



Consolidated Financial Results for the Nine Months Ended May 31, 2021 [Japanese GAAP]

July 14, 2021

Company name: Valuence Holdings Inc.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 9270

URL: <https://www.valuence.inc/>

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Scheduled date for filing July 14, 2021

Scheduled date for commencing —

quarterly securities report:

dividend payments:

Preparation of supplementary quarterly financial results briefing materials : Yes

Holding of quarterly financial results briefing

: Yes (For institutional investors and analysts)

(Amounts of less than one million yen are truncated.)

1. Consolidated financial results for the nine months ended May 31, 2021 (September 1, 2020 to May 31, 2021)

(1) Consolidated operating results (cumulative)

(% indicates year-over-year change)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------------------|-------------|-------|------------------|---|-----------------|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended May 31, 2021 | 37,412 | 48.2 | 455 | — | 258 | — | 460 | — |
| Nine months ended May 31, 2020 | 25,242 | (8.3) | (315) | — | (368) | — | (585) | — |

Note: Comprehensive income: Nine months ended May 31, 2021 489 million yen [—%]

Nine months ended May 31, 2020 (581) million yen [—%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended May 31, 2021 | 34.83 | 34.56 |
| Nine months ended May 31, 2020 | (45.25) | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity capital ratio |
|-----------------------|--------------|-------------|----------------------|
| | Million yen | Million yen | % |
| As of May 31, 2021 | 18,989 | 7,114 | 36.9 |
| As of August 31, 2020 | 15,378 | 6,735 | 43.8 |

(Reference only) Equity Nine months ended May 31, 2021 7,010 million yen Fiscal year ended in August 2020 6,735 million yen

2. Dividends

| | Annual dividends | | | | |
|--|-------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended in August 2020 | — | 0.00 | — | 25.00 | 25.00 |
| Fiscal year ending in August 2021 | — | 0.00 | — | | |
| Fiscal year ending in August 2021 (forecast) | | | | 25.00 | 25.00 |

Notes: 1. Revision to the dividend forecast announced most recently: Yes

2. For information concerning dividend forecasts, please refer to “Announcement Concerning Recognition of Negative Income Tax - Deferred and Revision of Full-Year Financial Results Forecast and Dividend Forecast” dated July 14, 2021.

3. Consolidated financial results forecast for the fiscal year ending in August 2021 (September 1, 2020 to August 31, 2021)

(% indicates year-over-year change)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|------|------------------|------|-----------------|------|---|-------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 52,700 | 38.9 | 1,000 | 58.4 | 800 | 28.6 | 750 | 145.4 | 56.73 |

Notes: 1. Revision to the financial results forecast announced most recently: Yes

2. For information concerning consolidated financial results forecasts, please refer to “Announcement Concerning Recognition of Negative Income Tax - Deferred and Revision of Full-Year Financial Results Forecast and Dividend Forecast” dated July 14, 2021.

* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the changes in the scope of consolidation): None
- (2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
 - 1) Changes in accounting policies due to application of new or revised accounting standards : None
 - 2) Changes in accounting policies other than 1) above : None
 - 3) Changes in accounting estimates : None
 - 4) Retrospective restatements : None

(4) Number of shares of common stock issued

- 1) Number of shares issued at the end of the period (including treasury stock)
- 2) Number of shares of treasury stock at the end of the period
- 3) Average number of shares of common stock during the period (cumulative)

| | | | |
|--------------------------------|-------------------|----------------------------------|-------------------|
| As of May 31, 2021 | 13,317,880 shares | Fiscal year ended in August 2020 | 13,183,160 shares |
| As of May 31, 2021 | 67,524 shares | Fiscal year ended in August 2020 | 49,590 shares |
| Nine months ended May 31, 2021 | 13,208,954 shares | Nine months ended May 31, 2020 | 12,947,354 shares |

* These quarterly financial results are not subject to quarterly review procedures to be performed by certified public accountants or an audit firm.

* Explanation on appropriate use of financial results forecasts and other matters of note

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. (3) Explanation of consolidated financial results forecast and other forward-looking information” on page 3 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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1. Qualitative information on quarterly financial results

(1) Explanation of business results

The Company Group is currently promoting efforts to achieve the VG1000 mid-term management plan for the period through the fiscal year ending in August 2025. The Company Group aims to transform itself into a recurring revenue model to achieve sustainable growth by becoming a Global Reuse Platformer, providing partners (“partner” referring hereinafter to a reuse business operator in an auction) around the world with one-stop support in the buying and selling of luxury brand items.

