

Financial Results Presentation

2Q FY8/2021

April 14, 2021

Valuence Holdings Inc.

(Securities Code: TSE Mothers 9270)

Valuence

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Valuence

Corporate Profile

**Encouraging people
to live in a way
that is true to themselves.**



Valuence

Value × **Intelligence
Experience**

Leverage our expertise gained to provide experiences
of life-changing value through our business activities to the world

Corporate Philosophy

Mission

**Encouraging people to live in a way
that is true to themselves.**

Vision

Providing life-changing value to the world.

Corporate Profile

Company Name	Valuence Holdings Inc.
Representative	Shinsuke Sakimoto
Head Office	1 Konan, Minato-ku, Tokyo
Founded	Dec. 2011
Capital	1,142 million yen (as of Feb. 28, 2021)
Employees	804 (as of Feb. 28, 2021) * Consolidated, full time only
Segments	Luxury brand items, antiques, art, and other reuse businesses
Consolidated subsidiaries	11 (as of Feb. 28, 2021)

Group Businesses and Brands

Purchasing



Auctions (toB)



Retail (toC)

ALLU

Real estate



Apps



Our Businesses

Purchasing

Connecting the “Value” of your good to the new investment of your life.

◆ Nanboya/BRAND CONCIER ◆

- ✓ Buying offices for luxury brand items, etc.
- ✓ 100+ *Nanboya* offices in domestic and overseas;
BRAND CONCIER operates mainly in department stores in Japan.
- ✓ Handling in-home buying, delivery and online buying.

なんぼや BRAND REUSE
NANBOYA



BRAND CONCIER



◆ Hakkoudo ◆

- ✓ Buying offices for antiques, art, and other reuse goods.
- ✓ Antique appraisers mainly handle in-home buying.
- ✓ Other services include estate liquidation and pre-departure cleaning.

八光堂



Our Businesses

Auction

Aiming to Become an Industry Hub, the World's Largest Auction Platform.

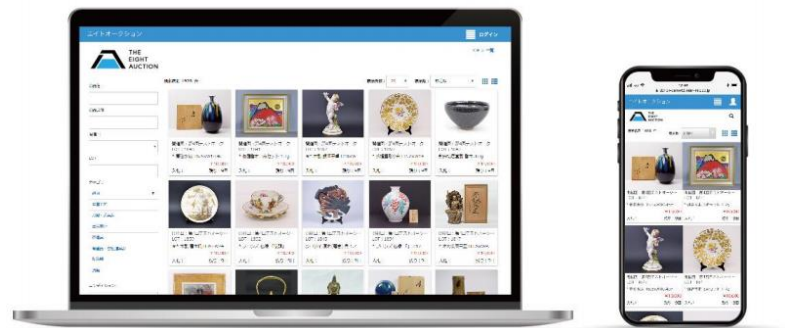
◆ STAR BUYERS AUCTION ◆

- ✓ BtoB auctions for luxury brand items, etc.
- ✓ Since going online in Mar. 2020, the auctions have drawn numerous partners around the world.
- ✓ Diamond auctions held in HK.(going online in Apr.)



◆ THE EIGHT AUCTION ◆

- ✓ BtoB auctions for antiques and art.
- ✓ Offline auctions are the mainstream in the antiques and art business; going online in Jul. 2020 marked an innovation.



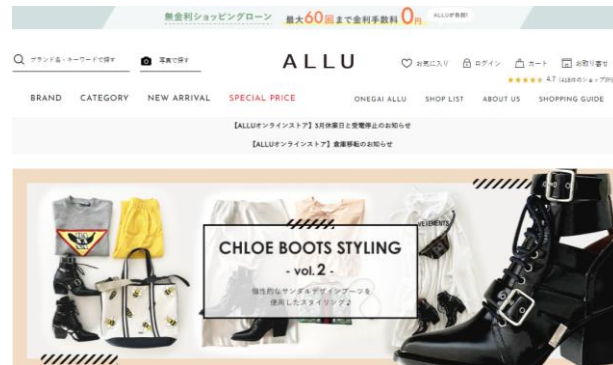
Our Businesses

Retail

B to C Sales business that brings about new meeting opportunities for our customers.

◆ ALLU ◆

- ✓ Two retail stores (Ginza, Shinsaibashi) and an e-commerce site.
- ✓ Selling across worldwide through own e-commerce site and partner e-commerce shopping malls.
- ✓ Seamless integration of offline and online services, such as purchase pickups at ALLU stores and live streaming sales.



Our Businesses

Application

Managing and leveraging your personal assets with more convenience.

◆ Miney ◆

- ✓ Asset management app to make appraisals visible.
- ✓ Automated AI appraisal*1 based on photos of items captured with smartphone.
- ✓ Inspires people to see belongings as assets and to think about sale and asset management.

Downloads

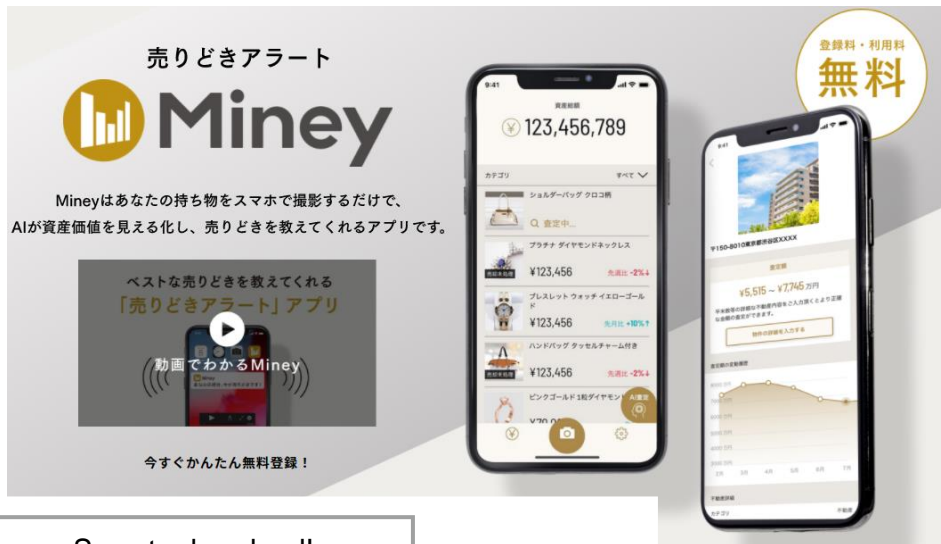
More than 110 thousand

Appraised valuation

Approx. 350 million yen/month*2



<https://miney.jp/>



Scan to download!

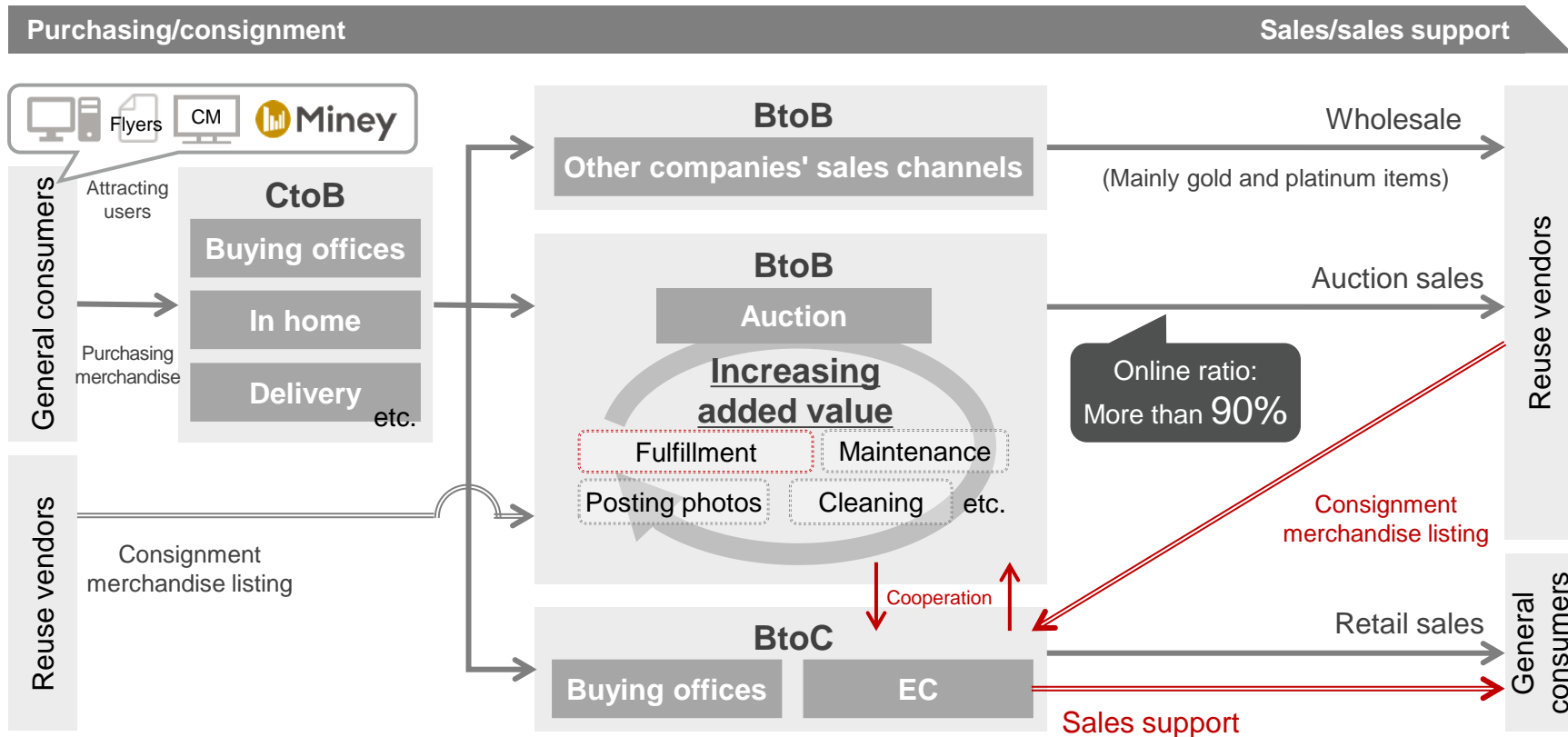
*1 AI appraisal available for watches and real estate only

*2 Not including real estate

Business Model

Red: Now under preparation

— Merchandise purchased by the Company
(company's inventory)
= Consignment merchandise
(other companies' inventory)



Financial Results



Summary for 2Q FY8/2021

- **Achieved double-digit YoY sales growth with increased buying offices despite COVID-19.**
- **Proactive investment continued as planned to grow GMV. Operating profits fell due to operating costs of new office openings and M&A activities, warehouse relocation, and accelerating DX and overseas expansion.**
- **The second state of emergency impacted purchases. However, with the effect of marketing measures, a recovery trend began in Feb.**

GMV

¥24.1 billion
(+22.5% YoY)

Net sales

¥23.7 billion
(+16.9% YoY)

Gross profit margin

25.0%
(+0.7 pts. YoY)

Operating profit

¥0.06 billion
(-90.3% YoY)

Topics for 2Q FY8/2021

Purchases

- ✓ Purchases fell due to the impact of the state of emergency; **a recovery trend began in Feb.**
- ✓ The Total number of domestic buying offices increased to **119** with the completion of acquisition of 28 offices from NEO-STANDARD to *Nanboya*.
- ✓ Oversea offices increased to **9** with accelerating overseas expansion strategy.
- ✓ The number of SBA* partners grew steadily to **913 companies** overall (638 domestic/275 overseas); added 311 companies from the end of FY8/2020.

Sales

- ✓ To grow GMV, implemented **warehouse relocation** and established infrastructure for launching fulfillment services.
- ✓ No SBA HK held, in preparation for migration online.

