Valor Holdings

FY2025 2Q (Interim Period)

Financial Presentation

株式会社バローホールディングス

November 13th , 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

*a company that is chosen by society

Towards the next growth stage as a destination company*

We would like to extend our heartfelt gratitude for your continued support. In the first half of 2024, we observed an increase in inbound demand and a recovery in domestic consumption as the impacts of the COVID-19 pandemic began to subside. However, the economic environment remained challenging, with heightened inflation and a weaker yen intensifying consumer awareness of safeguarding their livelihoods. Amid these circumstances, our group has worked diligently to establish a flexible and robust management foundation to meet customer expectations. In our core businesses, we have implemented initiatives based on our growth strategies and strived to strengthen our competitiveness.

In addition to opening new stores in the Kansai region, we are enhancing freshness and product strength based on our "Destination Store" strategy to create stores that are chosen by customers. We have also introduced an AI-driven demand forecasting automated ordering system to improve efficiency and profit margins while optimizing the entire supply chain. Furthermore, one of our products was recently awarded the highest Gold Prize in the National Supermarket Delicious Products Contest, further contributing to the enhancement of our brand value.

President

Takayuki Koike

Moving forward, we will continue to strengthen our governance structure and drive business growth to meet the expectations of our shareholders. We sincerely ask for your continued support.

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Key Points of Financial Presentation

Summary of FY2025 2Q (Interim) Financial Results

- Operating revenues reached a record high as last year.
- Operating revenue increased, driven by growth in same-store sales. In the supermarket business, same-store sales of Valor Co., Ltd. grew by 5.2% YoY. In the drugstore business, same-store sales increased by 2.4% YoY, while in the home improvement center business, same-store sales rose by 1.5% YoY.
- Operating income and ordinary income secured the fourth-highest level ever.
- The interim net income attributable to the shareholders of the parent company increased, reaching the second-highest level in the company’s history.

➢ FY2025 Forecast

・ In an environment where costs are increasing in labor, logistics, and raw materials, we will advance a full-scale expansion into Kansai area in addition to improving product appeal and renovating same stores. Then we forecast:

¥840.0 billion in Operating revenues, **¥23.5 billion** in Operating income **¥26.4 billion** in Ordinary income, and **¥12.3 billion** in Net income attributable to owners of parent are expected.

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Ⅰ. Summary of FY2025 2Q (Interim) Financial Results

Ⅱ. FY2025 Forecast

Management Director
Akira Shinohana

FY2025 2Q (Interim Period)Results

- Operating revenues reached a record high as last year.
- Fourth-highest operating income and ordinary income in history; second-highest net income in history.

(Yen in millions, except for EPS)

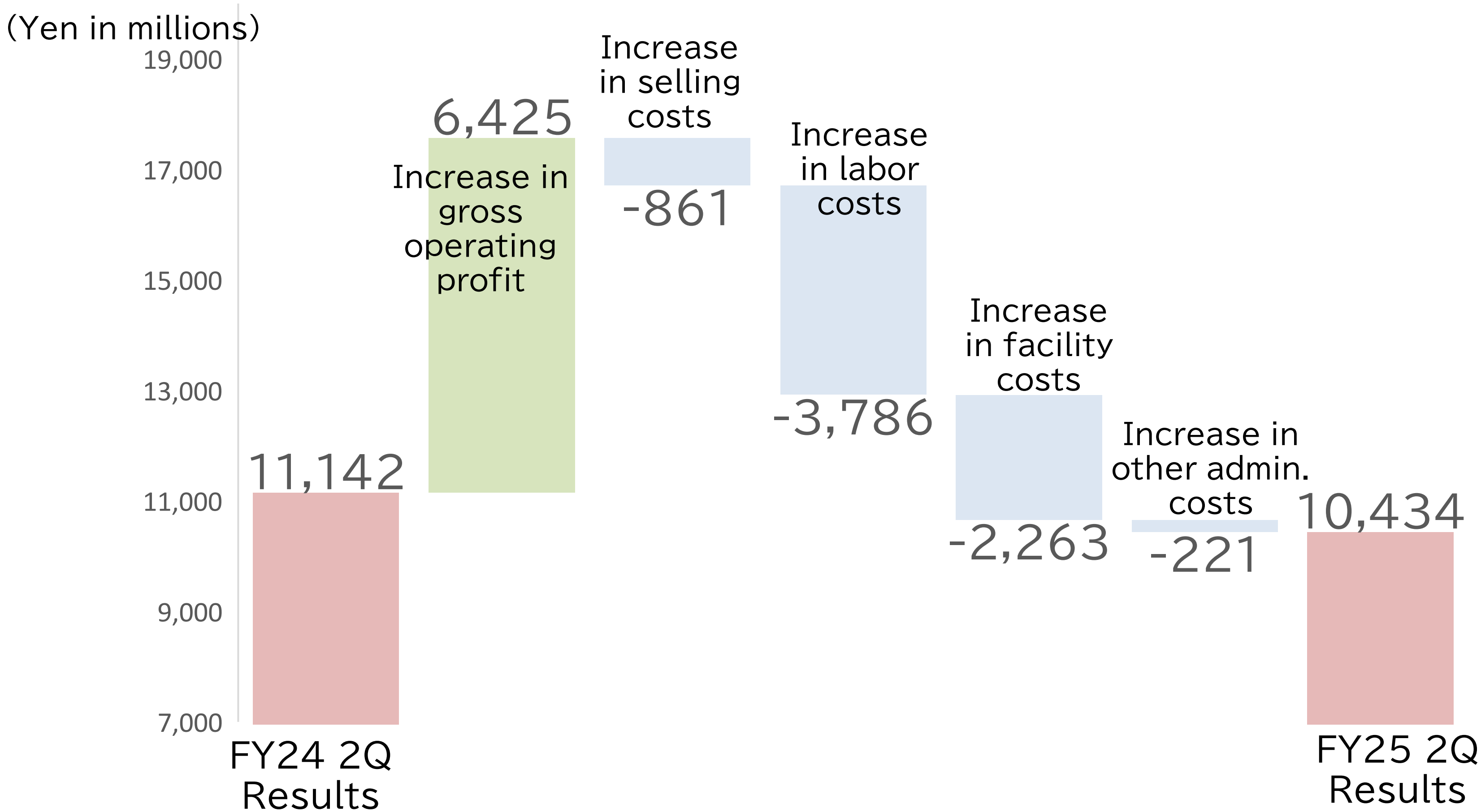
	FY22 2Q	FY23 2Q	FY24 2Q	FY25 2Q			
	Results	Results	Results	Plan	**Results**	YoY	Vs. Plan
Operating Revenues	365,934	374,661	399,140	415,000	**422,016**	+5.7%	+1.7%
Operating income	12,458	9,567	11,142	11,500	**10,434**	(6.4%)	(9.3%)
Ordinary income	14,044	11,106	12,643	12,900	**12,209**	(3.4%)	(5.4%)
Interim net income attributable to owners of parent	6,104	5,736	6,627	6,800	**6,736**	+1.6%	(0.9%)

