

Financial Results Presentation for the Fiscal Year Ended August 31, 2020 Medium-term Management Plan

October 15, 2020

Valuence Holdings Inc.

(Securities Code: TSE Mothers 9270)

Valuence

Contents


1. Corporate Profile
2. Financial Results
3. Financial Results Forecast for FY8/2021
4. Medium-term Management Plan: VG1000

Appendix

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

Corporate Profile

Financial Results Presentation for the Fiscal Year
Ended August 31, 2020

A woman with long dark hair, wearing a white long-sleeved shirt and red pants, is captured in a dynamic pose, running or jumping in a field. The background is a bright, hazy sunset or sunrise, with the sun low on the horizon, creating a warm, golden glow. The woman's hair is blowing in the wind, and her shirt is slightly open at the bottom. The overall mood is energetic and positive.

**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 Minato-ku, Tokyo
Founded	December 2011
Capital	1,117 million yen (as of August 31, 2020)
Employees	587 (as of August 31, 2020) *Consolidated, full time only
Segments	Luxury brand items, antiques, art, and other reuse businesses
Subsidiaries (As of August 31, 2020)	Valuence Japan Inc. Valuence Art & Antiques Inc. Valuence Technologies Inc. Valuence Real Estate Inc. Valuence International Limited Valuence International USA Limited Valuence International Europe S.A.S. Valuence International Singapore Pte. Limited

Group Businesses and Brands

Purchasing



Real estate



Auctions (toB)



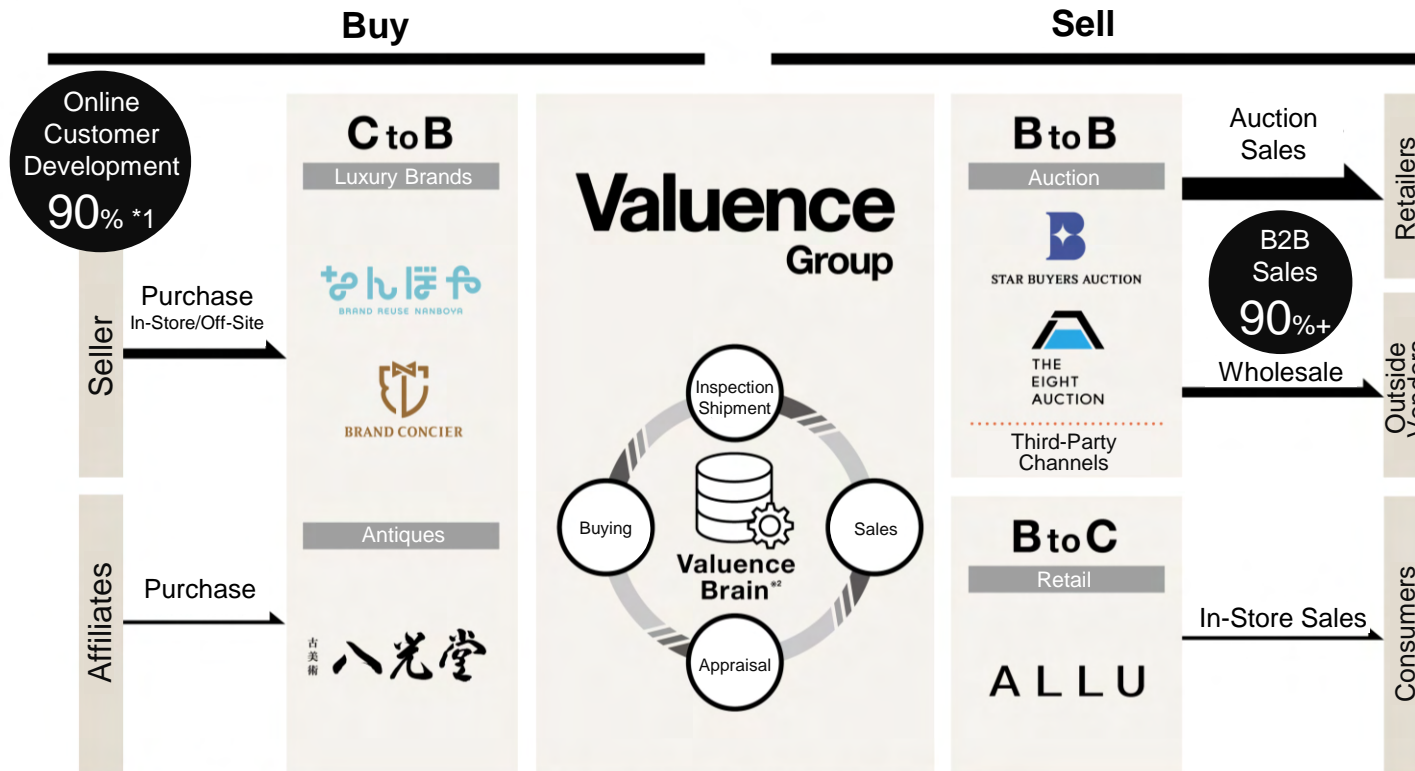
Retail (toC)

ALLU

Apps



Business Model



*1 Based on questionnaire results

*2 Valence Brain: Valence in-house system/database

Strengths of the Valuence Group

Original OtoO (Online to Offline) model

- In-house online marketing
- SNS and apps
- Customer support center that directs customers to office fronts
- Nationwide network of buying offices



Service by concierges and support from headquarters

- Store designs that overturn preconceived ideas
- Concierges' service skills
- Industry-leading database and real-time support from the headquarters that enable accurate pricing

Auction platform

- Ongoing sales of purchased items at trade auctions
- Appropriate pricing that allows purchased merchandise to be cashed in 60 days on average

Online

Online marketing



Dominate the contest against competitors.

UI/UX optimization

Further enrich information.



Increase speed and maintain quality by handling operations in-house.

Appraisals via LINE



Over 480,000 registered friends

Get appraisal just by sending photo.

Lowering barriers to buying office visits by providing pricing information beforehand.

Appraisals via Miney

Over 70,000 users

Allows app users to check on price changes over time.



90% of office visitors originate online.



Offline

Buying offices nationwide

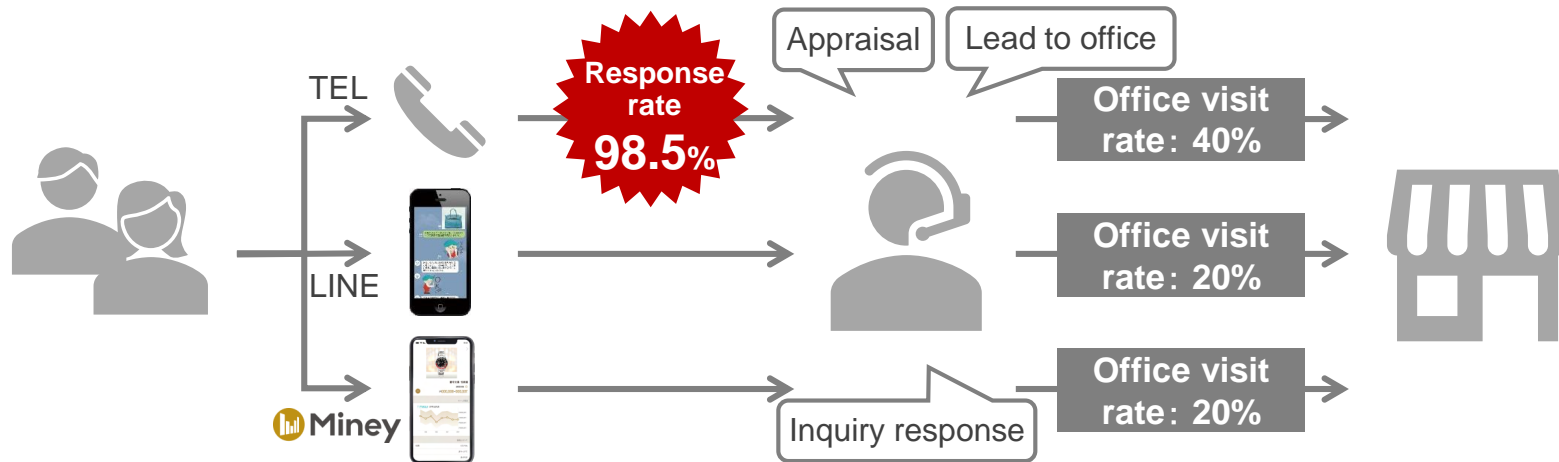
- Pursue customer convenience.
- Offices opened in prime locations (e.g., near train stations).
- Instant cash for even high-value items; average of 20 minutes per person.



84 offices (Group total)



*As of August 31, 2020 (excluding overseas offices)



LINE appraisals

Monthly appraisal value:
approx. **2.0 billion yen**

Monthly appraisals **13,000-14,000**

Phone appraisals

Extraordinary **98.5%**
call response rate

Monthly appraisals **12,000**

Marketing Capabilities Asset Management App *Miney*

Allows app users to check on the present value of their registered items and price changes over time.

▶ The app encourages users to see their belongings as assets they can choose to sell or invest.

Number of users

76,000

Total appraisals

41.2 billion yen

Total number of appraised items

82,000

Some 20% of the appraised items are purchased every month.

*As of August 31, 2020



登録料・利用料 無料

Miney

モノの資産管理を、
すべての人に。

Mineyは、あなたの持ち物をスマホで撮影するだけで、
資産価値を可視化してくれるアプリです。

Download on the **App Store**

Download on **Google play**

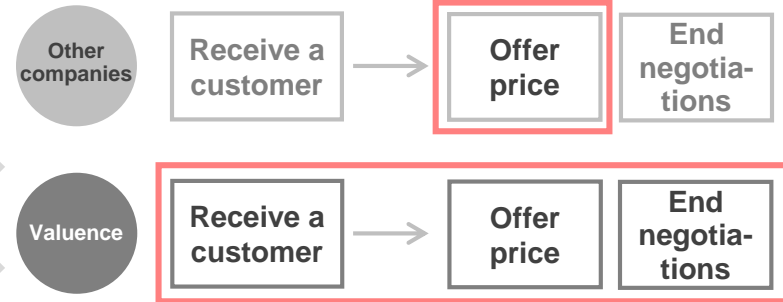
Refined stores and services

- Refined stores and services.
- All reception booths are compartmented for privacy.
- Complimentary beverages.



Service focused on communication

Tend to focus only on this phase



All communications matter from the moment customers step into the store until they leave
= Provide exciting reuse experience.

► From “higher prices” to “higher value”

Realize high unit prices and high successful closure rates.

Purchasing Capabilities

Mechanism Used Enabling Accurate Pricing

Buying office



Negotiate with customers, using the database and support from the headquarters.

The latest database is accessible from any buying offices.

Respond to inquiries from offices in real time.

Realize accurate pricing

Industry-leading database of sales prices



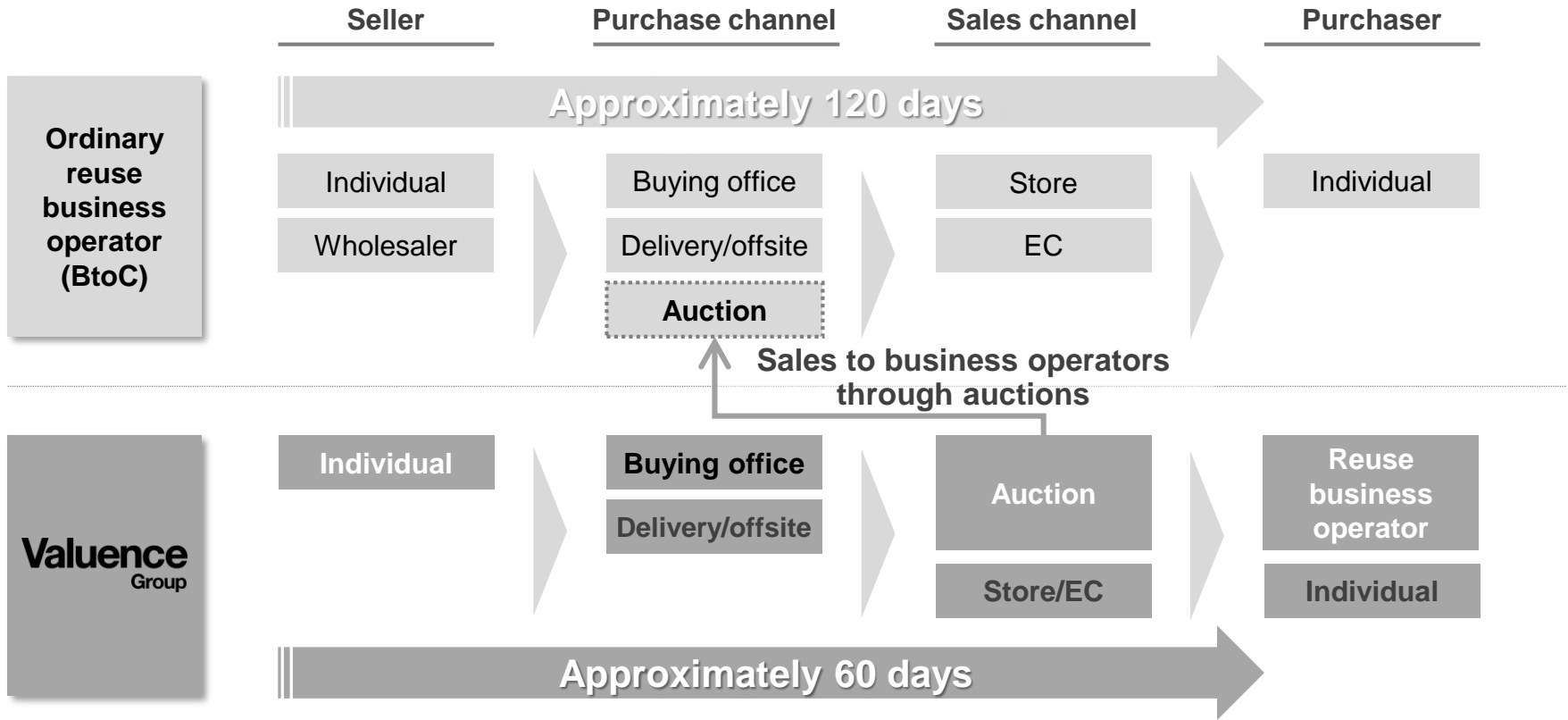
Support by the headquarters



Remote support by special teams of knowledgeable and experienced concierges (appraisers).

