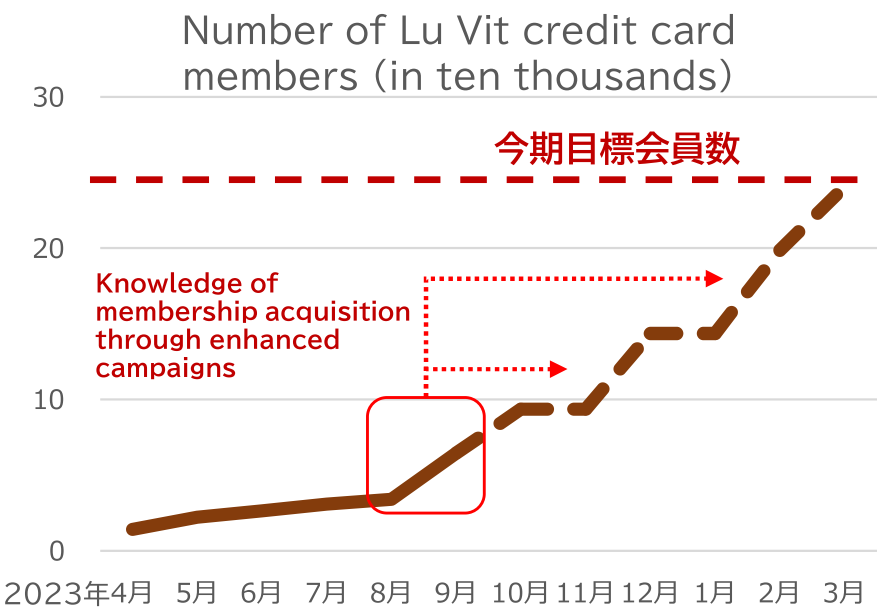
4 Distribution Technology Development (Financial business strategy)

- With the Lu Vit credit card, we continue to work on building a Valor Economic Zone and reducing settlement fees.
- VFS(Valor Financial Service Co., Ltd.) expands the scope of its business to include insurance and leasing, and integrates its financial business to consider strengthening its functionality.

✓ Lu Vit credit card

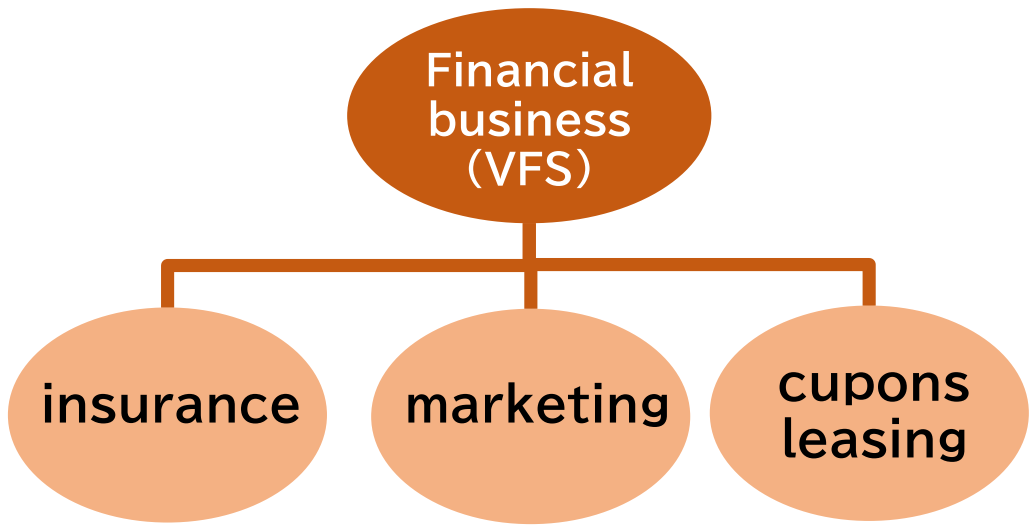
- Accumulating knowledge of membership acquisition measures through enhanced campaigns.
- To reach **this FY's goal** by utilizing the knowledge

→ The next step after acquiring members is to increase the occupancy rate.



