

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect, or any other forms of damages arising from this translation.



Consolidated Financial Results for the Three Months Ended November 30, 2022 [Japanese GAAP]

January 13, 2023

Company name: Valence Holdings Inc. Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9270 URL: <https://www.valence.inc/>
 Representative: (Title) Representative Director (Name) Shinsuke Sakimoto
 Contact: (Title) Director and CFO (Name) Shinichiro Sato (TEL) +81-3-4580-9983
 Scheduled date for filing quarterly securities report: Scheduled date for commencing dividend payments: —
 January 13, 2023

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 three months ended November 30, 2022 (September 1, 2022 to November 30, 2022)

(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	%
Three months ended November 30, 2022	17,250	30.2	283	44.0	259	52.8	133	193.9
Three months ended November 30, 2021	13,254	12.1	197	(57.5)	169	(62.4)	45	(79.1)

Note: Comprehensive income: Three months ended November 30, 2022 107 million yen [46.4%] Three months ended November 30, 2021 73 million yen [(65.5)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended November 30, 2022	10.37	10.31
Three months ended November 30, 2021	3.44	3.42

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of November 30, 2022	24,989	7,693	29.3
As of August 31, 2022	23,249	7,853	32.4

(Reference only) Equity As of November 30, 2022 7,323 million yen As of August 31, 2022 7,536 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 2022	—	0.00	—	25.00	25.00
Fiscal year ending in August 2023	—				
Fiscal year ending in August 2023 (forecast)		0.00	—	30.00	30.00

Note: Revision to the dividend forecast announced most recently: None

3. Consolidated financial results forecast for the fiscal year ending in August 2023 (September 1, 2022 to August 31, 2023) (% 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	78,500	23.8	2,500	32.4	2,350	31.2	1,300	34.1	101.14

Note: Revision to the financial results forecast announced most recently: None

* 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 shares)

2) Number of shares of treasury shares at the end of the period

3) Average number of shares of common stock during the period

As of November 30, 2022	13,337,740 shares	As of August 31, 2022	13,335,620 shares
As of November 30, 2022	484,230 shares	As of August 31, 2022	483,653 shares
Three months ended November 30, 2022	12,852,601 shares	Three months ended November 30, 2021	13,172,591 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. Qualitative information on quarterly financial results (3) Explanation of consolidated financial results forecast and other forward-looking information” on page 5 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

■ Table of contents of the attached materials

1. Qualitative information on quarterly financial results.....	2
(1) Explanation of business results	2
(2) Explanation of financial conditions	4
(3) Explanation of consolidated financial results forecast and other forward-looking information.....	4
2. Quarterly consolidated financial statements and major notes	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statements of income and comprehensive income	7
(3) Notes on quarterly consolidated financial statements	9
(Notes regarding going concern assumptions).....	9
(Notes in the case of significant changes in the amount of shareholders' equity)	9
(Additional information)	9
(Important subsequent events).....	9

1. Qualitative information on quarterly financial results

(1) Explanation of business results

The Company Group aims to become a “Circular Design Company” by 2030, with “Circular Design for the Earth and Us” as the Company Group’s purpose. This commitment is based on the awareness that it is critical for the Company Group to enhance sustainability, including that for the Earth’s environment, and establish a medium- to long-term competitive edge.

The Company Group had formulated and announced in October 2020 the VG1000 mid-term management plan, which covers the period through the fiscal year ending in August 2025. As the second year of the mid-term management plan, the fiscal year ended in August 2022, came to close, the plan has been revised into “VG1000 ver2.0”, which was announced in October 2022. The Company Group will advance its business with strategies to expand the existing CtoBtoB model worldwide, to shore up retail sales for both domestic and global markets, and to transform into a recurring revenue model through enhanced relationships with customers and partners. The period covered by this mid-term management plan is positioned as a period for forward-looking outlays to implement and enhance all the functions necessary for a leap forward in the fiscal year ending in August 2026 and beyond. Even so, the Company Group aims to achieve profit growth while making those investments under the plan.