Sales Capabilities

Sales to Other Companies in the Same Business Through the Auction Platform (CtoBtoB Model)



Financial Results

Financial Results Presentation for the Fiscal Year
Ended August 31, 2020



Summary of Fiscal Year Ended August 31, 2020

Sales increased despite COVID-19 crisis;
Bottom line in the black
even with continuing investment for the future

Both sales and profit hit records in 4Q

	Net sales	Operating profit
Full year	¥37.9 billion (+0.4% YoY)	¥0.6 billion (-71.8% YoY)
4Q	¥12.6 billion (+57.2% QoQ)	¥0.9 billion (-¥1.0 billion in 3Q)

Highlights for the Fiscal Year Ended August 31, 2020

	Impact of COVID-19	FY8/2020 4Q
Buying offices	Temporarily reduced to 14 due to temporary closures *Nanboya, BRAND CONCIER	▶ Normal operations restored from June
SBA *1	Temporary reductions in participating partners	▶ Participation recovery starting in June; demand is currently strong.
	SBA Hong Kong postponed	▶ Held in July and August
8AUC *2	Cancelled March to June	▶ Held online in July

Sharp Recovery in 4Q

August

- Purchases
- Auction sales

Both **record highs**

*1 SBA...STAR BUYERS AUCTION *2 8AUC...THE EIGHT AUCTION (Same hereinafter)

Highlights for the Fiscal Year Ended August 31, 2020

Buying

- ✓ Japan buying **offices at 84** (Group total; net increase of 10 from previous term).
- ✓ Nanboya opened in **Indonesia** through partnership with local company (**second** overseas buying office).
- ✓ Launched **online buying**.
- ✓ Decision to acquire shares in NEO-STANDARD Co., Ltd. with contributions to financial results expected from 2Q FY8/2021.

Selling

- ✓ **Online SBA** started in March; **direct participation of overseas partners** from June.
- ✓ Began accepting **consignment sales** in March with expanded listing capacity associated with start of online auctions.
- ✓ SBA partner companies increased from 385 to **602** (467 domestic, 135 overseas).

Governance

- ✓ Switching to **holding company structure** to build a dynamic organization and status as **company with audit and supervisory committee** to strengthen governance.
- ✓ Established the **Nomination and Remuneration Committee**.
- ✓ Decision made to introduce **executive officer system** to expedite management decision-making.

Financial Results for the Fiscal Year Ended August 31, 2020

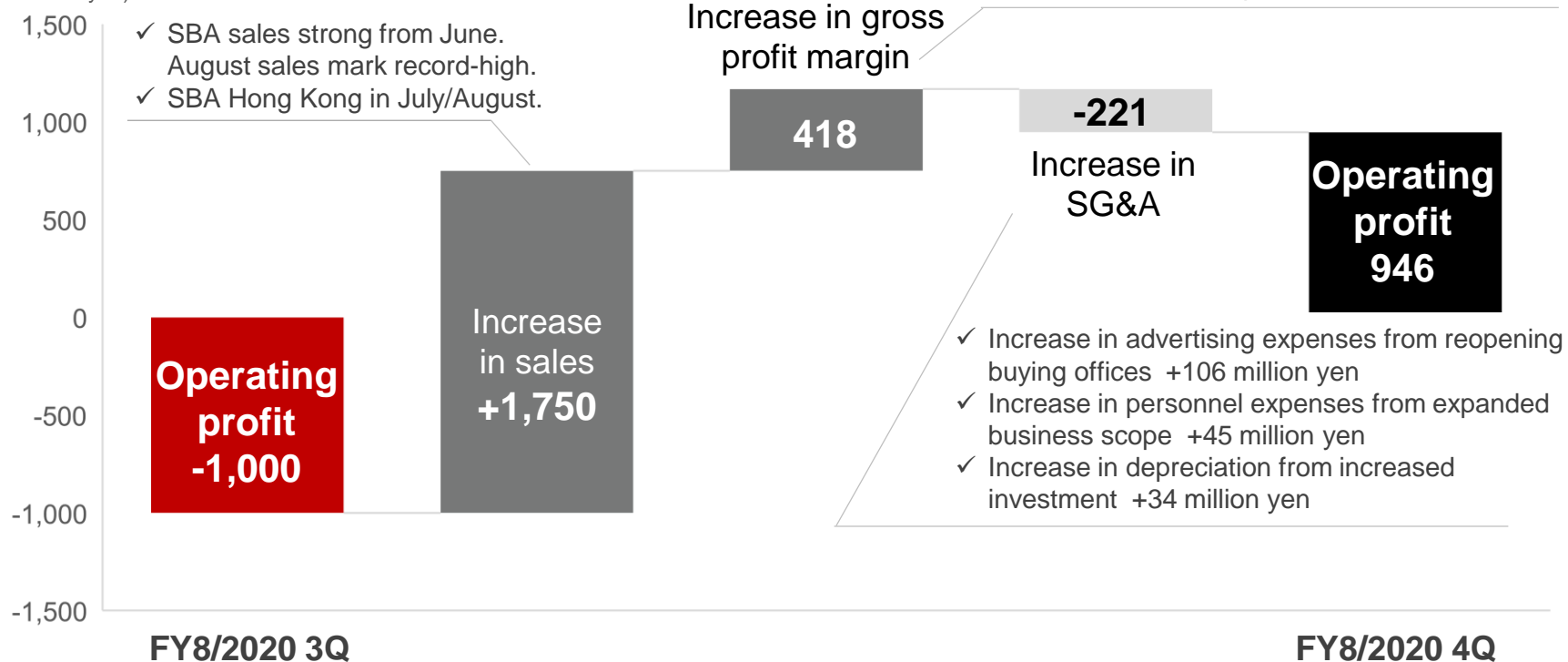
- ✓ Sales recovery in 4Q from impact of COVID-19 for overall **increase**.
- ✓ **Finished in the black** even with continuing investment.

(Millions of yen)

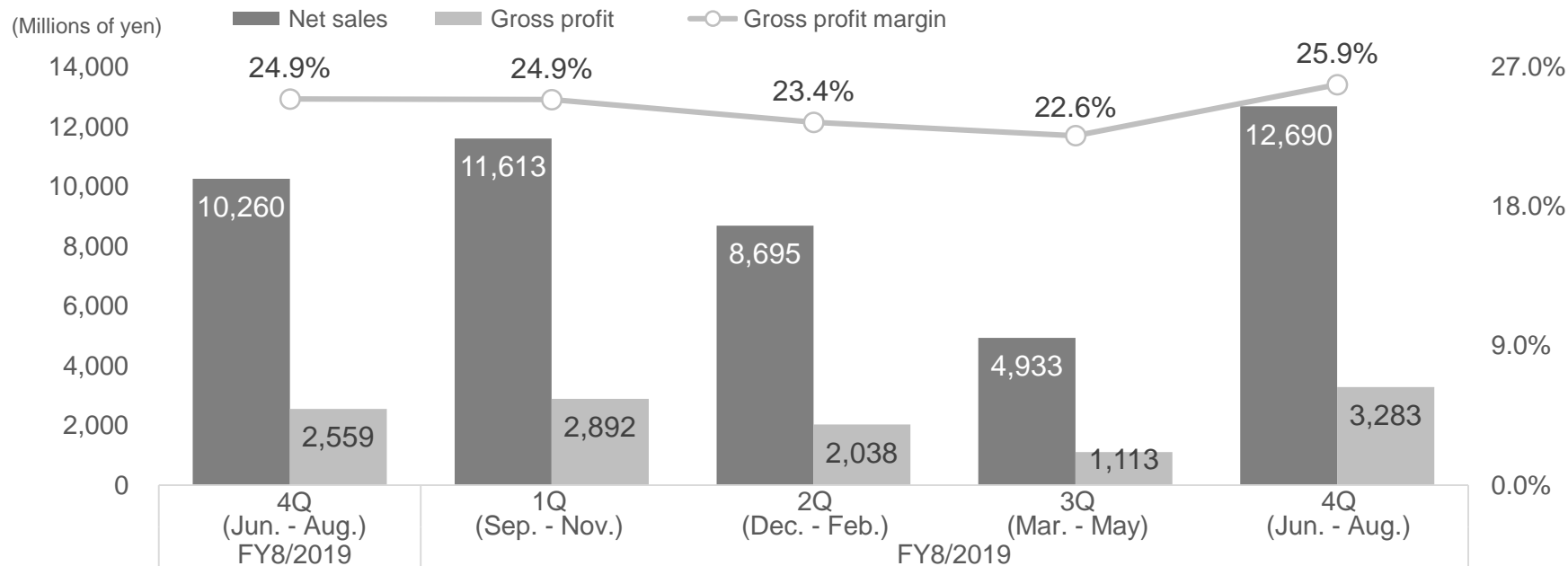
	FY8/2019	FY8/2020	YoY Change
Net sales	37,799	37,932	+0.4%
Gross profit	9,633	9,327	-3.2%
Gross profit margin	25.5%	24.6%	-0.9pts
SG&A	7,393	8,695	+17.6%
Operating profit	2,240	631	-71.8%
Ordinary profit	2,262	622	-72.5%
Ordinary profit ratio	6.0%	1.6%	-4.4pts
Profit attributable to owners of parent	1,458	305	-79.0%

Operating Profit Change (3Q vs. 4Q)

(Millions of yen)



Net Sales and Gross Profit

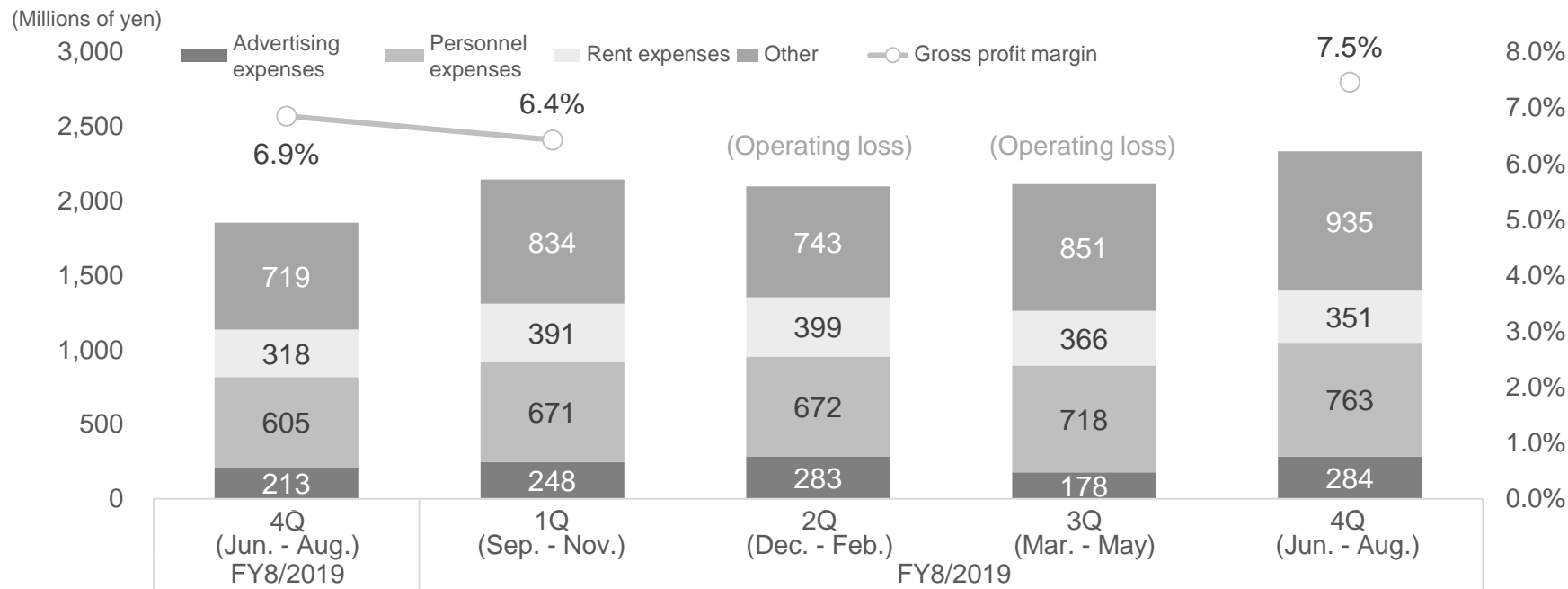


Topics

- ✓ Slump due to COVID-19.
- ✓ Decrease in gross profit margin due to the higher bullion percentage.