Financial Results for 2Q FY8/2021

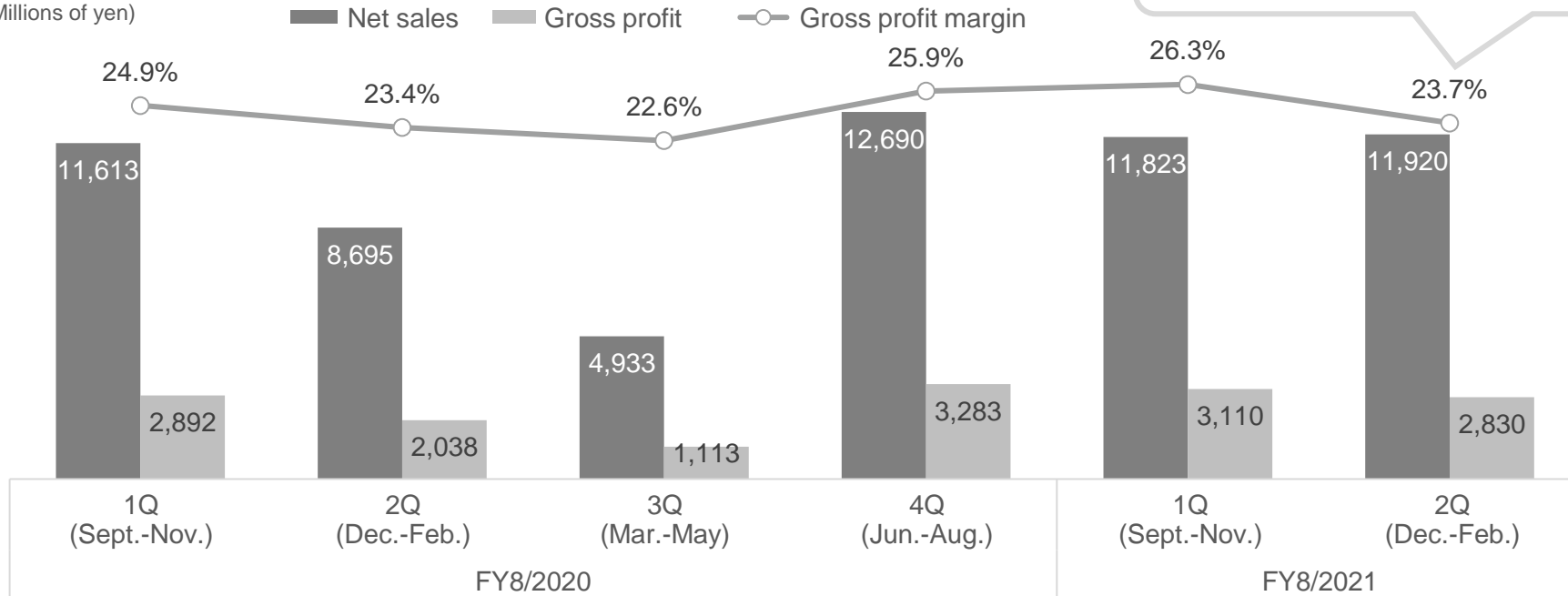
✓ Final losses recorded due to subsidiaries loss.

(Millions of yen)

	FY8/2020 2Q (cumulative)	FY8/2021 2Q (cumulative)	YoY change	FY8/2021 Full-year plan	Achievement rate
Net sales	20,308	23,743	+16.9%	58,000	40.9%
Gross profit	4,930	5,940	+20.5%	15,300	38.8%
Gross profit margin	24.3%	25.0%	+0.7pts	26.4%	-
SG&A	4,245	5,874	+38.4%	12,800	45.9%
Operating profit	685	66	▲90.3%	2,500	2.7%
Ordinary profit	638	36	▲94.3%	2,450	1.5%
Ordinary profit ratio	3.1%	0.2%	▲2.9pts	4.2%	-
Profit attributable to owners of parent	366	▲ 123	-	1,500	-

Net Sales and Gross Profit

(Millions of yen)

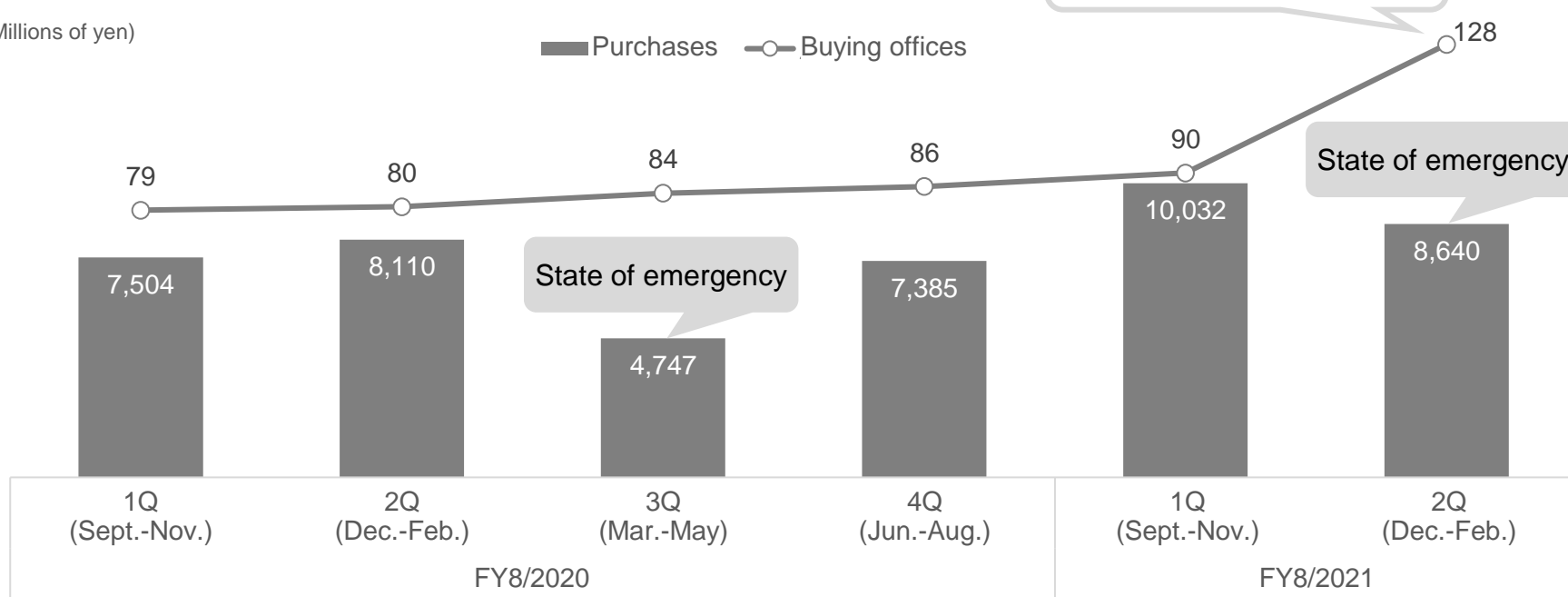


Improvements in gross profit margin by revision of purchasing policies from late Feb.

- ✓ Growth in wholesale.
- ✓ Sales decreased due to decreases in starting inventories.
- ✓ Slump due to COVID-19.
- ✓ Improvements in gross profit margin due to strong SBA sales and effects of migration online.
- ✓ Growth in bullion.
- ✓ Bullion decreased with calmed markets.
- ✓ Decrease in gross profit margin due to market fluctuations despite expanded purchasing of watches.

Purchases and Buying Offices

(Millions of yen)



✓ Purchases decreased sharply due to temporary office closures in response to COVID-19.

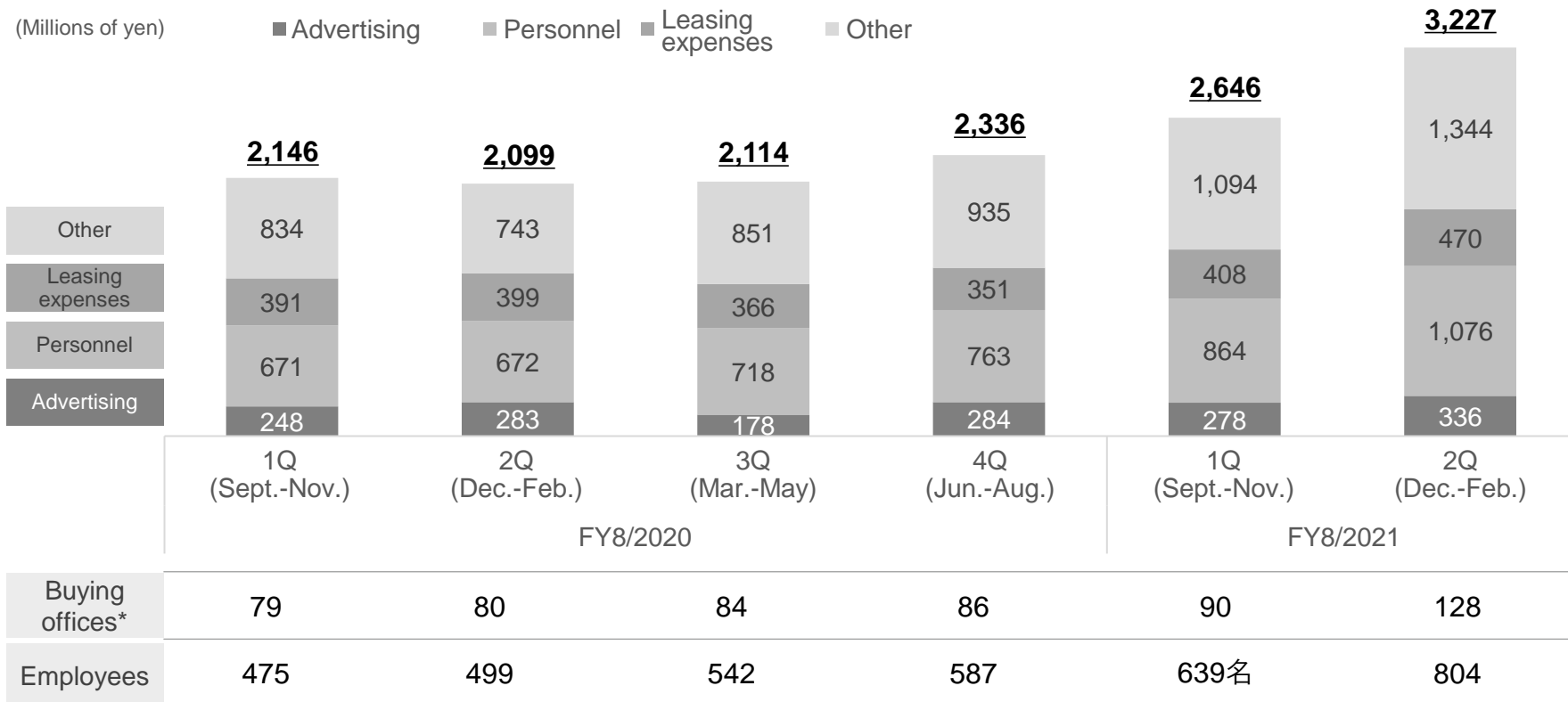
✓ All offices returned to normal operations.
✓ Gradual recovery to pre-COVID levels thanks to promotional campaigns.

✓ Purchases increased with higher contract rates and other factors.

✓ Encouraging results despite state of emergency.
✓ Bullion declined with calmer markets.

* Numbers of buying offices include overseas buying offices.

SG&A Expenses



* The numbers of buying offices include overseas buying offices.