The Company Group positions the fiscal year ending in August 2023 as the year for prioritizing investments in human resources in particular. The Company Group plans not only to staff up in preparation for the reacceleration of office openings and business expansion, but also to make proactive investments in human resources, including programs for employees to improve their capabilities and learn new skills.

As a result of the business activities based on the above plan, the Company Group’s consolidated financial results for the three months under review were as follows.

Net sales	17,250 million yen	(Up 30.2% from the previous corresponding period)
Operating profit	283 million yen	(Up 44.0% from the previous corresponding period)
Ordinary profit	259 million yen	(Up 52.8% from the previous corresponding period)
Profit attributable to owners of parent	133 million yen	(Up 193.9% from the previous corresponding period)

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 three months under review were as follows.

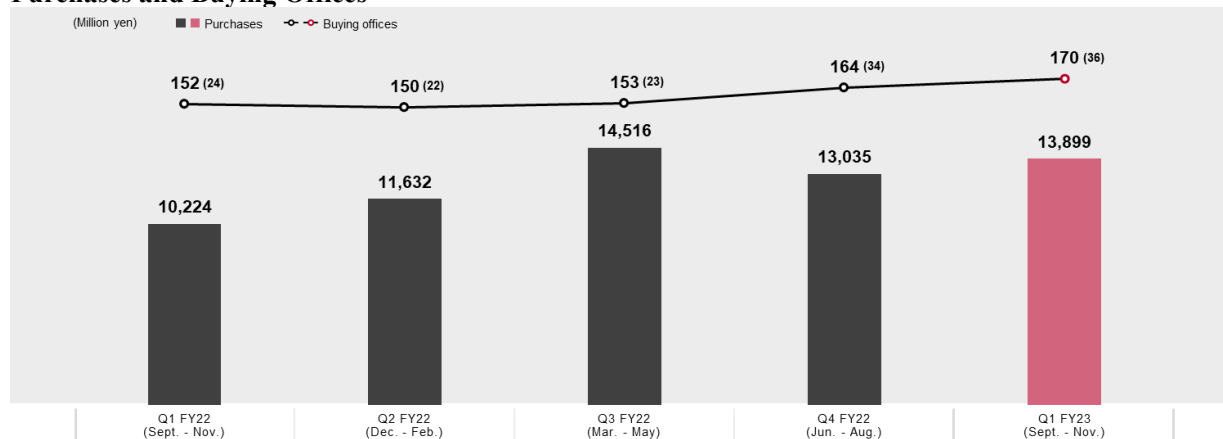
With regard to purchases, the Company Group worked to increase customer traffic through web marketing, including search engine optimization (SEO) measures, and attracted customers more efficiently through enhanced CRM, which will motivate customers to become repeat users. Also, purchases through alliances with other industries grew significantly.

With regard to buying offices development, the Company Group is accelerating the pace of new office openings again, premised on a post-pandemic scenario. The Company Group opened 4 new offices in Japan and 5 new offices overseas, bringing the total number of buying offices of the Company Group as a whole as of the end of the first quarter under review to 134 offices in Japan and 36 offices overseas.

As a result, purchases for the first quarter of the current fiscal year totaled 13,899 million yen, up 35.9% from the previous corresponding period.