- ✓ Strong SBA sales generate record-high net sales; accompanied by major improvement in gross profit margin.

SG&A Expenses



Buying offices	74	78	79	83	84
Employees	471	475	499	542	587

Balance Sheet

(Millions of yen)

	FY8/2019	FY8/2020	Difference
Current assets	9,874	11,260	+1,385
Cash and deposits	4,103	6,276	+2,173
Merchandise	4,863	4,011	-852
Other	907	972	+64
Non-current assets	4,237	4,118	-118
Total assets	14,111	15,378	+1,266
Liabilities	7,416	8,642	+1,226
Interest-bearing debt	5,435	6,956	+1,521
Other	1,981	1,686	-294
Net assets	6,695	6,735	+40
Total liabilities and net assets	14,111	15,378	+1,266

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

Decrease in inventory due to strong SBA sales and SBA Hong Kong held in July and August.

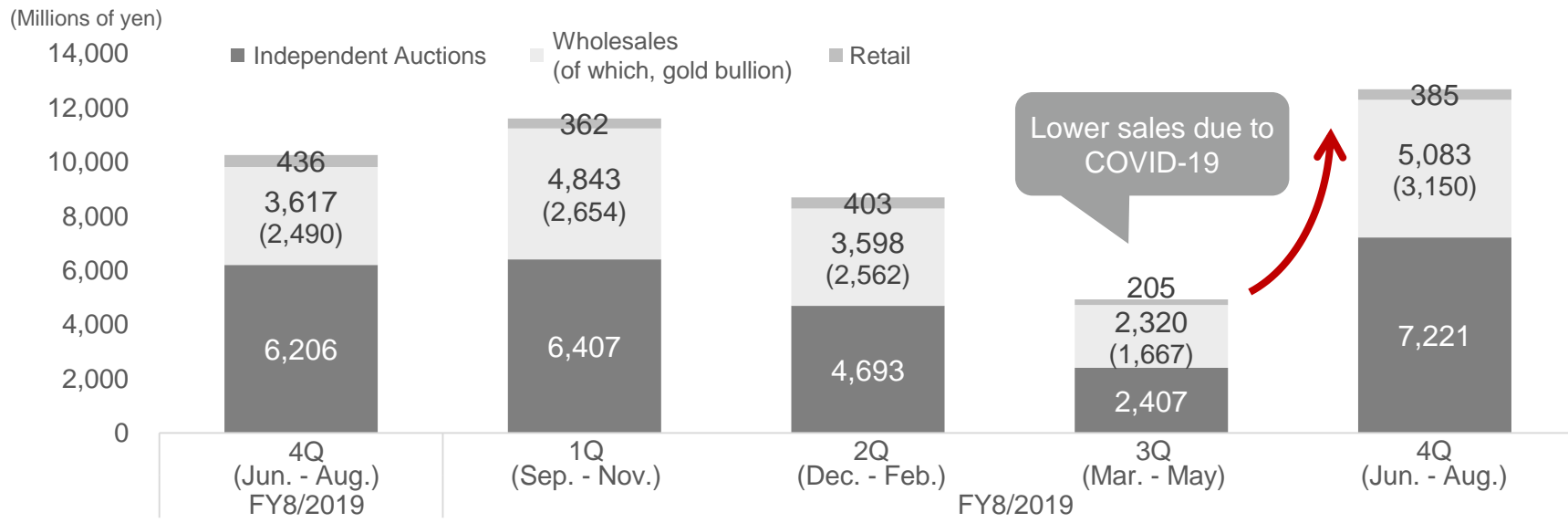
Decrease in goodwill and other items, offset in part by an increase in buildings and structures (net) due to addition of new buying offices.

Increase in short-term loans payable to stabilize Group management and purchasing.

Increase in capital surplus and capital stock from exercise of stock options, offset in part by a decrease in retained earnings.

Net Sales by Channel (to B, to C)/Quarterly

Independent auction sales notch record-high in 4Q. *SBA sales to overseas partners included in “wholesales.”



Topics

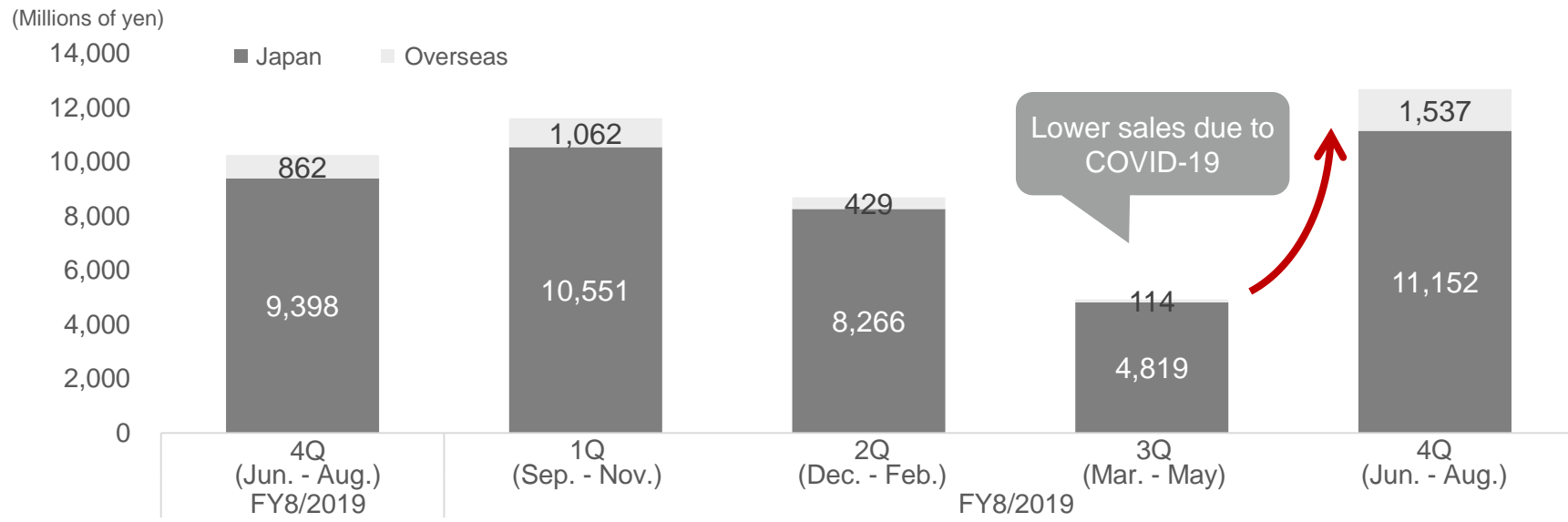
✓ Slowing auction sales due to typhoon impact offset by wholesaling.

✓ Moved SBA online; limited listings during initial period.

✓ Increased net sales in each channel due to recovery in purchases
 ✓ Increase in listings and bids with recovery in auction demand.

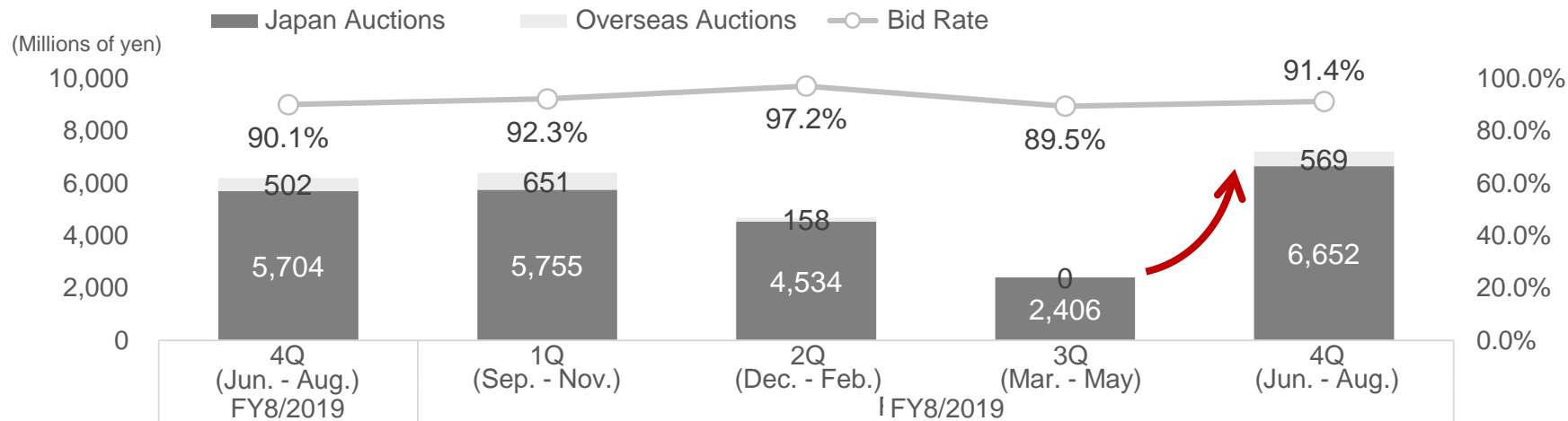
Net Sales by Channel (Japan, Overseas)/Quarterly

Increase in overseas sales from independent auctions; record-high overseas sales in 4Q.



Topics	4Q (Jun. - Aug.) FY8/2019	1Q (Sep. - Nov.)	2Q (Dec. - Feb.)	3Q (Mar. - May)	4Q (Jun. - Aug.)
	✓ SBA Hong Kong held in June.	✓ SBA Hong Kong held in September and November.	✓ SBA Hong Kong not held.	✓ Lower sales due to COVID-19. ✓ SBA Hong Kong not held.	✓ Growth on strong auction demand. ✓ SBA Hong Kong held in July and August.

Auctions/Quarterly

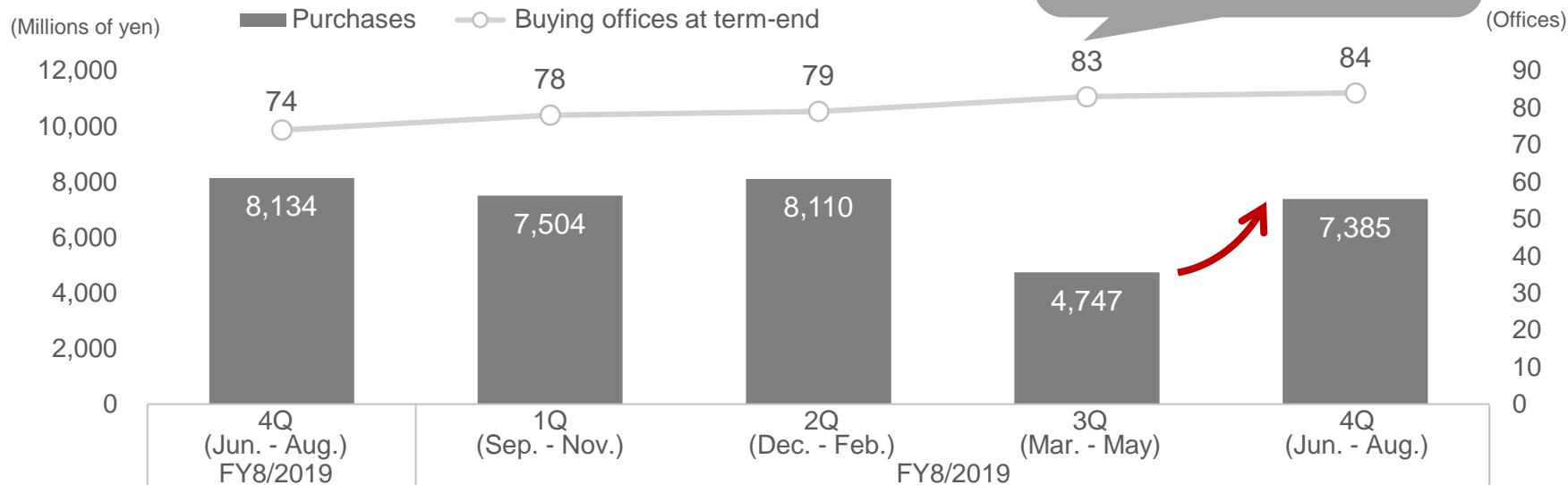


SBA	Monthly	Monthly	Monthly	Monthly Moved online	Monthly Online
SBA Hong Kong	June	September, November	-	-	July, August
8AUC	Monthly	Monthly	Monthly	Cancelled	June: Cancelled July: Online August: Not held to adjust auction timing

Purchases and Buying Offices/Quarterly

Purchases recovery with record-high figure in August.

