Consolidated Financial Results for Fiscal Year Ended in August 2021 [Japanese GAAP]

October 14, 2021

Company name: Valuence Holdings Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9270
URL: https://www.valuence.inc/
Representative: (Title) Representative Director and President (Name) Shinsuke Sakimoto
Contact: (Title) Director and CFO (Name) Shinichiro Sato (TEL) +81-3-4580-9983
Scheduled date for annual meeting of stockholders: November 25, 2021
Scheduled date for commencing dividend payments: November 10, 2021
Scheduled date for filing securities report: November 25, 2021
Preparation of supplementary financial results briefing materials: Yes
Holding of financial results briefing: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021)

(1) Consolidated operating results

(% 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	%
Fiscal year ended in August 2021	52,512	38.4	1,169	85.2	976	57.1	725	137.2
Fiscal year ended in August 2020	37,932	0.4	631	(71.8)	622	(72.5)	305	(79.0)

Note: Comprehensive income: Fiscal year ended in August 2021 758 million yen [147.2%] Fiscal year ended in August 2020 306 million yen [-78.8%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended in August 2021	54.87	54.58	10.5	5.7	2.2
Fiscal year ended in August 2020	23.53	22.95	4.6	4.2	1.7

(Reference only) Profits/losses from investment by equity method Fiscal year ended in August 2021 — million yen Fiscal year ended in August 2020 — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended in August 2021	18,727	7,270	38.0	539.40
Fiscal year ended in August 2020	15,378	6,735	43.8	512.88

(Reference only) Equity Fiscal year ended in August 2021 7,115 million yen Fiscal year ended in August 2020 6,735 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents closing balance
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended in August 2021	2,007	(1,256)	1,210	8,269
Fiscal year ended in August 2020	1,582	(74)	1,052	6,275

2. Dividends

	Annual dividends					Total dividends (total)	Dividend payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended in August 2020	—	0.00	—	25.00	25.00	328	106.3	4.8
Fiscal year ended in August 2021	—	0.00	—	25.00	25.00	329	45.6	4.8
Fiscal year ending August 2022 (forecast)	—	0.00	—	25.00	25.00		35.8	

Note: Year-end dividends for the fiscal year ended in August 2021 are still planned at this time and will be determined by the board of directors meeting on October 28, 2021.

3. Consolidated financial results forecast for the fiscal year ending in August 2022 (September 1, 2021 to August 31, 2022)

(% 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	64,300	22.4	1,800	54.0	1,700	74.0	920	26.9	69.74

* 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) 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

(3) Number of shares of common stock issued

1) Number of shares issued at the end of the period (including treasury stock)	Fiscal year ended in August 2021	13,326,170 shares	Fiscal year ended in August 2020	13,183,160 shares
2) Number of shares of treasury stock at the end of the period	Fiscal year ended in August 2021	134,384 shares	Fiscal year ended in August 2020	49,590 shares
3) Average number of shares of common stock during the period	Fiscal year ended in August 2021	13,215,643 shares	Fiscal year ended in August 2020	12,991,805 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. (4) Future outlook” 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. An overview of the business results etc.