Balance Sheet

(millions of yen)

	FY8/2020	FY8/2021 2Q	Difference
Current assets	11,260	13,800	+ 2,540
Cash and deposits	6,276	7,957	+ 1,680
Merchandise	4,011	4,964	+ 953
Other	972	878	▲93
Non-current assets	4,118	4,605	+ 486
Total assets	15,378	18,406	+ 3,027
Liabilities	8,642	11,949	+ 3,306
Interest-bearing debt	6,956	9,331	+ 2,375
Other	1,686	2,617	+ 930
Net assets	6,735	6,456	▲278
Total liabilities and net assets	15,378	18,406	+ 3,027

Increase in cash on hand to secure working capital and purchase funds.

Steady increase in inventory, which had been down at the end of the previous quarter due to the timing of SBA HK and growth in partner demands.

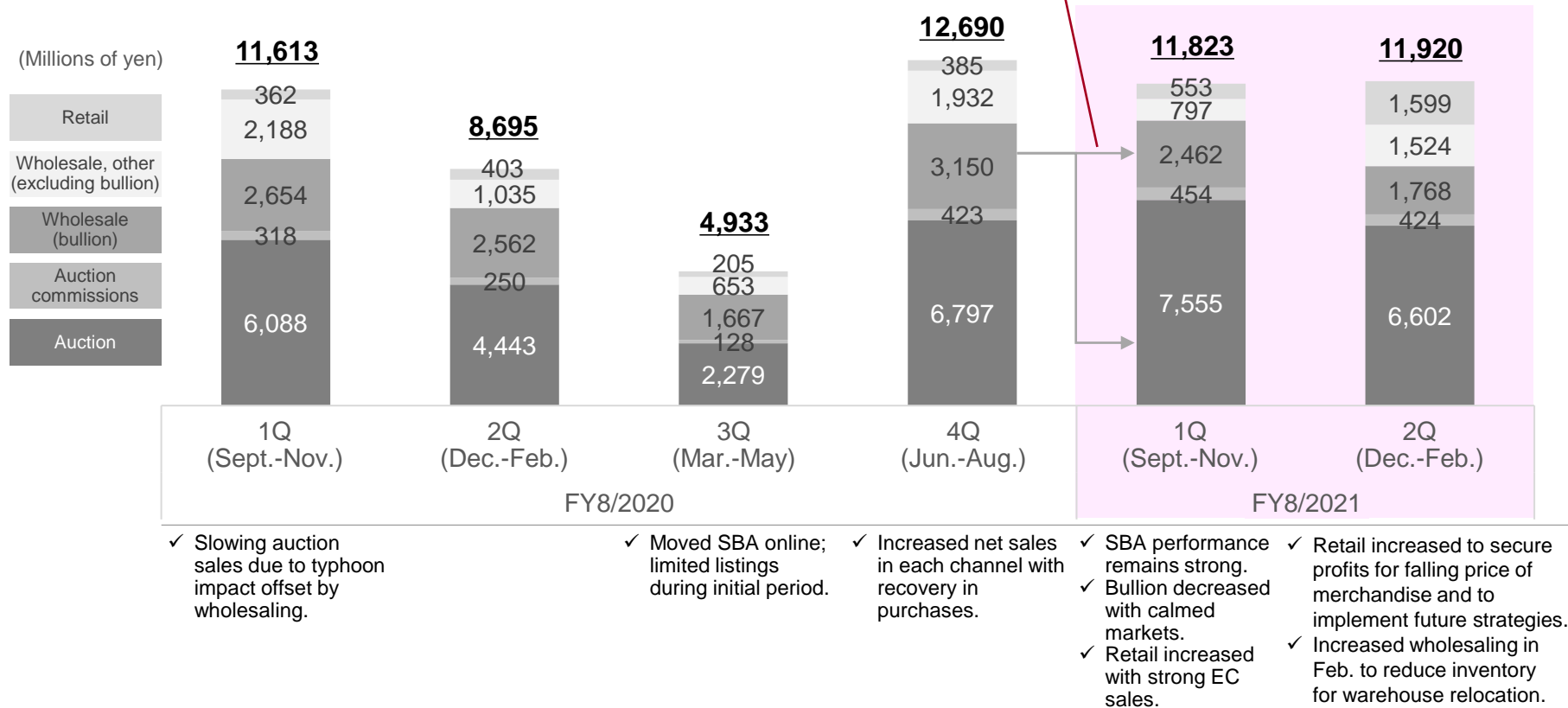
Increase in buildings and structures (net) and guarantee deposits with addition of new buying offices and M&A acquisition, along with relocated warehouse.

Increase in short-term loans payable to secure funds for purchasing and business growth.

Increase from exercise of stock options, offset by a payment of dividends.

Net Sales by Channel (to B, to C)

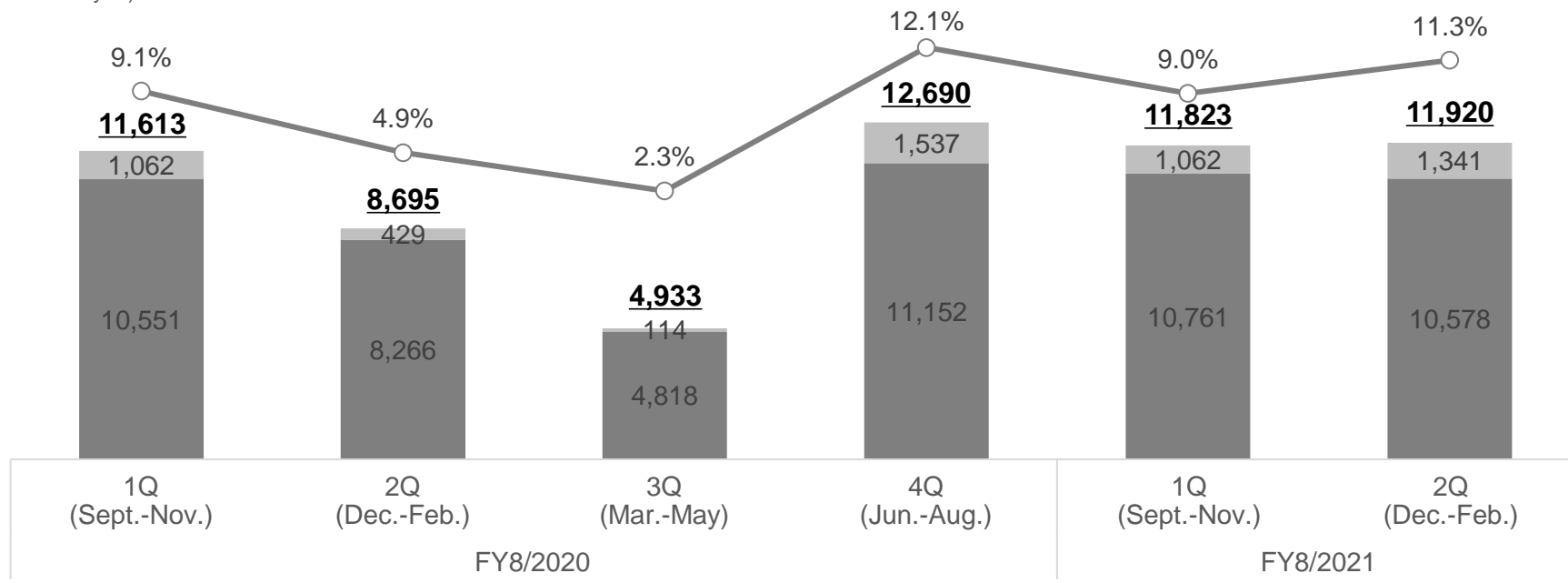
SBA sales to overseas partners included under "Wholesale" move to "Auction" from 1Q.



Net Sales by Channel (Domestic, Overseas)

(Millions of yen)

■ Domestic ■ Overseas ○ Overseas sales ratio



✓ SBA HK held in Sept. and Nov.

✓ SBA HK not held.

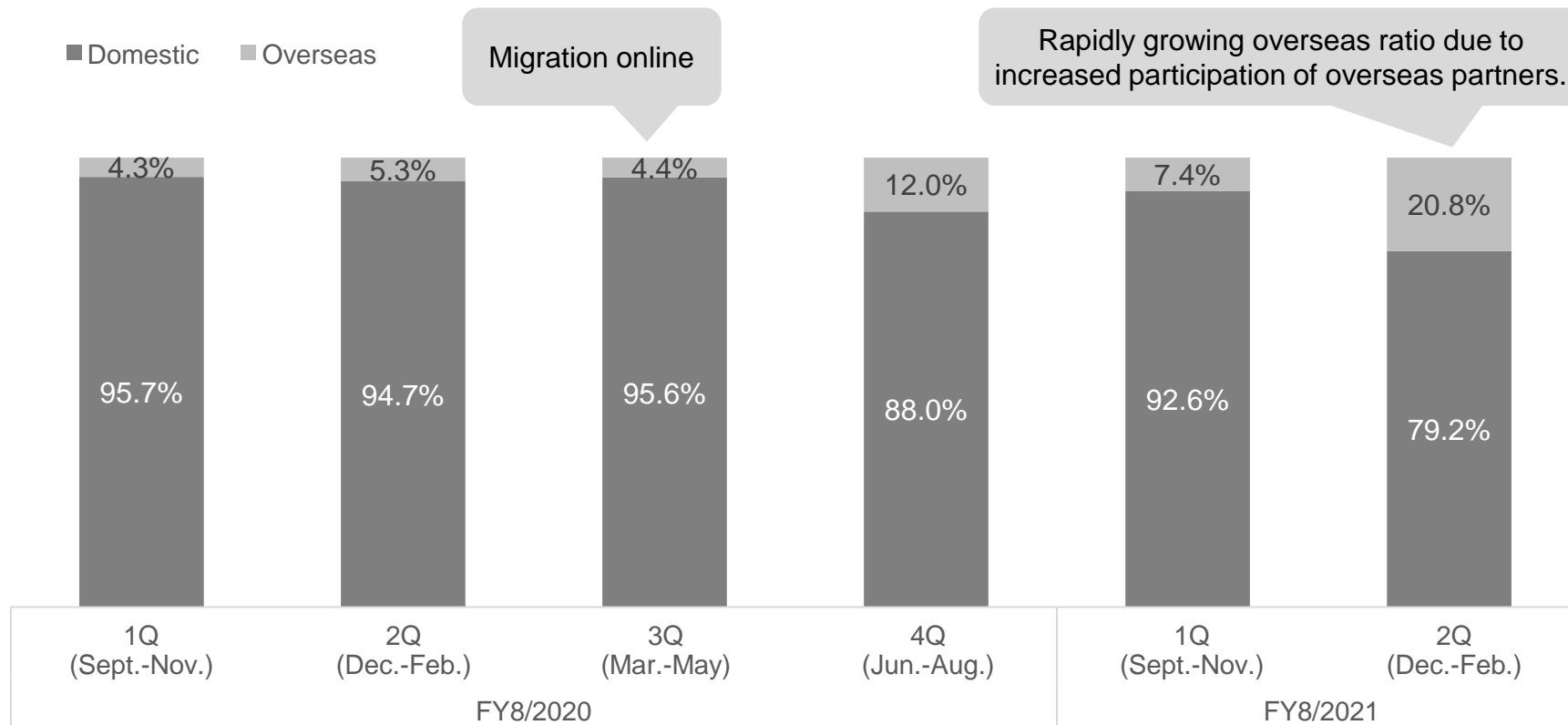
✓ SBA HK not held.
✓ Decrease in sales due to COVID-19.

✓ SBA HK held in Jul. and Aug.
✓ Rapid growth on strong auction demand.