✓ Considering integration of financial businesses

Considering integration of financial businesses, especially VFS

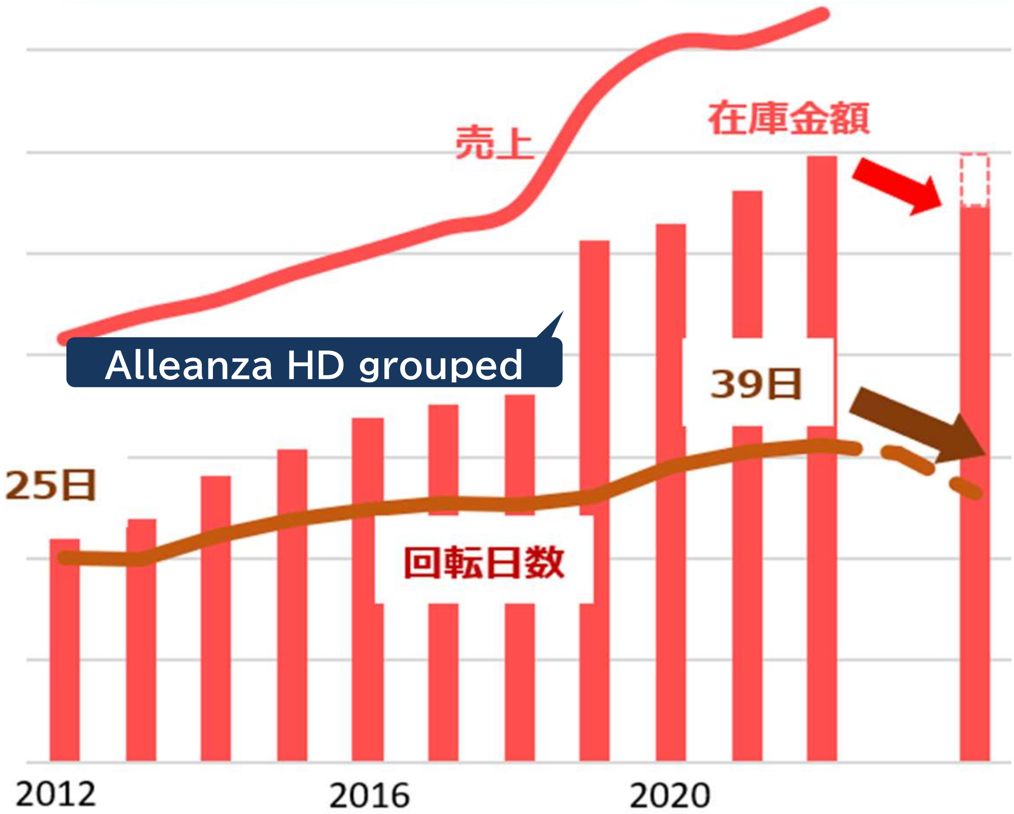


4 Distribution Technology Development
(DX Strategy)

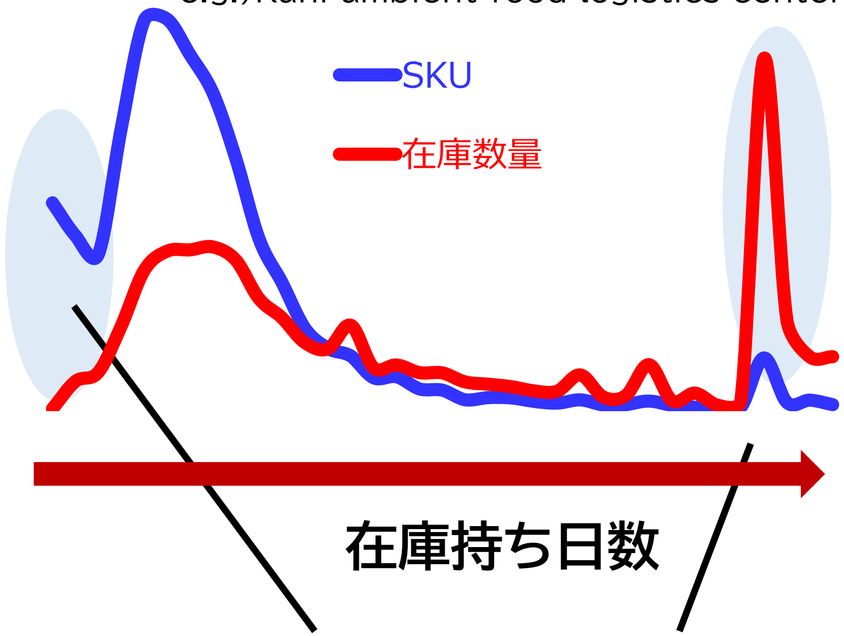
- ➢ DX theme to date has been “ Accelerating Communication”. (smart devises, apps)
  → Continue
- ➢ The next theme is “Inventory Reduction.”
- ➢ → Reduce total group inventory and improve specific figures

✓ Inventory turnover days increased with sales expansion in the last 10 years.

