Securities Report

Fiscal Year	September 1, 2020
(Period 10)	To August 31, 2021

Valuence Holdings Inc.

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Documents Submitted	Securities Report
Legal Basis	Financial Instruments and Exchange Act, Article 24, Paragraph 1
Submitted to	Director-General, Kanto Local Finance Bureau
Date of Submission	November 25, 2021
Business Year	Period 10 (from September 1, 2020 to August 31, 2021)
Company Name	バリュエンスホールディングス株式会社
English Name	Valuence Holdings Inc.
Representative Name and Title	Shinsuke Sakimoto, Representative Director
Location of Head Office	Shinagawa Season Terrace 28F, 1-2-70 Konan, Minato-ku, Tokyo
Phone Number	+81-3-4580-9983
Administrative Contact Name	Satomi Ogawa, IR/ESG Office Manager
Nearest Place of Contact	Shinagawa Season Terrace 28F, 1-2-70 Konan, Minato-ku, Tokyo
Phone Number	+81-3-4580-9983
Administrative Contact Name	Satomi Ogawa , IR/ESG Office Manager
Place of Public Inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part 1 Corporate Information

I. Company Overview

1. Key Management Indicators

(1) Consolidated Management Indicators

Period		Period 6	Period 7	Period 8	Period 9	Period 10
Closing Year and Month		August 2017	August 2018	August 2019	August 2020	August 2021
Net sales	(Thousands of yen)	22,685,086	31,529,271	37,799,272	37,932,651	52,512,592
Ordinary profit	(Thousands of yen)	1,139,789	1,806,141	2,262,320	622,038	976,968
Profit attributable to owners of the parent	(Thousands of yen)	570,978	1,242,954	1,458,944	305,650	725,121
Comprehensive income	(Thousands of yen)	570,579	1,243,454	1,450,025	306,868	758,553
Net assets	(Thousands of yen)	3,265,725	5,796,677	6,695,450	6,735,904	7,270,051
Total assets	(Thousands of yen)	10,092,292	12,258,009	14,111,795	15,378,731	18,727,224
Net assets per share	(Yen)	583.71	477.45	526.11	512.88	539.40
Net income per share	(Yen)	102.44	107.09	119.67	23.53	54.87
Diluted net income per share	(Yen)	-	97.39	110.78	22.95	54.58
Equity ratio	(%)	32.36	47.29	47.45	43.80	38.00
Return on equity	(%)	19.19	27.43	23.36	4.55	10.47
Price to earnings ratio	(multiplier)	-	28.95	13.95	68.18	54.95
Cash flows from operating activities	(Thousands of yen)	(41,761)	449,475	1,697,322	1,582,557	2,007,602
Cash flows from investing activities	(Thousands of yen)	(814,367)	(554,564)	(689,373)	(74,061)	(1,256,865)
Cash flows from financing activities	(Thousands of yen)	1,072,159	744,549	(584,835)	1,052,513	1,210,207
Cash and cash equivalents closing balance	(Thousands of yen)	2,657,806	3,297,704	3,714,430	6,275,644	8,269,430
Number of employees [Average no. of temporary staff not included above]	(Persons)	379 [98]	421 [133]	471 [137]	587 [150]	873 [127]

Notes:
1. Net sales do not include consumption taxes.
2. Diluted net income per share is not stated for Period 6. This is because while dilutive shares were present, the Company’s shares were unlisted, and the average stock price could not be calculated during the period. Since the Company’s stock was listed on the Tokyo Stock Exchange Mothers on March 22, 2018, diluted net income per share for Period 7 is calculated based on the assumption that the average stock price during the period is the average stock price from the date of initial listing to the end of the 7th fiscal year.
3. The price-to-earnings ratio for Period 6 is not stated. This is because the Company’s shares were not listed at that time.
4. Figures for the number of employees provided in brackets indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.
5. The Company implemented a stock split at a ratio of five shares to one share of common stock on November 25, 2017. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 6.
6. The Company implemented a stock split at a ratio of two shares to one share of common stock on September 1, 2019. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 7.

(2) Management Indicators for Filing Company

Period		Period 6	Period 7	Period 8	Period 9	Period 10
Closing Year and Month		August 2017	August 2018	August 2019	August 2020	August 2021
Net sales	(Thousands of yen)	21,849,627	29,478,579	35,574,088	20,275,742	3,665,020
Ordinary profit	(Thousands of yen)	976,208	1,621,322	2,236,960	803,209	519,618
Net income (loss)	(Thousands of yen)	488,666	1,126,108	1,477,486	527,810	(301,272)
Capital stock	(Thousands of yen)	255,600	948,582	1,027,507	1,117,032	1,144,576
Number of shares issued	(Shares)	1,118,957	6,070,510	6,373,930	13,183,160	13,326,170
Net assets	(Thousands of yen)	3,200,139	5,613,745	6,539,979	6,801,373	6,275,695
Total assets	(Thousands of yen)	9,118,733	11,023,182	13,118,917	7,964,110	8,023,927
Net assets per share	(Yen)	571.99	462.38	513.90	517.86	464.02
Dividend per share (Amount of interim dividend per share)	(Yen)	88.00 (–)	51.50 (–)	70.00 (–)	25.00 (–)	25.00 (–)
Net income (loss) per share	(Yen)	87.67	97.03	121.19	40.63	(22.80)
Diluted net income per share	(Yen)	–	88.23	112.19	39.64	–
Equity ratio	(%)	35.09	50.93	49.85	85.40	76.29
Return on equity	(%)	16.56	25.55	24.31	7.91	(4.66)
Price to earnings ratio	(multiplier)	–	31.95	13.78	39.48	–
Payout ratio	(%)	20.15	26.54	28.88	61.54	–
Number of employees [Average temporary staff not included in above]	(Persons)	320 [92]	342 [124]	387 [130]	59 [13]	88 [9]
Total shareholder return (Comparison index: TOPIX, including dividends)	(%)	– (–)	– (–)	55.00 (89.22)	53.68 (97.94)	100.00 (121.24)
Historical high	(Yen)	–	7,540	8,500 (1,720)	2,825	5,430
Historical low	(Yen)	–	3,570	3,345 (1,625)	957	1,686

Notes:

1. Net sales do not include consumption taxes.
2. Diluted net income per share is not stated for Period 6. This is because while dilutive shares were present, the Company's shares were unlisted, and the average stock price could not be calculated during these periods. Since the Company's stock was listed on the Tokyo Stock Exchange Mothers index on March 22, 2018, diluted net income per share for Period 7 is calculated based on the assumption that the average stock price during the period is the average stock price from the date of initial listing to the end of the 7th fiscal year.
3. The price-to-earnings ratio for Period 6 is not stated. This is because the Company's shares were not listed at that time.
4. Figures for the number of employees provided in brackets indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.
5. Total shareholder return and comparative indicators before Period 7 are not listed because the Company's stock was listed on the Tokyo Stock Exchange Mothers on March 22, 2018.

6. Historical high and historical low prices are based on the Tokyo Stock Exchange Mothers. The Company's stock was listed on March 22, 2018. Accordingly, no relevant information on stock prices exists before that time. High and low share prices for Period 8 are expressed as the highest and lowest prices before attached rights have expired due to a two-for-one stock split on September 1, 2019. High and low prices after rights have expired are given in parentheses.
7. The Company implemented a stock split at a ratio of five shares to one share of common stock on November 25, 2017. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 6.
8. The Company implemented a stock split at a ratio of two shares to one share of common stock on September 1, 2019. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 7.
9. Diluted earnings per share are not stated for Period 10. While dilutive shares were present, the Company recorded a net loss per share.
10. Price-to-earnings ratio and payout ratio are not stated for Period 10 because the Company recorded a net loss.

2. History

Seeing an opportunity for luxury brand reuse goods in an environment consisting primarily of used appliances, the Company founder Shinsuke Sakimoto established MKS Corporation (MKS) in June 2004, opening the Company's first luxury brand buying office, *Namba de Nanboya*. In March 2007, the buying office was renamed NANBOYA, and opened a total of nine stores in Osaka, Tokyo, and Kanagawa.

MKS had also been involved in the manufacture and sale of western confectioneries. In December 2011, SOU Inc. was established to expand its business specializing in the luxury brand reuse. In May 2015, SF Property Management Inc. acquired all shares of the Company from MKS.

The background of the corporate group since the establishment of the Company is as follows:

Year and Month	Overview
December 2011	SOU Inc. (capitalized at 5,000 thousand yen) was established for the purpose of buying and selling luxury brand goods, watches, precious metals, antiques, and other products. Headquartered in Naniwa-ku, Osaka City, Osaka.
April 2012	Tokyo office opened in Aoyama, Minato-ku, Tokyo
March 2013	Tokyo office relocated to Udagawa-cho, Shibuya-ku, Tokyo
April 2013	Auction site set up at the Tokyo office; launch of TOKYO STAR AUCTION for dealers
December 2013	Capital increased to 10,000 thousand yen
March 2014	Tokyo office relocated to Dogenzaka, Shibuya-ku, Tokyo
April 2014	Head office relocated to Kita-ku, Osaka City, Osaka
December 2014	Established wholly owned subsidiary BRAND CONCIER and opened the first location, BRAND CONCIER Ginza in Chuo-ku, Tokyo
March 2015	Launched a new LINE Appraisal service using LINE Business Connect, the first of its kind in the brand reuse industry
June 2015	Renamed purchasing brand NANBOYA to *Nanboya* (reverting from Romanized characters to Japanese)
September 2015	Capital increased to 246,600 thousand yen
September 2015	STAR BUYERS LIMITED made wholly owned subsidiary to expand sales channels in Hong Kong
November 2015	Tokyo STAR AUCTION rename STAR BUYERS AUCTION
December 2015	Tokyo office relocated to Minato-ku, Tokyo
January 2016	Retail brand BRAND RESALE SHOW ZIPANG launched in Izumisano City, Osaka
May 2016	Merged with BRAND CONCIER via absorption-type merger
June 2016	Made Market Insight Co., Ltd. consolidated subsidiary to strengthen systems development (liquidated in August 2018)
October 2016	Opened ALLU, a new brand-name vintage select shop in Ginza, Chuo-ku, Tokyo and established an e-commerce site for the same
February 2017	Made Hakkoudo Inc. a wholly owned subsidiary to strengthen presence in antiques and art objects
March 2017	Launched the STAR BUYERS AUCTION in Hong Kong
April 2017	Capital increased to 255,600 thousand yen
October 2017	Launched Miney, a new service and application
November 2017	Head office relocated to Minato-ku, Tokyo from Kita-ku, Osaka City, Osaka
March 2018	Listed on the Tokyo Stock Exchange Mothers index
August 2018	Launched independent auction business THE EIGHT AUCTION under Hakkoudo Inc.
July 2019	Purchases of luxury brand items began in Hong Kong
November 2019	Company structure migrated to a company with audit and supervisory board
March 2020	Migrated to holding company structure; company renamed from SOU Inc. to Valuence Holdings Inc.
March 2020	STAR BUYERS AUCTION migrated online
August 2020	Nomination and remuneration committee established as voluntary advisory body to the board of directors
September 2020	NEO-STANDARD Co., Ltd. made consolidated subsidiary (merged into Valuence Japan Inc. in March 2021)
August 2021	Nankatsu SC Co., Ltd. made equity-method affiliate through acquisition of its stock

3. Business Lines

Currently, the Group (the Company and its affiliates) consists of 13 companies: the Company, its consolidated subsidiaries (Valuence Japan Inc., Valuence Art & Antiques Inc. Valuence Technologies Inc., Valuence Real Estate, Inc., Valuence Ventures Inc., Valuence International Limited, Valuence International USA Limited, Valuence International Europe S.A.S., Valuence International Singapore Pte Limited, Valuence International UK Limited, and Valuence International Shanghai Co., Ltd.), and one equity-method affiliate (Nankatsu SC Co., Ltd.). The Group is engaged in the business of reusable merchandise, mainly through the purchase and sale of branded products, precious metals, watches, bullion, jewelry, and antiques, and works of art. As the holding company, the Company is responsible for enhancing business administration and management groupwide and drafting and formulating strategies. In addition, the Company qualifies as a specified listed company. Figures are determined on a consolidated basis with regard to the numerical standards established based on the size of the listed company for assessing the significance of material facts under insider trading regulations.

The main businesses of consolidated subsidiaries and the equity-method affiliate are outlined below.

<Consolidated subsidiaries>

Valuence Japan Inc.	Purchase and sale of luxury brand items, precious metals, jewelry, etc.
Valuence Art & Antiques Inc.	Purchase and sale of antiques and art
Valuence Technologies Inc.	Development of software applications, computer systems, etc.
Valuence Real Estate Inc.	Real estate brokerage services
Valuence Ventures Inc.	Investment in startups
Valuence International Limited and overseas subsidiaries	Purchase and sale of luxury brand items, precious metals, jewelry, etc. outside of Japan

<Equity-method affiliate>

Nankatsu SC Co., Ltd.	Operation and management of sports team and other businesses

(1) Merchandise Purchasing

The primary merchandise handled by the Group consists of branded products, precious metals, watches, bullion, jewelry, and other items for reuse, as well as antiques and works of art. It buys such merchandise in Japan and around the world. The business undertakes to purchase in three ways: in-office buying, delivery buying, in-home buying, and online buying. Outside of Japan, buying is conducted mainly through in-office buying.

In-office buying occurs when office concierges (appraisers) at company buying offices appraise and assess merchandise brought for sale by customers, purchasing these goods on the spot. *Nanboya* and BRAND CONCIER mainly purchase items like luxury brand goods and precious metals. Hakkoudo Inc. deals mainly in antiques and art.

In addition to in-office buying, delivery buying, in which customers send merchandise they wish to sell to the Company, and in-home buying, in which we visit customers at their homes, also are employed. We also offer online buying, in which concierges appraise and assess merchandise through videoconferencing. This service enables customers to receive the same customer service and buying services available at an office from home.

Since we focus on handling of costly items, there is a strong demand for services that allow customers themselves to bring merchandise directly to company offices/sites. In-office buying accounts for the majority of Group purchasing. At the same time, the Group is expanding services that involve delivery buying, in-home buying, and online buying to develop a structure whereby customers can sell items without leaving their homes. Since about 90% of purchases are from ordinary consumers, the Group, since its founding, has focused on attracting prospective sellers and exploring multiple channels, including marketing via the internet and television commercials.

The Group standardizes the concierges’ appraisal standards by referring to the product management system,which leverages past data on products we have purchased and sold. The Group also strives to improve the accuracy of buying prices through a structure whereby highly skilled staff at the head office provide support based on online communication for concierges at offices.

(2) Merchandise Sales

The merchandise purchased under (1) Merchandise Purchasing is mainly sold to partners (referring hereinafter to reuse merchandise dealers with whom we trade through auctions) in Japan and overseas. Some items are sold wholesale. These two methods account for approximately 92 percent of net sales.

In addition, the Group sells to general consumers through retail stores and e-commerce sites.

(Auction sales)

In-house auctions operated by Group companies constitute the Group's largest sales channel, accounting for about 64 percent of total net sales.

STAR BUYERS AUCTION (SBA) conducts auctions mainly for branded products. It migrated online in March 2020 and has grown as an auction platform used by numerous partners in Japan and around the world.

The Group also operates auctions for diamonds. These auctions also migrated online in April 2021; they had previously been held in person since diamond auctions had been associated with interests in viewing the actual items before bidding.

THE EIGHT AUCTION operates online auctions for antiques and art objects.

(Consignment auction sales)

In addition to merchandise purchased by the Company, Group-operated auctions also offer consignment sales of merchandise owned by partners. When a consigned item sells at auction, in the same way as with merchandise purchased by the Company, the Company earns listing fees from the consignor as well as auction commissions earned from the partner with the winning bid.

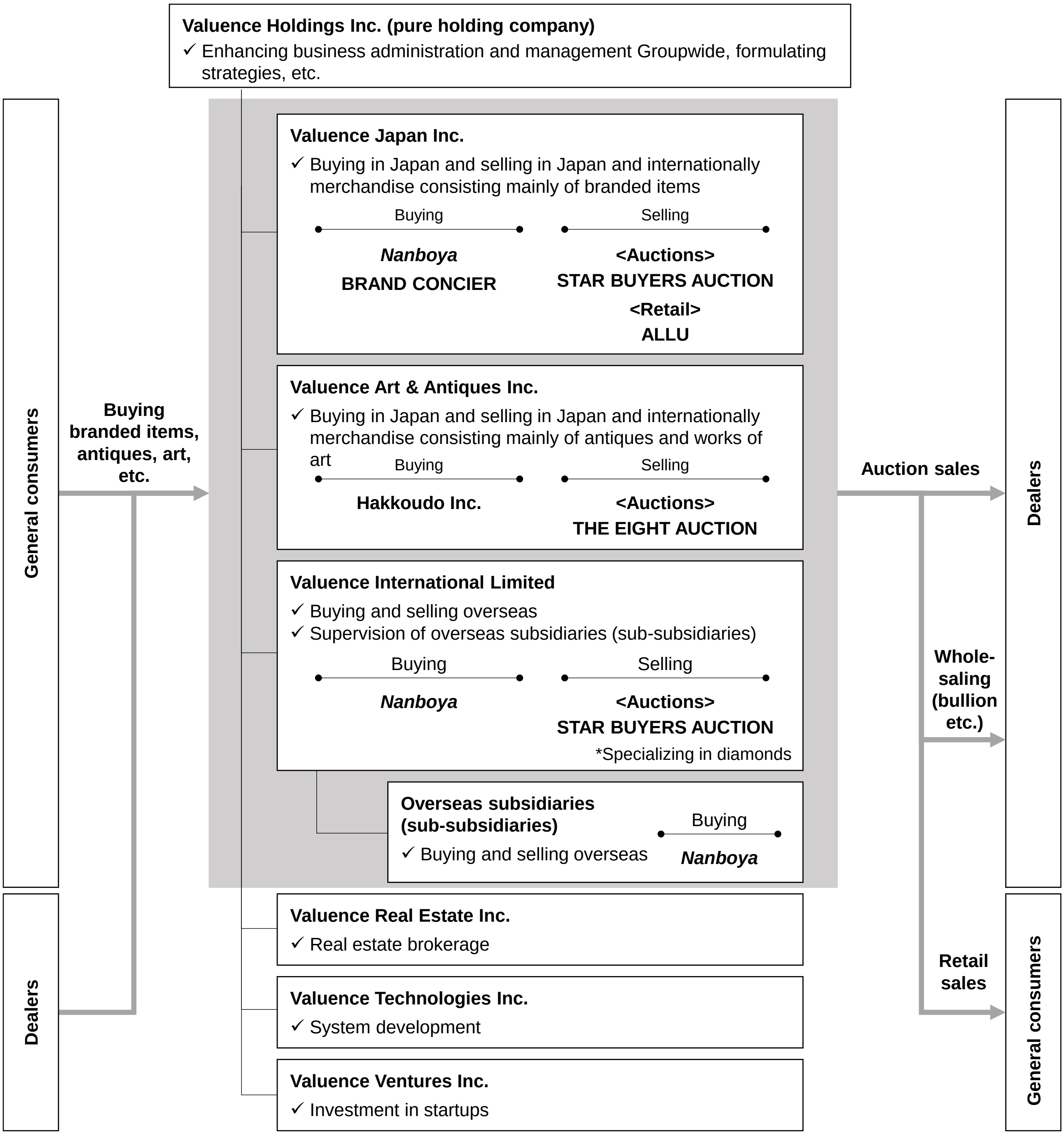
(Other wholesale sales)

The Group wholesales gold, platinum, other precious metals, and bullion to specialized dealers. Certain merchandise not suitable for sale on Company auctions is sold through other markets and direct trading.

(Retail sales through stores and e-commerce sites)

Retail sales targeting general consumers are conducted under the ALLU brand. ALLU offers a lineup of long-treasured, timeless vintage and antique merchandise through brick-and-mortar stores in Japan's Ginza and Shinsaibashi areas. Sales also occur through e-commerce sites.

Below is a diagram of these businesses.



4. Affiliated Companies

Name	Address	Capital Stock	Major Business Lines	Share of Voting Rights Held (or Holdings) (%)	Relationship
(Consolidated Subsidiary) Valuence Japan Inc. (Notes 3, 4)	Konan, Minato-ku, Tokyo	10,000 thousand yen	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas within the business lines described at left.
(Consolidated Subsidiary) Valuence Art & Antiques Inc.	Naniwa-ku, Osaka City, Osaka Prefecture	10,000 thousand yen	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles antiques and arts areas within the business lines described at left.
(Consolidated Subsidiary) Valuence Technologies Inc.	Konan, Minato-ku, Tokyo	66,000 thousand yen	System development and related businesses	100.0	Develops apps, computer systems, etc.
(Consolidated Subsidiary) Valuence Real Estate Inc.	Konan, Minato-ku, Tokyo	45,000 thousand yen	Real estate brokering and related businesses	100.0	Handles real estate brokerage
(Consolidated Subsidiary) Valuence Ventures Inc.	Konan, Minato-ku, Tokyo	50,000 thousand yen	Development of and investment in startups	100.0	Developing and investing in startups
(Consolidated Subsidiary) Valuence International Limited (Note 4)	Kowloon Tsim Sha Tsui, Hong Kong SAR, People’s Republic of China	HKD38,000,000	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International USA Limited	New York State, USA	USD150,000	Luxury brand items, antiques, art, and other reuse businesses	100.0 (100.0)	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International Europe S.A.S.	Paris, France	EUR135,000	Luxury brand items, antiques, art, and other reuse businesses	100.0 (100.0)	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International Singapore Pte Limited	Singapore	SGD137,721	Luxury brand items, antiques, art, and other reuse businesses	100.0 (100.0)	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International UK Limited	London, UK	GBP69,743.28	Luxury brand items, antiques, art, and other reuse businesses	100.0 (100.0)	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International Shanghai Co., Ltd.	Kilong Road, Shanghai Free Trade Zone, People’s Republic of China	CNY750,000	Luxury brand items, antiques, art, and other reuse businesses	100.0 (100.0)	Handles luxury brand items and other areas overseas within the business lines described at left.

(Equity-method affiliate) Nankatsu SC Co., Ltd.	Tateishi, Katsushika-ku, Tokyo	161,500 thousand yen	Operation and management of club teams and other sports organizations	33.5	Operates and manages club teams and other sports organizations.

Notes:

1. The Major Business Lines column for consolidated subsidiaries indicates names listed in the Segment Information section.
2. No companies submit securities registration statements or securities reports.
3. Valuence Japan Inc. accounts for more than 10% of net sales (excluding internal sales among consolidated companies).

Main profit/loss information, etc.	Net sales	48,047,328 thousand yen
	Ordinary income	982,622 thousand yen
	Net income	1,010,163 thousand yen
	Net assets	4,387,046 thousand yen
	Total assets	13,924,511 thousand yen

4. Qualifies as specified subsidiary.
5. NEO-STANDARD Co., Ltd. was added to the scope of consolidation in the first quarter with the acquisition of its stock by Valuence Japan Inc., a consolidated subsidiary.
6. The newly established companies Valuence International UK Limited and Valuence International Shanghai Co., Ltd. were added to the scope of consolidation in the second quarter.
7. The newly established company Valuence Ventures Inc. was added to the scope of consolidation in the third quarter.
8. Effective at the end of the third quarter, NEO-STANDARD Co., Ltd. was extinguished and removed from the scope of consolidation through an absorption-type merger in which Valuence Japan Inc. remained the surviving company.
9. Nankatsu SC Co., Ltd., shares of which were acquired at the end of the fourth quarter, has been added to the scope of application of the equity method.
10. Effective September 1, 2021, Valuence Art & Antiques Inc. was involved in an absorption-type merger in which Valuence Japan Inc. remained the surviving company.
11. Figures in parentheses under “Share of Voting Rights Held” indicate shares of voting rights held indirectly.

5. Employees

(1) Status of Consolidated Companies

(As of August 31, 2021)

Name of Segment	Number of Employees
Luxury brand items, antiques, art, and other reuse businesses	873 (127)

Notes:

1. The Group operates within a single segment (luxury brand items, antiques, art, and other reuse businesses). Accordingly, no per-segment information is provided.
2. The number of employees includes 12 employees currently dispatched outside the Group.
3. Figures for the number of employees indicated inside parentheses indicate the average number of junior employees, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.
4. While the number of employees grew by 286 from the end of the previous consolidated fiscal year, this was mainly due to making NEO-STANDARD Co., Ltd. a consolidated subsidiary. NEO-STANDARD Co., Ltd. was merged into Valuence Japan Inc. effective March 1, 2021.

(2) Status of Filing Company

(As of August 31, 2021)

Number of Employees	Average Age	Average Years of Service	Average Annual Salary (Thousands of yen)
88 (9)	38.3	3 years and 4 months	6,084

Notes:

1. No per-segment information is provided because the Company is a pure holding company.
2. Figures for the number of employees indicated inside parentheses indicate the average number of junior employees, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.
3. Figures for average age, average years of service, and average annual salary apply to regular employees.
4. Average annual salary includes bonuses and non-standard wages.

(3) Status of Labor Unions

While no labor union has been formed at the Group, labor-management relations are progressing smoothly.

II. Business

1. Management Policies, Management Environment, Issues to be Addressed, etc.

Forward-looking statements are based on the judgments of the Valuence Group as of the date of the submission of this document. There is no guarantee that the result is achievable.

(1) Management Policies

In line with the Valuence name, a portmanteau of “value,” “intelligence,” and “experience,” the Group strives to provide life-changing value to its customers and all other stakeholders by identifying or creating new value using the knowledge and expertise accumulated to date. The group seeks to realize a world where individuals can “live to themselves,” be honest to themselves, full of themselves, and shine with a smile.

(2) Current Conditions

The expansion and popularization of flea market apps and other factors are stimulating the reuse and recycling industry in which the Company operates. Reuse of merchandise is drawing growing attention in light of increasing interest in sustainability. Under such conditions, competition to purchase merchandise from ordinary consumers remains fierce. Numerous auctions, including small-scale ones, are jostling for positions in selling to dealers. More players are expected to enter the market. The movement toward corporate reorganization through mergers and acquisitions (M&A) and other means is expected to accelerate.

At the same time, the Company has identified a lack of powerful organizations deploying systematic C2B2B business models internationally (i.e., ones based on purchasing merchandise from ordinary consumers for sale to reuse dealers).

Based on this grasp of current conditions, the Company will strive to transition to a recurring business model to generate continued earnings. It will seek to build long-term relationships with ordinary consumers groupwide by enhancing consumer engagement and harnessing information technology (IT) to improve the efficiency of the current business model (i.e., promoting digital transformation [DX]). In addition, the Company will accelerate the global expansion to achieve further growth.

(3) Management Strategies and Issues to be Addressed

Under the management conditions described above, in October 2020, the Group formulated its VG1000 medium-term management plan for the period through the fiscal year ending in August 2025.

The Group will realize sustained growth by transitioning to a recurring business model as a Global Reuse Platformer specializing in luxury goods that provides integrated support from purchasing to sales for partners around the world.

At the same time, the Group will strive to maximize business opportunities by expanding its business lines, including the real estate brokerage business. The Group will target annual net sales of 100 billion yen. Various target indicators and progress toward these targets are provided below.

Targets <Other Indicators>

		FY8/2021 (First year of medium-term management plan)	FY8/2025 (Target of medium-term management plan)
Growth potential indicator	Operating profit growth rate	(Operating profit: 1.1 billion yen)	CAGR since August 2021: 30%*
Revenue performance indicator	ROE	10.5%	25.0%
Shareholder return indicator	Dividend payout ratio	45.6%	30% or better

* Based on initial plans (operating profit: 2.5 billion yen) at the start of FY8/2021, the time the medium-term management plan was announced.

(KPIs and management strategies)

The KPIs and strategies employed in deploying a global reuse platform and progress toward the KPIs are shown below.

Targets <KPIs>

	FY8/2021 (First year of medium-term management plan)	FY8/2025 (Target of medium-term management plan)
GMV (Gross Merchandise Volume)	53.2 billion yen	120 billion yen
Auction consignment rate	8.0%	50%
Overseas sales ratio	14.9%	20%
Number of partners overseas	301	More than 500
Number of buying offices (Japan and Overseas)	146	270*

* Since opening buying offices overseas is ahead of schedule, the target for the end of FY8/2025 has been revised upward from 30 to 100 offices. The target number of buying offices (Japan and overseas) has been modified from 200 to 270 offices.