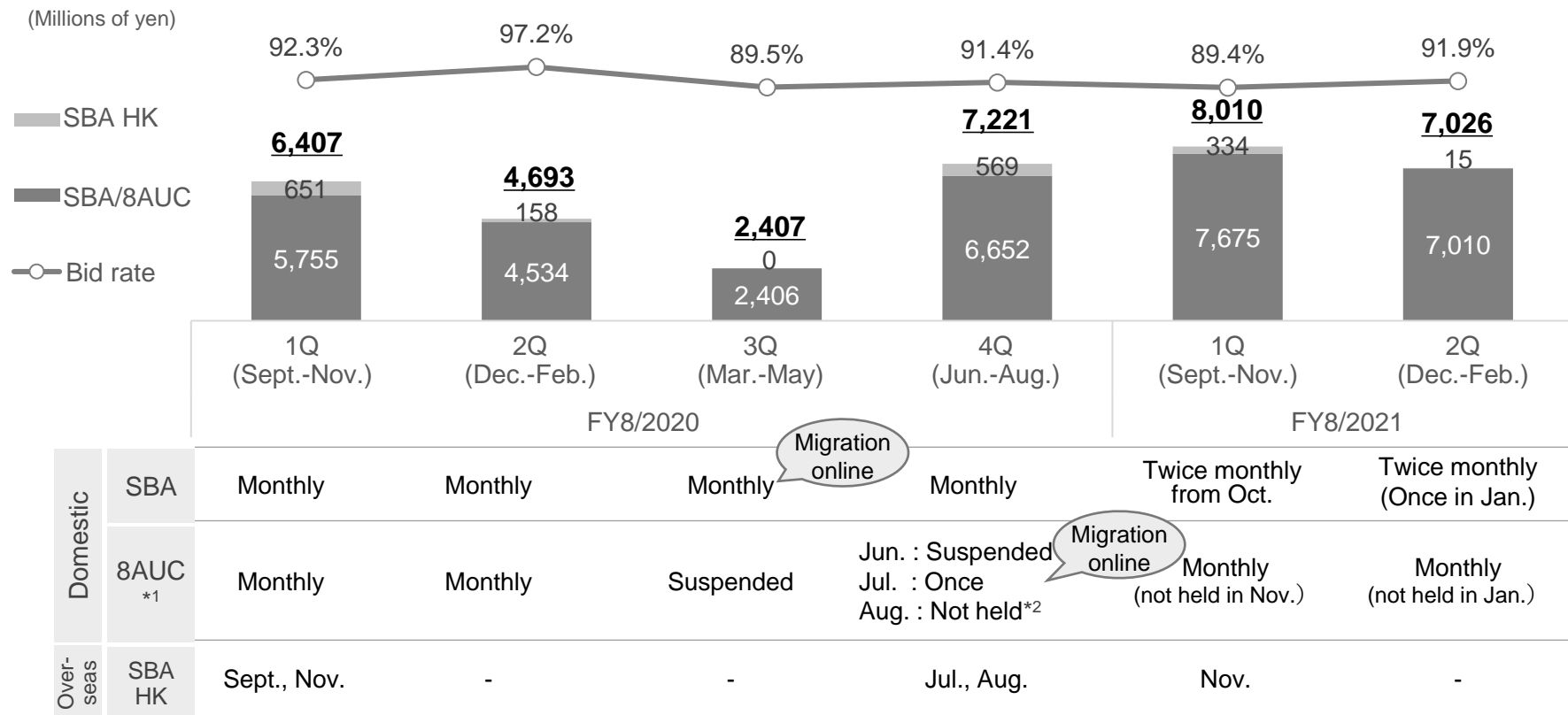
✓ SBA HK held in Nov.
✓ Steady trends in domestic sales.

✓ Steady growth in SBA overseas sales even though SBA HK was not held.

(Reference) Domestic/Overseas Ratio of SBA Winning Bids



Net Sales: Auctions



*1 8AUC: THE EIGHT AUCTION (the same hereinafter)

*2 Not held due to scheduling adjustments.

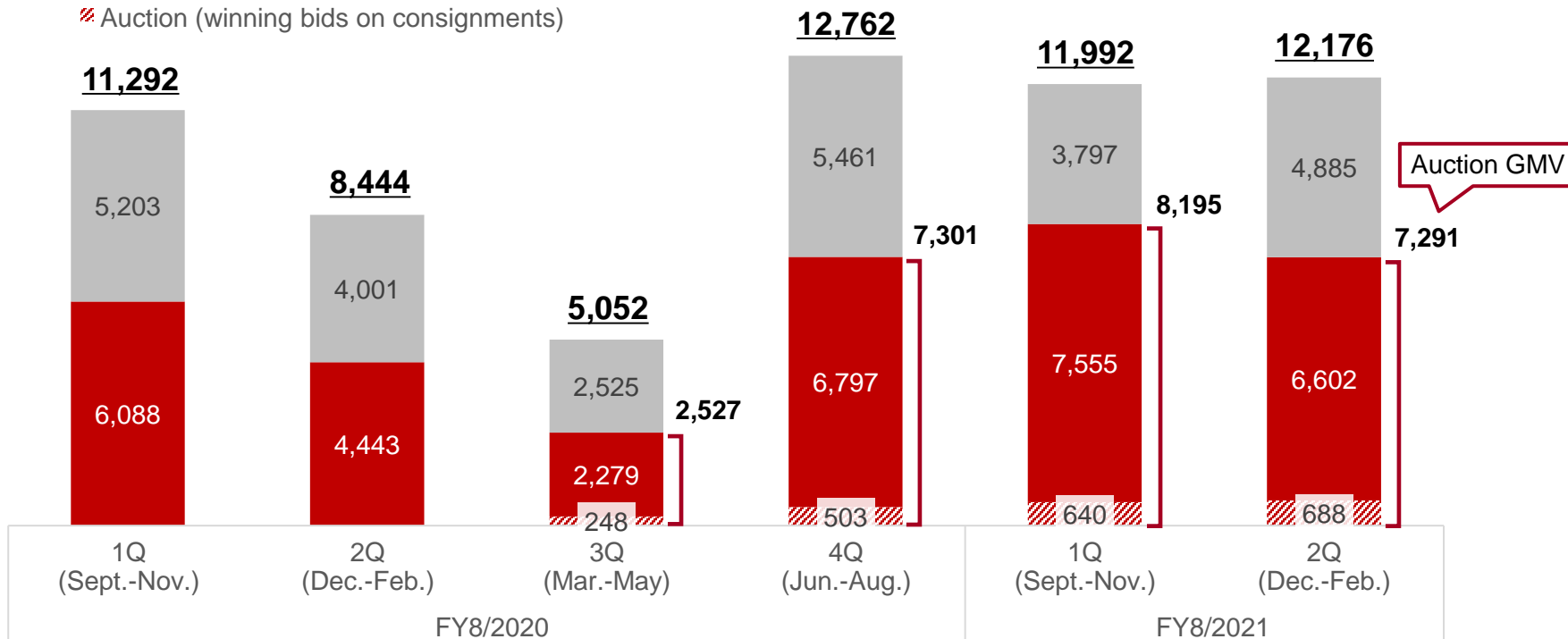
[GMV] GMV Trends

(Millions of yen)

■ Wholesale, retail

■ Auction (merchandise sales)

▨ Auction (winning bids on consignments)



Topics for 2Q FY8/2021



Toward Growth in Financial Results in 3Q and Beyond

2Q

Preparatory period for growth in 3Q and beyond

- **Warehouse relocation.**
⇒ Preparation for future GMV growth.
- **Enhanced partner services, strengthened retail brands.**
⇒ Building infrastructure for fulfillment services.
- **Accelerating buying offices overseas; moving forward with international partnership development.**
⇒ Toward GMV growth on a global scale.

Temporary losses resulting from increased costs of proactive investments and lower gross profit margin due to fluctuating markets.

3Q and beyond

Investment-driven growth in financial results

- Attracting more users through TV commercials from Apr.
- Improved gross profit margin projected from pricing review.
- Sales growth expected as overseas economies recovery.

Warehouse Relocation

Shinagawa Season Terrace

Konan, Minato-ku, Tokyo
(nearest station: Shinagawa)



Auction space is no longer needed due to migration online, allowing relocation of auction warehouse.

Relocation at the end of Feb.

SRC (Sagawa Distribution Center)

Katsushima, Shinagawa-ku, Tokyo
(nearest station: Samezu)

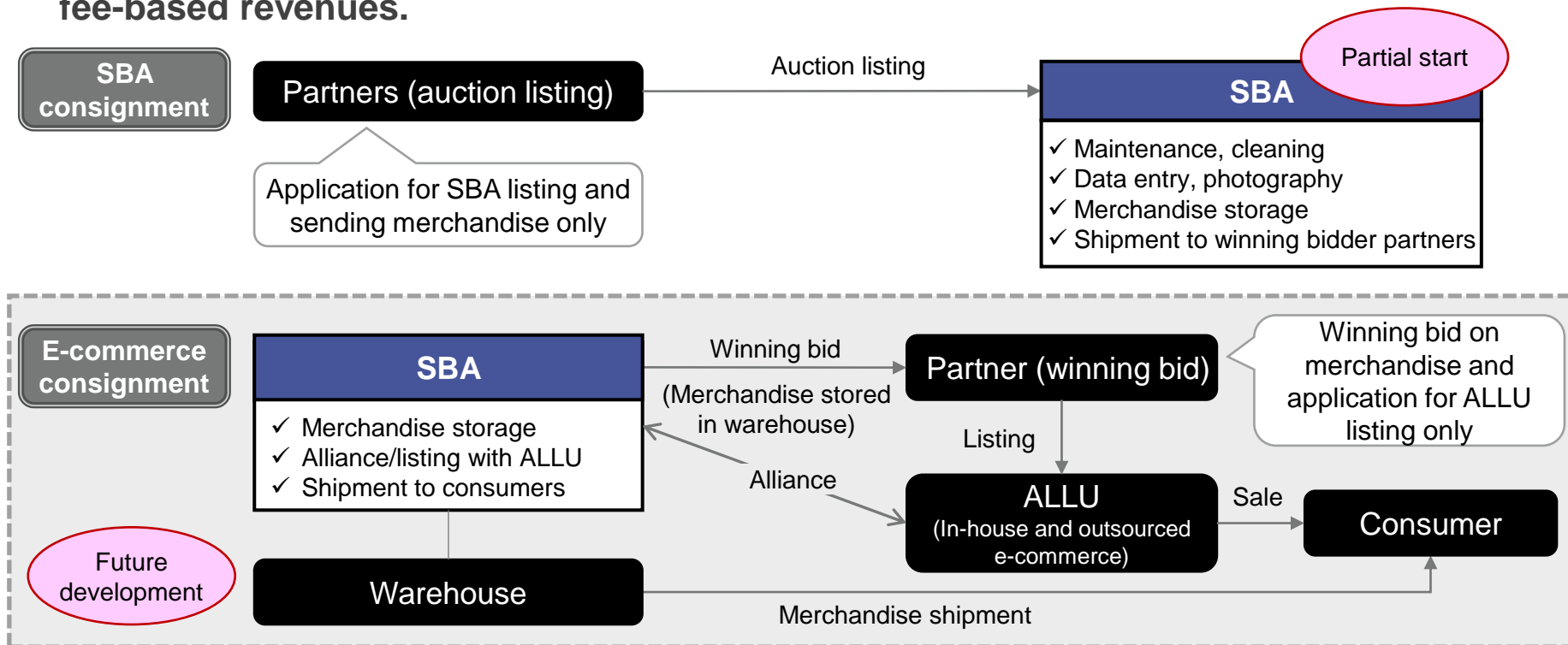


- ✓ Capacity is increased by about 5 times in preparation for future GMV growth.
- ✓ Relocation generates cost savings (price per unit of area reduced to one-third) and improves business efficiency through WMS* and facility enhancements.
- ✓ Completion of infrastructure preparations for fulfillment services.

* WMS: Warehouse Management System (the same hereinafter)

Future Vision for Fulfillment Services

Strengthening gross profit margin by increasing revenue touchpoints and growing fee-based revenues.