Establishment of automated ordering	Control of backlog products	Group total inventory reduction



e.g.)Kani ambient food logistics center



System controls “shortages” and ”long-term backlogs” in stores and warehouses

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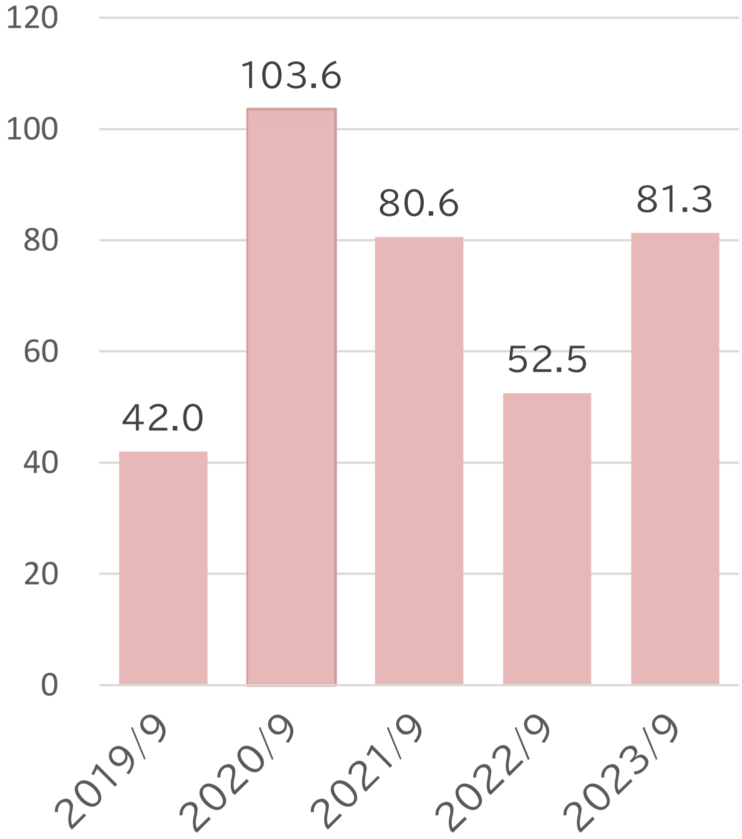
Supermarket Business

- Increase in profit of about ¥3.9 billion compared to the first half of 2019 before the pandemic.
- Expanding the destination store model across our group’ s supermarket companies.

(Yen in 100 millions) SM segment profit



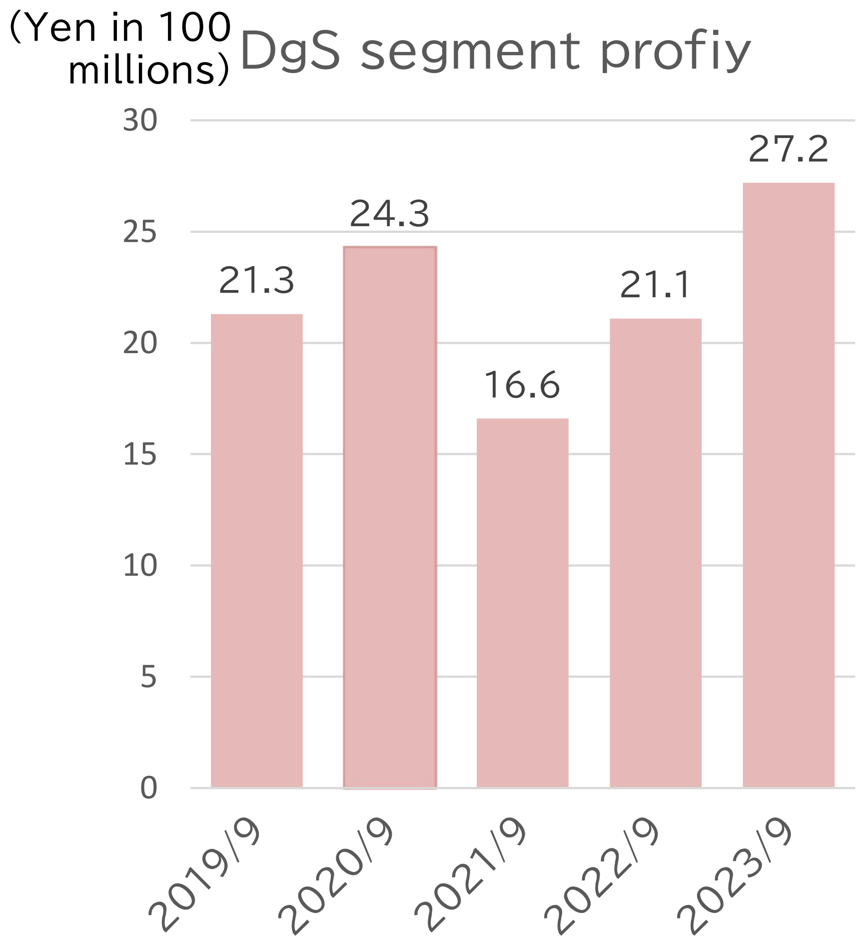
Analyses of 1st half results
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	+	Existing-store sales of Valor Co. +4.7% (The assumption at beginning of period was ±)
	YoY	+	2 new stores open in Valor Co.
Operating income	vs. plan	+	Improvement of gross profit margin of Valor Co. (27.2%→27.4%)
	YoY	+	Valor Co.+¥1.7 billion Tachiya Co.+¥280 million Turnaround of the deficit-SM companies