EBITDA*	21,993	19,668	21,337	-	**21,433**	
EPS	113.69	106.81	123.75	-	**126.34**	(Yen)

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

Factors of Increase/Decrease in Operating Income

- Gross operating income increased ¥6.4 billion.
- Profit decreased due to an increase in personnel and facility costs associated with growth investments.



Operating Results by Segment

- **Supermarket Business:** Strong same-store performance due to DS (Destination Store) renovations
- **Drugstore Business:** Revenue increased due to store expansion and the impact of renovations that strengthened fresh food offerings.
- **Home Improvement Center Business:** Revenue increased driven by higher sales of seasonal products and emergency kits
- **Pet Store Business:** Reorganized into a new segment with strong sales of premium pet food
- **Sports Club Business:** Revenue increased due to the introduction of new membership categories (e.g., 90-minute memberships) and collaborations with local governments
- **Distribution-Related Business:** Revenue increased due to higher distribution volumes and contributions from *Sagitomi Unso*, with profit growth supported by price adjustments

(Yen in millions)	Operating revenues				Segment profit			
	FY23 2Q	FY24 2Q	FY25 2Q		FY23 2Q	FY24 2Q	FY25 2Q	
	Results	Results	Results	YoY(%)	Results	Results	Results	YoY (%)
Supermarket business	206,401	221,523	**235,579**	+6.3%	5,251	8,134	**8,447**	+3.8%
Drugstore business	80,071	85,323	**89,024**	+4.3%	2,117	2,720	**2,116**	(22.2%)
Home improvement center business	63,322	63,269	**66,189**	+4.6%	3,032	2,206	**1,852**	(16.0%)
Pet store【New】	-	14,083	**14,274**	+1.4%	-	673	**403**	(40.1%)
Sports club business	4,845	4,899	**5,167**	+5.5%	(448)	(386)	**(223)**	Loss decrease
Distribution-related business	4,916	8,330	**10,011**	+20.2%	1,634	1,816	**2,240**	(+23.3%)
Others	15,104	1,712	**1,769**	+3.3%	962	(467)	**(894)**	Loss increase
Elimination or corporate expenses					(2,983)	(3,530)	**(3,507)**	
Total	374,661	399,140	**422,016**	+5.7%	9,567	11,142	**10,434**	(6.4%)

Management Indicators

➢ The net D/E ratio remains low, reflecting continued sound debt management.
➢ ROA, ROE, and ROIC declined compared to the previous fiscal year, indicating a decrease in profitability. Addressing profitability remains a challenge.

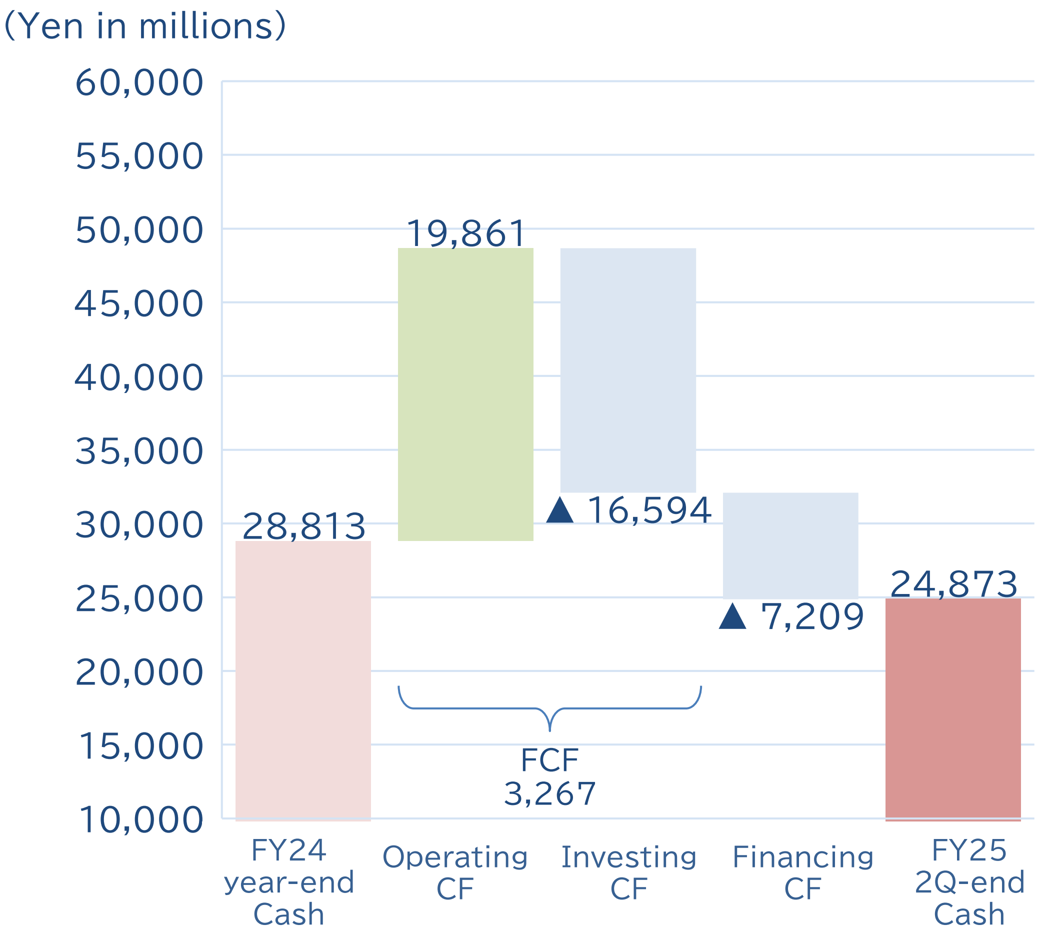
	FY23 2Q	FY24 2Q	FY25 2Q
	Results	Results	Results
※ROA	5.4%	5.9%	5.5%
ROR	3.0%	3.2%	2.9%
※Total Asset Turnover	1.8	1.9	1.9
※ROE	7.6%	8.5%	8.2%
*ROIC	4.2%	4.7%	4.3%
Equity ratio	36.7%	36.7%	36.6%
D/E ratio	0.73	0.68	0.68
Net D/E ratio	0.61	0.54	0.54

