Valor Holdings

FY 2023

Financial Presentation

株式会社バローホールディングス

May 16, 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 Acting President & Director

Creating an overwhelming company presence as a destination company.

The impact of the COVID-19 pandemic has changed consumer behavior. The effects of these changes have spread without exception to the food distribution industry, to which our group belongs, as well as to surrounding industries, and each company continues to endeavor to adapt to environmental changes in order to survive.

Approximately five years ago, we began trials of a new store model, and based on the direction its transformation has taken, we have been adapting stores quickly to ongoing environmental changes such as the decrease in population and the COVID-19 pandemic. The pillar of this transformation is the transition to “destination stores.” Our group believe that it is necessary to convert our stores to a model where the unique product and category mix itself would be the motivation for customer visits. We therefore moved forward on the renovation and expansion of fresh food sections, and strived to improve product appeal by renewing private brands. This management policy, based on “undertaking a paradigm shift from expanding standardized stores to enhancing the appeal of products,” has been enabling us to enhance store competitiveness and go beyond market areas to acquire customers that would not normally be the targets, while growing the support that they offer.

The strategic goal of the FY2021-2023 strategic plans is “Connect 2030: Connecting Products, Customers, and Society,” and through the implementation of this goal we seek to achieve growth into a destination company. These plans were established as the first step to clarify our vision for the future as “Valor Group Vision 2030” and “Sustainability Vision 2030”.

On April 4, 2022, we moved to the Prime Market in accordance with the market reclassification of the Tokyo Stock Exchange. The Prime Market, as our new market category, is positioned as the market for companies that have a market capitalization (liquidity) large enough to be the investment target of many institutional investors, have higher standards of governance, and are committed to sustainable growth and medium- to long-term enhancement of corporate value by focusing on constructive dialog with investors. We will also be more conscious of our balance sheet in order to achieve the management paying attention to the cost of capital and the stock price.

We, Valor Holdings will continue to strengthen its governance system and continue to grow together with all stakeholders. We would like to ask our shareholders and investors for your continued support. Please look forward to seeing us tackle further challenges.

Acting President & Director
Takayuki Koike

Contents

Key Points of Financial Presentation

➢ Summary of FY2023 Financial Results

- Operating revenues exceeded the plan and reached a record high for **the 28th consecutive fiscal year**.
- The increase in SG&A expenses, mainly utility costs, was offset by the growth of the top line in main businesses, and **profits recovered in the second half (up ¥1.7 billion)** compared to the first half (down ¥2.8 billion), when there was a large reactionary decline, but profits for the full year were slightly down.
- Net income decreased due to impairment loss and other extraordinary losses.

➢ FY2024 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.

(Quantitative goals have been revised in response to changes in the business environment since FY2021-FY2023 strategic plans were established.)

Ⅰ. Summary of FY2023 Financial Results

Ⅱ. FY2024 Forecast

Management Director
Akira Shinohana

FY2023 Consolidated Business Results

- Record-high operating revenues
- Sales increased in 3 main businesses (SM, DgS, HC)
- Profits recovered in the second half (up ¥1.7 billion) compared to the first half (down ¥2.8 billion), when there was a large reactionary decline.

(Yen in millions, except for EPS)

	FY21	FY22	FY23			
	Results	Results	Forecast	Results	YoY	vs. Plan
Operating Revenues	730,168	732,519	750,000	759,977	+3.7%	1.3%
Operating income	25,648	21,205	22,700	20,062	- 5.4%	- 11.6%
Ordinary income	28,397	24,140	25,000	23,049	- 4.5%	- 7.8%
Net income attributable to owners of parent	12,592	9,014	11,500	7,603	- 15.7%	- 33.9%

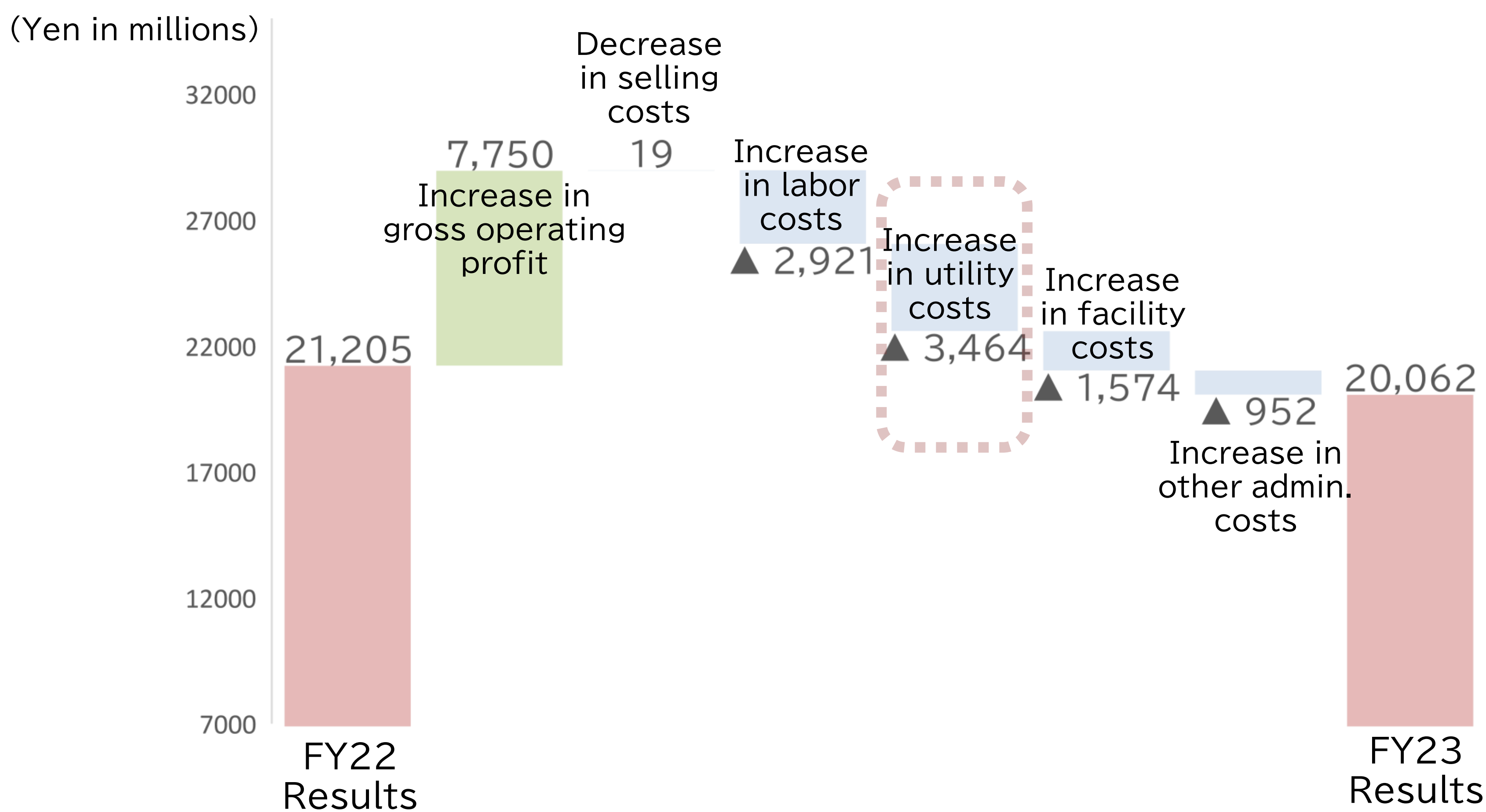
*EBITDA is calculated based on operating income + amortization (CF basis)

EBITDA*	43,882	41,434	-	40,754
EPS	234.52	167.87	214.17	141.61

(Yen)

Factors of Increase/Decrease in Operating Income

- Gross operating profit (GOP) increased ¥7.7B due to the top-line growth.
- Approx. ¥3.5B increase in utility costs due to soaring electricity prices.



Quarterly Results

➢ Profit increased YoY in Q3 and Q4 (profit picked up from Q1 and Q2, when there was a significant reactionary decline), but income decreased for the full year due to higher cost rate (labor and facility costs).

(Yen in millions)

	Results				YoY			
	H1	Q3	Q4	計	H1	Q3	Q4	計
Operating revenues	374,661	199,890	185,424	759,977	+2.4%	+6.5%	+3.7%	+3.7%
Net sales	362,317	193,485	179,581	735,385	+2.4%	+6.6%	+3.7%	+3.8%
Gross profit	96,049	51,058	48,314	195,422	+2.7%	+5.4%	+4.4%	+3.8%
GOP	108,393	57,463	54,157	220,014	+2.6%	+5.2%	+4.2%	+3.7%
Total expenses	98,825	50,622	50,503	199,951	+6.0%	+4.1%	+2.6%	+4.7%
Operating income	9,567	6,840	3,654	20,062	△23.2%	+13.8%	+33.5%	△5.4%
Ordinary income	11,106	7,289	4,653	23,049	△20.9%	+12.6%	+28.4%	△4.5%
	Ratio to operating revenues				Difference for YoY			
Gross profit (vs. Net sales)	25.6%	26.4%	26.9%	26.6%	△0.6%	△0.3%	+0.2%	0.0%
GOP	28.9%	28.7%	29.2%	29.0%	0.0%	△0.2%	+0.1%	0.0%
Total expenses	26.4%	25.3%	27.2%	26.3%	+0.9%	△0.6%	△0.3%	+0.2%
Operating income	2.6%	3.4%	2.0%	2.6%	△0.8%	+0.2%	+0.5%	△0.3%
Ordinary income	3.0%	3.6%	2.5%	3.0%	△0.8%	+0.2%	+0.5%	△0.3%

Operating Results by Segment

※ For details, see p.36 -

- In SM, sales increased due to strong sales of new stores and contribution from last year's M&A, but income decreased due to higher SG&A expenses.
- Drugstore operations recorded higher revenues and income due to strong sales of pharmaceuticals and the prescription section and improved merchandise gross profit margins.
- In the home improvement center business, profit decreased due to a decline in the number of customers, despite an improvement in gross profit margin resulting from an increase in the percentage of PB products sold.
- Losses in the sports club business increased, partly due to higher utility costs.

