

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, 2023 [Japanese GAAP]

January 12, 2024

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 12, 2024

Preparation of supplementary quarterly financial results briefing materials: Yes

Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the three months ended November 30, 2023 (September 1, 2023 to November 30, 2023)

(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, 2023	19,689	14.1	(436)	—	(474)	—	(404)	—
Three months ended November 30, 2022	17,250	30.2	283	44.0	259	52.8	133	193.9

Note: Comprehensive income: Three months ended November 30, 2023 (391) million yen [−%] Three months ended November 30, 2022 107 million yen [46.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended November 30, 2023	(31.27)	—
Three months ended November 30, 2022	10.37	10.31

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of November 30, 2023	30,391	8,021	25.4
As of August 31, 2023	27,675	8,834	30.7

(Reference only) Equity: As of November 30, 2023 7,707 million yen As of August 31, 2023 8,485 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 2023	—	0.00	—	30.00	30.00
Fiscal year ending in August 2024	—				
Fiscal year ending in August 2024 (forecast)		0.00	—	35.00	35.00

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

3. Consolidated financial results forecast for the fiscal year ending in August 2024 (September 1, 2023 to August 31, 2024)

(% 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
First half	40,870	21.5	670	32.5	490	1.0	200	25.7	15.47
Full year	90,120	18.4	2,850	30.5	2,570	26.3	1,600	52.3	123.77

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)

As of November 30, 2023	13,427,550 shares	As of August 31, 2023	13,427,550 shares
As of November 30, 2023	500,730 shares	As of August 31, 2023	497,630 shares
Three months ended November 30, 2023	12,927,446 shares	Three months ended November 30, 2022	12,852,601 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

* 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 6 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	6
(3) Explanation of consolidated financial results forecast and other forward-looking information.....	6
2. Quarterly consolidated financial statements and major notes	7
(1) Quarterly consolidated balance sheet	7
(2) Quarterly consolidated statements of income and comprehensive income	9
(3) Notes on quarterly consolidated financial statements	11
(Notes regarding going concern assumptions)	11
(Notes in the case of significant changes in the amount of shareholders' equity).....	11
(Important subsequent events)	11

1. Qualitative information on quarterly financial results

(1) Explanation of business results

The reuse industry in which the Company Group operates is expected to continue to grow. The size of the reuse market increased by 7.4% year on year to 2,897.6 billion yen in 2022 and is expected to reach 4 trillion yen in 2030 (source: “2023 Estimate of the Reuse Industry’s Market Size (2022 Edition)” published by The Japan Journal of Remodeling (September 2023)).

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.

In the “VG1000 ver2.0” mid-term management plan, which covers the period through the fiscal year ending in August 2025, 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 the existing 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. In the fiscal year ending in August 2024, the Company Group will continue to focus on expanding purchasing by broadening the alliance strategy and enhancing CRM aimed at increasing the number of repeaters, in addition to strengthening purchasing through new buying office openings and web marketing. Furthermore, the Company Group will concentrate on expanding its domain to include types of real assets that are not brand name products by strengthening the automobile business, while enhancing the toC channel through measures centered on the opening of new domestic retail stores and simultaneous listings of products on the toB and toC channels. In overseas business, efforts will be also made on global investments, including the enhancement of web marketing in purchasing and retail expansion through the establishment of global e-commerce operations. In the existing toB domain, the Company Group will also continue to consider the implementation of new functions and provision of new services aimed at enhancing the auction platform, such as providing the new SaaS function to more partners and strengthening fulfillment services.

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.

(Unit: million yen)