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

Purchases and Buying Offices



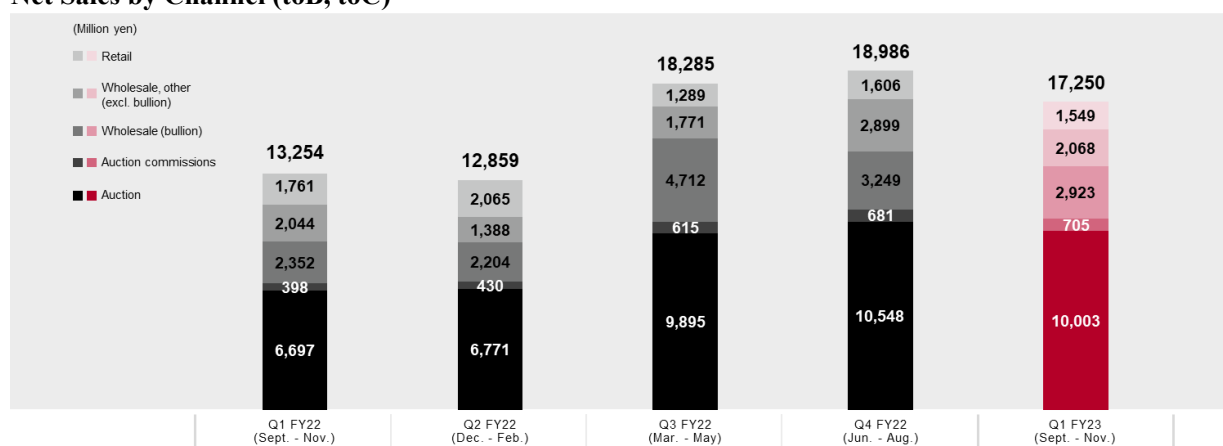
* No. of buying offices includes overseas buying offices. Nos. in parentheses indicate overseas buying offices.

With respect to selling operations, the Company Group secured inventory from a strategic perspective in preparation for the retail measures to be implemented in the second quarter, including opening ALLU Shinsaibashi and holding ALLU Auction. As a result, a decrease in net sales from the preceding quarter but an increase of 30.2% year-over-year.

In addition, winning bids on consignments at the Company Group's own auctions increased, and commission income from in-house auctions remained firm. This was a result of many partners participating in the auctions, not only from Japan but from overseas, recognition that the auctions feature sales at high prices with high bid rates, and the decision to provide free-of-charge listing of consigned items from the second half of the previous fiscal year.

Quarterly net sales by channel (toB and toC) are as follows.

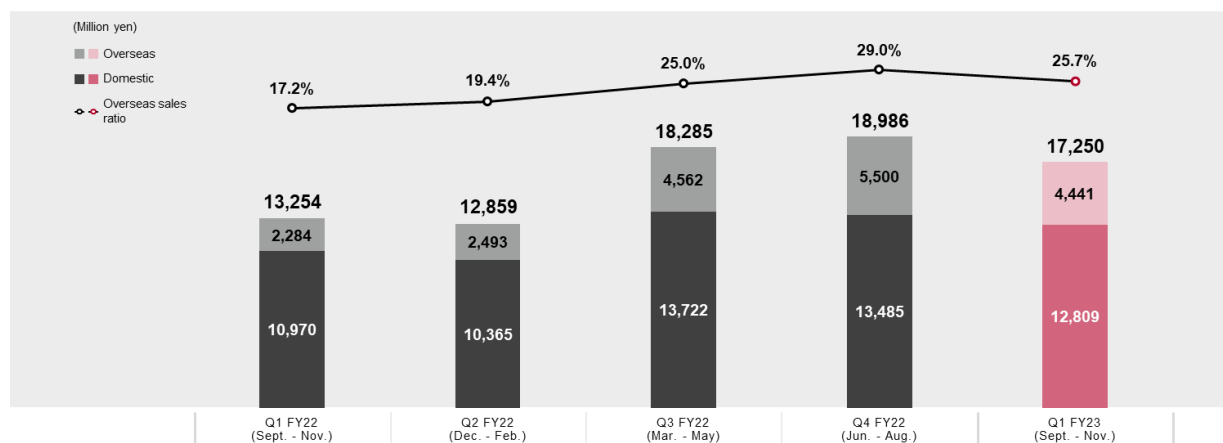
Net Sales by Channel (toB, toC)



In terms of the ratio between domestic and overseas net sales, the ratio of domestic sales to total net sales increased compared with the preceding quarter as domestic partners proactively won bids on in-house auctions in expectation of recovery in inbound tourism consumption.