The Company Group positions the current period as a year for concentrated proactive investment to achieve its growth strategies, and as such, it plans to increase advertising expenditures, as well as personnel expenses, expenditures related to systems maintenance and development, etc. As a result of carrying out initiatives based on this plan, the Company Group’s consolidated financial results for the nine months under review were as follows.

Furthermore, there is a significant difference between ordinary profit and profit attributable to owners of the parent because deferred tax assets increased and the Company Group recorded negative income taxes – deferred of 510 million yen, partly owing to the absorption-type merger with NEO-STANDARD Co., Ltd. conducted by Valuence Japan Inc. during the consolidated third quarter period.

| | | |
|---|--------------------|---|
| Net sales | 37,412 million yen | (Up 48.2% from the previous corresponding period) |
| Operating profit | 455 million yen | (Operating loss for the previous corresponding period was 315 million yen) |
| Ordinary profit | 258 million yen | (Ordinary loss for the previous corresponding period was 368 million yen) |
| Profit attributable to owners of parent | 460 million yen | (Loss attributable to owners of parent for the previous corresponding period was 585 million yen) |

The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other items. Thus, information by segment is omitted.

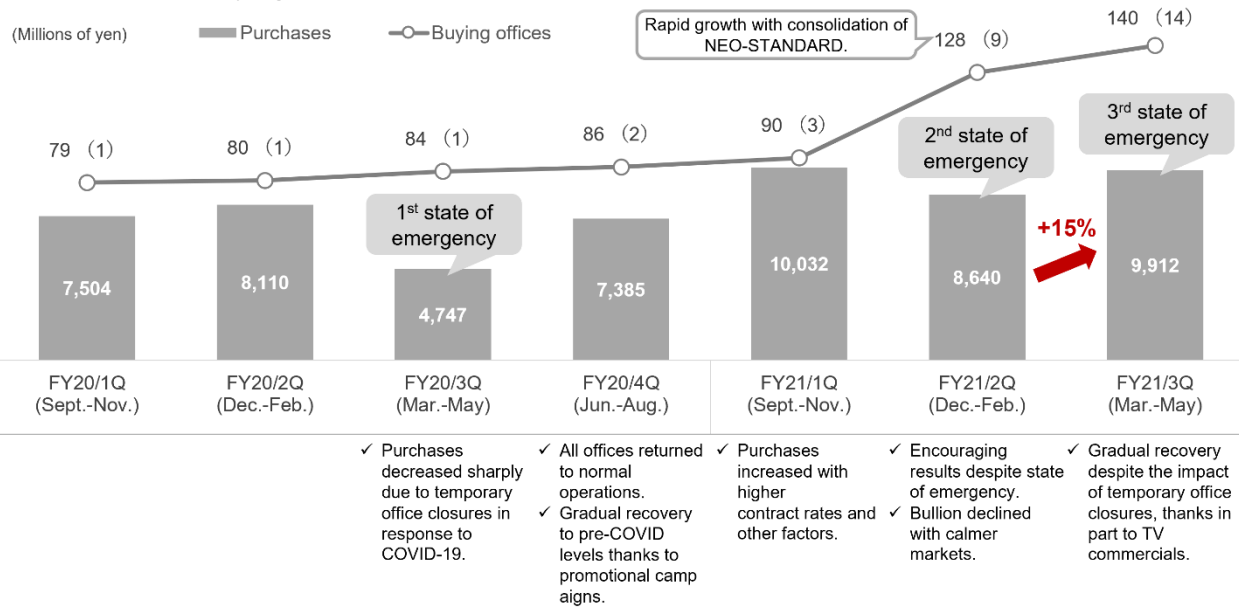
Specific initiatives in the nine months under review were as follows.

First, in order to enhance buying operations, the Company Group opened 15 offices in Japan (1 closure), while overseas it opened 12 offices. For overseas offices, in addition to managing offices directly, the Company Group is pursuing partnerships with local companies in order to open new offices at a rapid pace. Of the 12 offices opened, 5 are directly managed and 7 are partner offices. The Company Group also endeavored to strengthen its buying operations by unifying the branding of 28 *NEOSTA* buying offices acquired via M&A into *Nanboya* from December 2020. As a result, the total number of buying offices operated by the Company Group as of the end of the nine months under review stood at 140, a net increase of 54 from the end of the previous consolidated fiscal year.