Nanboya and BRAND CONCIER reduced temporarily to 14 offices in April and May following declaration of state of emergency

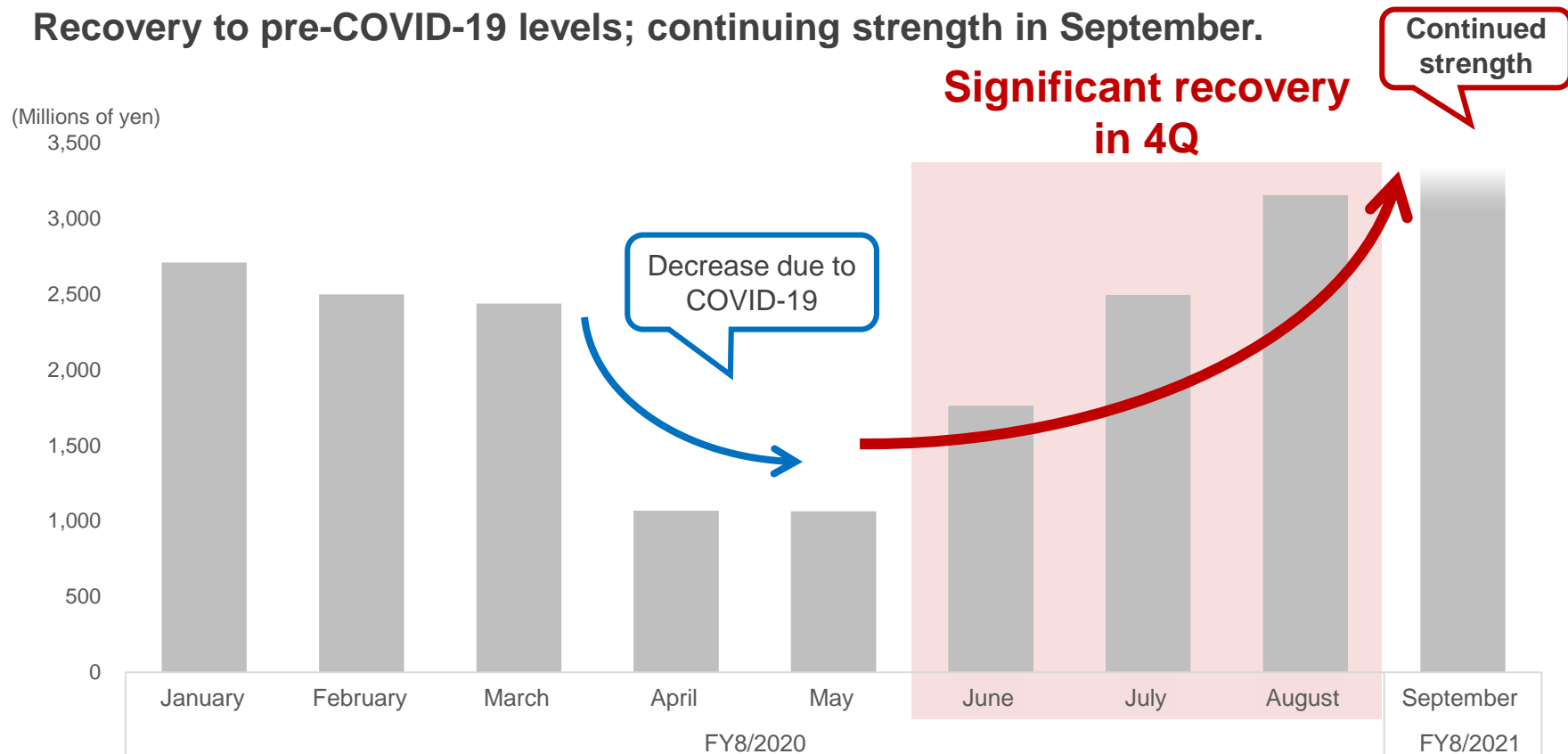


Topics

- ✓ Significant decrease in purchases from temporary office closures.
- ✓ Online buying service launched.
- ✓ Return to normal operations at all offices.
- ✓ Gradual recovery to pre-COVID-19 levels due in part to promotional campaign.

[For Reference] Monthly Purchases

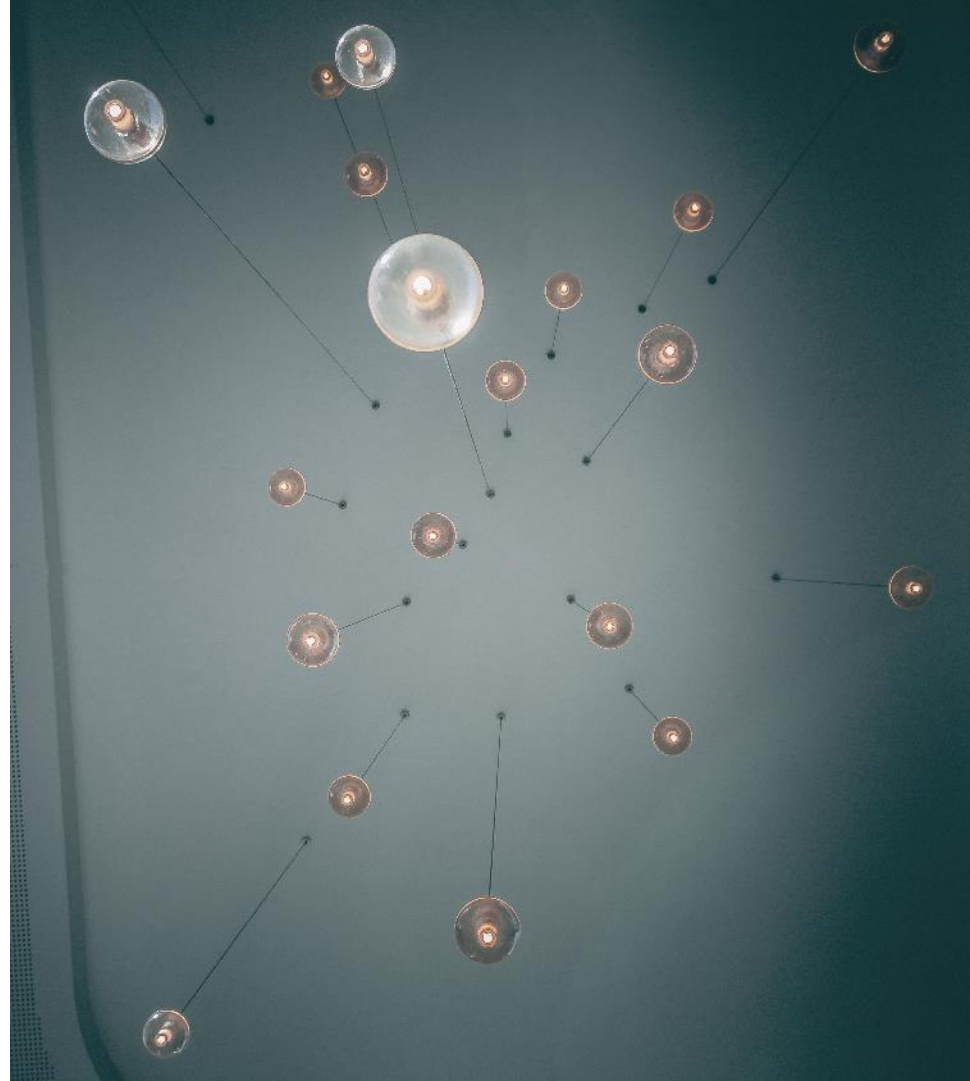
Recovery to pre-COVID-19 levels; continuing strength in September.



*Figures for Nanboya and BRAND CONCIER

Financial Results Forecast for FY8/2021

Financial Results Presentation
for the Fiscal Year Ended August 31, 2020



Financial Results Forecast for FY8/2021

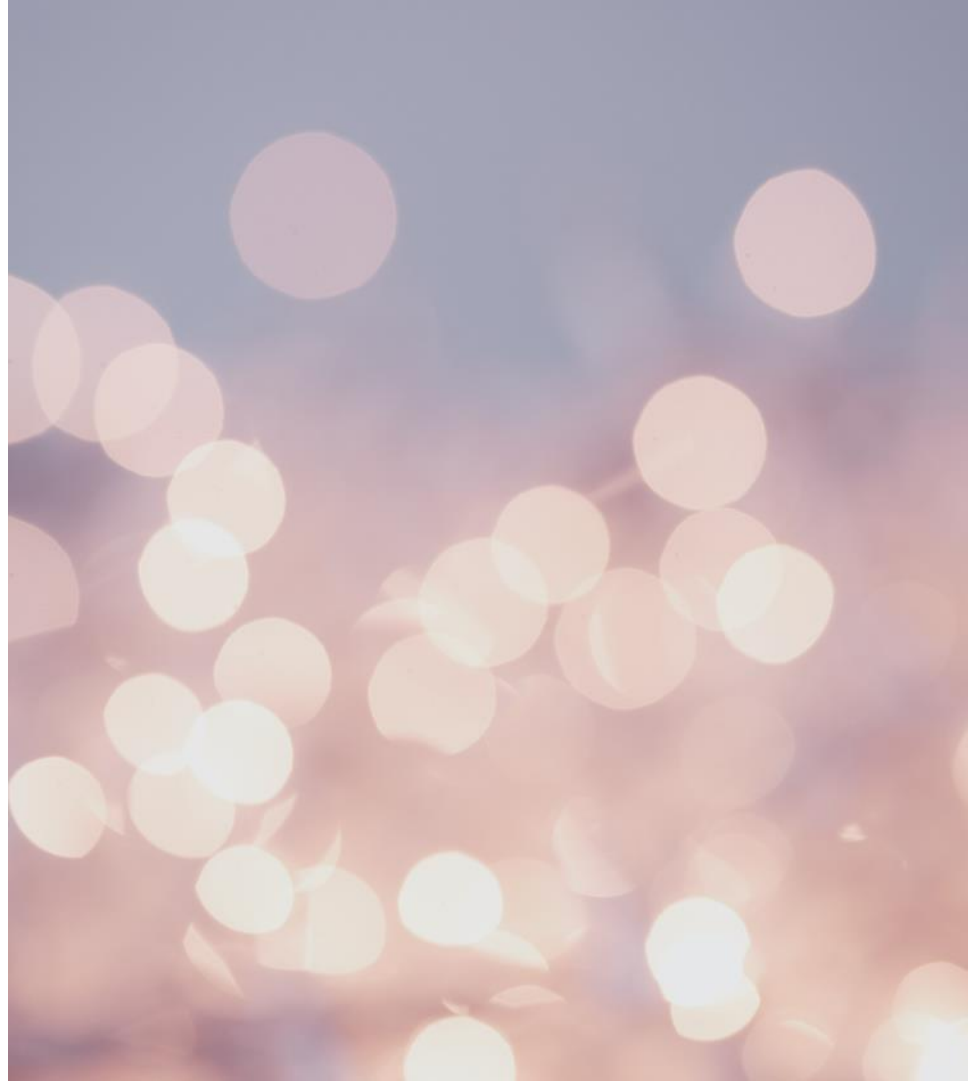
(Millions of yen)

	FY8/2019	FY8/2020	FY8/2021 Forecast	YoY Change
Net sales	37,799	37,932	58,000	+52.9%
Gross profit	9,633	9,327	15,300	+64.0%
Gross profit margin	25.5%	24.6%	26.4%	+1.8pts
SG&A	7,393	8,695	12,800	+47.2%
Operating profit	2,240	631	2,500	+296.0%
Ordinary profit	2,262	622	2,450	+293.9%
Ordinary profit ratio	6.0%	1.6%	4.2%	+2.6pts
Profit attributable to owners of parent	1,458	305	1,500	+390.8%