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

(Yen in millions)

	Operating revenues				Segment profit			
	FY21	FY22	FY23		FY21	FY22	FY23	
	Results	Results	Results	YoY(%)	Results	Results	Results	YoY(%)
Supermarket business	396,248	405,537	421,838	+4.0%	16,103	14,908	13,374	- 10.3%
Drugstore business	150,575	152,474	160,947	+5.6%	3,978	2,950	4,317	+46.3
Home improvement center business	130,177	122,947	124,962	+1.6%	7,327	5,061	4,620	△8.7%
Sports club business	9,146	9,847	9,439	- 4.1%	- 1,933	- 559	- 1,159	loss increase
Distribution-related operations	11,269	10,451	11,373	+8.8%	3,210	3,206	3,296	+2.8%
Others	32,752	31,260	31,414	+0.5%	2,703	2,510	1,635	- 34.7%
Elimination or corporate expenses					- 5,740	- 6,872	- 6,022	
Total	730,168	732,519	759,977	+3.8%	25,648	21,205	20,062	- 5.4%

Changes in Management Indicators

- Stability indicators continued to improve, partly due to the reduction of interest-bearing debt (¥125.4 billion → ¥118.7 billion, -¥6.7 billion).
- Profitability indicators are to be focused on improvement.

	FY21	FY22	FY23
	Results	Results	Results
ROA	*7.2%*	*5.9%*	*5.6%*
ROR	*3.9%*	*3.3%*	*3.0%*
Total Asset Turnover	*1.9*	*1.8*	*1.8*
ROE	*9.2%*	*6.2%*	*5.0%*
ROIC*	*6.0*	*4.1%*	*3.7%*
Equity ratio	*35.3%*	*36.2%*	*36.6%*
D/E ratio	*0.8*	*0.8*	*0.7*
Net D/E ratio	*0.6*	*0.6*	*0.6*

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

Contents

FY2024 Forecast

- **Supermarket:** Opening 5 new stores to create new flagship stores.
- **Drugstores:** Accelerating the reinforcement of the health & beauty dispensing business.
- **Home improvement centers:** Improving the gross profit margin further with a target of 18% of PB ratio.

(Yen in millions)

	FY22	FY23	FY24	
	Results	Results	Plan	YoY
Operating revenues	732,519	759,977	772,000	+1.6%
Operating income	21,205	20,062	20,500	+2.2%
Ordinary income	24,140	23,049	23,300	+1.1%
Net income attributable to owners of parent	9,014	7,603	9,300	+22.3%
Existing stores sales growth rate				
Supermarkets	+1.1%	- 0.1%	±0%	
Drugstores	- 1.9%	+2.9%	+1.5%	
Home improvement centers	- 3.0%	- 0.7%	±0%	

Number of Stores and Capital Investment Plan

- In store investment, focusing on investment for new stores.
- In infrastructure investment, planning to invest in Hokuriku livestock Process Center (PC) & Fukusi Fisheries PC.

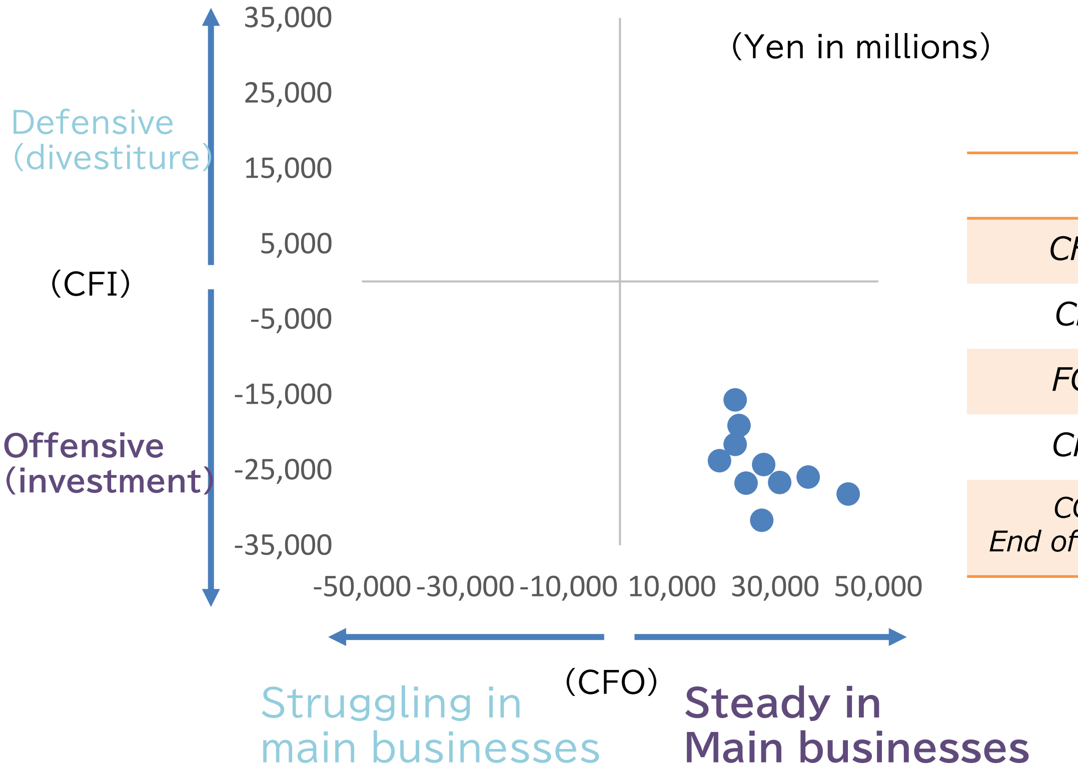
(Number of stores)	FY22	FY23	FY24		
	FY end	FY end	Open	Closed	FY end
Supermarkets	312	316	5	-	321
Delicatessen Specialty Stores	33	42	12	-	54
Drugstores	478	495	15	5	505
Home improvement centers	158	161	6	2	165
Sports clubs (FC)	193 (59)	184 (52)	2 (1)	5	181 (48)
Pet shops	115	119	6	1	124
Others	5	5	-	-	5
Total	1,294	1,322	46	13	1,355

	FY22	FY23	FY24	(Yen in millions) ※payment basis
Capital investment	30,947	25,995	22,838	
New investment	14,484	13,464	12,121	
Existing stores investment	15,158	11,726	6,645	
Others	1,304	805	4,065	

Management to Enhance Corporate Value

- ➢ Generating stable CF and continuing investment by multiple businesses.

Distribution of OCF and CFI over the past 10 years.



【CF breakdown】 (Yen in millions)

	FY21	FY22	FY23
CFO	44,138	24,361	36,397
CFI	- 28,137	- 26,729	- 25,885
FCF	16,001	- 2,367	10,511
CFF	- 10,472	- 4,115	- 12,329
CCE End of Period	29,349	22,867	20,973

Main businesses generate stable cash flow, continuing investment generally within CFO.

Cost of Capital- & Stock Price-Conscious Management

- We recognize corporate value comprises "future growth," "profitability," and "stability."
- The weighted average cost of capital, calculated by CAPM, is estimated to be approximately 2.4 to 3.3.
- ROIC, a key component of corporate value creation, continues to exceed WACC.

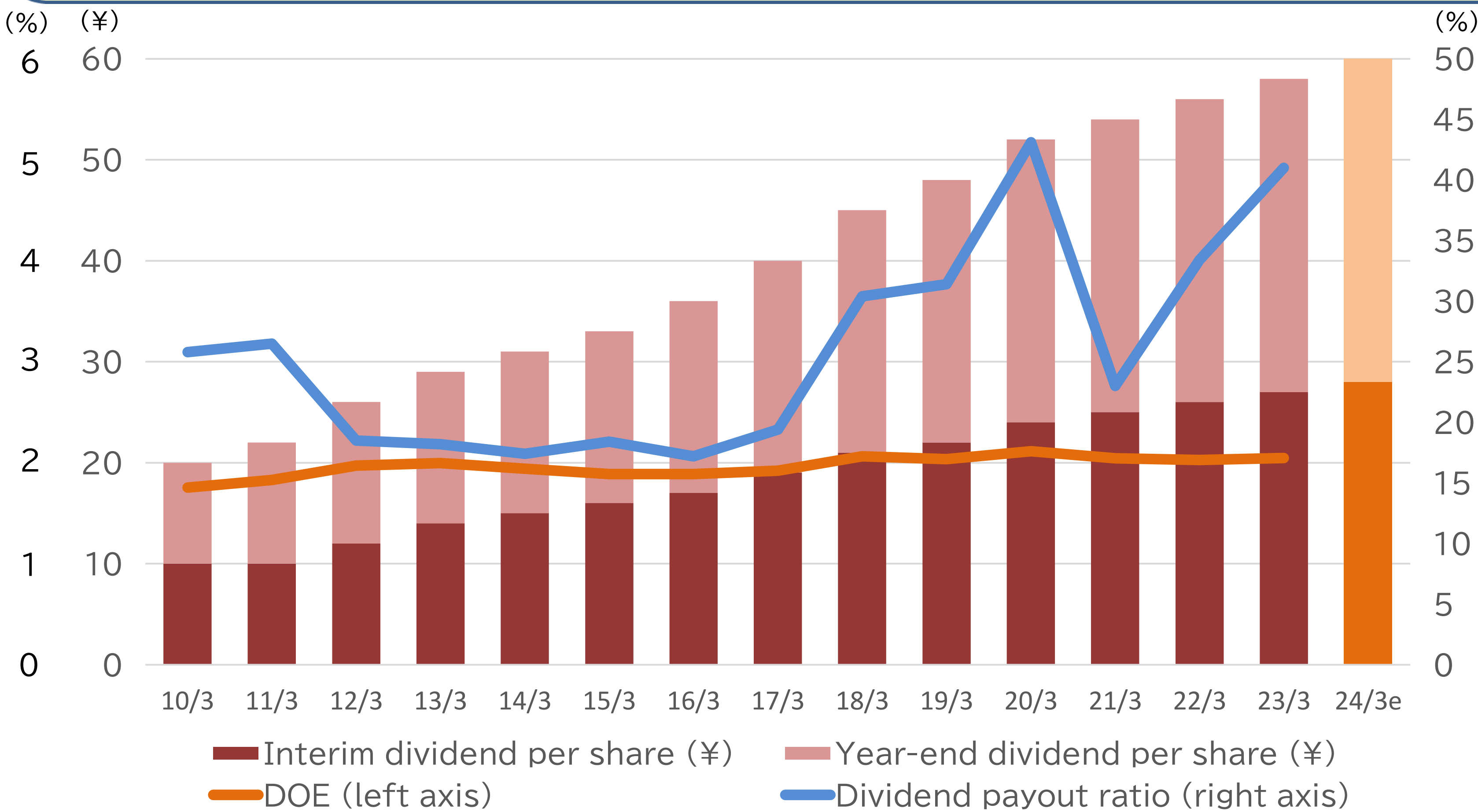
Corporate Value Components		Driver	
Future growth	High sales growth rate	Sales growth rate	
Profitability	High profit ratio	Profit rate	ROIC
	ROC	Invested capital	
Stability	Business risk	Cost of capital	WACC