Turning to purchases, despite steady growth in number of users served and purchasing during the consolidated first quarter period, difficult buying conditions continued as a result of repeated and prolonged declarations of a state of emergency. Starting April 9, the Company Group launched a one-month commercial campaign in areas where it operates buying offices across Japan, in order to increase recognition of the *Nanboya* brand and the number of users served during the period of consecutive national holidays in early May. On April 25, however, the third state of emergency was declared, and up to 19 buying offices temporarily closed. Yet compared with the previous consolidated third quarter period, when there was also a declaration of a state of emergency, purchases increased significantly. Besides, the Company Group was able to achieve the similar level of purchasing compared to the consolidated first quarter period, when there was no impact from a declaration of a state of emergency.

Quarterly trends in purchases and the number of buying offices are as follows.

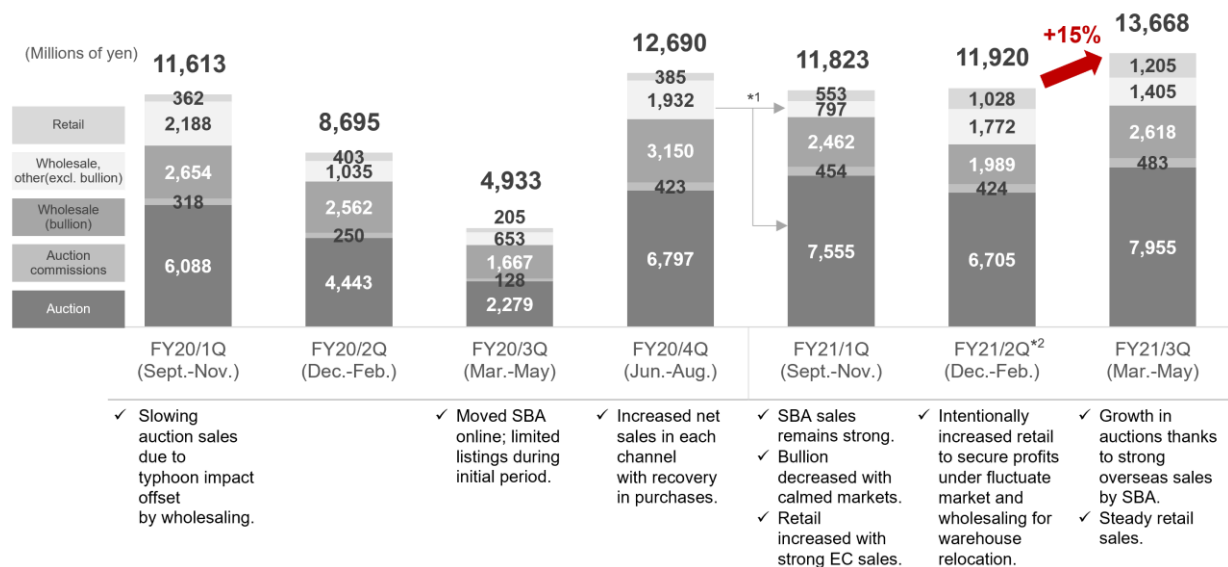
Purchases and Buying Offices



* Number of buying offices in parentheses indicate overseas buying offices.

With respect to selling operations, auction sales increased during the consolidated third quarter period, thanks to the Company Group's ability to secure purchases even under the state of emergency, and the fact that in April it held a diamond auction in Hong Kong that it had been unable to hold during the consolidated second quarter period. Additionally, the Hong Kong auction was held online, instead of at a physical venue, meaning that all auctions held by the Company Group were held online. Furthermore, as a step toward offering a fulfillment service in future, the Company Group continues to enhance the retail brand ALLU, and thus recorded steady retail sales. In the consolidated second quarter period, the gross profit ratio temporarily declined as a result of fluctuations in the watch market, but the gross profit ratio recovered from February onward, and improved 3.8 percentage points to 27.5% in the consolidated third quarter period, compared with the preceding quarter. Quarterly net sales by channel (to B and to C) are as follows.