(1) An overview of the business results in the current fiscal year

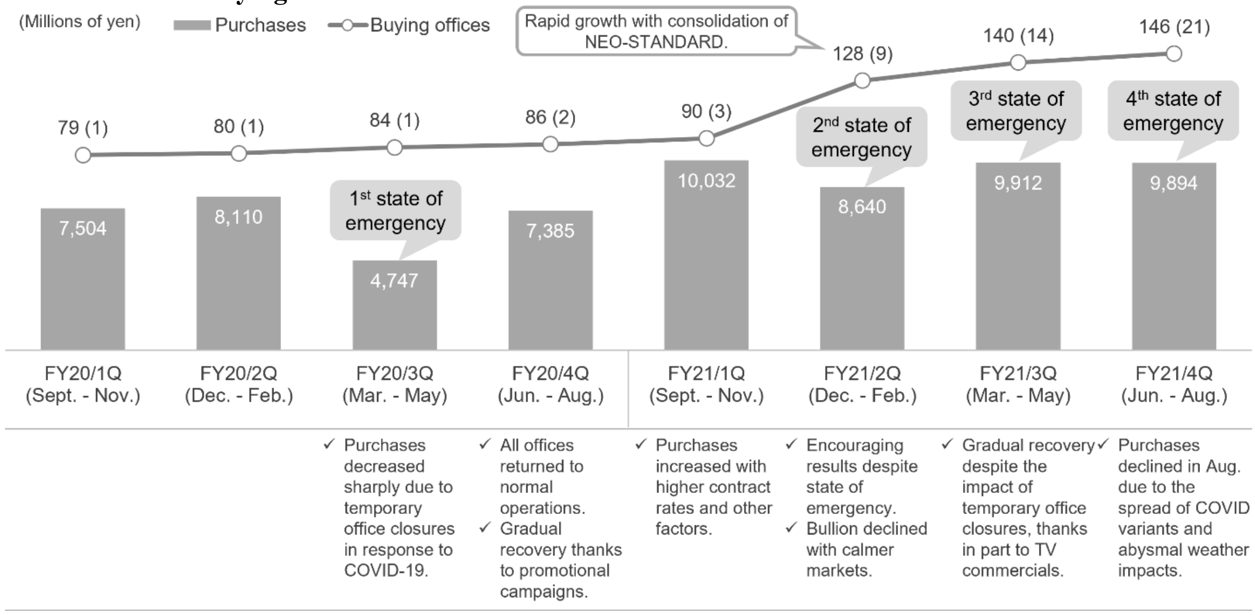
The Company Group is currently promoting efforts to achieve the VG1000 mid-term management plan for the period through the fiscal year ending in August 2025. The Company Group aims to transform itself into a recurring revenue model to achieve sustainable growth by becoming a Global Reuse Platformer, providing partners (“partner” referring hereinafter to a reuse business operator in an auction) around the world with one-stop support in the buying and selling of luxury brand items.
The Company Group has positioned the current fiscal year as a year for concentrated proactive investment to achieve its growth strategies, and as such, it has systematically increased advertising expenditures as well as personnel expenses, expenditures related to systems maintenance and development, etc. As a result of carrying out initiatives based on this plan, the Company Group’s consolidated financial results for the fiscal year under review were as follows.

Net sales	52,512 million yen	(Up 38.4% from the previous corresponding period)
Operating profit	1,169 million yen	(Up 85.2% from the previous corresponding period)
Ordinary profit	976 million yen	(Up 57.1% from the previous corresponding period)
Profit attributable to owners of parent	725 million yen	(Up 137.2% 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 fiscal year under review were as follows.
First, in the current fiscal year, in order to enhance buying operations, the Company Group actively opened new buying offices both in Japan and overseas. It acquired 28 *NEOSTA* buying offices via M&A, opened 18 offices, and closed 5 offices, bringing the total number of buying offices in Japan to 125. For overseas offices, in addition to managing offices directly, the Company Group is pursuing partnerships with local companies in order to open new offices at a rapid pace. As a result, the Company Group was able to open 7 new offices under direct management and 12 new partner offices even under the COVID-19 pandemic, bringing the total number of overseas buying offices to 21. Accordingly, the total number of buying offices in Japan and overseas as of the end of the current consolidated fiscal year stood at 146, a net increase of 60 for the entire group compared to the end of the previous consolidated fiscal year.
Turning to purchases, although the Company Group had expected a certain degree of impact due to COVID-19, the purchase environment remained severe as infections continued to spread from the time it formulated the forecast for the current fiscal year, and up to 19 offices were temporarily closed. Furthermore, the Company Group’s plan to significantly increase sales and profits by the effect of TV commercials aired from April to attract customers did not reach the expected results due to the repeated declarations of the state of emergency. As a result, purchases fell below the initial plan, affecting the Company Group’s full-year forecast. However, from June onward, offices that were temporarily closed returned to normal operation, and as a result of strengthening various marketing measures including TV commercials, the purchasing environment gradually improved and purchases increased by 38.7% compared to the previous consolidated fiscal year.
Subsequently, the Tokyo 2020 Olympic and Paralympic Games were held without spectators amid calls for self-restraint in order to prevent the spread of COVID-19, which curbed the flow of people, and a highly infectious variant caused an unprecedented increase in the number of infections. As a result, the number of customers visiting the Company Group’s buying offices declined sharply in August. Accordingly, purchases for the consolidated fourth quarter period were at the same level as the previous quarter.
Quarterly trends in purchases and the number of buying offices are as follows.

