July 14, 2021

To Whom It May Concern,

Company name: Valuence Holdings Inc.
Representative: Shinsuke Sakimoto,
Representative Director and President
(Securities Code: 9270; TSE Mothers)
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Announcement Concerning Recognition of Negative Income Tax - Deferred and Revision of Full-Year Financial Results Forecast and Dividend Forecast

Valuence Holdings Inc. (the "Company") hereby announces the recognition of negative income tax - deferred during the nine months ended May 31, 2021, and revisions to forecasts of consolidated financial results and dividends for the fiscal year ending August 31, 2021, which were released on October 15, 2020, based on recent performance trends. Please refer to the details below.

1. Recognition of negative income tax - deferred

During the three months ended May 31, 2021, one of the subsidiaries of the Company, NEO-STANDARD Co., Ltd., was merged with Valuence Japan Inc., also a subsidiary of the Company, through an absorption-type merger. As a result, deferred tax assets recognized in respect of carry forward losses from NEO-STANDARD Co., Ltd., and negative income tax - deferred of 318 million yen was recorded.

2. Revision of consolidated financial results forecast

(1) Revision of consolidated financial results forecast figures (September 1, 2020 – August 31, 2021)

	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
Previous forecast (A)	58,000	2,500	2,450	1,500	115.46
Revised forecast (B)	52,700	1,000	800	750	56.73
Difference (B – A)	(5,300)	(1,500)	(1,650)	(750)	
Change (%)	(9.1%)	(60.0%)	(67.3%)	(50.0%)	
Reference: Consolidated financial results for the fiscal year ended August 31, 2020	37,932	631	622	305	23.53

(2) Reasons for revision

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When formulating full-year forecasts for the fiscal year ending August 31, 2021, which were announced on October 15, 2020, the Company expected some impact from the COVID-19 pandemic, but it did not expect repeated declarations of a state of emergency and the implementation of priority measures, such as for prevention of the spread of disease. In addition, the Company planned to grow net sales and profits significantly from the third quarter onward via measures to attract more customers by broadcasting commercials, M&A, and new buying offices opening, etc.

The Company prepared for growth through the second quarter, such as expansion of buying offices through executing M&A and new buying offices opening, along with relocation of warehouses, in order to rapidly increase net sales and profits in the third quarter when television commercials were broadcast as scheduled from April 9. However, the third state of emergency was declared on April 25, and the Company faced difficult buying conditions, including the temporary closure of up to 19 buying offices. As a result, purchases fell below initially expected levels, and net sales in the fiscal year ending August 31, 2021, are expected to fall below initial forecasts. In addition, the Company is continuing to execute upfront investments for future growth as planned, and as such, operating profit, ordinary profit, and profit attributable to owners of the parent are expected to fall below initial forecasts. Based on these circumstances, the Company has revised its full-year consolidated financial results forecasts as shown above.

On the other hand, due to the impact of the state of emergency declaration, the previously announced forecast was not reached; however, compared with the same period of the previous year, when there was also a declaration of a state of emergency, the impact was limited and net sales and profits are both trending toward recovery.

3. Revision of dividend forecast

(1) Details of revisions

	Annual dividends		
	End of first half	Year-end	Total
Previous forecast (October 15, 2020)		35.00 yen	35.00 yen
Revised forecast		25.00 yen	25.00 yen
Actual results for this fiscal year	0.00 yen		
Actual results for the fiscal year ended August 31, 2020	0.00 yen	25.00 yen	25.00 yen

(2) Reasons for revision

The Company’s basic policy calls for paying stable dividends to shareholders while seeking to reinvest earnings in accordance with business plans, based on its recognition that long-term continuous growth in corporate value contributes to returns to shareholders. In line with this policy, it aims to realize a payout ratio of 30% or higher. Based on a comprehensive consideration of various matters, including trends in financial results, financial status, and the dividend policy, the Company has revised its year-end dividend forecast for the fiscal year ending August 31, 2021, to 25.00 yen per share.

* Financial results forecasts and other forward-looking statements in this material are based on information available to the Company at the time at which they are announced and certain other assumptions deemed reasonable. Actual financial results and other figures may differ significantly due to various factors.