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

Net Sales (Domestic, Overseas)



(2) Explanation of financial conditions

(Assets)

As of the end of the three months under review, current assets were 18,266 million yen, up 1,462 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 172 million yen in cash and deposits and an increase of 1,322 million yen in merchandise resulting from product procurement, as well as an increase of 502 million yen in consumption taxes refund receivable. Non-current assets were 6,722 million yen, up 276 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 116 million yen in property, plant and equipment resulting from the new opening and relocation of buying offices and a store as well as office relocations, and an increase of 135 million yen in intangible assets, including software and software in progress resulting from system development. As a result, total assets were 24,989 million yen, up 1,739 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of the end of the three months under review were 14,673 million yen, up 353 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 87 million yen accounts payable – trade resulting from increased purchases, an increase of 200 million yen in current portion of bonds payable, and an increase of 182 million yen in provision for bonuses, which offset a decrease of 294 million yen in income taxes payable due to payment of income taxes. Non-current liabilities were 2,621 million yen, up 1,546 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 800 million yen in bonds payable and an increase of 665 million yen in long-term loans payable. As a result, total liabilities were 17,295 million yen, up 1,900 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets as of the end of the three months under review were 7,693 million yen, down 160 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 187 million yen in retained earnings due to dividend payments, a decrease of 25 million yen in foreign currency translation adjustment, an increase of 52 million yen in share acquisition rights, and the recording of profit attributable to owners of parent on the other hand.

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

No changes have been made to the consolidated financial results forecast for the fiscal year ending in August 2023 announced on October 14, 2022.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2022)	Three months under review (November 30, 2022)
Assets		
Current assets		
Cash and deposits	7,807,795	7,635,084
Accounts receivable - trade	605,782	509,913
Merchandise	6,329,008	7,651,159
Consumption taxes refund receivable	1,378,773	1,880,958
Other	959,575	896,143
Allowance for doubtful accounts	(276,876)	(306,305)
Total current assets	16,804,058	18,266,953
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,149,422	2,125,006
Other (net)	697,049	838,148
Total property, plant and equipment	2,846,472	2,963,154
Intangible assets		
Other	852,375	987,865
Total intangible assets	852,375	987,865
Investments and other assets		
Shares of subsidiaries and associates	265,142	255,169
Guarantee deposits	1,604,581	1,603,572
Other	877,876	912,936
Allowance for doubtful accounts	(806)	(573)
Total investments and other assets	2,746,795	2,771,105
Total non-current assets	6,445,643	6,722,125
Total assets	23,249,702	24,989,078

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2022)	Three months under review (November 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	244,150	331,232
Short-term loans payable	11,900,793	11,796,736
Current portion of bonds payable	–	200,000
Current portion of long-term loans payable	88,440	138,432
Income taxes payable	395,198	100,976
Provision for bonuses	256,992	439,276
Asset retirement obligations	166,864	164,281
Other	1,267,925	1,502,998
Total current liabilities	14,320,364	14,673,933
Non-current liabilities		
Bonds payable	–	800,000
Long-term loans payable	306,090	971,490
Asset retirement obligations	585,770	600,355
Other	183,508	250,076
Total non-current liabilities	1,075,369	2,621,922
Total liabilities	15,395,734	17,295,855
Net assets		
Shareholders' equity		
Capital stock	1,146,335	1,146,609
Capital surplus	1,256,619	1,256,893
Retained earnings	5,602,463	5,414,480
Treasury shares	(668,240)	(668,432)
Total shareholders' equity	7,337,177	7,149,550
Accumulated other comprehensive income		
Foreign currency translation adjustment	199,386	174,048
Total accumulated other comprehensive income	199,386	174,048
Share acquisition rights	317,403	369,624
Total net assets	7,853,967	7,693,223
Total liabilities and net assets	23,249,702	24,989,078

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statement of income)
(For the three months ended November 30)

(Unit: thousand yen)