*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

- Operating cash flow exceeded investing cash flow, resulting in positive free cash flow.
- Maintaining a sound financial foundation with ¥2,285 million allocated for share buybacks.



CF breakdown

●Operating CF:¥19,861M
The amount of change in accounts receivable decreased by ¥2,449 million (→ increased).

●Investing CF:(¥16,594M)
Expenditures for the acquisition of tangible fixed assets increased by ¥3,704 million.

○Subtotal **FCF:3,267M**

●Financial CF:(¥7,209M)
Expenditures for the share buyback increased by ¥2,285 million.

●Net change in cash and cash equivalents:(¥3,939M)

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FY2025 Forecast

- Continuous revenue and profit growth in the supermarket business, growth in same-store sales and improvement in gross profit margins in the drugstore and home improvement center businesses, and expansion of profitability in the credit card business
- The supermarket business is driving progress, ensuring the steady achievement of the first year of the new Three-year Medium-term Strategic Plan.

(Yen in millions)	FY25 2Q Results	FY25 Rate of progress	FY25 Plan	FY27 The last year of the Medium-term Strategic Plan
Operating revenues	422,016	50.2%	840,000	910,000
Operating income	10,434	44.4%	23,500	26,000
Ordinary income	12,209	46.2%	26,400	29,000
Interim net income attributable to owners of parent	6,736	54.8%	12,300	-
Same-stores sales growth rate				
Supermarkets	+5.3%		+2.0%	※Initial plan
Drugstores	+2.4%		+2.0%	
Home improvement centers	+1.5%		±0.0%	

Number of Stores and Capital Investment Plan

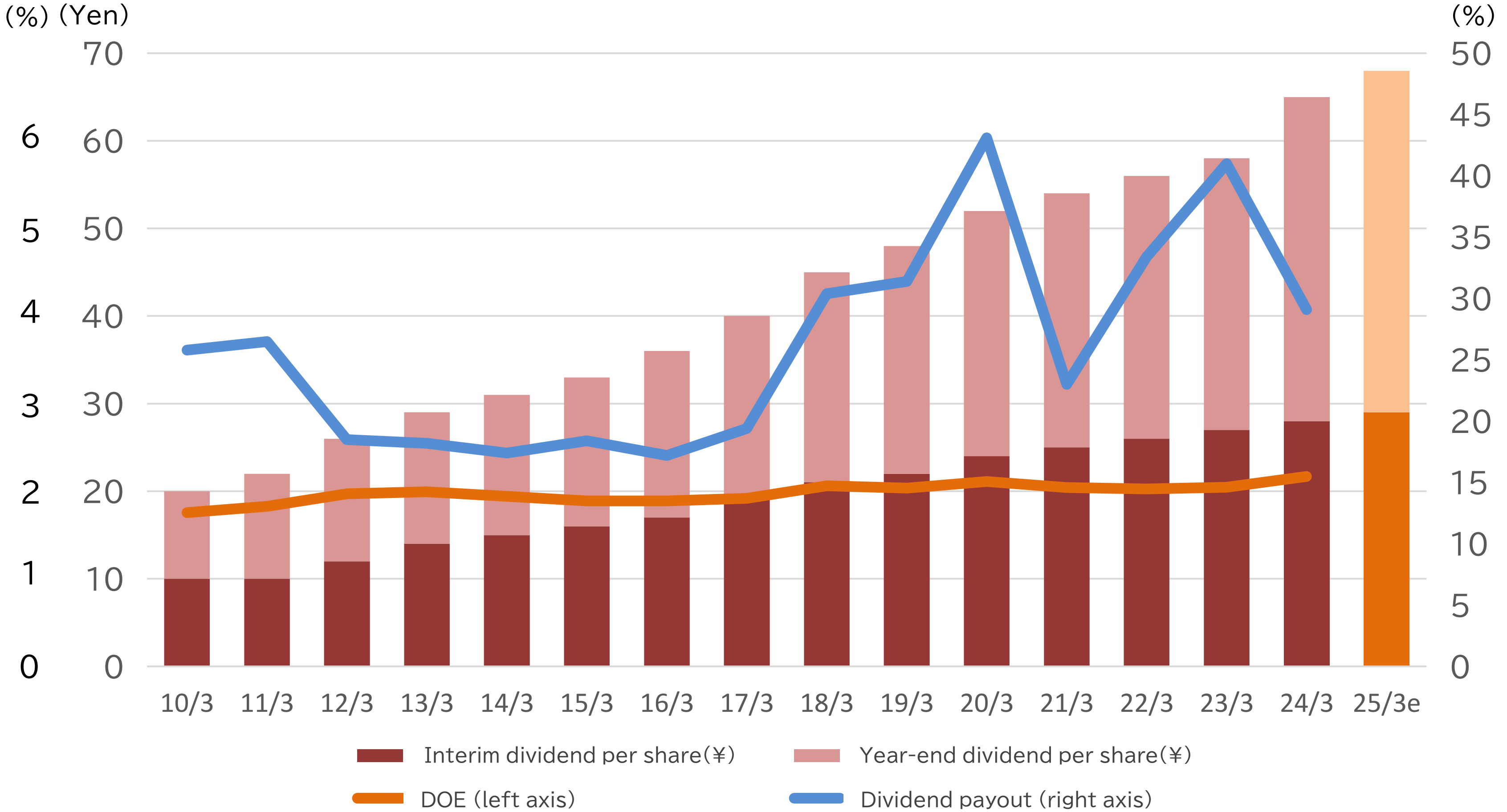
- Valor Co., Ltd. to renovate and reopen its flagship *Tajimi* store (Gifu) on November 29.
- The Kansai Distribution Center (Hirakata City, Osaka) began operations in October.