Strengthening Investment for the Future

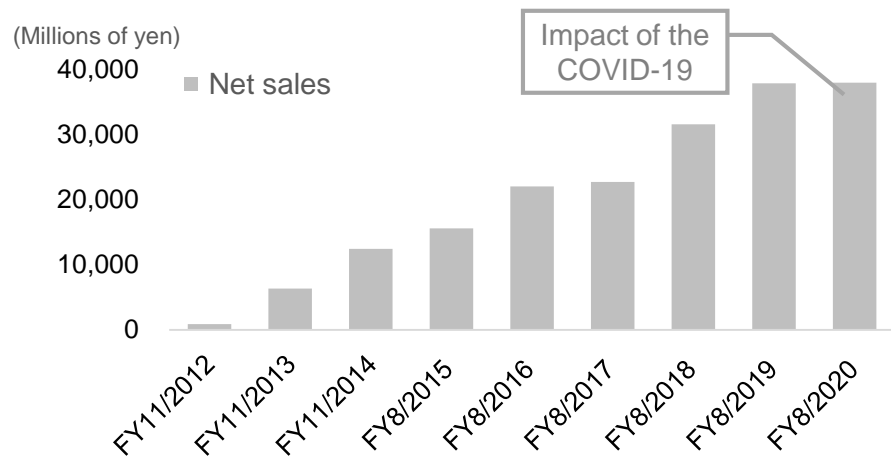
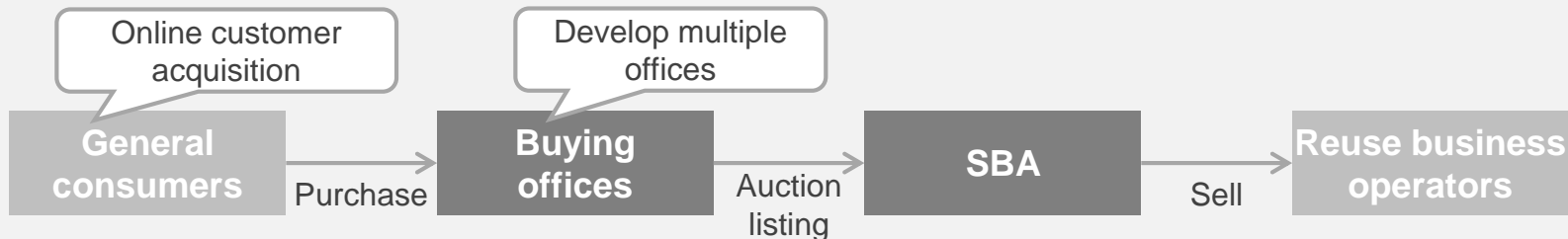
- ✓ **Engage in measures to gain recognition (e.g., TV commercials, flyers)** and thereby boost awareness. Work to reduce future marketing costs.
- ✓ **Promote systems development** for building online auction platform.
- ✓ Add around **40 buying offices** in Japan.
—— New office openings and M&A with NEO-STANDARD
- ✓ Continue opening buying offices overseas; **establish multiple new offices** (in Singapore, Hong Kong/Hong Kong Island, etc.).
- ✓ Establish overseas subsidiaries (UK, China/Shanghai).
- ✓ Bolster auction operations system; **increase numbers held**.

**Medium-Term
Management Plan
VG1000**



Growth Trajectory to Date (Review to 2020)

Growth from establishing unique CtoBtoB model

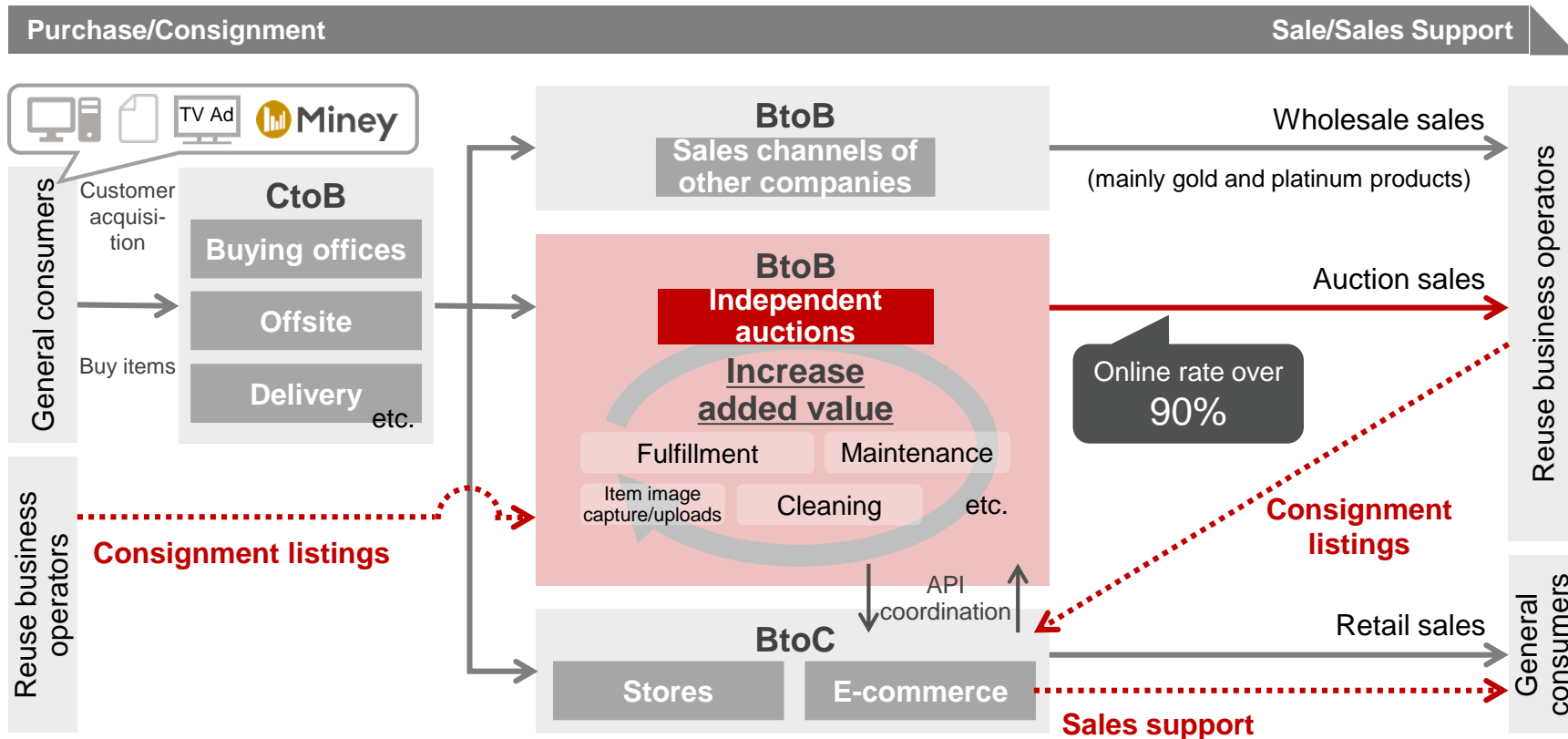


<KPIs>	FY11/2012	FY8/2020
Offices	12	84
Net sales	¥0.9 billion	¥37.9 billion

CAGR: 59.5%

Strengthening the Business Model

— Merchandise purchased by company (company inventory)
 Consigned merchandise (other company inventory)



Global Reuse Platformer

Strategies

Global

- Develop buying/consignment offices
- Acquire new overseas partners

DX

Promote the shift online for platform building

Big Data

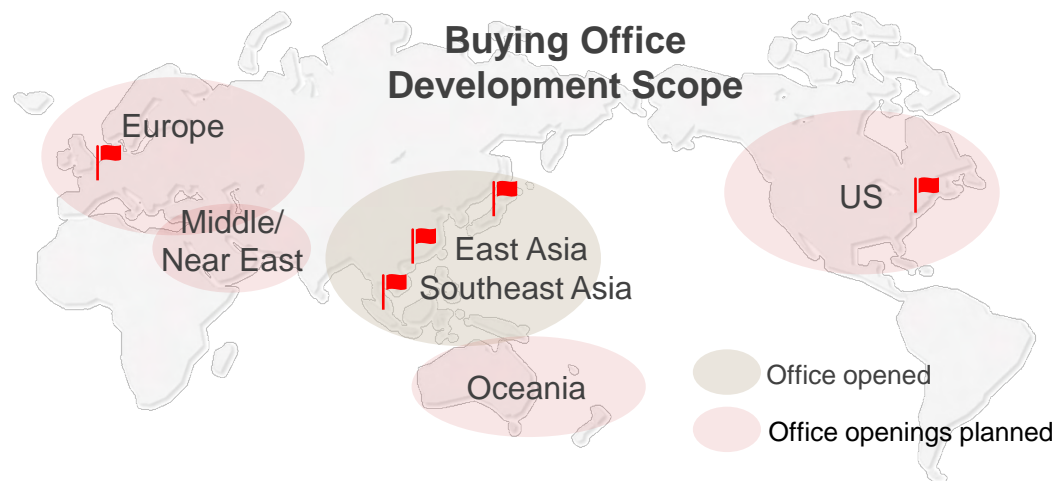
Make use of transaction data

Marketing

Expand marketing coverage

Strengthen global development platform by acquiring partners and developing buying offices around the world.

	FY8/2020	FY8/2025
Increase overseas partners	Approx. 130 companies	Over 500
Expand buying offices overseas	Two offices (Hong Kong, Indonesia)	30 offices