<Strategies>

a) Enhancing global business development

The participation of numerous partners and bringing together large volumes of high-quality merchandise are essential to building an attractive platform. As demand for Japanese reuse products is strong worldwide, the Company recognizes that expanding the participation of overseas partners will further stimulate the auction. Therefore, the Company will develop partners mainly through our overseas subsidiaries, aiming to have more than 500 overseas partners by the fiscal year ending August 2025. With respect to purchasing, the Group will target a network of 170 buying offices in Japan and 100 overseas by the fiscal year ending in August 2025. Internationally, the Group is opening new offices with a sense of urgency while minimizing risks, chiefly by opening offices in cooperation with partners. The Group will also ensure a stable supply of merchandise to its platforms by increasing the acceptance of merchandise for consignment sales, both in Japan and internationally, in addition to sales of merchandise purchased by the Group itself. The Group will achieve the sustained growth of its platforms through an organic cycle whereby the supply of high-quality merchandise in large quantity attracts more partners, while high closing prices from growing bidder competition attracts more consigned items.

b) Promoting digital transformation (DX)

Migrating to online auctions has allowed the Group to list more items for sale and accept consignment sales of merchandise from other companies. Through the continuing development of computer systems and other structures, the Group will seek to expand monetization points in areas such as maintenance, cleaning, and acceptance of retail consignment sales for merchandise sold in auctions, based on joint efforts involving SBA and ALLU (fulfillment services). By providing value-added services, the Group will become an entity to whom partners can entrust operations from purchase through sale while increasing profitability through the growth of commission-based businesses. It will also invest to improve profitability through the progressive adoption of artificial intelligence (AI) in purchasing and sales channel selection.

c) Leveraging Big Data

The global expansion of the Group's auctions has made it possible to collect the latest sales data worldwide. The Group boasts one of the world's largest databases in this field. The Group plans to leverage this database to reflect sale prices in purchase prices in a timely manner and to purchase merchandise at optimal pricing, thereby achieving greater stability in gross profit margins. In addition, the ability to purchase merchandise at optimal prices will create an environment that makes it possible to sell both merchandise purchased by the Company and merchandise consigned by other parties at optimal prices, leading to rising rates of successful sales at auction and growth in the acceptance of consigned merchandise.

d) Strengthening marketing

The Group has sought to expand merchandise purchases by attracting customers to its offices through approaching customers with apparent selling needs, chiefly through Web-based marketing. In addition to addressing these apparent needs, by proposing effective asset management using Miney, the Group plans to advance efforts to realize potential needs and grow its customer base. At the same time, the Group recognizes the low profile of its name at this time; few customers come to us by searching for us by name. This is an issue the Group plans to address. The Group will strengthen marketing efficiency by building name recognition through mass marketing, including flyers, commercials, and other media, in addition to attracting new customers through Web-based marketing and realizing untapped needs through Miney. Through efforts involving customer communication, the Group will also strive to achieve growing efficiency in attracting customers through longer-term relationships and increasing lifetime value (LTV).

(Issues to be addressed)

a) Attracting more customers more efficiently

The Group's efforts to attract customers are based on Web marketing. While the development of in-house Web marketing functions has made it possible to demonstrate high effectiveness, issues remain with Group name recognition. For example, we know that relatively few customers are attracted by searching for the Group's brand names.

The Group broadcast its first television commercials in August 2021. It intends to continue doing so to increase name recognition. It will expand efforts to attract customers by approaching both potential and actual customers through multiple coordinated measures, including TV ads and Web marketing. The Group also believes that reducing cost per acquisition (CPA) by increasing searches for Group brand names based on increased name recognition will allow it to attract customers more efficiently in the future. Furthermore, in addition to enhancing customer engagement, it will target growing customer lifetime value (LTV) by developing a structure for referring customers within the Group.

b) Standardizing appraisal abilities

Unlike new merchandise, reuse merchandise lacks predetermined and uniform market prices. It is characterized by the complexity of the process of setting appropriate prices. While the Group has sought to improve the abilities of concierges through training programs and on-the-job training (OJT), it recognizes the importance of developing systems for the standardization of appraisal abilities.

Toward this end, it is continuing with efforts to improve the functions of internal computer systems, develop databases, and enhance structures for supporting buying offices from the head office. In addition to the above measures, the Group plans to achieve further standardization of capabilities and improvements in buying efficiency through artificial intelligence (AI).

c) Growing auction platforms

The Group's main sales channel, SBA, migrated from real-world auctions to online auctions in April 2020. Thanks to the resulting ability to participate in auctions from around the world, it has become one of the world's leading auction platforms for branded reuse merchandise.

Efforts henceforth will seek to increase total trading volumes by making it more attractive as a platform in which numerous partners participate and by deploying efforts targeting growth in consignment sales. The Group will also make progress on developing systems to achieve improved profitability through the development of fulfilment services that handle all operations through retail sales of merchandise bought by partners at auction.

d) Enhancing retail sales

Currently, the Group's main business is sales to partners through auctions. Its structure prioritizes channeling merchandise purchased from customers toward auctions.

The Group expects to increase gross profit margins by harnessing AI to prioritize the assignment of merchandise to the most profitable sales channels based on merchandise attributes and past sales. This should boost retail sales. In addition, as described above, the Group plans to deploy fulfillment services whereby merchandise bought by partners at auction will be stored in group warehouses, then sold via the ALLU retail brand (retail consignment sales). This means enhancing the selling capabilities of ALLU is required to attract more consignments for retail sales.

e) Enhancing customer engagement

Since the Group's businesses are based on the business model of purchasing from customers, it is vital to secure more points of contact with customers.

The Group will enhance customer engagement by growing its to-C services, not just in buying but in retail sales and other activities, as well as by increasing the lines of merchandise handled and enhancing communication. In so doing, and by building long-term relationship groupwide, it will seek to shift to a recurring business model to generate continued earnings.

f) Accelerating global expansion

The Group is making progress on various initiatives, including establishing subsidiaries, developing local SBA partners, and developing the purchasing business in markets such as Hong Kong, Europe, North America, and Southeast Asia. In buying, it is accelerating business development in ways that minimize risks to the Company. These efforts include opening buying offices in joint efforts with partners, rather than directly operating offices alone. Since competition in the domestic market remains intense, the Group recognizes business expansion in global markets as a key issue.

The Group will continue to advance these activities to achieve further growth through the global expansion of business models based on its track record in Japan and enhancing retail sales in overseas markets.

g) Responding to COVID-19

In April 2021, the migration of SBA Hong Kong to online auctions moved all of the Group's main sales channel of Group-operated auctions online. This made it possible to continue sales operations even under the conditions imposed by the COVID-19 pandemic. Even though the Group also conducts buying activities through in-home buying, delivery buying, and online buying, a high percentage of buying is conducted through in-office buying due to the costly nature of the handled merchandise.

The Group will continue marketing initiatives to encourage more customers to visit its offices, while enhancing in-home buying, delivery buying, and online buying, even during the COVID-19 pandemic.

(4) Basic Policy Regarding Company Control

The Group has established the Corporate Governance Basic Policy, which states that the Group will not adopt anti-takeover measures. If anti-takeover measures are to be adopted in the future, it will thoroughly consider the necessity and reasonability of the adoption and operation thereof from the standpoint of fulfillment by the Board of Directors and the Audit and Supervisory Committee of their responsibilities as trustees of shareholders, ensuring appropriate procedures and sufficient accountability to shareholders to ensure these measures do not merely serve the interests of the management and the Board.

2. Business and Other Risks

Of the matters related to business and finance described in this document, the following risks may impact investor judgement. Note that forward-looking matters are based on the best judgments of the Group at the time of the publication of this document. Not all risks related to business risk or investment in Company stock may be addressed.

(1) Merchandise Buying System

a) Purchase of Reuse Goods

Buying reuse goods is the core activity that generates income for the Group. However, compared to the purchase of new products, the supply of reuse goods is less certain, depending as it does on the number of goods brought in by owners. To strengthen the stability of its purchasing sources, the Group improves search engine optimization (SEO), provides outstanding customer support, and offers pre-appraisals via telephone and LINE social media app., to encourage owners to sell goods at Group buying offices. Efforts are also being made to enhance the purchasing structure, through implementation of delivery buying, in-home buying, and online buying in addition to in-office buying. The Group has begun buying merchandise overseas. Its asset management app Miney is yet another tool to attract and uncover potential new customers.

Nevertheless, Group financial results may be adversely affected by challenges in sourcing reuse goods due to changing economic trends, growing competition, changing customer preferences, or changes in the market price of jewelry, precious metals, and bullion.

b) Concierges

With the exception of gold and platinum, whose prices are set by the market, reuse goods lack predetermined market prices. The popularity of luxury brands and the recent increase in market volume for reuse goods requires concierges who are capable of inspecting the authenticity of reuse goods in line with the Group standards and providing appropriate purchase prices in accordance with individual circumstances. Accordingly, the Group recognizes the importance of developing concierges with specialized knowledge and experience.

Group financial results may be adversely affected if the Group fails to develop sufficient concierges in line with projections. This in turn could hamper buying plans and the opening of new locations.

c) Risks of Purchasing Counterfeit Goods

Counterfeit goods of well-known luxury brand items such as bags and watches are broadly distributed and have emerged as a social issue. The Group cultivates concierges’ ability to confirm the authenticity of reuse goods to prevent the purchase of counterfeit goods. The Group also performs careful inspections to determine the authenticity of reuse goods before sale to provide safe and secure goods to customers (both partners and ordinary consumers). Counterfeit goods mistakenly purchased are returned or disposed of to prevent resale. The Group may ask third-party institutions to assess the authenticity of reuse goods.

The nature of its business—purchasing reuse goods from ordinary consumers through secondary distribution rather than from authorized brand stores—poses the constant risk of buying and selling counterfeit goods. Group financial results may be adversely affected by problems or loss of credibility associated with the purchase and sale of counterfeit goods.

d) Risk of Purchasing Stolen Goods

In the event that the Group identifies the purchase of any stolen goods, the Group attempts to return said items to the rightful owner at no charge within two years pursuant to the Civil Code or within one year after purchase as permitted under the Civil Code pursuant to the provisions of the Secondhand Articles Dealer Act and when purchased from public markets. The Group maintains structures to prevent the purchase of suspected stolen goods and works closely with law enforcement to prevent the distribution of stolen goods.

From the perspective of compliance with the Secondhand Articles Dealer Act and Civil Code, the Group has linked its secondhand articles ledger (detailed records of reuse goods purchase) with its business system to facilitate timely and appropriate cooperation with law enforcement investigations in the event the Group discovers purchases of stolen goods and to facilitate the return of stolen goods to the owner at no charge. Nevertheless, the nature of its business makes it difficult to eliminate the purchase of stolen goods entirely. Group financial results may be adversely affected by losses of purchases traceable to the purchase of stolen goods and the loss of creditability arising from such events.

(2) Expansion and Operation of Stores and Offices

a) Future Buying Office Opening

The Group secures reuse goods through *Nanboya*, BRAND CONCIER, and *Hakkoudo* offices nationwide.

To achieve further growth, the Group must continue to improve its capacity to purchase reuse goods. Group financial results may be adversely affected if the opening of buying offices fails to proceed smoothly or the purchase of reuse goods falls short of plans.

b) Group Business Areas

The Group has numerous buying offices in the Special Wards of Tokyo, Osaka, Nagoya, and surrounding areas, all located at the center of three major metropolitan areas supporting relatively large markets for reuse goods. Group financial results may be adversely affected by the destruction of operating facilities or constraints on the use of a wide range of infrastructure in the event of large-scale disasters affecting the three major metropolitan and surrounding areas.

c) Closing of Buying Offices Due to Lease Contracts, Rent Increases

The Group leases its buying offices. Valuence Group financial results may be adversely affected if contracts cannot be renewed or rents rise upon contract renewal.

d) System Failures

Group business depends significantly on IT systems to attract customers via the internet; to prevent fraud in cash payout at buying offices; to manage the flow of individual goods; to collect market price data for purchase and sale; and to sell merchandise through online auctions.

Group business is capable of operating via organizational response for a limited time in the event of system failures. However, Group financial results may be adversely affected by system stoppages that prove more significant than anticipated.

e) Asset Impairment Accounting

The Group operates buying offices and retail stores. Group financial results may be adversely affected if the profitability of each office decreases due to changes in the management environment, resulting in appropriation or losses associated with the application of asset impairment accounting. The Group strives to manage profits at each location to prevent impairment and takes appropriate measures at locations marked by low profitability. Nevertheless, an increase in unprofitable locations or the closure of locations may lead to significant impairment losses.

(3) Influence of Changes in the External Environment

a) Changes in Sales Associated With Changes in the External Environment

The Group handles precious metals, watches, bullion, jewelry, and reuse luxury brand goods. By expanding to handle antiques, art objects, and tableware, the group has established a stable business structure that reduces dependence on specific goods. To increase earnings further, the Group is expanding its lines of merchandise handled to include motor vehicles, real estate, and other property.

However, the prices of some goods may decline due to economic obsolescence associated with changes in trends, exchange rate fluctuations, and changes in market prices of precious metals and bullion. Additionally, the prices of certain goods may differ significantly depending on the presence or absence of certain popular goods. Group financial results may be adversely affected by sharp fluctuations in exchange rates and stock prices or rapid changes in business sentiment.

b) Effects of Natural Disasters

The Japanese government's declaration of a state of emergency in response to the COVID-19 pandemic had some impact on buying and selling of reuse goods during the fiscal year ended August 2021, resulting from the temporary suspension of store operations. As of the date this Report is submitted, sales were based on the migration of Company-operated auctions to an online platform. Buying occurred under the ordinary structure, with due consideration to prevent the spread of the virus and the highest priority on the safety of customers and employees. Nevertheless, another state of emergency may be declared or similar measures taken in the future; a natural disaster may pose grave difficulties in carrying out business activities, including in-office and in-home purchases of merchandise. In particular, since the prospects for the resolution of the COVID-19 pandemic remain uncertain and its impact on economic activities remains unpredictable, the pandemic may have significant effects on the Group’s financial status, business results, and cash flow in the next period and beyond.

c) Decrease of Sales and Profitability Declines Associated With Changes in Exchange Rates

The Group wholesales purchased reuse goods to reuse goods dealers both in Japan and overseas via its independent auctions. Certain reuse goods dealers participating in the auctions tend to quickly sell goods to overseas purchasers. Structurally, its business tends to be influenced by exchange rate fluctuations. Successful bid prices in auctions are influenced by exchange rates. When the yen is weaker, prices tend to increase; prices tend to fall when the yen is stronger.

While the Group believes this tendency will be diluted by the participation in the auctions of participants from a broader range of countries and regions, Group financial results may be affected by the timing of exchange rate fluctuations and the proportions of partners participating in auctions from specific countries.

d) Intensified Competition

The Group competes with other companies to purchase goods. The Company seeks to improve its competitiveness and promote differentiation from competitors by strengthening its marketing, opening convenient buying locations, improving service at buying offices, and continuing human resource training and education.

However, Group financial results may be adversely affected if competition increases due to new entries into the reuse goods industry.

e) Dependence on Interest-Bearing Debt

The Group depends heavily on loans from financial institutions to procure working capital. Accordingly, Group business expansion may be adversely affected if capital procurement fails to proceed as planned due to changes in its financial position. In addition, if an increase in interest rates increases the cost of capital procurement, Group financial results may be affected by the resulting pressure on profits.

(4) Legal Restrictions

a) Restrictions Imposed by the Secondhand Articles Dealer Act

The Group is a Certified Secondhand Articles Dealer approved by the Local Public Safety Committee and is obligated to comply with the Secondhand Articles Dealer Act. While Secondhand Articles Dealer certification does not expire, violations of the Secondhand Articles Dealer Act or other laws and regulations regarding the secondhand article business, coupled with the inability to immediately identify or prevent the purchase and sale of stolen goods, may result in business suspension or the revocation of certification by the Local Public Safety Committee, in accordance with Article 24 of the Secondhand Articles Dealer Act.

The Group purchases and sells secondhand articles under the said certification and operates a market for the purchase and sale of secondhand articles among dealers and international partners with the permission of the secondhand article market owners. The Group complies with the Secondhand Articles Dealer Act by providing detailed internal training and education regarding the said act, confirming the identification of sellers in accordance with the said act, and the careful management of secondhand article ledgers. This strengthens the Company's level of confidence that no problems affecting the group's business continuity will arise.

However, Group financial results may be adversely affected if certification is revoked due to the events and conditions referenced above.

b) Personal Information Management

The Group handles customer addresses, names, occupations, ages, and credit card information, which are recorded and managed in ledgers in written form or by electromagnetic means. The Group has established a system that ensures appropriate protective measures for personal information. The Group has also acquired Privacy Mark certification and established internal regulations and other rules. It seeks continually to strengthen internal management structures, provide thorough employee training and education, and enhance information system security to improve its personal information protection management. The Company also strives to comply with the Act on the Protection of Personal Information to prevent leaks of personal information. The Group also maintains systems to ensure compliance with laws and regulations in other countries, including the General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA), and the Personal Data Protection Act (PDPA).

Nevertheless, the Group's financial results may be adversely affected, its reputation and societal standing compromised, and significant costs incurred in the event of a personal information leak.

c) Laws and Regulations regarding the Prevention of Criminal Proceeds Transfer

The Criminal Proceeds Transfer Prevention Act applies to the Group's businesses. Group financial results may be adversely affected if the Group fails to comply with the said act and is subject to guidance, advice, recommendation, or penalties by government agencies.

(5) Overseas Business Expansion

The Group continues to develop overseas group businesses to expand its business. Group financial results may be adversely affected in the event of business fluctuations, political and social unrest, changes in laws and regulations, and significant changes in exchange rates in specific countries.

(6) Weakening Share Values

The Company provides stock acquisition rights to Group executives and employees as incentives. It has adopted the Restricted Stock Compensation Plan; it provides shares whose transfer is restricted to Group executives and employees under this program. While the Group is considering using these programs in the future as well, the exercise of stock options or the issue of transfer-restricted shares may weaken the price of Company shares.

Details of stock acquisition rights are provided under "IV. Information on the Filing Company: 1. Information on Company Stock: (2) Information on Stock Acquisition Rights, Etc."

3. Management Analysis of Financial Position, Business Performance, and Cash Flows

(1) Summary of Business Performance

Provided below is an overview of the financial condition, business performance, and cash flows (“Performance, etc.” hereinafter) of the Valuence Group (Valuence Holdings Inc. and its consolidated subsidiaries) in the consolidated fiscal year under review.

The Company is categorized into a single business segment; namely, luxury brand items, antiques, art, and other reuse businesses. For this reason, description by segment is omitted.

a) Business Performance

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 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. 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 the parent	725 million yen	(Up 137.2% from the previous corresponding period)

Specific initiatives in the fiscal year under review were as follows.

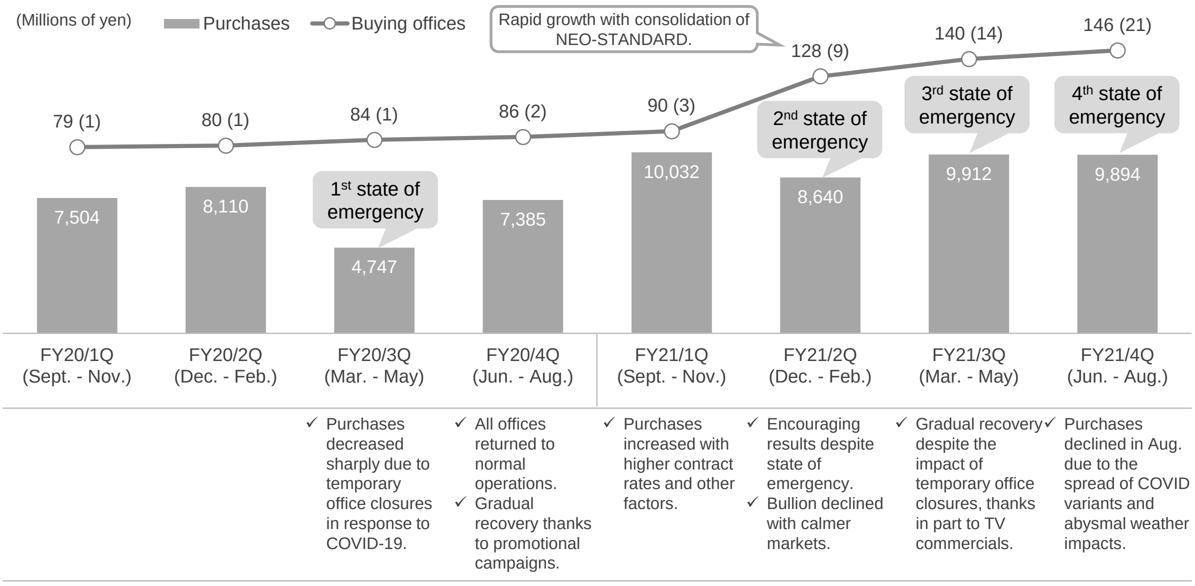
First, in the current fiscal year, in order to enhance buying operations, the Company Group actively opened newbuying offices both in Japan and overseas. It acquired 28 *NEOSTA* buying offices via M&A, opened 18 offices, and closed five offices, bringing the total number of buying offices in Japan to 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



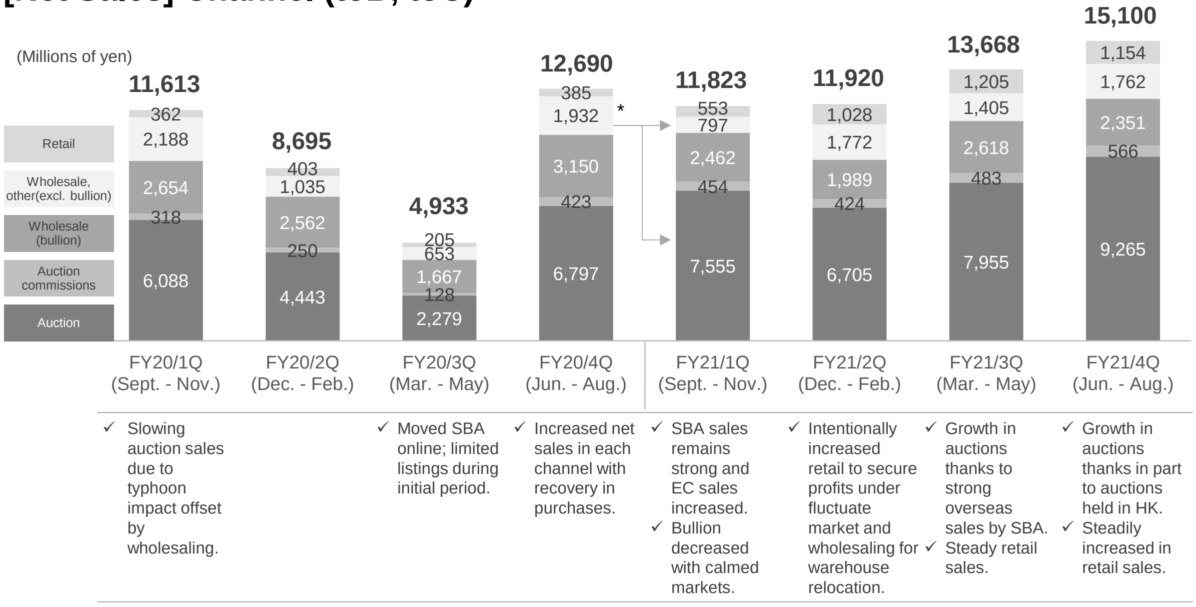
* No. of buying offices in parentheses indicate overseas buying offices.

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 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] Channel (toB, toC)

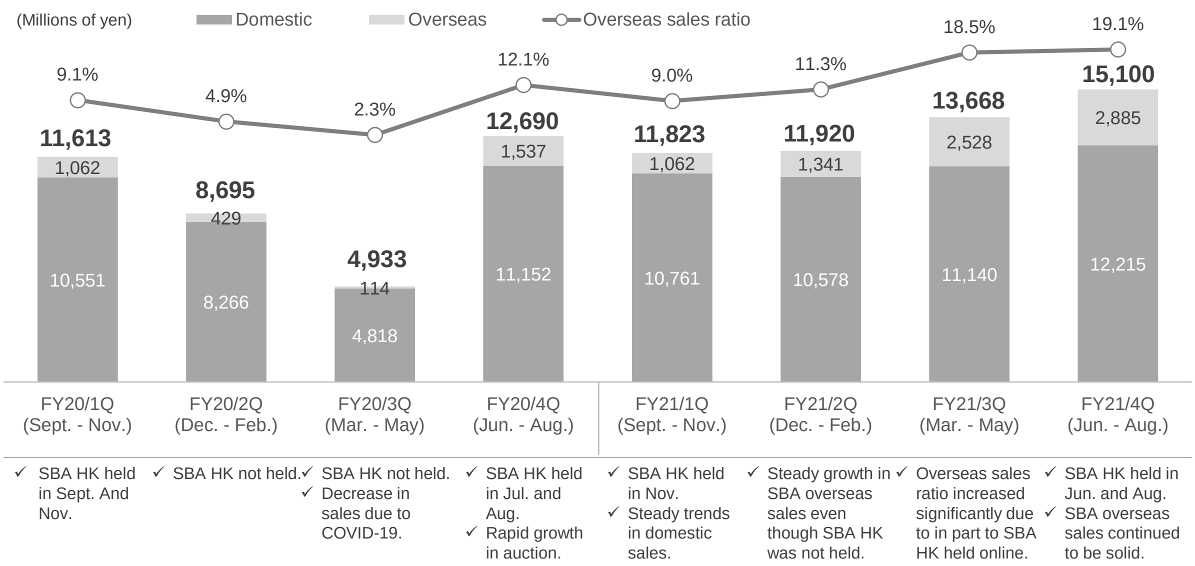


* SBA sales to overseas partners included under “Wholesale, other (excl. bullion) ” moved to “Auction” since FY21/1Q.

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] Channel (Domestic, Overseas)



b) Financial Position

(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 the 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.

c) Cash Flows

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 the purchase of shares of subsidiary resulting in a change in scope of consolidation and 208 million yen of proceeds from the 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 the purchase of shares of an 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.

d) Status of Production, Orders Received, and Sales Performance

a. Production

Not applicable; the Group does not engage in production activities.

b. Orders Received

Not applicable; the Group does not engage in order receipts.

c. Purchases

Purchases for the consolidated fiscal year under review are as described below.

Segment Name	Purchases (Thousands of yen)	Change (%)
Luxury brand items, antiques, art, and other reuse businesses	38,479,100	138.7

Notes:
1. The figure above represents purchase prices.
2. This figure excludes consumption tax or other taxes.

d. Sales

Sales for the consolidated fiscal year under review are as described below.

Segment Name	Sales (Thousands of yen)	Change (%)
Luxury brand items, antiques, art, and other reuse businesses	52,512,592	138.4

Notes:
1. This figure excludes consumption tax or other taxes.
2. The following are the details of sales and the ratio of sales by major customers for the two most-recent consolidated fiscal years.

Customer Name	Prior Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Sales (Thousands of yen)	Ratio (%)	Sales (Thousands of yen)	Ratio (%)
Net Japan Co., Ltd.	5,083,806	13.40	-	-
NIHON MATERIAL Co., Ltd.	4,738,301	12.49	-	-

3. The figures for Net Japan Co., Ltd. and NIHON MATERIAL Co., Ltd. for the current consolidated fiscal year are omitted because their sales ratios were less than 10 percent.

(2) Management Discussion and Analysis

The following is the management discussion and analysis for the Valuence Group. Matters related to future events are based on the judgment of the Valuence Group as of the end of the consolidated fiscal year under review.

a) Significant Accounting Policies and Estimates

The Group prepares consolidated financial statements in accordance with accounting standards generally accepted in Japan. In preparing these statements, the Group must make estimates and forecasts that impact the disclosure of its financial status, business results, and cash flow as of the end of the consolidated fiscal year.

The Group makes continual estimates and forecasts based on judgments deemed rational in light of past performance figures and circumstances. Due to the inherent uncertainty of estimates, actual results may differ from estimates.