	FY24	FY25 2Q			FY25 Plan		
(Number of stores)	FY end	Open	Closed	FY end	Open	Closed	FY end
Supermarkets	317	5	2	320	12	3	326
Delicatessen Specialty Stores	51	7		58	13	1	63
Drugstores	507	14		521	29	2	534
Home improvement centers	168	2	2	168	3	4	167
Sports clubs (FC)	176 (42)		1	175 (41)	2	1	177 (42)
Pet stores	124	6	7	123	9	8	125
Others	5	1		6	1		6
Total	1,348	35	12	1,371	69	19	1,398

Capital investment	27,120	-	-	17,179	34,367	(Yen in millions)
New investments	9,691	-	-	6,775	20,093	※payment basis
Same-store investments	13,655	-	-	9,391	12,453	
Others	3,775	-	-	1,012	1,821	

Shareholder Return (Dividend Forecast for FY25)

- Planning to pay an annual dividend of ¥68 (interim dividend: ¥29; year-end dividend: ¥39).
- Shareholder Return Policy
  1) Increase the dividend payout ratio from 25% to a target of 30%.
  2) Implement progressive dividends.
  3) Set a minimum DOE (Dividend on Equity) of 2%.



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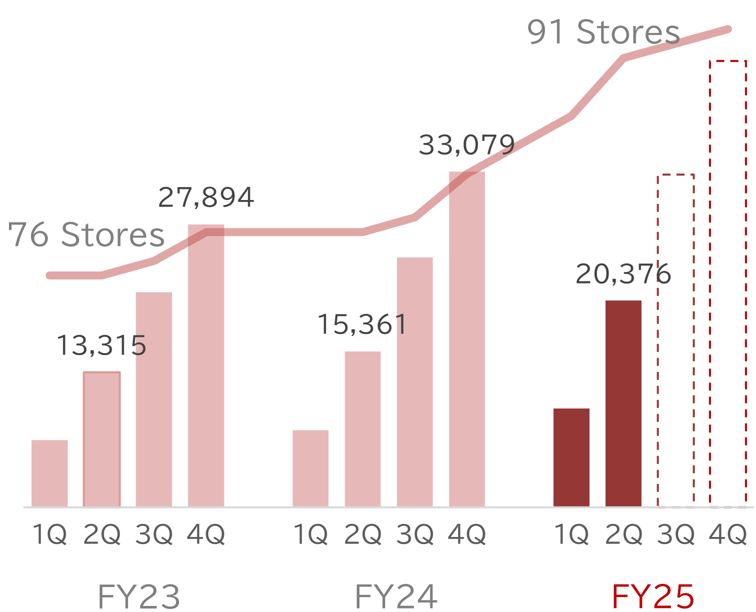
Ⅲ. Valor Group's Growth Strategy

President
Takayuki Koike

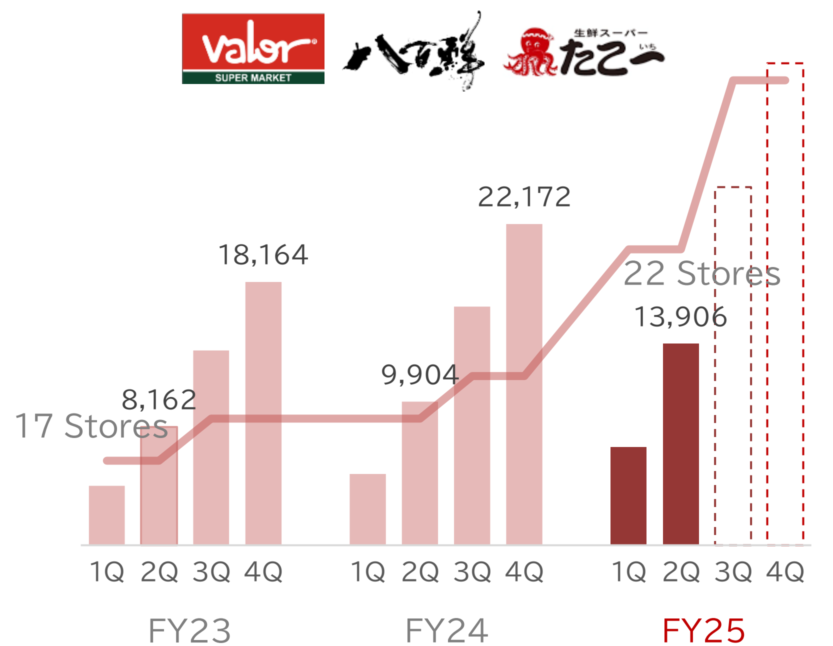
Progress of the Kansai ¥50B sales initiative

- Sales in the Kansai area have been steadily growing. In the first half of FY25, the group achieved total sales of ¥20,376 million across 91 stores, with ¥13,906 million generated by the supermarket group alone from 22 stores.