Net Sales by Channel (to B, to C)



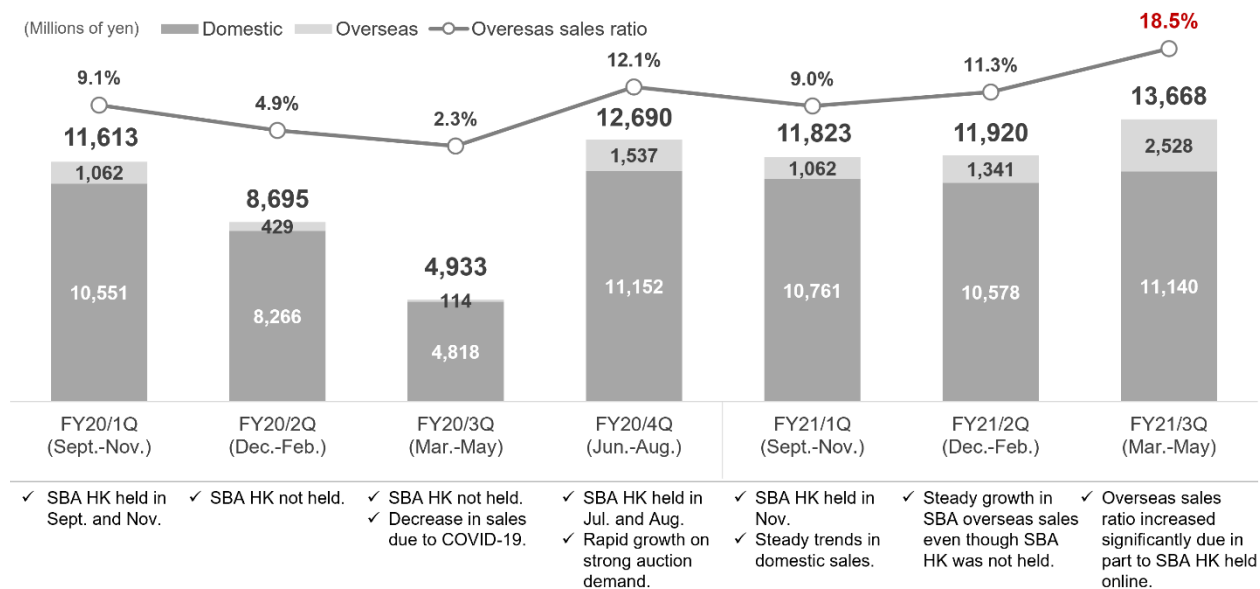
*1 SBA sales to overseas partners included under "Wholesale, other (excl. bullion)" move to "Auction" since FY21/1Q.

*2 Net sales for FY21/2Q differ from the figure provided in financial results announced on Apr. 14, 2021. Because 571 million yen in net sales at NEO-STANDARD Co., Ltd. that were included in "Retail" has been allocated to "Auction", "Wholesale (bullion)", and "Wholesale, other (excl. bullion)", in the amounts of 103 million yen, 220 million yen, and 247 million yen, respectively.

In the Company's mainstay STAR BUYERS AUCTION ("SBA") channel, in which it operates auctions for reuse vendors, the number of partners steadily increased, and the number of registered partners increased by 641 from 602 (467 in domestic/ 135 overseas) at the end of the previous consolidated fiscal year to a total of 1,243 (823 in domestic/ 420 overseas). The amount paid by winners of auctions from overseas has been increasing at SBA, partly thanks to steady increases in the number of overseas partners, as well as the yen weakening in the forex market from the end of the consolidated second quarter period. In the consolidated third quarter period, sales overseas made up 18.5% of net sales, partly because the Company Group held an auction in Hong Kong, as described above.

Quarterly net sales (in domestic and overseas) are as follows.

Net Sales (Domestic, Overseas)



(2) Explanation of financial conditions

(Assets)

Current assets as of the end of the nine months under review were 13,817 million yen, up 2,557 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 1,084 million yen in cash and deposits to cover operating and purchasing funds and an increase of 959 million yen in merchandise resulting from the steady accumulation of inventories, which were down at the end of the previous consolidated fiscal year following strong sales. Non-current assets were 5,172 million yen, up 1,053 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 298 million yen in buildings and structures (net) resulting from the opening of new offices, an increase in buying offices from M&A, and the movement of a warehouse, and an increase of 557 million yen in investments and other assets due mainly to an increase of 505 million yen in deferred tax assets. Total assets were 18,989 million yen, up 3,610 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of the end of the nine months under review were 10,758 million yen, up 3,112 million yen from the end of the previous consolidated fiscal year, due to an increase of 2,708 million yen in short-term loans payable for business expansion, including an increase in buying operations, and an increase of 184 million yen in provision for bonuses. Non-current liabilities were 1,116 million yen, up 119 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 100 million yen in long-term loans payable on the one hand and an increase of 84 million yen in asset retirement obligations on the other. Total liabilities were 11,875 million yen, up 3,232 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets as of the end of the nine months under review were 7,114 million yen, up 378 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 25 million yen each in capital stock and in capital surplus resulting from the exercise of stock options on the one hand and an increase of 179 million yen in retained earnings on the other.