Achieved ROIC over WACC

	FY18	FY19	FY20	FY21	FY22	FY23	Ave.
ROIC	**4.4%**	**4.1%**	**3.6%**	**6.0%**	**4.1%**	**3.7%**	**4.3%**
WACC	2.4～3.3%						

Shareholder Return (Dividend Forecast for FY23)

- Planning to pay an annual dividend of ¥60 (interim dividend: ¥28; year-end dividend: ¥32).
- Maintaining stable and continuous dividends with a target dividend payout ratio of 25%.
- Maintaining an increase in dividends while paying attention to the balance between investment and shareholder returns.



Contents

Valor's Growth Strategies

- "Double cropping" management.
  Both continuous improvement and strengthening of the three main businesses (SM, DgS, HC), and expanding new business areas leveraging the Group's resources. (From the statement of belief upon assuming office as Acting President in August 2022.)

Main Businesses

Solidifying the foundation for ¥1 trillion in operating revenues by strengthening the three main businesses (SM, DgS, HC).

Double Cropping

Building a co-creation model deeply rooted in the community by expanding the market through data utilization, non-store operations, and collaborations with local governments.

6 Projects

HRD

①Improving productivity

②Developing human resources

Increasing product appeal & Producing strong items.

③Promoting SPA development

④Developing private brand

Management

⑤Developing MBO

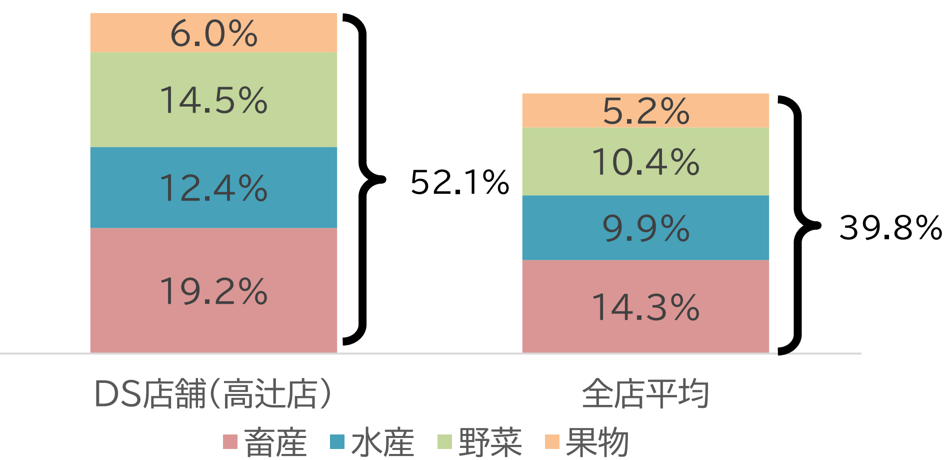
⑥Developing marketing policy

Strengthing Main Businesses: Supermarket ①

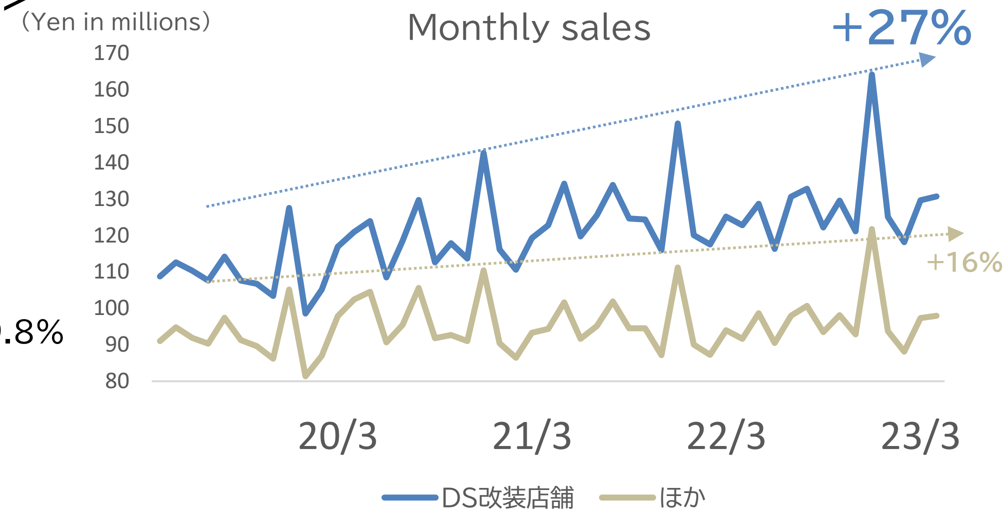
- The destination store (DS), which enhance fresh food products and improve customers' purpose of visits to our stores is responding well.
- 70 destination stores out of 240. (52 stores as of last April)

<Verification of DS effectiveness>

Comparison of fresh food section composition



Monthly sales




Whole fish are sold at a fish section


Appealing its volume at a vegetable section

Comparison of existing store sales with those before the Pandemic (FY19)

	4月	5月	6月	7月	8月	9月
Valor SM	104.5	106.3	100.2	110.4	106.3	104.7
	10月	11月	12月	1月	2月	3月
	111	108.1	**115.7**	115.1	102.5	103.3

Strengthening Main Businesses: Supermarket ②

- Challenges for future DS development

①Increase in man-hours ②Expansion to smaller stores = **Challenge to Neo DS**

<Neo DS>

・Low-cost operation
・Infrastructure utilization

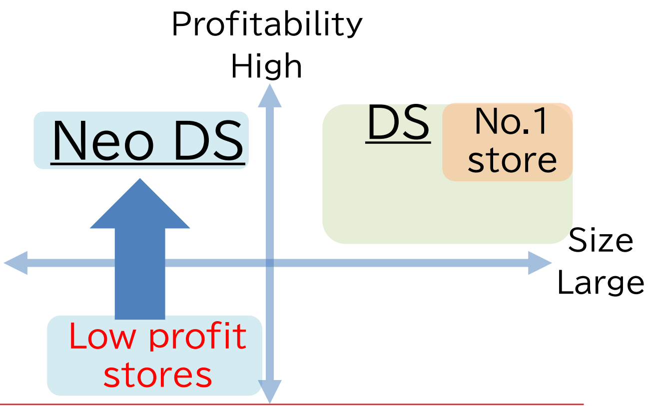
Expanding to small stores with sales of less than ¥1 billion

Cashier employees helping with baking

Central processing function (PC) supporting low-cost operations

Profitability by size of Valor SM

Size	Sales Composition	Profitability
Large stores	Approx.25%	High
Mid-sized stores	Approx.50%	Middle
Small stores	Approx.**25**%	**Low**

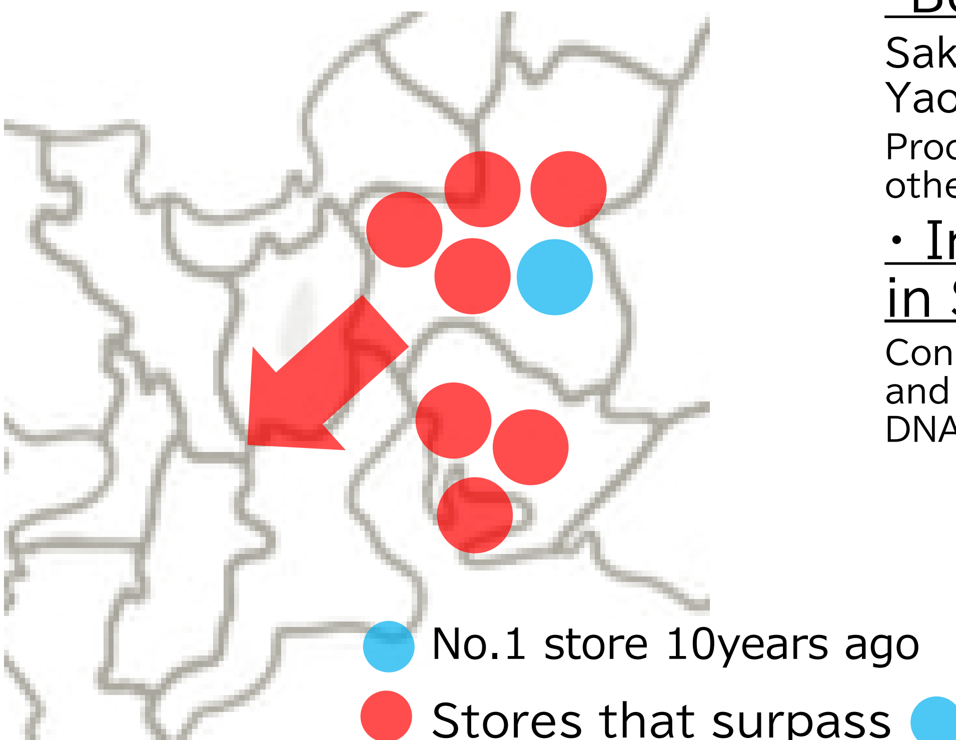


Strengthening Main Businesses: Supermarket ③

- Continuing growth strategies. Building up challenges and outputs.
- Acceleration of store openings
- = Expanding to Kansai area + opening the group’s SM.