Kansai Area Sales
Group Total(Yen in millions)



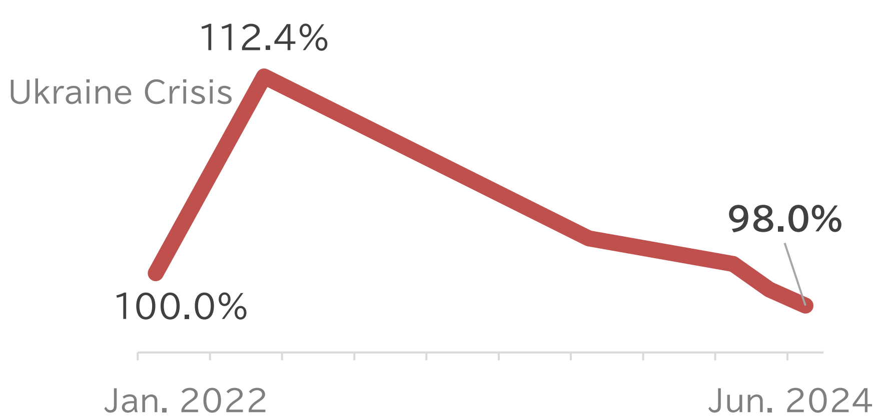
Kansai Area Sales
SM Group Total(Yen in millions)



Strengthening Subsidiary Management

- The HD's "SPA Promotion Department" and "Group Product Procurement Strategy Office" spearhead efforts to unify the development and sales of private brand (PB) and SPA-type products across the group. This initiative leverages economies of scale to drive cost reduction and enhance profitability.
- Even in an inflationary environment, leveraging extensive supply to the Three-Company Alliance and to the group SM companies, and in-house manufacturing capabilities, we achieved increased production lots and cost reductions.

Example of Manufacturing Cost Trends



※Applying cost structures based on manufacturing processes and raw materials used for barbecue seasoning produced by group companies

※Manufacturing costs are set at 100% as of Jan. 2022.

「Shio Koji Ninniku Ponzu(Salted Koji Garlic Ponzu)」
(Daitoh Shokken Co., Ltd)

Released as part of the series of "Shio Koji Lemon Ponzu (Salted Koji Lemon Ponzu," which was jointly developed by the three companies of the New Japan Supermarket Alliance and achieved annual shipments of 100,000 bottles.

The Progress of SPA(Bakery)

- Chubu Foods is responsible for manufacturing products for the group's SM stores, strengthening the supply system within the group. By enhancing collaboration between the manufacturing and retail divisions, we aim to improve competitiveness across the entire group.
- Through efforts such as equipment maintenance and in-house production initiatives, Chubu Foods has increased operational efficiency, ensuring stable supply and establishing high-quality manufacturing processes. Additionally, by visualizing standard costs and contribution margins for each product and implementing efficient line management, we have improved profitability as a manufacturing-retail enterprise.
- To achieve sales of 10 billion yen in the bakery business, we leverage its high sales composition ratio, expand the number of supply stores, and promote manufacturing efficiency to increase market share.

Bakery Sales of SM Group Companies(Yen in millions)

	Number of Stores	Sales	Composition ratio
A company	220	13,000	1.7%
B company	120	12,000	2.3%
Valor Bakery department	**219**	**9,500**	**2.7%**
C company	220	8,900	1.8%
D company	130	8,000	1.5%
E company	130	6,000	1.6%

(※Data from other companies are estimated approximations based on various disclosed materials.)

A bustling bakery section with a wide selection of freshly baked bread and handmade pizzas.

Supermarket Business

- Strengthening multi-format expansion in the Kansai area by enhancing the store network to meet regional needs with diverse formats such as supermarkets and specialty stores for deli items and rice balls.
- Promoting the development of original products in collaboration with the manufacturing division to differentiate from competitors.

Valor's Specialty: Premium Tuna Sushi (including *Negitoro*)

Yaosen Uozakiminami(Kobe, Hyogo)

Delica Kitchen Aeon Mall Kyoto Gojo(Kyoto)


Valor Matsubara Bessho(Matsubara, Osaka)

Drugstore Business

- Chubu Yakuhin celebrates its 40th anniversary and, in the final year of the Medium-term Strategic Plan, aims to achieve ¥200 billion in operating revenues and operate 600 stores. Efforts are focused on expanding the number of royal customers(※)

  (※)Royal customers: Ru Vit card members who visit the stores four or more times per month and spend at least ¥7,225 per month
- By strengthening dispensing pharmacies through the attraction of clinics, we are enhancing community-based services and reinforcing its revenue base.
- By utilizing stores acquired from Toho Store and strengthening the fresh food section, customer attraction is being improved.
- Plans include introducing produce and deli sections to all stores and adding fresh meat sections to 100 stores annually.