See “V. Accounting Status: 1. Consolidated Financial Statements: Notes (Additional Information)” for information concerning assumptions about the impact of COVID-19.

b) Management Understanding and Analysis of Financial Status and Business Results

a. Analysis of Financial Position

See “II. Business: 3. Management Analysis of Financial Position, Business Performance, and Cash Flows: (1) Summary of Business Performance: b) Financial Position” for an analysis of financial position during the current consolidated fiscal year.

b. Analysis of Business Performance

(Net Sales)

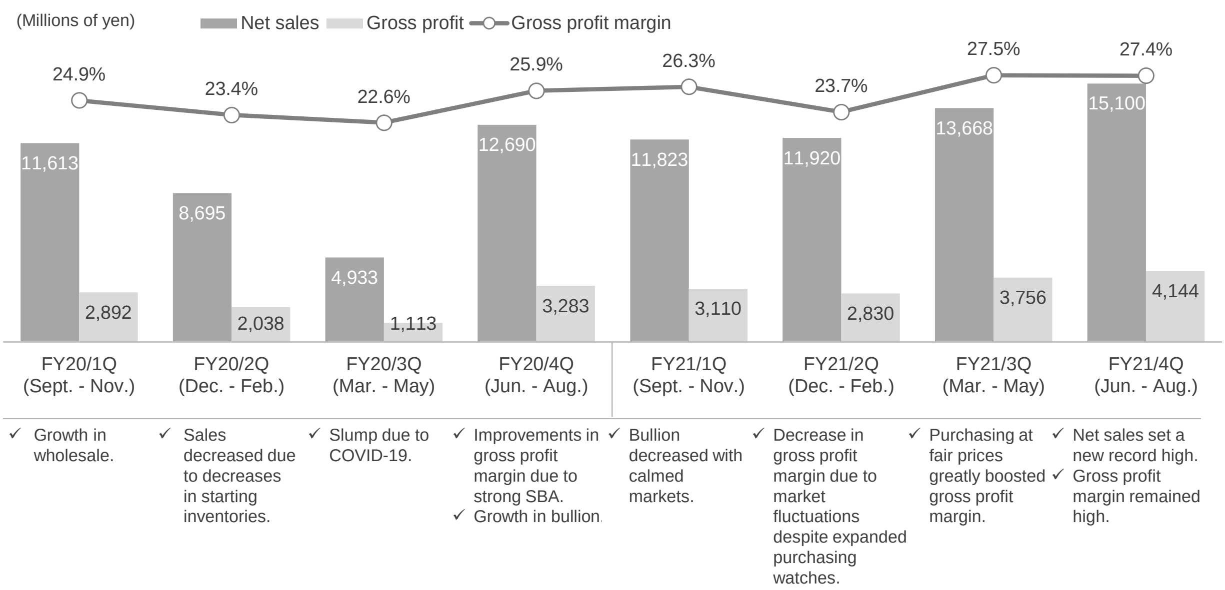
Net sales during this consolidated fiscal year grew 14,579 million yen from the end of the previous consolidated fiscal year to 52,512 million yen.

The Group was unable to grow purchases to the levels initially planned due to difficulty in attracting more customers to its offices. Various factors contributed, including fresh waves of COVID-19 and repeated declarations and extensions of a state of emergency. However, thanks to growth in the number of offices resulting from M&A activities as well as efforts to attract customers based on expertise developed so far during the COVID-19 pandemic and other measures, the Group was able to boost purchases from the previous consolidated fiscal year. It was also able to grow sales in accordance with increased purchases, since the migration of its auctions to online platforms proceeded as planned.

(Cost of Sales and Gross Profit)

Cost of sales for the consolidated fiscal year under review increased 10,065 million yen year on year to 38,671 million yen. Gross profit grew 4,514 million yen over the same period to 13,841 million yen. The gross profit margin improved by 1.8 percentage points to 26.4% due to various factors, including a lower share of sales accounted for by bullion sales and the effects of migrating auctions online. The migration online is seen as an important factor in raising bidding prices as the number of partners who participate in the auctions grows steadily, and the trend toward a lower yen on international currency markets stimulates bidding from overseas. Despite the temporary worsening of conditions due to sudden fluctuations in watch prices in the consolidated second quarter period, the Group has maintained high levels since then thanks to subsequent improvements through review of the buying structure.

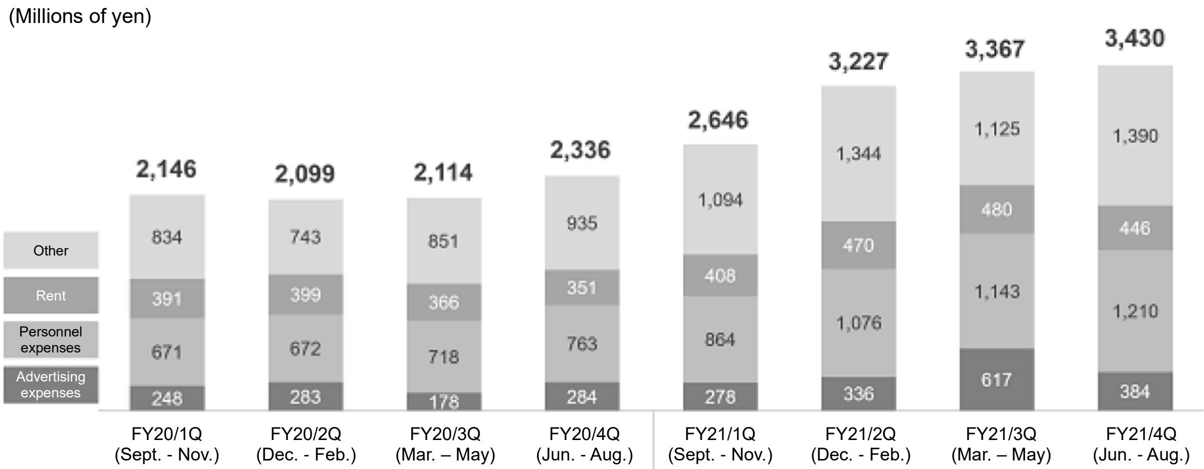
Net Sales and Gross Profit



(Selling, General, and Administrative Expense, Operating Profit, Operating Profit Margin)

Selling, general, and administrative expenses grew 3,976 million yen year-on-year to 12,672 million yen due mainly to factors such as increased labor costs related to M&A activities, openings of new office locations, growth in business scale, increased expenses for the rent of space and land associated with the opening of new buying offices, and increased advertising expenses associated with marketing initiatives, including television commercials. Other contributors to higher expenses included share-based compensation expenses accompanying the allotment of restricted stock, subcontracting costs associated with computer systems development and maintenance, including computer systems development and maintenance for auction platforms, and depreciation expenses associated with the relocation of warehouses.

SG&A as a sales ratio increased due to continued investment necessary for the future. However, as a result of net sales growth and improvements in the gross profit margin, operating profit grew by 537 million yen from the previous consolidated fiscal year to 1,169 million yen. The operating profit margin was 2.2 percent.



	FY20/1Q (Sept. - Nov.)	FY20/2Q (Dec. - Feb.)	FY20/3Q (Mar. – May)	FY20/4Q (Jun. - Aug.)	FY21/1Q (Sept. - Nov.)	FY21/2Q (Dec. - Feb.)	FY21/3Q (Mar. – May)	FY21/4Q (Jun. - Aug.)
Buying offices*	79	80	84	86	90	128	140	146
Employees	475	499	542	587	639	804	880	873

*Numbers of buying offices include overseas locations.

(Non-operating Profit or Loss, Ordinary Profit, Ordinary Profit Margin)

Non-operating income declined 63 million yen year on year to 54 million yen for the consolidated fiscal year under review. Contributing factors included the receipt of subsidies for employment adjustment in the previous consolidated fiscal year. Non-operating expenses grew 119 million yen to 246 million yen due to remuneration paid on conclusion of a commitment-line agreement and other factors.

Ordinary profit grew 354 million yen year-on-year to 976 million yen, and the ordinary profit margin stood at 1.9 percent.

(Extraordinary Income or Loss, Profit or Loss Attributable to Owners of the Parent, Net Profit Margin)

In the consolidated fiscal year under review, the Company recorded an extraordinary profit of 69 million yen due to gains on bargain purchase associated with making NEO-STANDARD a consolidated subsidiary and an extraordinary loss of 235 million yen due to impairment losses on buying offices and other facilities. Income tax expense amounted to 85 million yen, a decline of 207 million yen year on year, due mainly to tax effects associated with the recording of losses carried forward through M&A activities.

Profit attributable to owners of the parent grew 419 million yen year-on-year to 725 million yen. The Group recorded a net profit margin of 1.4 percent.

c) Management Discussion and Analysis of Cash Flow Position, and Information on Asset Sources and Liquidity of Funds

The Group's fundamental policies on raising funds are to secure the level of liquidity needed to maintain and grow its business and maintain financial soundness and stability. The Group strives to diversify its means of raising funds and improving its capital efficiency, and the Group employs some interest-bearing debts, including loans from financial institutions.

Major demands for working capital in the Group are expenses for the purchase of merchandise and operating expenses, including sales, general and administrative expenses. Major demands for capital to be used in investments are IT system investment associated with development of online auction platforms and renovations of internal systems related to buying and selling, and capital investment associated with new openings of buying offices. These capital demands are mainly covered by borrowing for costs related to buying merchandise and essentially from operating cash flow for funds intended for investment purposes. Other funds may be procured when deemed necessary.

See “II. Business: 3. Management Analysis of Financial Position, Business Performance, and Cash Flows: (1) Summary of

Business Performance: c) Cash Flows” for an analysis of the cash flow position.

4. Important Contracts and Other Business Agreements

Commitment Line Agreement

The Group has secured a commitment line agreement with partner banks in the sum of 11,000 million yen in syndicated loans to ensure the efficient sourcing of working capital. The Group currently has 499 million yen in outstanding borrowings under this agreement as of the end of the consolidated fiscal year under review.

5. Research and Development Activities

The Group undertakes joint research with the Hokkaido University Graduate School of Information Science and Technology on AI for use in dynamic pricing of auctions reflecting external conditions and other factors and in the automatic calculation of appraisal prices for purchases of reuse goods. R&D expenses totaled 1.783 thousand yen during this consolidated fiscal year.

III. Status of Facilities

1. Overview of Capital Investment

Valuence Holdings engages in the reuse business for luxury brand items, antiques, art, and other goods, which operates as one business segment. Accordingly, per-segment information is omitted below.

During the current consolidated fiscal year, capital investment included the addition of new buying offices and remodeling, including changes in names, of buying offices acquired through M&A activities for quality improvement purposes. These are intended to secure a purchasing structure for continuing business growth. The Company also made capital investments to modify computer systems for online auction platforms and to enhance logistics functions.

As a result, capital expenditures for the current consolidated fiscal year totaled 1,021 million yen.

The Company made no material equipment disposal during the current consolidated fiscal year.

2. Status of Major Facilities

The major Group facilities are listed below. The Company engages in the reuse business for luxury brand items, antiques, art, and other goods. The Company conducts these activities under a single business segment. For this reason, per-segment information is omitted.

(1) Filing Company

(As of August 31, 2021)

Business Name (Address)	Segment Name	Type of Facility	Carrying Amounts (Thousands of yen)						Number of Employees
			Buildings and Structures	Land (m^2)	Tools, Furniture, and Fixtures	Lease Assets	Others	Total Amount	
Head office (Minato-Ku, Tokyo)	Holding company	Head office functions	180,751	-	9,199	-	254,570	444,521	71 (9)
Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	Holding company	Head office functions	7,276	-	4,683	-	-	11,960	17

Notes:

1. No major facilities are currently suspended.
2. The above figures exclude consumption taxes.
3. *Others* under Carrying Amounts include the total value of software and trademark rights.
4. Figures for the number of employees provided in parentheses indicate the average number of junior employees, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.

(2) Domestic subsidiaries

(As of August 31, 2021)

Company Name	Business Name (Address)	Segment Name	Type of Facility	Carrying Amounts (Thousands of yen)						Number of Employees
				Buildings and Structures	Land (m^2)	Tools, Furniture, and Fixtures	Lease Assets	Others	Total Amount	
Valuence Japan Inc.	Head office (Minato-Ku, Tokyo)	-	Head office functions	-	-	-	-	-	-	87 (13)
	Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	-	Head office functions	-	-	-	-	-	-	62 (8)
	Logistics warehouse (Shinagawa-ku, Tokyo)	Luxury brand items, antiques, art, and other reuse businesses	Logistics facility	109,734	-	43,356	-	710,066	863,156	169 (46)
	Nanboya Ginza flagship (Chuo-Ku, Tokyo) and 112 locations		Buying office	830,940	-	124,640	-	-	955,581	288 (20)
	BRAND CONCIER Ginza (Chuo-Ku, Tokyo) and two locations		Buying office	38,954	-	2,536	-	-	41,490	10 (2)
	ALLU Ginza (Chuo-Ku, Tokyo) and one location.		Sales office	212,733	-	4,329	-	1,679	218.742	12 (8)
Valuence Art & Antiques Inc.	Head office/office (Naniwa-Ku, Osaka City, Osaka Prefecture)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	163,954	- (381.5)	1,987	-	-	165,941	43 (4)
	Tokyo office (Ota- Ku, Tokyo)		Head office functions Logistics facility Auction facilities	185,287	-	4,373	-	7,355	197,016	26 (11)
	Hakkoudo Ginza flagship (Chuo-Ku, Tokyo) and seven locations		Buying office	31,986	-	20,451	-	-	52,438	17 (1)
Valuence Technologies Inc.	Head office (Minato-ku, Tokyo)	Systems development and related businesses	Head office functions	-	-	6,555	-	1,794	8,349	8 (2)
Valuence Real Estate Inc.	Head office (Minato-Ku, Tokyo)	Real estate brokering and related businesses	Head office functions	-	-	-	-	9,090	9,090	10
	Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	Real estate brokering and related businesses	Office functions	-	-	-	-	-	-	2

Notes:
1. No major facilities are currently suspended.
2. The above figures exclude consumption taxes.
3. *Others* under Carrying Amounts include the total value of vehicles, software, and software in progress.
4. Figures for the number of employees provided in parentheses indicate the average number of junior employees, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.

(3) Overseas subsidiaries

(As of August 31, 2021)

Company Name	Business Name (Address)	Segment Name	Type of Facility	Carrying Amounts (Thousands of yen)						Number of Employees
				Buildings and Structures	Land (m^2)	Tools, Furniture, and Fixtures	Lease Assets	Others	Total Amount	
Valuence International Limited	Head office (People's Republic of China)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Auction facilities	34,396	-	16,176	45,900	15,163	111,636	22 (1)
Valuence International USA Limited	Head office (United States)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions	-	-	800	-	399	1,199	3 (2)
Valuence International Europe S.A.S.	Head office (France)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	27,402	-	2,510	102,125	-	132,037	8
Valuence International Singapore Pte Limited	Head office (Singapore)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	17,347	-	2,639	36,650	-	56,637	11
Valuence International UK Limited	Head office (United Kingdom)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	17,101	-	1,937	-	43	19,082	3
Valuence International Shanghai Co., Ltd.	Head office (People's Republic of China)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions	-	-	179	-	-	179	4

Notes:
1. No major facilities are currently suspended.
2. The above figures exclude consumption taxes.
3. *Others* under Carrying Amounts includes the total value of software and software in progress.
4. Figures for the number of employees provided in parentheses indicate the average number of junior employees, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employee). They are not included in the figure above.

3. Plans for New Equipment Installation, Removal, Etc.

The Group engages in the reuse business related to luxury brand items, antiques, art, and other goods. The Group conducts these activities under a single business segment. For this reason, per-segment information is omitted.

(1) Newly Established Major Facilities

Company Name	Business Name (Address)	Type of Facility	Expected Investment Amount		Source of Funding	Planned Start and Completion Date		Increased Capacity After Completion
			Total Amount (Thousands of yen)	Payments to Date (Thousands of yen)		Start Date	Completion Date	
Valuence Japan Inc.	*Nanboya* or BRAND CONCIER, five locations	New buying offices	99,000	1,608	Funds on hand	September 2021	August 2022	Note 2
	ALLU, one location	New sales office	273,000	-	Funds on hand	September 2021	February 2022	Note 2
	Nanboya or, BRAND CONCIER, ALLU	Relocation, remodeling, etc. of existing offices	76,480	-	Funds on hand	September 2021	August 2022	Note 2
	Head office	Computer system development for buying and selling systems, etc.	1,120,662	-	Funds on hand	September 2021	August 2022	Note 2

Notes:
1. The above figures exclude consumption taxes.
2. No value for increased capacity is stated due to the difficulty of making reasonable calculations.

(2) Repair of major facilities

Not applicable

(3) Removal of major facilities

Not applicable

IV. Information on the Filing Company

1. Information on Company Stock

(1) Total Number of Shares, Etc.

a) Total Number of Shares

Class	Total Number of Authorized Shares
Common Stock	40,000,000
Total	40,000,000

b) Issued Shares

Class	Number of Shares Issued as of the End of the Fiscal Year (August 31, 2021)	Number of Shares Issued as of the Filing Date (November 25, 2021)	Listed Stock Exchange or Registered Financial Instruments Firms Association	Description
Common Stock	13,326,170	13,329,350	Tokyo Stock Exchange (Mothers)	The above-mentioned stock represents shares with full voting rights that are standard shares free of rights restrictions. One trading unit consists of 100 shares.
Total	13,326,170	13,329,350	-	-

Note: The number of issued shares as of the filing date excludes the number of shares issued from the exercise of stock acquisition rights between November 1, 2021, and the date this securities report was filed.

(2) Information on Stock Acquisition Rights, Etc.

a) Stock Option Plan Details

The Company has adopted a stock option plan based on the method for issuing stock options detailed in the Companies Act. The details of this plan are as follows:

March 31, 2017 resolution of the board of directors (Second Series Stock Acquisition Rights)

	As of the end of the fiscal year (August 31, 2021)	As of the end of the month before the date of submittal (October 31, 2021)
Classification and Number of Eligible Individuals	Company Directors and Auditors 5 Company Employees 131 Wholly Owned Subsidiary Directors 3 Wholly Owned Subsidiary Employees 10	(Same as at left)
Number of Stock Acquisition Rights (Units)	5,103	5,103
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights	51,030 (Notes 1, 6)	51,030 (Notes 1, 6)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	259 (Notes 2, 6)	(Same as at left)
Exercise Period of Stock Acquisition Rights	April 1, 2019 – March 29, 2027	(Same as at left)
Issue Price and Amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights (Yen)	Issue Price 259 Capitalized 130 (Note 6)	(Same as at left)
Conditions for the Exercise of Stock Acquisition Rights	(Note 3)	(Same as at left)
Matters Concerning Transfer of Stock Acquisition Rights	The approval of the Company board of directors is required for transfers of stock acquisition rights	(Same as at left)
Matters Concerning Grants of Stock Acquisition Rights Upon Organizational Restructuring	(Note 4)	(Same as at left)
Reasons and Conditions Under Which the Company May Acquire Stock Acquisition Rights	(Note 5)	(Same as at left)

Notes:

1. One unit of stock acquisition rights consists of one share.
However, if the Company implements a stock split (including gratis allotment of common stock) or a reverse stock split of common stock after the allotment date of the stock acquisition rights, the number of shares granted will be adjusted and any fractional remainder discarded.

   Shares granted after adjustment = Shares granted before adjustment × Split or reverse-split factor

   In addition to the preceding, if an unavoidable event causes an adjustment in the number of granted shares subsequent to the allotment date, the number of shares granted will be adjusted within the range deemed reasonable.

2. If the Company implements a stock split or reverse stock split of common stock subsequent to the allotment date of stock acquisition rights, the exercise price will be adjusted according to the following formula and any remainders rounded up to whole yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split or reverse-split factor}}$$

   If the exercise price for the Company’s common stock is lower than the fair value (provided, however, that the fair value will be assumed to be the exercise price before adjustment if the transaction occurs before the listing of the Company’s common stock on a public stock exchange) and the Company issues new common stock or cancels treasury shares (excluding new shares issues via the exercise of stock acquisition rights (including bonds with stock acquisition rights) for which issuance of company common stock may be demanded), the exercise price shall be adjusted according to the following formula, with any remainders rounded up to whole yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of newly-issued shares} \times \text{Payment amount per share}}{\text{Fair Value}}}{\text{Number of shares issued} + \text{Number of newly- issued shares}}$$

In the formula above, the number of shares issued means the total number of issued common stock less the number of treasury shares of common stock held by the Company. This same formula is applied when canceling treasury shares, replacing the number of newly-issued shares with the number of treasury shares to be canceled. In addition, if an unavoidable event causes an adjustment in exercise price, the exercise price is adjusted within the range deemed reasonable.

3. i. When exercising rights, the holder of the said stock acquisition rights is required to hold a position as director, auditor, or employee of either the Company, its subsidiaries, or its affiliates. Notwithstanding the preceding, this requirement does not apply if the person in question has concluded his or her term of office; if he or she has retired at the mandatory retirement age; or if the board of directors otherwise determines justifiable grounds exist for the holder of said stock acquisition rights to exercise rights after retirement.
   ii. The holders of stock acquisition rights may exercise their stock acquisition rights on the condition that the Company's common stock is listed on a public stock exchange.
   iii. In the event of the death of a holder of stock acquisition rights, heirs of the rights holder in question shall not be allowed to exercise the said rights, and said rights shall be extinguished in accordance with Article 287 of the Companies Act.
   iv. Holders of stock acquisition rights may exercise all or part of the units allotted to them. However, the exercise of less than one stock acquisition right unit is not allowed.
   v. If a holder of stock acquisition rights no longer holds a position as director, auditor, or employee of the Company, its subsidiaries, or its affiliates, the Company may elect, by resolution of the board of directors, to not recognize the exercise of the said holder's rights. In this event, the said stock acquisition rights shall be extinguished in accordance with Article 287 of the Companies Act.
4. If the Company enters into a merger (limited to cases in which the Company is the absorbed entity) or conducts an absorption-type split, incorporation-type split, share exchange, or share transfer (collectively referred to as "organizational restructuring"), the holders of stock acquisition rights outstanding as of the time the organizational restructuring comes into effect ("remaining stock acquisition rights") shall have stock acquisition rights issued to them under the companies listed in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act ("reorganized company"). Any remaining stock acquisition rights shall be extinguished. This, however, is limited to cases where the issuance of stock acquisition rights by the reorganized company and the factor thereof is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan.
5. i. If a holder of stock acquisition rights no longer holds a position as director, auditor, or employee of the Company, its subsidiaries, or its affiliates, the Company may, by resolution of the board of directors, acquire the said holder's stock acquisition rights gratis on a date decided separately.
   ii. If the following proposals are resolved at the Company's general meeting of shareholders (or, by the board of directors if resolution by the general meeting of shareholders is deemed unnecessary), the Company may acquire stock acquisition rights gratis on a separately-decided date by resolution of its board of directors.
      (i) Proposal for approval of a merger agreement under which the Company is to be the absorbed company
      (ii) Proposal for approval of an absorption-type split agreement or incorporation-type split plan under which the Company is to be the splitting company
      (iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary
   iii. The company may acquire all or part of stock acquisition rights gratis by the board of directors resolution upon reaching the date decided separately. When acquiring a portion of stock acquisition rights, the portion to be acquired shall be determined by the resolution of the Company's board of directors.
6. The Company executed a five-for-one stock split of common stock on November 25, 2017, and a two-for-one stock split of common stock on September 1, 2019. As a result, adjustments were made to the Number of Shares Eligible for Stock Acquisition Rights, Payment Upon Exercise of Stock Acquisition Rights, and Issue Price and Amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights.

November 8, 2017 resolution of the board of directors (Third Series Stock Acquisition Rights)

	As of the end of the fiscal year (August 31, 2021)	As of the end of the month before the date of submittal (October 31, 2021)
Classification and Number of Eligible Individuals	Company Directors and Auditors 5 Company Employees 72 Wholly Owned Subsidiary Directors 3 Wholly Owned Subsidiary Employees 10	(Same as at left)
Number of Stock Acquisition Rights (Units)	5,124	4,806
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights	51,240 (Notes 1, 6)	48,060 (Notes 1, 6)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	450 (Notes 2, 6)	(Same as at left)
Exercise Period of Stock Acquisition Rights	November 9, 2019 – November 8, 2027	(Same as at left)
Issue Price and Amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights (Yen)	Issue Price 450 Capitalized 225 (Note 6)	(Same as at left)
Conditions for the Exercise of Stock Acquisition Rights	(Note 3)	(Same as at left)
Matters Concerning Transfer of Stock Acquisition Rights	The approval of the Company board of directors is required for transfers of stock acquisition rights	(Same as at left)
Matters Concerning Grants of Stock Acquisition Rights Upon Organizational Restructuring	(Note 4)	(Same as at left)
Reasons and Conditions Under Which the Company May Acquire Stock Acquisition Rights	(Note 5)	(Same as at left)

Notes:

1. One unit of stock acquisition rights consists of one share.
   However, if the Company implements a stock split (including gratis allotment of common stock) or a reverse stock split of common stock after the allotment date of the stock acquisition rights, the number of shares granted will be adjusted and any fractional remainder discarded.

   Shares granted after adjustment = Shares granted before adjustment × Split or reverse-split factor

   In addition to the preceding, if an unavoidable event causes an adjustment in the number of granted shares subsequent to the allotment date, the number of shares granted will be adjusted within the range deemed reasonable.

2. If the Company implements a stock split or reverse stock split of common stock subsequent to the allotment date of stock acquisition rights, the exercise price will be adjusted according to the following formula and any remainders rounded up to whole yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split or reverse-split factor}}$$

   If the exercise price for the Company's common stock is lower than the fair value (provided, however, that the fair value will be assumed to be the exercise price before adjustment if the transaction occurs before the listing of the Company's common stock on a public stock exchange) and the Company issues new common stock or cancels treasury shares (excluding new shares issues via the exercise of stock acquisition rights (including bonds with stock acquisition rights) for which issuance of company common stock may be demanded), the exercise price shall be adjusted according to the following formula, with any remainders rounded up to whole yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of newly-issued shares} \times \text{Payment amount per share}}{\text{Fair Value}}}{\text{Number of shares issued} + \text{Number of newly- issued shares}}$$

   In the formula above, the number of shares issued means the total number of issued common stock less the number of treasury shares of common stock held by the Company. This same formula is applied when canceling treasury shares, replacing the number of newly-issued shares with the number of treasury shares to be canceled. In addition, if an unavoidable event causes an adjustment in exercise price, the exercise price is adjusted within the range deemed reasonable.

3. i. When exercising rights, the holder of the said stock acquisition rights is required to hold a position as director, auditor, or employee of either the Company, its subsidiaries, or its affiliates. Notwithstanding the preceding, this requirement does not apply if the person in question has concluded his or her term of office; if he or she has retired at the mandatory retirement age; or if the board of directors otherwise determines justifiable grounds exist for the holder of the said stock acquisition rights to exercise rights after retirement.
   ii. The holders of stock acquisition rights may exercise their stock acquisition rights on the condition that the Company's common stock is listed on a public stock exchange.
   iii. In the event of the death of a holder of stock acquisition rights, heirs of the rights holder in question shall not be allowed to exercise the said rights, and the said rights shall be extinguished in accordance with Article 287 of the Companies Act.
   iv. Holders of stock acquisition rights may exercise all or part of the units allotted to them. However, exercise of less than one stock acquisition right unit is not allowed.
   v. If a holder of stock acquisition rights no longer holds a position as director, auditor, or employee of the Company, its subsidiaries, or its affiliates, the Company may elect, by resolution of the board of directors, to not recognize the exercise of said holder's rights. In this event, said stock acquisition rights shall be extinguished in accordance with Article 287 of the Companies Act.
4. If the Company enters into a merger (limited to cases in which the Company is the absorbed entity) or conducts an absorption-type split, incorporation-type split, share exchange, or share transfer (collectively referred to as "organizational restructuring"), the holders of stock acquisition rights outstanding as of the time the organizational restructuring comes into effect ("remaining stock acquisition rights") shall have stock acquisition rights issued to them under the companies listed in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act ("reorganized company"). Any remaining stock acquisition rights shall be extinguished. This, however, is limited to cases where the issuance of stock acquisition rights by the reorganized company and the factor thereof is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan.
5. i. If a holder of stock acquisition rights no longer holds a position as director, auditor, or employee of the Company, its subsidiaries, or its affiliates, the Company may, by resolution of the board of directors, acquire the said holder's stock acquisition rights gratis on a date decided separately.
   ii. If the following proposals are resolved at the Company's general meeting of shareholders (or, by the board of directors if resolution by the general meeting of shareholders is deemed unnecessary), the Company may acquire stock acquisition rights gratis on a separately-decided date by resolution of its board of directors.
      (i) Proposal for approval of a merger agreement under which the Company is to be the absorbed company
      (ii) Proposal for approval of an absorption-type split agreement or incorporation-type split plan under which the Company is to be the splitting company
      (iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary
   iii. The company may acquire all or part of stock acquisition rights gratis by the board of directors resolution upon reaching the date decided separately. When acquiring a portion of stock acquisition rights, the portion to be acquired shall be determined by the resolution of the Company's board of directors.
6. The Company executed a five-for-one stock split of common stock on November 25, 2017, and a two-for-one stock split of common stock on September 1, 2019. As a result, adjustments were made to the Number of Shares Eligible for Stock Acquisition Rights, Payment Upon Exercise of Stock Acquisition Rights, and Issue Price and Amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights.

