

Q2 FY8/2023 Financial Results

April 14, 2023

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Corporate Profile

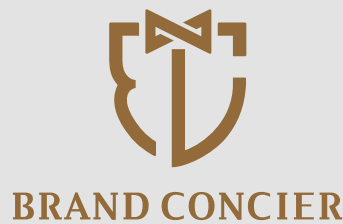
Valuence
Circular Design Company

Corporate Profile

Company Name	Valuence Holdings Inc.
Representative	Shinsuke Sakimoto
Head Office	5 Minamiaoyama, Minato-ku, Tokyo <small>*Relocated from 1 Konan, Minato-ku, Tokyo in Feb. 2023</small>
Founded	Dec. 2011
Capital	1,219 million yen (as of Feb. 28, 2023)
Employees	964 (as of Feb. 28, 2023) <small>*Consolidated, full-time only</small>
Segments	Luxury brand items, antiques, art, and other reuse businesses
Affiliates	10 consolidated subsidiaries 1 equity-method affiliate 964 (as of Feb. 28, 2023)

Group Business and Brands

Purchasing



Auctions



Real estate



Retail



Automobiles



Apps



Purpose

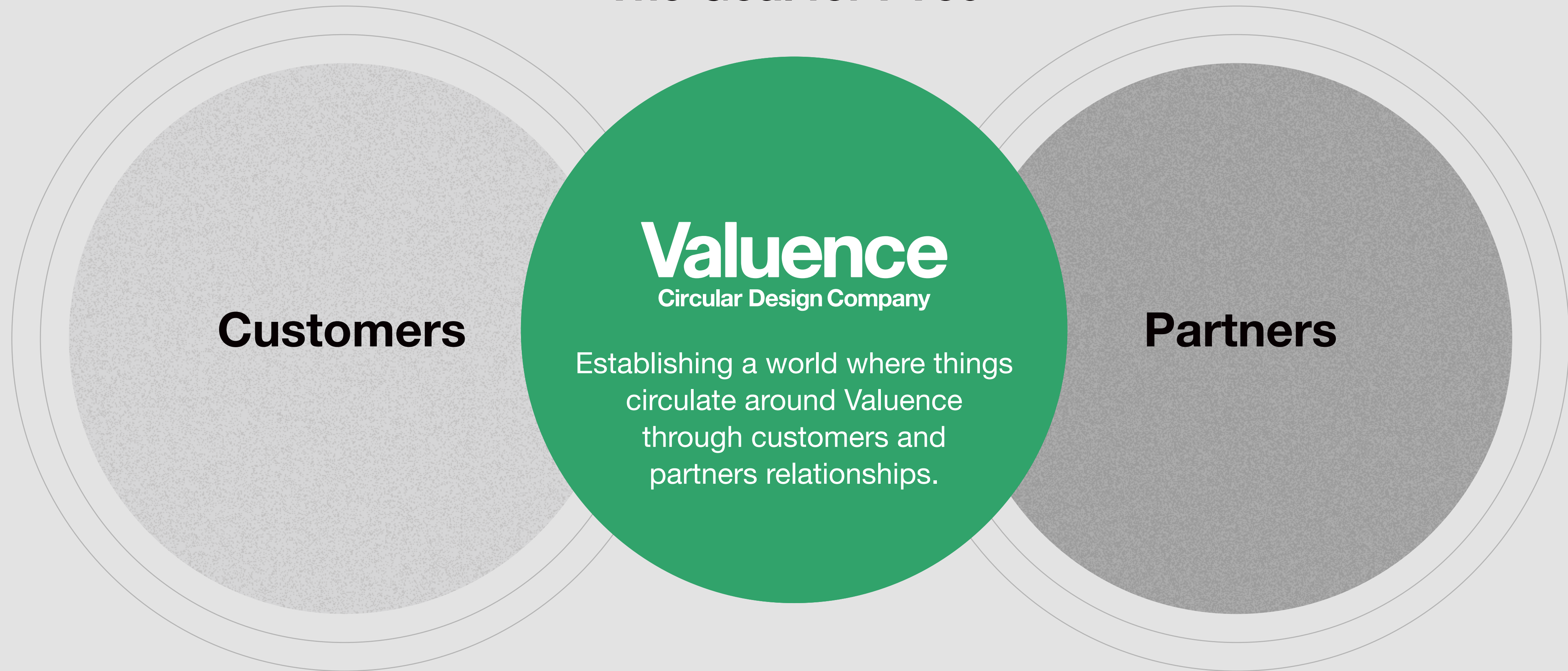
Circular Design for the Earth and Us

Mission

To Encourage More People
to Focus on What is Most Important
in Their Lives

Circular Design Company

The Goal for FY30

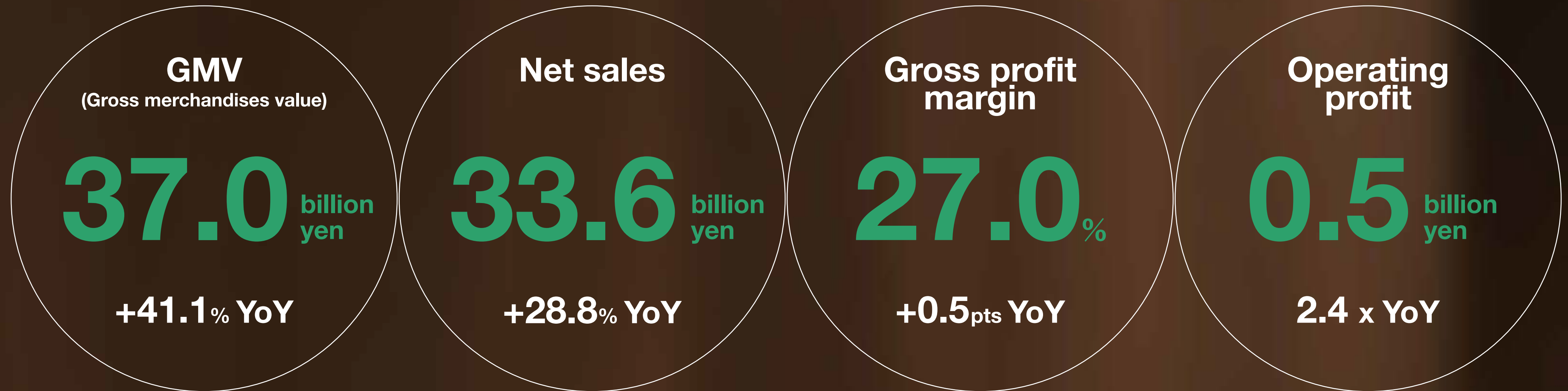


Creating new earning opportunities by offering a broad range of choices and promoting circular use of the things not only owned by us but also owned by customers and partners.



Financial Results

Summary for Q2 FY8/2023 (Cumulative)



Operating profit increased 2.4 x YoY

- Retail sales remained strong as the strategy of selecting sales channels during market fluctuations was effective, resulting in a gross profit margin of 27.0% (+0.5 pts YoY)
- The watch market continued its downward trend, and watch purchasing was particularly difficult. On the other hand, the consignment ratio of the auction expanded favorably to 21.3% (+13.4 pts YoY). In addition, retail measures were successful, and both GMV and sales were strong.
- Operating profit was 0.5 billion yen despite personnel increase and temporary cost of office relocation, etc.

Financial Results for Q2 FY8/2023

- Gross profit margin increased to 27.3% in Q2 FY23 (Dec.-Feb.) by utilizing retail inventories pooled in Q1.
- Despite temporary expenses such as office relocation, operating profit in Q2 FY23 (Dec.-Feb.) was 0.2 billion yen, which increased 13.6 x YoY.

(Million yen)	Q2 FY22	Q2 FY23	YoY	Q2 FY22 (Cumulative)	Q2 FY23 (Cumulative)	YoY (Cumulative)	FY23 Initial plan	Achievement rate
Net sales	12,859	16,378	+27.4%	26,113	33,629	+28.8%	78,500	42.8%
Gross profit	3,348	4,474	+33.7%	6,914	9,084	+31.4%	21,400	42.5%
Gross profit margin	26.0%	27.3%	+1.3pts	26.5%	27.0%	+0.5pts	27.3%	-
SG&A expenses	3,331	4,253	+27.7%	6,700	8,579	+28.0%	18,900	45.4%
Operating profit	16	221	13.6 x	213	505	2.4 x	2,500	20.2%
Operating profit margin	0.1%	1.4%	+1.3pts	0.8%	1.5%	+0.7pts	3.2%	-
Ordinary profit	13	226	16.9 x	182	485	2.7 x	2,350	20.6%
Ordinary profit margin	0.1%	1.4%	+1.3pts	0.7%	1.4%	+0.7pts	3.0%	-
Profit attributable to owners of parent	(93)	25	-	(47)	159	-	1,300	12.2%

* All amounts are rounded down to the nearest million yen; all percentages are round off to one decimal place. (The same hereinafter)

Topics for Q2 FY8/2023 (Dec. – Feb.)

Purchases

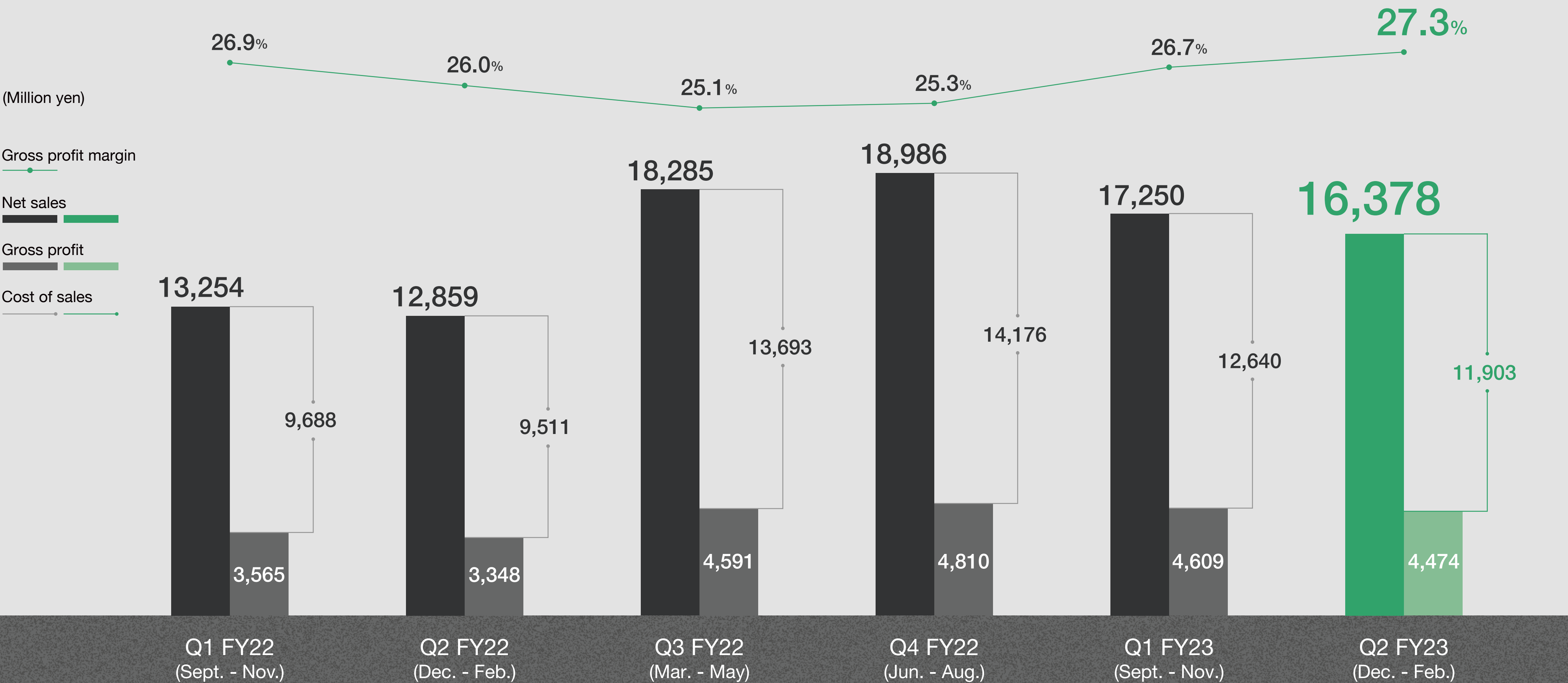
- The watches market continues its downward trend since Q1.
- While watch purchasing decreased due to the sluggish market conditions, purchasing in other items remained strong, resulting in flat purchasing volume YoY.
- New office openings went as planned, bringing the total number of buying offices to **135 domestic and 38 overseas**.