V・drug Shimonoisshiki(Nagoya, Aichi)

Efforts to strengthen medical support functions through the attraction of clinics and the addition of dispensing pharmacies

V・drug Kamitakamaru(Kobe, Hyogo)

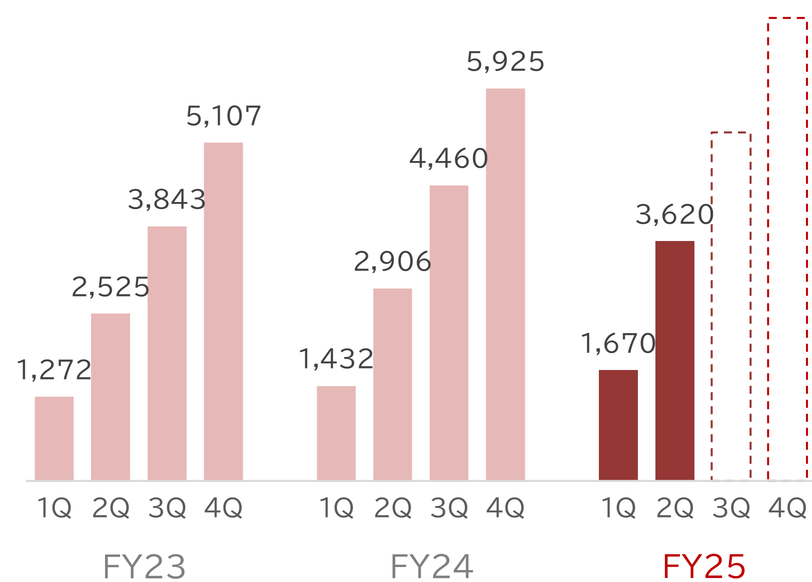
・Properly transitioning to the drugstore format in alignment with the group's existing framework
・Providing enhanced services tailored to local needs as a model with a high proportion of food sales.

Home Improvement Center Business

- In the first half of the year, low temperatures negatively impacted sales of gardening supplies, leading to a deterioration in the gross profit margin. While the gross profit margin fell below plan in the first quarter, it improved in the second quarter due to strengthened promotional efforts.
- To improve the gross profit margin, pricing policies and promotional activities will be enhanced in the second half. Additionally, cost reduction measures such as reducing electricity usage will be implemented to improve profitability, aiming for full-year revenue and profit growth.
- In e-commerce (EC), sales of products not typically available in stores, such as electrical appliances and power tools, performed well.

Emergency Kit Section
Increasing the assortment of emergency kits, which are becoming year-round products, to enhance store profitability.

EC Sales (Yen in millions)
※Total for Daiyu Eight, HC Valor & Amigo



Pet Store Business

- In September 2024, Amigo, Pet Forest, and Joker were integrated into a single business. Through this integration, efforts are being made to expand private brand (PB) products, unify account management, and integrate logistics and systems. These initiatives aim to enhance technical capabilities, service quality, and efficiency, driving sustainable growth and making the company the top pet store business in Japan.
- By 2030, the goal is to operate 195 stores and achieve ¥50 billion in sales.

Expected Benefits of the Integration

(1) Product Strategy Leveraging Mass Advantages

① Unification of account management with manufacturers
② Expansion of private brand (PB) products (creating uniqueness through a unified brand)

(2) Establishing Industry-Leading Technical and Service Capabilities through Horizontal Knowledge Sharing

Sharing expertise across companies in areas such as grooming, training, and medical services to enhance added value as a specialty store

(3) Improved Efficiency through Logistics and Systems Integration

Developing a logistics center network with nationwide expansion in mind, aiming for greater efficiency and cost reduction in logistics

Sports Club Business

- By enhancing the school business, we aim to strengthen relationships with local communities and improve the profitability of the sports club business.
- New facilities, such as “Racket Park Kanazawa Nonoichi” and “Actos Hiromi Badminton School,” provide spaces cherished by local residents, fostering an environment where children can engage in sports safely. Through these efforts, we contribute to local communities while building a foundation for long-term growth.

Racket Park Kanazawa Nonoichi (Nonoichi city, Ishikawa)

・As a new business model for AXTOS, tennis schools and exercise classes for children have been launched.
・The facilities also include a large racket shop and an automatic tennis court.

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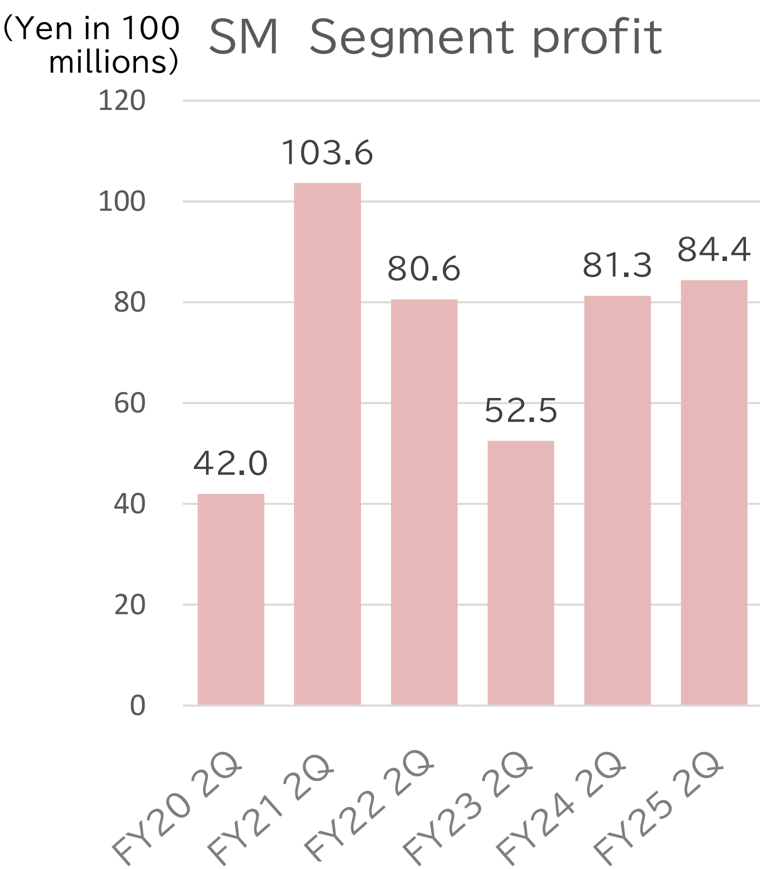
Supermarket Business

- The second-highest profit level in history, following the fiscal year ending September 2020 during the COVID-19 pandemic
- Increasing penetration of destination stores in the Kansai region.