<Strategies:**Keeping creating new No.1 stores**>

Developing our store strategy by keeping creating new No.1 stores.



・Becoming new No.1 stores

Sakaitoyota(Osaka)、Nakaotai(Aichi)、Yao(Osaka)(schedule to open)

Proceeding the construction of logistics and other infrastructure.

・Intercompany good practices in SM

Conducted cross-training among SM groups and exchanged personnel with cross-cultural DNA.

Interchnage training about fisheries by Yaosen and Valor.

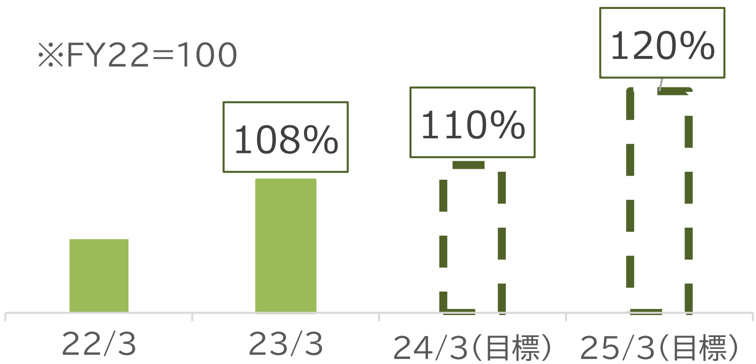
Strengthening Main Businesses: Drugstores ①

- Strengthened financial position by improving profitability. Moving on to future growth strategies.
- Urban-type stores performed well, partly due to the recovery of people flow and inbound demand.

＜GPM improvment＞

・Growth of Health & Beauty care

108% in FY23, 120% target for FY25



・Expanding PB

Target group PB rate: 15%
(including 10% of V check)

Original PB “V check”
Approx.200 items now.

＜Productivity improvement＞

・New automated ordering system

AI forecasting model analyzes external environments such as product information and weather. (From June 2023)

Goal: Automated order placement rate from 80% to 100%.

・Policy review depending on sales scale

Completed developing increase in refrigerated products in all stores.

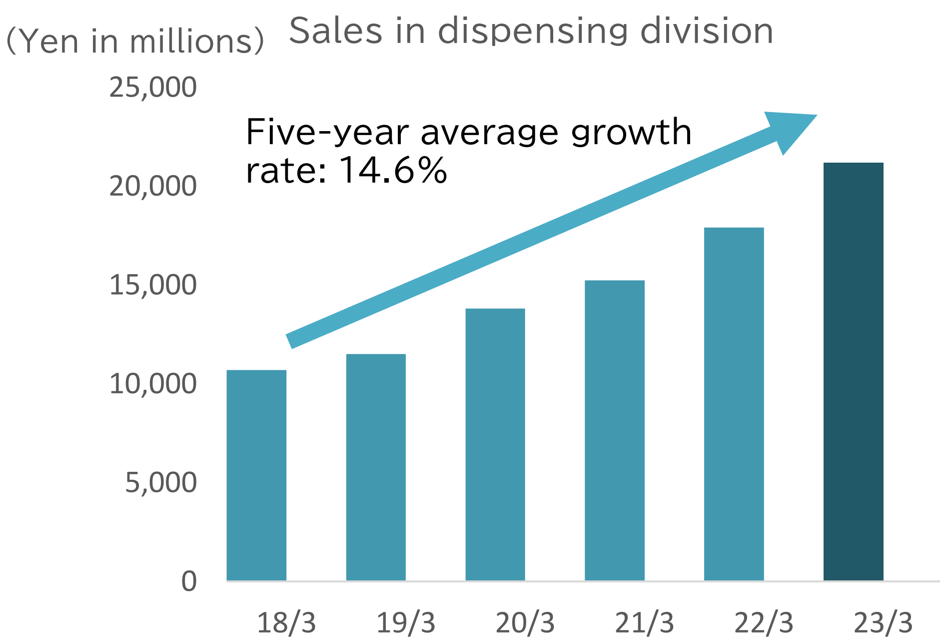
Renovation criteria were set and the number of refrigerated and frozen shelves was changed to an appropriate number to reduce electricity costs and workload.

Flexibly changing policies to maximize profits, rather than taking a one-size-fits-all approach.

Strengthening Main Businesses: Drugstores ②

- Attached dispensing stores and attracting doctors expanded in dominant areas. 157 dispensing stores. (21 more stores to be opened FY24)
- Preparing for current trends, such as telemedicine.

＜Impact of dispensing business＞



＜Attracting clinics＞

A clinic is housed in a V drug store building.

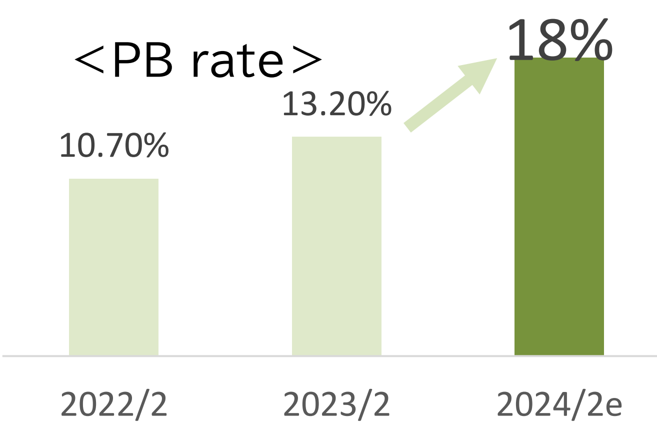
Strengthening Main Businesses: Home Improvement Centers (+Pet Shops)

- To achieve "Challenge 3000" (operating revenues of 300 billion and ordinary income rate of 5.0%), we will expand its product and store appeal with a focus on PB products.
- Backed up by DX initiatives such as digital sales promotion.

<Growth strategies with a focus on PB>

Improvement of product appeal	Improvement of store appeal	Differentiation strategy
↓	↓	↓
PB composition rate to 18%	New stores & renovation of existing stores	Strengths not found in other HC companies
↓	↓	↓
GPM improved	Open 6 stores Renovate 11 stores	Pet shop business strategy

<PB rate>



GOOD DESIGN AWARD 2022 グッドデザイン賞

Amigo: Store openings in core cities across Japan. The prototype sales floor is approx. 8891 sq ft. Comprehensive pet shops.

PET FOREST: Store openings in major metropolitan areas near Tokyo. The prototype sales floor is approx. 7116 sq ft. Some stores do not handle live cats and dogs.

JOKER: Store openings in commercial facilities in the Tokyo metropolitan area. The prototype sales floor is approx. 3558 sq ft. High-priced product policy, and strength in trimming know-how.

Double Cropping:EC

- Although the growth rate will be reduced in the post-pandemic, the sales have been stable in each e-commerce area.
- Collaboration with other companies continues such as that with Shokubun Co., Ltd. in the ainoma business in addition to Amazon.
- The mobile vending business, a measure to help people who have limited access to shops, has also expanded to 25 vehicles.

<ainoma>

Collaboration with Shokubun Co., Ltd., which has a distribution network in Kansai area.

Sharing know-how in the development of delivery vehicles and meal kits.

We will expand joint efforts with the common keyword of “**time-saving needs from busy housewives**”.

ainoma
Opening ceremony with Shokubun Co., Ltd.