November 20, 2020 resolution of the board of directors (Fourth Series Stock Acquisition Rights)

	As of the end of the fiscal year (August 31, 2021)	As of the end of the month before the date of submittal (October 31, 2021)
Classification and Number of Eligible Individuals	Company Directors 1 Company Employees 39 Subsidiary Directors 2 Subsidiary Employees 85	(Same as at left)
Number of Stock Acquisition Rights (Units)	1,682	1,682
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights	168,200 (Note 1)	168,200 (Note 1)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	4,605 (Note 2)	(Same as at left)
Exercise Period of Stock Acquisition Rights	November 21, 2022 – November 19, 2030	(Same as at left)
Issue Price and Amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights (Yen)	Issue Price 4,605 Capitalized 2,303 (Note 3)	(Same as at left)
Conditions for the Exercise of Stock Acquisition Rights	(Note 4)	(Same as at left)
Matters Concerning Transfer of Stock Acquisition Rights	The approval of the Company board of directors is required for transfers of stock acquisition rights	(Same as at left)
Matters related to the acquisition of Stock Acquisition Rights	(Note 5)	(Same as at left)
Matters related to handling of Stock Acquisition Rights in the event of reorganization	(Note 6)	(Same as at left)

Notes:

1. The number of shares to be subject to each Stock Acquisition Right shall be 100 shares of Company’s common stock.
   In the event of a stock split (including hereinafter the gratis allocation of common stock of the Company) or reverse stock split by the Company after the allocation date of Stock Acquisition Rights, the number of shares granted shall be adjusted using the formula given below. Note that such adjustment shall be made only for the number of shares to be subject to the Stock Acquisition Rights not yet exercised at that time; any fractional figure of less than one share resulting from such adjustment shall be rounded down.

   Shares granted after adjustment = Shares granted before adjustment × Split or reverse-split factor

   Following the date of allocation of the Stock Acquisition Rights, if the Company needs to adjust the number of shares granted due to merger, corporate split, decrease in capital, or other reasons than those indicated above, the number of shares granted may be adjusted appropriately.

2. The value of assets financed upon the exercise of the Stock Acquisition Rights shall be the amount derived by multiplying the paid-in amount per share of stock (“exercise price” hereinafter) by the number of shares granted.
   The exercise price shall be the average of the closing price of the shares of the common stock of the Company on <the Tokyo Stock Exchange Mothers Section> for all days of the month preceding the month in which the date of allocation of Stock Acquisition Rights falls (excluding days on which no trading was completed) multiplied by 1.05 (rounding up any fraction less than one share). If this price is less than the closing price on the date of allocation of the Stock Acquisition Rights (or if no transactions were completed on that date, the closing price on the nearest preceding day on which there is a closing price), that closing price shall be used as the exercise price.
   In the event of a stock split or reverse stock split by the Company after the date of allocation of the Stock Acquisition Rights, the exercise price shall be adjusted using the following formula. Any fractional figure of less than one yen resulting from such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split or reverse-split factor}}$$

   After the date of allocation of the Stock Acquisition Rights, if the Company issues new shares or disposes of treasury shares of Company’s common stock at a price less than the fair value (excluding the issue of new shares or disposal of treasury shares based on the exercise of stock acquisition rights or transfer of treasury shares as a result of a share exchange), the exercise price shall be adjusted using the following formula; any fractional figure of less than one yen resulting from such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Market price per share prior to issue of new shares}}}{\text{Number of shares issued} + \text{Number of shares newly issued}}$$

In the above formula, "number of shares issued" refers to the total number of shares the Company has issued minus the number of treasury shares of the Company's common stock. In the event that treasury shares of the Company's common stock are disposed of, the "number of shares newly issued" shall be read as the "number of treasury shares disposed of." In addition to the adjustments above, if the Company must adjust the exercise price after the date of allocation of the Stock Acquisition Rights due to a merger with another company, corporate split, or other such reasons, it may adjust the exercise price within the range deemed reasonable.

3. i. 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.
   ii. 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 i. above minus the amount of the increase in capital described under i. above.
4. i. 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.
   ii. An heir to a holder of the Stock Acquisition Rights may not exercise the Stock Acquisition Rights.
   iii. Stock Acquisition Rights may not be exercised if doing so would cause the Company's total number of shares issued to exceed its authorized total number of shares to be issued at that time.
   iv. A Stock Acquisition Right may not be exercised fractionally.
   v. A Stock Acquisition Right may not be exercised in violation of the Agreement on Stock Acquisition Rights.
5. i. If the General Meeting of Shareholders issues approval for (or, in a case not requiring the approval of the General Meeting of Shareholders, the Board of Directors passes a resolution on) a merger agreement whereby the Company would be extinguished, a split agreement or plan under which the Company would be split, or a share exchange agreement or share transfer plan under which the Company would become a wholly owned subsidiary, the Company may acquire all Stock Acquisition Rights gratis as of the date specified separately by the Company Board of Directors.
   ii. If a holder of Stock Acquisition Rights is no longer able to exercise Stock Acquisition Rights for the reasons specified under Note 4 above, the Company may acquire the Stock Acquisition Rights gratis.
   iii. If a holder of the Stock Acquisition Rights requests their forfeiture, the Company may acquire the Stock Acquisition Rights gratis.
6. In the event of the merger (but only in cases in which the Company would be extinguished by such merger), absorption type company split, incorporation type company split, share exchange, or share transfer (collectively, "organizational restructuring" hereinafter) of the Company, Stock Acquisition Rights of the Company that falls under any of Sub items A) through E) in Article 236, Paragraph 1, Item 8, Sub items ("reorganized company" hereinafter) of the Companies Act, shall be issued to holders of the Stock Acquisition Rights on the effective date of such organizational restructuring subject to the conditions given below. However, this provision shall apply only to cases in which the absorption type merger agreement, consolidation type merger agreement absorption type company split agreement, incorporation type company split plan, share exchange agreement, or share transfer plan states that Stock Acquisition Rights in the reorganized company are to be issued in accordance with the following conditions:
   i. Number of stock acquisition rights to be issued in the reorganized company
   To be issued to each holder of the Stock Acquisition Rights in the same number as the Stock Acquisition Rights held by that holder.
   ii. Class of shares of the reorganized company to be subject to Stock Acquisition Rights
   Class of shares shall be common stock of the reorganized company.
   iii. Number of shares of the reorganized company to be subject to Stock Acquisition Rights
   To be determined in accordance with Note 1 above in consideration of the conditions of the organizational restructuring.
   iv. Value of assets financed upon exercise of the Stock Acquisition Rights
   The value of assets financed upon exercise of each Stock Acquisition Right to be issued shall be the exercise price after the organizational restructuring resulting from the adjustment of the exercise price set out in Note 2 above, multiplied by the number of shares in the reorganized company to be subject to the Stock Acquisition Rights in accordance with Note 6 iii above.
   v. Period during which Stock Acquisition Rights may be exercised
   The period from the starting date of the exercise period of November 21, 2022, or the effective date of the act of reorganization, whichever is later, through the ending date of the exercise period of November 19, 2030.

vi. Matters related to capital increases and capital reserves when issuing shares through the exercise of Stock
To be determined in accordance with Note 3 above.
vii. Restrictions on acquisition of Stock Acquisition Rights through transfer
Approval by resolution of the board of directors of the reorganized company is required to acquire Stock Acquisition Rights through transfer.
viii. Other conditions for the Exercise of Stock Acquisition Rights
To be determined in accordance with Note 4 above.
ix. Reasons and conditions for the acquisition of Stock Acquisition Rights
To be determined in accordance with Note 5 above.
x. Other conditions are to be determined in accordance with those of the reorganized company.

b) Rights Plan Details
Not applicable

c) Information on Other Stock Acquisition Rights, Etc.
Not applicable

(3) Information on the Exercise of Bonds With Stock Acquisition Rights and Exercise Price Adjustment Terms
Not applicable

(4) Number of Shares Issued, Capital, Etc.

Date	Increase (Decrease) in Total Number of Shares Issued (Shares)	Total Number of Shares Issued (Shares)	Increase (Decrease) in Capital (Thousands of yen)	Total Capital (Thousands of yen)	Increase (Decrease) in Capital Reserve (Thousands of yen)	Total Capital Reserve (Thousands of yen)
April 10, 2017 (Note 1)	6,957	1,118,957	9,000	255,600	8,997	245,597
November 25, 2017 (Note 2)	4,475,828	5,594,785	-	255,600	-	245,597
March 20, 2018 (Note 3)	449,100	6,043,885	681,733	937,333	681,733	927,331
May 1, 2018 – August 31, 2018 (Note 4)	26,625	6,070,510	11,249	948,582	11,249	938,580
September 1, 2018 – August 31, 2019 (Note 4)	303,420	6,373,930	78,924	1,027,507	78,924	1,017,504
September 1, 2019 (Note 5)	6,373,930	12,747,860	-	1,027,507	-	1,017,504
September 1, 2019 – August 31, 2020 (Note 4)	435,300	13,183,160	89,525	1,117,032	89,525	1,107,029
September 1, 2020 – August 31, 2021 (Note 4)	143,010	13,326,170	27,544	1,144,576	27,544	1,134,574

Notes:
1. Capital Increase Through Third-Party Allotment to Employee Shareholding Association
Issue Price: 2,587 yen
Capitalized: 1,293.66 yen
Grantee: Valuence Holdings Employee Shareholding Association
2. This increase was due to a five-for-one stock split.
3. Paid Public Offering (Book Building Method)
Issue Price: 3,300 yen
Subscription Price: 3,036 yen
Capitalized: 1,518 yen
4. This increase was due to the exercise of stock acquisition rights.
5. This increase was due to a two-for-one stock split.
6. In addition, between September 1, 2021, and October 31, 2021, the exercise of stock acquisition rights increased the total number of issued shares by 3,180, with capital and capital reserve each increasing by 715 thousand yen.

(5) Shareholder Composition

(As of August 31, 2021)

Classification	Status of Shares (One Unit = 100 Shares)								Shares Constituting Less Than One Unit (Shares)
	Government and Public Entities	Financial Institutions	Financial Instruments Business Operators	Other Corporations	Foreign Corporations, Etc.		Individuals and Others	Total	
					Non-Individuals	Individuals			
No. of shareholders	-	10	13	11	28	8	1,363	1,433	-
No. of shares held (in Units)	-	25,762	1,140	73,774	12,348	291	19,832	133,147	11,470
Ownership ratio (%)	-	19.35	0.86	55.41	9.27	0.22	14.89	100.0	-

Notes:

1. Of the 134,384 shares of treasury stock, 1,343 units are included under Individuals and Others, and 84 shares are included under Shares Constituting Less Than One Unit.
2. No shares are registered under the Japan Securities Depository Center, Inc.

(6) Major Shareholders

(As of August 31, 2021)

Name of Individual or Company	Address	No. of Shares Held (Thousands of shares)	Ownership Ratio of Total Shares Issued (Excluding treasury shares)
SF Property Management Inc.	2-15-1 Konan, Minato-ku, Tokyo	7,368	55.85
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,642	12.45
Custody Bank of Japan, Ltd. (Trust Account 9)	1-8-12 Harumi, Chuo-ku, Tokyo	545	4.13
Shinsuke Sakimoto	Shinagawa-ku, Tokyo	454	3.44
Kouji Sakimoto	Ashiya City, Hyogo	448	3.40
GOLDMAN, SACHS & CO. REG (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 WEST STREET NEW YORK, NY, USA (6-10-1 Roppongi, Minato-ku, Tokyo)	309	2.35
BBH/SUMITOMO MITSUI TRUST BANK, LIMITED (LONDON BRANCH) /SMTTIL/JAPAN SMALL CAP FUND CLT AC (Standing proxy: Sumitomo Mitsui Banking Corporation)	BLOCK5, HARCOURT CENTRE HARCOURT ROAD, DUBLIN 2 (1-1-2 Marunouchi, Chiyoda-ku, Tokyo)	242	1.84
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	236	1.80
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC SECURITIES/UCITS ASSETS (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	60, AVENUE J.F. KENNEDY L-1855 LUXEMBOURG (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	150	1.14
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	135	1.03
Total	-	11,533	87.43

Notes:

1. Of the above shareholdings, the number of shares held under trust operations is as follows:
   Custody Bank of Japan, Ltd. (Trust Account) 1,606 thousand shares
   Custody Bank of Japan, Ltd. (Securities Investment Trust Account) 135 thousand shares

2. The statement of change in large-volume holdings made available for public inspection on March 5, 2020, noted that Rheos Capital Works Inc. held 659,700 shares as of February 28, 2020. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2021. Thus, these shares have not been included in the list of major shareholders above. The details of the statement of change in large-volume holdings are as follows:

Name of Individual or Company	Address	Number of Shares Held	Ownership Ratio (%)
Rheos Capital Works Inc.	1-11-1 Marunouchi, Chiyoda-ku, Tokyo	659,700	5.03

3. The statement of change in large volume holdings made available for public inspection on June 7, 2021, noted that Mizuho Securities Co., Ltd. and its co-owner Asset Management One Co., Ltd. and Asset Management One International Ltd. held 858,500 shares as of May 31, 2021. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2021; therefore, these shares have not been included in the list of major shareholders above. The details of the statement of change in large-volume holdings are as follows:

Name of Individual or Company	Address	Number of Shares Held	Ownership Ratio (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	17,500	0.13
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	824,200	6.19
Asset Management One International Ltd.	Mizuho House, 30 Old Bailey, London, EC4M 7AU, UK	16,800	0.13

(7) Information on Voting Rights

a) Issued Shares

(As of August 31, 2021)

Classification	Number of Shares (Shares)	Number of Voting Rights (Units)	Details
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury shares, etc.)	(Treasury Shares) Common Stock 134,300	-	-
Shares with full voting rights (other)	Common Stock 13,180,400	131,804	The stock at left represents shares with full voting rights that are standard shares with no rights restrictions with respect to shareholders.
Shares constituting less than one unit	Common Stock 11,470	-	-
Number of shares issued	13,326,170	-	-
Total voting rights held by all shareholders	-	131,804	-

b) Treasury Shares

(As of August 31, 2021)

Shareholder Name	Shareholder Address	No. of Shares Held Under Own Name	No. of Shared Held Under Names of Others	Total No. of Shares Held	Ownership Ratio of Total No. of Shares Issued (%)
(Treasury shares) Valuence Holdings Inc.	1-2-70 Konan, Minato-ku, Tokyo Shinagawa Season Terrace 28F	134,300	-	134,300	1.01
Total	-	134,300	-	134,300	1.01

2. Information on Acquisition of Treasury Shares

Class of Shares Acquisition of common stock pursuant to Article 155, Item 7 and Article 155, Item 13 of the Companies Act

(1) Acquisition by Resolution of the General Meeting of Shareholders

Not applicable

(2) Acquisition by Resolution of the Board of Directors

Acquisition pursuant to Article 155, Item 3 of the Companies Act

Classification	Number of Shares	Total Amount (Yen)
Status of resolution of the board of directors (August 2, 2021) (Acquisition period: August 3 – November 30, 2021)	100,000	309,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired during the current fiscal year	66,600	166,899,600
Total number and total price of shares remaining under the resolution	33,400	142,100,400
Percentage not exercised as of the ending date of the current fiscal year (%)	33.40	45.99
Treasury shares acquired during current period	-	-
Percentage not exercised as of the date of submittal (%)	33.40	45.99

Notes:

1. Shares of Company common stock were acquired through the Tokyo Stock Exchange Trading Network System for Off-Auction Own Share Repurchase Trading (ToSTNeT-3).
2. Acquisition of treasury shares based on the August 2, 2021, resolution of the board of directors was completed with the acquisition of treasury shares on August 3, 2021.

(3) Information on Purchases Not Based on Resolutions of the General Meeting of Shareholders or the Board of Directors

Acquisition pursuant to Article 155, Item 7 of the Companies Act

Classification	Number of Shares	Total Amount (Yen)
Treasury shares acquired during the current fiscal year	34	158,950
Treasury shares acquired during current period	43	136,095

Note: The number of treasury shares acquired during the current period excludes the number of shares constituting less than one unit purchased from November 1, 2021, to the date of filing of this securities report.

Acquisition pursuant to Article 155, Item 13 of the Companies Act

Classification	Number of Shares	Total Amount (Yen)
Treasury shares acquired during the current fiscal year	32,760	-
Treasury shares acquired during current period	-	-

Note: The number of treasury shares acquired during the current period excludes the number of shares constituting less than one unit purchased from November 1, 2021, to the date of filing of this securities report.

(4) Information on the Disposal and Holdings of Purchased Treasury Shares

Classification	Current Fiscal Year		Current Period	
	Total Shares	Total Disposal Value (Yen)	Total Shares	Total Disposal Value (Yen)
Purchased treasury shares for which subscribers were solicited	14,600	61,466,000	-	-
Purchased treasury shares that have been canceled	-	-	-	-
Purchased treasury shares transferred related to a merger, share exchange, share swap, or company split	-	-	-	-
Others (–)	-	-	-	-
Number of Treasury shares held	134,384	-	134,427	-

Note: The number of treasury shares acquired during the current period excludes the number of shares acquired gratis between November 1, 2021, and the date on which this securities report was filed.

3. Dividend Policy

The Company recognizes that long-term, continuous improvement in corporate value contributes to shareholder interests. Its basic policy is to pay stable dividends to shareholders while carefully monitoring reinvestments based on its business plans.

In paying dividends from surplus, the Company targets a consolidated payout ratio of at least 30%, taking into account factors such as consolidated earnings, the business environment, capital efficiency, and free cash flows. Dividends and payout ratios will be determined accordingly during fiscal years in which net income and capital structure fluctuate significantly due to special circumstances.

The Company has set its date of record for year-end dividends to August 31 and the date of record for interim dividends to the last day of February. However, its basic policy is to pay a single year-end dividend each year. Its articles of incorporation stipulate that dividends from surplus and other matters specified in Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the board of directors, unless otherwise provided for by law.

The Company will pay a dividend of 25.00 yen per share for period 9. This dividend is based on its basic policy of stable dividends described above and considerations of securing internal reserves for growth investments.

The Company uses retained earnings for expenses in preparing for future business development and investing for further growth.

(Note) Dividends of surplus for the current fiscal year are as follows:

Date of Resolution	Total Dividend Value (Yen)	Dividend per Share (Yen)
October 28, 2021 Resolution of board of directors	329,794,650	25.00

4. Information on Corporate Governance, Etc.

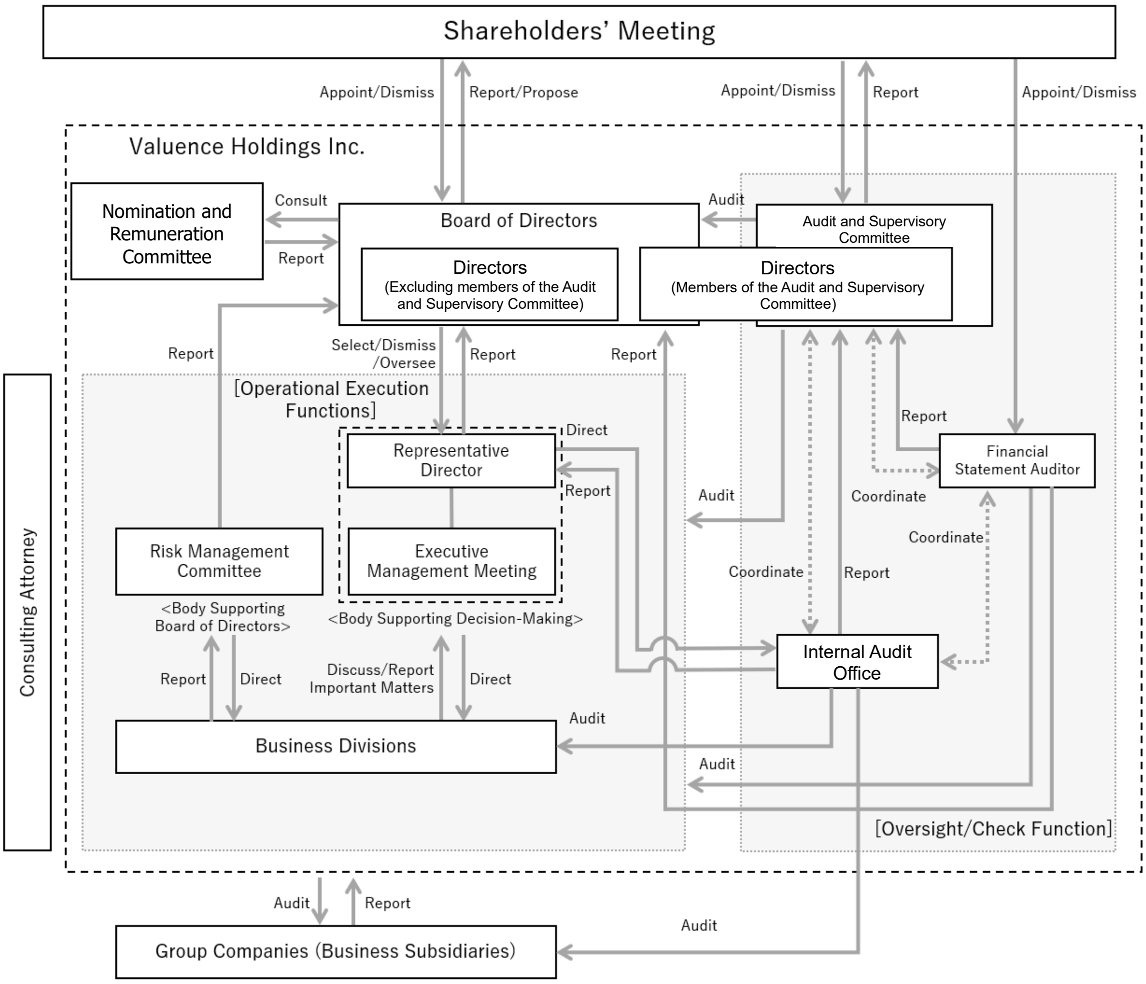
(1) Overview of Corporate Governance

a) Corporate Governance Philosophy

By delivering value to transform the lives of the various people around us, the Company seeks to contribute to a world in which people are incentivized to live in a way that is true to themselves. The ultimate goal is to realize co-prosperity for all of society while achieving sustained growth and maximizing corporate value.

Regarding fairness and transparency in management and activation of corporate activities as essential to corporate governance, the Company has established the Corporate Governance Basic Policy under which it targets sustained growth in corporate value over the medium to long term through enhanced corporate governance.

The structure for corporate governance related to the Company organization and internal controls is as follows.



b) Overview of Corporate Governance System and Reasons for Adopting this System

A. Overview of Corporate Governance System

The Company has adopted the structure of a company with an Audit and Supervisory Committee. By establishing a general meeting of shareholders, a board of directors, an Audit and Supervisory Committee, a financial statement auditor, and an executive management committee whose function is the daily execution of business operations, the Company ensures sound, efficient management via coordination among these institutions. The Company has also established a nomination and remuneration committee as a voluntary advisory body to the board of directors to further enhance corporate governance.

(a) Board of Directors

The Company's board of directors is composed of ten members: six directors who are not members of the Audit and Supervisory Committee, of which three are outside directors, and four directors who are members of the Audit and Supervisory Committee, of which three are outside directors. The five independent outside directors make up half of the membership of the board. The board meets regularly once per month, as well as in special board meetings convened as necessary. The board supervises business operations and makes important management decisions, including company policies and business strategy. Directors who are Audit and Supervisory Committee members attend all board of director meetings to audit the state of business execution by the directors.

(b) Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four members, of which three are outside directors. In principle, this committee meets once each month. In addition, the committee exchanges information and opinions with the financial statement auditors and Internal Audit Office as necessary, working to improve audits substantially.

(c) Executive Management Meeting

In order to speed up and improve the efficiency of business execution, the Company holds, in principle, two meetings of the Executive Management Meeting each month. This meeting is comprised of directors (excluding non-executive directors) and executive officers to formulate business strategies, check progress, and share issues between departments. The executive management meeting functions effectively as an entity for directing and communicating important business matters, as well as in promoting a unified awareness organization-wide. The director who is a full-time member of the Audit and Supervisory Committee attends all meetings of the Executive Management Meeting, striving to grasp the situations within the Company as well as risks.

(d) Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee as an optional advisory body to the board of directors. The Nomination and Remuneration Committee consists of the representative director and three outside directors to improve fairness, transparency, and objectiveness of the procedures relating to the nomination and compensation, etc., of directors and strive to enhance corporate governance.

Membership in each body is outlined below. (◎: chairperson)

Title	Name	Board of Directors	Audit and Supervisory Committee	Executive Management Committee	Nomination and Remuneration Committee
Representative Director	Shinsuke Sakimoto	◎		◎	○
Director	Susumu Muguruma	○		○	
Director/Executive Officer	Shinichiro Sato	○		○	
Outside Director	Hiroki Tomiyama	○			
Outside Director	Yoshihiko Takubo	○			◎
Outside Director	Kenji Fuma	○			
Director (Full-time Audit and Supervisory Committee Member)	Kenta Takami	○	○	○	
Outside Director (Audit and Supervisory Committee Member)	Masahide Kamachi	○	◎		○
Outside Director (Audit and Supervisory Committee Member)	Takashi Goto	○	○		○
Outside Director (Audit and Supervisory Committee Member)	Emi Omura	○	○		
Executive Officer	Daisuke Nakamura			○	
Executive Officer	Ryoji Fukaya			○	

B. Reasons for Adopting this System

The Company has adopted a system incorporating an Audit and Supervisory Committee to speed up decision making and improve the agility of the board of directors. Further, this committee enhances corporate governance and effectiveness through a stronger monitoring system and supervisory functions.

C. Internal Controls System

The Company has established an Internal Controls System Basic Policy. This policy defines a system of internal controls established by the board of directors. The Company has also found other internal rules to ensure transparent and fair business practices. The Company rigorously enforces these policies and rules. As a structure for verifying that the internal controls system functions properly and generates the intended results, in addition to reviews by the boards of directors, the internal controls system is reviewed periodically to ensure that systems are developed and enhanced to ensure internal cohesiveness and control groupwide and to respond adequately to external risks.

(a) Systems for Ensuring the Execution of Duties by Company and Subsidiary Directors, Executive Officers, and Employees in Compliance with Laws, Regulations, and Articles of Incorporation

[1] The Company management philosophy is to fulfill the social responsibility to shareholders, customers, business partners, local communities, employees, and all other stakeholders through achieving sustainable growth and ongoing corporate value improvement. To this end, the Company has established Compliance Rules to ensure officers and employees observe strict compliance with laws, regulations, and the articles of incorporation. Further, the Internal Audit

Office conducts internal audits of the Company and its subsidiaries. The Company strives to build stronger internal control systems by improving the risk management structure, which includes an internal reporting system.

[2] The Company has established Compliance Regulations and Code of Conduct to ensure employees comply strictly with laws, regulations, and the articles of incorporation. The Company also maintains a system for the ongoing improvement of internal control functions related to compliance.

[3] The Company has established Internal Reporting Regulations to provide a system for internal reporting related to any acts discovered that are in violation of compliance. The Company has established an internal contact point, as well as a third-party agent (consulting attorney), to whom reports may be made.

(b) Systems for the Storage and Management of Information Related to the Execution of Duties by Directors

The Company practices the appropriate storage and management of the proceedings of the general meeting of shareholders and meetings of the board of directors, as well as important information and documents related to management and business execution in compliance with laws, regulations, Board of Directors regulations, Executive Management Committee regulations, approval regulations, records management rules, and other internal rules and related manuals.

(c) Rules and other Systems to Manage the Risk of Loss by the Company and its Subsidiaries

[1] The Company has established the Risk Management Committee, chaired by the director responsible for the administration, which makes determinations on systems and policies for risk management and evaluates and, if necessary, improves risk management structures within the Group, including subsidiaries. The Company's Legal Affairs Division serves as the risk management division, controlling risk management activities and verifying/revising the Risk Management Rules.

[2] The Company shall establish an emergency response system, including a business continuity plan, to prepare against large-scale disasters.

(d) Systems to Ensure Company and Subsidiary Directors Execute Duties Efficiently

[1] To ensure directors of the Company and its subsidiaries execute their duties efficiently, the Company has established the Board of Directors Rules, which provides for the operation of the board of directors. Regular Board of Director meetings are held once a month to make important decisions and oversee the status of business execution. Extraordinary board of director meetings are also held when deemed necessary.

[2] By adopting an executive officer system, directors focus on management functions such as speeding up management and strengthening the supervisory function to clarify responsibilities for execution through delegation of authority to execute business to executive officers.

[3] In accordance with the Board of Directors Rules, the board of directors that includes outside directors determines execution policies for management, matters prescribed by laws and regulations, and other important management matters, and supervises the status of business execution.

[4] In order to ensure fairness, transparency, and objectiveness in the decision-making process to determine nomination and compensation, etc. of directors, etc., at the board of directors, as well as to strengthen accountability, the Company establishes an optional Nomination and Remuneration Committee comprised of multiple independent outside directors. The committee reports the results of its deliberation on the nomination and compensation, etc. of directors, etc., to the board of directors.