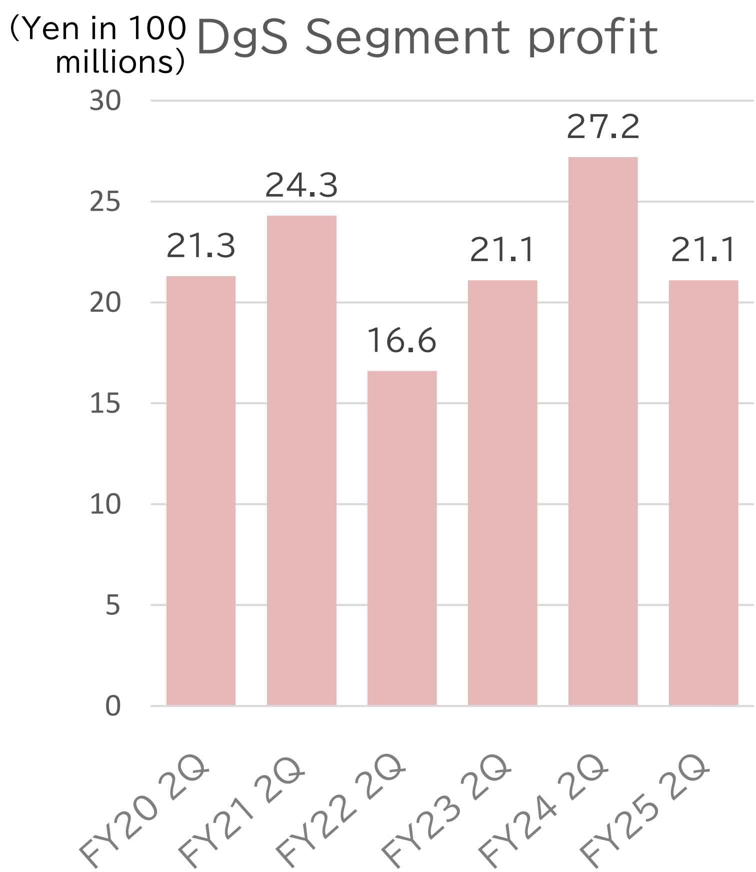
Analyses of 1st half results
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	＋	Valor Co., Ltd. Same-store Sales+5.2% (Initial plan: +2.0%)
	YoY	＋	5 new stores opened; 2 stores closed.
Operating income	vs. plan	±	Valor Co., Ltd. Maintained Gross Profit Margin (27.4% → 27.4%)
	YoY	＋	Valor Co., Ltd.: +¥470 M

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

Drugstore Business

- Profit levels comparable to the first half of 2019, prior to the COVID-19 pandemic
- Revenue growth driven by strengthening the fresh food department, expanding and renovating stores to attract more customers, enhancing disaster preparedness, and expanding the pharmaceutical business.



Analyses of 1st half results

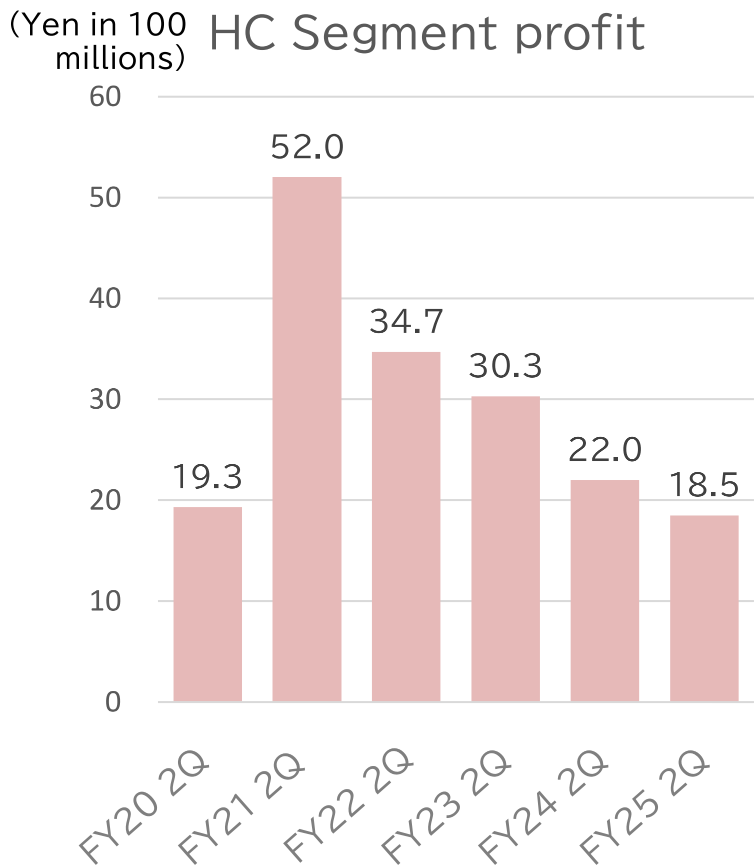
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	＋	Strengthening fresh food department
	YoY	＋	Strengthening customer attraction through new store openings and same-store renovations
Operating income	vs. plan	▲	Increase in initial food waste losses and a decline in markup rate.
	YoY	▲	Increase in SG&A expense ratio.

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

Home Improvement Center Business

- Compared to the first half of 2019, prior to the COVID-19 pandemic, profit decreased by approximately ¥100 million.
- Revenue increased due to a rise in average spending per customer driven by higher unit prices per item and an increase in e-commerce sales.
- Gross profit margin declined due to a decrease in sales of tools, hardware, and materials, which have a higher gross profit margin.