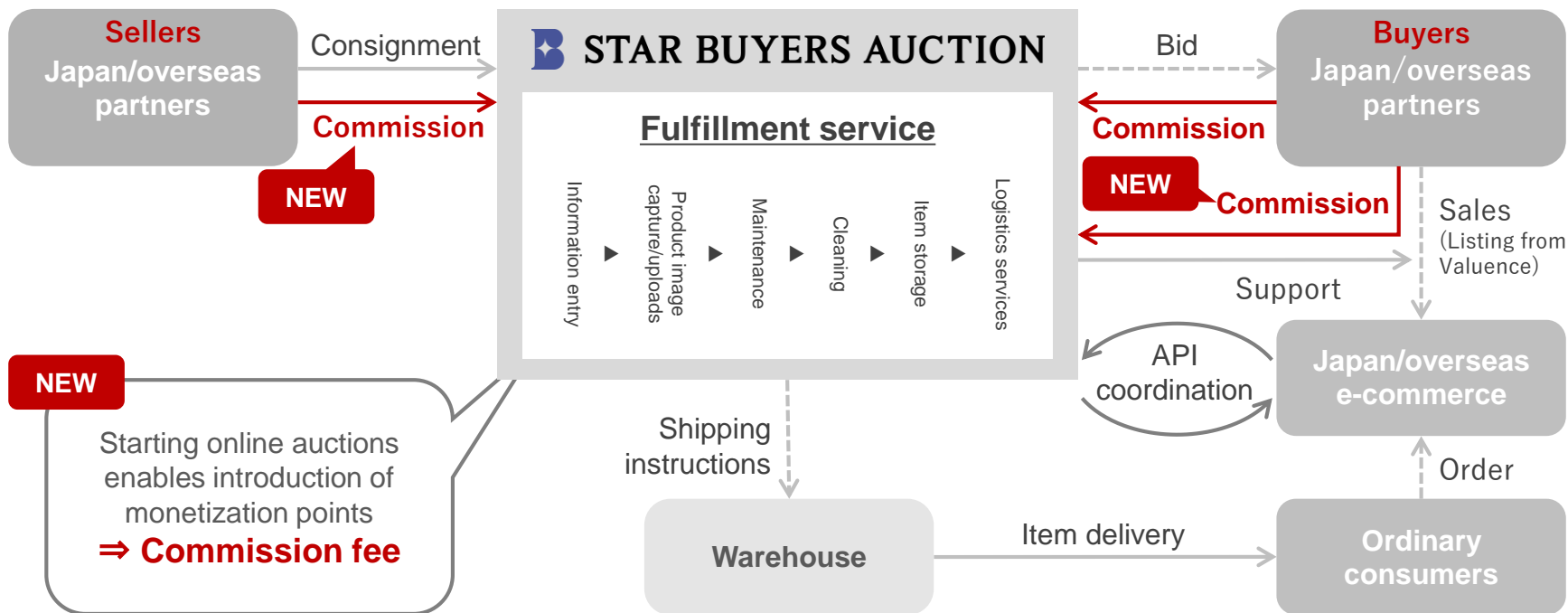


Roles of Offices

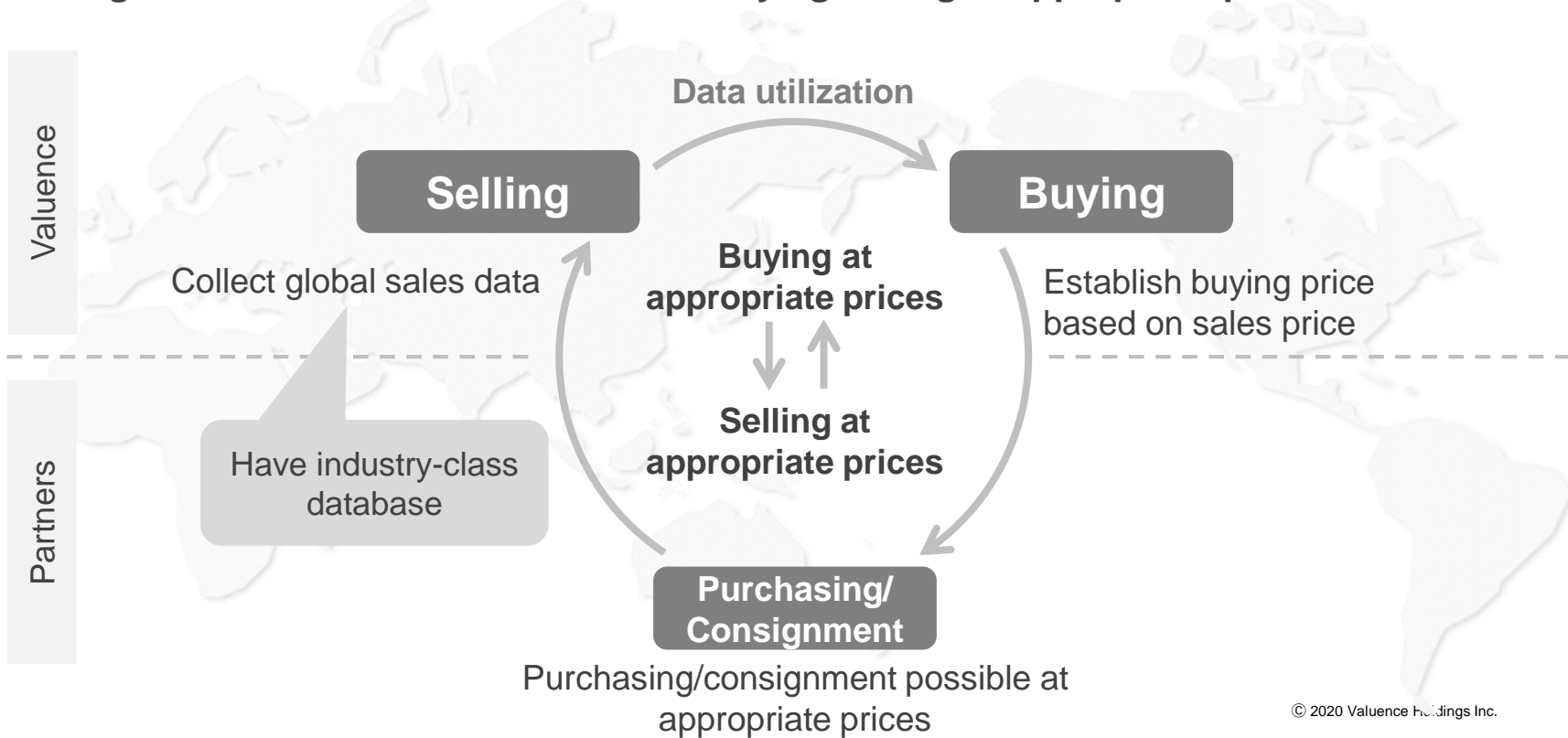
- ① **Acquire regional partners**
 - ✓ Acquiring SBA participants as partners
 - ✓ Support for SBA consignment listings
- ② **Buying in line with regional needs**
 - ✓ Buying via directly managed offices
 - ✓ Buying alliances with local partners

Promote the shift online for platform building

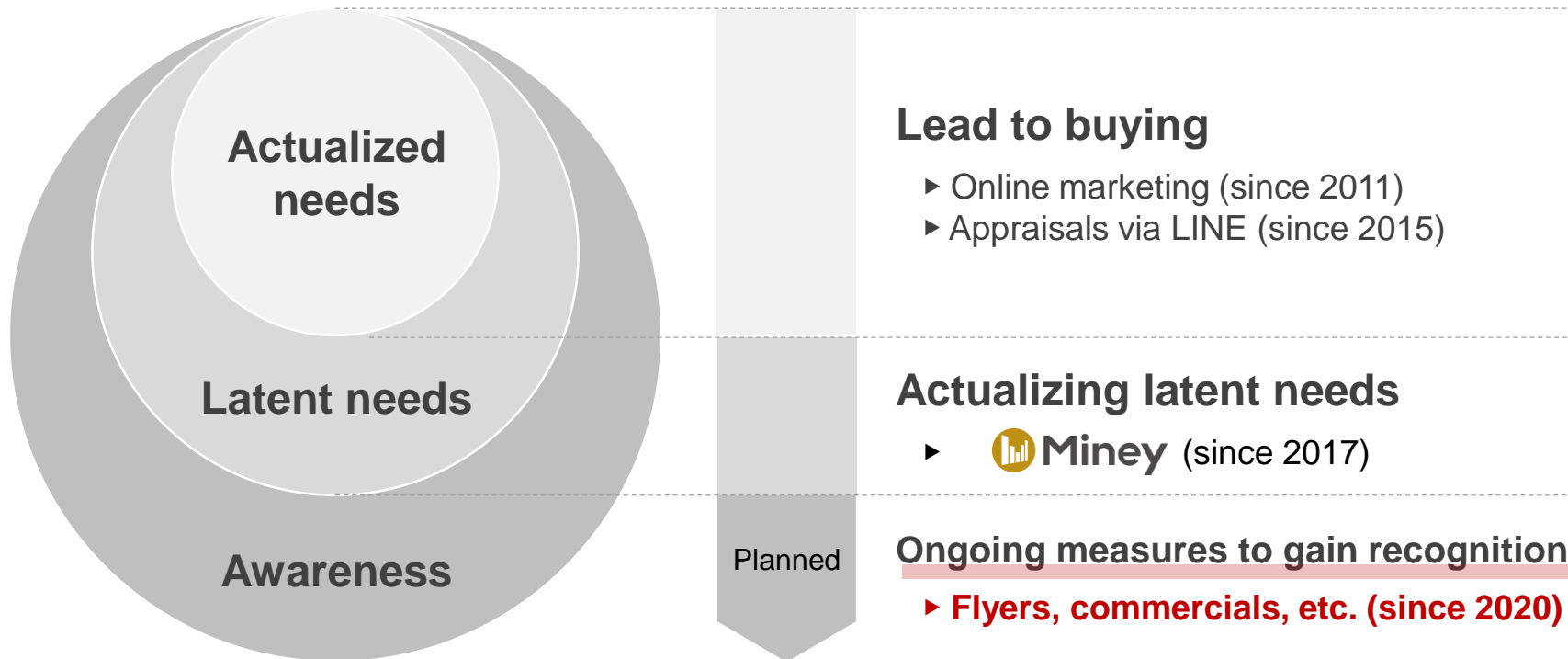
Build mechanism (= platform) for everything from partners buying to selling.



Build global-scale mechanism to enable buying/selling at appropriate prices.

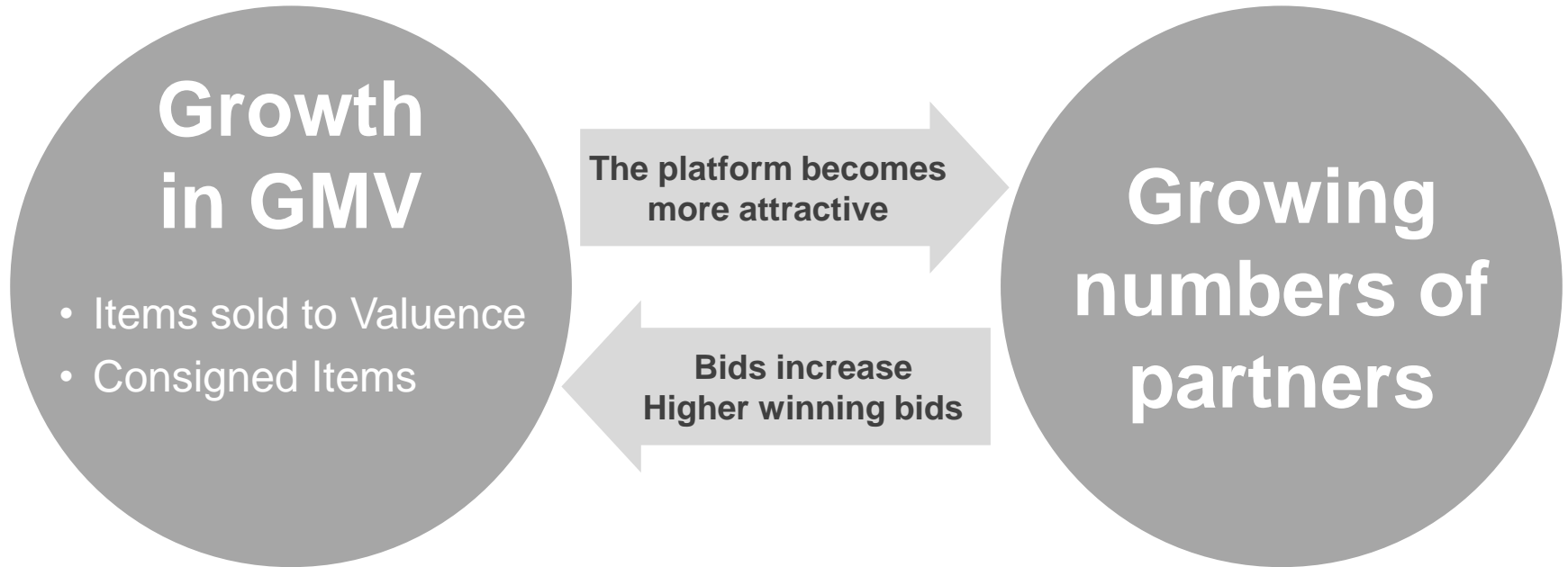


Develop all-around approach, including making use of mass marketing.



Virtuous Cycle Drives Growth in Gross Merchandise Volume (GMV)

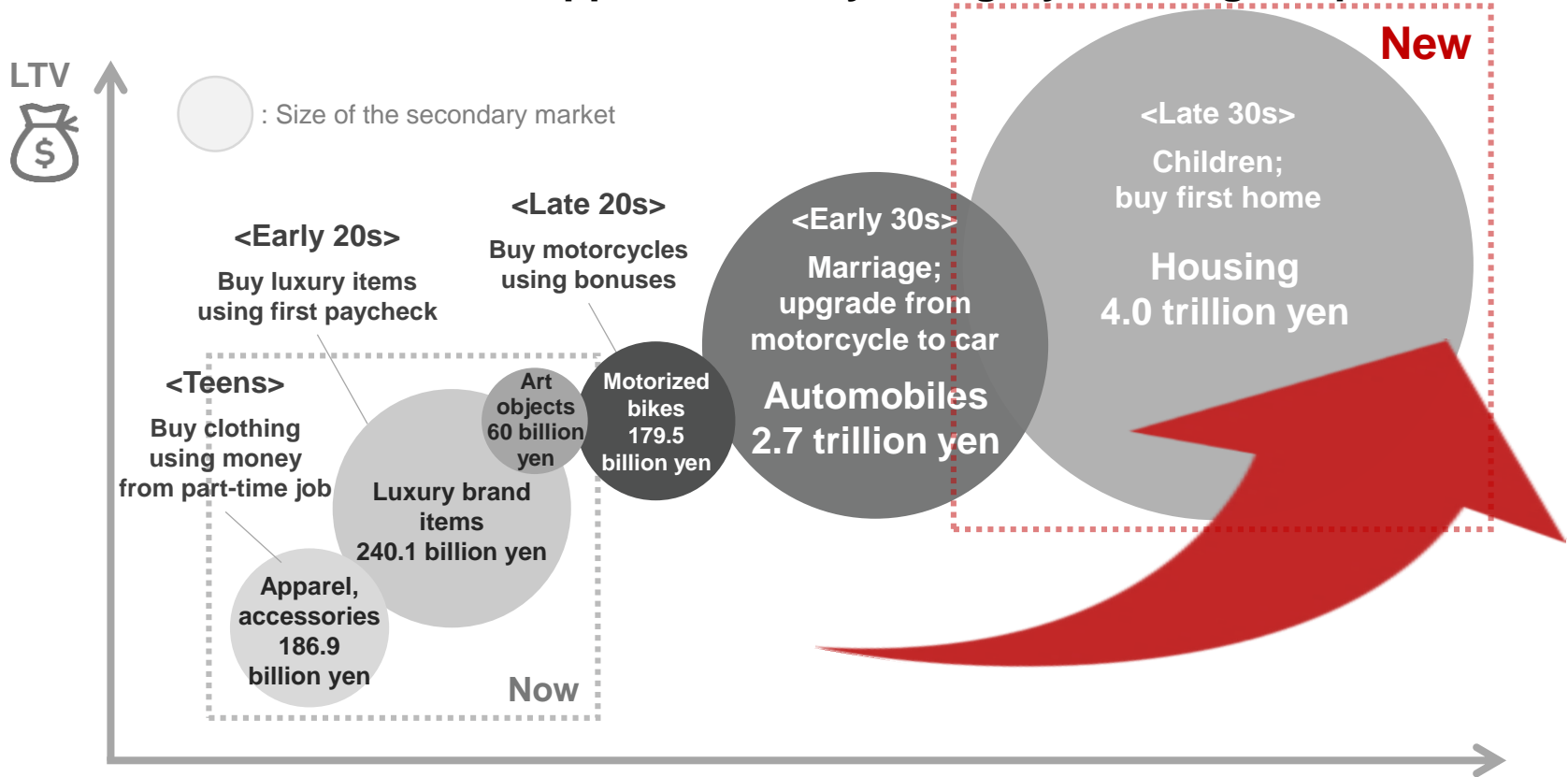
Shifting to a recurring revenue business.