※+:increase、▲:decrease、±:in line with the plan

Drugstore Business

- Increase in profit of ¥600 million compared to the first half of 2019 before the pandemic.
- Strong performance in cold medicine, cosmetics and dispensing medicine
  → Existing-store sales +5.9%
- Curtail sales promotion expenses and invest in labor costs



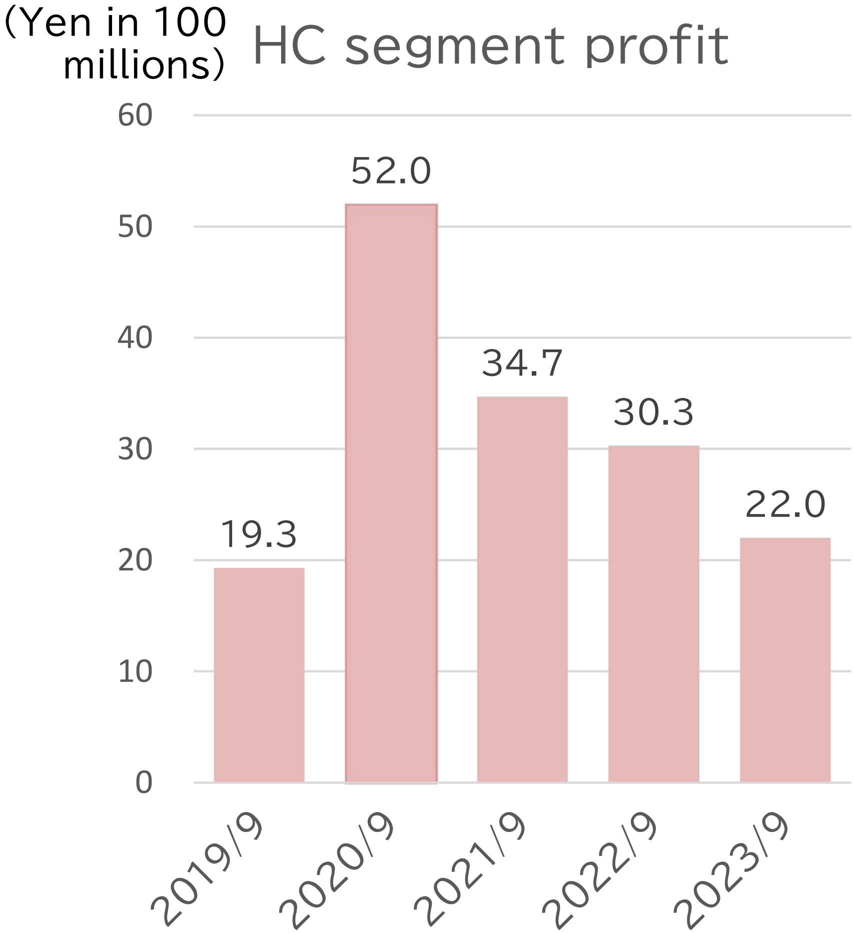
Analyses of 1st half results
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	+	-Captured demand for cold medicine and makeup cosmetics. -Steady growth in dispensing medicine.
	YoY	+	Shore up 33 stores (7 new stores, 9 dispensing stores, 17 sales floor renovation)
Operating income	vs. plan	+	-Recovery of inbound demand -Growth of dispensing business
	YoY	+	Improvement of gross margin (25.3%→25.5%)