Sales

- **Retail sales increased and gross profit margin improved** due to retail initiatives such as the opening of the ALLU Shinsaibashi and holding an ALLU AUCTION.
- A continued increase in the percentage of domestic sales at auctions due to expectations of an inbound recovery.
- **Consignments at the auction remained strong**.

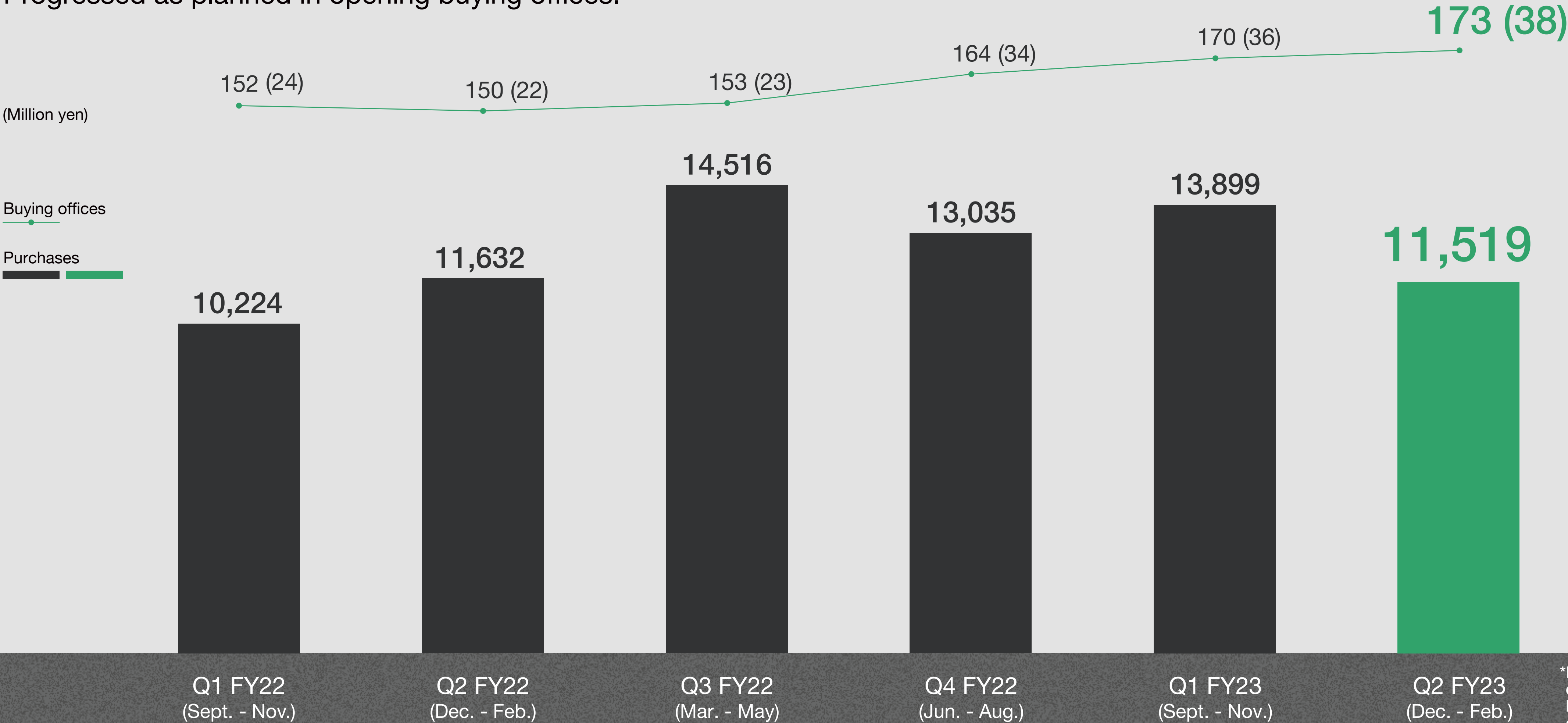
Net Sales and Gross Profit Margin

- Q2 net sales rose 27.4% YoY to 16.3 billion yen.
- Gross profit margin increased 1.3pts YoY to 27.3% thanks to tactical planning of selling inventories secured in Q1 to retail channel in difficult purchasing conditions.



Purchases and Buying Offices

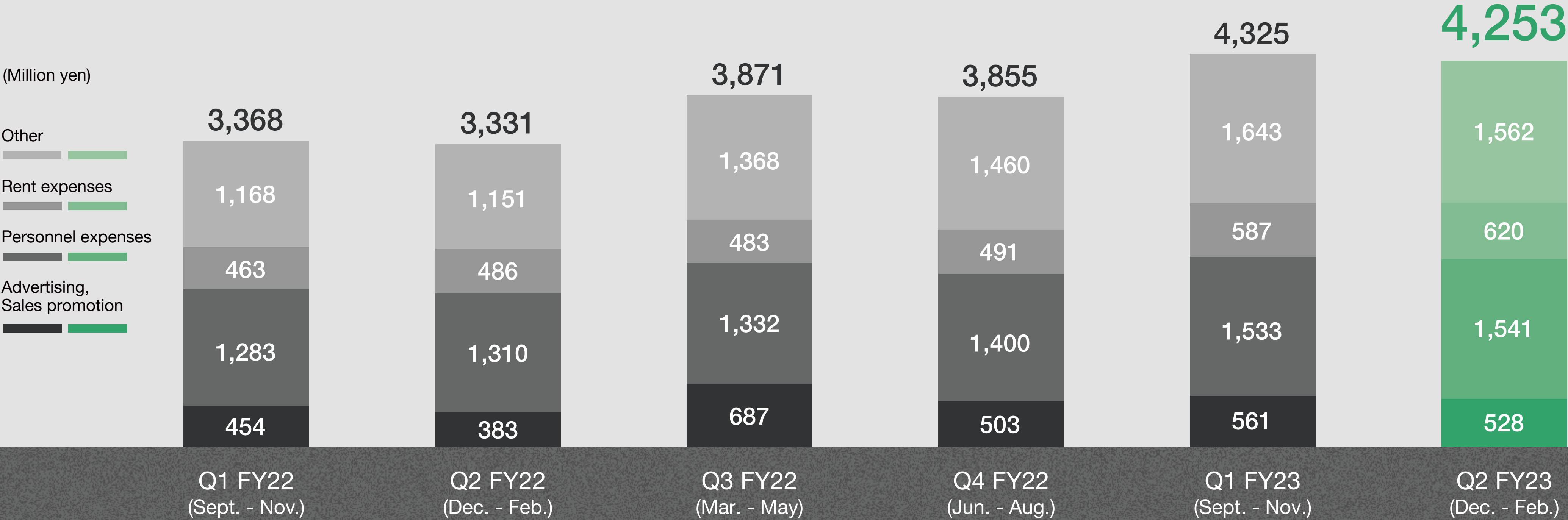
- Purchases were relatively flat YoY to 11.5 billion yen (declined 17.1% from the previous quarter), due to the seasonal decrease in purchases in Q2 as well as further deterioration in watches market prices from Q1.
- Progressed as planned in opening buying offices.



*No. of buying offices includes overseas buying offices.
Nos. in parentheses indicate overseas buying offices.

SG&A Expenses

- Increase in personnel expenses and rent expenses, etc. due to an increase in the number of employees and temporary costs for office relocation, etc.
- SG&A expenses for Q2 were 4.2 billion yen due to cost control such as advertising expenses, etc.



Buying offices*	152 (24)	150 (22)	153 (23)	164 (34)	170 (36)	173 (38)
Employees	871	864	904	896	925	964

*No. of buying offices includes overseas buying offices.
Nos. in parentheses indicate overseas buying offices.

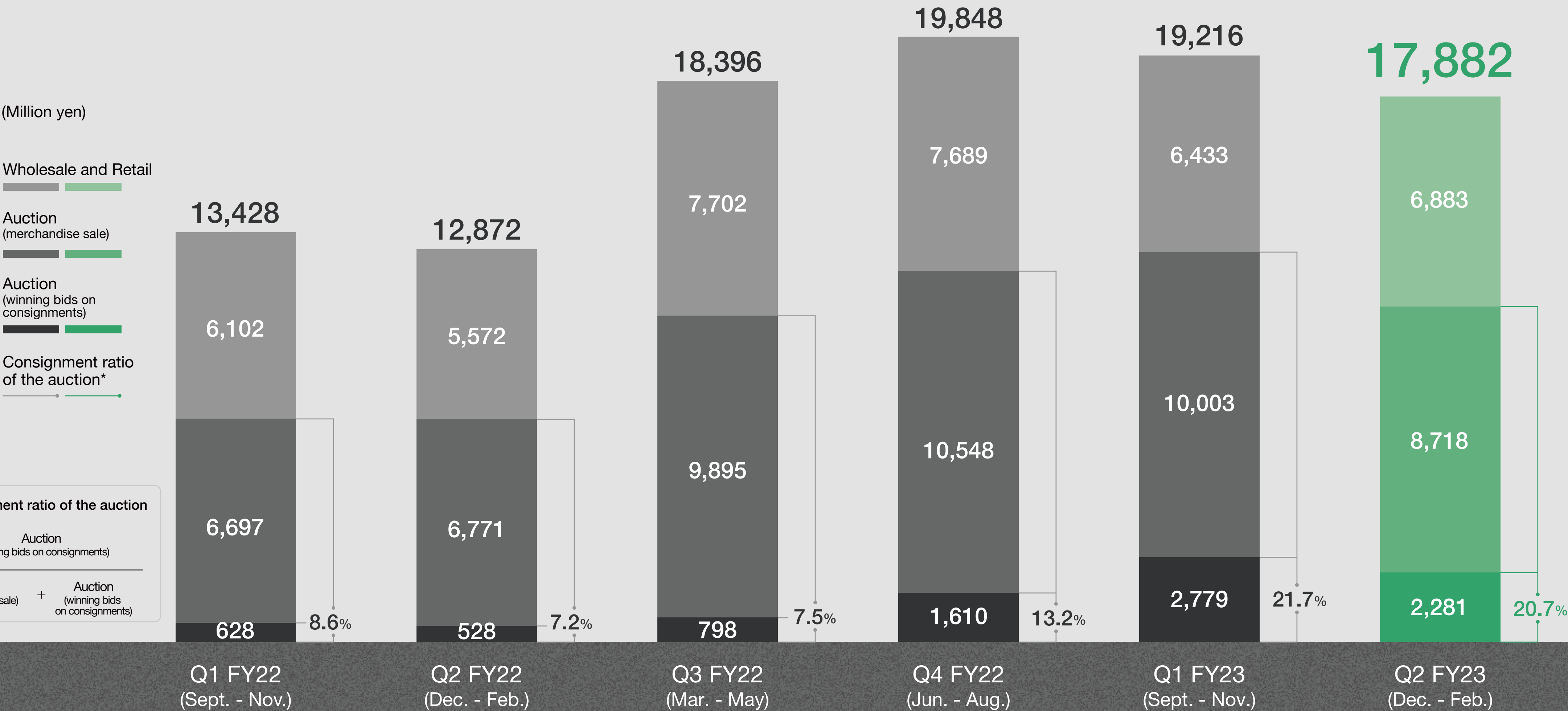
Balance Sheet

(Million yen)

	FY22	Q2 FY23	Difference	
Current assets	16,804	18,446	+1,642	
Cash and deposits	7,807	8,587	+780	
Merchandise	6,329	7,628	+1,299	Increase in merchandise due to the expanded purchase volume in Q1, and inventories from YONE MOTORS CORPORATION, which became a subsidiary at the end of Feb. 2023 and completed BS consolidation in Q2.
Other	2,667	2,229	(437)	
Non-current assets	6,445	8,657	+2,211	Increase in property, plant, and equipment associated with new retail store opening and office relocation, etc. Also, goodwill was added resulting from the acquisition of YONE MOTORS CORPORATION.
Total assets	23,249	27,103	+3,854	
Liabilities	15,395	19,181	+3,785	
Interest-bearing debt	12,515	15,215	+2,699	Increase in long-term borrowings to secure funds for purchasing, capital investment, and M&A.
Other	2,880	3,966	+1,085	Increase due to accrued payables related to office relocation and asset retirement obligations related to the new head office.
Net assets	7,853	7,922	+68	
Total liabilities and net assets	23,249	27,103	+3,854	Difference due to posting profit attributable to owners of parent and dividend payments.