(3) Explanation of consolidated financial results forecast and other forward-looking information

The Company revised the consolidated financial results forecast announced on October 15, 2020, based on financial results for the nine months ended May 31, 2021, and recent trends.

For details, please refer to “Announcement Concerning Recognition of Negative Income Tax - Deferred and Revision of Full-Year Financial Results Forecast and Dividend Forecast” dated July 14, 2021.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

| | Previous consolidated fiscal year (August 31, 2020) | Nine months under review (May 31, 2021) |
|-------------------------------------|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,276,732 | 7,361,427 |
| Accounts receivable - trade | 298,141 | 390,228 |
| Merchandise | 4,011,028 | 4,970,472 |
| Other | 849,157 | 1,226,154 |
| Allowance for doubtful accounts | (175,039) | (131,195) |
| Total current assets | 11,260,021 | 13,817,089 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 1,657,504 | 1,955,686 |
| Other, net | 342,167 | 423,587 |
| Total property, plant and equipment | 1,999,671 | 2,379,273 |
| Intangible assets | | |
| Goodwill | 219,406 | 109,489 |
| Other | 253,750 | 480,212 |
| Total intangible assets | 473,157 | 589,701 |
| Investments and other assets | | |
| Guarantee deposits | 1,137,651 | 1,154,872 |
| Other | 509,039 | 1,049,773 |
| Allowance for doubtful accounts | (810) | (1,190) |
| Total investments and other assets | 1,645,880 | 2,203,456 |
| Total non-current assets | 4,118,709 | 5,172,431 |
| Total assets | 15,378,731 | 18,989,520 |

(Unit: thousand yen)

| | Previous consolidated fiscal year (August 31, 2020) | Nine months under review (May 31, 2021) |
|--|---|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 35,328 | 99,909 |
| Short-term loans payable | 6,343,288 | 9,051,642 |
| Current portion of long-term loans payable | 231,242 | 152,866 |
| Income taxes payable | 253,259 | 208,508 |
| Provision for bonuses | 203,916 | 388,309 |
| Asset retirement obligations | 1,699 | - |
| Other | 577,224 | 857,696 |
| Total current liabilities | 7,645,959 | 10,758,931 |
| Non-current liabilities | | |
| Long-term loans payable | 340,868 | 239,928 |
| Provision for directors' retirement benefits | 66,400 | 63,761 |
| Asset retirement obligations | 580,214 | 665,092 |
| Other | 9,385 | 147,296 |
| Total non-current liabilities | 996,867 | 1,116,078 |
| Total liabilities | 8,642,827 | 11,875,010 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,117,032 | 1,142,730 |
| Capital surplus | 1,104,809 | 1,130,508 |
| Retained earnings | 4,581,888 | 4,761,472 |
| Treasury shares | (59,830) | (46,179) |
| Total shareholders' equity | 6,743,900 | 6,988,531 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | (7,995) | 21,552 |
| Total accumulated other comprehensive income | (7,995) | 21,552 |
| Stock acquisition rights | - | 104,426 |
| Total net assets | 6,735,904 | 7,114,510 |
| Total liabilities and net assets | 15,378,731 | 18,989,520 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

For the nine months ended May 31

(Unit: thousand yen)