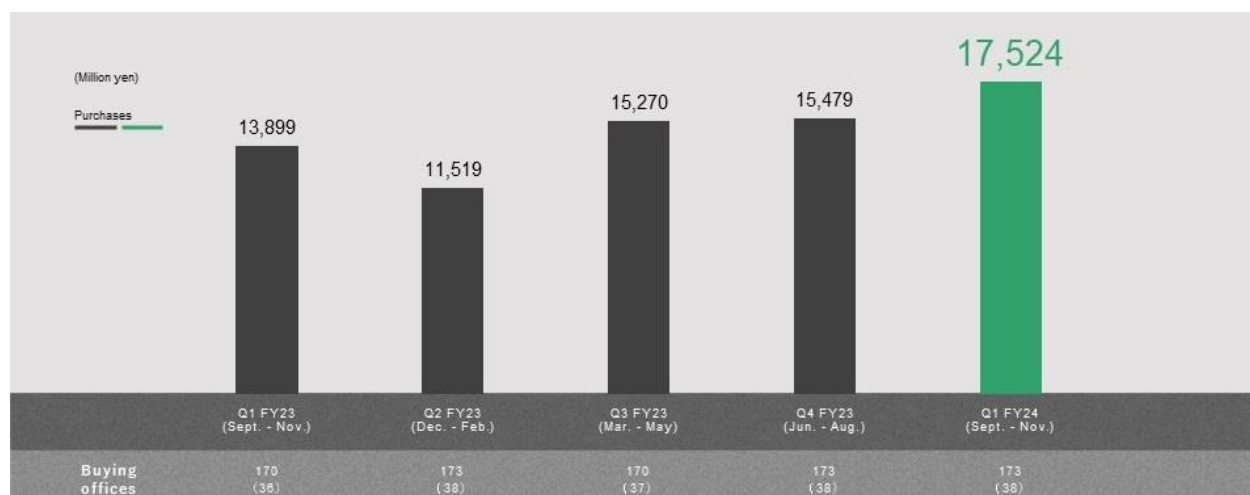
	Previous three-month period (from September 1, 2022 to November 30, 2022)	Three months under review (from September 1, 2023 to November 30, 2023)	Year-on-year change	
			Amount	Percentage
Net sales	17,250	19,689	2,438	14.1%
Operating profit (loss)	283	(436)	(719)	—
Ordinary profit (loss)	259	(474)	(733)	—
Profit (loss) attributable to owners of parent	133	(404)	(537)	—

With regard to purchases, the Company Group made continuous efforts to strengthen purchases through alliances with parties such as department stores and financial institutions, while keeping a focus on purchases through buying offices. In addition, the overseas business has begun strengthening web marketing, similarly to the domestic business, with an aim to expand purchasing through synergy with office network expansion. Due in part to the strong bullion market, purchases during the three months under review totaled 17,524 million yen (up 3,624 million yen, or 26.1%, from the previous corresponding period, excluding purchases made by YONE MOTORS CORPORATION), reaching a record high.

The total number of buying offices as of the end of the three months under review amounted to 173 offices, 135 offices in Japan and 38 offices overseas.

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

Purchases and Buying Offices



* Excludes purchases made by YONE MOTORS CORPORATION.

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

With respect to selling operations, despite the impact of factors such as holding the Company Group's own auction, the STAR BUYERS AUCTION ("SBA"), three times in September 2023, down from the usual four, net sales for the three months under review amounted to 19,689 million yen (up 2,438 million yen, or 14.1%, from the previous corresponding period). This was mainly due to the strong bullion market resulting in increased bullion net sales and continued growth in retail net sales stemming from inbound demand.

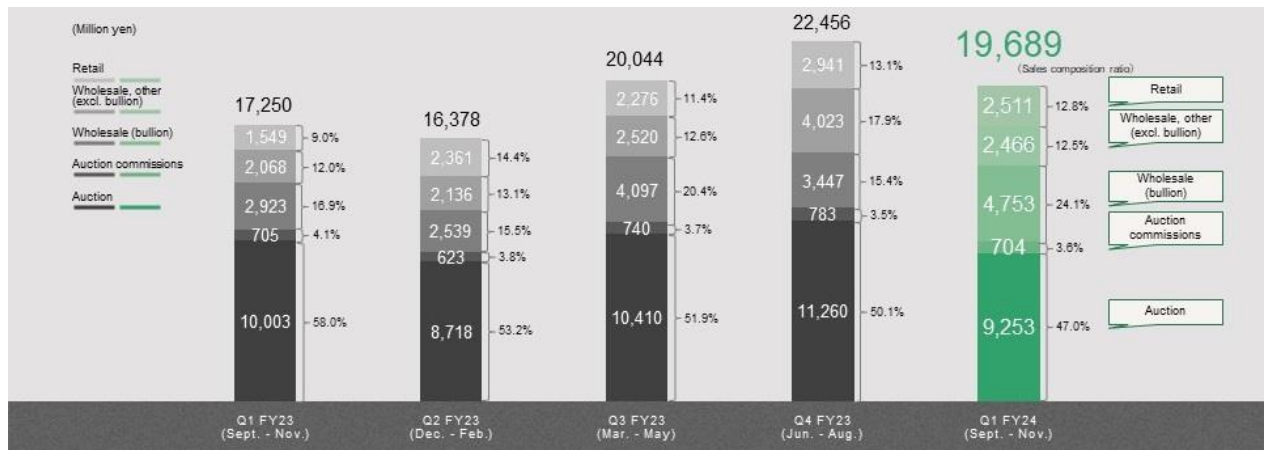
The SBA scheduled for the first week of September was canceled, as inventory could not be secured at the beginning of the period following aggressive wholesale sales at the end of the previous fiscal year. The diamond auction operated at the Company Group's Hong Kong base (SBA Hong Kong) was also adjourned in consideration of diamond market conditions. Furthermore, the volume of product listings on the SBA was adjusted to secure retail inventory in preparation for the opening of ALLU Shinsaibashi ANNEX in the second quarter of the current fiscal year and the year-end and New Year holiday shopping season. As a result of the above, net sales from the Auction totaled 9,253 million yen (down 750 million yen, or 7.5%, from the previous corresponding period) during the three months under review.