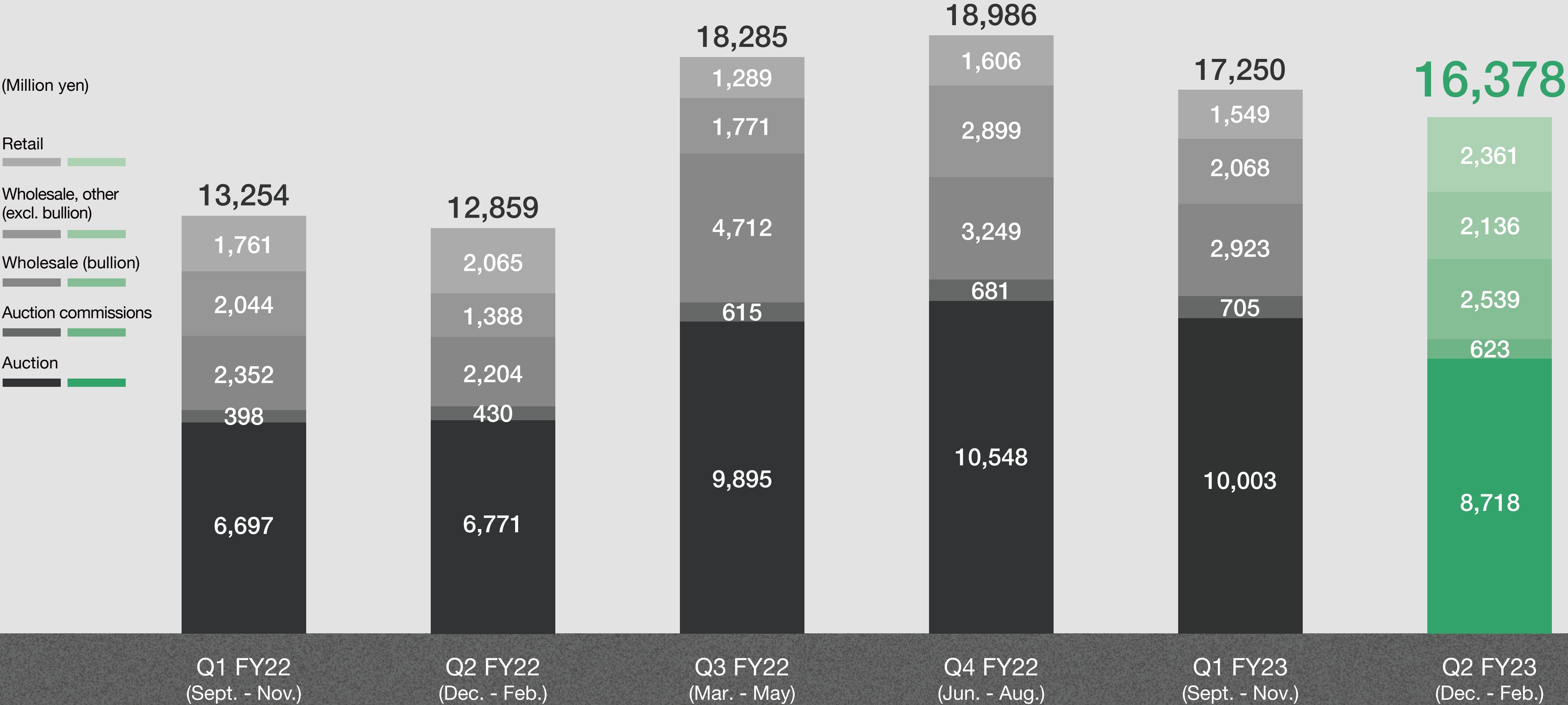
GMV Trends

- Winning bids on consignments increased 4.3 x YoY to 2.2 billion yen thanks to the free charge of the commission fee and increased brand recognition of the auction platform. The consignment ratio of the auction increased 13.5pts YoY to 20.7%.



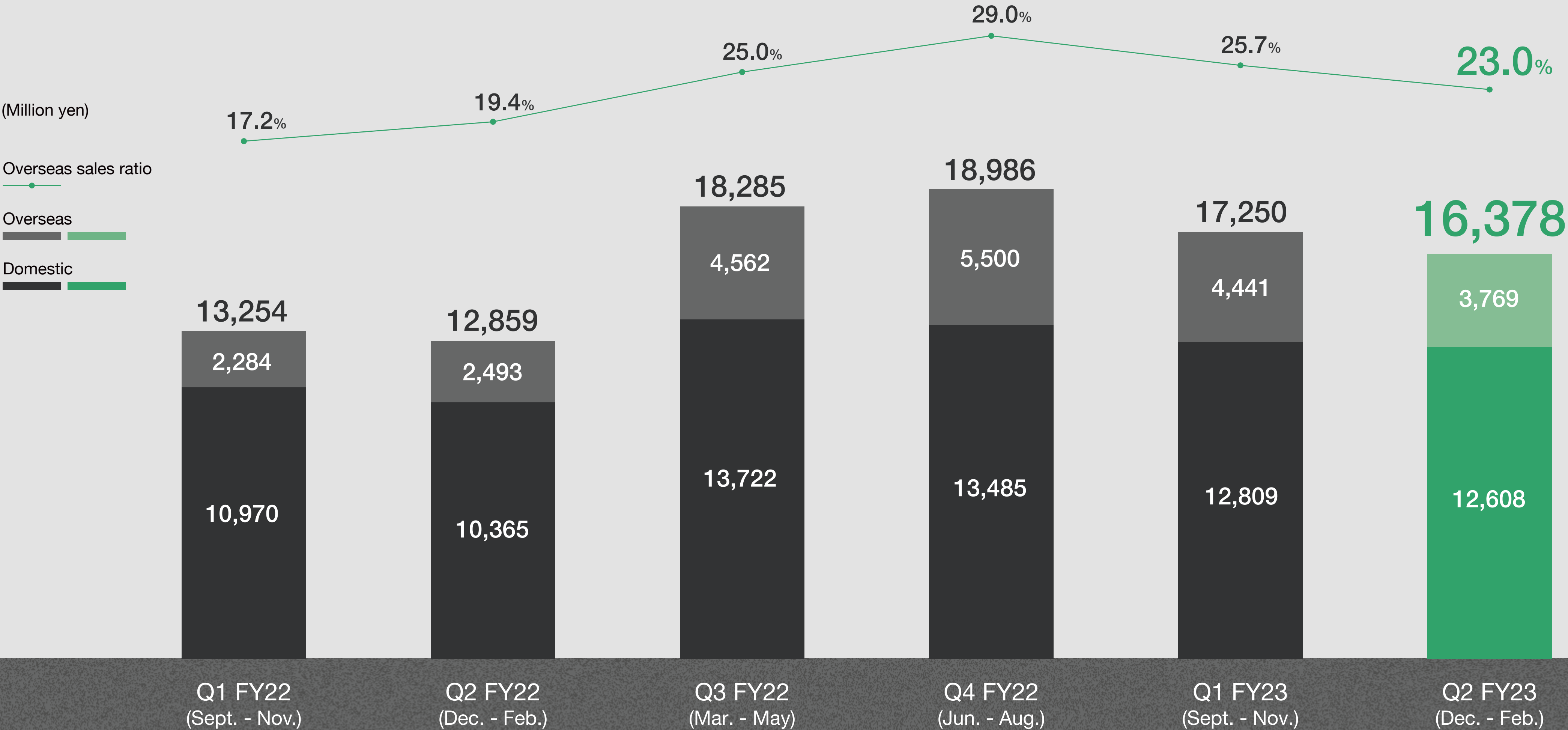
Net Sales by Channel (toB, toC)

- Retail sales increased 14.3% YoY to 2.3 billion yen due to the opening of ALLU Shinsaibashi and the ALLU AUCTION.
- Auction commissions increased 44.9% YoY to 0.6 billion yen due to strong sales of consignments at the auction.



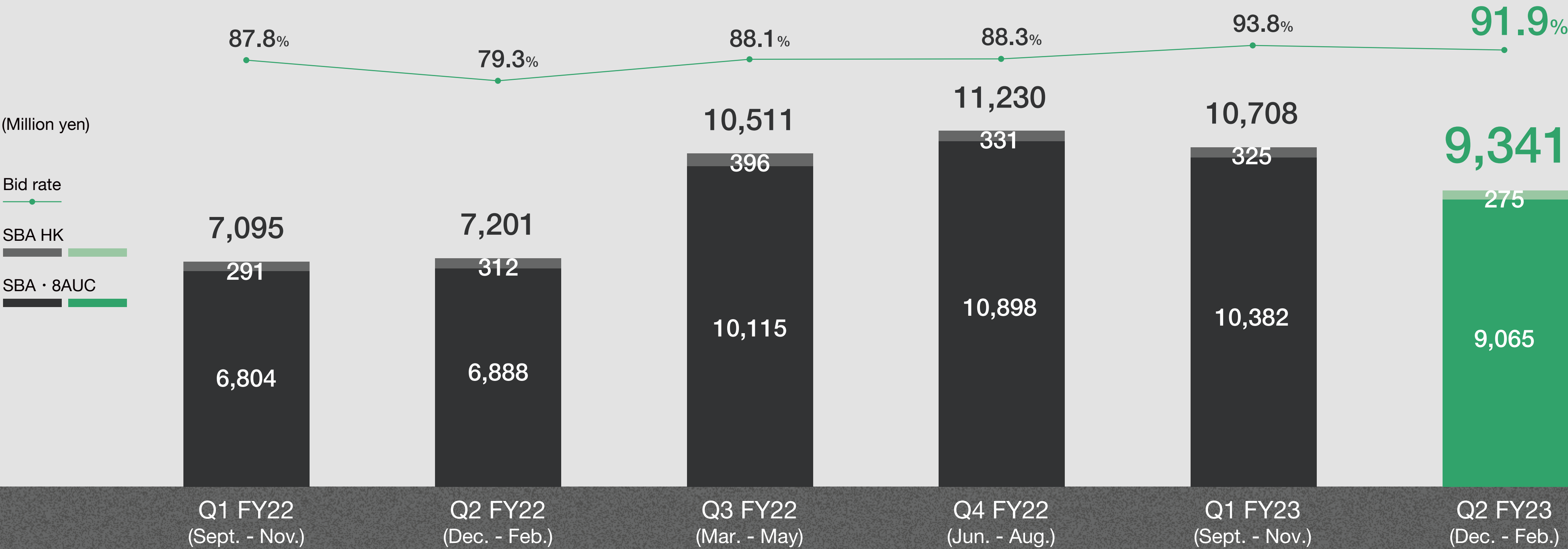
Net Sales by Channel (Domestic, Overseas)

- Domestic sales increased 21.6% YoY to 12.6 billion yen as retail sales increased due to inbound recovery.
- Although the domestic sales ratio increased, overseas sales ratio also remains high at 23.0%.