Purchases and Buying Offices



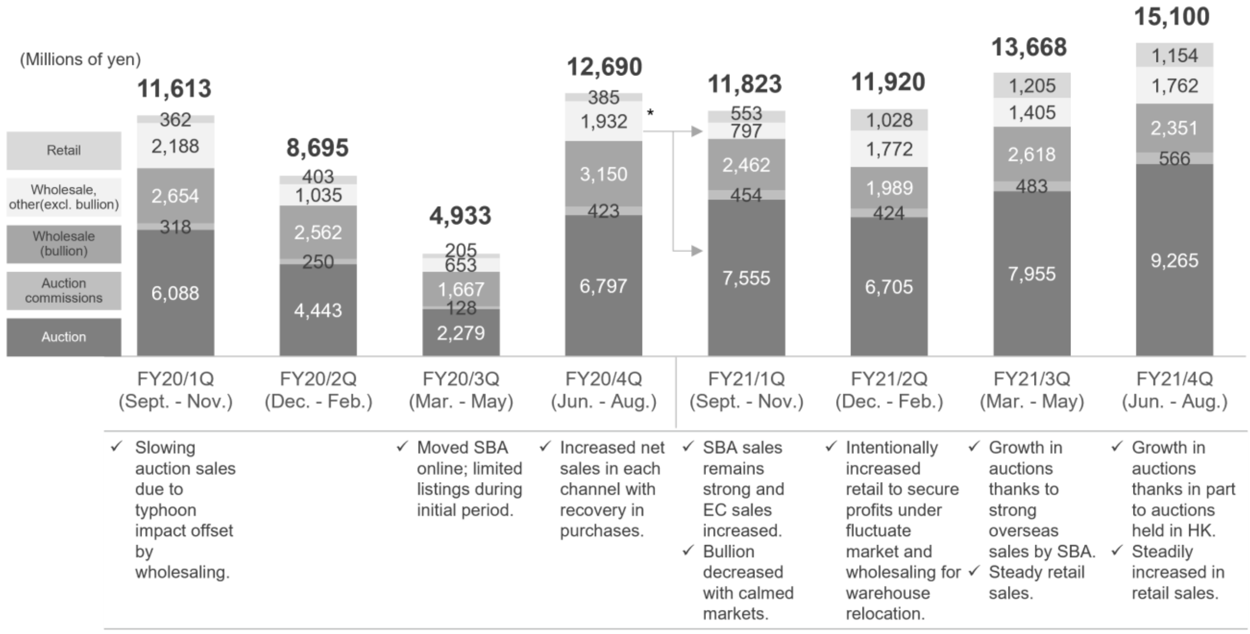
* No. of buying offices in parentheses indicate overseas buying offices.

With respect to selling operations, the Company Group promoted the shift to online auctions, and in April, all auctions operated by the Company Group were held online. In the Company's mainstay STAR BUYERS AUCTION ("SBA") channel, in which it operates auctions for reuse vendors, the Company Group has increased the number of auctions to twice a month from October 2020, and has been improving its system to handle more capacity for expanding the number of products purchased directly from its own account and through consignment sales. Furthermore, the Company Group was able to hold three online diamond auctions in Hong Kong in April, June, and August, which it had not been able to hold since November 2020 due to the impact of COVID-19, making progress in expanding sales through auctions during the current consolidated fiscal year. On the other hand, the Company Group has been focusing on strengthening the retail brand ALLU for the future development of fulfillment services. As a result, retail sales have been strong since the beginning of the current fiscal year, and retail sales in both e-commerce websites and physical stores have significantly increased from the previous consolidated fiscal year. Accordingly, net sales for the current consolidated fiscal year increased by 14,579 million yen from the end of the previous consolidated fiscal year to 52,512 million yen (up 38.4% year-on-year).

As for the gross profit ratio, although there was a temporary deterioration in it due to the decline in the watch market, which had been strong since the beginning of the consolidated first quarter period, the gross profit ratio improved due to the success of measures to promptly reflect winning bid data at SBA in purchase prices. In addition, an increase in the ratio of overseas sales at SBA and a reduction in the ratio of bullion to sales also had a positive impact, and the gross profit ratio improved by 1.8 percentage points from the previous consolidated fiscal year to 26.4% in the current consolidated fiscal year.