Meanwhile, as auction consignments performed well due to the contribution of new SaaS functions and other factors, commission income from the auction amounted to 704 million yen (down 0.4 million yen, or 0.1%, from the previous corresponding period), remaining flat year-on-year.

In terms of retail, retail net sales amounted to 2,511 million yen (up 962 million yen, or 62.1%, from the previous corresponding period) during the three months under review, reflecting strong in-store sales due to inbound demand.

Quarterly net sales by channel are as follows.

Net Sales by Channel



* Sales of YONE MOTORS CORPORATION are included in wholesale, other (excl. bullion).

In the first quarter of the current fiscal year, domestic net sales reached 16,508 million yen (up 3,699 million yen, or 28.9%, from the previous corresponding period), and overseas net sales reached 3,180 million yen (down 1,261 million yen, or 28.4%, from the previous corresponding period). This is mainly due to overseas partners' weaker-than-expected bidding-up at the auction and an increase in bullion net sales. Quarterly net sales (in domestic and overseas) are as follows.

Net Sales (Domestic, Overseas)



The gross profit margin for the three months under review was 22.5% (down 4.2 percentage points from the previous corresponding period). As shown below, this is due to the impact of market conditions of watches, bullion, and diamond, among others, in addition to the situation of bidding-up at the auction and a delay in the start-up of retail.