To B Auction Results

•Weekly auction begins to take hold, and the successful bid rate has remained high at over 90%.



Domestic	SBA ^{*1}	Twice/Month Daily from Nov.	Daily	Weekly	Weekly	Weekly	Weekly
	8AUC ^{*2}	Oct., Nov.	Monthly	Monthly	Monthly	Monthly	Monthly
Overseas	SBA HK	Nov.	Feb.	May	Aug.	Nov.	Jan.

^{*1} SBA :
STAR BUYERS AUCTION
(The same hereinafter)

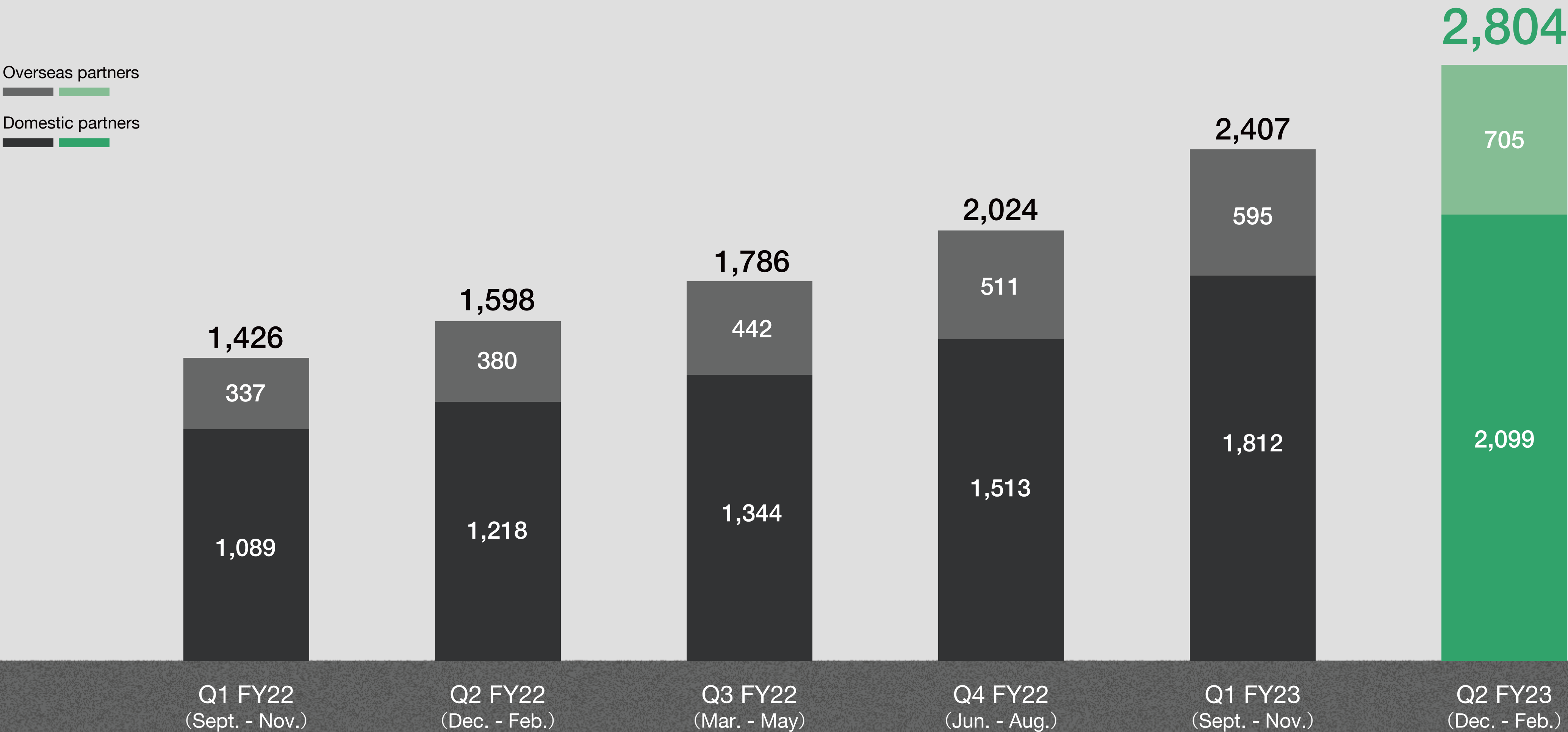
^{*2} 8AUC :
THE EIGHT AUCTION
(The same hereinafter)



Highlights for Q2 FY23

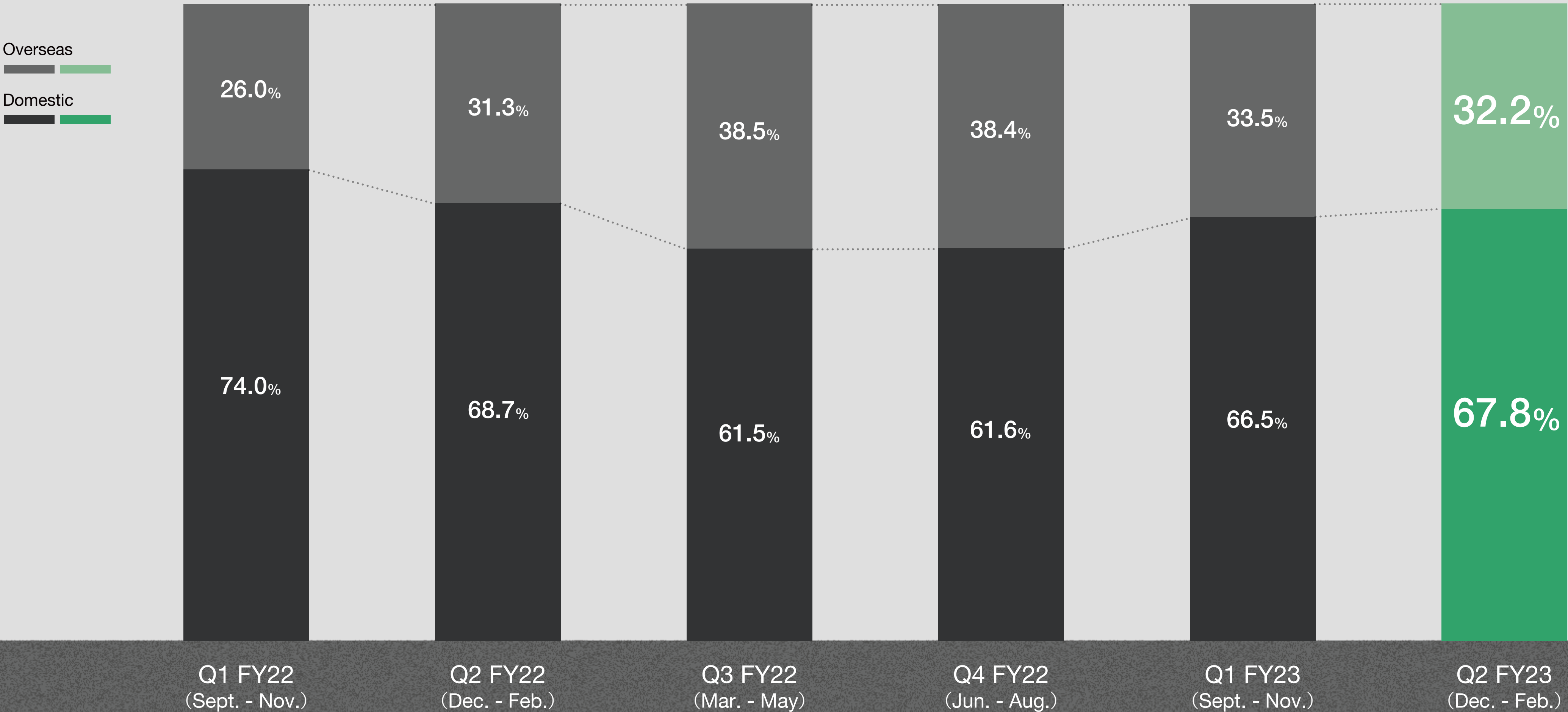
No. of SBA Partners

•The number of SBA partners has grown steadily, and the number of domestic partners has exceeded 2,000.



Domestic/Overseas Ratio of SBA Winning Bids

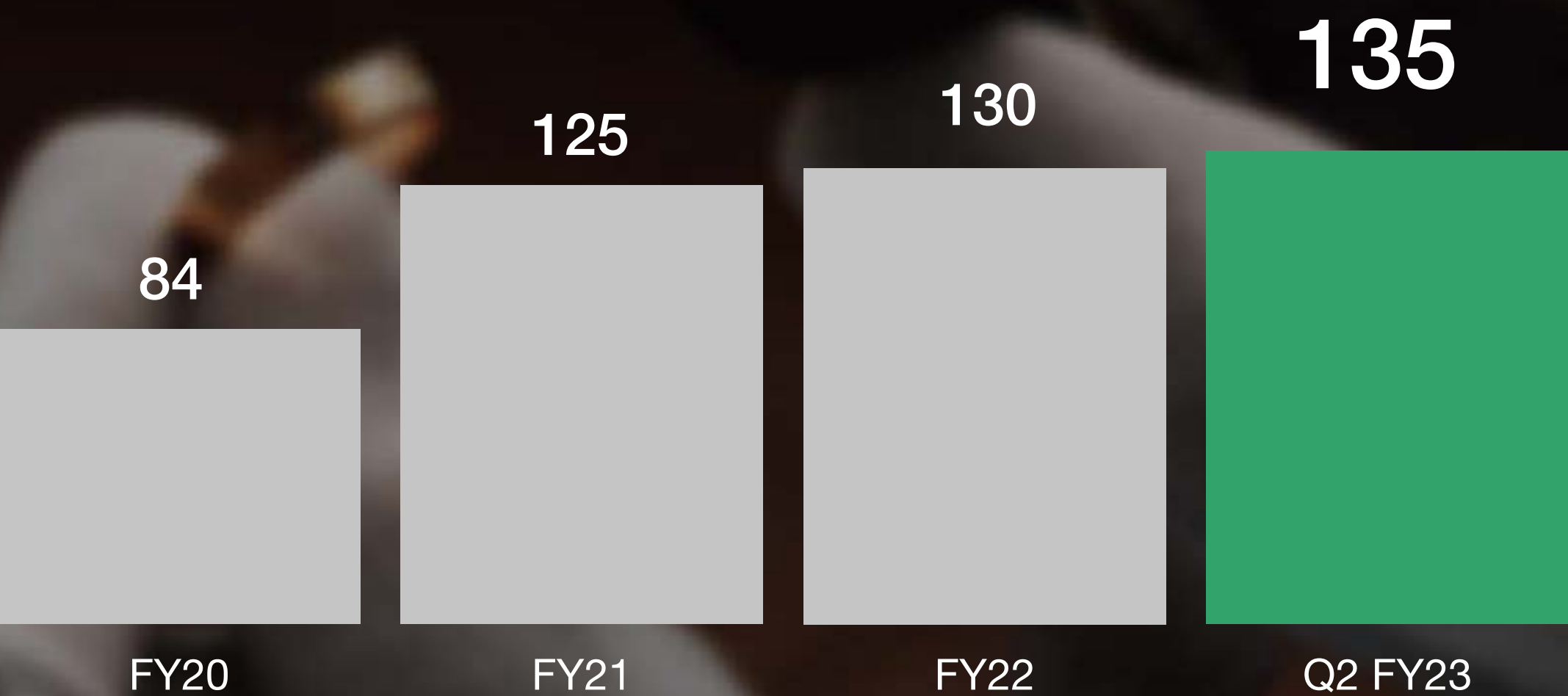
• Domestic ratio increased due to active bidding by domestic partners in anticipation of inbound recovery.



Distribution of Buying Offices

- Opened one buying office in Japan and two buying offices overseas in Q2.
- LaLa Terrace Musashikosugi office opened on Apr. 7, 2023, and another office is scheduled to open in May in Kawaguchi, Saitama.