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

Operating Revenues	vs. plan	＋	Same stores: +1.5%
	YoY	＋	Increase in average customer spending
Operating income	vs. plan	▲	Decline in sales of gardening products and others due to low temperatures in early spring
	YoY	▲	Decline in gross profit margin(31.5% → 30.4%)

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

Pet Store Business

Valor Holdings

- Reported as an independent segment starting from the current interim period.
- Synergies following the integration are expected to improve the gross profit margin (+1.5–2%).
- Aiming for 195 stores and ¥50 billion in sales by 2030.

Analyses of 1st half results

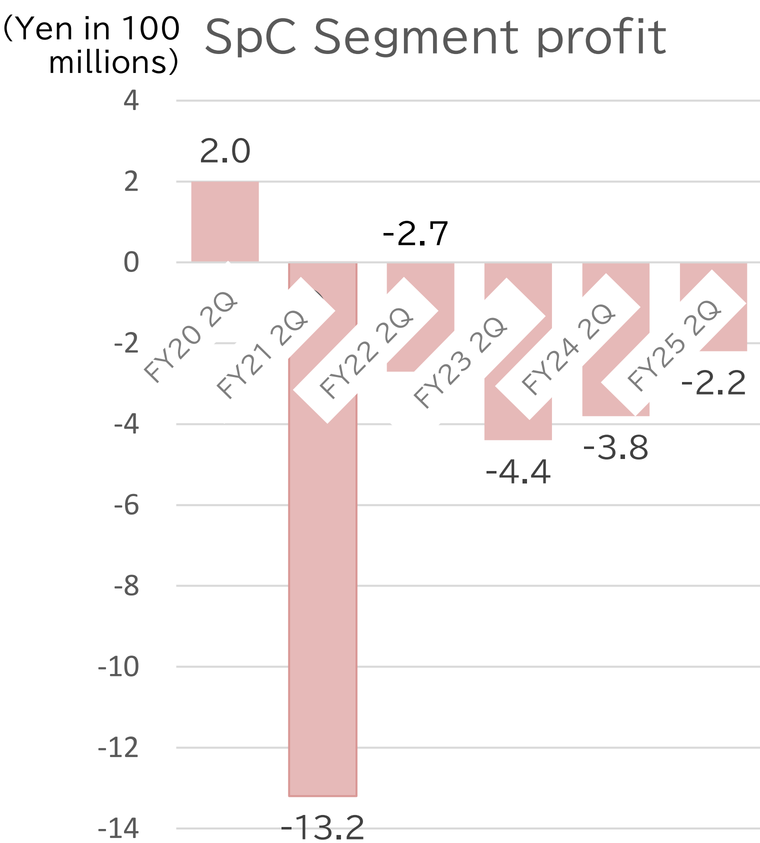
(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	±	Intensifying competition in the pet food segment
	YoY	+	New store openings and an increase in average customer spending Steady growth in service areas such as grooming, pet hotels, and training classes
Operating income	vs. plan	▲	Increase in new store opening costs, personnel expenses, and cashless payment processing fees
	YoY	▲	Decline in gross profit margin(47.8% → 46.6%)

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

Sports Club Business

- Profit decreased by approximately ¥400 million compared to the first half of 2019, prior to the COVID-19 pandemic.
- Enhanced specialization with the launch of swimming, tennis, and badminton schools
- Increased number of contracts for school swimming lessons



Analyses of 1st half results

(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	±	Increase in membership numbers and a rise in swimming school fees
	YoY	+	
Operating income	vs. plan	±	Decrease in depreciation and administrative expenses, resulting in an improved revenue structure
	YoY	+	

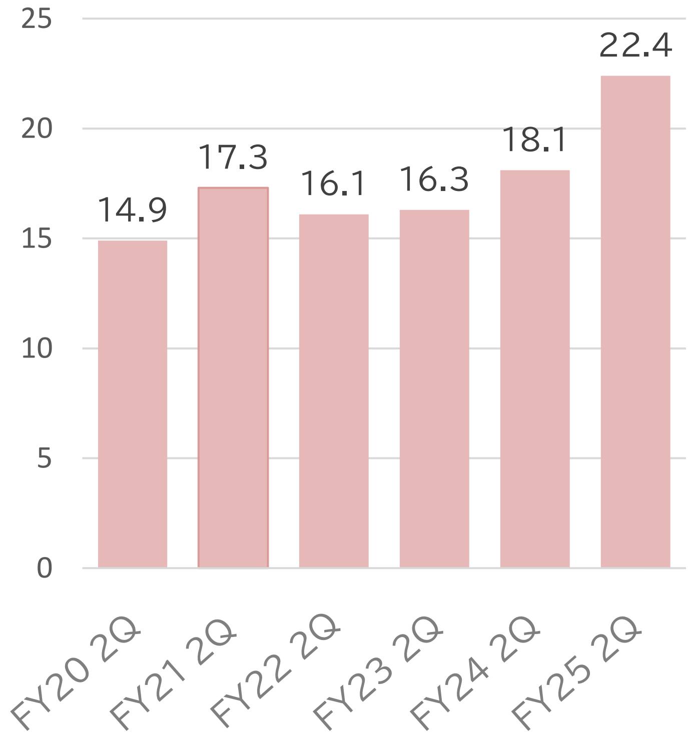
※+:increase、▲:decrease、±:in line with the plan

Distribution-related Business

- Profit increased by approximately ¥700 million compared to the first half of 2019, prior to the COVID-19 pandemic.
- Revenue growth supported by *Sagitomi Unso*, which became a subsidiary

(Yen in 100 millions)

Distribution Segment profit



Analyses of 1st half results

(factors of the change from the plan and from the previous year)

Operating Revenues	vs. plan	+	Increase in logistics throughput due to higher sales and expansion in the supply of materials and consumables
	YoY	+	Contribution from the subsidiary acquisition of *Sagitomi Unso*
Operating income	vs. plan	+	Logistics throughput exceeded the planned increase
	YoY	+	Progress in cost control initiatives

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

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