[5] The board of directors shall use technology-based information systems for rapid and accurate access to business information.

(e) Systems to Ensure Appropriate Business Management for the Corporate Group, Consisting of the Company and its Subsidiaries

[1] Through the Valuence Group Compliance Policy and other means, the Company provides guidance and support for the development and maintenance of the compliance structures and other systems intended to ensure appropriate business operations at subsidiaries.

[2] The Company seeks to improve management soundness and efficiency at individual subsidiaries by dispatching directors and audit and supervisory committee members. The General Administration Division oversees the management of business execution by subsidiaries, while subsidiaries maintain appropriate business execution structures by reporting to the Company on matters subject to approval as stipulated in the Affiliated Company Management Rules, periodically reporting information on the progress of business activities, and sharing information on business administration and risk management.

[3] The Company Executive Management Committee deliberates on important matters related to the business operations of subsidiaries and reports on their deliberations to the Board of Directors, in accordance with the Affiliated Company Management Rules.

[4] A director responsible for administration who has identified a risk of losses to a subsidiary is required to promptly report to the Company Board of Directors on matters such as the details of the risk and the extent of losses and impact on the Company should the risk materialize.

[5] The Internal Audit Office conducts regular audits of the Company and its affiliated companies in accordance with the

Internal Audit Rules.

(f) Matters Related to Directors and Employees Requested to Assist the Audit and Supervisory Committee in the Execution of its Duties (“Assistants”); Matters Related to Directors Independence Who Supervise the Said Directors and Employees (Excluding Directors who are Audit and Supervisory Committee Members); Matters Related to Ensuring Practicability of Instructions to Assistants as per Directors and Employees Requirement.

[1] The Company does not have directors or employees assigned to assist members of the Audit and Supervisory Committee in their duties. However, the Company may appoint or assign directors or employees when it is necessary.

[2] The appointment or transfer of directors or employees assisting members of the Audit and Supervisory Committee requires approval by the Audit and Supervisory Committee.

[3] Directors and employees assigned to assist in the duties of the Audit and Supervisory Committee shall be considered as under the authority of the committee, and directors (excluding directors who are members of the Audit and Supervisory Committee) shall not have the authority to direct the said directors or employees. Evaluations of these directors or employees shall reflect the opinions of Audit and Supervisory Committee members.

(g) System for Directors (Excluding Directors who are Members of the Audit and Supervisory Committee) and Employees to Report to the Audit and Supervisory Committee, Other Systems Related to Reporting to the Audit and Supervisory Committee

[1] Members of the Audit and Supervisory Committee attend meetings of the board of directors, as well as important meetings such as those of the Executive Management Meeting, and receive reports related to matters of importance to the Company, matters that may have a negative impact on the Company.

[2] Directors who are members of the Audit and Supervisory Committee shall receive reports as necessary from the Corporate Planning Department and the Internal Audit Office.

[3] Directors and employees report important matters discussed at the board of director meetings and other important meetings, the status of internal audits, and other important matters deemed necessary to the Audit and Supervisory Committee.

[4] Directors and employees shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

(h) System for Directors, Members of Audit and Supervisory Committee, Employees of Company Subsidiaries, and Persons Receiving Reports from Such Individuals to Report to the Audit and Supervisory Committee; Other Systems Related to Reporting to the Audit and Supervisory Committee

Directors, members of Audit and Supervisory Committee and employees of company subsidiaries shall report promptly to the Audit and Supervisory Committee upon discovery of important matters having a material impact on subsidiary management or business performance or significant violations of laws, regulations, or articles of incorporation that may cause significant damage to the Company.

Directors, members of the Audit and Supervisory Committee, and employees of company subsidiaries shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

(i) System to Ensure Individuals Reporting to the Audit and Supervisory Committee are not Subjected to Disadvantageous Treatment

The Company’s Internal Reporting Rules provide that individuals who submit reports shall not be subjected to any manner of disadvantageous treatment. This rule applies likewise to individuals who provide reports to the Audit and Supervisory Committee as described in the paragraph above.

(j) Policy on Matters Regarding Expense Prepayments, Redemptions, Other Expenses, or Disposition of Debt Resulting from the Execution of Duties by Members of the Company’s Audit and Supervisory Committee

When a member of the Audit and Supervisory Committee requests that the Company prepays expenses, the Company shall promptly pay such expenses or debt to the said member after a discussion with the relevant department, except where such expenses or debt is proven unnecessary to the execution of duties by the Audit and Supervisory Committee.

(k) Other Systems to Ensure Internal Audits by Members of the Audit and Supervisory Committee are Performed Effectively

Members of the Audit and Supervisory Committee hold regular conferences with the representative director to ensure communication and exchange opinions.

Further, members of the Audit and Supervisor Committee share information and exchange opinions with financial statement auditors and the Internal Audit Office as necessary for ongoing substantive improvements in audits.

(l) Systems to Ensure Reliability of Financial Reporting

The Company recognizes the close interconnection among the four objectives of internal control system from the standpoint of financial reporting reliability: operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations related to business activities, and asset maintenance. Accordingly, the Company management works to establish, evaluate, and continuously improve internal controls related to financial reporting through enacting internal control systems and reporting of overall audits by internal auditors, etc.

(m) Status of Systems for Dealing with Anti-Social Forces

The Company rejects and eliminates relationships with anti-social forces and organizations that may threaten social order and safety. Further, directors and employees constantly remain vigilant of anti-social forces. When a case arises, they cooperate closely with related government institutions and legal specialists and establish a system whereby the total organization can promptly handle the situation, in keeping with the Rules for Response to Anti-Social Forces and the Manual for Response to Anti-Social Forces.

D. Risk Management Structure

To manage risk, the Company has established a permanent Risk Management Committee chaired by the director responsible for administration at company headquarters. This committee is intended to safeguard against risks posing significant potential to impact company business and to act promptly and judiciously to minimize damage in the event of an actual crisis or emergency, thereby contributing to the effective management of business operations. The Risk Management Committee is also intended to implement comprehensive risk identification and assessment of all risks, potential or actual.

The Risk Management Committee is composed of officers and employees designated by its chairperson. It gathers and analyzes risk information for the group as well as serves as a forum for comprehensive risk management. Each department head is responsible for day-to-day risk management in the department's operations. In the event of an emergency, this individual is responsible for taking initial action to limit damage and for reporting immediately to the Legal Division (home to the Risk Management Committee) with detailed information on the nature of the emergency and actions taken. As a corporate entity, the Company understands the imperative nature of legal and regulatory compliance. The Company has established rules governing compliance and has taken steps to ensure familiarity with these rules by all officers and employees. The rules require officers and employees to comply with laws, public order, social norms, industry self-regulation, ethics, and morals. The Company also requires the Company, officers, and employees to act in accordance with those rules as demanded by customers, business partners, shareholders, nations, general citizens, and other interested parties with whom the Company has relationships.

The Company is a *business operator handling personal information* as defined under the Act on the Protection of Personal Information and a certified Privacy Mark Entity. The company understands that the leakage or other disclosure of personal information collected and retained by the Company has a direct impact on the confidence society places in its organization. Accordingly, the Company has designated a personal information protection manager and a Specific Personal Information manager within the Company. The Company has also established a personal information management system in compliance with JIS Q 15001:2006. This system is managed and operated by the PMS Office.

E. Approach to the Protection of Intellectual Property and Internal Systems to Prevent Infringement of the Intellectual Property of Other Companies

(a) Approach to the Protection of Intellectual Property

The Company strives to protect all intellectual property rights of inventions devised through patent registrations, securing trademark rights, and so forth. Before petitioning the Japan Patent Office, its Legal Division and patent attorneys investigate the possibility of registration.

The Company's Legal Division and patent attorneys investigate potential infringement of the Company's existing intellectual property rights by other parties and proceed accordingly.

(b) Internal Systems to Prevent Infringement of the Intellectual Property of Other Companies

To prevent the Company from infringing on the intellectual property rights of other companies, the Company requests prior consultation and investigations at the planning and design stages from its Legal Division. The Legal Division provides appropriate clarification on these matters. The Company plans to conduct companywide training on intellectual property rights at least once a year.

F. Status of Systems to Ensure Appropriate Business Management of the Company's Subsidiaries

The general manager of the Company's General Administration Division is responsible for overseeing the business operations of affiliated companies according to the Affiliated Company Management Rules. The Internal Audit Office conducts regular audits of affiliated companies in accordance with Internal Audit Rules. Directors, members of Audit and Supervisory Committees, and employees of company subsidiaries are required to report promptly to the Audit and Supervisory Committee should any significant matters emerge with the potential for material impact on subsidiary management or business performance or significant violations of laws, regulations, or articles of incorporation that may result in significant damage to the Company. When requested by the Company's Audit and Supervisory Committee to provide a report, they are obliged to promptly provide the necessary reports and information. In addition, the propriety of business operations is secured through the appointment of company directors and employees as directors and auditors of subsidiaries.

(a) Philosophy on Corporate Group Management

The Company's basic approach to affiliated company management is as follows:

[1] Accord due respect for the independent management of affiliated companies.

[2] Ensure affiliated companies act in unity with the corporate group.

[3] Ensure that transactions with affiliated companies are governed by basic trade contracts that clearly define mutual responsibilities.

(b) Responsible Departments, Management Matters, and Management Methods

[1] Responsible Departments

The Company's General Administration Division manages and controls subsidiary operations.

A. Guidance on Subsidiary Financial, Accounting, Etc.:	Finance Division and Accounting Division
B. Guidance on Subsidiary Legal Affairs:	Legal Division
C. Guidance on Subsidiary Human Resources, Labor Management, Etc.:	Human Resources Division
D. Guidance on Subsidiary Management:	Corporate Planning Division
E. Guidance on General Meeting of Shareholders at Subsidiaries:	General Administration Division
F. Auditing of Subsidiaries:	Internal Audit Office

[2] Management Matters

The Company requires subsidiaries to submit monthly financial statements and other materials for the Company to ascertain the business performance and financial condition of subsidiaries and to provide necessary guidance. In addition, subsidiaries are required to report important matters in advance. These reports are added to the agenda of the Company's board of director meetings at which decisions regarding future implementation are made.

[Matters Requiring Company Approval]

・ Proposals for the general shareholder meetings
・ Acquisition and disposal of important assets
・ Borrowing large amounts of funds
・ Important human resources and human resource systems
・ Establishing, modifying, and dissolving organizations and other structural reforms
・ Issuing shares, bonds, or stock options
・ Amending or abolishing the Board of Directors Regulations and standards for submitting matters to the Board
・ Decisions regarding or responses to other important matters with potential impact on Group management, operations, financial position, and financial results

[3] Management Methods

The Company receives monthly reports on operations and on profit and loss from each subsidiary. The Company analyzes any discrepancies with plans and discusses countermeasures.

c) Overview of the content of agreements limiting liability

Under the provisions of Article 426, Paragraph 1 of the Companies Act and per resolution of the board of directors, the Company's articles of incorporation state that the Company may exempt directors (including former directors) from liability for damages arising from negligence to the extent allowed by laws and regulations. Further, the articles of incorporation state that the Company may, according to the provisions of Article 427, Paragraph 1 of the Companies Act, enter into agreements with directors (excluding executive directors, hereinafter the same in this section) related to liability for damages due to a failure to perform duties, limited to the amount provided for by laws and regulations.

The Company and directors have entered into an agreement to limit liability for damages based on these articles; the maximum liability under this agreement is the amount specified by laws and regulations. Such limitation of liability will only be granted if the director has performed their duties in good faith and without gross negligence.

d) Overview of the content of executive liability insurance policies

The Company has concluded executive liability insurance policies with an insurer on directors, executive directors, and auditors of the Company and its subsidiaries to cover any damages arising from liability, or claims regarding liability, related to the execution of the duties of those insured. The Company itself pays all insurance premiums. To ensure that this does not detract from the performance of the duties of directors and others, these insurance policies do not cover the consequences of deliberate action or gross negligence on the part of those insured.

e) Maximum Number of Directors

The Articles of Incorporation stipulate that the number of company directors (excluding Audit and Supervisory Committee members) shall be ten or fewer and the number of Audit and Supervisory Committee members shall be five or fewer.

f) Conditions for Resolutions to Appoint Directors

The Company's Articles of Incorporation state that resolutions to appoint directors require the presence of shareholders holding at least one-third of the total shareholder voting rights. Directors shall be elected by a resolution passed by a simple majority of voting rights in attendance. Further, elections shall not be based on cumulative voting.

g) Conditions for Special Resolutions of the General Meeting of Shareholders

The Company's articles of incorporation state that resolutions, as specified by Article 309, Paragraph 2 of the Companies Act, require the presence of shareholders holding at least one-third of the total shareholder voting rights. Additionally, such resolutions must be approved by a two-thirds majority of voting rights in attendance. The purpose of this is to ameliorate quorum requirements related to special resolutions at general meetings of shareholders to ensure the smooth operation of said meetings.

h) Determining Body for Dividends from Surplus and Related Matters

The Valuence Holdings Inc. articles of incorporation stipulate that, except where provided separately by law, dividends of surplus to shareholders shall be determined by resolution of the board of directors rather than by resolution of the general meeting of shareholders. This rule complies with the provisions of Article 459, Paragraph 1 of the Companies Act. Further, Valuence Holdings Inc. has designated August 31 and the last day of February as the date of record for year-end and interim dividends, respectively. The Company may determine other dates of record for dividends of surplus; as a basic policy, dividends are paid once annually at the end of the fiscal year.

i) Purchase of Treasury Shares

With regard to the purchase of treasury shares, pursuant to Article 165, Paragraph 2 of the Companies Act, the Company may purchase its own shares through market transactions and other methods per resolution of the board of directors to implement management policies in a flexible manner. These policies include financial measures in response to changes in economic conditions.

(2) Information on Officers

a) List of Officers

Men: 9 Women: 1 (Ratio of Women Officers: 10%)

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Representative Director	Shinsuke Sakimoto	April 14, 1982	2004 June 2011 December 2012 January 2012 March 2014 July 2014 September 2015 September 2017 March 2019 March 2019 August 2019 September 2019 November 2020 March 2020 September 2021 March 2021 August	Managing Director, MKS Corporation (currently DOROQUIA HOLATHETA Co., Ltd.) Established SOU Inc. (currently the Company), named Representative Director (current position) Director, IO Co., Ltd. (currently PALDA Co., Ltd.) Director, DOROQUIA HOLATHETA Co. Ltd. Director, IBQLO Co., Ltd. (currently DOROQUIA HOLATHETA Co., Ltd.) Representative Director, BRAND CONCIER (currently the Company) Representative Director, STAR BUYERS LIMITED Representative Director, Hakkoudo Inc. Director, STAR BUYERS LIMITED (currently Valuence International Limited) Representative Director, Dual Career Inc. Representative Director, SOU Preparatory Split Company Inc. (currently Valuence Japan Inc.) Director, SOU Technologies Inc. (currently Valuence Technologies Inc.) (current position) Director, Valuence Japan Inc. (current position) Director, Valuence Real Estate Inc. (current position) Director, Valuence Art & Antiques Inc. Representative Director, Valuence Ventures Inc. (current position) Director, Nankatsu SC Co., Ltd.(current position)	Note 2	454,100

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director	Susumu Muguruma	July 21, 1971	2017 August	Joined Amazon Japan G.K.	Note 2	27,500
			2018 September	Joined SOU Inc. (currently the Company), named Vice-President, Overseas Business Head Office and General Manager, Overseas Business Strategy Division		
			2019 March	Director, Star Buyers Limited (currently Valuence International Limited) Vice-President, Overseas Business Head Office and General Manager, Hong Kong Business Division, the Company		
			2019 June	Representative Director, Star Buyers Limited (currently Valuence International Limited) (current position) Vice-President, Overseas Business Head Office and General Manager, Hong Kong Business Division, the Company		
			2019 September	Vice-President, Sales Management Head Office; Vice-President, Overseas Business Head Office; and General Manager, China Business Promotion Division, SOU Inc. (currently the Company)		
			2020 March	General Manager, Overseas Subsidiary Management Office, the Company		
			2020 September	Director and Executive Deputy President, Valuence Japan Inc. Representative Director, Valuence Japan Inc. (current position)		
			2020 November	Director, the Company (current position)		
Director; Executive Officer; and Vice-President, Corporate Strategy Division	Shinichiro Sato	September 1, 1968	2015 January	Joined Digital Garage, Inc.	Note 2	2,600
			2020 May	Joined the Company, named Vice-President, Corporate Planning & Management Head Office		
			2020 June	Vice-President, Corporate Planning & Management Head Office and General Manager, Human Resources Division, the Company		
			2020 September	Executive Officer; Vice-President, Corporate Planning & Management Head Office; and General Manager, Human Resources Division, the Company Director (current position); Vice-President, Corporate Planning & Administration Head Office; and General Manager, Corporate Planning Division, Valuence Japan Inc. Director, Valuence Real Estate Inc. (current position)		
			2020 November	Director; Executive Officer; and Vice-President, Corporate Strategy Division, the Company (current position)		
			2021 March	Director, Valuence Ventures Inc. (current position)		
			2021 September	Director, Valuence Technologies Inc. (current position)		
Director	Hiroki Tomiyama	September 5, 1976	1999 April	Joined Daika Kabushiki Kaisha (currently ARATA CORPORATION)	Note 2	-
			2007 October	Joined SAPPORO DRUG STORE CO., LTD.		
			2015 May	Representative Director and President, SAPPORO DRUG STORE CO., LTD.		
			2016 February	Director and Executive Deputy President, EZODEN Co., Ltd. (current position)		
			2016 August	Established SATUDORA HOLDINGS CO., LTD., named Representative Director and President		
			2019 July	Representative Director, Chairman, and CEO, Regional Marketing Co., Ltd. (current position) Director and Chairman, GRIT WORKS, Inc. (current position) Director, CoelaQanth, Inc. (current position) Director and CMO, AWL, Inc.		
			2020 August	Representative Director, President, and CEO, SATUDORA HOLDINGS CO., LTD. (current position) Representative Director, President, and CEO, SAPPORO DRUG STORE CO., LTD. (current position)		
			2020 November	Outside Director, the Company (current position) Director, RxR Innovation Initiative Co., Ltd. (current position) Outside Director, Demae-can Co., Ltd. (current position)		
			2021 April	Outside Director, AWL, Inc. (current position)		

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director	Yoshihiko Takubo	April 24, 1970	1995 April 2003 May 2006 April 2006 July 2008 April 2009 December 2012 April 2013 April 2016 March 2020 August 2020 October 2020 November	Joined Mitsubishi Research Institute, Inc. Joined GLOBIS CORPORATION Assistant Professor, Management Graduate Course, Graduate School of Management, GLOBIS University Managing Director, GLOBIS CORPORATION (current position) Deputy Graduate Course Dean and Professor, Management Graduate Course, Graduate School of Management, GLOBIS University Managing Director GLOBIS Graduate School of Management, Incorporated Educational Institution (current position) Graduate Course Dean and Professor, Management Graduate Course, Graduate School of Management, GLOBIS University (current position) Director, KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position) External Director, World Mode Holdings Co., Ltd. (current position) Director, Alba Edu Inc. (current position) Outside Director, Your mystar, Inc. (current position) Outside Director, the Company (current position)	Note 2	2,400
Director	Kenji Fuma	May 27, 1980	2004 April 2013 July 2019 July 2020 June 2021 February 2021 November	Joined Recruit ABLIC Co., Ltd. (now Recruit Co., Ltd.) President & CEO, Neural Inc. (current position) Trustee, Thunderbird School of Global Management (current position) Trustee, WaterAid Japan (current position) Special Trustee, J.LEAGUE Inc. Outside Director, the Company (current position)	Note 2	-
Director (Audit and Supervisory Committee Member)	Kenta Takami	November 29, 1973	2012 February 2018 February September 2020 2020 November	Joined ORIX Facilities Corporation Joined SOU Inc. (currently the Company), named General Manager, Internal Audit Office Member of the Audit and Supervisory Board, Valuence Japan Inc. (current position) Member of the Audit and Supervisory Board, Valuence Art & Antiques Inc. (current position) Member of the Audit and Supervisory Board, Valuence Technologies Inc. (current position) Director, Audit and Supervisory Committee Member, the Company (current position)	Note 3	8,000
Director (Audit and Supervisory Committee Member)	Masahide Kamachi	May 18, 1981	2005 November 2009 September 2014 December 2015 March 2016 November 2016 November 2016 November 2017 January 2017 March 2017 May 2018 September 2019 November April 2020	Joined Chuo Aoyama Tax Accountants (currently PwC Tax Japan) Registered as a Certified Public Accountant Registered as a Certified Tax Accountant Controller, AfriMedico (current position) Established Kamachi Certified Public Accountants Office, named Partner (current position) Managing Partner, Kamachi Certified Tax Accountants Office (current position) Outside Director, SOU Inc. (currently the Company) Representative Director, WILL CONSULTING (current position) Outside Member of the Audit and Supervisory Board, Medley, Inc. (current position) Outside Member of the Audit and Supervisory Board, CHIBO Corporation Outside Director, CHIBO Holdings Co., Ltd. (current position) Outside Director, Audit and Supervisory Committee Member, the Company (current position) Director, SOU Technologies Inc. (currently Valuence Technologies Inc.) Full-time Associate Professor, GLOBIS Graduate School of Management	Note 4	15,240

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director (Audit and Supervisory Committee Member)	Takashi Goto	June 28, 1979	2004 October 2008 July 2010 January 2015 December 2016 June 2017 September 2017 November 2018 March 2018 May 2019 November 2020 September 2021 July	Registered as a Lawyer Joined Mori Hamada & Matsumoto Joined STW & Partners (currently Shiomizaka) Partner, STW & Partners (current position) Outside Member of the Audit and Supervisory Board, PRAP Japan, Inc. (current position) Outside Member of the Audit and Supervisory Board, Coreforth Co., Ltd. (current position) Outside Director, Machine Learning Solutions Inc.(current position) Outside Member of the Audit and Supervisory Board, SOU Inc. (currently the Company) Outside Director, Edge Intelligence Systems Inc. (current position) Representative Director, Langsmith Inc. (current position) Outside Director, Audit and Supervisory Committee Member, the Company (current position) Auditor, SOU Technologies Inc. (currently Valuence Technologies Inc.) Director, Valuence Technologies Inc. Outside Auditor, OsidOri, Inc. (current position)	Note 4	-
Director (Audit and Supervisory Committee Member)	Emi Omura	September 2, 1976	2002 October 2002 March 2008 July 2010 September 2014 January 2014 September 2019 June 2021 April 2021 November	Registered as a Lawyer Joined Minerva Law Office Licensed to practice law in New York State, USA Partner, Athena Law Office Associate Expert, International Labour Organization (Geneva Headquarters) General Manager, International Office, Japan Federation of Bar Associations Outside Director, Digital Garage, Inc. (current position) Joined Kamiyacho International Law Office Joined CLS Hibiya Tokyo Law Office (current position) Outside Director, Audit and Supervisory Committee Member, the Company (current position)	Note 4	-
Total						509,840

Notes:

1. Directors Hiroki Tomiyama, Yoshihiko Takubo, Kenji Fuma, Masahide Kamachi, Kiyohito Hamada, Takashi Goto, and Emi Omura are outside directors.
2. The term of office for directors (excluding directors who are Audit and Supervisory Committee members) is from the conclusion of the Ordinary General Meeting of Shareholders held November 25, 2021, to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending August 2022.
3. The term of office of Director Kenta Takami, an Audit and Supervisory Committee member, extends from the conclusion of the Ordinary General Meeting of Shareholders held November 20, 2020, to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending August 2022.
4. The term of office of Directors Masahide Kamachi, Takashi Goto, and Emi Omura, Audit and Supervisory Committee members, extends from the conclusion of the Ordinary General Meeting of Shareholders held November 25, 2021 to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending August 2023.

b) Information on Outside Directors

The Company has six outside directors: Hiroki Tomiyama, Yoshihiko Takubo, Kenji Fuma, Masahide Kamachi, Takashi Goto, and Emi Omura. The function of the outside directors is to objectively evaluate and correct the legality and validity of business execution. They play an important role in enhancing the transparency of corporate management.

Hiroki Tomiyama has a wealth of experience and knowledge gained as a manager at other companies. He was appointed an outside director because his provision of effective counsel on overall company management can be expected to contribute to boost the soundness and transparency of company decision-making.

As a professor in the Graduate School of Management of GLOBIS University, Yoshihiko Takubo possesses in-depth knowledge of the environment related to business administration. He was appointed an outside director because his oversight of company management and provision of effective counsel can be expected to contribute to the further growth of the group.

Kenji Fuma manages an advisory firm specializing in sustainability and ESG investment and serves various other roles, including lecturing on related topics at the World Bank, United Nations University, and other venues. He was appointed an outside director on the basis of his counsel on Group sustainability and ESG initiatives. He can be expected to contribute to strengthen the Group’s ESG structure further.

Masahide Kamachi has a wealth of experience and insight as a certified public accountant and tax accountant. He was appointed to the position of outside director because of his accumulated knowledge and experience related to corporate and financial considerations.

Takashi Goto is certified as a lawyer and has abundant legal experience and knowledge. On this basis, he has been deemed capable of effectively discharging his duties as an outside director, to which position he was appointed.

Emi Omura has considerable knowledge from years of service as an attorney, as well as extensive expertise in international law gained from her career experience working with international institutions. She was appointed an outside director because she can be expected to contribute to proactive counsel concerning the Company's future global business expansion and ESG initiatives.

The Company has established criteria for assessing the independence of outside Directors in accordance with the Tokyo Stock Exchange's standards on independence. It submits notices of persons who satisfy these standards as independent directors and free of qualities that could lead to conflicts of interest with ordinary shareholders.

As of the date of submission of this document, the Company shares held by each outside director are as described in the column titled Number of Shares Owned in the Status of Officers section. Beyond this relationship, there are no capital, personal, business, or other interests between the Company and outside directors.

c) Audits or internal audits by outside directors or outside directors who are Audit and Supervisory Committee members, coordination with audits by the Audit and Supervisory Committee and accounting audits, and matters related to serving as liaison to internal controls

Through the participation of outside directors in regular monthly meetings of the Boards of Directors and extraordinary meetings of the Board of Directors held as necessary, and through participation of outside directors who are Audit and Supervisory Committee members in monthly meetings of the Audit and Supervisory Committee in addition to these meetings of the Board of Directors, outside directors receive reports on the state of performance of the duties of the internal controls sections and the state of the internal controls themselves, checking on the contents of these reports and exchanging opinions and advising on the legal compliance and the validity of business execution and the state of internal controls from a neutral perspective independent of management and internal controls sections.

The four members of the Company's Audit and Supervisory Committee include three outside directors. This ensures a structure whereby it can effectively audit the performance of directors' duties (excluding directors who are members of the Audit and Supervisory Committee) through business auditing conducted through means including attendance in meetings of the Board of Directors and other important meetings.

(3) Information on audits

a) Status of auditing by the Audit and Supervisory Committee

The four members of the Audit and Supervisory Committee include three outside directors, one of whom is a full-time director. Masahide Kamachi and Kiyohito Hamada have specialized knowledge and experience concerning finance and accounting. Takashi Goto has specialized knowledge and experience concerning legal matters. Each Audit and Supervisory Committee member attends meetings of the Board of Directors and other important meetings to offer opinions and audit the performance of the duties of the directors (excluding directors who are members of the Audit and Supervisory Committee).

The Audit and Supervisory Committee works closely with the accounting auditor and the Internal Audit Office, exchanging opinions and information to improve audit efficacy and efficiency.

Kenta Takami was appointed a member effective November 20, 2020. Emi Omura was appointed a member effective November 25, 2021, following the resignation of Kiyohito Hamada.

During the fiscal year under review, the Company's Audit and Supervisory Committee met once monthly. The attendance of individual members is summarized below.

Name	Attendance in the Audit and Supervisory Committee	Attendance in the Board of Directors
Kenta Takami (full-time director)	11/11 meetings	14/14 meetings
Masahide Kamachi (outside director)	13/13 meetings	17/17 meetings
Kiyohito Hamada (outside director)	13/13 meetings	17/17 meetings
Takashi Goto (outside director)	13/13 meetings	17/17 meetings

Notes:

1. For Kenta Takami, the figure given for the number of meetings attended is for the period since his appointment as a director.
2. Kiyohito Hamada resigned at the end of the 10th Ordinary General Meeting of Shareholders held on November 25, 2021.

The main topics of deliberation in the Audit and Supervisory Committee concern decisions on annual audit policies, plans, methods, and task allocation of each member, evaluation and consent to the reappointment of the accounting auditor, and consent to remuneration paid to the accounting auditor.