※+:increase、▲:decrease、±:in line with the plan

Home Improvement Center Business

- Increase in profit of about ¥200 million compared to the first half of 2019 before the pandemic.
- Competition fostering homogenization across industries, store expansion rivalry, high costs.“
- Strengthening of private brands and specialization to increase purpose-driven visit to stores.



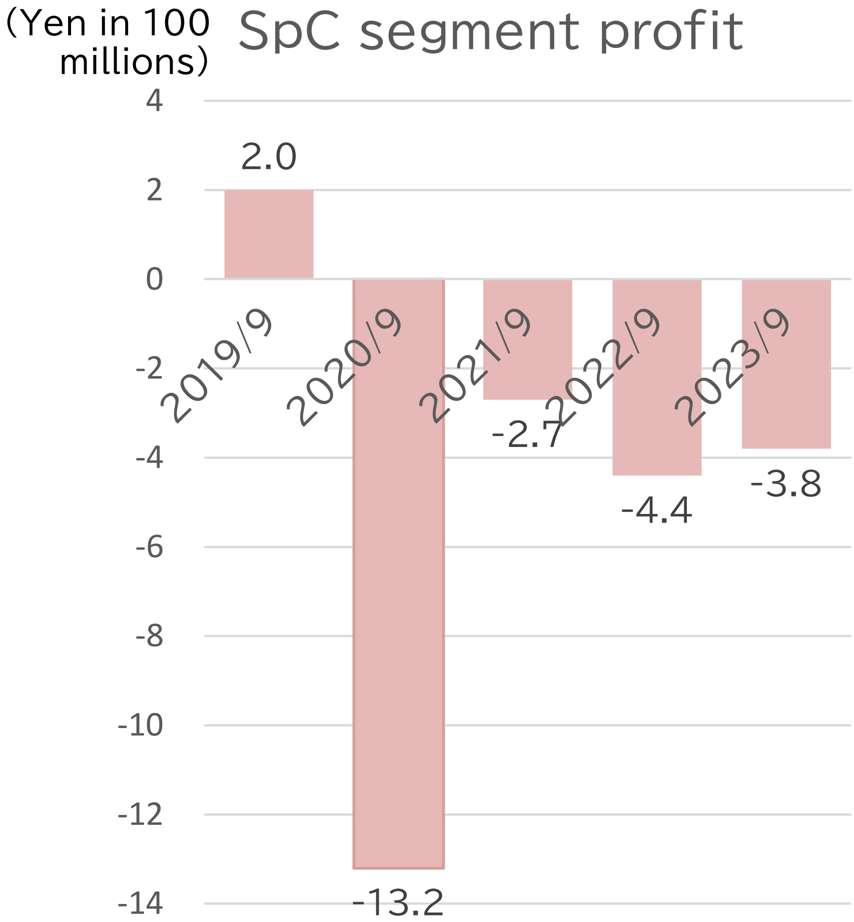
Analyses of 1st half results
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	▲	Existing stores ▲1.5%
	YoY	▲	Saving-oriented customers, and weak demand for the infectious disease prevention products and the stay-at-home items
Operating income	vs. plan	▲	Slowdown in PB development due to weak yen
	YoY	▲	Decrease in gross margin (31.8%→31.5%)

※＋:increase、▲:decrease、±:in line with the plan

Sports Club Business

- Decrease in profit of about ¥600 million compared to the first half of 2019 before the pandemic.
- Increased membership by expanding business hours (at some stores), revising membership types, and strengthening specialization (swimming, tennis, and exercise tutoring)