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

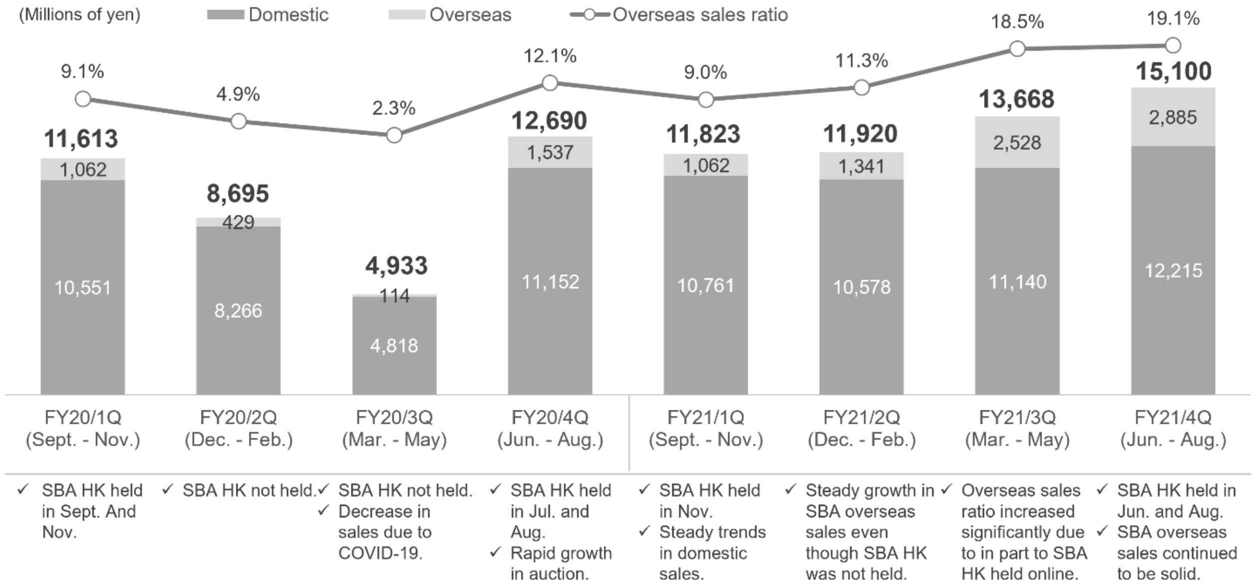
Net Sales by Channel (toB, toC)



* SBA sales to overseas partners included under "Wholesale, other (excl. bullion) " moved to "Auction" since FY21/1Q.

In the Company's mainstay SBA channel, the number of partners increased from 576 companies (467 in domestic and 109 overseas) at the end of the previous consolidated fiscal year to 1,239 companies (938 in domestic and 301 overseas). The amount paid by winners of auctions from overseas has been increasing at SBA, partly thanks to a steady increase in the number of overseas partners with overseas economic recovery, as well as the yen weakening in the forex market from the end of the consolidated second quarter period. In the consolidated fourth quarter period, the overseas sales ratio reached a record high of 19.1% of total net sales, partly because the Company Group held auctions in Hong Kong online, as described above.
Quarterly net sales (in domestic and overseas) are as follows.

Net Sales (Domestic, Overseas)



(2) An overview of financial conditions in the current fiscal year

(Assets)
Current assets as of the end of the fiscal year under review were 13,409 million yen, up 2,149 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 1,993 million yen in cash and deposits resulting from borrowing to cover operating and purchasing funds. Non-current assets were 5,317 million yen, up 1,198 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 219 million yen in goodwill mainly due to amortization of goodwill on the one side, and an increase of 200 million yen in buildings and structures (net) and an increase of 86 million yen in guarantee deposits resulting from the opening of new offices, an increase in buying offices from M&A, and the movement of warehouses, an increase of 309 million yen in deferred tax assets, and an increase of 315 million yen in shares of affiliate resulting from the acquisition of shares of Nankatsu SC Co., Ltd. on the other. Total assets were 18,727 million yen, up 3,348 million yen from the end of the previous consolidated fiscal year.

(Liabilities)
Current liabilities as of the end of the fiscal year under review were 10,301 million yen, up 2,656 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 1,997 million yen in short-term loans payable as a result of increased purchasing caused by an increase in buying offices and an increase of 121 million yen in provision for bonuses on the one hand, and a decrease of 130 million yen in current portion of long-term loans payable. Non-current liabilities were 1,155 million yen, up 158 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 134 million yen in lease obligations. Total liabilities were 11,457 million yen, up 2,814 million yen from the end of the previous consolidated fiscal year.

(Net assets)
Net assets as of the end of the fiscal year under review were 7,270 million yen, up 534 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 725 million yen in retained earnings from the posting of profit attributable to owners of parent and an increase of 154 million yen from the issuance of stock acquisition rights on the one hand, and a decrease of 328 million yen in retained earnings from the payment of dividends and a decrease of 153 million yen from the purchase of treasury shares on the other.

(3) Overview of cash flows in the current fiscal year

Cash and cash equivalents (“funds”) as of the end of the current consolidated fiscal year were 8,269 million yen, up 1,993 million yen from the end of the previous consolidated fiscal year.

An overview of cash flows in the current consolidated fiscal year and major underlying factors are presented below.

(Cash flow from operating activities)
Cash flow from operating activities in the current consolidated fiscal year was an inflow of 2,007 million yen (the result for the previous consolidated fiscal year was 1,582 million yen), due mainly to fund increases, including 811 million yen in profit before income taxes, 626 million yen in depreciation expenses, 422 million yen in share-based payment expenses, 242 million yen in income taxes refund, 218 million yen in impairment loss, and 158 million yen in decrease in inventories on the one hand, and fund decreases, including 472 million yen of income taxes paid on the other.