Stores on wheels

Merits for both companies

Valor

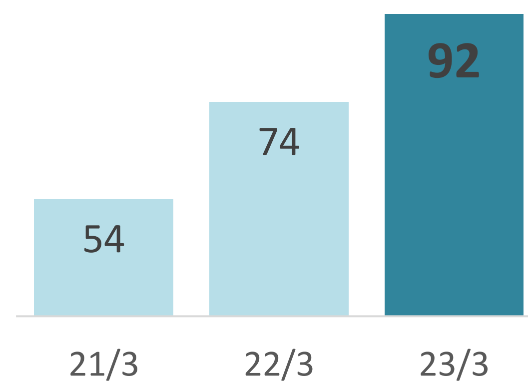
Expansion in Kansai
Distribution in Osaka
Acquisition of new customers

SHOKUBUN

Sales of Valor’s products
Increase in meal kit sales
Effective use of empty vehicles

(Yen in 100 millions)

Ref.:EC total sales of Valor Group



Double Cropping:DX

- Valor group's DX ： Faster communication between "manufacturing and sales," "the headquarter and stores, & "customers and us."
- Most recently, LuVit credit card service was launched. (April 11, 2023)

＜LuVit credit card＞

Creating new businesses

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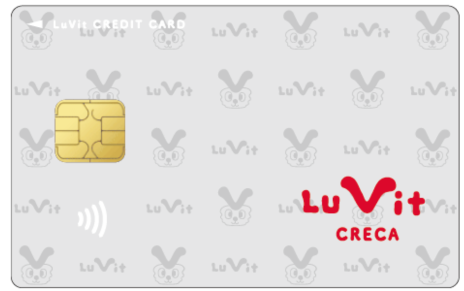
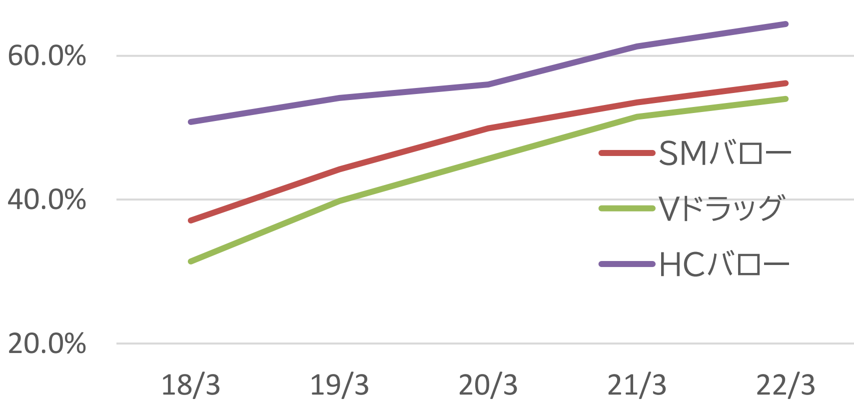
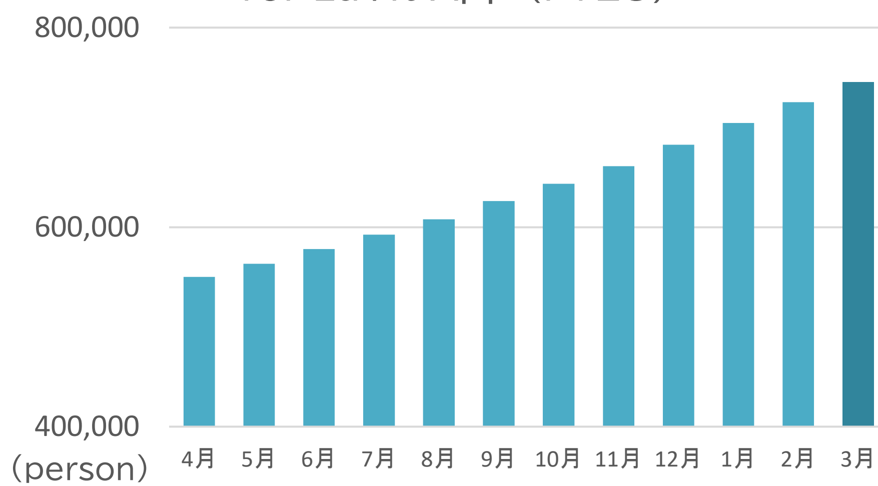
Creating Valor economic zone



Changes in cashless payment for three main businesses



Change in number of members for LuVit App (FY23)



Double Cropping: Collaboration with Local Governments①

- Signed a comprehensive regional cooperation agreement with Gifu prefecture. In our company, a cross-group cooperative council with local governments was set up.
- Initiatives to address environmental issues have begun involving the supply chain.

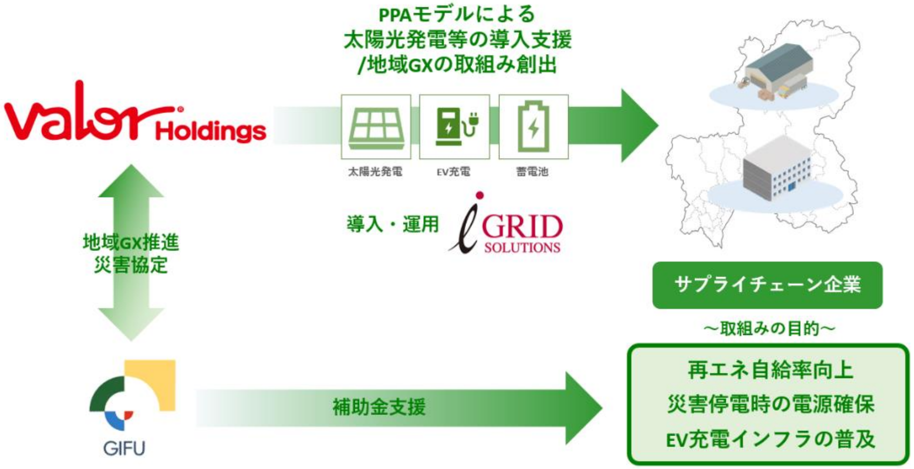
< Comprehensive regional cooperation agreement >

Following Tajimi City and Ena City, a comprehensive cooperation agreement was concluded with Gifu Prefecture. (March 2023)

Signing ceremony for comprehensive cooperation agreement with Gifu prefecture

< Valor PPA Solar Alliance Agreement >

Launched a CO2 reduction model project in collaboration with i-Grid Solutions, Inc. (From April 2023)Started CO2 reduction throughout the entire supply chain. This is the first initiative in the distribution and retail industry in Japan.



An image of Valor PPA Solar Alliance

Double Cropping:
Collaboration with Local Governments②

- Reinforcing sustainability promotion activities in collaboration with local governments.
- Actively promoting the installation of food drive posts at the Valor stores. Planing to install them in 25 stores in the next FY.

<Sustainability promotion activities>

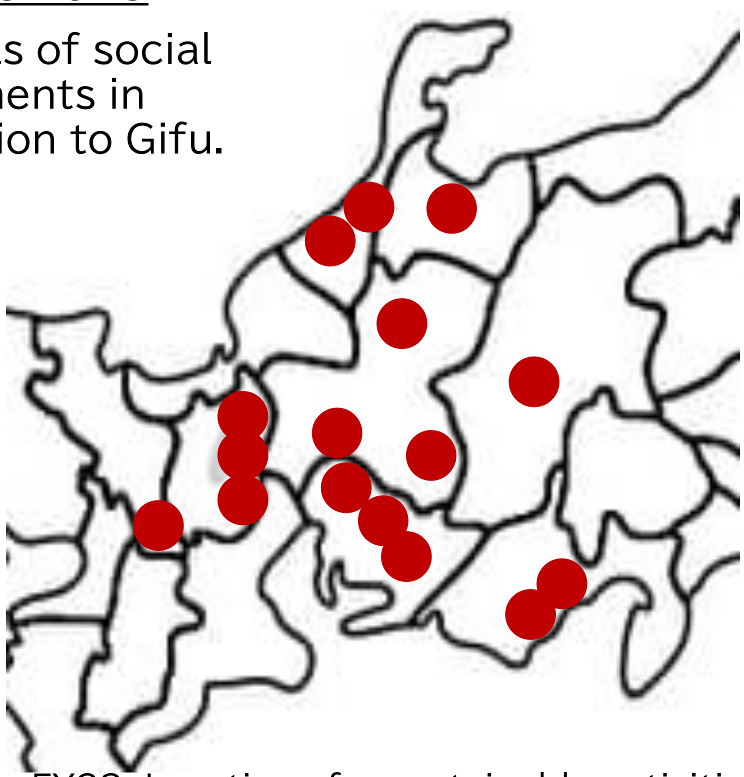
・Councils of social welfare

Collaboration with councils of social welfare and local governments in eight prefectures in addition to Gifu.

・Children’s cafeteria

Installation of food drive posts at the Valor stores
15 stores → 40
(planning in FY24)

Number of partner children’s cafeterias
75 locations → 161
(FY23)



FY23, Locations for sustainable activities

Children’s cafeteria event at Matsumoto store

A food drive post in a store

6 Projects HDR

➢ **Improving productivity**: Reduced operations by improving the accuracy of automated ordering for daily delivery, and improved operations by increasing logistics efficiency.
➢ **Developing human resources**: Promoted young store managers and increased the ratio of female managers. Realization of cross-sectional personnel management across the group.

<Productivity improvement>

·Improved logistics efficiency

Changed livestock PC product delivery into that with dollies.

Improved display operations.

Delivery with dollies at livestock PC・& displaying.

<Set HR Personnel Dept.(Feb.2023)>

・Next generation leader development

Listing and fixed-point observation of potential executive employees.

Aiming for job rotation across the group.

·Improving working environments

Starting salary ¥207,000→¥217,000 (college graduate)

Redesigning HR evaluation system & career plans.

6 Projects

Increasing product appeal & Producing strong items.

- **Promoting SPA development**：Modeling the vertical integration with manufacturing, distributing, and sales; and facilitating information linkage between manufacturing companies.
- **Private brand**：Mainly SM and DgS work together to eliminate cannibalization.

＜SPA development＞

・Spring and fall product launch

Make use of the product launch as opportunities that lead to the next step.

・Expanding vertical integration
(Valor's "絶品肉焼売"(steamed dumplings))

Meat from Chubu Meat Co., Ltd., which used to be delivered in a process center is now directly delivered to the factory of Keirinkaku Co., Ltd.

＜Private Brand＞

・Organizing info. at the product-developing stage

Organizing how to share the information of development of products among groups.

・PB development and procurement across the group

Align direction in purchasing products among SM, DgS, and HC.

Fixed-point observation of sales volume.