Targets <KPIs>

	FY8/2020	FY8/2025
GMV (Gross Merchandise Volume)	37.5 billion yen	120 billion yen
Auction consignment rate	3.5%	50%
Overseas sales ratio	8.3%	20%
Number of buying offices (Japan and Overseas)	86	200

Maximization of Business Opportunities by Category Coverage Expansion



Market size sources: Apparel, accessories, luxury brand items, motorized bikes: Secondhand Market Databook (2018), the Japan Journal of Remodeling;
 Art objects: Japanese Art Industry Market Research Survey 2016, Art Tokyo Association;
 Automobiles: Used-Car Distribution Market in Japan: Key Research Findings 2017 (press release), Yano Research Institute;
 Housing: Basic Plan and Estimate on Housing (Japanese Nationwide Plan), Ministry of Land, Infrastructure, Transport and Tourism

Expanded Coverage (Covered Categories)

Begin handling real estate.

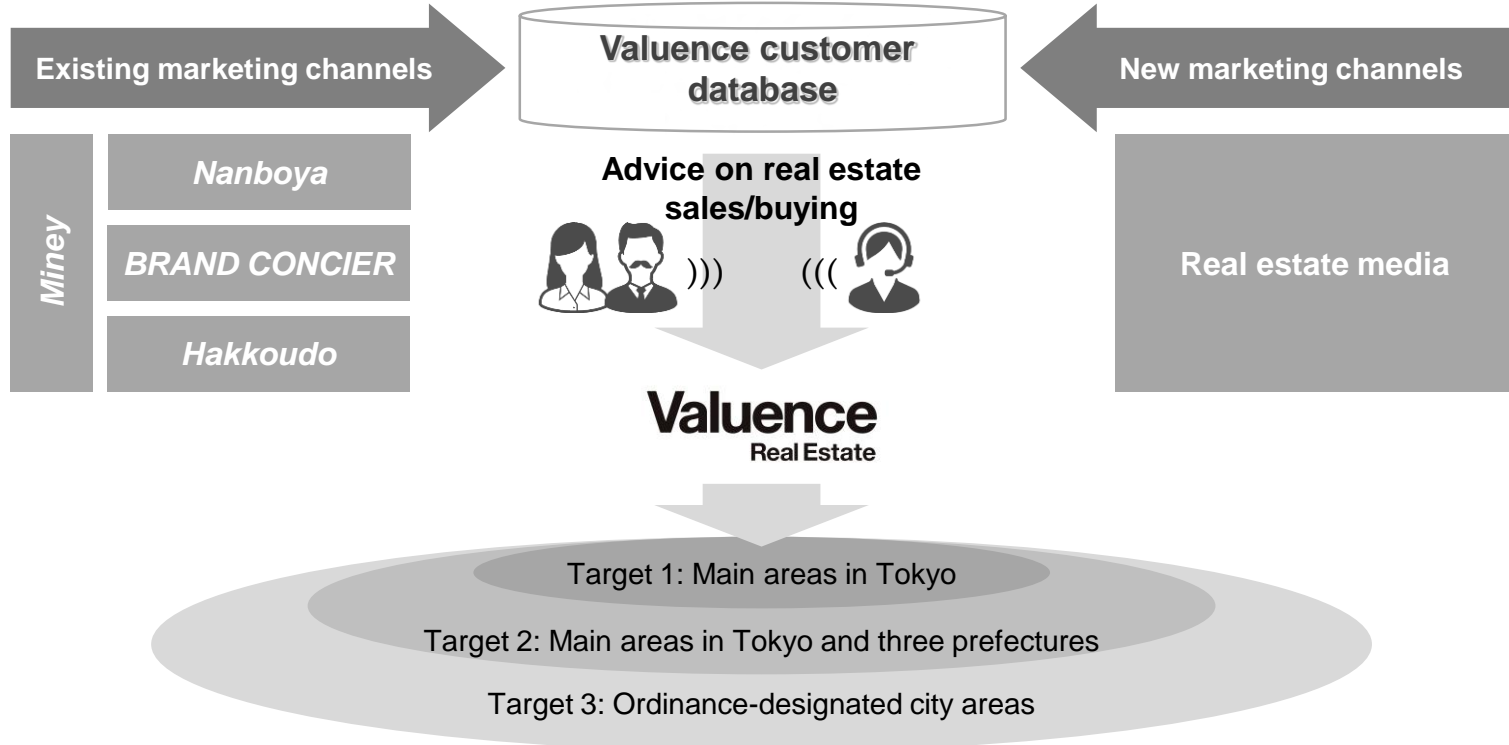
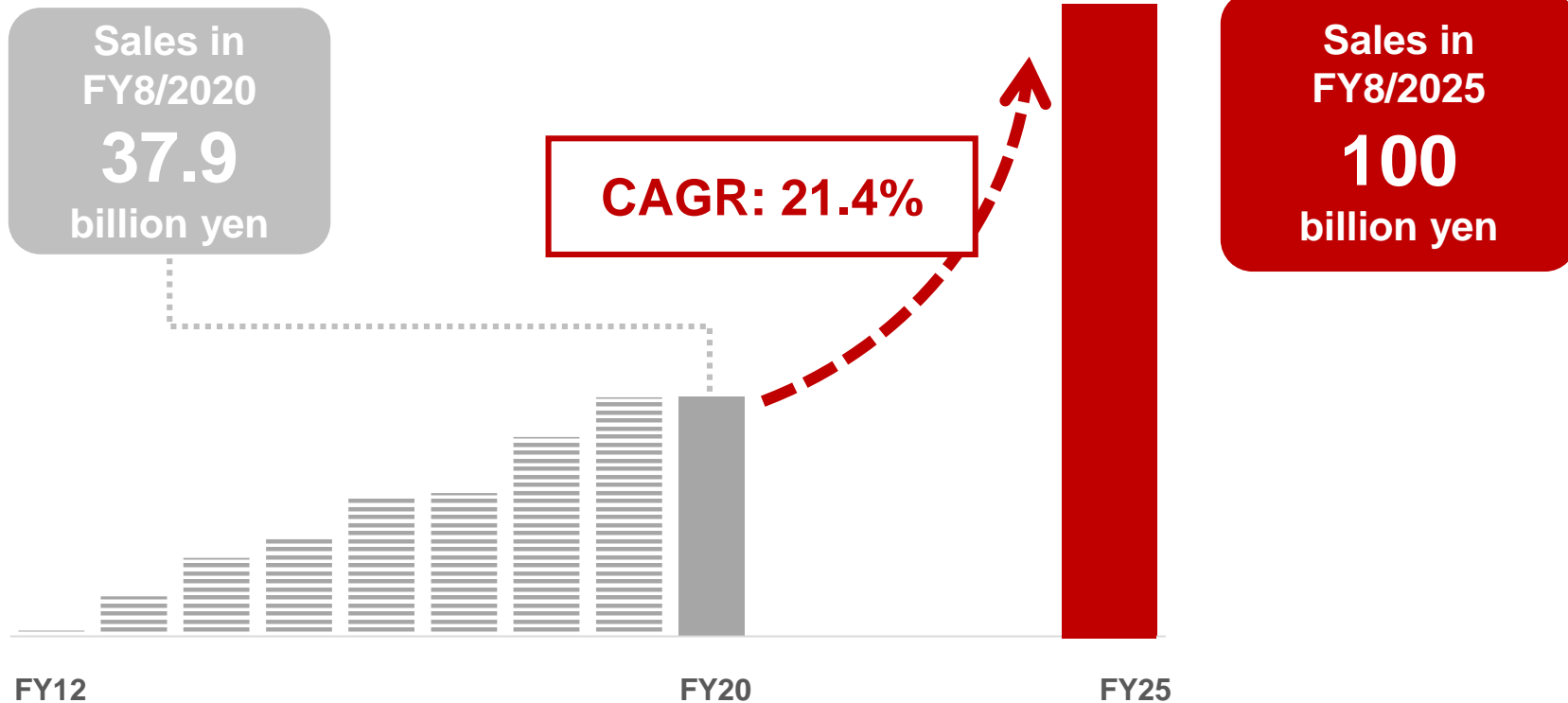


Image of Growth in the Mid-Term Plan Period



Targets <Other Indicators>

		FY8/2021	FY8/2025
Growth potential indicator	Operating profit growth rate	(2.5 billion yen)	FY8/2021 - CAGR 30%
Revenue performance indicator	ROE	23.7%	25.0%
Shareholder return indicator	Dividend payout ratio	30% or better	30% or better

Policy on gross profit rates

- ✓ Expand consignment sales.
- ✓ Introduce fulfillment services.
- ▶ **Introduce monetization points and expand the commission-based business to raise gross profit rates.**

Policy on SG&A

- ✓ Heightening awareness/understanding to improve advertising efficiency in the medium term.
- ✓ Minimize fixed expenses through promoting digital transformation.
- ▶ **Maintain growth investments and improve business efficiency to reduce SG&A.**

Policy on Shareholder Returns

Basic policy

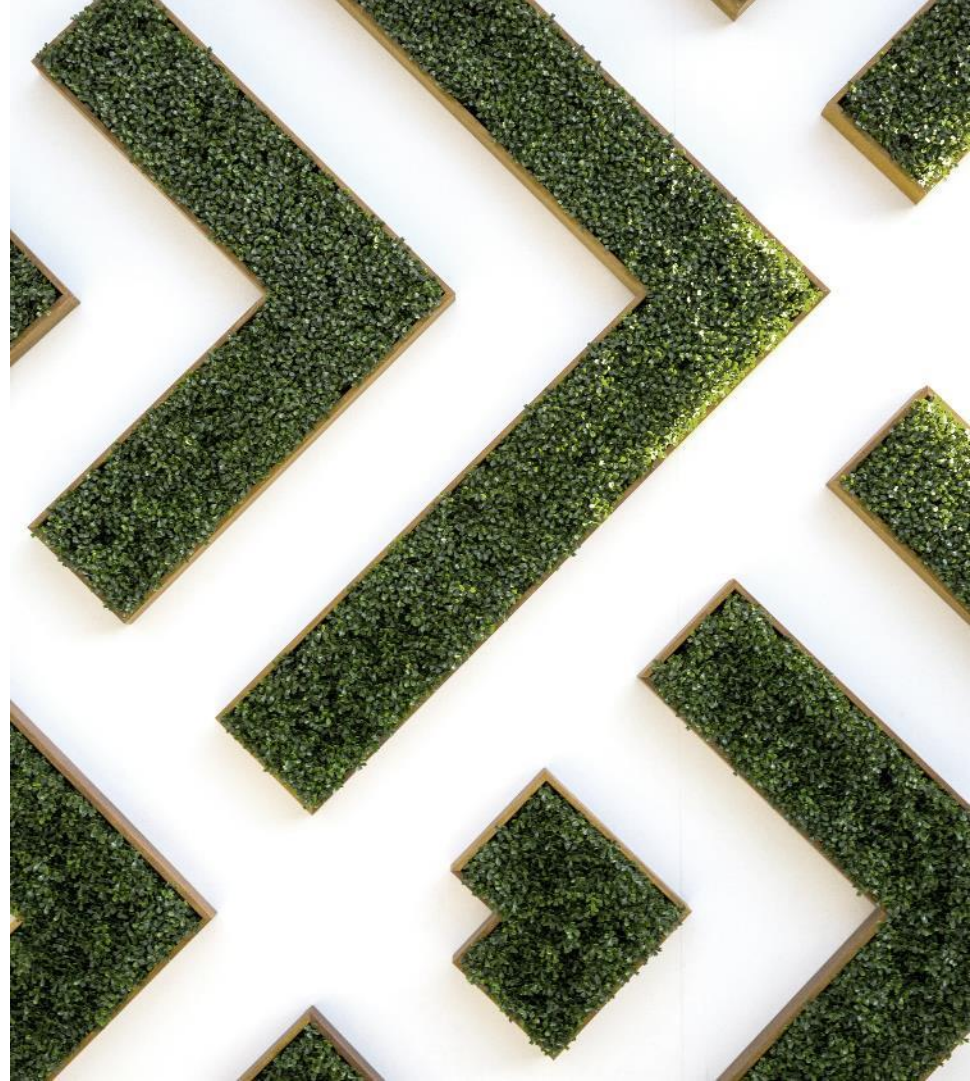
We seek to ensure steady dividend payments based on the understanding that long-term sustained growth in corporate value is in the shareholders' interests and with due regard for reinvestment pursuant to business plans.