| | Previous nine-month period (from September 1, 2019 to May 31, 2020) | Nine months under review (from September 1, 2020 to May 31, 2021) |
|---|---|---|
| Sales | 25,242,427 | 37,412,186 |
| Cost of sales | 19,198,390 | 27,714,879 |
| Gross profit | 6,044,036 | 9,697,306 |
| Selling, general and administrative expenses | 6,359,717 | 9,241,530 |
| Operating profit (loss) | (315,681) | 455,776 |
| Non-operating income | | |
| Interest income | 59 | 254 |
| Outsourcing service income | 3,675 | - |
| Benefits | - | 10,846 |
| Rent income | 6,463 | - |
| Other | 9,521 | 18,487 |
| Total non-operating income | 19,719 | 29,588 |
| Non-operating expenses | | |
| Interest expenses | 26,763 | 32,429 |
| Commission fee | 1,220 | 147,433 |
| Foreign exchange losses | 8,526 | 11,208 |
| Loss on extinguishment of share-based remuneration expenses | 28,132 | 16,232 |
| Other | 7,479 | 19,746 |
| Total non-operating expenses | 72,122 | 227,050 |
| Ordinary profit (loss) | (368,083) | 258,315 |
| Extraordinary income | | |
| Gains on negative goodwill incurred | - | 69,486 |
| Total extraordinary income | - | 69,486 |
| Extraordinary losses | | |
| Impairment loss | 20,530 | 39,170 |
| Office relocation expenses | - | 9,263 |
| Loss on cancellation of rental contracts | - | 7,365 |
| Total extraordinary losses | 20,530 | 55,799 |
| Profit (loss) before income taxes | (388,614) | 272,002 |
| Income taxes - current | 225,762 | 322,707 |
| Income taxes - deferred | (28,523) | (510,752) |
| Total income taxes | 197,239 | (188,044) |
| Profit (loss) | (585,853) | 460,047 |
| Profit (loss) attributable to owners of parent | (585,853) | 460,047 |

Quarterly consolidated statement of comprehensive income
For the nine months ended May 31

(Unit: thousand yen)

| | Previous nine-month period (from September 1, 2019 to May 31, 2020) | Nine months under review (from September 1, 2020 to May 31, 2021) |
|---|---|---|
| Profit (loss) | (585,853) | 460,047 |
| Other comprehensive income | | |
| Foreign currency translation adjustment | 4,580 | 29,548 |
| Total other comprehensive income | 4,580 | 29,548 |
| Comprehensive income | (581,272) | 489,595 |
| Comprehensive income attributable to: | | |
| Owners of parent | (581,272) | 489,595 |

(3) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Notes in the case of significant changes in amount of shareholders' equity)

Not applicable

(Change in scope of consolidation or equity method application)

Effective from the end of the consolidated first quarter period, the scope of consolidation newly includes NEO-STANDARD Co., Ltd. because Valence Japan Inc., a consolidated Company subsidiary, has acquired the company's shares.

In addition, effective from the end of consolidated second quarter period, the scope of consolidated includes newly-established Valence International UK Limited, and Valence International Shanghai Co., Ltd.

Furthermore, effective from the end of consolidated third quarter period, the scope of consolidated includes newly-established Valence Ventures Inc.

Furthermore, effective from the end of the consolidated third quarter period, NEO-STANDARD Co., Ltd. disappeared and was removed from the scope of consolidation, as a result of an absorption-type merger with Valence Japan Inc. as the surviving company.

(Additional information)

There are no significant changes to the assumptions provided under “(Additional Information)” in the Securities Report for the previous consolidated fiscal year concerning accounting estimates related to the effect of the spread of COVID-19.

(Important subsequent events)

(New equity-method affiliate through acquisition of shares)

At a meeting of the Board of Directors held on July 14, 2021, the Company resolved to acquire shares of the common stock of (invest in) Nankatsu SC Co., Ltd., by subscribing to a capital increase through third-party allotment to be conducted by Nankatsu SC Co., Ltd. As a result of this acquisition of shares, the investment ratio of the Company becomes 33.5%, and Nankatsu SC Co., Ltd. is expected to become an equity-method affiliate of the Company. The details of this investment are as follows.

(1) Objective of investment

The Company operates a reuse business, in which it mainly purchases and sells brand products, precious metals, watches, bullion, and jewels, as well as antiques, art, and other products. Additionally, the Company is also working to solve various social issues through its business activities, as it looks to achieve its mission of “encouraging people to live true to themselves.” Since September 2020, the Company has been offering “dual career employment for athletes,” and it is working to create an environment where athletes can earnestly focus both on their sports and their work, by offering solutions to uncertainties in relation to their career after retirement and unstable lifestyles.

On the other hand, Nankatsu SC Co., Ltd.'s mainstay business centers on the operation and management of its soccer team and sports league. Yoichi Takahashi, the creator of *Captain Tsubasa*, a world-famous soccer manga, serves as Representative Director of Nankatsu SC Co., Ltd. *Captain Tsubasa* boasts strong brand recognition, with the manga retaining a large fanbase to this day, and the animated television series having been broadcast not just in Japan, but in numerous countries around the world. Nankatsu SC Co., Ltd. contributes to the development of soccer and sports culture, with its aim of operating its club in a way that shares “dreams”, “hopes”, and “pride” with people. In 2020, Nankatsu SC Co., Ltd. achieved net sales of over 100 million yen, and its soccer team, “Nankatsu SC,” was promoted to the Kanto Soccer League.