Japan



New opening
[Dec.] AMU PLAZA OITA

Global



New openings
[Dec.] Tampines (Singapore)
[Jan.] ISETAN KLCC (Malaysia)

Medium-Term Management Plan "VG1000 ver2.0" KPI Trends

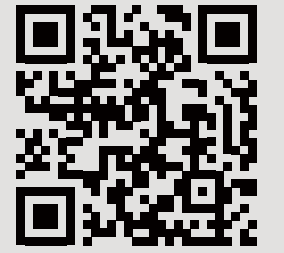
• Each KPI performed well as planned against targets for the final year of the medium-term management plan.

	FY25 (Final Year of Plan)	FY21 (Year 1 of Plan)	FY22 (Year 2 of Plan)	Q2 FY23 (Cumulative)
Net sales	100 billion yen	52.5 billion yen	63.3 billion yen	33.6 billion yen
No. of Domestic offices	170	125	130	135
No. of Overseas offices	100	21	34	38
No. of Overseas partners	1,000	301	511	705
Overseas ratio of sales	30%	14.9%	23.4%	24.4%

ALLU AUCTION

- The first toC Auction "ALLU AUCTION" was held on Jan. 28, 2023.
- The second auction is scheduled for May 6, 2023.

Here for details and membership registration
<https://www.allu-auction.com/>



* Membership registration and pre-application is mandatory to attend the event. Please check the official website for details.



M&A Completion

- Completed the acquisition of "YONE MOTORS CORPORATION" and it becomes a wholly owned subsidiary on Feb. 28, 2023.
- BS consolidation was implemented at the end of Q2, and PL consolidation is scheduled for Q3.

Acquisition purpose

Synergies with existing businesses

Create a new affiliation between automobile business with existing services by mutual customer referrals.

Strengthening the automobile business

Strengthen sales capabilities by leveraging the sales network of YONE MOTORS, as well as competitiveness in terms of purchases.

Contribution to recurring business

Maintain customer relationships through inspection and maintenance service.

Contribution to circular economy

Encourage regular maintenance to prolong the lifespan of the vehicles and increase the chances of car recycling.

Purchases and sales of luxury brand items, etc.

Sales and purchases of automobiles

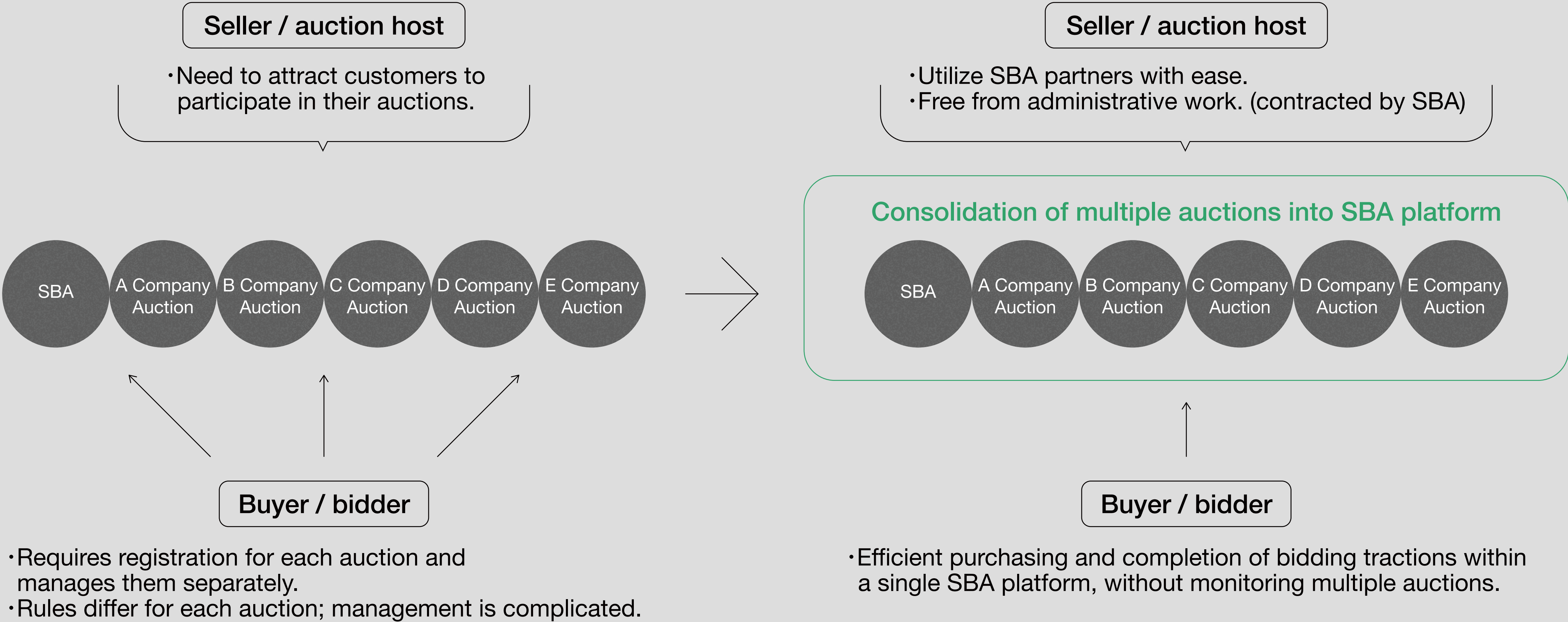
Inspection and maintenance



Initiatives during Q3 and Beyond

SBA Begins to Provide Collaborative Auction Function

- Collaborative auction function at SBA launched in Mar. 2023, allowing other companies to act as market makers and hold auctions.
- SBA acts as a marketplace, seller/auction host can now sell to SBA partners without having to gather buyers on their own.



Fulfillment Service (1) - Current Status

- Currently all the processes and functions from purchasing to sales are one-sided relationships, and no ongoing relationship had been established.



Fulfillment Service (2) - After May 2023

- Fulfillment services to be newly started in May 2023.
- Enhances the value of the platform by making it more convenient for partners, with the intention of strengthening engagement.



Full-year Forecast

Full-year Forecast (Outline)

• The second-half earnings forecast is formed based on the following assumptions.

The operating profit forecast of 2.5 billion yen remains unchanged.

External Environment Assumptions	<ul style="list-style-type: none">• Watches: Market prices have bottomed out and tend to recover, but no drastic changes are expected.• Bullion: Anticipate a limited fluctuation in the bullion market.
Purchases	<ul style="list-style-type: none">• Purchases tend to increase in the second-half of each fiscal year due to seasonal factors and the timing of brand-new product launches,etc.• Based on the above, the purchases forecast for the following Q3 and Q4 FY23 will remain at 14.5 billion yen level respectively (excluding automobile purchases from YONE MOTORS), which is the same level as Q3 FY22.
Net sales	<ul style="list-style-type: none">• Net sales forecast based on purchase plan and gross profit margin plan.• Inbound sales recovery is not included in the forecast.• The increase in the consignment ratio of the auction consignment ratio, etc. will lead to a growth in the net sales, but unprofitable buying office closures and other factors are also taken into account.
Profit and loss	<div><div>① Gross profit margin</div><div>The gross profit margin in the second half is expected to be maintained at the same level as that of Q2 FY23 (Dec.-Feb.) at 27.3%.</div><div>② SG&A expenses</div><div><ul style="list-style-type: none">• Instead of broadcasting TV commercials, web marketing will be prioritized for efficient customer attraction and review the advertising expenses.• New buying office openings will be in line with the initial plan, but considering the closure of unprofitable buying offices, cost reduction is expected such as rent expenses and personnel expenses.</div><div>③ Extraordinary income/loss</div><div>Extraordinary income/loss related to office relocation will be recorded in Q3 FY23.</div></div>

Full-year Forecast (1)

•The full-year forecast based on the previous described assumptions is as follows.

(Million yen)	FY22 Actual	FY23 Initial plan	FY23 Full-year forecast	Compared to FY22 Actual
Net sales	63,385	78,500	75,000	+18.3%
Gross profit	16,316	21,400	20,400	+25.0%
Gross profit margin	25.7%	27.3%	27.2%	+1.5pts
SG&A expenses	14,427	18,900	17,900	+24.1%
Operating profit	1,888	2,500	2,500	+32.4%
Ordinary profit	1,791	2,350	2,350	+31.2%
Extraordinary income	-	-	95	-
Extraordinary loss	108	-	205	+89.7%
Profit before income taxes	1,683	2,350	2,240	+33.1%
Profit attributable to owners of parent	969	1,300	1,240	+27.9%