	FY8/2020	In the mid-term plan period (FY8/2021 to FY8/2025)
Dividend payout ratio	The target is 25% or better.	The target is 30% or better.

In addition, we will also engage in share buybacks on a flexible basis.

Appendix

FY8/2020 Financial Highlights (cumulative)

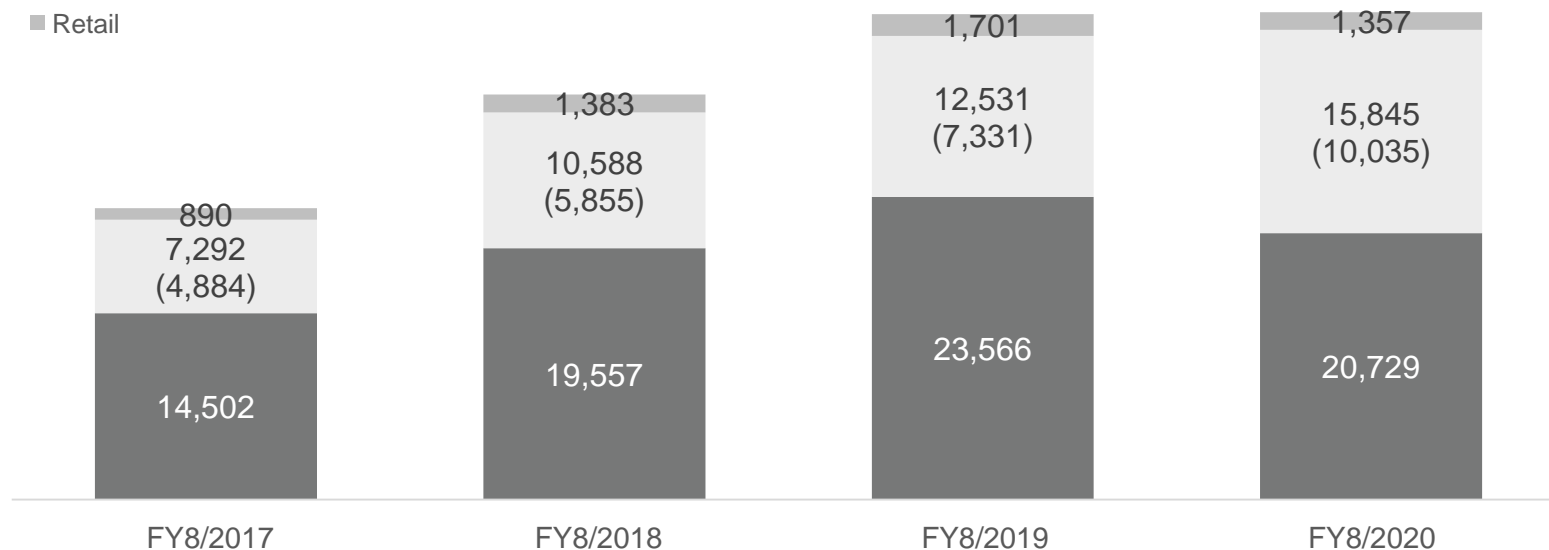


Net Sales by Channel (to B, to C)

(Millions of yen)

40,000 ■ Independent Auctions ■ Wholesales (of which, gold bullion)
 35,000 ■ Retail
 30,000
 25,000
 20,000
 15,000
 10,000
 5,000
 0

*SBA sales to overseas partners are included in "Wholesales."

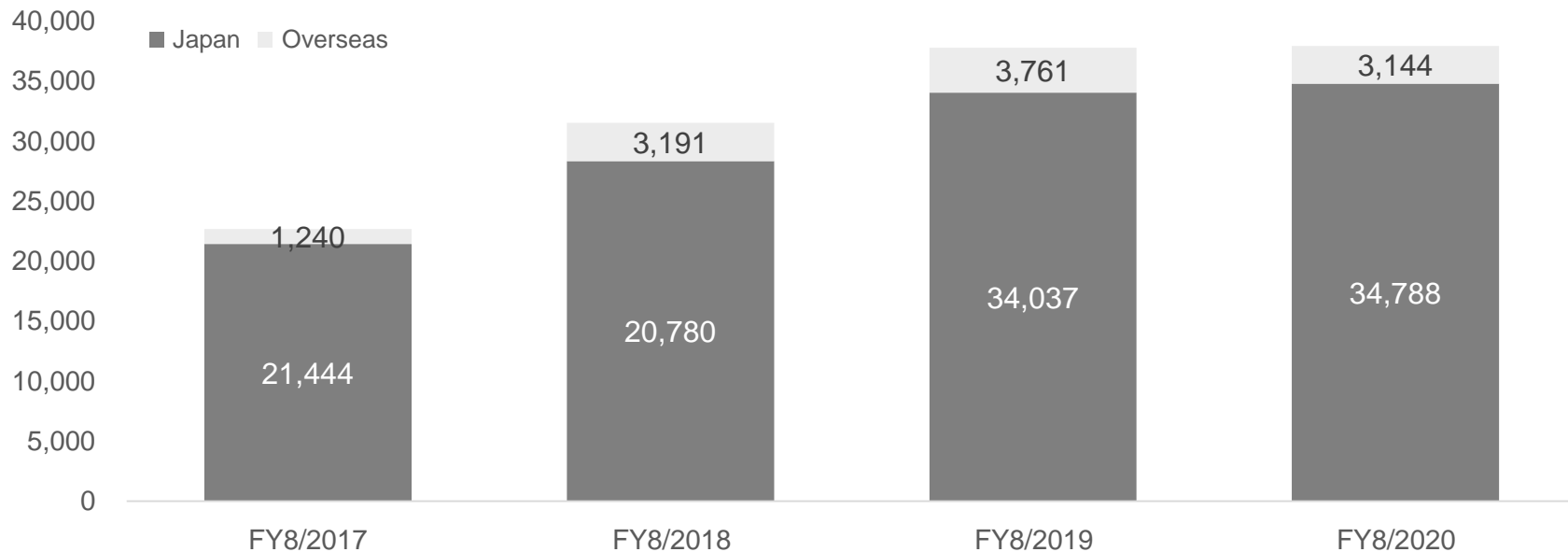


Topics

- ✓ Independent auctions increased with the full-year contributions from THE EIGHT AUCTION.
- ✓ Gold bullion sales increased on surging market prices in 4Q.
- ✓ Independent auctions temporarily decreased due to COVID-19, but moving online proved effective. Sales were strong from June.
- ✓ High market prices for gold bullion continued. Sales were high throughout the year.

Net Sales by Channel (Japan, Overseas)

(Millions of yen)

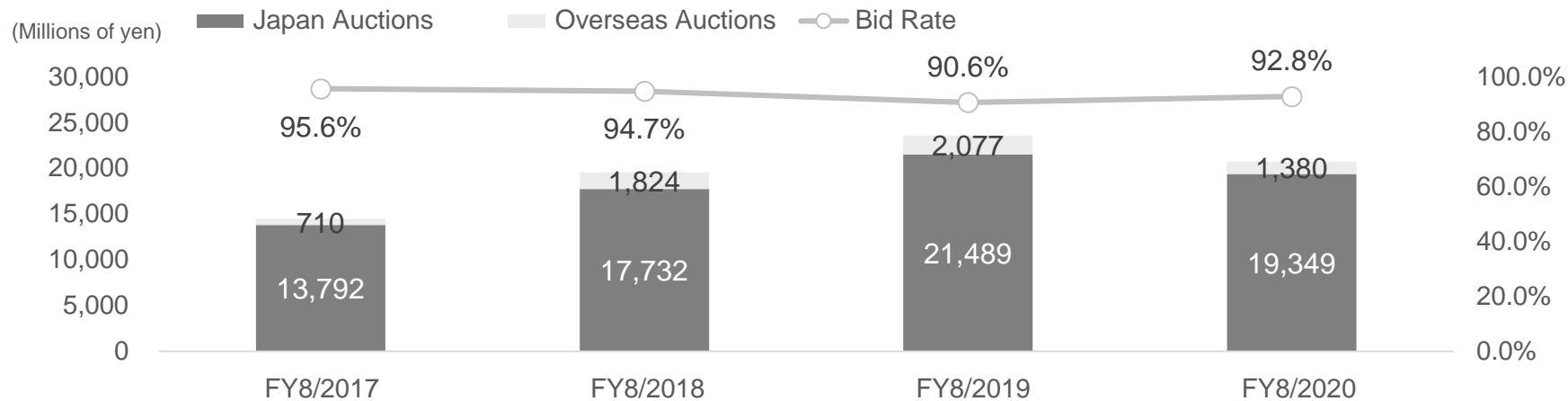


Topics

✓ Overseas sales were boosted by SBA Hong Kong for watches.

✓ Overseas sales declines due in part to lower exhibition sales due to COVID-19.
✓ Growing gold bullion sales drove Japan sales.

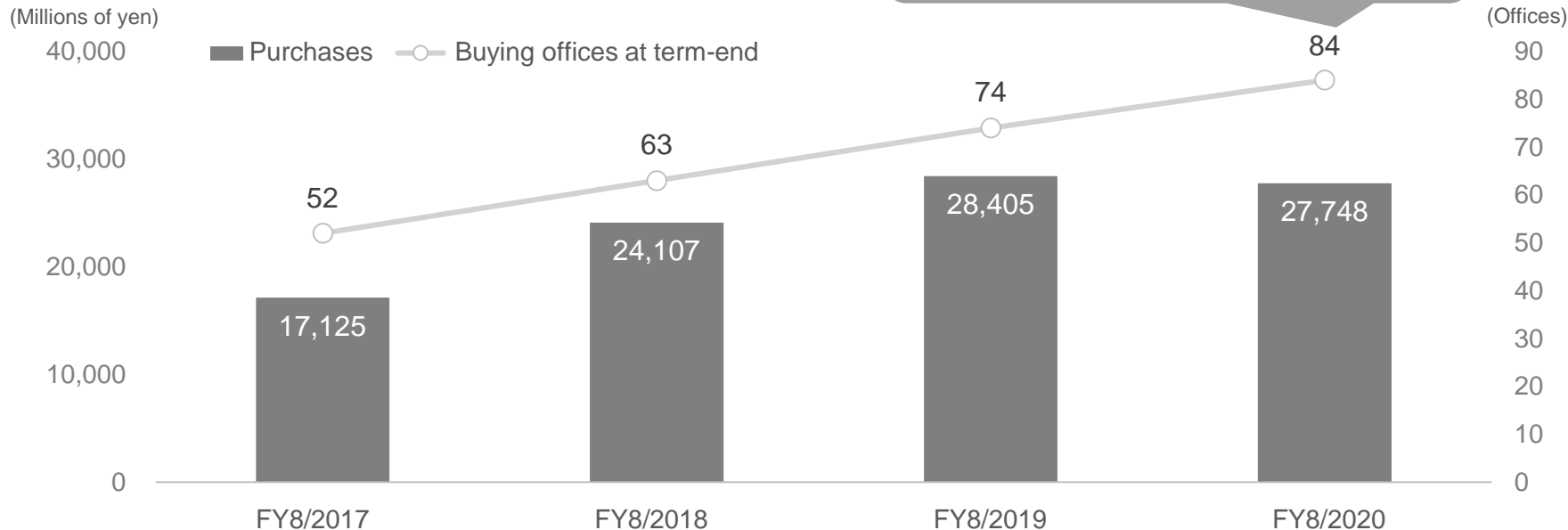
Auctions



SBA	Monthly	Monthly	Monthly	Monthly Fully online from April
SBA Hong Kong	twice	4 times	4 times	4 times
8AUC	-	Start from August	Monthly	September-February: monthly March-June: cancelled due to COVID-19 July: moved online August: cancelled to adjust auction timing

Purchases and Buying Offices

Nanboya and BRAND CONCIER reduced temporarily to 14 offices in April and May following declaration of state of emergency



Topics

- ✓ Launched buying events in partnership with department stores and commercial facilities.
- ✓ Lower purchases due to consumption tax hike and COVID-19.
- ✓ Recovery from July due in part to promotional campaign.

- Sales by channel, auction results, and monthly purchase 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.
- This document has been prepared in conformance with Consolidated Financial Summary for Fiscal Year Ended August 31, 2020.

Investor Relations Inquiries:

IR Office

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contact@valuence.inc

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