With this investment, the Company will be able to participate in the management of an actual sports team, enabling it to further promote its existing dual career employment and contribute to the development of local communities and culture through sports, while also contributing to the enhancement of corporate value. For these reasons, the Company resolved to invest in Nankatsu SC Co., Ltd.

In addition, the Company also believes that it will be able to utilize the strong brand recognition and global

influence of *Captain Tsubasa* in a wide range of areas, including expanding the Company's purchase, which it is developing at an accelerated pace both in Japan and overseas, and identifying more new partners for auctions.

(2) Details of investment target

| | | | |
|--|--|---|---|
| Details of investment target | | | |
| (1) | Name | Nankatsu SC Co., Ltd. | |
| (2) | Location | 6-18-20 Tateishi, Katsushika-ku, Tokyo | |
| (3) | Name and title of representative | Yoichi Takahashi, Representative Director | |
| (4) | Main businesses | Professional soccer team operation | |
| (5) | Capital stock | 10 million yen | |
| (6) | Date of establishment | January 25, 2019 | |
| (7) | Major shareholders and shareholding ratios | Yoichi Takahashi 100% | |
| (8) | Relationship with the Company | Capital relationship | None |
| | | Personnel relationship | None |
| | | Transactional relationship | The Company has entered into a partner agreement with Nankatsu SC Co., Ltd. |
| | | Applicable situation to related parties | None |
| (9) Operating results and financial position of Nankatsu SC Co., Ltd. in the most recent three fiscal years (Thousands of yen) | | | |
| Fiscal year | Fiscal year ended December 31, 2018 | Fiscal year ended December 31, 2019 | Fiscal year ended December 31, 2020 |
| Net assets | — | 8,356 | 13,104 |
| Total assets | — | 35,557 | 55,357 |
| Net assets per share | — | 41 | 65 |
| Net sales | — | 58,965 | 129,561 |
| Operating profit | — | (1,754) | 5,739 |
| Ordinary profit | — | (1,579) | 5,776 |
| Net income | — | (1,643) | 4,748 |
| Net income per share | — | (8) | 23 |
| Dividend per share | — | — | — |

Note: Data for the fiscal year ended December 31, 2018, does not exist because Nankatsu SC Co., Ltd. was established on January 25, 2019.

(3) Number of shares to be acquired, acquisition amount, and shares held before and after the acquisition

| | | | |
|--|---|--|--|
| (1) Number of shares held prior to investment | 0 shares (Number of voting rights: 0) (Ownership ratio of voting rights: 0%) | | |
| (2) Number of shares to be acquired | 101 shares (Number of voting rights: 101) (Ownership ratio of voting rights: 33.5%) | | |
| (3) Acquisition amount | Shares of common stock of Nankatsu SC Co., Ltd. | | |
| | 303 million yen | | |
| | Advisory expenses, etc. (estimate) 15 million yen | | |
| (4) Number of shares to be held after investment | Total (estimate) 318 million yen | | |
| | 101 shares (Number of voting rights: 101) (Ownership ratio of voting rights: 33.5%) | | |
| | | | |
| (5) Ownership ratio after capital increase | Yoichi Takahashi 66.5% | | |
| | Valuence Holdings Inc. 33.5% | | |

(4) Timeline

| | | |
|-----|------------------------------------|------------------------|
| (1) | Board of Directors resolution date | July 14, 2021 |
| (2) | Contract execution date | July 14, 2021 |
| (3) | Payment date | August 2021 (expected) |

(5) Future outlook

The deemed acquisition date for the application of the equity-method is scheduled for the end of August 2021. In addition, one officer of the Company will be appointed as an officer of Nankatsu SC Co., Ltd. This investment will have a limited effect on the Company's consolidated financial results for the fiscal year ending August 31, 2021, but the Company believes that the utilization of the strong brand recognition of *Captain Tsubasa* in the future may be expected to lead to the expansion of the Company's purchasing business and the identification of new partners for auctions, thereby fulfilling a significant role in the Company's business development.

The Company will promptly disclose information related to future developments when necessary.