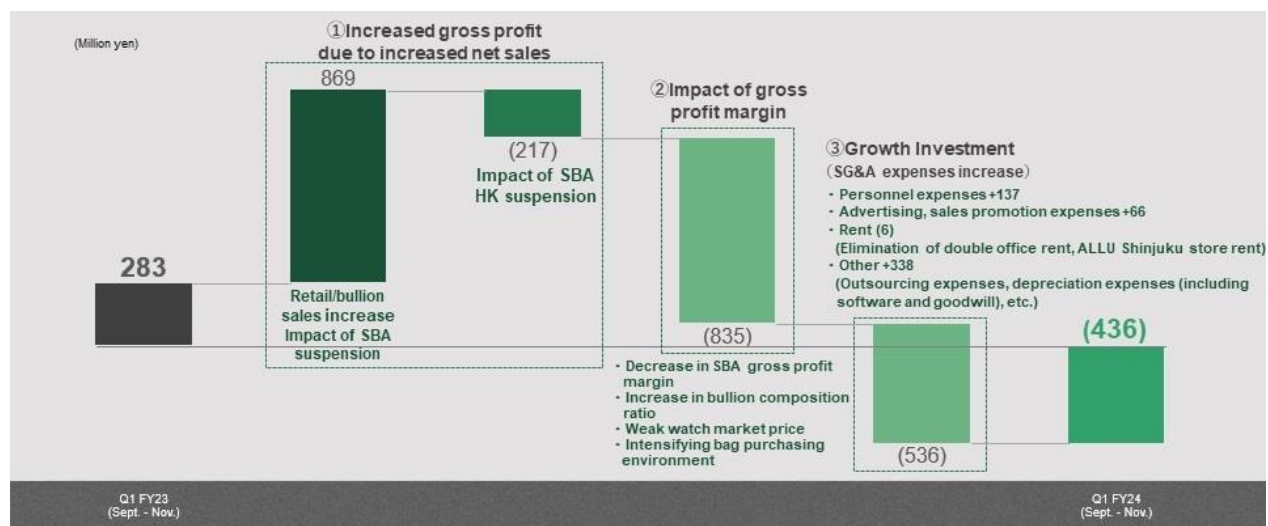
Factors influencing gross profit

① Factors by sales channel	② Factors by products
<p>STAR BUYERS AUCTION (SBA)</p> <ul style="list-style-type: none"> Gross profit margin worsened due to weaker auction competition from overseas partners, especially in the U.S., compared with the same period of the previous fiscal year, due to lower competition than expected. It was also attributable to the fact that we secured retail inventories on a priority basis for products that are normally used for SBA in preparation for the opening of retail stores after Q2 and so on. 	<p>Bullion</p> <ul style="list-style-type: none"> Wholesale (bullion) sales, which have a low gross profit margin, increased as the bullion price remained above the 10,000 yen/g.
<p>SBA HK (Diamond auction)</p> <ul style="list-style-type: none"> Since the market for diamonds was weak, we adjourned SBA HK once a quarter for Q1. 	<p>Watches</p> <ul style="list-style-type: none"> Watch market remains weak, with no significant improvement in gross profit margin. Especially, in the first half of Q1, demand was weak due to the abundant inventory of U.S. auction partners. Price-based competition in SBA has not risen (current recovery trend).
<p>Retail</p> <ul style="list-style-type: none"> Although inbound demand is strong, simultaneous auction/retail listings and an increase in the number of EC listings are slower than planned. 	<p>Bags</p> <ul style="list-style-type: none"> In anticipation of inbound demand, other companies in the same industry are also strengthening their purchases, and the competitive environment for purchases continues to be severe.

In addition, selling, general and administrative expenses amounted to 4,862 million yen (up 536 million yen, or 12.4%, from the previous corresponding period) during the three months under review. This is mainly due to higher personnel expenses associated with workforce expansion and an increase in advertising expenses and sales promotional expenses stemming from purchasing expansion, as well as growth investments such as higher outsourcing expenses related to marketing and system maintenance.

As a result of the above, operating loss amounted to 436 million yen (down 719 million yen from the previous corresponding period) during the the three months under review.

Operating profit increase/decrease



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.

(2) Explanation of financial conditions

(Assets)

As of the end of the three months under review, total current assets were 21,111 million yen, up 1,884 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,303 million yen in cash and deposits resulting from product procurement, an increase of 2,473 million yen in merchandise, as well as an increase of 616 million yen in consumption taxes refund receivable. Total non-current assets were 9,280 million yen, up 832 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 190 million yen in property, plant and equipment resulting from an increase in construction in progress associated with the opening of retail stores and the expansion of logistics bases, an increase of 95 million yen in intangible assets primarily reflecting the recording of software and software in progress resulting from system development, and an increase of 424 million yen in guarantee deposits related to the opening of retail stores. As a result, total assets were 30,391 million yen, up 2,716 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Total current liabilities as of the end of the three months under review were 18,561 million yen, up 3,739 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 3,598 million yen in short-term loans payable. Total non-current liabilities were 3,808 million yen, down 209 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 100 million yen in bonds payable and a decrease of 177 million yen in long-term loans payable. As a result, total liabilities were 22,370 million yen, up 3,529 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of the end of the three months under review were 8,021 million yen, down 812 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease due to dividend payments and a decrease of 792 million yen in retained earnings due to the recording of loss attributable to owners of parent.

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

At this time, no changes have been made to the consolidated financial results forecast for the fiscal year ending in August 2024 announced on October 13, 2023.

If we deem it necessary to revise the consolidated financial results forecast, we will disclose the revised forecast promptly.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2023)	Three months under review (November 30, 2023)
Assets		
Current assets		
Cash and deposits	8,336,308	7,032,647
Accounts receivable - trade	798,816	751,027
Merchandise	7,633,221	10,106,728
Consumption taxes refund receivable	1,629,030	2,245,257
Other	1,192,390	1,450,959
Allowance for doubtful accounts	(362,576)	(475,005)
Total current assets	19,227,190	21,111,614
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,890,202	2,859,618
Other (net)	916,692	1,137,931
Total property, plant and equipment	3,806,894	3,997,549
Intangible assets		
Goodwill	543,696	525,573
Other	1,549,577	1,662,819
Total intangible assets	2,093,274	2,188,392
Investments and other assets		
Shares of subsidiaries and associates	228,014	190,692
Guarantee deposits	1,479,347	1,903,938
Other	840,794	999,910
Allowance for doubtful accounts	(174)	(324)
Total investments and other assets	2,547,981	3,094,216
Total non-current assets	8,448,150	9,280,158
Total assets	27,675,341	30,391,773