(Cash flow from investment activities)
Cash flow from investment activities in the current consolidated fiscal year was an outflow of 1,256 million yen (the result for the previous consolidated fiscal year was 74 million yen), due mainly to funds increases including inflows of 657 million yen due to proceeds from purchase of shares of subsidiary resulting in change in scope of consolidation and 208 million yen of proceeds from collection of guarantee deposits on the one hand, and fund decreases, including outflows of 635 million yen due to purchase of property, plant and equipment, 500 million yen in loan advances, 315 million yen in purchase of shares of affiliate, 269 million yen due to purchase of intangible assets, and 264 million yen in payments for guarantee deposits on the other.

(Cash flow from financing activities)
Cash flow from financing activities in the current consolidated fiscal year was an inflow of 1,210 million yen (the result for the previous consolidated fiscal year was 1,052 million yen), due mainly to funds increases

including 1,997 million yen of increase in short-term loans payable on the one hand and fund decreases, including an outflow of 328 million yen in cash dividends paid, 259 million yen due to repayment of long-term loans payable, and 167 million yen due to purchase of treasury shares.

(4) Future outlook

As for the outlook for the future, while the situation is expected to remain uncertain due to the continuing impact of COVID-19, the degree of its impact is expected to decrease compared to the previous consolidated fiscal year, as the situation is expected to continue to recover as measures to prevent the spread of infection and vaccinations are promoted in Japan and overseas.

Under these circumstances, in the fiscal year ending August 2022, the Company Group will promote transformation into a recurring revenue model which provides partners with one-stop support in buying and selling, by streamlining its business model, focusing on digital transformation (DX), and promoting investments that will lead to increased added value for the auction platform, in order to achieve the goals of the mid-term management plan VG1000, which will end in the fiscal year ending August 2025. First, while expanding the existing "toB" business, the Company Group will also enhance the "toC" business as an extension of the existing "toB" business. The Company Group will work to maximize LTV (Lifetime Value of customers) by increasing engagement with customers and building long-term relationships. At the same time, the Company Group will further strengthen its position in the industry as a Global Reuse Platformer by accelerating its overseas expansion in both purchases and sales, especially in Europe and the United States, which lead the global market for used luxury goods.

In terms of buying operations, while continuing to develop digital advertising, the Company Group will promote initiatives to increase name recognition of the *Nanboya* brand by developing advertising and sales promotion activities, including TV commercials. In addition, the Company Group will expand GMV (Gross Merchandise Volume) by expanding the value it provides to its partners, such as by developing an agency-service that handles all the work involved in selling items on behalf of its partners, in order to increase not only the Company Group's own purchases but also consignment sales from its partners.

With regard to selling operations, the Company Group plans to significantly increase the number of times it holds auctions from November as part of its efforts to expand the scale of its auction platform. In addition, the Company Group will continue to focus on finding newly participating partners in overseas locations to accelerate global sales. At the same time, the Company Group will continue development toward the establishment of the fulfillment service, laying the foundation for a platform that enables partners to complete the entire process from winning bids to sales in a one-stop service. In addition, the Company Group expects to expand sales and improve the gross profit ratio of the retail brand ALLU by using AI technology to select optimal sales channels based on a database of product characteristics and past trading history. While evolving the "toB" business that the Company Group has cultivated in Japan, the Company Group will further expand it overseas, and at the same time, will expand the "toC" business and strive for business growth as a Global Reuse Platformer.

In terms of selling, general and administrative expenses, the Company Group expects an increase in advertising and publicity expenses associated with an investment in mass marketing with the main objective of gaining name recognition of the brand and controlling costs over the medium to long term, as well as an increase in outsourcing expenses related to system development necessary for DX promotion.

Although a temporary slowdown is expected in the consolidated first quarter period due to the impact of the drop in the number of users visiting *Nanboya* offices in July and August as a result of the spread of COVID-19, the Company Group will work to recover based on the know-how it has accumulated during the COVID-19 pandemic. Furthermore, the Company Group expects to return to a growth trajectory by implementing various measures based on its strategy.