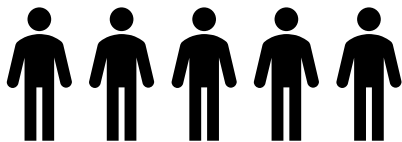


Measures Involving Fulfillment Services-1

Providing watch repair and polishing services for partners.

Developing the industry's largest infrastructure

20 or more watch technicians and
polishing staff members.



Fully equipped with the latest facilities.



◀ Polishers

Upgraded/expanded
alongside warehouse
relocation.

Dust collectors ▶

Maintaining healthy
working environment by
collecting fine particles
generated during polishing.



Measures Involving Fulfillment Services-2

Launching sales of SBA merchandise photos.

Valuence

Selling merchandise photos on SBA online site to winning bid partners.

⇒ **Turning existing operating cost into revenue.**



Partners

No need to take photos for posting to e-commerce sites.

⇒ **Drawing on external resources to improve efficiency.**

STAR BUYERS AUCTION

Logout Home

アクション商品検索
入札履歴
出品商品
会員登録
会員登録変更
取引口座登録
委託出品申込状況
配送情報
売上精算実行
売上振替実行

Photography by dedicated photographers

	yen	USドル
開始価格	240,000	2,904
現在価格	414,000	5,009.39
あなたの入札額	0	0

終了日時 2021/01/19 18:00

商品詳細

商品状態
大カテゴリ 時計
中カテゴリ 腕時計
ブランド ロレックス
モデル ロイヤル オーク
ケース素材 18K ローズゴールド
ダイヤル ホワイト
文字盤 ローマ数字
ブレスレット 18K ローズゴールド

商品写真

Plans to develop gradually a warehouse storage service for winning bid merchandises.



Develops fulfillment services through future bundling of such services.

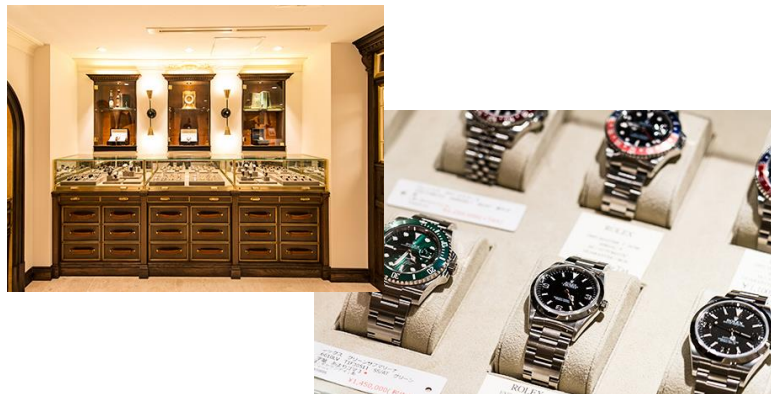
Measures Involving Fulfillment Services-3

Strengthening the ALLU brand.

- ✓ Planning to open ALLU as a sales channel for SBA winning bid partners. (e-commerce consignment)
- ✓ Strengthening brand recognition and sales capabilities by promoting live streaming sales and other measures.

■ Enhancing store merchandise lineups.

Boasting among the largest lineups of Rolex products at the Ginza and Shinsaibashi stores.



■ Establishing Valuence International Shanghai Co., Ltd.

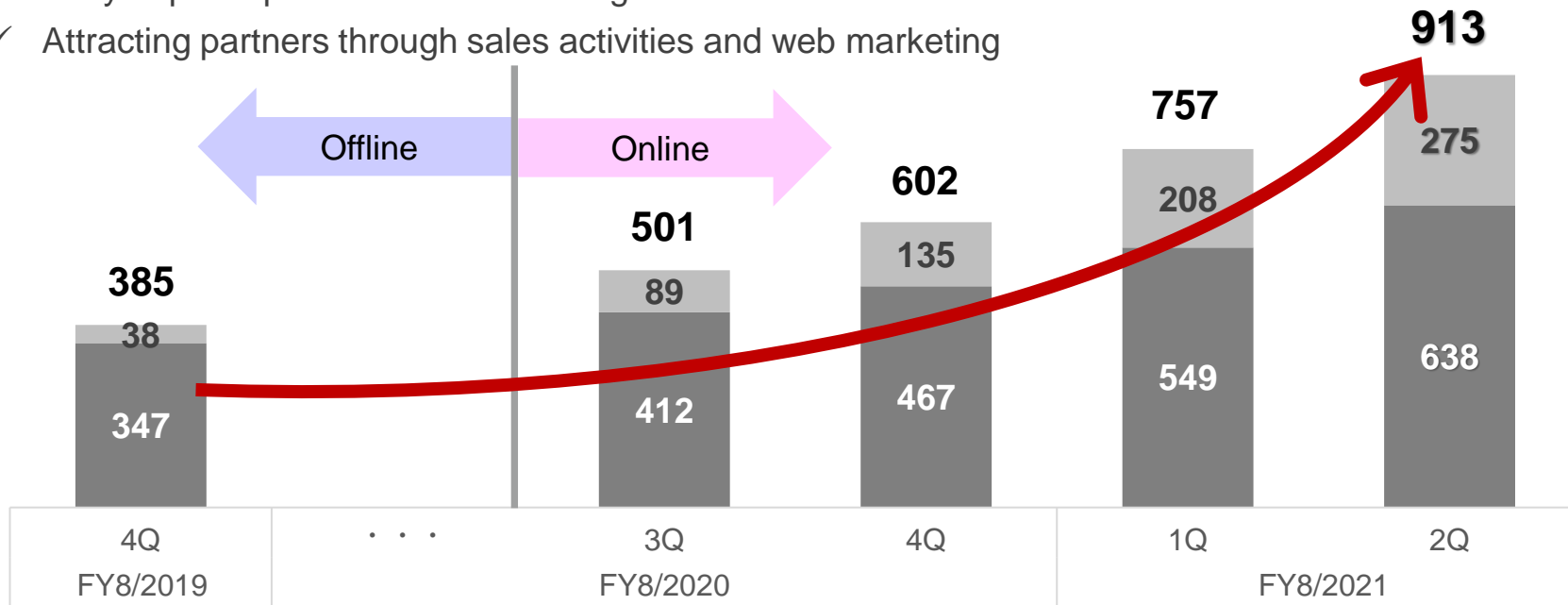
Establishing a local subsidiary, an anticipated growing market for luxury brand items; aiming to increase inbound demand in the future by raising ALLU brand recognition.



Growing Numbers of SBA Partners

Steady domestic and overseas growth.

- ✓ Easy to participate auctions since migration online.
- ✓ Attracting partners through sales activities and web marketing



■ Domestic partners ■ Overseas partners

Overseas Advancement

Expanding cooperative efforts with overseas partners.

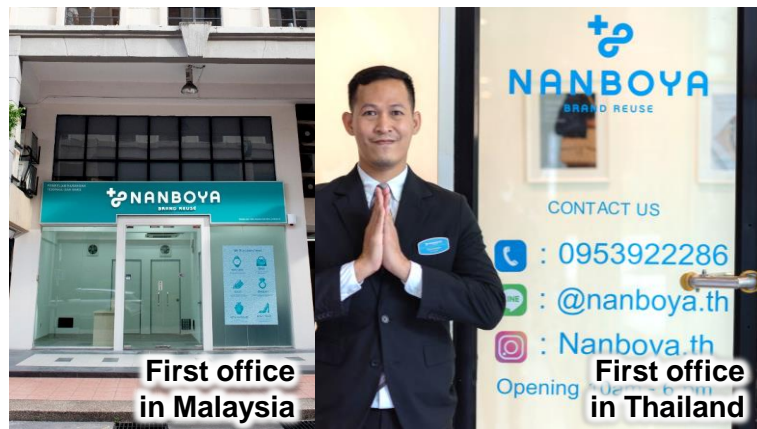
Directly operated

- ✓ Four offices opened. (2Q: +2 offices)
- ✓ Improved operational efficiency by developing in areas where subsidiaries are located.

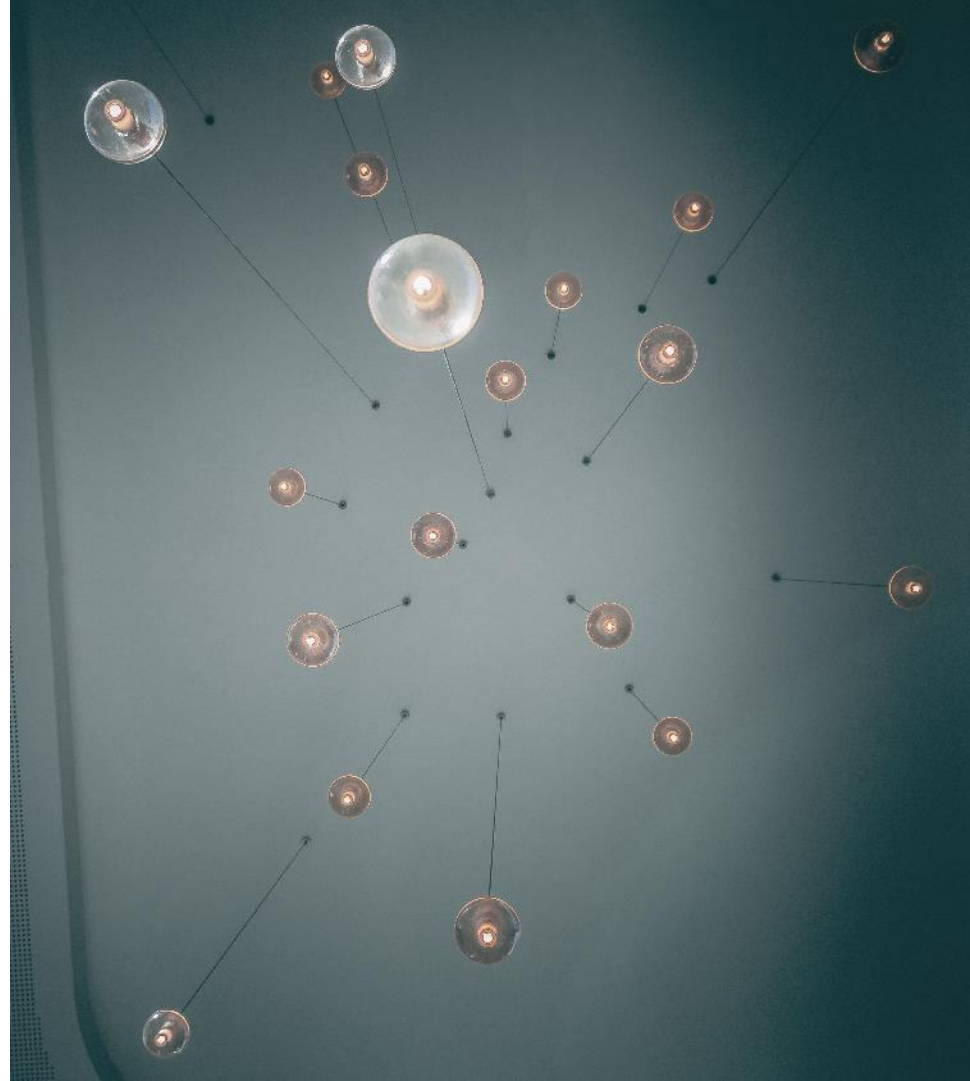


Partner offices

- ✓ Five offices opened. (2Q: +4 offices)
- ✓ Reduced opening costs while improving speed efficiency.