6 Projects Management

- **MBO**: Setting objectives and working toward them. Sharing good practices horizontally.
- **Marketing policy**: Creating sales floors showing the “affordability” of the products, and formulating a “sell-out model” based on store sizes.

<MBO>

・SM gross profit margin to increase by 1%.

Set a target of 1% increase in gross profit margin.

Sharing cases in which the goal was achieved horizontally.

<Marketing policy>

・Review the balance between value and price

Review the balance between product value and price in an environment of price increases.

・Loss reduction by sell-out model

Created sales-floor-change models for each store size.

Improvement costs: Approx. ¥17 million. (March 2023).

Made a video of a day of Fisheries Department Manager at Ryoge store

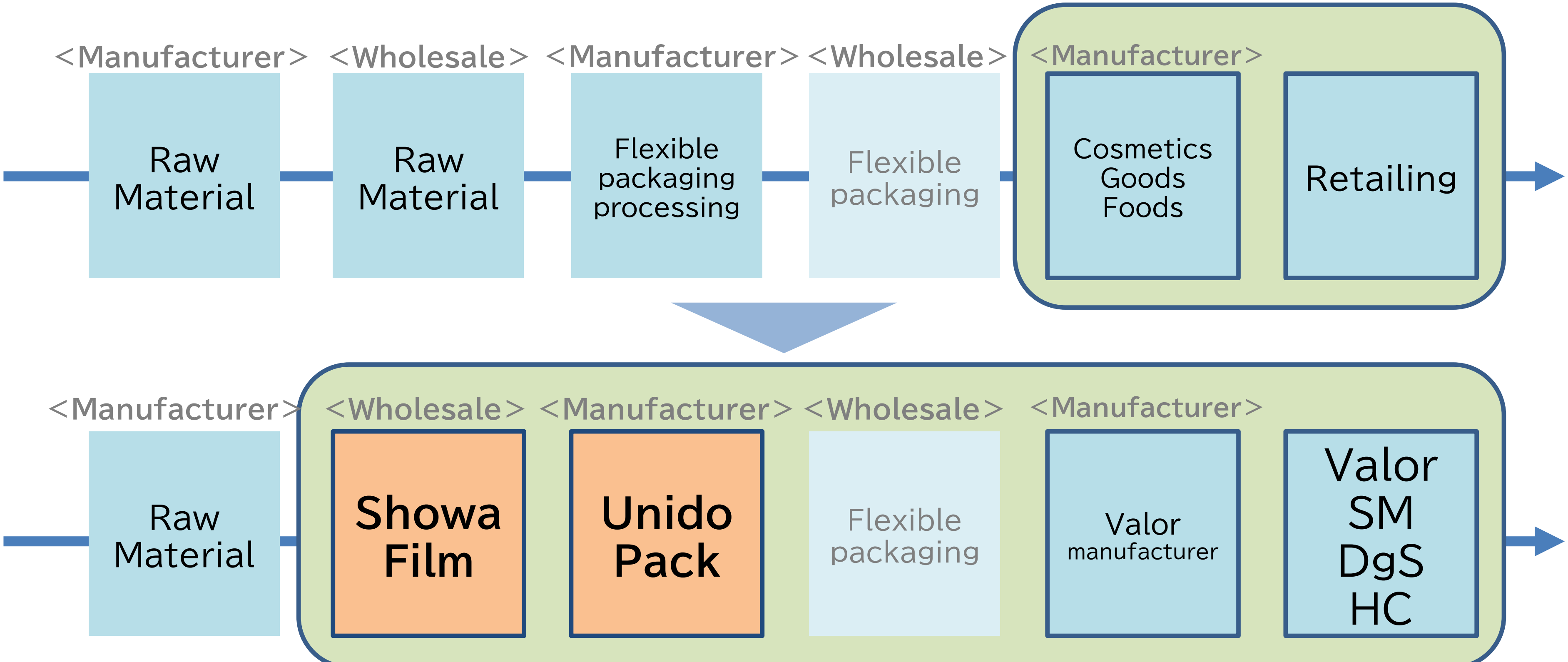
Products at the end in small and medium-sized stores

A POP sign for sale (When changing the sales floor)

Distribution-related Operations①

- Acquired Showa Film Co., Ltd. and Unido Pack Co., Ltd., both of which produce flexible packaging materials, as subsidiaries.
- Developing SPA further, vertically integrating design and packaging functions.
  1) Consumable materials for stores (¥5 billion), 2) Packaging materials for manufacturing (¥2 billion),
  3) Supply of PB and NB packages (¥900 million)

< Vertical integration of flexible packaging supply chain >



昭和フイルム株式会社
SHOWA FILM Co.,Ltd.
グラビア印刷・包装資材
ユニードパック株式会社

Distribution-related Operations②

- FDC achieves greater efficiency. Dried noodle category was added to further secure profit.
- Launching a joint distribution center for rice to improve the loading rate and delivery efficiency in FY24 .

<FDC>

・Beverage FDC(May 2022-)

Storing and managing the inventory at manufacturer and wholesaler warehouses, and picking by each center.

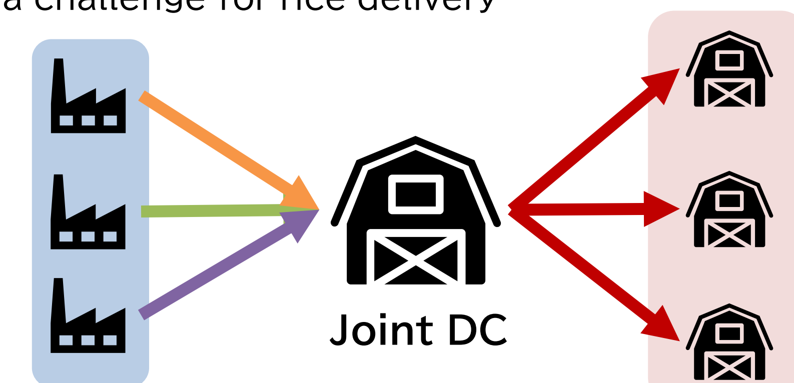
・Noodles FDC(Feb. 2023-)

Efficient loading realized by stacking beverages and dried noodles in the vehicle.

Delivering beverages and dried noodles together, avoiding overloading.

<Rice joint distribution center(May 2023-)>

Significantly improved loading rate, a challenge for rice delivery



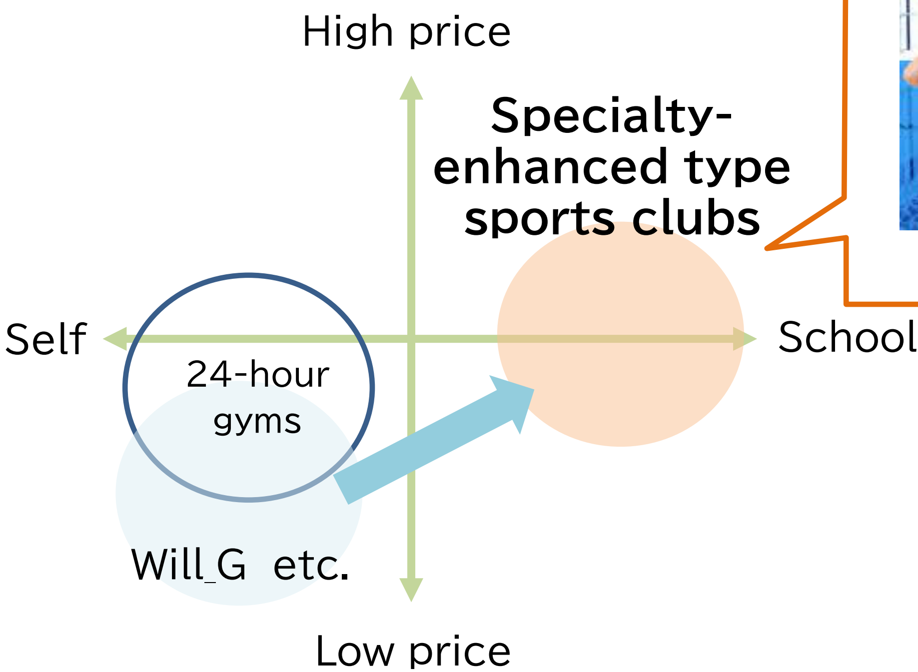
Rice vendor

Volor' s DC

Sports Club Business

- Revised into customer-oriented services through revitalization PJ under the new management structure.
- Aiming to acquire 63,000 members per year and achieve a net increase of over 11,000 members
- Not price competition, but enhancing specialty (e.g. schools) to optimize earnings ASAP.

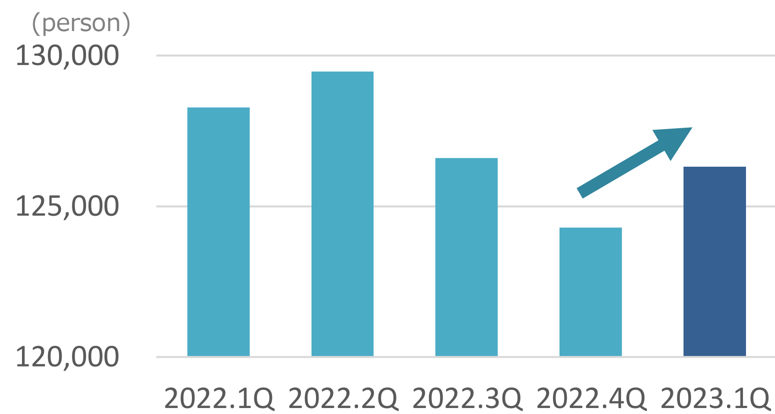
<Map of sports club market>



Swimming school

Athletic ability improvement school

<Change in number of members>



Future Initiatives

- Turning into profitable businesses, focusing on business reorganization. Managers visit group companies with unprofitable businesses and hold regular meetings, developing a performance management system.
- Promoting GX initiatives. Achieving SDGs through the recycling model within the group.