Other activities of members of the Audit and Supervisory Committee include auditing the performance of duties of directors through attendance in meetings of the Board of Directors and other important meetings as well as viewing important documents in cooperation with the accounting auditor and the Internal Audit Office and investigating the current state of businesses and assets. In addition to maintaining an environment for audits and related activities and striving to collect information internally, they monitor and verify the development and operation of internal controls systems in cooperation with internal controls sections and the Internal Audit Office.

b) Internal Audits

Internal audits are carried out by the Internal Audit Office (three members), which directly reports to the Representative Director. As a section independent from the sections being audited, the Internal Audit Office conducts activities that include checking on the state of compliance with internal rules, laws, regulations, etc., based on the Internal Audit Rules, checking on the state of operation of internal control systems, and identifying and reporting on matters related to efficiency, security, etc. Based on internal audit plans formulated at the start of the fiscal year, it carries out internal audits of all Company businesses and reports the audit results in writing directly to the Representative Director and President. It instructs audited sections on making improvements based on the audit results and compels it to report on the state of such improvements without delay following the audit, to ensure the efficacy of internal audits.

c) Information on Financial Statement Audits

A. Name of Auditing Firm

Deloitte Touche Tohmatsu Limited

B. Period of continual auditing

Since 2015

C. Certified Public Accountant in Charge of Audit

Koichi Kuse, Designated Limited Liability, Partner, Certified Public Accountant

Hiroyuki Ito, Designated Limited Liability, Partner, Certified Public Accountant

D. Composition of Assistants Involved in Audit Work

Three certified public accountants and eight staff members served as assistants in performing audit work.

E. Reasons and Policy for Selection of Financial Statement Auditor

Based on governance, management, quality control systems, audit systems and audit methods, global audit systems, and the level of understanding of the Group, etc., the Audit and Supervisory Committee conducts a comprehensive evaluation as to whether the financial statement auditor has independence and expertise, selecting a financial statement auditor after said review. Given the preceding, the Company selected Deloitte Touche Tohmatsu Limited as a suitable financial statement auditor.

If the financial statement auditor is deemed to be subject to any of the items specified under Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the financial statement auditor, subject to the consent of all directors serving as Audit and Supervisory Committee members. In this case, the dismissal and the reasons for said dismissal shall be reported to the first general meeting of shareholders convened after the dismissal. The report shall be provided by a director selected by the Audit and Supervisory Committee who is also a member of the said committee. The Audit and Supervisory Committee shall determine the content of the proposal submitted to the general meeting of shareholders regarding the dismissal or non-reappointment of the financial statement auditor when is deemed necessary, such as when it is deemed difficult for the financial statement auditor to properly perform their duties.

F. Evaluation of the Auditing Firm by the Audit and Supervisory Committee and Committee Members

The Audit and Supervisory Committee monitors and verifies whether the financial statement auditor maintains an independent stance and conducts appropriate audits. The committee also receives reports from the financial statement auditor on the status of execution of their duties, requesting further explanations as needed. The committee has received notice from the financial statement auditor that systems to ensure the correct performance of duties (matters listed in each item of Article

131 of the Rules of Corporate Accounting) follow the Quality Control Standards for Audits (October 28, 2005 guidelines from the Business Accounting Council). The committee requests explanations here as needed.

Members of the Audit and Supervisory Committee have determined via the methods described above that the audit methods and results performed by Deloitte Touche Tohmatsu Limited were appropriate.

d) Details of Audit Compensation

A. Compensation for Certified Public Accountants Performing Audits, Etc.

Classification	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Compensation for Audit Certification Work (Thousands of yen)	Compensation for Non-Audit Work (Thousands of yen)	Compensation for Audit Certification Work (Thousands of yen)	Compensation for Non-Audit Work (Thousands of yen)
Filing Company	36,500	-	43,500	1,500
Consolidated Subsidiaries	-	-	-	-
Total	36,500	-	43,500	1,500

The details of non-audit work at the Company are as follows.

(Previous Consolidated Fiscal Year)

Not applicable

(Current Consolidated Fiscal Year)

Non-audit work at the Company consists of counsel on responding to matters related to the Accounting Standard for Revenue Recognition and similar matters.

There is no non-audit work at consolidated subsidiaries for the previous consolidated fiscal year or the current consolidated fiscal year.

B. Compensation for Organizations Belonging to the Same Network as the Certified Public Accountants Performing Audits, Etc. (Excluding Entities Referenced in A.)

Classification	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Compensation for Audit Certification Work (Thousands of yen)	Compensation for Non-Audit Work (Thousands of yen)	Compensation for Audit Certification Work (Thousands of yen)	Compensation for Non-Audit Work (Thousands of yen)
Filing Company	-	-	-	9,270
Consolidated Subsidiaries	-	-	-	-
Total	-	-	-	9,270

The details of non-audit work at the Company are as follows.

(Previous Consolidated Fiscal Year)

Not applicable

(Current Consolidated Fiscal Year)

Non-audit work at the Company consists of counsel provided by Deloitte Tohmatsu Financial Advisory LLC on the visibility of the social and economic impact of soccer clubs.

C. Details of Compensation for Other Significant Audit Attestation Services

There are no applicable items for the previous consolidated fiscal year or the current consolidated fiscal year.

D. Policy for Determining Audit Compensation

The Company's policy for determining audit compensation for auditing certified public accountants, etc., is determined in consideration of the number of audit days, the scope and characteristics of the Company, and other factors.

E. Reasons Supporting the Agreement by the Audit and Supervisory Committee to Audit Compensation

The Audit and Supervisory Committee has agreed to the compensation paid to the financial statement auditor. This agreement is based on details of financial statement auditor audit plans, the performance of services in past fiscal years, and calculations supporting estimates of compensation obtained as part of investigations conducted by the committee through the acquisition of necessary documents and reports from directors, internal departments, and the financial statement auditor.

(4) Director Compensation

a) Policies Related to Amounts of Director Compensation and Policies for Determining Compensation Calculation Methods

At its meeting on September 30, 2021, the Board of Directors determined remuneration for board directors (hereinafter, under "Policies Related to Amounts of Director Compensation and Policies for Determining Compensation Calculation Methods," except as noted otherwise, this excludes directors who are members of the Audit and Supervisory Committee) following consultation with the Nomination and Remuneration Committee and deliberations within that committee.

The amounts and specifics of remuneration for board directors who are members of the Audit and Supervisory Committee are determined via discussions with Audit and Supervisory Committee members. These amounts are set within total compensation limits determined at the general meeting of shareholders.

A. Matters related to policies for determining the specifics of remuneration for individual directors

The specifics of remuneration are intended to strengthen the link between director remuneration and Company business performance and stock price by strengthening motivation to achieve short-term improvements in results and medium- to long-term growth in corporate value by sharing with shareholders not just the advantages of rising share prices, but the risks of declining business performance and share prices.

Policies for determining the specifics of remuneration for individual directors are outlined below.

(a) Policies for determining remuneration for individual directors

i. Base compensation

This consists of monetary compensation in fixed amounts paid monthly for the performance of the directors' duties. It incorporates a fixed amount reflecting each director's position, roles, and contributions.

ii. Short-term performance-linked compensation (stock compensation)

This consists of restricted stock compensation paid annually for contributions to short-term results and growth in corporate value. Restricted stock compensation is issued in the form of shares equivalent to 25-40% of base remuneration, in accordance with each director's position, roles, and contributions. Under this program, after a one-year period, restrictions on transfers are lifted in accordance with progress toward achieving the targeted consolidated operating income. If 70-100% of the planned figure is achieved, the restrictions are lifted by the same percentage. Shares for which restrictions are not lifted are acquired free of charge by the Company. If less than 70% of the planned figure is achieved, all shares are acquired free of charge by the Company.

iii. Long-term performance-linked compensation (stock compensation)

This consists of restricted stock compensation paid annually for long-term results and growth in corporate value. Restricted stock compensation is issued in the form of shares equivalent to 25% of base remuneration, regardless of each director's role. The period of restriction on transfer lasts until the director resigns. If the director resigns at any time from the date on which the period of restriction on transfer begins through the day before the start of the first Ordinary General Meeting of Shareholders, the subject shares awarded are acquired free of charge by the Company.

iv. Percentages of payment by type of remuneration

Given the importance of management based on a medium- to long-term perspective, the percentages of base remuneration and stock compensation reflect consideration for medium- to long-term improvements in business results and gains to shareholders while stressing the levels and stability of base remuneration. Based on the above, stock compensation is set at roughly 20-40% of each director's base remuneration, in accordance with the director's responsibilities.

(b) Method of determining specifics of remuneration

i. Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee, whose members include one representative director and independent outside directors composing the majority, to strengthen corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to matters such as the remuneration of board directors.

ii. Method of determining remuneration

The policy for decisions involving remuneration for individual directors requires the board of directors to make such decisions following deliberations by the Nomination and Remuneration Committee. Based on this policy, the Nomination and Remuneration Committee deliberates on and advises the board regarding amounts of remuneration for individual directors, reflecting each director's position, roles, and contributions. The Board makes the final decision. Decisions involving remuneration for board directors who are members of the Audit and Supervisory Committee are made based on discussions with the Audit and Supervisory Committee members.

(c) Grounds for judgement by the board of directors that the specifics of remuneration for individual directors (excluding directors who are members of the Audit and Supervisory Committee) in the fiscal year under review conform to the applicable policies

The board of directors has confirmed that the procedures for determining the specifics of remuneration for individual directors (excluding directors who are members of the Audit and Supervisory Committee) in the fiscal year under review are consistent with applicable policies governing decision-making and conform to such policies.

B. Matters related to decisions of General Shareholder meetings on director remuneration

At the 8th Ordinary General Meeting of Shareholders held November 22, 2019, the total monetary remuneration approved for the directors (excluding directors who are members of the Audit and Supervisory Committee) was capped at 300 million yen annually (including up to 30 million yen annually for outside directors). (These figures exclude employee salary portions of their remuneration for directors serving concurrently in employee positions.) The number of directors as of the end of that Ordinary General Meeting of Shareholders was three directors; there were no outside directors. Apart from the above, at the 10th Ordinary General Meeting of Shareholders held November 25, 2021, the total compensation approved for payment to directors as restricted stock remuneration was capped at 300 million yen annually (not paid to outside directors), and the total number of restricted shares approved to be issued through such remuneration was 30,000 shares. The number of directors as of the end of that Ordinary General Meeting of Shareholders was six directors (including three outside directors).

At the 8th Extraordinary General Meeting of Shareholders held September 22, 2019, the total monetary remuneration approved for Audit and Supervisory Committee members was capped at 100 million yen annually. The number of Audit and Supervisory Committee members as of the end of that Ordinary General Meeting of Shareholders was three members.

C. Matters related to the delegation of decisions regarding the specifics of remuneration for individual directors

The Board of Directors makes decisions regarding the specifics of remuneration in consultation with the Nomination and Remuneration Committee. No delegation to directors or third parties takes place in such decisions.

b) Total Remuneration for Each Director Classification, Total Remuneration per Classification, and Number of Eligible Directors

Officer Classification	Total Remuneration (Thousands of yen)	Total Remuneration per Classification (Thousands of yen)				Number of Eligible Officers
		Base Compensation	Performance-linked remuneration	Non-monetary remuneration	Retirement Benefits	
			Restricted Stock Compensation	Stock Options		
Directors (Excluding outside directors and members of Audit and Supervisory Committee)	253,309	123,200	20,259	18,363	91,487	5
Members of Audit and Supervisory Committee (Excluding outside directors)	20,658	8,500	11,450	-	708	1
Outside directors	32,000	32,000	-	-	-	5

Notes:

1. The table above includes two directors who resigned upon the end of the 9th Ordinary General Meeting of Shareholders held November 20, 2020.
2. Total amounts for director remuneration exclude the employee salary portions of remuneration for directors serving concurrently in employee positions.
3. The Company provides restricted shares of stock to directors as performance-linked remuneration. To strengthen the incentivizing elements of the link between this remuneration and business performance; the Company uses consolidated operating income as an indicator of business performance. Business performance in the fiscal year under review is described under "II. Business: 3. Management Analysis of Financial Position, Business Performance, and Cash Flows: (1) Summary of Business Performance: a) Business Performance."
4. The Company provides restricted shares of stock and stock options as non-monetary remuneration. The table above gives the amounts of related costs recorded during the fiscal year under review. Conditions and other specifics related to the awarding of such remuneration are described under "a) A. Matters related to policies for determining the specifics of remuneration for individual directors" and "a) B. Matters related to decisions of General Shareholder meetings on director remuneration"
5. Retirement benefits above represent the total amount provided for directors' retirement benefits recorded during the fiscal year under review and the difference between actual directors' retirement benefits paid to the two directors who retired during the fiscal year under review, as described under Note 7 (36,000,000 yen), and the amount of provision recorded.
6. In addition to the above, through the period ended August 2020, the Company recorded 66,400,000 yen in provision for directors' retirement benefits for the five directors in the table above (excluding directors who are members of the Audit and Supervisory Committee). No provision for directors' retirement benefits was recorded through the period ended August 2020 for the one member of the Audit and Supervisory Committee in the table above.
7. Based on a resolution passed in the 9th Ordinary General Meeting of Shareholders held November 20, 2020, the Company paid 36,000,000 yen in directors' retirement benefits to two directors who retired. This amount includes 10,400,000 yen in provision for directors' retirement benefits related to the two retiring directors included in the amount of provision for directors' retirement benefits for the directors (excluding directors who are members of the Audit and Supervisory Committee) described in Note 6.

c) Total Amount of Consolidated Remuneration for Each Officer of the Filing Company

No disclosure is made because no director receives remuneration in excess of 100 million yen.

(5) Information on Share Ownership

a) Classification Criteria and Approach to Investment Stock

The Company classifies investment stock as either investment stock held as a pure investment for the purpose of receiving profits solely from stock price fluctuations or profit from dividends related to said stock or investment stock held for purposes other than as a pure investment.

b) Stock holdings by Valuence Ventures Inc.

Described below are the stock holdings of Valuence Ventures Inc., the company with the largest portion of investment securities recorded on the balance sheet (amount recorded as investment stock) among the Company and its consolidated subsidiaries (i.e., the largest shareholder).

a. Holding policy, the procedure for verifying the validity of holdings, and specifics of verification by the board of directors or others of the propriety of holding individual issues

The Company does not hold investment stock for purposes other than as a pure investment.

b. Number of issues and amount recorded on the balance sheet

Not applicable

c. Information on numbers of shares and amounts recorded on the balance sheet for specified investment stock and quasi-holdings of stock

Not applicable

c) Investment Stock Held for Purposes of Pure Investment

Category	Current fiscal year		Previous fiscal year	
	Number of issues (issues)	Total amount recorded on the balance sheet (thousand yen)	Number of issues (issues)	Total amount recorded on the balance sheet (thousand yen)
Unlisted shares	1	26,364	-	-
Shares other than unlisted shares	-	-	-	-

Category	Current fiscal year		
	Total dividends received (thousand yen)	Total gains/losses on sale (thousand yen)	Total gains/losses on revaluation (thousand yen)
Unlisted shares	-	-	62
Shares other than unlisted shares	-	-	-

(Note) Translation differences of foreign currency-denominated securities are indicated for unlisted shares.

d) Investment Stock Whose Classification Changed From Pure Investment Purposes to Other Purposes during the Current Fiscal Year

Not applicable

e) Investment Shares Whose Classification Changed From Other Than Pure Investment Purposes to Pure Investment Purposes during the Current Fiscal Year

Not applicable

V. Accounting Status

1. Preparation of Consolidated Financial Statements and Financial Statements

(1) The Company's consolidated financial statements have been prepared in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Company's financial statements have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; "Ordinance on Financial Statements" hereafter).

In addition, the Company falls under the definition of special companies submitting financial statements and prepares financial statements in accordance with Article 127 of the Ordinance on Financial Statements.

2. Audit Certification

Consolidated financial statements for the consolidated fiscal year (September 1, 2020 to August 31, 2021) and financial statements for the fiscal year (September 1, 2020 to August 31, 2021) have been audited by Deloitte Touche Tohmatsu Limited in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure Appropriateness of Consolidated Financial Statements

The Company takes special measures to ensure the propriety of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation and participates regularly in training and other events held by organizations with specialized knowledge to grasp the contents of accounting standards and to establish systems for disclosing consolidated financial statements based on various systems concerning corporate finance, including generally accepted accounting principles and disclosure systems.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

a) Consolidated balance sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of August 31, 2020)	Current consolidated fiscal year (As of 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	*1 2,656,588	*1 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	*1 189,965	*1 189,965
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
Shares of subsidiaries and associates	-	315,315
Guarantee deposits	1,137,651	1,224,529
Deferred tax assets	487,623	797,585
Other	21,416	29,313
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

(Thousands of yen)

	Previous consolidated fiscal year (As of August 31, 2020)	Current consolidated fiscal year (As of August 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	35,328	119,801
Short-term loans payable	*2,*3 6,343,288	*2,*3 8,340,494
Current portion of long-term loans payable	*1 231,242	*1 101,018
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	*1 340,868	*1 211,250
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
Stock acquisition rights	-	154,436
Total net assets	6,735,904	7,270,051
Total liabilities and net assets	15,378,731	18,727,224

b) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Previous consolidated fiscal year (September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (September 1, 2020 to August 31, 2021)
Sales	37,932,651	52,512,592
Cost of sales	*1 28,605,462	*1 38,671,013
Gross profit	9,327,188	13,841,578
Selling, general and administrative expenses	*2,3 8,695,872	*2,3 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	*4 22,994	*4 218,794
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 the parent	305,650	725,121

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous consolidated fiscal year (September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (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 the parent	306,868	758,553

c) Consolidated Statements of Shareholders' Equity

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

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Stock 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 newshares	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 the 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 (September 1, 2020 to August 31, 2021)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Stock 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 newshares	27,544	27,544			55,089		-		55,089
Dividends fromsurplus			(332,061)		(332,061)		-		(332,061)
Provision of legalretained earnings			3,722		3,722		-		3,722
Profit attributable to owners of the 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 inshareholders' 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

d) Consolidated Cash Flow Statement

(Thousands of yen)

	Previous consolidated fiscal year (September 1, 2019 to August 31, 2020)	Current consolidated fiscal year (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	-	*2 657,681
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
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	*1 6,275,644	*1 8,269,430

[Notes]

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 11

Name of consolidated subsidiaries: Valuence Japan Inc.
Valuence International Limited
Valuence International USA Limited
Valuence International Europe S.A.S.
Valuence International Singapore Pte. Limited
Valuence International UK Limited (Note)
Valuence International Shanghai Co., Ltd. (Note)
Valuence Art & Antiques Inc.
Valuence Technologies Inc.
Valuence Real Estate Inc.
Valuence Ventures Inc. (Note)

Note: The three companies noted above have been added to the scope of consolidation as newly established companies.

(2) Names of nonconsolidated subsidiaries

Not applicable

2. Matters concerning the application of the equity method

Companies subject to the equity method: 1

Name of company to which the equity method applied: Nankatsu SC Co., Ltd.

Nankatsu SC has been added to the scope of affiliates subject to the equity method because it was made an affiliate with the acquisition of its stock during the consolidated fiscal year under review.

3. Matters concerning fiscal calendars for consolidated subsidiaries

Among consolidated subsidiaries, the financial closing date for Valuence International Shanghai Co., Ltd. is December 31. As the basis for these consolidated financial statements, provisional financial statements as of the consolidated financial closing date are used for this subsidiary. The end dates of the fiscal years of other consolidated subsidiaries are the same as the consolidated financial closing date.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

a) Securities

Available-for-sale securities

Those without current market values

The cost method is applied based on the moving average method.

b) Inventories

Merchandise (secondhand goods, jewelry, precious metals)

The Company calculates costs via the specific identification method (values on the balance sheet are calculated via the book value reduction method based on decreased profitability).

Supplies

The Company calculates costs via the specific identification method (values on the balance sheet are calculated via the book value reduction method based on decreased profitability).

c) Derivative transactions

The Company applies the fair value method.

(2) Depreciation/amortization method for significant depreciable/amortizable assets

a) Property, Plant and Equipment (excluding Leased Assets)

The Company and domestic consolidated subsidiaries primarily use the declining balance method. However, the straight-line method is used for buildings (excluding facilities attached to buildings but including facilities attached to buildings acquired on or after April 1, 2016).

Overseas consolidated subsidiaries use the straight-line method.

The following describes the most common useful economic lives:

Buildings and structures	3-50 years
Tools, furniture, and fixtures	2-20 years

b) Intangible Assets (excluding Leased Assets)

The Company uses the straight-line method. For software, the Company uses the straight-line method based on the period of internal use (five years).

c) Leased Assets

Leased assets related to finance leases without transfer of ownership

The Company uses the straight-line method with the lease period defined as the useful economic life and zero residual value.

(3) Standards for recognizing significant allowances

a) Allowance for Doubtful Accounts

The Company creates allowances for doubtful accounts to prepare against bad debt expenses on receivables based on a historical write-off rate for ordinary receivables. The estimated amount of irrecoverable debt is posted according to the recoverability of individual cases for specified receivables, such as debt with a possibility of default.

b) Provision for Bonuses

The Company provides an allowance for the payment of bonuses to employees at amounts based on the estimated payment amount appropriate for the current consolidated fiscal year.

c) Provision for Directors' Retirement Benefits

The Company provides an allowance for the payment of directors' retirement benefits at the amount required to be paid at the end of the term based on internal rules.

(4) Standards for translating material assets or liabilities denominated in foreign currency into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate as of the consolidated financial closing date. Translation differences are posted as profit or loss. Note that the assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate as of the consolidated financial closing date, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments under net assets.

(5) Amortization method and amortization period of goodwill

The Company amortizes goodwill systematically over a reasonable period of up to 20 years, by estimating the period in which the effects of amortization will be felt in each individual case.

(6) Scope of funds reported in the consolidated statement of cash flows

The Company reports cash on hand, deposits drawable at will, price change-insensitive short-term investments readily convertible to cash, and whose redemption period is within three months.

(7) Other significant matters related to preparing consolidated financial statements

Accounting treatment of consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax excluded method.

(Significant accounting estimates)

Reasonable amounts are calculated for accounting estimates based on information available at the time of preparation of the consolidated financial statements.

Described below are accounting estimates recorded to the consolidated financial statements for the consolidated fiscal year under review associated with the risk of significant impact on consolidated financial statements for the next consolidated fiscal year.

Revaluation of merchandise

(1) Amount recorded to the consolidated balance sheet for the consolidated fiscal year under review

(Thousands of yen)

Account	Amount recorded in current consolidated fiscal year (pre-revaluation)	Revaluation loss in the current consolidated fiscal year	Amount recorded in current consolidated fiscal year
Merchandise	4,032,329	111,326	3,921,002

Note: Revaluation losses of -51,919 thousand yen (the negative sign indicating a gain on reversal) after offsetting reversal amounts are included in net sales for the current consolidated fiscal year.

(2) Information on the specifics of significant accounting estimates related to the item identified

Revaluation of merchandise involves estimating the decrease in book value of each merchandise category of reuse branded merchandise, jewelry, and precious metals, based on certain valuation standards.

The valuation standards are based on two perspectives:

・ For merchandise that may become slow-moving, recoverability is set to zero after the standard sale period expires.
・ For merchandise that may be sold at a loss at some time in the future, revaluation estimates are based on past sales rates at a loss.

The Group’s future earnings may also be affected by the COVID-19 pandemic, which has had a wide-ranging impact on the economy and corporate activity.

Any need to revise the assumptions on which these estimates are based, whether due to the spread of COVID-19, fluctuations generated by economic uncertainty, or other factors, may significantly affect reductions in book values in consolidated financial statements for the next consolidated fiscal year.

(Unapplied accounting standards)

1. Accounting standards for revenue recognition

・ Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)
・ Guidance on Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 30, March 26, 2021)

(1) Overview

This standard provides a comprehensive accounting standard for revenue recognition. Revenue is recognized according to the following five steps:

Step 1: Identify the contract with the customer.
Step 2: Identify performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate transaction price to performance obligations within the contract.
Step 5: Recognize revenue when or as performance obligations are satisfied.

(2) Scheduled application date

To be applied from the beginning of the fiscal year ending August 2022

(3) Impact of the application of this accounting standard

The impact on consolidated financial statements of applying the Accounting Standard for Revenue Recognition is minor.

2. Accounting standards concerning measurement methods for fair values

- Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (“ASBJ”) Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement (“Accounting Standard and Implementation Guidance for Fair Value Measurement” hereinafter) were developed, and guidance and other standards issued on methods for calculating the fair value to facilitate comparison to the provisions of international accounting standards. The Accounting Standard and Implementation Guidance for Fair Value Measurement applies to the fair value of the following items:

- Financial instruments subject to the Accounting Standard for Financial Instruments
- Inventories held for trading purposes under the Accounting Standard for Measurement of Inventories

The Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised as well to establish guidelines on matters such as breakdown by levels of the fair value of financial instruments.

(2) Scheduled application date

To be applied from the beginning of the fiscal year ending August 2022.

(3) Impact of the application of this accounting standard

The Company is currently evaluating the potential impact of this accounting standard on consolidated financial statements.

(Change in presentation method)

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) is applied beginning with consolidated financial statements for the end of the consolidated fiscal year under review. Notes on significant accounting estimates are appended to the consolidated financial statements.

In accordance with the provisional handling described in the proviso to Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates, the notes referred to above exclude details for the previous consolidated fiscal year.

(Additional information)

(Accounting estimates related to the spread of COVID-19)

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. Still, 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 accounting estimates for the impairment of fixed assets and the recoverability of deferred tax assets, assuming that the impact will continue at least through the fiscal year ending August 31, 2022.

(Consolidated balance sheets)

*1 Collateral assets and secured debt

The following describes assets pledged as collateral and secured debts:

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2020)	Current Consolidated Fiscal Year (as of August 31, 2021)
Buildings and structures	135,561	132,612
Land	189,965	140,544
Total	325,526	273,156

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2020)	Current Consolidated Fiscal Year (as of August 31, 2021)
Current portion of long-term loans payable	19,896	15,000
Long-term loans payable	254,850	211,250
Total	274,746	226,250

*2 Overdraft agreements

To raise working capital efficiently, the Company has entered into overdraft agreements with 10 banks. The following describes unused loan balances under this agreement:

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2020)	Current Consolidated Fiscal Year (as of August 31, 2021)
Total maximum overdraft limit	13,344,000	11,284,000
Balance of loans executed	5,600,000	7,800,000
Net balance	7,744,000	3,484,000

*3 Commitment lines

To raise working capital efficiently, the Company has entered into a syndicated commitment line agreement with several banks.

The following describes unused balances under this agreement (converted to yen at exchange rates as of the date of accounts settlement).

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2020)	Current Consolidated Fiscal Year (as of August 31, 2021)
Total value of commitment lines	4,000,000	11,000,000
Balance of loans executed	600,288	499,494
Net balance	3,399,712	10,500,506

Note that the above commitment line agreement includes the financial covenants described below.

Previous Consolidated Fiscal Year (as of August 31, 2020)

a) At the end of the fiscal year ended August 31, 2018, and in each subsequent fiscal year, the total amount of net assets stated on the consolidated balance sheet must be maintained at levels at least 75 percent of total net assets included in the consolidated balance sheet as of the end of August 2017.

b) The figure for ordinary profit or loss given in the consolidated statement of income as of the end of the fiscal year ended August 2018 and at the end of each fiscal year must not constitute a loss for two consecutive years.

Current Consolidated Fiscal Year (as of August 31, 2021)

a) At the end of the fiscal year ended August 31, 2021, and in each subsequent fiscal year, the total amount of net assets stated on the consolidated balance sheet must be maintained at levels at least 75 percent of the total amount of net assets included in the consolidated balance sheet as of the end of August 2020.

b) The figure for ordinary profit or loss given in the consolidated statement of income as of the end of the fiscal year ended August 2021 and at the end of each fiscal year must not constitute a loss for two consecutive years.

(Consolidated balance sheets)

*1 Amounts of ending inventories of merchandise are amounts after reduction of the book value associated with reduced profitability. Cost of sales includes the following revaluation losses on merchandise (a negative sign indicating gain on reversal).

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Revaluation gain/loss on merchandise	27,795	(51,919)

*2 The following describes the major components of selling, general, and administrative expenses:

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Advertising expenses	994,826	1,616,203
Salaries and bonuses	2,117,051	3,223,599
Rents	1,509,333	1,805,892
Provision for bonuses	203,916	285,234
Provision of allowance for doubtful accounts	62,979	116,438
Provision for directors' retirement benefits	14,928	11,420

*3 The following describes the total amount of R&D expenses included under general and administrative expenses:

(Thousands of yen)

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
5,000	1,783

*4 Impairment loss

The Group has recorded impairment losses on the following assets:

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Location	Use	Type	Impairment loss (thousands of yen)
Tokyo: Two offices	Office	Buildings and structures	17,138
Aichi Prefecture: One office	Office	Buildings and structures	2,565
Hyogo Prefecture: One office	Office	Buildings and structures	3,290
Total			22,994

The Group categorizes business assets based on a single location as the minimum unit generating cash flow.