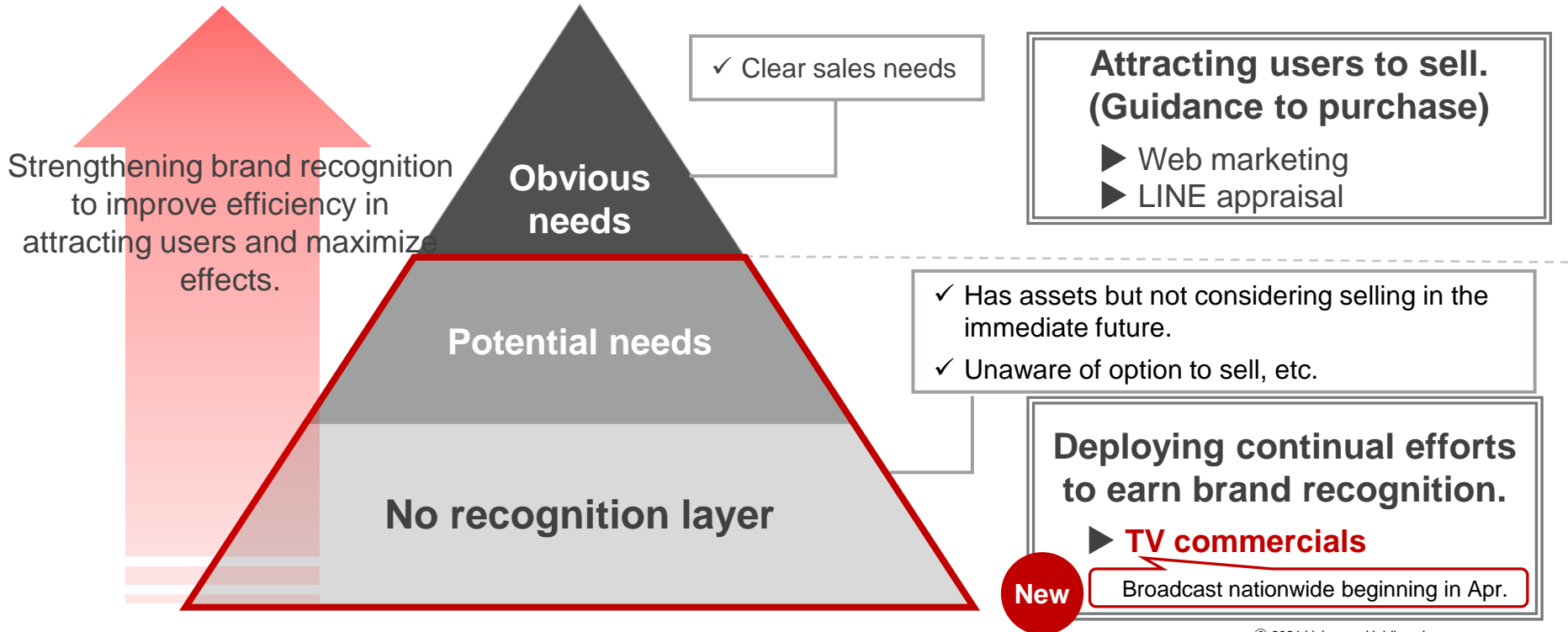


Initiatives during 3Q and Beyond



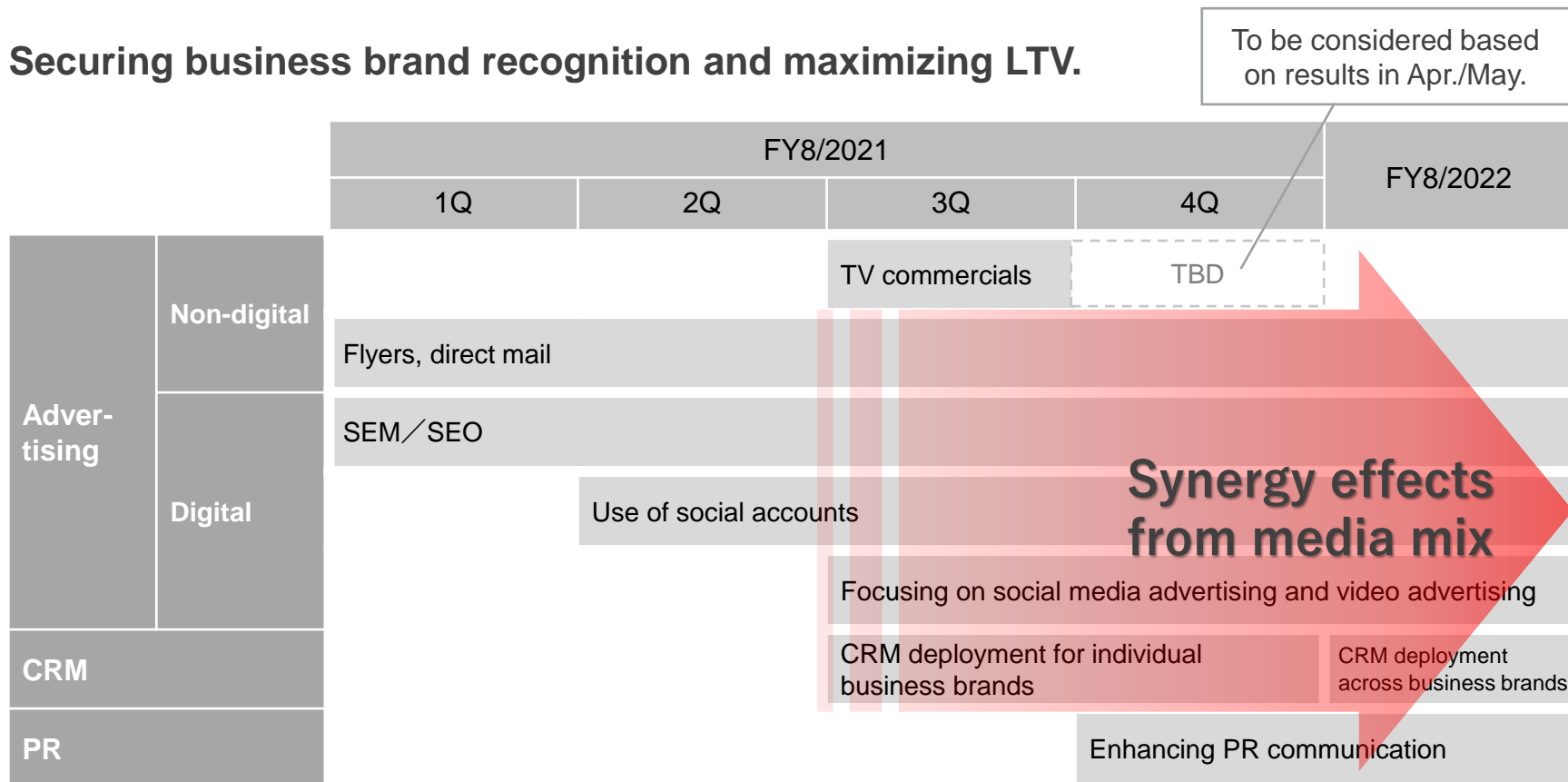
Deployment of Integrated Marketing Strategies

Deploying full scale approach **including mass marketing.**

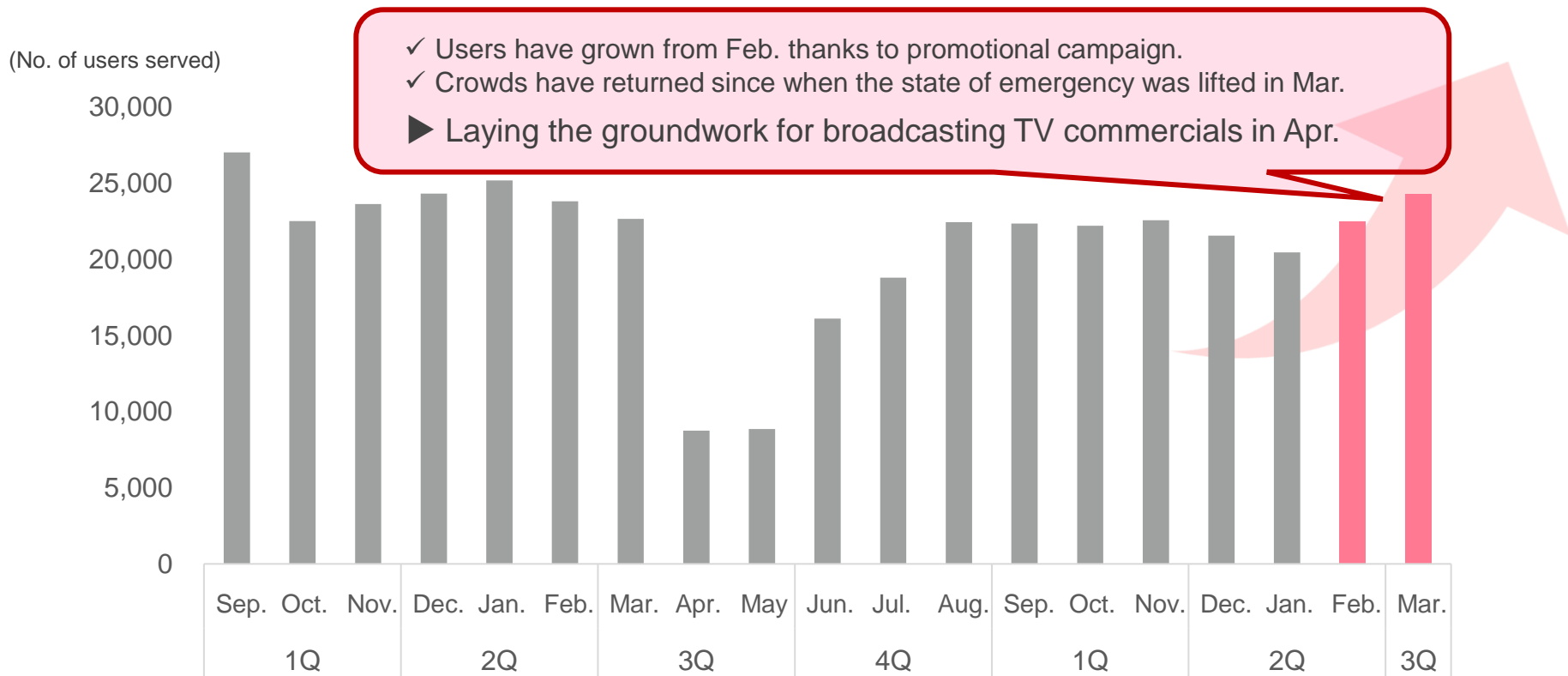


Developing of an Integrated Marketing Strategies

Securing business brand recognition and maximizing LTV.



Deploying Marketing Measures to Expand Users Attraction



Note: Users served shown are for *Nanboya* and BRAND CONCIER.

Deploying Mass Advertising

Aiming to raise brand awareness through TV commercials for May Golden week holidays.

- ✓ Approaching potential users typically not reached by web marketing before.
- ✓ Maximizing the effect of attracting users by broadcasting TV commercials before Golden Week holidays, the time with the largest number of users in the year and implementing campaigns at the same time.
- ✓ Expecting a synergistic effect with the recovery of the number of people returning to street.



Visit the website to view the ad videos.
<https://nanboya.com/kimochiyokuureru/>

Auction Schedule

Further advancing migration online.

		Planned											
		Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Held domestic	SBA	Once	Twice	Twice	Twice	Once *1	Twice	Once *2	Twice	Twice	Twice	Twice	Twice
	8AUC	Once	Once	-	Once	- *1	1	Once	Once	Once	Once	Once	Once
Held overseas	SBA HK			Once				Once	Once		Once		Once

*1 Due to the New Year holidays, SBA held once and 8AUC not held.

*2 SBA held once due to the warehouse relocation.

➤ Achieving all auctions online with migration of SBA HK.

Note: Subject to change depending on COVID-19 and other conditions.

Advancing DX

Targeting further improvements in the stability and efficiency of the business operation structure by accelerating DX in both purchasing and selling.

Purchasing

Starting in Apr.

Updates of online buying

- ✓ Improving convenience by adopting in-house developed system.
- ✓ Improving business efficiency through online services by utilizing standby office concierges.