	Previous three-month period (from September 1, 2021 to November 30, 2021)	Three months under review (from September 1, 2022 to November 30, 2022)
Net sales	13,254,226	17,250,533
Cost of sales	9,688,254	12,640,710
Gross profit	3,565,971	4,609,823
Selling, general and administrative expenses	3,368,897	4,325,991
Operating profit	197,074	283,832
Non-operating income		
Interest income	0	15
Gain on valuation of derivatives	1,861	3,053
Subsidy income	1,250	9,290
Other	1,709	4,586
Total non-operating income	4,821	16,945
Non-operating expenses		
Interest expenses	13,148	16,138
Commission fee	339	339
Foreign exchange losses	71	11,890
Loss on extinguishment of share-based remuneration expenses	947	322
Share of loss of entities accounted for using equity method	17,382	9,973
Other	467	3,084
Total non-operating expenses	32,356	41,749
Ordinary profit	169,538	259,027
Extraordinary losses		
Impairment loss	8,898	531
Total extraordinary losses	8,898	531
Profit before income taxes	160,640	258,496
Income taxes - current	155,623	156,713
Income taxes - deferred	(40,341)	(31,533)
Total income taxes	115,282	125,180
Profit (loss)	45,358	133,315
Profit (loss) attributable to owners of parent	45,358	133,315

(Quarterly consolidated statement of comprehensive income)

(For the three months ended November 30)

(Unit: thousand yen)

	Previous three-month period (from September 1, 2021 to November 30, 2021)	Three months under review (from September 1, 2022 to November 30, 2022)
Profit (loss)	45,358	133,315
Other comprehensive income		
Foreign currency translation adjustment	28,415	(25,338)
Total other comprehensive income	28,415	(25,338)
Comprehensive income	73,773	107,977
Comprehensive income attributable to:		
Owners of parent	73,773	107,977

(3) Notes on quarterly consolidated financial statements
(Notes regarding going concern assumptions)

Not applicable

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

Not applicable

(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)

(Issue of stock acquisition rights as stock options)

At a Board of Directors' meeting held on November 25, 2022, the Company passed a resolution concerning the issue of stock acquisition rights to employees of the Company and to Directors and employees of the Company's subsidiaries, and issued the stock acquisition rights on December 23, 2022.

1. Purpose of and reason for granting the stock acquisition rights

The stock acquisition rights were issued to employees of the Company, and Directors and employees of the Company's subsidiaries in order to strengthen the motivation to contribute to medium- to long-term growth in Group corporate value through actions consistent with the interests of shareholders.

2. Guidelines on issuing stock acquisition rights

(1) Date of the issue of stock acquisition rights

December 23, 2022

(2) Number of eligible individuals and number of units to be allocated

Employees of the Company	1 person	50 units
Directors of the Company's subsidiaries	4 persons	80 units
Employees of the Company's subsidiaries	10 persons	400 units

(3) Number of stock acquisition rights issued

530 units

(4) Amount to be paid per stock acquisition right

135,600 yen per stock acquisition right (1,356 yen per share)

The paid-in amount per stock acquisition right shall be the fair value of the stock acquisition rights, calculated by a fair method, including the Black Scholes model, as of the date of allocation of the stock acquisition rights.

This paid-in-amount shall be offset against the same amount of compensation claims of the allottees against the Company (or, with respect to Directors and employees of the Company's subsidiaries, compensation claims granted by the Company's subsidiaries to such persons, which the Company assumes).

In addition, the paid-in amount above is an amount based on the fair value of the Stock Acquisition Rights as above, and particularly favorable conditions do not apply in the relationship with employees of the Company and Directors and employees of Company subsidiaries.