The Group has written down the carrying amounts of assets to recoverable amounts for assets whose profitability has declined significantly. The Group recorded the said write-downs as an impairment loss (22,994 thousand yen) under extraordinary losses. This amount consists of 22,994 thousand yen related to buildings and structures.

The Company measures the recoverable value of these assets based on their value in use. However, since the Group does not expect future cash flows from these assets, the value in use is deemed to be 0 yen.

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

Location	Use	Type	Impairment loss (thousands of yen)
Minato-ku, Tokyo	Common use asset	Buildings and structures	31,183
Tokyo: Eight offices	Office	Buildings and structures	84,432
Aichi Prefecture: One office	Office	Buildings and structures	12,548
Fukushima Prefecture: One office	Office	Buildings and structures	12,957
Toyama Prefecture: One office	Office	Buildings and structures	4,285
Chiba Prefecture: Two offices	Office	Long-term prepaid expenses	274
Saitama Prefecture: One office	Office	Long-term prepaid expenses	119
-	-	Goodwill	72,992
Total			218,794

The Group categorizes business assets based on a single location as the minimum unit generating cash flow.

Common use assets indicate relevant assets resulting from decisions regarding partial office lease termination and similar matters in minimum cash-flow-generating units largely independent from the cash flow of other assets or asset groups.

The Group has written down the carrying amounts of assets to recoverable amounts for assets whose profitability has declined significantly. The Group recorded the said write-downs as an impairment loss (218,794 thousand yen) under extraordinary losses. This amount consists of 145,407 thousand yen related to buildings and structures, 394 thousand yen related to long-term prepaid expenses, and 72,992 thousand yen related to goodwill.

The Company measures the recoverable value of these assets based on their value in use. However, since the Group does not expect future cash flows from these assets, the value in use is deemed to be 0 yen.

(Consolidated statements of comprehensive income)

* Reclassifications and tax effects for other comprehensive income

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Foreign currency translation adjustment:		
Gains (losses) arising during the year	1,218	33,431
Total other comprehensive income	1,218	33,431

(Consolidated statements of shareholders' equity)

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

1. Information on issued stock and treasury shares

Class of stock	Balance at the Beginning of the Current Consolidated Fiscal Year (shares)	Increase in Shares (shares)	Decrease in Shares (shares)	Balance at the End of the Current Consolidated Fiscal Year (shares)
Issued shares				
Common stock	6,373,930	6,809,230	-	13,183,160
Total	6,373,930	6,809,230	-	13,183,160
Treasury shares				
Common stock	10,806	38,784	-	49,590
Total	10,806	38,784	-	49,590

(Reasons for changes)

The main reasons for increases and decreases in shares of common stock issued are summarized below.

Increase in shares due to two-for-one stock split of common stock effective September 1, 2019:	6,373,930 shares
Increase in shares due to exercise of stock acquisition rights:	435,300 shares

The main reasons for increases and decreases in treasury shares of common stock are summarized below.

Increase in shares due to two-for-one stock split of common stock effective September 1, 2019:	10,806 shares
Increase in shares due to *gratis* acquisition under restricted-share-based compensation program:	27,940 shares
Increase in shares due to acquisition of shares in less than the minimum trading unit:	38 shares

2. Matters concerning stock acquisition rights

Not applicable

3. Matters concerning dividends

(1) Cash dividends paid

Resolution	Class of Stock	Total Dividend (thousands of yen)	Dividend per Share (yen)	Record Date	Effective Date
October 24, 2019 Meeting of the Board of Directors	Common stock	445,418	70.00	August 31, 2019	November 7, 2019

Note: The Company executed a two-for-one stock split for common stock on September 1, 2019. However, the dividend per share figure presented here is the figure from the end of the fiscal year, before adjustments for the said stock split.

(2) Dividends with cutoff dates falling during the fiscal year but effective dates subsequent to the current fiscal year

Resolution	Class of Stock	Source of Dividend	Total Dividend (thousands of yen)	Dividend per Share (yen)	Record Date	Effective Date
October 29, 2020 Meeting of the Board of Directors	Common stock	Retained earnings	328,339	25.00	August 31, 2020	November 5, 2020

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

1. Information on issued stock and treasury shares

Class of stock	Balance at the Beginning of the Current Consolidated Fiscal Year (shares)	Increase in Shares (shares)	Decrease in Shares (shares)	Balance at the End of the Current Consolidated Fiscal Year (shares)
Issued shares				
Common stock	13,183,160	143,010	-	13,326,170
Total	13,183,160	143,010	-	13,326,170
Treasury shares				
Common stock	49,590	99,394	14,600	134,384
Total	49,590	99,394	14,600	134,384

(Reasons for changes)

The main reasons for increases and decreases in shares of common stock issued are summarized below.

Increase in shares due to exercise of stock acquisition rights:	143,010 shares

The main reasons for increases and decreases in treasury shares of common stock are summarized below.

Acquisition of treasury stock under the August 2, 2021, resolution of the board of directors:	66,600 shares
Increase in shares due to *gratis* acquisition under the restricted-share-based compensation program:	32,760 shares
Increase in shares due to acquisition of shares in less than the minimum trading unit:	34 shares
Decrease due to disposal of treasury stock under the share-based compensation program involving allotment of restricted stock:	14,600 shares

2. Information on Stock Acquisition Rights, Etc.

Company	Details	Class of subject shares	Number of subject shares (shares)				Balance at end of current consolidated fiscal year (thousand yen)
			Start of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Submitting company	Stock acquisition rights as 2020 stock options	-	-	-	-	-	154,436
Total			-	-	-	-	154,436

Notes:
1. The number of subject shares shown indicates the number of shares assuming the exercise of the stock acquisition rights.
2. Summary of reasons for changes in the number of subject shares
   The increase in 2020 stock acquisition rights resulted from their issue.
   The decrease in 2020 stock acquisition rights resulted from the invalidation of rights.
3. The starting date of the exercise period of 2020 stock acquisition rights has not yet arrived.

3. Matters concerning dividends

(1) Cash dividends paid

Resolution	Class of Stock	Total Dividend (thousands of yen)	Dividend per Share (yen)	Record Date	Effective Date
October 29, 2020 Meeting of the Board of Directors	Common stock	328,339	25.00	August 31, 2020	November 5, 2020

(2) Dividends with a cutoff date during the fiscal year but an effective date subsequent to the current fiscal year

Resolution	Class of Stock	Source of Dividend	Total Dividend (thousands of yen)	Dividend per Share (yen)	Record Date	Effective Date
October 28, 2021 Meeting of the Board of Directors	Common stock	Retained earnings	329,794	25.00	August 31, 2021	November 10, 2021

(Consolidated statements of cash flows)

*1 Relationship between the period-end balance in cash and deposits and items listed on the consolidated balance sheet

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Cash and deposits	6,276,732	8,270,558
Time deposits with maturities of more than three months	(1,088)	(1,128)
Cash and cash equivalents	6,275,644	8,269,430

*2 Breakdown of main assets and liabilities of company newly added as a consolidated subsidiary through acquisition of stock

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

Not applicable

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

The following table shows a breakdown of assets and liabilities at the time of the consolidation of NEO STANDARD Co. Inc., which was newly acquired through the acquisition of its shares, and the relationship between the cost of acquiring the stock and the gains (net) from the acquisition.

Current assets	764,252 thousand yen
Non-current assets	172,010 thousand yen
Current liabilities	(756,842 thousand yen)
Non-current liabilities	(109,933 thousand yen)
Gain on bargain purchase	(69,486 thousand yen)
Purchase price of stock	0 thousand yen
Cash and cash equivalents	(657,681 thousand yen)
Minus: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(657,681 thousand yen)

(Lease transactions)

(Lessee)

1. Finance lease transactions

Finance lease transactions without transfer of ownership

a) Lease Asset Details

(A) Property, plant, and equipment

This consists mainly of rent on shops and offices by overseas subsidiaries subject to IFRS 16, “Leases.”

(B) Intangible assets

Intangible assets consist of software.

b) Depreciation method for lease assets

The depreciation method for lease assets is described in “4. Matters concerning accounting policies (2) Depreciation/amortization method for significant depreciable/amortizable assets of Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements.”

(About impairment loss)

No impairment losses have been recorded in relation to lease assets.

2. Operating lease transactions

Not applicable

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policy on financial instruments

The Group restricts fund management to highly secure short-term deposits and similar instruments, raising necessary funds primarily through bank borrowings in line with capital investment plans. Derivatives are used to mitigate the risk of interest rate fluctuations on borrowings and are not traded on speculation.

(2) Details and risks of financial instruments

Accounts receivable - trade, which represent operating receivables, are exposed to credit risks associated with business partners.

Guarantee deposits relate mainly to lease contracts for buying offices and other facilities. These lease contracts are exposed to credit risks associated with the lender.

Unlisted investment securities are exposed to credit risks associated with the issuers.

Most accounts payable are operating receivables that come due within one month.

Borrowings, corporate bonds, and lease obligations related to finance lease transactions are mainly for financing capital investments and have a maximum redemption period of 16 years after the settlement date.

Derivative transactions are transactions used to handle the risk of fluctuations in interest payments on borrowings.

(3) Risk management for financial instruments

A. Credit risk management (risks related to breach of contract or similar actions by customers)

The Group manages credit risk in accordance with internal accounting rules. It monitors payment due dates and balances by entity and checks the credit status of transaction partners as deemed necessary. In this way, the Group identifies collection concerns and reduces the risk of bad debt in the early stages.

For investment securities, the Company periodically checks the credit status of issuers and reviews the holdings.

B. Liquidity risk management (risk of the Company being unable to pay on a given due date)

The Group manages liquidity risk based on cash operating plans prepared and updated, based on timely reports from each business unit, by the Finance Division. The Group maintains liquidity on hand through overdraft facilities and commitment line contracts.

(4) Supplementary information on fair value of financial instruments

The fair value of financial instruments includes prices based on market prices and prices calculated on reasonable grounds in the absence of market prices. Since price calculations incorporate variable factors, values may fluctuate if different assumptions are used.

2. Matters concerning the fair value of financial instruments

The following table describes the carrying amount, fair value, and gains or losses related to financial instruments on consolidated financial statements. Note that these values do not include items for which fair value is extremely difficult to determine.

Previous Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Carrying value	Fair value	Gains/losses
(1) Cash and deposits	6,276,732	6,276,732	—
(2) Accounts receivable – trade	298,141	298,141	—
(3) Guarantee deposits	1,137,651	1,137,651	—
Total assets	7,712,525	7,712,525	—
(1) Accounts payable – trade	35,328	35,328	—
(2) Short-term loans payable	6,343,288	6,343,288	—
(3) Income taxes payable	253,259	253,259	—
(4) Long-term loans payable (*1)	572,110	574,715	2,605
(5) Lease obligations (*2)	41,194	42,841	1,647
Total liabilities	7,245,180	7,249,433	4,252
Derivative transactions (*3)	(8,059)	(8,059)	-

(*1) Includes current portion of long-term loans payable.

(*2) Total of both current and non-current liabilities.

(*3) Net receivables and payables arising from derivative transactions are shown on a net basis. Items representing net payables in total are shown in parentheses.

Current Consolidated Fiscal Year (as of August 31, 2021)

(Thousands of yen)

	Carrying value	Fair value	Gains/losses
(1) Cash and deposits	8,270,558	8,270,558	—
(2) Accounts receivable – trade	260,438	260,438	—
(3) Guarantee deposits	1,224,529	1,224,529	—
Total assets	9,755,526	9,755,526	—
(1) Accounts payable – trade	119,801	119,801	—
(2) Short-term loans payable	8,340,494	8,340,494	—
(3) Income taxes payable	268,516	268,516	—

(4) Long-term loans payable (*1)	312,268	312,268	—
(5) Lease obligations (*2)	195,309	196,451	1,142
Total liabilities	9,236,389	9,237,531	1,142
Derivative transactions (*3)	(8,358)	(8,358)	-

(*1) Includes current portion of long-term loans payable.
(*2) Total of both current and non-current liabilities.
(*3) Net receivables and payables arising from derivative transactions are shown on a net basis. Items representing net payables in total are shown in parentheses.

Note 1: Fair value calculation method of financial instruments and derivative transactions

Assets

(1) Cash and deposits and (2) Accounts receivable - trade

The carrying amounts of these assets approximate fair value due to their short maturities.

(3) Guarantee deposits

The fair value of guarantee deposits is evaluated as the present value of future cash flows discounted at a rate reflecting government bond yields or other appropriate indicators.

Liabilities

(1) Accounts payable – trade, (2) Short-term loans payable, and (3) Income taxes payable

The carrying amounts of these liabilities approximate fair value due to their short maturities.

(4) Long-term loans payable (including current portion of long-term loans payable) and (5) Lease obligations

The fair value of these liabilities is measured at the present value of the total amount of principal and interest, discounted at the interest rate assumed for a similar new borrowing. Since provisions for borrowing at variable interest rates call for revising interest rates periodically, rendering the current value equal in general to book value, the book value is applied.

Derivative transactions

See note on Derivative transactions.

Note 2: Amounts recorded on the consolidated balance sheet for financial instruments whose current value is recognized to be highly difficult to ascertain.

(Thousands of yen)

Category	August 31, 2020	August 31, 2021
Unlisted stock	-	26,364
Shares of subsidiaries and associates	-	315,315

These are excluded in the table above due to the difficulty of determining their current value since they do not have market prices and it is not possible to estimate their future cash flow.

Note 3: Scheduled redemption value of monetary claims after the consolidated financial closing date

Previous Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	6,276,732	-	-	-
Accounts receivable – trade	298,141	-	-	-
Guarantee deposits	170,015	934,511	33,123	-
Total	6,744,890	934,511	33,123	-

Current Consolidated Fiscal Year (as of August 31, 2021)

(Thousands of yen)

	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	8,270,558	-	-	-
Accounts receivable – trade	260,438	-	-	-
Guarantee deposits	448,823	764,397	11,309	-
Total	8,979,820	764,397	11,309	-

Note 4: Repayments of bonds payable, long-term loans payable, lease obligations, and other interest-bearing debt scheduled after the consolidated financial closing date

Previous Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	6,343,288	-	-	-	-	-
Long-term loans payable	231,242	105,914	19,896	19,896	19,896	175,266
Lease obligations	31,808	9,385	-	-	-	-
Total	6,606,338	115,299	19,896	19,896	19,896	175,266

Current Consolidated Fiscal Year (as of August 31, 2021)

(Thousands of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	8,340,494	-	-	-	-	-
Long-term loans payable	101,018	15,000	15,000	15,000	15,000	151,250
Lease obligations	51,768	56,776	24,647	11,125	11,125	39,866
Total	8,493,280	71,776	39,647	26,125	26,125	191,116

(Securities)

1. Available-for-sale securities

Previous consolidated fiscal year (August 31, 2020)

Not applicable

Current consolidated fiscal year (August 31, 2021)

Unlisted stock (amount recorded on the consolidated balance sheet: 26,364 thousand yen) and shares of subsidiaries and associates (amount recorded on the consolidated balance sheet: 315,315 thousand yen) are excluded due to the difficulty of determining their current value, since they do not have market prices.

(Derivative transactions)

Derivative transactions not accounted for hedge accounting

Interest rates

Previous Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Category	Contract value	Portion of contract in excess of one year	Fair value	Loss (gain) on valuation
Non-market transactions	Interest rate swap transactions Fixed interest payable for variable interest receivable	241,250	226,250	(8,059)	3,556
Total		241,250	226,250	(8,059)	3,556

Note: Fair value measurement method: Based on prices provided by financial institutions

Current Consolidated Fiscal Year (as of August 31, 2021)

(Thousands of yen)

	Category	Contract value	Portion of contract in excess of one year	Fair value	Loss (gain) on valuation
Non-market transactions	Interest rate swap transactions Fixed interest payable for variable interest receivable	226,250	211,250	(8,358)	(299)
Total		226,250	211,250	(8,358)	(299)

Note: Fair value measurement method: Based on prices provided by financial institutions

(Stock options)

1. Expenses recorded and accounts related to stock options

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Selling, general, and administrative expenses	-	154,436

2. Stock option details, scope, and variability

The Company converted numbers of stock options to numbers of shares for eligible stock options existing as of the current consolidated fiscal year (fiscal year ended August 2021). These options were converted to shares after the stock split (five-for-one) on November 25, 2017, and the stock split (two-for-one) on September 1, 2019.

(1) Stock option details

	Second Series Stock Acquisition Rights
Date of resolution	March 31, 2017
Classification and number of eligible grantees	Company Directors and Auditors 5 Company Employees 131 Wholly Owned Subsidiary Directors 2 Wholly Owned Subsidiary Employees 10
Number of stock options per class of share	Common stock: 847,500 shares
Grant date	April 1, 2017
Vesting terms	Between the grant date to the vesting date (first day on which grantee may exercise these rights), the holder must serve in a position as director, auditor, or employee of the Company, company subsidiaries, or company affiliates. Notwithstanding the preceding, such terms shall not apply if the individual's term of office has expired; the individual has retired at the mandatory retirement age; or if a resolution of the Company's board of directors otherwise determines justifiable grounds exist for the retirement of the holder of said stock acquisition rights or the exercise of said rights after retirement. However, the exercise of a fraction of one stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	April 1, 2019 to March 29, 2027

	Third Series Stock Acquisition Rights
Date of resolution	November 8, 2017
Classification and number of eligible grantees	Company Directors and Auditors 5 Company Employees 72 Wholly Owned Subsidiary Directors 3 Wholly Owned Subsidiary Employees 10
Number of stock options per class of share	Common stock: 512,610 shares
Grant date	November 9, 2017
Vesting terms	Between the grant date to the vesting date (first day on which grantee may exercise these rights), the holder must serve in a position as director, auditor, or employee of the Company, company subsidiary, or company affiliate. Notwithstanding the preceding, such terms shall not apply if the individual's term of office has expired; the individual has retired at the mandatory retirement age; or if a resolution of the Company's board of directors otherwise determines justifiable grounds exist for the retirement of the holder of said stock acquisition rights or the exercise of said rights after retirement. However, the exercise of a fraction of one stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	November 9, 2019 to November 8, 2027

	Fourth Series Stock Acquisition Rights
Date of resolution	November 20, 2020
Classification and number of eligible grantees	Company Directors 1 Company Employees 39 Wholly Owned Subsidiary Directors 2 Wholly Owned Subsidiary Employees 85
Number of stock options per class of share	Common stock: 170,600 shares
Grant date	December 23, 2020
Vesting terms	Between the grant date to the vesting date (first day on which grantee may exercise these rights), the holder must serve in a position as director, auditor, or employee of the Company, company subsidiary, or company affiliate. Notwithstanding the preceding, such terms shall not apply if the individual's term of office has expired; the individual has retired at the mandatory retirement age; or if a resolution of the Company's board of directors otherwise determines justifiable grounds exist for the retirement of the holder of said stock acquisition rights or the exercise of said rights after retirement. However, the exercise of a fraction of one stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	November 21, 2022 to November 19, 2030

(2) Stock option details, scope, and variability

a) Number of Stock Options

	Second Series Stock Acquisition Rights	Third Series Stock Acquisition Rights	Fourth Series Stock Acquisition Rights
Date of resolution	March 31, 2017	November 8, 2017	November 20, 2020
Unvested shares			
End of previous consolidated fiscal year	-	-	-
Granted	-	-	170,600
Expired	-	-	2,400
Vested	-	-	-
Balance of unvested shares	-	-	168,200
Vested shares			
End of previous consolidated fiscal year	99,680	145,740	-
Vested	-	-	-
Exercised	48,510	94,500	-
Expired	140	-	-
Balance of unvested shares	51,030	51,240	-

b) Unit Price Information

	Second Series Stock Acquisition Rights	Third Series Stock Acquisition Rights	Fourth Series Stock Acquisition Rights
Date of resolution	March 31, 2017	November 8, 2017	November 20, 2020
Exercise price (yen)	259	450	4,605
Average stock price at time of exercise (yen)	3,801	3,538	-
Fair unit value price on grant date (yen)	-	-	2,448.46

3. Method for estimating fair unit value price of stock options

(1) Second and Third Series Stock Acquisition Rights

Since the Company was a private company at the time of grant, the fair unit value of stock options is evaluated by estimating the intrinsic value per unit of stock options.

The Company measures the value of shares, the basis for calculating the intrinsic value per unit, by referencing the price calculated by the net asset method.

(2) Fourth Series Stock Acquisition Rights

a) Valuation method employed: Black-Scholes model

b) Main base values and estimation methods

	Fourth Series Stock Acquisition Rights
Variability of share price (Note 1)	75.31%
Projected remaining period (Note 2)	5.91 years
Projected dividends (Note 3)	25 yen/share
Risk-free interest rate (Note 4)	(0.12%)

Notes:

1. Calculated based on actual share prices over 2.7 years (March 22, 2018 – December 23, 2020)
2. Estimated assuming exercise at the midpoint of the exercise period, due to the difficulty of reasonable estimation as a result of the lack of sufficient accumulated data.
3. Based on actual dividends in the period ended August 2020
4. Yield on Japanese government bonds for the projected remaining period

4. Method for estimating numbers of vested stock options

Rationally estimating the number of expired options in the future is difficult for fundamental reasons. The Company applies a method that reflects only the actual number of expirations.

5. Total intrinsic value at end of current consolidated fiscal year

4,631 thousand yen

6. Total intrinsic value on date of execution of stock options executed during the current consolidated fiscal year

463,602 thousand yen

(Tax effect accounting)

1. Details of deferred tax assets and deferred tax liabilities by major source

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2020)	Current Consolidated Fiscal Year (as of August 31, 2021)
Deferred tax assets		
Provision for directors' retirement benefits	20,331	20,391
Excess amount of amortization of deferred assets	740	2,506
Allowance for doubtful accounts	56,346	47,019
Provision for bonuses	69,182	111,012
Excess depreciation	2,948	19,529
Loss on valuation of inventories	55,938	37,211
Impairment loss	37,655	55,850
Asset retirement obligations	192,369	195,236
Accrued business office taxes	2,482	3,947
Accrued enterprise tax	16,592	23,465
Loss on valuation of derivatives	2,784	2,888
Stock-based compensation expenses	97,789	29,163
Elimination of unrealized gains on fixed assets	29,893	119,564
Retained loss (Note 2)	37,983	336,083
Other	3,577	13,681
Subtotal	626,618	1,017,553
Valuation allowance (Note 1)	(48,198)	(109,376)
Total deferred tax assets	578,420	908,177
Deferred tax liabilities		
Retirement expenses related to asset retirement obligations	86,438	110,592
Other	4,358	—
Total deferred tax liabilities	90,796	110,592
Deferred tax assets, net	487,623	797,585

(Change in presentation method)

Elimination of unrealized gains on fixed assets, which had been included under other deferred tax assets in the previous consolidated fiscal year, is indicated separately, beginning with the consolidated fiscal year under review. This is due to an increase in its monetary importance. The notes for the previous consolidated fiscal year have been revised to reflect this change.

As a result, the amount of 33,471 thousand yen in other deferred tax assets in the notes to the previous consolidated fiscal year has been restated as 29,893 thousand yen in the elimination of unrealized gains on fixed assets and 3,577 thousand yen in other deferred tax assets.

Notes:

1. Valuation allowance increased by 61,177 thousand yen, due mainly to an increase in the valuation allowance related to the retained loss of consolidated subsidiaries.

2. Amounts of retained loss for tax purposes and related deferred tax assets by retention period

Previous consolidated fiscal year (August 31, 2020)

(Thousands of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total
Retained loss for tax purposes (*1)	-	-	-	-	-	37,983	37,983
Valuation allowance	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	37,983	37,983

(*1) The amount of retained loss for tax purposes is multiplied by the legal effective tax rate.

(*2) The amount of retained loss for tax purposes of 37,983 thousand yen (multiplied by the legal effective tax rate) is recorded as 37,983 thousand yen in deferred tax assets. No valuation allowance is recognized for portions judged recoverable with regard to projections of future taxable income regarding this retained loss for tax purposes.

Current consolidated fiscal year (August 31, 2021)

(Thousands of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total
Retained loss for tax purposes (*1)	-	-	-	-	-	336,083	336,083
Valuation allowance	-	-	-	-	-	59,821	59,821
Deferred tax assets	-	-	-	-	-	276,262	276,262

(*1) The amount of retained loss for tax purposes is multiplied by the legal effective tax rate.

(*2) The amount of retained loss for tax purposes of 336,083 thousand yen (multiplied by the legal effective tax rate) is recorded as 276,262 thousand yen in deferred tax assets. No valuation allowance is recognized for portions judged recoverable with regard to projections of future taxable income regarding this retained loss for tax purposes.

2. Significant differences between and details of statutory tax rates and effective tax rates

	Previous Consolidated Fiscal Year (as of August 31, 2020)	Current Consolidated Fiscal Year (as of August 31, 2021)
Effective statutory tax rate	30.62%	30.62%
Increase (decrease) in valuation allowance	0.14%	12.93%
Per capita	6.43%	6.38%
Income tax refund	-%	(15.36%)
Accumulated earnings tax	0.68%	-%
Non-deductible entertainment expenses	1.57%	9.03%
Goodwill amortization, etc.	7.55%	8.28%
Unrecognized tax effects related to unrealized gains or losses	0.76%	4.22%
Succession of retained loss through merger	-%	(58.94%)
Difference in tax rates on consolidated subsidiaries	0.07%	11.23%
Other	1.15%	2.20%
Income tax rate after application of tax effect accounting	48.97%	10.59%

(Change in presentation method)

Due to their increased importance, unrecognized tax effects related to unrealized gains or losses, which had been included under goodwill amortization, etc. in the previous consolidated fiscal year, and difference in tax rates on consolidated subsidiaries, which had been included under other in the previous consolidated fiscal year, are indicated separately beginning with the consolidated fiscal year under review. The notes for the previous consolidated fiscal year have been revised to reflect this change.

The figure of 8.31% under amortization of goodwill in the notes to the previous consolidated fiscal year has been restated as 7.55% under goodwill amortization, etc., and 0.76% under unrecognized tax effects related to unrealized gains or losses. The figure of 1.22% under other in the notes to the previous consolidated fiscal year has been restated as 0.07% under difference in tax rates on consolidated subsidiaries and 1.15% under other.

(Corporate consolidation)

(Corporate consolidation through acquisition)

(1) Overview of corporate consolidation

a) Name and lines of business of company acquired

Name of company subject to consolidation:	NEO-STANDARD Co., Ltd.
Lines of business:	Purchasing of used branded items and reuse items, auction listing services, watch repairs and overhaul services, etc.

b) Main reasons for corporate consolidation

The Group is engaged in the business of reuse merchandise, mainly through the purchase and sale of branded products, precious metals, watches, bullion, jewelry and antiques, and works of art. It has adopted a C2B2B business model whereby it purchases products from general consumers and wholesales them to vendors, chiefly through its own auctions.

Since the Group is enhancing its buying operations by progressively opening new outlets centered on the Nanboya buying offices, it decided to acquire stock in NEO-STANDARD based on its judgement that the addition of the latter to the Group is likely to strengthen the Group’s buying structure.

c) Date of corporate consolidation

September 30, 2020 (imputed date of acquisition: November 30, 2020)

d) Legal method of corporate consolidation

Stock acquisition paid in cash

e) Company name after acquisition

NEO-STANDARD Co., Ltd.

f) Percentage of voting rights acquired

100%

g) Main basis of consolidation of company acquired

Acquisition by Valuence Japan Inc. of 100% of voting rights in NEO-STANDARD Co., Ltd. through stock acquisition paid in cash

(2) Period of business results of acquisition included in the consolidated financial statements

December 1, 2020 through August 31, 2021

(3) Cost of acquisition and breakdown by type

Price of shares of common stock acquired	Cash	0 thousand yen
Cost of acquisition		0 thousand yen

(4) Breakdown and amounts of main costs related to acquisition

Advisory fees 6,000 thousand yen

(5) Amount and cause of resulting gain on bargain purchase

a) Gain on bargain purchase

69,486 thousand yen

b) Cause

Since the current net asset value at the time of the corporate consolidation exceeded the purchase price, the difference in amount has been recorded as a gain on bargain purchase.