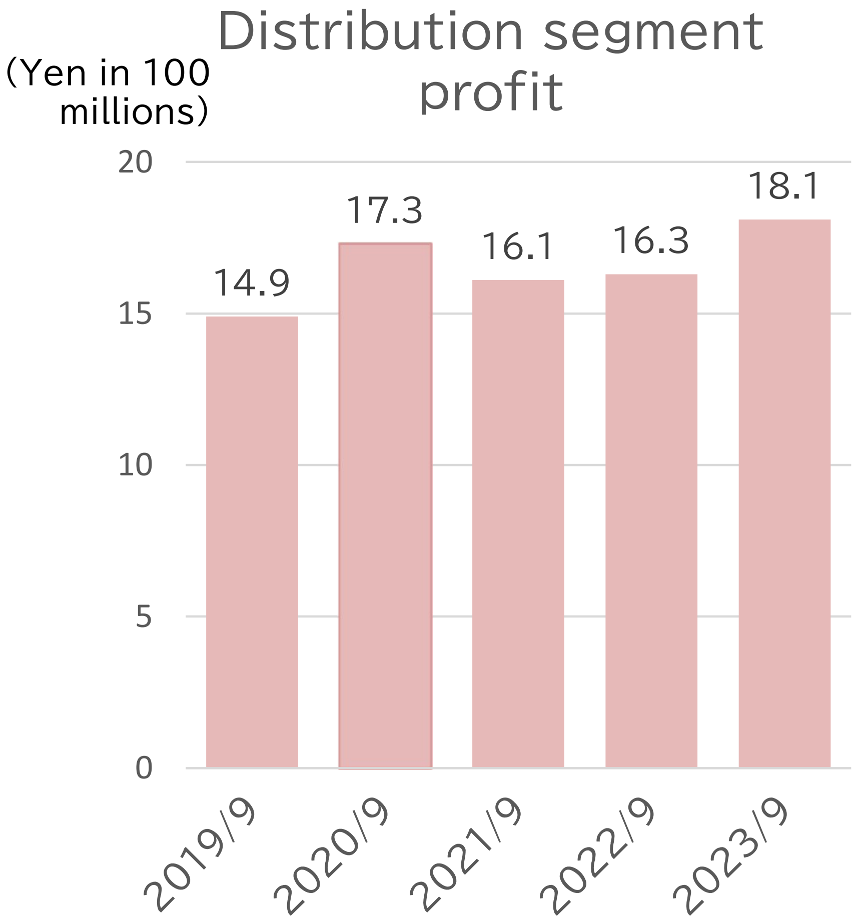
Analyses of 1st half results
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	+	Increase in enrollment
	YoY	+	Increase in membership
Operating income	vs. plan	+	Increased top line absorbed the increase in expenses.
	YoY	+	Increased top line absorbed the increase in expenses.

※+:increase、▲:decrease、±:in line with the plan

Distribution-relate Business

- Increase in profit of about ¥300 million compared to the first half of 2019 before the pandemic.
- Increase in sales significantly contributed by SHOWAFILM Co., Ltd. and Unidopack Co., Ltd., both of which became subsidiaries.



Analyses of 1st half results
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	+	Increase in demand for consumable materials due to growth in SM and delicatessen specialty stores, etc.
	YoY	+	Contribution by SHOWAFILM Co., Ltd. and Unidopack Co., Ltd.
Operating income	vs. plan	+	Increase in volume due to sales expansion in SM business, etc.
	YoY	+	Strengthening category management