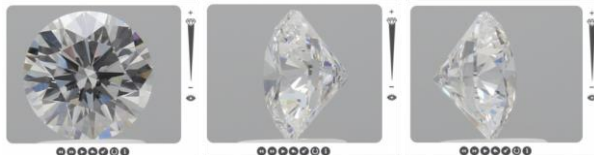


Selling

Starting in Apr.

Migration of SBA HK online

- ✓ Enabling online preview and bidding through adoption of the Vision360 microscope camera.
- ✓ Expecting to increase the participation of partners around the world.



Images of loose diamonds captured with Vision360.

Merchandise management

Starting in Mar.

Adoption of WMS

- ✓ More efficient warehousing/ delivery/ inventory management.
- ✓ Preparation for GMV growth alongside warehouse relocation.

Starting in Mar.

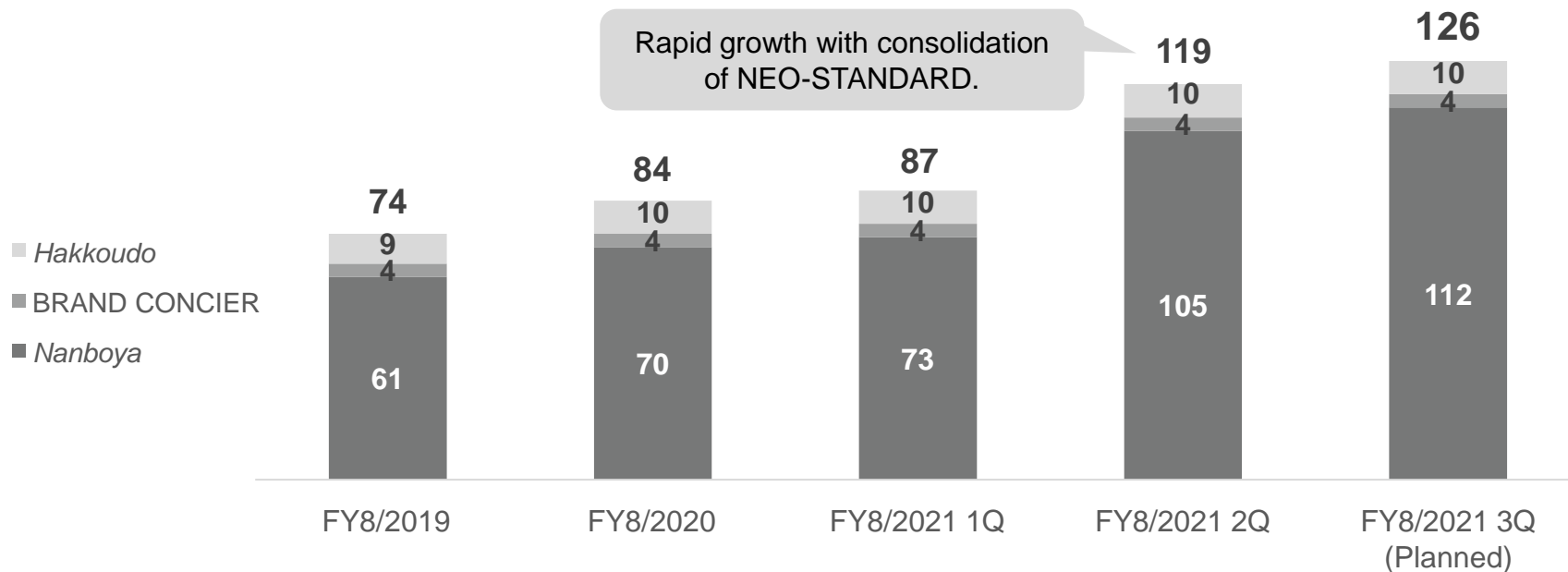
Adoption of MMS* at overseas offices as well

- ✓ Improving the efficiency of merchandise management and business discussion management.
- ✓ System standardization at home and abroad.

* MMS: Merchandise Management System

Domestic Office Development

Continuing to open new offices to increase GMV.



Openings/ closures

Opened: 15 offices
Closed: 4 offices

Opened: 14 offices
Closed: 4 offices

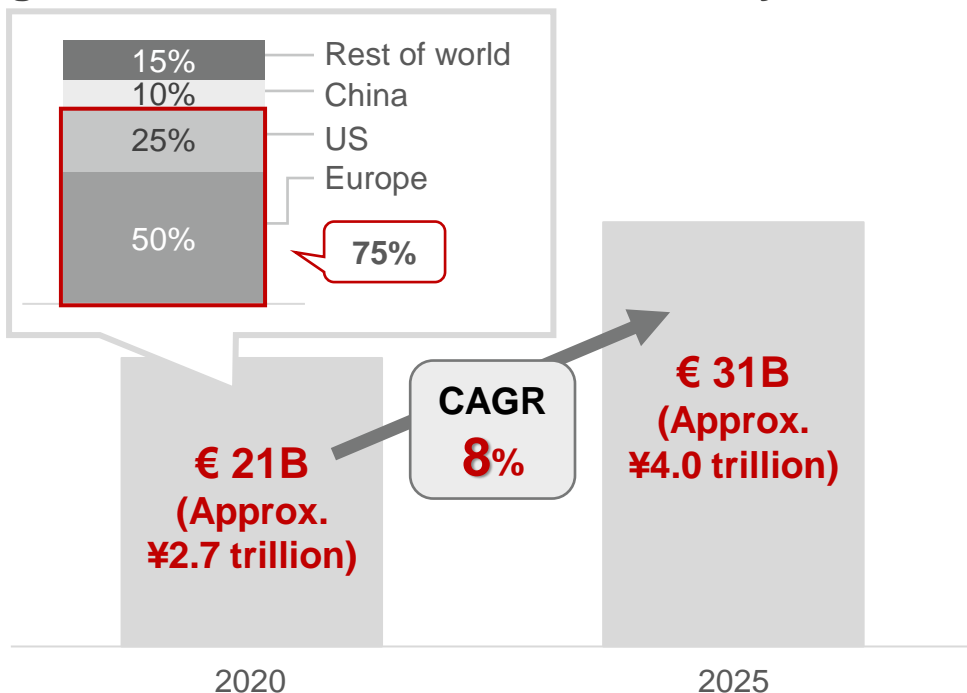
Opened: 4 offices
Closed: 1 office

Opened: 4 offices
Acquired: 28 offices

Opening: 7 offices

Promoting Overseas Advancement-1

Launch of full-fledged business development in Europe and North America, the global reuse market leaders for luxury items.



- Projected **CAGR of 8%** through 2025 in the global luxury items reuse market.
- In 2020, **Europe and North America** accounted for 75% of the global market.

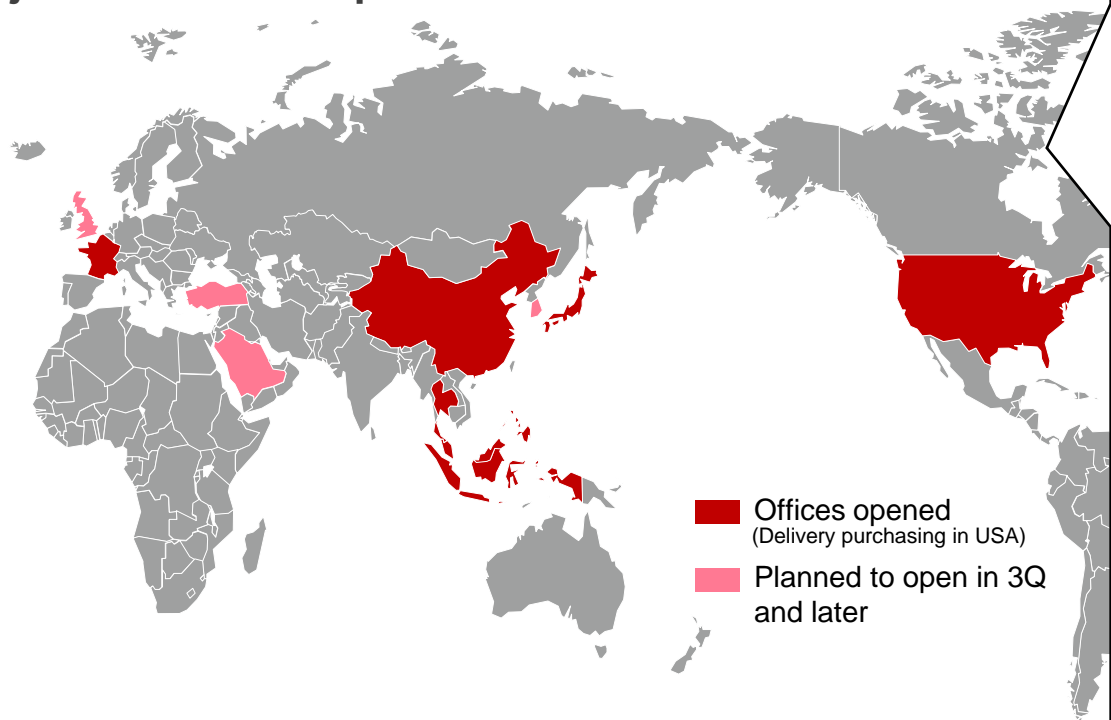
Opening Japanese-style offices in the major markets of Europe and North America and in areas where growth is projected.

*1 Subject merchandise: watches, jewelry

*2 Prepared by Valence Holdings based on the Boston Consulting Group, "The Secondhand Opportunity in Hard Luxury"

Promoting Overseas Advancement-2

Accelerating office openings overseas through joint efforts with partners.



Overseas buying offices

End of 2Q: 9 offices

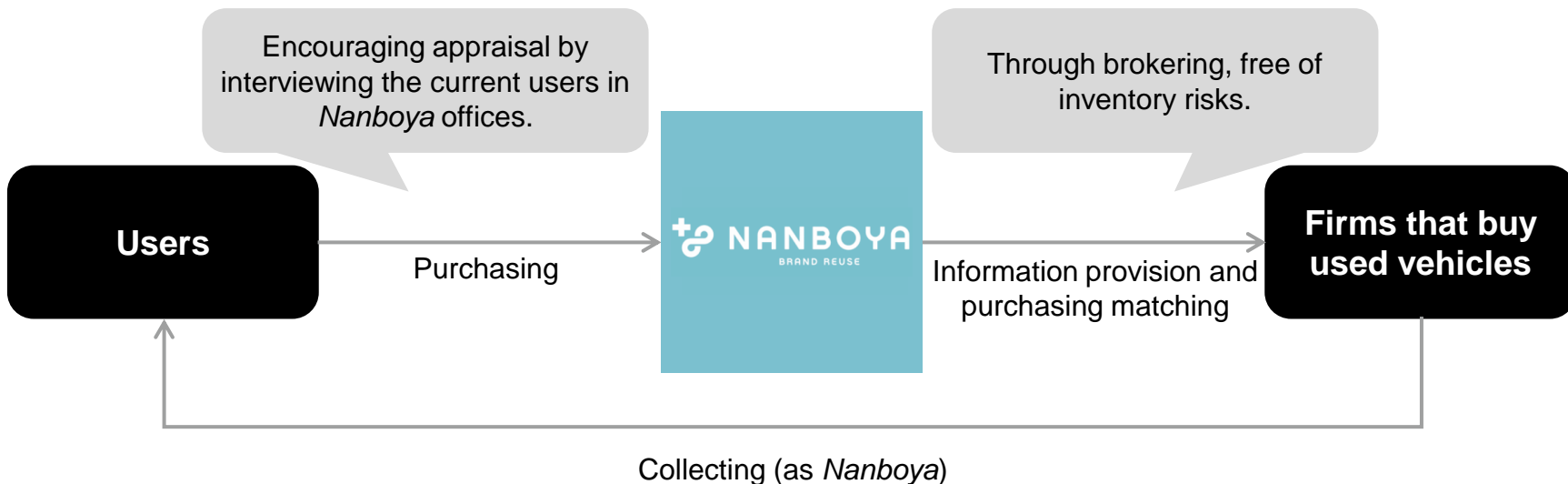
⇒ End of 4Q: more than 18 offices

	Directly operated	Partner offices
1Q	<u>1 office</u> Singapore	
2Q	<u>2 offices</u> HK France <u>Delivery</u> USA	<u>4 offices</u> Indonesia Malaysia Philippines Thailand
3Q and later	<u>More than 4 offices</u> Singapore 2 offices in UK France etc.	<u>More than 6 offices</u> Indonesia South Korea Turkey USA Saudi Arabia Malaysia etc.