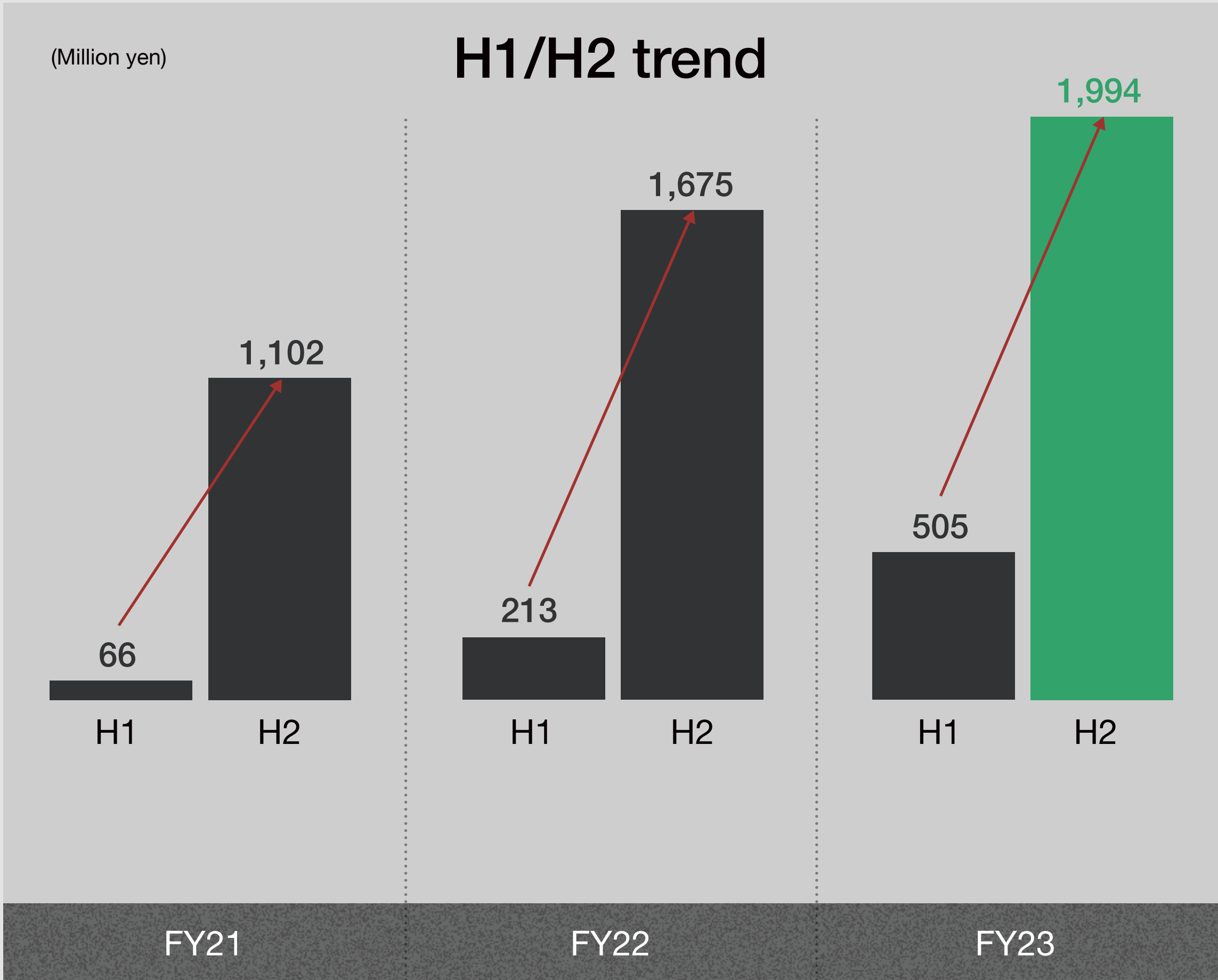
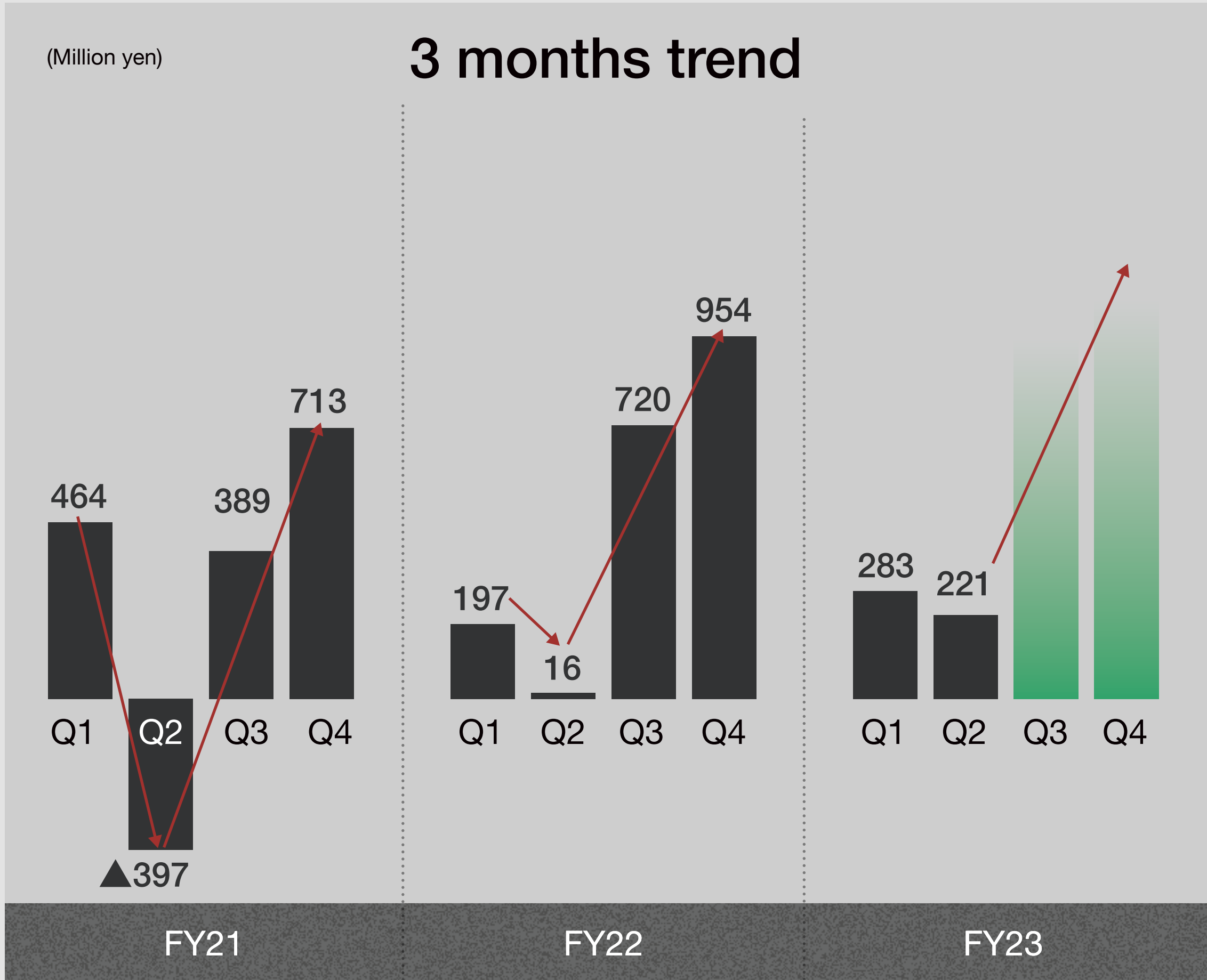
Full-year Forecast (2)

• Forecasts for the second half of the FY23 are as follows.

(Million yen)	H1 FY23 Actual (Sept.-Feb.)	H2 FY23 Forecast (Mar.-Aug.)	Difference	Rate of change	
Net sales	33,629	41,370	+7,741	+23.0%	<ul style="list-style-type: none"> • Net sales target set based on purchase plan and gross profit margin plan. • The active purchase by auction partners and the increase in the consignment ratio are the factors to anticipate the growth in net sales. • Make no allowance for the impact of inbound recovery.
Gross profit	9,084	11,315	+2,231	+24.6%	
Gross profit margin	27.0%	27.3%	-	-	<ul style="list-style-type: none"> • Based on Q2 FY23 (Dec.-Feb.) actual results, the gross profit margin will remain flat in H2.
SG&A expenses	8,579	9,320	+741	+8.6%	<ul style="list-style-type: none"> • Due to the closure of the buying offices, rent expenses and personnel expenses will be lower than initial plan, but number of employees are expected to grow. • Review advertising expenses such as switch TV commercials to other marketing measures. • Increase in goodwill amortization, etc.
Operating profit	505	1,994	+1,488	3.9 x	
Ordinary profit	485	1,864	+1,379	3.8 x	
Extraordinary income	-	95	-	-	<ul style="list-style-type: none"> • Impairment loss due to closing unprofitable buying offices in H1. • Extraordinary income and loss related to office relocation will be recorded in H2.
Extraordinary loss	150	54	-	-	
Profit before income taxes	334	1,905	+1,570	5.7 x	
Profit attributable to owners of parent	159	1,080	+921	6.8 x	

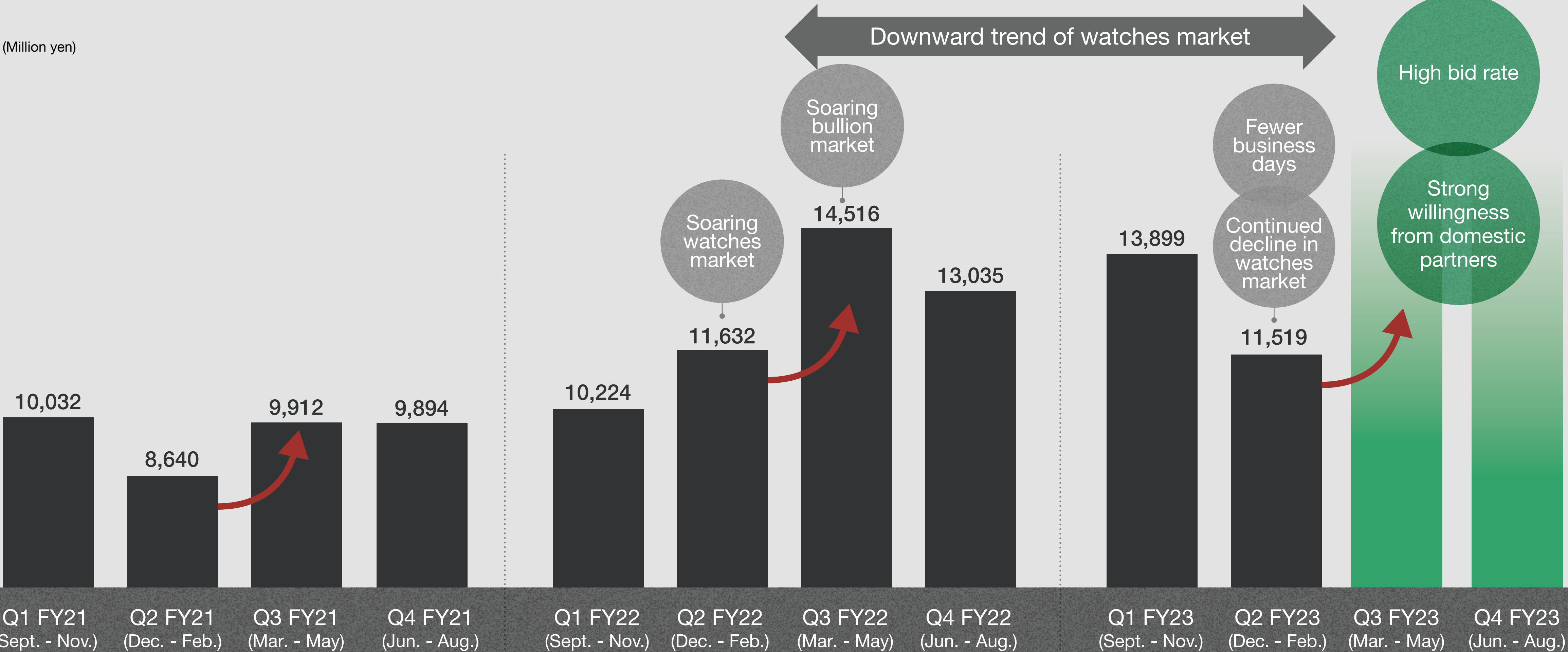
Operating Profit Trend

•In particular, purchases decreased due to the fewer business days and the influence of the weather in the Q2, but there is a tendency to increase after Q3 onwards. In addition, the performance tends to be biased in the second half of the year because the auction partners purchases more from around summer to prepare for the Christmas and year-end season.



Purchases Forecast

- Based on the past purchase trends, it can be inferred that purchases will increase in the second half of FY23 as well.
- The recovery trend from the bottoming out of the watch market and the upturn in domestic auction partners’ willingness to buy anticipating the recovery of inbound demand will contribute to an increase in purchases in the second half of the year.



Dividends Forecast

- The year-end dividend forecast is 30.00 yen per share, unchanged from the plan announced on Oct. 14, 2022.

Basic Policy

With the recognition that continuous improvement of corporate value over the long-term is a contribution to the interests of shareholders, stable dividends will be implemented to shareholders while paying attention to reinvestment based on business plans.

Consolidated dividend payout ratio target:

30% or better
in principle.