Net sales	64,300 million yen	(Up 22.4% from the previous year)
Operating profit	1,800 million yen	(Up 54.0% from the previous year)
Ordinary profit	1,700 million yen	(Up 74.0% from the previous year)
Profit attributable to owners of parent	920 million yen	(Up 26.9% from the previous year)

(5) Important matters concerning the going concern assumptions
Not applicable

2. Basic policy on selection of accounting standards
The Company Group creates consolidated financial statements in accordance with Japanese GAAP based on considerations related to comparisons between different fiscal periods and to those of other companies.
The Company Group will take appropriate action with regard to the potential future adoption of IFRS (International Financial Reporting Standards) based on a consideration of circumstances at home and abroad.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2020)	Current consolidated fiscal year (August 31, 2021)
Assets		
Current assets		
Cash and deposits	6,276,732	8,270,558
Accounts receivable - trade	298,141	260,438
Merchandise	4,011,028	3,921,002
Supplies	3,350	4,870
Other	845,807	1,088,563
Allowance for doubtful accounts	(175,039)	(135,830)
Total current assets	11,260,021	13,409,602
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,656,588	2,970,411
Accumulated depreciation	(999,084)	(1,112,544)
Buildings and structures (net)	1,657,504	1,857,866
Furniture and fixtures	315,433	523,554
Accumulated depreciation	(208,470)	(277,195)
Furniture and fixtures (net)	106,963	246,358
Leased assets	150,399	310,615
Accumulated depreciation	(109,956)	(125,939)
Leased assets (net)	40,443	184,676
Land	189,965	189,965
Construction in progress	4,510	8,477
Other	1,942	–
Accumulated depreciation	(1,658)	–
Other (net)	284	–
Total property, plant and equipment	1,999,671	2,487,345
Intangible assets		
Goodwill	219,406	–
Other	253,750	437,848
Total intangible assets	473,157	437,848
Investments and other assets		
Investment securities	–	26,364
Guarantee deposits	1,137,651	1,224,529
Deferred tax assets	487,623	797,585
Other	21,416	344,628
Allowance for doubtful accounts	(810)	(680)
Total investments and other assets	1,645,880	2,392,427
Total non-current assets	4,118,709	5,317,621
Total assets	15,378,731	18,727,224

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2020)	Current consolidated fiscal year (August 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	35,328	119,801
Short-term loans payable	6,343,288	8,340,494
Current portion of long-term loans payable	231,242	101,018
Lease obligations	31,808	51,768
Income taxes payable	253,259	268,516
Provision for bonuses	203,916	325,234
Asset retirement obligations	1,699	24,680
Other	545,416	1,070,477
Total current liabilities	7,645,959	10,301,990
Non-current liabilities		
Long-term loans payable	340,868	211,250
Lease obligations	9,385	143,540
Provision for directors' retirement benefits	66,400	66,595
Asset retirement obligations	580,214	648,412
Other	—	85,383
Total non-current liabilities	996,867	1,155,182
Total liabilities	8,642,827	11,457,173
Net assets		
Shareholders' equity		
Capital stock	1,117,032	1,144,576
Capital surplus	1,104,809	1,180,011
Retained earnings	4,581,888	4,978,670
Treasury shares	(59,830)	(213,079)
Total shareholders' equity	6,743,900	7,090,178
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,995)	25,435
Total accumulated other comprehensive income	(7,995)	25,435
Share acquisition rights	–	154,436
Total net assets	6,735,904	7,270,051
Total liabilities and net assets	15,378,731	18,727,224

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Sales	37,932,651	52,512,592
Cost of sales	28,605,462	38,671,013
Gross profit	9,327,188	13,841,578
Selling, general and administrative expenses	8,695,872	12,672,503
Operating profit	631,316	1,169,075
Non-operating income		
Interest income	94	291
Gain on valuation of derivatives	3,556	—
Outsourcing service income	3,675	—
Rent income	6,463	—
Employment adjustment subsidy	79,898	—
Benefits	—	21,427
Other	23,517	32,378
Total non-operating income	117,207	54,097
Non-operating expenses		
Interest expenses	36,688	45,305
Commission fee	1,602	148,260
Loss on derivatives	—	299
Foreign exchange losses	39,884	11,283
Loss on extinguishment of share-based remuneration expenses	38,035	16,232
Other	10,274	24,823
Total non-operating expenses	126,485	246,204
Ordinary profit	622,038	976,968
Extraordinary income		
Gain on bargain purchase	—	69,486
Total extraordinary income	—	69,486
Extraordinary losses		
Impairment loss	22,994	218,794
Office relocation expenses	—	9,263
Loss on cancellation of rental contracts	—	7,365
Total extraordinary losses	22,994	235,423
Profit before income taxes	599,044	811,031
Income taxes - current	441,053	400,738
Income taxes - deferred	(147,659)	(314,828)
Total income taxes	293,393	85,910
Profit	305,650	725,121
Profit attributable to owners of parent	305,650	725,121

Consolidated statement of comprehensive income

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Profit	305,650	725,121
Other comprehensive income		
Foreign currency translation adjustment	1,218	33,431
Total other comprehensive income	1,218	33,431
Comprehensive income	306,868	758,553
Comprehensive income attributable to:		
Owners of parent	306,868	758,553