＜Business integration＞

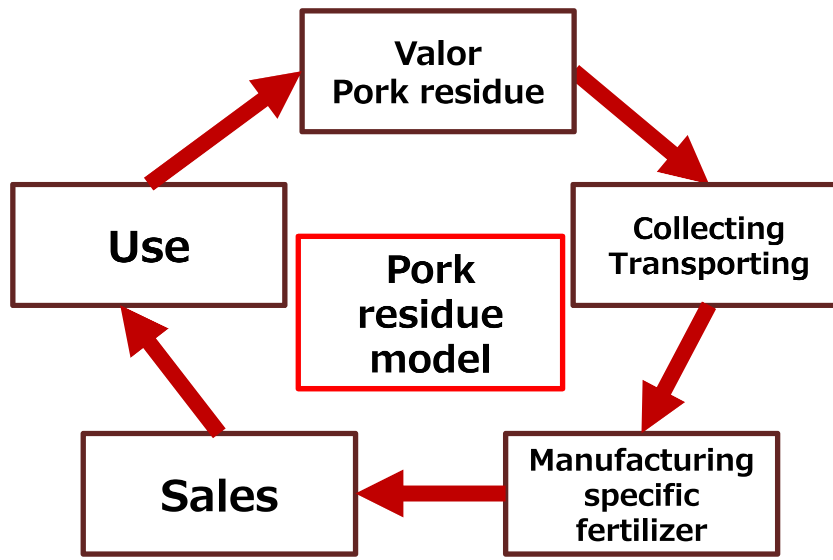
・From manufacturing plant to process center

Constructed Valor's fishery process center by using the site of Fukui Chuo Tsukemono Co., Ltd.

＜Recycling model＞

・Identifying and developing recycling models in our group.

Seeking our own resource recycling model.



An example of recycling model at Chubu Meat Co., Ltd.(License application in progress.)

Contents

【Ref.】 Management Plan by Segment

- Assuming improvement in gross profit and higher utility and labor costs due to the promotion of Neo DS, increase in PB composition rate, etc.

  (Please note that the breakdown of sales and profit in the segment plan is an estimate.)

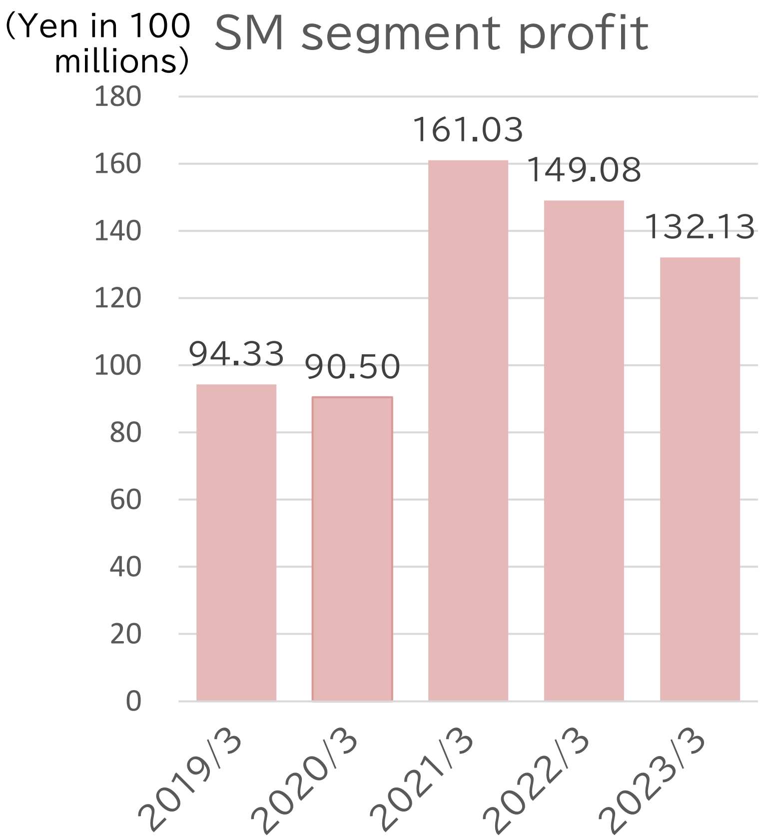
(Yen in millions)

	Operating revenues			Segment profit		
	FY22	FY23	FY24	FY22	FY23	FY24
	Results	Results	Plan	Results	Results	Plan
Supermarket business	405,537	421,838	427,500	14,908	13,374	14,000
Drugstore business	152,474	160,947	164,200	2,950	4,317	4,320
Home improvement center business	122,947	124,962	127,000	5,061	4,620	4,700
Sports club business	9,847	9,439	9,800	- 559	- 1,159	- 700
Distribution-related operations	10,451	11,373	11,500	3,206	3,296	3,500
Others※	31,260	31,414	32,000	2,510	1,635	※ 880
Elimination or corporate expenses				- 6,872	- 6,022	- 6,200
Total	732,519	759,977	772,000	21,205	20,062	20,500

※ Includes credit card-related expenses.

【Ref.】Supermarket Business

- Increase in profit of about ¥4.2 billion compared to the full year of 2020 before the pandemic.
- Expanding horizontally the successful destination store model at the Valor stores to the group supermarket companies.



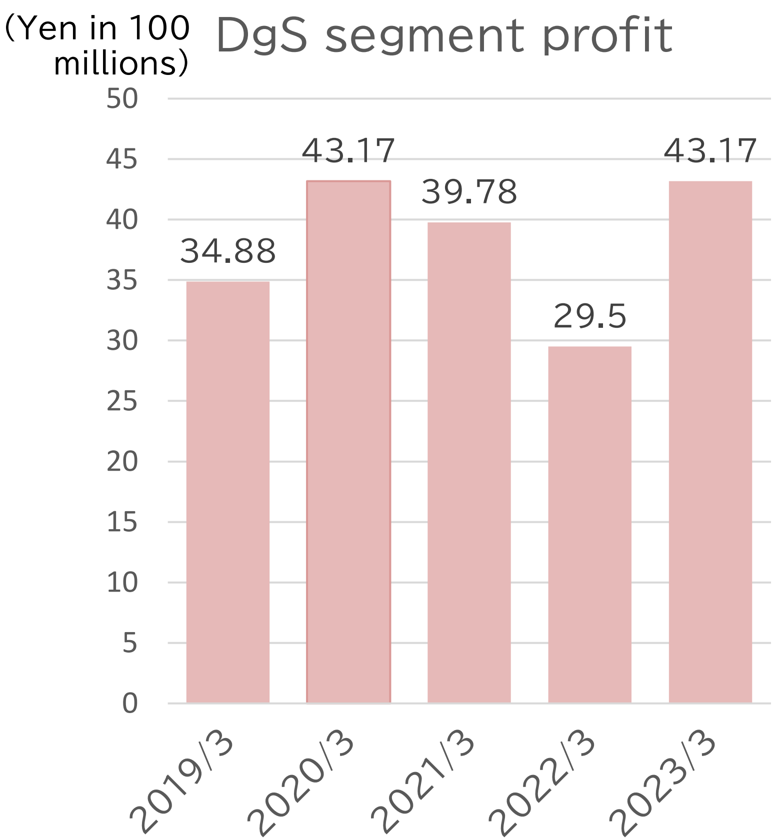
Analyses of full-year results
(factors of the change from the plan and from the previous year)

Operating revenues	vs. plan	◎	New stores such as Sennonji and Kyotanabe exceeded the budget.
	YoY	◎	New stores + M&A (Yaosen, Yamata) contributed.
Operating income	vs. plan	△	Labor costs under control. Increased utility costs.
	YoY	△	Valor's facility expenses, YoY +¥1.8 billion

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

【Ref.】 Drugstore Business

- Profit level almost flat compared to the full year 2020 before the pandemic.
- Existing store sales exceeded 100% since July, reaching 102.9% for the full year.
- With the prospect of improving the financial structure in sight, we are moving on to the next growth investment strategy.



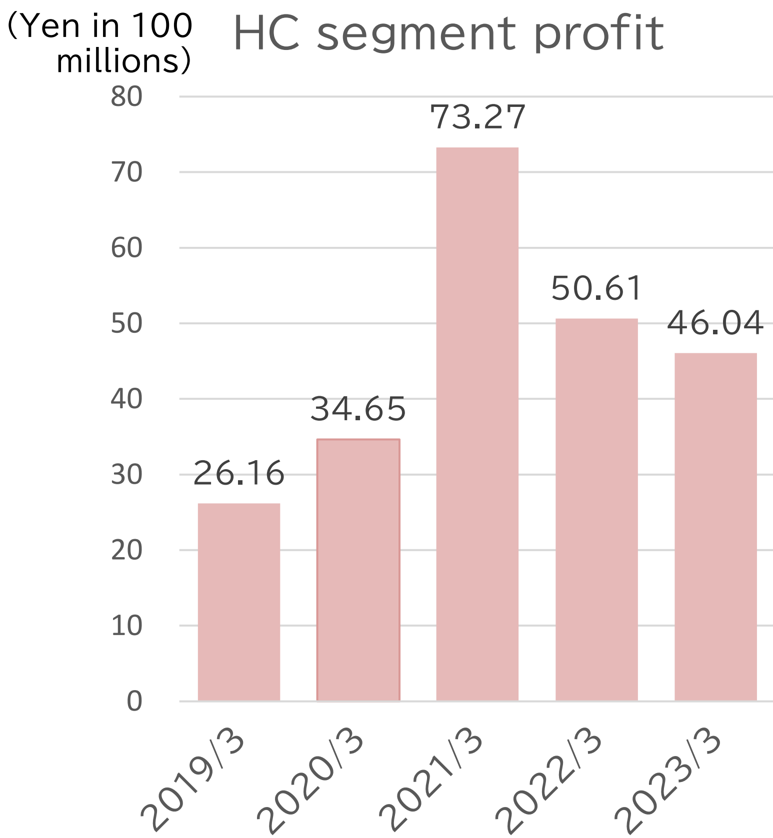
Analyses of full-year results
(factors of the change from the plan and from the previous year)

Operating revenues	vs. plan	◎	Captured the 7th and 8th wave of Omicron variant epidemic demand; existing store sales have been positive since July.
	YoY	◎	Renovating the sales floors of 23 stores.
Operating income	vs. plan	◎	Decrease in sales expenses (flyers changed to bi-weekly); personnel expenses (pharmacists) increased due to the attaching dispensing stores.
	YoY	◎	Gross margin improvement +0.5%. Implemented PB campaign.