Year-end
dividend per share

FY22
25.00yen

FY23 Plan

30.00yen

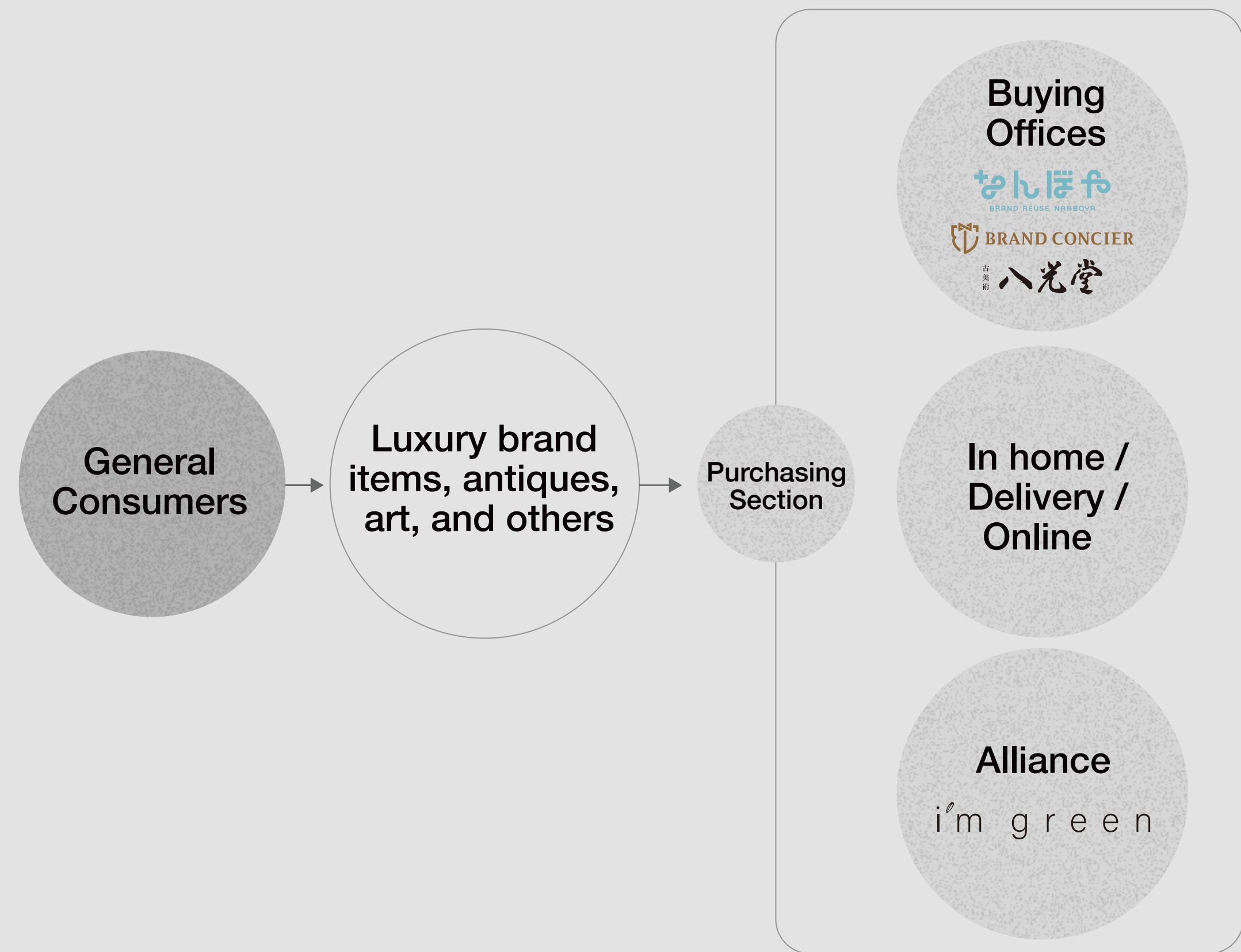
Appendix



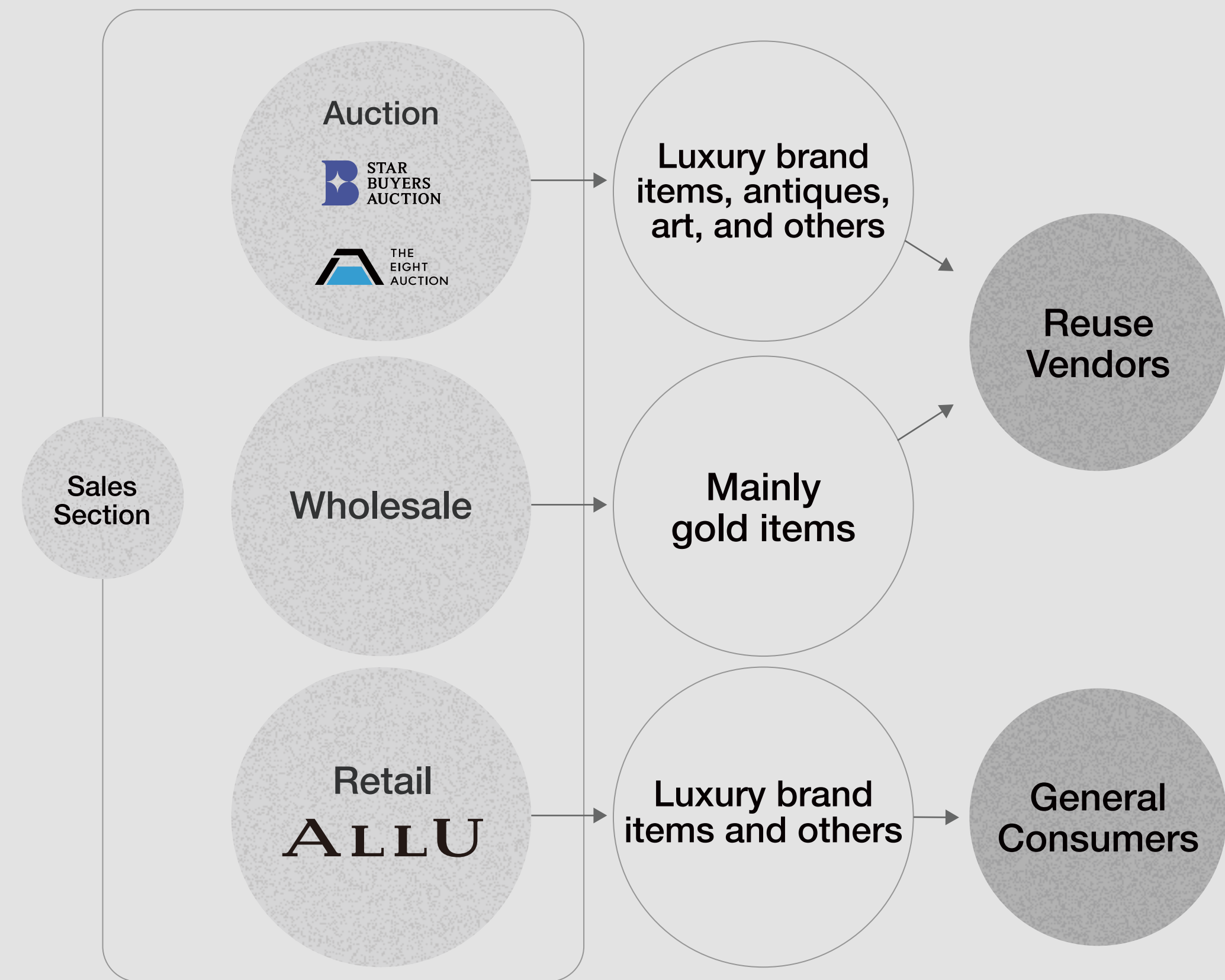
Our Business

- Sales and profits are formed by selling merchandise purchased from the general consumers at the company's buying offices through different sales channels, mainly at the in-house auction.

Purchasing



Sales



Our Business <Purchase>



- Over 100 *Nanboya* buying offices purchase mainly luxury brand items.
- Handling in-home buying, delivery, and online buying.
- BRAND CONCIER operates mainly in department stores in Japan.



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



- Expanding ALLU buying offices overseas.
- Directly operated and partner offices* worldwide.

* Partner offices: Buying offices operated in partnership with local companies.

Alliances

- One of the methods of purchasing through collaboration with other companies instead of own buying offices.
- In addition to "i'm green" with Isetan Mitsukoshi, collaboration with financial institutions also started.

Our Business <Auction>



STAR BUYERS
AUCTION

- BtoB auctions(SBA) for luxury brand items, etc.
- Since going online in Mar. 2020, the auctions have drawn numerous partners around the world.
- Hosting online diamond auction(SBA HK).



THE
EIGHT
AUCTION

- BtoB auctions(8AUC) 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>



ALLU

(retail store/e-commerce)

- The fourth store opened in Dec. 2022 at Shinsaibashi, following Ginza, America-mura and Omotesando.
- Selling 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.



ALLU AUCTION

- The first BtoC auction was held in Jan. 2023. Scheduled to be held once per quarter.
- Starting with luxury watches, consider expanding the item category in the future.

Our Businesses <Automobiles>



なんぼや
BRAND REUSE NANBOYA

- In addition to the purchase of luxury brand items, a car purchase service was launched in Apr. 2021.
- Aiming to expand business through synergy effects with YONE MOTORS.



YONE MOTORS

- YONE MOTORS CORPORATION was merged with Valuence Group in Feb. 2023.
- In addition to selling and purchasing new and secondhand cars domestically and internationally, YONE MOTORS also offers maintenance services at its own factory. Particularly strong in the maintenance of high-end imported cars.
- Providing overall support from pre-purchase consultation to maintenance and switching of new cars.

Our Businesses <Real Estate>

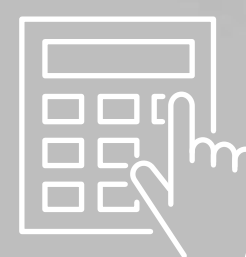
なんぼふ不動産



Your one-stop solution platform for the sale of important assets such as real estate, artwork, and brand items.



Providing housing solutions suitable for changing lifestyles at each life stage.



Available to check the value of your property.



Preventing family inheritance issues from happening with thoughtful pre-departure cleaning.



Planning your estate to ease the burden on your family.

- Started real estate brokerage service in Jun. 2020.
- Attracting customers by utilizing existing customer resources of *Nanboya* and ALLU.
- Increasing customer lifetime value and mapping the different stages a customer goes through.

Trends in Financial Results (from FY21 to FY23)

	FY21					FY22					FY23				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Cumulative
Net sales (Million yen)	11,823	11,920	13,668	15,100	52,512	13,254	12,859	18,285	18,986	63,385	17,250	16,378	-	-	33,629
Gross profit (Million yen)	3,110	2,830	3,756	4,144	13,841	3,565	3,348	4,591	4,810	16,316	4,609	4,474	-	-	9,084
SG&A expenses (Million yen)	2,646	3,227	3,367	3,430	12,672	3,368	3,331	3,871	3,855	14,427	4,325	4,253	-	-	8,579
Operating profit (Million yen)	464	(397)	389	713	1,169	197	16	720	954	1,888	283	221	-	-	505
Ordinary profit (Million yen)	450	(414)	221	718	976	169	13	696	911	1,791	259	226	-	-	485
Net profit (Million yen)	217	(341)	583	265	725	45	(93)	415	601	969	133	25	-	-	159
Employees	742	804	880	873	873	871	864	904	896	896	925	964	-	-	964
No. of Domestic buying offices	87	119	126	125	125	128	128	130	130	130	134	135	-	-	135
No. of Overseas buying offices	3	9	14	21	21	24	22	23	34	34	36	38	-	-	38



Sustainability

Themes Addressed through Business Activities

E: Planet

Realizing a sustainable planet and circular economy

- Ascertaining ecological footprints of products handled.
- Encouraging waste reductions and recycling.
- Implementing efforts to address climate change.

S: People

Establishing a fair and inclusive society

- Increasing customer satisfaction.
- Improving employee engagement.
- Promoting diversity and inclusion.
- Promoting human resource development.
- Practicing responsible procurement.
- Promoting culture and education.
- Developing future leaders.

G: Transparency

Toward a transparent, secure and trusted organization

- Enhancing corporate governance.
- Enhancing data privacy and security.
- Implementing measures to combat money laundering.
- Promoting responsible business activities.

Earth / World

Stakeholders



Commitment to Sustainability

•Set specific goals for E (Planet), S (People), and G (Transparency) to contribute to a sustainable society and achieve our sustainable growth.

E: Planet
by FY30
**Carbon
Neutrality**

S: People
Employee engagement score
by FY25
4.2

G: Transparency
Ratio of female Directors
by FY30
30%

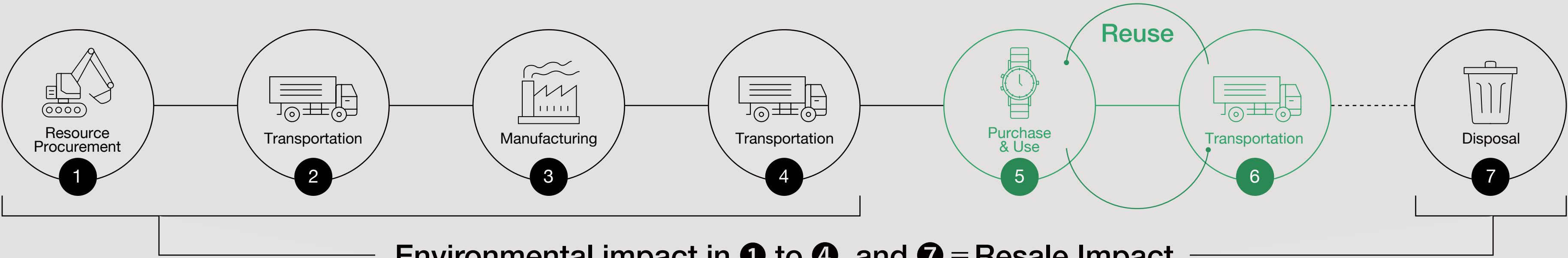
FY22 Resale Impact

•Quantified the amount of avoided CO₂ emissions, water consumption, energy consumption, and PM2.5 emissions of the products we handled.