(3) Consolidated statement of changes in net assets

Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Opening balance	1,027,507	1,015,284	4,721,656	(59,783)	6,704,665	(9,214)	(9,214)	-	6,695,450
Change during current fiscal year									
Issuance of new shares	89,525	89,525			179,050		-		179,050
Dividends from surplus			(446,696)		(446,696)		-		(446,696)
Provision of legal retained earnings			1,278		1,278		-		1,278
Profit attributable to owners of parent			305,650		305,650		-		305,650
Purchase of treasury shares				(46)	(46)		-		(46)
Disposal of treasury shares					-		-		-
Change during current fiscal year other than change in shareholders' equity (net)					-	1,218	1,218	-	1,218
Overall change during current fiscal year	89,525	89,525	(139,768)	(46)	39,235	1,218	1,218	-	40,453
Closing balance	1,117,032	1,104,809	4,581,888	(59,830)	6,743,900	(7,995)	(7,995)	-	6,735,904

Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Opening balance	1,117,032	1,104,809	4,581,888	(59,830)	6,743,900	(7,995)	(7,995)	-	6,735,904
Change during current fiscal year									
Issuance of new shares	27,544	27,544			55,089		-		55,089
Dividends from surplus			(332,061)		(332,061)		-		(332,061)
Provision of legal retained earnings			3,722		3,722		-		3,722
Profit attributable to owners of parent			725,121		725,121		-		725,121
Purchase of treasury shares				(167,058)	(167,058)		-		(167,058)
Disposal of treasury shares		47,656		13,809	61,466		-		61,466
Change during current fiscal year other than change in shareholders' equity (net)					-	33,431	33,431	154,436	187,868
Overall change during current fiscal year	27,544	75,201	396,782	(153,249)	346,278	33,431	33,431	154,436	534,147
Closing balance	1,144,576	1,180,011	4,978,670	(213,079)	7,090,178	25,435	25,435	154,436	7,270,051

(4) Consolidated cash flow statement

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Cash flow from operating activities		
Profit before income taxes	599,044	811,031
Depreciation expenses	381,939	626,875
Goodwill amortization	147,734	146,420
Share-based payment expenses	279,898	422,675
Increase (decrease) in allowance for doubtful accounts	(32,058)	(40,676)
Increase (decrease) in provision for bonuses	12,340	81,318
Increase (decrease) in provision for directors' retirement benefits	2,653	195
Interest and dividend income	(94)	(291)
Interest expenses	36,688	45,305
Subsidies for employment adjustment	(79,898)	—
Benefits	—	(21,427)
Gain on bargain purchase	—	(69,486)
Impairment loss	22,994	218,794
Office relocation expenses	—	9,263
Loss on cancellation of rental contracts	—	7,365
Decrease (increase) in accounts receivable - trade	47,869	53,520
Decrease (increase) in inventories	851,583	158,749
Increase (decrease) in accounts payable - trade	16,123	83,912
Increase (decrease) in income taxes payable	370	22,072
Other	191,806	(281,467)
Subtotal	2,478,992	2,274,151
Interest and dividend income received	94	291
Interest expenses paid	(37,096)	(41,726)
Subsidies for employment adjustment received	79,496	—
Benefits received	—	21,427
Office relocation expenses paid	—	(9,263)
Payments for cancellation of rental contracts	—	(7,365)
Income taxes paid	(938,930)	(472,899)
Income taxes refund	—	242,986
Cash flow from operating activities	1,582,557	2,007,602
Cash flow from investment activities		
Purchase of property, plant and equipment	(273,333)	(635,602)
Purchase of intangible assets	(107,312)	(269,250)
Fulfillment of asset retirement obligations	(15,185)	(112,756)
Proceeds from withdrawal of time deposits	422,097	—
Payments for guarantee deposits	(135,810)	(264,457)
Proceeds from collection of guarantee deposits	69,590	208,970
Purchase of shares of subsidiaries and associates	—	(315,315)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	657,681
Loan advances	—	(500,000)
Other	(34,106)	(26,137)
Cash flow from investment activities	(74,061)	(1,256,865)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	1,903,288	1,997,206
Repayment of long-term loans payable	(254,496)	(259,842)
Redemption of bonds	(160,000)	—
Proceeds from issuance of shares	179,050	55,089

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Purchase of treasury shares	(46)	(167,058)
Cash dividends paid	(444,401)	(328,244)
Other	(170,880)	(86,942)
Cash flow from financing activities	1,052,513	1,210,207
Effect of exchange rate change on cash and cash equivalents	205	32,841
Increase (decrease) in cash and cash equivalents	2,561,214	1,993,785
Opening balance of cash and cash equivalents	3,714,430	6,275,644
Closing balance of cash and cash equivalents	6,275,644	8,269,430

(5) Notes on consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Change in scope of consolidation or equity method application)

Effective from the end of the consolidated first quarter period, the scope of consolidation newly includes NEO-STANDARD Co., Ltd. because Valuence Japan Inc., a consolidated Company subsidiary, has acquired the company’s shares.