- (5) Class and number of shares to be subject to stock acquisition rights
53,000 shares of Company's common stock
- (6) Payment upon exercise of stock acquisition rights
303,400 yen per stock acquisition right (3,034 yen per share)
- (7) The increase in capital and capital reserves on the issue of shares through the exercise of the stock acquisition rights
- 1) The increase in capital on issue of shares through the exercise of the stock acquisition rights shall be equal to one half of the Maximum Amount of Increase in Stated Capital calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Any fraction less than one yen resulting from such calculation shall be rounded up.
 - 2) The increase in capital reserves on the issue of shares through the exercise of the stock acquisition rights shall be the Maximum Amount of Increase in Stated Capital under 1) above minus the amount of the increase in capital described under 1) above.
- (8) Conditions on the exercise of stock acquisition rights
- 1) A holder of the stock acquisition rights must be a Director, Auditor, or employee of the Company or a Director, Auditor, or employee of an affiliate of the Company (referring to an affiliate as defined in the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.) at the time of exercise of the stock acquisition rights, unless he or she has resigned upon the termination of his or her term of office, retired upon mandatory retirement age, or has other good reason to be exempt from this condition.
 - 2) An heir to a holder of the stock acquisition rights may not exercise the stock acquisition rights.
 - 3) Stock acquisition rights may not be exercised if the exercise of stock acquisition rights would cause the Company's total number of shares issued to exceed its authorized total number of shares to be issued at that time.
 - 4) A stock acquisition right may not be exercised fractionally.
 - 5) A stock acquisition right may not be exercised in violation of the Agreement on Stock Acquisition Rights.
- (9) Period during which the stock acquisition rights may be exercised
From November 26, 2024, to November 24, 2032 (or the preceding banking business day if November 24, 2032, is not a banking business day)
- (10) Restrictions on acquisition of stock acquisition rights through a transfer
Approval by resolution of the Company Board of Directors is required to acquire stock acquisition rights through a transfer.

(Issuance of new shares as restricted stock compensation)

At a Board of Directors' meeting held on November 25, 2022, the Company passed a resolution concerning the issuance of new shares as restricted stock compensation, and issued the new shares on December 23, 2022.

1. Details of issuance

(1)	Payment deadline	December 23, 2022
(2)	Type and number of shares to be issued	52,400 shares of common stock of the Company
(3)	Issuance price	2,774 yen per share
(4)	Total issuance amount	145,357,600 yen
(5)	Persons who received allotment	Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors): 4 persons 30,100 shares Management employees of the Company: 10 persons 6,500 shares Directors of subsidiaries of the Company: 4 persons 2,700 shares Management employees of subsidiaries of the Company: 22 persons 13,100 shares
(6)	Other	A securities registration statement had been filed concerning this issuance of new shares in accordance with the Financial Instruments and Exchange Act.

2. Objectives and reasons for issuance

At a Board of Directors meeting held on October 15, 2018, and the 7th Ordinary General Meeting of Shareholders held on November 22, 2018, the Company resolved to introduce a "Restricted Stock Compensation System" (the "System"). Subsequently, at the 10th Ordinary General Meeting of Shareholders held on November 25, 2021, the Company resolved to revise compensation related to the System, as part of measures to revise the compensation system for Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members). This new share issuance will be performed based on a resolution at a meeting of the Board of Directors held on November 25, 2022, with the objective of further increasing the desire by Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and management employees of the Company and Directors and management employees of the Company's subsidiaries to contribute to a higher share price and the improvement of corporate value by having them share the benefits and risks of changes in the share price with shareholders, based on the System.

(Acquisition of a company through share acquisition and simplified share exchange)

At a Board of Directors' meeting held on December 22, 2022, the Company resolved to acquire a portion of the outstanding shares of YONE MOTORS CORPORATION ("YONE MOTORS") and exchange shares of the aforementioned two parties, thereby making the Company the sole parent company of YONE MOTORS and YONE MOTORS will be a wholly owned subsidiary of the Company. The two parties have executed a share transfer contract and share exchange contract on the same date.

This share exchange will be executed by means of a simplified share exchange pursuant to Article 796 (2) of the Companies Act without obtaining approval of a general meeting of shareholders of the Company.

1. Details of business combination

(1) Name and business descriptions of acquired enterprise

1) Name of acquired enterprise

YONE MOTORS CORPORATION

2) Business descriptions

Sale and purchase of new and used domestic and imported automobiles, performance of mandatory automobile inspections, check-ups, automobile disassembly and maintenance, sheet metal painting, etc.

3) Scale of business

Total assets: 469 million yen

Net sales: 1,036 million yen

These are the figures for the fiscal year ended in November 2021, and have not received audit certification by an accounting auditor of the Company.