About Resale Impact

It shows the environmental impacts such as CO2 emissions and water consumption, that are estimated to be avoided when reusing products.
Calculated the amount shown on the above, using *Valuence Resale Impact Calculator*, developed independently by Valuence.



Contributes to reducing environmental impact from resource procurement to transportation and disposal by Reuse

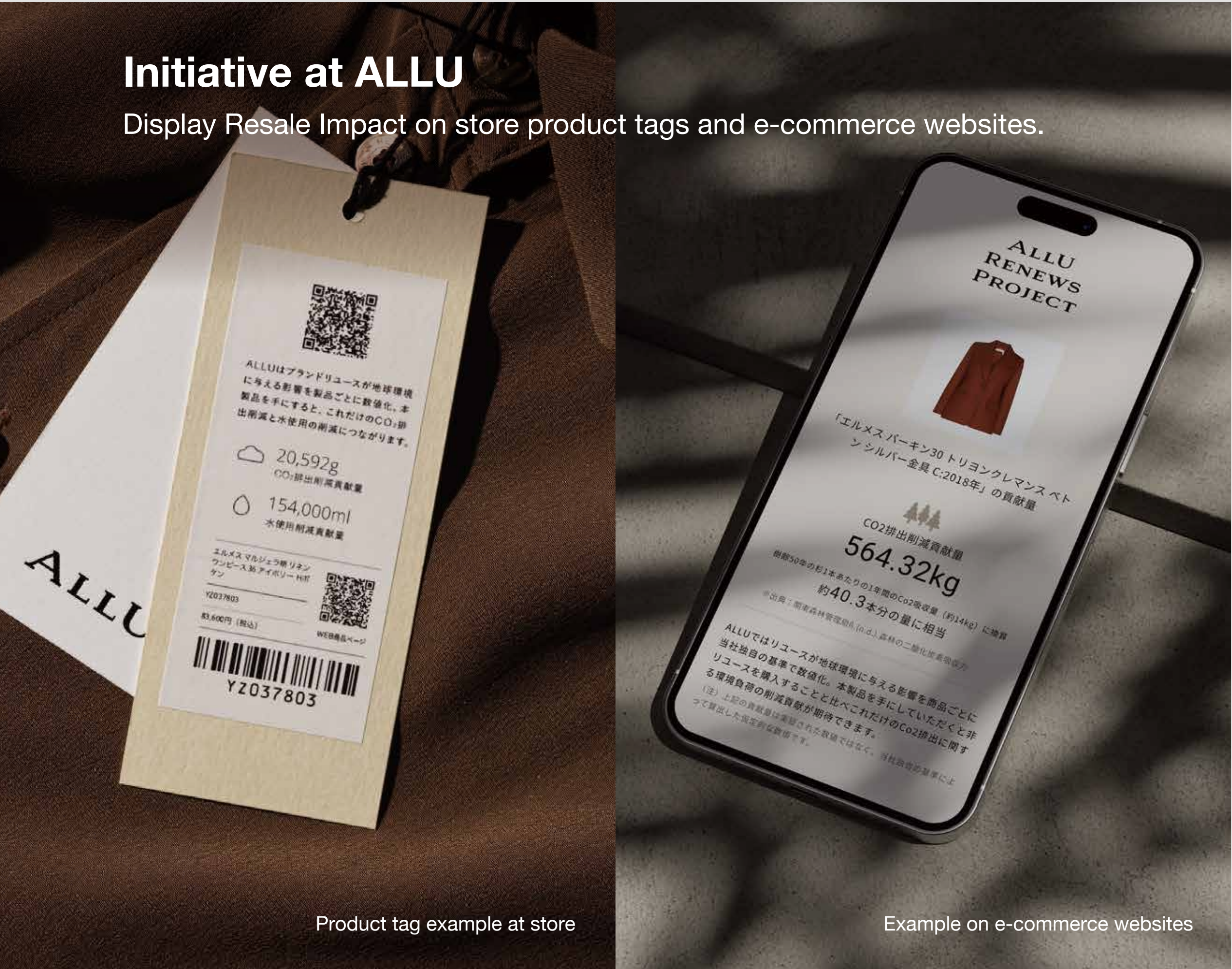
* Assuming no products are produced to the spread of reuse.

Resale Impact to Business

- Aiming to create new opportunities for reuse things and let people aware that “they are doing something good for the global environment through purchasing and selling at Valuence”.

Initiative at ALLU

Display Resale Impact on store product tags and e-commerce websites.



Product tag example at store

Example on e-commerce websites

Initiative at Nanboya

Visualize the Resale Impact publish it on each *Nanboya*’s website.

Nanboya Giza Main Office example

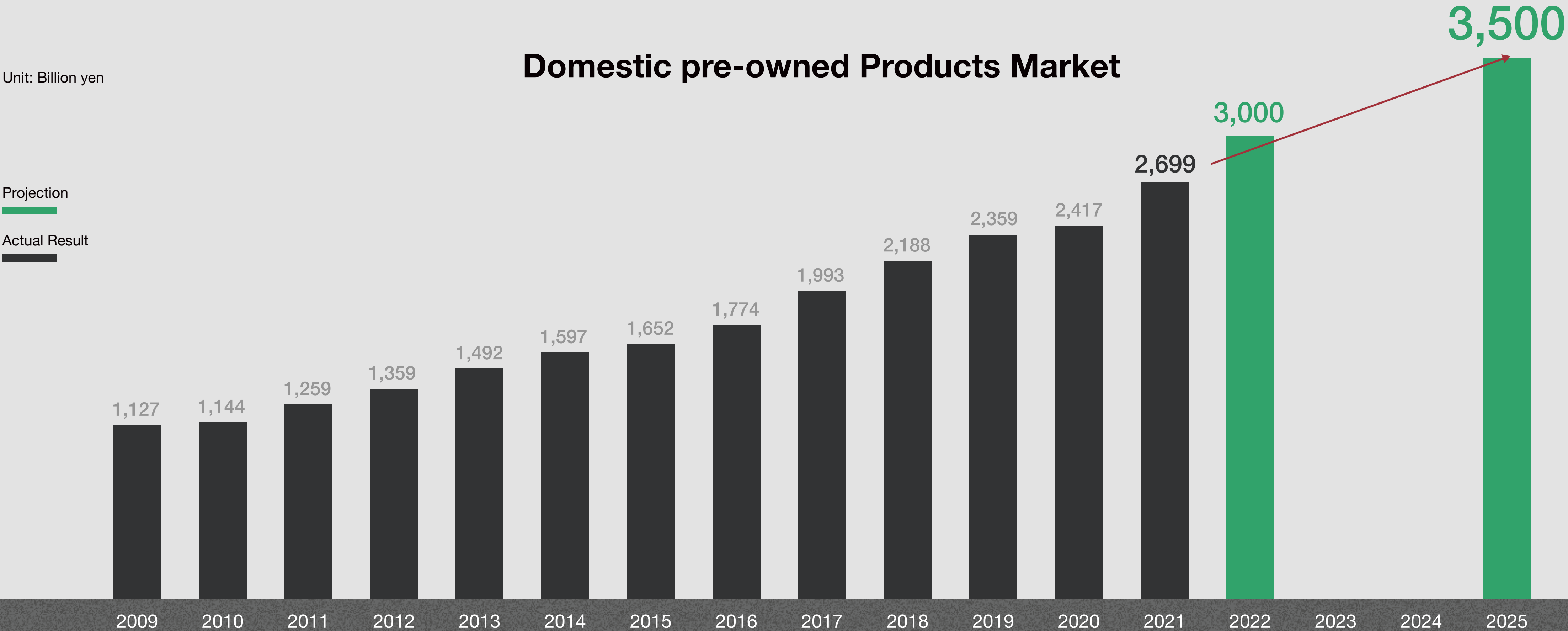
<https://nanboya.com/shop/tokyo/ginza-brandshop/>



Market Trends

Secondhand Market Size in Japan

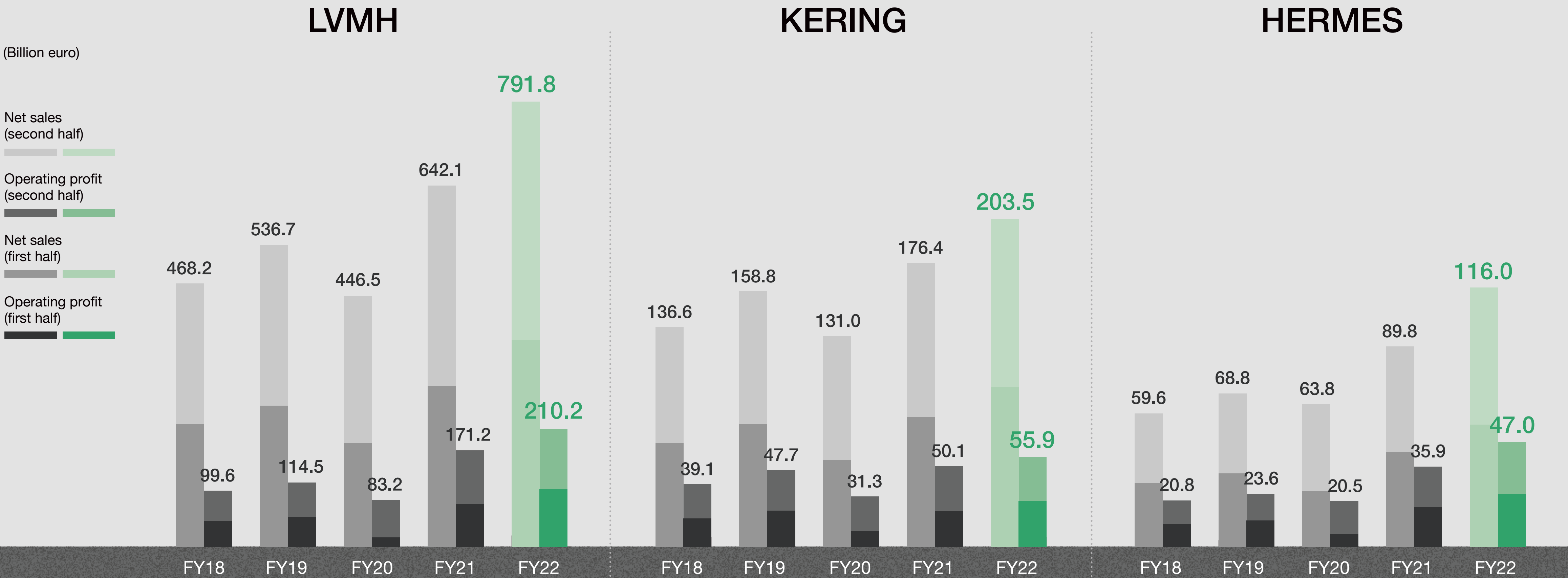
- The size of the domestic secondhand market in 2021 was 2.6 trillion yen, up 11.7% from the previous year.
- The market size is expected to reach 3.5 trillion yen by 2025.



*1 Source: Secondhand Market Databook (2022).
*2 Retail customer market size: Figures excluding housing and automobile.

Examples of Luxury Brand Earning Results

•Luxury brands' performance rebounded well above pre-COVID-19 levels.



* Prepared by Valuence based on each company's financial data.

Secondhand Market Size and Overseas Expansion

Overseas pre-owned Products Market

75% of global market for pre-owned luxury products is in Europe and the U.S.



2020

CAGR
8%

2025
(Projection)

Global market for pre-owned luxury products expected to continue to grow.

To a Large Market. Aiming to Achieve Medium-Term Management Plan.

*1 Subject products: watches, jewelry.
*2 Prepared by Valuence based on the Boston Consulting Group “The Secondhand Opportunity in Hard Luxury (2020)” .

Valuence

Circular Design Company

- 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, 2023.

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