Starting Vehicle Purchasing (Brokering)

Utilizing existing resources to expand the types of real assets handled.

- ✓ Identifying vehicle purchasing needs from *Nanboya* users and brokering vehicle purchases. (earning commissions)
- ✓ Vehicle appraisal will be added to LINE and Miney in preparation for future business growth.

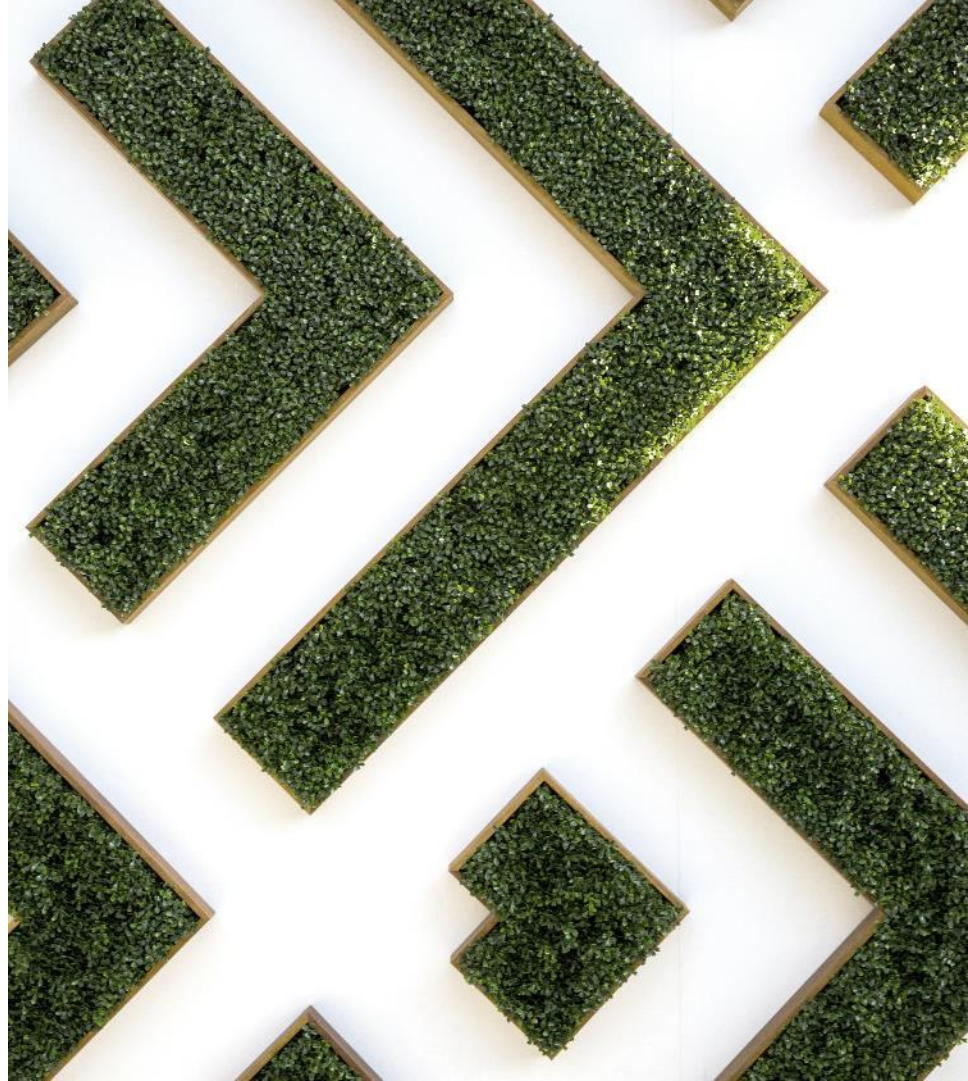


Conclusion of Global Commitment Line Contract

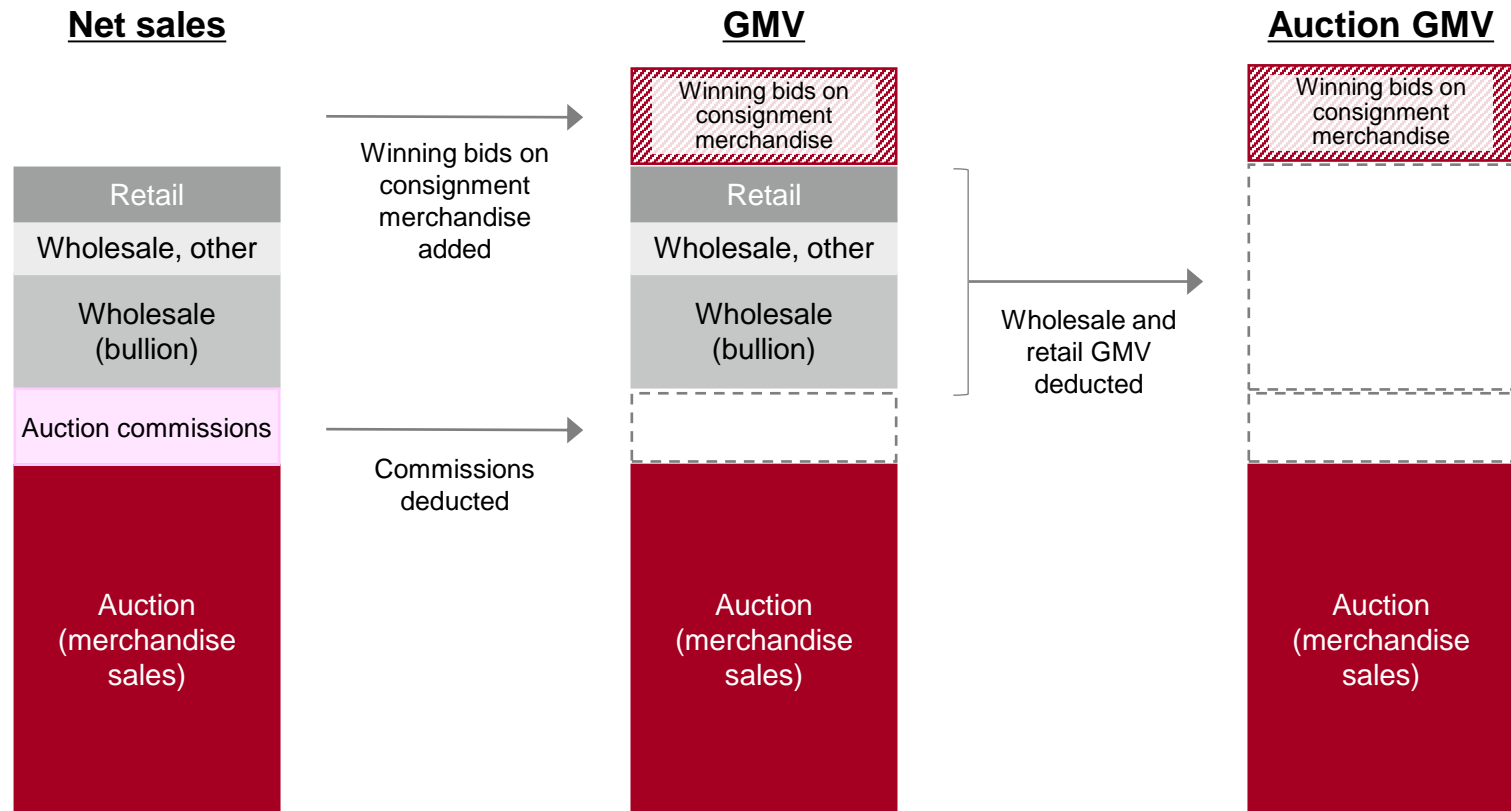
Securing a line of credit and stabilizing financial foundations by concluding global commitment line contract.

Objectives	<ul style="list-style-type: none">✓ Ensuring flexible procurement of funds necessary for domestic and overseas business development.✓ Securing a solid backup line of credit for emergencies.
Established credit line	11 billion yen
Agreement period	Mar. 29, 2021 to Mar. 29, 2024
Arranger	Mizuho Bank, Ltd.
Participating financial institutions	Mizuho Bank, Ltd., 9 other banks

Appendix



[GMV] Relationship between Net Sales and GMV



* Some sales revenues from commissions are included under "Wholesale, other" and "Retail". Those commissions are excluded from GMV calculations.

Directors

The governance structure is being enhanced under the leadership of the directors, a majority of whom are Independent Outside Directors.



Representative Director
and President
Shinsuke Sakimoto

Former J. League soccer player who identified the potential of the luxury brand item reuse business while working in the recycling business after retirement. Established the Company in 2011 and assigned as representative.



Director
Susumu Muguruma

Joined the Company in 2018 after a career with Sony, Amazon Japan, and other businesses. Oversees both purchases and sales; responsible for promoting business expansion and globalization.



Director
Shinichiro Sato

Joined the Company in 2020 after a career with organizations including the Daiwa Institute of Research and Digital Garage, Inc. Promotes enhancements in corporate governance and growth in corporate value as director responsible for the sections overseeing corporate planning & administration.



Director
Hiroki Tomiyama

Has served as a representative of various operating companies including SATUDORA HOLDINGS; joined the Company management team as Outside Director in 2020.

Independent
Outside Director



Director
Yoshihiko Takubo

Served for many years as Professor in the Graduate School of Management, GLOBIS University and as an outside director for various operating companies; joined the Company management team as Outside Director in 2020.

Independent
Outside Director

Directors



Director
Masahide Kamachi

Independent
Outside Director

Audit and Supervisory
Committee Member

Offers a wealth of knowledge as a CPA and licensed tax accountant; also serves as Outside director and outside auditor of listed companies and other organizations; joined the Company management team in 2016 as Outside Director; appointed Audit and Supervisory Committee Member in 2019.



Director
Kenta Takami

Audit and Supervisory
Committee Member

Joined the Company as General Manager of the Internal Audit Office after a career with audit firms and management planning sections of operating companies; supervises internal auditing division; appointed as a full-time Audit and Supervisory Committee Member in 2020.



Director
Kiyohito Hamada

Independent
Outside Director

Audit and Supervisory
Committee Member

Has a wealth of knowledge of corporate accounting as a CPA; also serves as outside director and outside auditor for listed companies and other organizations; appointed Company Outside Director in 2016; appointed Outside Director (Audit and Supervisory Committee Member) in 2019.



Director
Takashi Goto

Independent
Outside Director

Audit and Supervisory
Committee Member

Has a wealth of specialized legal and regulatory knowledge as an attorney; also serves as outside director and outside auditor for listed companies and other organizations; appointed Company Outside Director in 2017; appointed Outside Director (Audit and Supervisory Committee Member) in 2019.

- Net sales by channel, auction results, and GMV trends contained herein are for reference purposes. The figures have not been audited by independent auditors.
- Financial results forecasts, etc. are based on information available at the time and certain assumptions deemed rational. Actual results and policies are subject to change due to various risks, uncertainties, and other factors, including changes in global trends and conditions.
- The preparation of this document complies with the *Consolidated Financial Results for the Six Months Ended February 28, 2021*.

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The logo for Valuence, featuring the word "Valuence" in a bold, white, sans-serif font against a solid black rectangular background.