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2023)	Three months under review (November 30, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	393,345	436,913
Short-term loans payable	11,101,376	14,700,323
Current portion of bonds payable	200,000	200,000
Current portion of long-term loans payable	711,667	711,616
Income taxes payable	408,823	104,873
Provision for bonuses	316,640	454,390
Asset retirement obligations	–	608
Other	1,690,390	1,952,847
Total current liabilities	14,822,243	18,561,572
Non-current liabilities		
Bonds payable	700,000	600,000
Long-term loans payable	2,295,605	2,117,752
Asset retirement obligations	793,973	798,550
Other	229,252	292,532
Total non-current liabilities	4,018,831	3,808,835
Total liabilities	18,841,074	22,370,407
Net assets		
Shareholders' equity		
Capital stock	1,219,780	1,219,780
Capital surplus	1,425,798	1,425,798
Retained earnings	6,331,587	5,539,366
Treasury shares	(668,432)	(668,432)
Total shareholders' equity	8,308,733	7,516,512
Accumulated other comprehensive income		
Foreign currency translation adjustment	177,264	190,489
Total accumulated other comprehensive income	177,264	190,489
Share acquisition rights	348,268	314,363
Total net assets	8,834,266	8,021,366
Total liabilities and net assets	27,675,341	30,391,773

(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, 2022 to November 30, 2022)	Three months under review (from September 1, 2023 to November 30, 2023)
Net sales	17,250,533	19,689,039
Cost of sales	12,640,710	15,262,809
Gross profit	4,609,823	4,426,229
Selling, general and administrative expenses	4,325,991	4,862,284
Operating profit (loss)	283,832	(436,055)
Non-operating income		
Interest income	15	171
Foreign exchange gains	–	22,422
Gain on valuation of derivatives	3,053	220
Other	13,876	4,050
Total non-operating income	16,945	26,864
Non-operating expenses		
Interest expenses	16,138	22,411
Foreign exchange losses	11,890	–
Share of loss of entities accounted for using equity method	9,973	37,321
Other	3,747	5,177
Total non-operating expenses	41,749	64,910
Ordinary profit (loss)	259,027	(474,100)
Extraordinary losses		
Impairment loss	531	5,712
Total extraordinary losses	531	5,712
Profit (loss) before income taxes	258,496	(479,813)
Income taxes – current	156,713	75,295
Income taxes - deferred	(31,533)	(150,785)
Total income taxes	125,180	(75,489)
Profit (loss)	133,315	(404,323)
Profit (loss) attributable to owners of parent	133,315	(404,323)

(Quarterly consolidated statement of comprehensive income)

(For the three months ended November 30)

(Unit: thousand yen)

	Previous three-month period (from September 1, 2022 to November 30, 2022)	Three months under review (from September 1, 2023 to November 30, 2023)
Profit (loss)	133,315	(404,323)
Other comprehensive income		
Foreign currency translation adjustment	(25,338)	13,224
Total other comprehensive income	(25,338)	13,224
Comprehensive income	107,977	(391,098)
Comprehensive income attributable to:		
Owners of parent	107,977	(391,098)

(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

(Important subsequent events)

(Issue of stock acquisition rights as stock options)

At a Board of Directors' meeting held on November 27, 2023, 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 26, 2023.

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 26, 2023

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

Employees of the Company	4 persons	160 units
Directors of the Company's subsidiaries	4 persons	40 units
Employees of the Company's subsidiaries	5 persons	90 units

(3) Number of stock acquisition rights issued

290 units

(4) Amount to be paid per stock acquisition right

65,200 yen per stock acquisition right (652 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

29,000 shares of Company's common stock

(6) Payment upon exercise of stock acquisition rights

159,400 yen per stock acquisition right (1,594 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 28, 2025 to November 26, 2033 (or the preceding banking business day if November 26, 2033 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 27, 2023, the Company passed a resolution concerning the issuance of new shares as restricted stock compensation, and issued the new shares on December 26, 2023.

1. Details of issuance

(1)	Payment deadline	December 26, 2023
(2)	Type and number of shares to be issued	105,400 shares of common stock of the Company
(3)	Issuance price	1,435 yen per share
(4)	Total issuance amount	151,249,000 yen
(5)	Persons who received allotment	Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors): 4 persons 61,300 shares Employees of the Company: 10 persons 13,800 shares Directors of subsidiaries of the Company: 4 persons 5,900 shares Employees of subsidiaries of the Company: 22 persons 24,400 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 was performed based on a resolution at a meeting of the Board of Directors held on November 27, 2023, with the objective of further increasing the desire by Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and employees of the Company and Directors and 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.