(2) Main reason for the business combination

As per its defined corporate purpose of promoting “Circular Design for the Earth and Us,” the Company strives to be a Circular Design Company that works to improve the sustainability of its businesses and the global environment, thereby establishing its competitive advantage over the medium- to long-term. Engaged in the reuse business mainly involving the purchase and sale of brand-name items, antiques, art, etc., the Company facilitates the transition to a circular economy in which goods that are no longer needed by their owners, rather than being discarded, are transferred to those who need them. The Company thus strives to contribute to a sustainable society by encouraging reuse among its customers, while appreciating the many stories customers may have of their belongings. In addition, the Company started dealing in automobiles in April 2021 with the goal of becoming a one-stop solution provider for all tangible property, not just that in current genres, thus improving the customer lifetime value while maximizing the Company earnings opportunities.

Founded in 2013, YONE MOTORS is a company mainly involved in the sale and purchase of new and used domestic and imported automobiles that also operates its own garages where mandatory automobile inspections, check-ups, and other maintenance services are performed. YONE MOTORS’ distinct advantage is its ability to service imported premium automobiles at its own facilities. The Company believes that this share acquisition and share exchange will allow it to sell purchased automobiles directly to consumers by leveraging YONE MOTORS’ existing sales channels, while also leveraging YONE MOTORS’ strong technical capabilities in automobile maintenance to extend the length and quality of automobile usable lifespans for consumers, thereby cultivating long-term relationship with customers and facilitating the transition to a recycling-based society in which goods that are no longer needed are transferred to those who need them.

(3) Date of business combination (scheduled)

January 31, 2023 (date of share acquisition in exchange for cash)

February 28, 2023 (share exchange effective date)

February 28, 2023 (deemed acquisition date)

(4) Legal form of business combination

Share acquisition and share exchange, thereby making the Company the sole parent company of YONE MOTORS and YONE MOTORS will be a wholly owned subsidiary of the Company

1) Share acquisition: Share acquisition in exchange for cash

2) Share exchange: Simplified share exchange in exchange for common stock of the Company

(5) Company name after the business combination

YONE MOTORS CORPORATION

(6) Percentage of voting rights to be acquired

Percentage of voting rights held immediately prior to the business combination	-%
Percentage of voting rights to be acquired by means of cash consideration	84.00%
Percentage of voting rights to be additionally acquired by means of share exchange	16.00%
Percentage of voting rights after the acquisition	100.00%

(7) Main basis for determining the acquired enterprise

The Company acquires 100% of voting rights of YONE MOTORS and makes it a wholly owned subsidiary by means of cash consideration and share exchange.

2. Acquisition cost of acquired enterprise and breakdown by type of consideration for the acquisition

Consideration for the acquisition: Cash	504,000 thousand yen
Consideration for the acquisition: Fair value of common stock of the Company to be issued in share exchange	95,734 thousand yen
Acquisition cost	599,734 thousand yen

3. Exchange ratio by type of shares and calculation method thereof, and the number of shares to be issued

(1) Exchange ratio by type of shares

Share exchange ratio of common stock of the Company and YONE MOTORS: 1:2,175

(2) Calculation method of share exchange ratio

In terms of the value of the Company's stock, as it is publicly traded on the Tokyo Stock Exchange's Growth Market and its price changes daily, the market price average method was adopted in order to reflect the stock's average price in the past as well as the closing price on particular dates (for which December 21, 2022 was selected as the calculation reference date and the closing price of each market trading date over the previous three months up to the reference date was used to obtain the simple average price).

As for the valuation of the stock of YONE MOTORS, which is a private company, the Company asked a third-party body to handle the calculation to ensure fair and appropriate calculation. Based on the calculation result, the stock value was determined after careful discussions between the parties concerned.

(3) Number of shares to be issued in the share exchange

34,800 shares

4. Breakdown and amount of main acquisition-related expenses

Advisory fees, etc.: 10,000 thousand yen (estimated)

5. Amount of goodwill generated, reason for generation, amortization method and amortization period

Not finalized at this time.

6. Amount of assets accepted and liabilities assumed on the date of business combination, and breakdown thereof

Not finalized at this time.

7. Allocation of acquisition cost

The allocation of acquisition cost is not completed because identification of identifiable assets and liabilities and the calculation of fair value were not completed.