In addition, Valuence International UK Limited and Valuence International Shanghai Co., Ltd. have been included in the scope of consolidation effective from the end of the consolidated second quarter period, and new established Valuence Ventures Inc. has been included effective from the end of the consolidated third quarter period.

Furthermore, Nankatsu SC Co., Ltd., for which shares were acquired as of the end of the consolidated fourth quarter period of the current fiscal year, has been newly included in the scope of application of the equity method.

In addition, as of the end of the consolidated third quarter period, NEO-STANDARD Co., Ltd. has been excluded from the scope of consolidation as it was dissolved through an absorption-type merger with Valuence Japan Inc.

(Additional information)

With regard to the impact of the spread of COVID-19, the Company Group had assumed that it would come to an end around August 2021, but due to the re-emergence of infections including variants and delays in vaccination, the situation did not come to a halt as expected. In the current fiscal year, the Company Group has made an accounting estimate for the current consolidated fiscal year based on the assumption that it will continue to be affected by COVID-19 to a certain extent.

Since this assumption is subject to uncertainty, and in case of the spread of COVID-19 is prolonged or getting severe, it may affect the Company Group's business performance and financial position from the next consolidated fiscal year onward.

(Segment information, etc.)

[Segment information]

Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)

The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other articles. Thus, information by segment is omitted.

Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)

The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other articles. Thus, information by segment is omitted.

[Relevant information]

Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)

1. Information by product and service

This information is omitted because product/service sales in a single category to nongroup customers exceed 90% of the sales amount indicated on the consolidated statement of income.

2. Information by region

(1) Sales

This information is omitted because sales to nongroup customers in Japan exceed 90% of the sales amount indicated on the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds

90% of the amount indicated on the consolidated balance sheet.

3. Information by major customer

(Unit: thousand yen)

Customer name	Sales	Relevant segment name
NET JAPAN Co., Ltd.	5,083,806	Reuse business involving brand name products, antiques, works of art, and other items
NIHON MATERIAL Co., Ltd.	4,738,301	Reuse business involving brand name products, antiques, works of art, and other items

Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)

1. Information by product and service

This information is omitted because product/service sales in a single category to nongroup customers exceed 90% of the sales amount indicated on the consolidated statement of income.

2. Information by region

(1) Sales

(Unit: thousand yen)

Japan	China	Others	Total
44,822,507	3,132,282	4,557,802	52,512,592

(Note) Sales are based on the location of customers and are categorized by country or region.

(2) Property, plant and equipment

(Unit: thousand yen)

Japan	China	Others	Total
2,182,177	96,472	208,695	2,487,345

3. Information by major customer

This information is not provided as there are no sales to external customers that account for 10% or more of net sales in the consolidated statement of income.

[Impairment losses on non-current assets by reportable segment]

Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)
The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other articles. Thus, information by segment is omitted.

Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other articles. Thus, information by segment is omitted.

[Gains on negative goodwill incurred by reportable segment]

Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)
Not applicable

Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Valuence Japan Inc., a consolidated subsidiary of the submitting Company, made NEO-STANDARD Co., Ltd., a wholly-owned subsidiary on September 30, 2020 and merged it as of March 1, 2021. In connection with this, a gain on negative goodwill of 69,486 thousand yen is recorded in extraordinary income for the current consolidated fiscal year.

(Per share information)

	Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Net assets per share	512.88 yen	539.40 yen
Basic earnings per share	23.53 yen	54.87 yen
Diluted earnings per share	22.95 yen	54.58 yen

Note: The basis for calculating basic earnings per share and diluted earnings per share is as follows.

	Previous consolidated fiscal year (from September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (from September 1, 2020 to August 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	305,650	725,121
Amount not attributable to ordinary shareholders (thousands of yen)	-	-
Profit attributable to owners of parent regarding ordinary shares (thousands of yen)	305,650	725,121
Average number of ordinary shares outstanding	12,991,805	13,215,643
Diluted earnings per share		
Profit adjustment attributable to owners of parent (thousands of yen)	-	-
Number of incremental ordinary shares	323,708	70,641
(of which those with share options are)	(323,708)	(70,641)
An outline of potential shares not included in the calculation of diluted earnings per share because they do not have dilutive effects	-	-

(Important subsequent events)

Not applicable