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

#【Ref.】Home Improvement Center Business

- ➢ Increase in profit of about ¥1.2 billion compared to the full year of 2020 before the pandemic.
- ➢ Continuing to open specialty stores (for professionals, pet shops, etc.).
- ➢ PB composition rate to 18%.



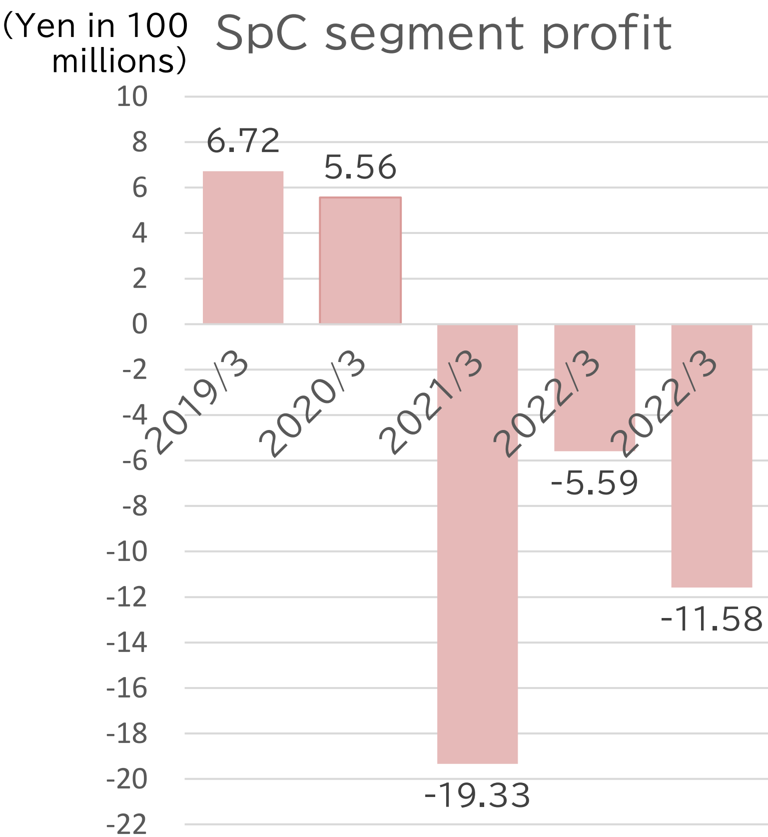
Analyses of full-year results
(factors of the change from the plan and from the previous year)

Operating revenues	vs. plan	◎	Demand for restoration and reconstruction from the Fukushima earthquake, centered on Daiyu Eight Co., Ltd.
	YoY	◎	Opening new stores.
Operating income	vs. plan	△	SG&A expenses increased mainly in utilities.
	YoY	△	SG&A expenses increased due to initial store opening expenses.

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

Sports Club Business

- Decrease in profit of about ¥1.6 billion compared to the full year of 2020 before the pandemic.
- Continue to focus on 3 pillars: member acquisition PJ (revision of business hours, etc.), member retention PJ (individual programs, acquisition of app members), and specialty enhancement PJ (enhancement of schools).



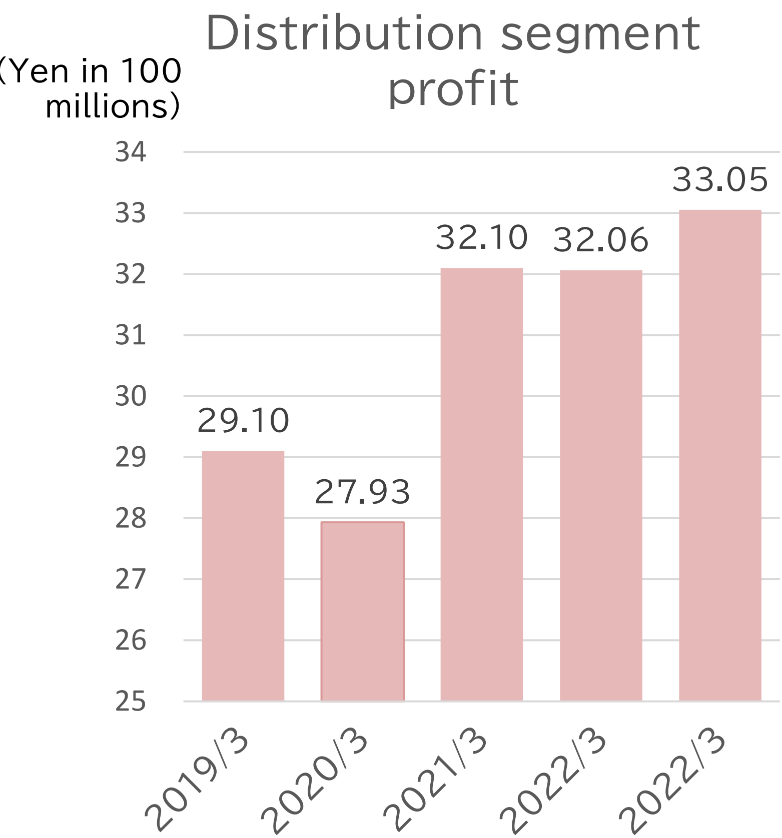
Analyses of full-year results
(factors of the change from the plan and from the previous year)

Operating revenues	vs. plan	△	Decrease in the number of stores (193→184).
	YoY	△	Decrease in year-end membership.
Operating income	vs. plan	△	Top line unachieved.
	YoY	△	Increase in utility costs.

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

【Ref.】 Distribution-relate Business

- Increase in profit of about ¥0.5 billion compared to the full year of 2020 before the pandemic.
- Ahead of the 2024 issue, we have begun reviewing the working hours of store delivery drivers.



Analyses of full-year results
(factors of the change from the plan and from the previous year)

Operating revenues	vs. plan	◎	Severe business environment continues due to soaring fuel costs.
	YoY	◎	Strong sales outside the group in wholesale.
Operating income	vs. plan	◎	Thorough control of high expenses.
	YoY	◎	Improved procurement of logistics material handling.

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

【Ref.】 Breakdown of Impairment Losses

➢ In accordance with the "Accounting Standard for Impairment of Fixed Assets," Valor Holdings and its group recognized signs of impairment of some of its fixed assets, such as stores, due to a decline in profitability, etc. As a result, we examined the possibility of future recovery and recorded an impairment loss of ¥5,939 million as an extraordinary loss.

(Yen in millions)

	FY21	FY22	FY23
Supermarket business	1,218	768	**1,178**
Drugstore business	659	1,057	**1,016**
Home improvement center business	198	698	**92**
Sports club business	410	324	**3,192**
Distribution-related operations	-	144	**-**
Others	356	314	**459**
Total	2,843	3,308	**5,939**

【Ref.】 Sustainability KPI (to 2050)

	Standard	FY23 Final year of current strategic plans	FY26	FY29 Sustainability Vision 2030	FY49 Refeerce
Realizing a decarbonized society CO2 emissions Greenhouse gas emissions	(FY19 results*) CO2 emissions at own sites (Electricity-derived) 233,486t	(FY19 rate) CO2 emissions at own sites (Including non-electrically derived) 10% reduction		(FY20 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	(FY16 results**) 18,983t	(FY16 rate) 35% reduction		(FY16 rate) 45% reduction	(FY16 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.

【Ref.】 Cost of Capital Calculation Assumptions

- CAPM-based cost of equity is 4.82% and WACC is 2.42%, based on the following assumptions.
- Estimated WACC of 2.4% to 3.3%, taking other assumptions into account.
  (Calculated based on the "Guidelines for Corporate Valuation" (JICPA, revised July 3, 2013))

		(Yen in millions)	Note
(1)	Interest-bearing debt	¥122,118	Average at beginning and end of period
(2)	Interest expenses	¥746	FY23 results
(3)	Debt cost	0.61%	(2)/(1)
(4)	Total number of issued stocks	53,987,499 shares	End of FY23
(5)	Number of treasury stock	429,374 shares	End of FY23
(6)	Stock price	¥1,926	Closing price 3/31/2023
(7)	Market cap	¥103,153	As of 3/31/2023
(8)	Income tax, etc.	¥8,055	End of FY23
(9)	Current benefit before adjustment for taxes, etc.	¥17,331	End of FY23
(10)	Effective tax rate	35%	35%<(8)/(9)
(11)	Market risk premium	6%	Assumption
(12)	Risk-free rate	0.32%	As of 3/31/2023 10-year JGB yield
(13)	Beta value	0.75	Compared with TOPIX Weekly, 5-year

Cost of Equity	**4.820%**	
WACC	**2.42%**	

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