※+:increase、▲:decrease、±:in line with the plan

Contents

Valor Group Vision 2030

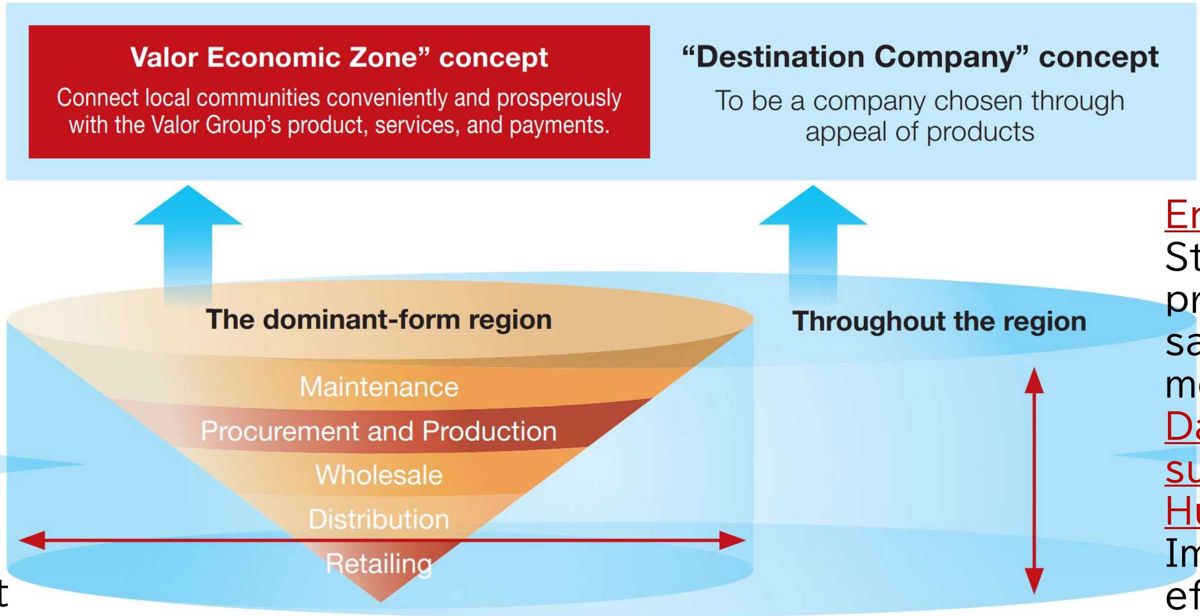
➢ In the Tokai area, which is the foundation of our business, we aim to build "Valor Economic Zone" centered on stores of the Valor Group.
➢ Developing the store format attracting customers by product appeal in all of our operational areas.

Vision for 2030

Strengthen points of contact with customers

Store centric now

Implementing measures to adapt to new lifestyles, such as collaboration with Amazon.



Enhancing manufacturing
Steadily build up in-house produced items with annual sales of ¥100 million or more

Data synchronization of supply chain through Data-Hub
Improved logistics efficiency through coordination among procurement and manufacturing sites and companies

Medium- to long-term management policy (FY23 – FY30)

Valor Group Vision 2030

We aim to build Valor Economic Zone, connecting local communities conveniently and prosperously with the Valor Group's product, services, and payments, and to become a "destination company," chosen through appeal of products.

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.

Connections with products

・Valor Group's product appeal
Offering appealing products that are only available from the Valor Group by utilizing the Group's manufacturing capabilities.

・Enhancement of product development and manufacturing capabilities
Enhancing the product development and manufacturing capabilities, we will coordinate supply chain information through 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
Not only the connections at physical stores, but expand them by utilizing EC and the Lu Vit card, app, and credit card.

・Connections with local communities
We will strive to resolve local issues by using the Group's management resources to have multiple points of contact with local communities.

Management that is conscious of ties with society

・Strengthening Group governance
Adapting to rapid changes in the business environment through "ambidexterity"

・Promoting activities by all Group employees
Established six subcommittees for the three priority areas regarding our business model, namely, "global environment," "local communities," and "diversity of human resources," with activities by all employees of the Group.

Future value creation approaches

- Under the influence of COVID-19, we recognized both our unchanging social mission to provide a stable supply of products essential to daily life and the need to change the way we provide products and services to adapt to lifestyles and consumer behavior.
- Review the process of formulating the current medium-term strategic plans, reorganize what kind of presence we want to have in society and how we will create value in 2030, develop a vision, and incorporate the vision into the next medium-term strategic plans.

Founding FY2010 → FY2015 → FY2018 → FY2021 → FY2024 → FY2027 → FY2030

Corporate Philosophy	"Creation, Advance & Challenge"				
Medium- to long term management policy		FY2011-2015 Strategic Plans	FY2016-2018 Strategic Plans	FY2019-2021 Strategic Plans	Valor Group Vision2030 Sustainability Vision 2030 Current three-year medium-term strategic plans
Strategic goals		Expanding scale	Improving efficiency	Undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products	Connect 2030 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 Partial EC, other	Stores, E-commerce (EC) Proprietary electronic money Lu Vit Lu Vit App, Lu Vit credit card

Financial policy

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. ✓ 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. ✓ 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%

Sustainability KPI(to 2050)

	Standard	FY24 Final year of current strategic plans	FY27	FY30 Sustainability Vision 2030	FY50 Reference
Realizing a decarbonized society CO_2 emissions Greenhouse gas emissions	(FY20 results*) CO_2 emissions at own sites (Electricity-derived) 233,486t	(FY20 rate) CO_2 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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