(6) Amounts and main breakdowns of assets and liabilities received or undertaken on the date of the corporate consolidation

Current assets	764,252 thousand yen
Non-current assets	172,010
Total assets	936,263
Current liabilities	756,842
Non-current liabilities	109,933
Total liabilities	866,776

(Absorption of sub-subsidiary by consolidated subsidiary through merger)

(1) Overview of transaction

a) Name and lines of business of company subject to consolidation

Name of company engaging in consolidation:	Valuence Japan Inc.
Lines of business:	Purchasing and selling of branded items, precious metals, jewelry, etc.
Name of company subject to consolidation:	NEO-STANDARD Co., Ltd.
Lines of business:	Purchasing of used branded items and reuse items, auction listing services, watch repairs and overhaul services, etc.

b) Date of corporate consolidation

March 1, 2021

c) Legal method of corporate consolidation

Absorption-type merger in which Valuence Japan Inc. is the absorbing and surviving company and NEO-STANDARD Co., Ltd. is the company absorbed and extinguished

d) Company name after acquisition

Valuence Japan Inc.

e) Other matters related to the transaction overview

This transaction is intended to improve the Group’s management efficiency by considering management resources.

(2) Summary of accounting treatment implemented

This transaction was treated as a transaction under joint control based on the Accounting Standard for Business Combinations and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

(Asset retirement obligations)

Asset retirement obligations carried on consolidated balance sheets

1. Summary of asset retirement obligations

These asset retirement obligations include restoring stores and offices to their original state per real estate lease agreements.

2. Calculating asset retirement obligation value

Asset retirement obligations are calculated on the basis of an estimated usage period of 3-18 years after the acquisition and a discount rate between 0.000% and 0.845%.

3. Increase (decrease) in total value of asset retirement obligations

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Beginning of period	552,542	581,914
Increase due to purchase of property, plant, and equipment	50,076	146,306
Adjustment due to passage of time	1,376	1,797
Decrease due to fulfillment of asset retirement obligations	(22,087)	(142,945)
Increase accompanying new consolidation (thousand yen)	-	85,918
Other increase (decrease)	6	102
End of period	581,914	673,093

(Segment information)

Segment Information

The Group operates as a single segment that includes luxury brand items, antiques, art, and other reuse businesses. Accordingly, segment information is omitted here.

Related Information

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

1. Information by product and service

This information is omitted because net sales to external customers for a single product and service category exceed 90% of net sales recorded on the consolidated statements of income.

2. Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan exceed 90% of net sales recorded on the consolidated statements of income.

(2) Property, plant, and equipment

This information is omitted because the value of property, plant, and equipment located in Japan exceeds 90% of the amount of property, plant, and equipment recorded on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer	Net sales	Name of relevant segment
NET JAPAN Co., Ltd.	5,083,806	Luxury brand items, antiques, art, and other reuse businesses
NIHON MATERIAL Co., Ltd.	4,738,301	Luxury brand items, antiques, art, and other reuse businesses

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

1. Information by product and service

This information is omitted because net sales to external customers for a single product and service category exceed 90% of net sales recorded on the consolidated statements of income.

2. Information by region

(1) Net sales

(Thousands of yen)

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

Note: Net sales are classified according to the country or region where the customer is located.

(2) Property, plant, and equipment

(Thousands of yen)

Japan	China	Other	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.

Information on Non-current Assets and Impairment Loss by Reporting Segment

The Group operates as a single segment that includes luxury brand items, antiques, art, and other reuse businesses. Accordingly, segment information is omitted here.

Information on Amortization and Unamortized Balance of Goodwill per Reporting Segment

The Group operates as a single segment that includes luxury brand items, antiques, art, and other reuse businesses. Accordingly, segment information is omitted here.

Information on Gain on Bargain Purchase by Reporting 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 bargain purchase of 69,486 thousand yen is recorded in extraordinary income for the current consolidated fiscal year.

Related-Party Information

1. Related-party transactions

(1) Transactions between the Company submitting consolidated financial statements and related parties

(A) Officers and major shareholders (restricted to individuals only) of the Company submitting consolidated financial statements

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Classification	Name of Company/ Organization/ Individual	Location	Capital/ Investment Amount (thousands of yen)	Business Line/ Business	Ratio of Voting Rights Held (ownership) (%)	Relationship	Details of Transaction	Transaction Value (thousands of yen)	Account	End of period (thousands of yen)
Officer	Toshihide Ohzono	-	-	Company director	(Ownership) 0.1%, directly held	-	Exercise of stock acquisition rights (Note 3)	11,999	-	-
Officer	Kei Fujita	-	-	Subsidiary director	(Ownership) 0.2%, directly held	-	Exercise of stock acquisition rights (Notes 2, 3)	11,997	-	-
Company or other organization in which an officer and his or her close family members hold a majority of voting rights	Sakimoto Co., Ltd. (Note 4)	Osaka, Osaka Prefecture	10,000	Real estate trading, leasing, and management	-	Store lease	Payment of rent (Note 5)	14,715	-	-

Notes:

1. The above transactions exclude consumption taxes.
2. This transaction is related to the exercise of stock acquisition rights issued per resolution at the meeting of the board of directors held on September 11, 2015.
3. This transaction is related to the exercise of stock acquisition rights issued per resolutions at the meetings of the board of directors held March 31, 2017, and November 8, 2017.
4. Close family members of Shinsuke Sakimoto, the Company’s representative director, hold 100% of voting rights in this company.
5. Amounts of rent paid are determined based on results of transactions on nearby properties and other factors.

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

Classification	Name of Company/ Organization/ Individual	Location	Capital/ Investment Amount (thousands of yen)	Business Line/ Business	Ratio of Voting Rights Held (ownership) (%)	Relationship	Details of Transaction	Transaction Value (thousands of yen)	Account	End of period (thousands of yen)
Officer	Kei Fujita	-	-	Subsidiary director	(Ownership) 0.0%, directly held	-	Exercise of stock acquisition rights (Note 2)	11,686	-	-
Officer	Kenta Takami	-	-	Subsidiary director	(Ownership) 0.1%, directly held	-	Purchase of treasury shares (Note 3)	15,036	-	-
Officer	Reo Mizuno	-	-	Subsidiary director	(Ownership) 0.0%, directly held	-	Purchase of treasury shares (Note 3)	28,067	-	-
Officer	Takatomo Honda	-	-	Subsidiary director	(Ownership) 0.1%, directly held	-	Purchase of treasury shares (Note 3)	25,060	-	-
Officer	Ryu Kahou	-	-	Subsidiary director	(Ownership) 0.1%, directly held	-	Purchase of treasury shares (Note 3)	25,060	-	-
Company or other organization in which an officer and his or her close family members hold a majority of voting rights	Sakimoto Co., Ltd. (Note 4)	Osaka, Osaka Prefecture	10,000	Real estate trading, leasing, and management	-	Store lease	Payment of rent (Note 5)	14,441	-	-

Note:

1. The above transactions exclude consumption taxes.
2. This transaction is related to the exercise of stock acquisition rights issued per resolution at the meeting of the board of directors held on November 8, 2017.
3. Based on an August 2, 2021, board of directors' resolution, treasury stock was acquired on August 3, 2021 through the Tokyo Stock Exchange Trading Network System for Off-Auction Own Share Repurchase Trading (ToSTNeT-3). The purchase price was the closing price on the day before the transaction, August 2, 2021.
4. Close family members of Shinsuke Sakimoto, the Company's representative director, hold 100% of voting rights in this company.
5. Amounts of rent paid are determined based on results of transactions on nearby properties and other factors.

(B) Parent company of the Company and major shareholders (corporate entities only)

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Not applicable

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

Not applicable

(2) Transactions between the Company and consolidated subsidiaries or related parties

(A) Company officers and major shareholders (individuals only)

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Not applicable

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

Not applicable

(B) Parent company of the Company and major shareholders (corporate entities only)

Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Not applicable

Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)

Not applicable

2. Notes on parent company or significant affiliates

Not applicable

(Per-share information)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Net assets per share	512.88 yen	539.40 yen
Net income per share	23.53 yen	54.87 yen
Diluted net income per share	22.95 yen	54.58 yen

Note: The basis for calculating net income per share and diluted net income per share is as follows:

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	305,650	725,121
Amount not attributable to common stock shareholders (Thousands of yen)	-	-
Profit attributable to owners of the parent related to common stock (Thousands of yen)	305,650	725,121
Average number of common stocks during the period	12,991,805	13,215,643
Diluted earnings per share		
Reconciliation of profit attributable to owners of the parent (Thousands of yen)	-	-
Increase in number of common stocks	323,708	70,641
(Included number of shares subject to stock acquisition rights)	(323,708)	(70,641)
Overview of potential shares not included in the calculation of diluted net income per share because they had no dilutive effect	-	-

(Important subsequent events)

(Announcement Concerning Issue of Stock Acquisition Rights (Stock Options))

In its meeting held November 25, 2021, the Board of Directors passed a resolution concerning the issue of stock acquisition rights ("Stock Acquisition Rights" hereinafter) to a) employees of the Company and directors and employees of Company subsidiaries, pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act of Japan, and to b) directors of Company consolidated affiliates, pursuant to the provisions of Article 236, Article 238, and Article 239 of the Companies Act of Japan.

(1) Purpose of and reason for granting the Stock Acquisition Rights

The Stock Acquisition Rights will be issued to strengthen the motivation of Company employees, of directors and employees of Company subsidiaries, and of directors of Company consolidated affiliates, 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

a) Number of stock acquisition rights

935 units (Note)

The total number of shares to be granted through the exercise of the Stock Acquisition Rights is 93,500 shares of the Company's common stock. If the number of shares to be granted through the Stock Acquisition Rights is adjusted as described under Paragraph 3.a) below, the total number of shares to be granted will instead be the adjusted number of shares multiplied by the number of Stock Acquisition Rights.

Note: Of these, a) the number of Stock Acquisition Rights issued to employees of the Company and directors and employees of Company subsidiaries, pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act of Japan, is 860 (and the total number of shares of Company common stock to be issued through the exercise of these rights is 86,000 shares); and b) the number of Stock Acquisition Rights issued to directors of Company consolidated affiliates, pursuant to the provisions of Article 236, Article 238, and Article 239 of the Companies Act of Japan, is 75 (and the total number of shares of Company common stock to be issued through the exercise of these rights is 7,500 shares).

b) Amount paid in exchange for Stock Acquisition Rights

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 claims of the recipient of the Stock Acquisition Rights at the Company for monetary compensation in the same amount (or claims of a Director or employee of a Company subsidiary or a Director of a Company affiliate at that subsidiary or affiliate for monetary compensation, the resulting obligations for which are underwritten by the Company).

As noted above, this paid-in amount is based on the fair value of the Stock Acquisition Rights and it does not qualify as a particularly advantageous condition for those in the relationship of employee of the Company or director or employee of a Company subsidiary. However, it can constitute a particularly advantageous condition for those in the relationship of director of a Company consolidated affiliate, in view of the capital relationship between the Company and the affiliate. Taking this in consideration, decisions regarding the specifics of issuance of Stock Acquisition Rights to directors of a Company consolidated affiliates were delegated to the Board of Directors at the 10th Ordinary General Meeting of Shareholders.

(3) Details of Stock Acquisition Rights

a) Class and number of shares to be subject to Stock Acquisition Rights the resulting obligations for which are underwritten by the Company).

The number of shares to be subject to each Stock Acquisition Right ("number of shares granted" hereinafter) shall be 100 shares of Company's common stock.

However, in the event of a stock split (including hereinafter the gratis allocation of common stock of the Company) or reverse stock split by the Company after the allocation date of Stock Acquisition Rights, the number of shares granted shall be adjusted using the formula given below. Note that such adjustment shall be made only for the number of shares to be subject to the Stock Acquisition Rights not yet exercised at that time; any fractional figure of less than one share resulting from such adjustment shall be rounded down.

$$\text{Number of shares granted after adjustment} = \text{Number of shares granted before adjustment} \times \text{Ratio of stock split (or reverse stock split)}$$

Following the date of allocation of the Stock Acquisition Rights, if the Company needs to adjust the number of shares granted due to merger, corporate split, decrease in capital, or other reasons than those indicated above, the number of shares granted may be adjusted appropriately.

b) Value of assets financed upon the exercise of the Stock Acquisition Rights and calculation method

The value of assets financed upon the exercise of the Stock Acquisition Rights shall be the amount derived by multiplying the paid-in amount per share of stock ("exercise price" hereinafter) by the number of shares granted.

The exercise price shall be the average of the closing price of the shares of the common stock of the Company on the Tokyo Stock Exchange for all days of the month preceding the month in which the date of allocation of Stock Acquisition Rights falls (excluding days on which no trading was completed) multiplied by 1.05 (rounding up any fraction less than one share). If this price is less than the closing price on the date of allocation of the Stock Acquisition Rights (or if no transactions were completed on that date, the closing price on the nearest preceding day on which there is a closing price), that closing price shall be used as the exercise price.

In the event of a stock split or reverse stock split by the Company after the date of allocation of the Stock Acquisition Rights, the exercise price shall be adjusted using the following formula. Any fractional figure of less than one yen resulting from such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of stock split (or reverse stock split)}}$$

After the date of allocation of the Stock Acquisition Rights, if the Company issues new shares or disposes of treasury shares of Company's common stock at a price less than the fair value (excluding issue of new shares or disposal of treasury shares based on the exercise of stock acquisition rights or transfer of treasury shares as a result of a share exchange), the exercise price shall be adjusted using the following formula; any fractional figure of less than one yen resulting from such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise}\\\text{price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise}\\\text{price before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number}\\\text{of shares}\\\text{issued}\end{array} + \dfrac{\begin{array}{c}\text{Number of shares}\\\text{newly issued}\end{array} \times \begin{array}{c}\text{Amount to be paid}\\\text{in per share}\end{array}}{\text{Market price per share prior to issue of new shares}}}{\text{Number of shares issued} + \text{Number of shares newly issued}}$$

In the above formula, "the number of shares issued" refers to the total number of shares the Company has issued minus the number of treasury shares of the Company's common stock. In the event that treasury shares of the Company's common stock are disposed of, the "number of shares newly issued" shall be read as the "number of treasury shares disposed of."

In addition to the adjustments above, if the Company must adjust the exercise price after the date of allocation of the Stock Acquisition Rights due to a merger with another company, corporate split, or other such reasons, it may adjust the exercise price within the range deemed reasonable.

c) Period during which the Stock Acquisition Rights may be exercised

The period during which the Stock Acquisition Rights may be exercised ("exercise period" hereinafter) shall be from November 26, 2023, to November 24, 2031 (or the preceding banking business day if November 24, 2031, is not a banking business day).

d) Matters related to capital increases and capital reserves

a. 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.

b. 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 a. above minus the amount of the increase in capital described under a. above.

e) Restrictions on acquisition of Stock Acquisition Rights through transfer

Approval by resolution of the Company Board of Directors is required to acquire Stock Acquisition Rights through transfer.

f) Conditions on exercise of Stock Acquisition Rights

a. 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.

b. An heir to a holder of the Stock Acquisition Rights may not exercise the Stock Acquisition Rights.

c. 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.

d. A Stock Acquisition Right may not be exercised fractionally.

e. A Stock Acquisition Right may not be exercised in violation of the Agreement on Stock Acquisition Rights.

g) Matters related to the acquisition of Stock Acquisition Rights

a. If the General Meeting of Shareholders issues approval for (or, in a case not requiring the approval of the General Meeting of Shareholders, the Board of Directors passes a resolution on) a merger agreement whereby the Company would be extinguished, a split agreement or plan under which the Company would be split, or a share exchange agreement or share transfer plan under which the Company would become a wholly owned subsidiary, the Company may acquire all Stock Acquisition Rights gratis as of the date specified separately by the Company Board of Directors.

b. If a holder of Stock Acquisition Rights is no longer able to exercise Stock Acquisition Rights for the reasons specified under Paragraph 3.f) above, the Company may acquire the Stock Acquisition Rights gratis.

c. If a holder of the Stock Acquisition Rights requests their forfeiture, the Company may acquire the Stock Acquisition Rights gratis.

h) Handling of Stock Acquisition Rights in the event of a reorganization

In the event of the merger (but only in cases in which the Company would be extinguished by such merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, "organizational restructuring " hereinafter) of the Company, Stock Acquisition Rights of the Company that falls under any of Sub-items (A)-(E) in Article 236, Paragraph 1, Item 8, Sub-items ("reorganized company" hereinafter) of the Companies Act, shall be issued to holders of the Stock Acquisition Rights on the effective date of such organizational restructuring subject to the conditions given below. However, this provision shall apply only to cases in which the absorption-type merger agreement, consolidation-type merger agreement absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan states that Stock Acquisition Rights in the reorganized company are to be issued in accordance with the following conditions:

a. Number of stock acquisition rights to be issued in the reorganized company

To be issued to each holder of the Stock Acquisition Rights in the same number as the Stock Acquisition Rights held by that holder

b. Class of shares of the reorganized company to be subject to Stock Acquisition Rights

Class of shares shall be common stock of the reorganized company

c. Number of shares of the reorganized company to be subject to Stock Acquisition Rights

To be determined in accordance with Paragraph 3.a) above in consideration of the conditions of the organizational restructuring

d. Value of assets financed upon exercise of the Stock Acquisition Rights

The value of assets financed upon exercise of each Stock Acquisition Right to be issued shall be the exercise price after the organizational restructuring resulting from the adjustment of the exercise price set out in Paragraph 3.b) above, multiplied by the number of shares in the reorganized company to be subject to the Stock Acquisition Rights in accordance with Paragraph 3.h) c. above

e. Period during which Stock Acquisition Rights may be exercised

Period from the start date of the exercise period as provided in Paragraph 3.c) above or the effective date of the organizational restructuring, whichever is later, through the ending date of the exercise period as provided in Paragraph 3.c) above

f. Matters related to capital increases and capital reserves when issuing shares through the exercise of Stock

To be determined in accordance with Paragraph 3. d) above.

g. Restrictions on acquisition of Stock Acquisition Rights through transfer

Approval by resolution of the board of directors of the reorganized company is required to acquire Stock Acquisition Rights through transfer.

h. Other conditions for the Exercise of Stock Acquisition Rights

To be determined in accordance with Paragraph 3. f) above.

i. Reasons and conditions for acquisition of Stock Acquisition Rights

To be determined in accordance with Paragraph 3. g) above.

k. Other conditions are to be determined in accordance with those of the reorganized company.

(4) Date of allocation of Stock Acquisition Rights

December 24, 2021

(5) Matters related to certificates on the Stock Acquisition Rights

The company shall not issue certificates for the Stock Acquisition Rights

(6) Recipients of Stock Acquisition Rights and numbers thereof

Director of the Company	7 persons	290 units
Employees of the Company	2 persons	120 units
Directors of Company subsidiaries	11 persons	450 units
Employees of Company subsidiaries and associates	3 persons	75 units

e) Consolidated Supplementary Schedules

Schedule of Borrowings

Classification	Beginning of period (thousands of yen)	End of period (thousands of yen)	Average interest rate (%)	Due date
Short-term loans payable	6,343,288	8,340,494	0.37	-
Current portion of long-term loans payable	231,242	101,018	0.33	-
Current portion of lease obligations	31,808	51,768	2.34	-
Long-term loans payable (excludes current portion)	340,868	211,250	0.59	September 2022 to September 2036
Lease obligations (excludes current portion)	9,385	143,540	2.05	October 2022 to March 2030
Total	6,956,592	8,848,071	-	-

Notes:

1. Average interest rate is the weighted average interest rate for borrowings at the end of the period.
2. Scheduled repayments for long-term loans payable and lease obligations (excluding the current portion) for the five years following the consolidated financial closing date are as follows:

(Thousands of yen)

	Between one and two years	Between two and three years	Between three and four years	Between four and five years
Long-term loans payable	15,000	15,000	15,000	15,000
Lease obligations	56,776	24,647	11,125	11,125

Schedule of Asset Retirement Obligations

Information is omitted because the items to be described in this schedule are provided in the notes stipulated in Article 15-23 of the Ordinance on Financial Statements.

(2) Other

Quarterly information for the current consolidated fiscal year:

(Year-to-date)		First quarter	Second quarter	Third quarter	Current Consolidated Fiscal Year
Net sales	(Thousands of yen)	11,823,642	23,743,921	37,412,186	52,512,592
Profit before income taxes	(Thousands of yen)	513,322	58,432	272,002	811,031
Profit (loss) attributable to owners of the parent	(Thousands of yen)	217,354	(123,799)	460,047	725,121
Net income (loss) per share	(Yen)	16.53	(9.39)	34.83	54.87

(Fiscal year)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share	(Yen)	16.53	(25.79)	44.05	20.03

2. Financial Statements

(1) Financial Statements

a) Balance sheets

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2020)	Current Consolidated Fiscal Year (As of August 31, 2021)
Assets		
Current assets		
Cash and deposits	500,327	1,457,362
Accounts receivable – trade	*1 219,900	*1 380,700
Supplies	452	422
Prepaid expenses	145,711	*1 133,176
Accounts receivable – other	*1 460,613	*1 240,938
Short-term loans receivable from subsidiaries and associates	*1 150,000	*1 150,000
Other	*1 299,372	*1 181,045
Allowance for doubtful accounts	(112,836)	(70,812)
Total current assets	1,663,541	2,472,832
Non-current assets		
Property, plant, and equipment		
Buildings	245,879	188,028
Tools, furniture, and fixtures	9,117	13,883
Total property, plant, and equipment	254,997	201,911
Intangible assets		
Trademark right	14,729	12,179
Software	106,057	146,691
Other	-	95,700
Total intangible assets	120,786	254,570
Investments and other assets		
Shares of subsidiaries and associates	5,159,799	4,568,466
Guarantee deposits	462,373	298,409
Deferred tax assets	291,622	220,130
Other	*1 10,988	7,606
Total investments and other assets	5,924,784	5,094,612
Total non-current assets	6,300,569	5,551,094
Total assets	7,964,110	8,023,927

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2020)	Current Consolidated Fiscal Year (As of August 31, 2021)
Liabilities		
Current liabilities		
Short-term loans payable	*3 343,000	*3 41,000
Short-term loans payable to subsidiaries and associates	-	*1 800,000
Current portion of long-term loans payable	171,996	86,018
Accrued expenses	6,626	44,663
Income taxes payable	10,419	29,063
Provision for bonuses	22,044	37,182
Other	*1 256,130	*1 484,308
Total current liabilities	810,217	1,522,235
Non-current liabilities		
Long-term loans payable	86,018	-
Asset retirement obligations	200,100	159,400
Provision for directors' retirement benefits	66,400	66,595
Total non-current liabilities	352,518	225,996
Total liabilities	1,162,736	1,748,232
Net assets		
Shareholders' equity		
Capital stock	1,117,032	1,144,576
Capital surplus		
Legal capital surplus	1,107,029	1,134,574
Other capital surplus	-	47,656
Total capital surplus	1,107,029	1,182,231
Retained earnings		
Legal retained earnings	2,500	2,500
Other retained earnings		
Retained earnings brought forward	4,634,642	4,005,030
Total retained earnings	4,637,142	4,007,530
Treasury shares	(59,830)	(213,079)
Total shareholders' equity	6,801,373	6,121,258
Stock acquisition rights	-	154,436
Total net assets	6,801,373	6,275,695
Total liabilities and net assets	7,964,110	8,023,927

b) Statements of Income

(Thousands of yen)

	Previous Fiscal Year (September 1, 2019 to August 31, 2020)	Current Fiscal Year (September 1, 2020 to August 31, 2021)
Net sales	※2 19,069,742	-
Operating revenue	※2 1,206,000	※2 3,665,020
Total of net sales and operating revenue	20,275,742	3,665,020
Cost of sales		
Merchandise, beginning of period	4,673,530	-
Cost of purchased goods	14,982,367	-
Total	19,655,898	-
Transfer to other accounts	4,873,582	-
Cost of goods sold	14,782,315	-
Gross profit	5,493,426	-
SG&A	※1,※2 3,563,144	-
Operating expenses	1,102,734	※1,※2 2,996,659
Operating profit	827,547	668,360
Non-operating income		
Interest income	※2 556	※2 648
Dividends income	12,780	-
Foreign exchange gains	3,206	0
Interest on refunds	16	1,612
Fiduciary obligation fee	※2 6,008	※2 900
Rental income	6,463	-
Other	※2 3,325	2,838
Total non-operating income	32,358	6,000
Non-operating expenses		
Interest expenses	15,655	6,100
Commission fee	559	132,740
Loss on extinguishment of share-based remuneration expenses	32,779	11,611
Other	7,702	4,288
Total non-operating expenses	56,696	154,741
Ordinary profit	803,209	519,618
Extraordinary losses		
Impairment loss	17,965	31,183
Losses on the valuation of shares of subsidiaries and associates	-	591,838
Provision of an allowance for doubtful accounts	-	65,795
Total extraordinary losses	17,965	688,818
Profit (loss) before income taxes	785,244	(169,199)
Income taxes – current	233,433	60,580
Income taxes – deferred	24,000	71,492
Total income taxes	257,434	132,073
Net income (loss)	527,810	(301,272)

c) Statement of Changes in Equity

Previous Fiscal Year (September 1, 2019 to August 31, 2020)

(Thousands of yen)

	Shareholders' Equity						
		Capital Surplus			Retained Earnings		
	Capital Stock	Legal Capital Surplus	Other Capital Surplus	Capital Surplus Total	Legal Retained Earnings	Other Retained Earnings Retained Earnings Brought Forward	Retained Earnings Total
Beginning of period	1,027,507	1,017,504	-	1,017,504	2,500	4,552,250	4,554,750
Changes during the period							
Issuance of new shares	89,525	89,525		89,525			-
Dividends of surplus				-		(445,418)	(445,418)
Net income				-		527,810	527,810
Purchase of treasury shares				-			-
Total changes during the period	89,525	89,525	-	89,525	-	82,391	82,391
End of period	1,117,032	1,107,029	-	1,107,029	2,500	4,634,642	4,637,142

	Shareholders' Equity		Stock acquisition rights	Total Net Assets
	Treasury Shares	Shareholders' Equity Total		
Beginning of period	(59,783)	6,539,979	-	6,539,979
Changes during the period				
Issuance of new shares		179,050		179,050
Dividends of surplus		(445,418)		(445,418)
Net income		527,810		527,810
Purchase of treasury shares	(46)	(46)		(46)
Total changes during the period	(46)	261,394	-	261,394
End of period	(59,830)	6,801,373	-	6,801,373

Current Fiscal Year (September 1, 2020 to August 31, 2021)

(Thousands of yen)

	Shareholders' Equity						
		Capital Surplus			Retained Earnings		
	Capital Stock	Legal Capital Surplus	Other Capital Surplus	Capital Surplus Total	Legal Retained Earnings	Other Retained Earnings Retained Earnings Brought Forward	Retained Earnings Total
Beginning of period	1,117,032	1,107,029	-	1,107,029	2,500	4,634,642	4,637,142
Changes during the period							
Issuance of new shares	27,544	27,544		27,544			-
Dividends of surplus				-		(328,339)	(328,339)
Net income (loss)				-		(301,272)	(301,272)
Purchase of treasury shares				-			-
Disposal of treasury shares			47,656	47,656			-
Change during current fiscal year other than change in shareholders' equity (net)				-			-
Total changes during the period	27,544	27,544	47,656	75,201	-	(629,611)	(629,611)
End of period	1,144,576	1,134,574	47,656	1,182,231	2,500	4,005,030	4,007,530

	Shareholders' Equity		Stock acquisition rights	Total Net Assets
	Treasury Shares	Shareholders' Equity Total		
Beginning of period	(59,830)	6,801,373	-	6,801,373
Changes during the period				
Issuance of new shares		55,089		55,089
Dividends of surplus		(328,339)		(328,339)
Net income (loss)		(301,272)		(301,272)
Purchase of treasury shares	(167,058)	(167,058)		(167,058)
Disposal of treasury shares	13,809	61,466		61,466
Change during current fiscal year other than change in shareholders' equity (net)		-	154,436	154,436
Total changes during the period	(153,249)	(680,115)	154,436	(525,678)
End of period	(213,079)	6,121,258	154,436	6,275,695

[Notes]

(Key accounting policies)

1. Valuation standards and methods for securities

Affiliated companies: The moving average cost method is applied.

2. Valuation standards and methods for inventories

Supplies: The Company calculates costs by the specific identification method (i.e., values on the balance sheet are calculated by the book value reduction method based on decreased profitability).

3. Depreciation method for non-current assets

(1) Property, plant, and equipment (excluding leased assets)

The declining balance method is applied. However, for buildings (excluding facilities attached to buildings but including facilities attached to buildings acquired on or after April 1, 2016), the straight-line method is applied.

Note that the most common useful economic life periods are as follows:

Buildings	3-15 years
Tools, furniture, and fixtures	3-10 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied. For software, the straight-line method based on the period of internal use (five years) is applied.

(3) Leased assets

Lease assets related to finance leases without transfer of ownership

The straight-line method is applied, with the lease period defined as the useful economic life and zero residual value.

4. Accounting standards for provisions

(1) Allowance for doubtful accounts

To prepare for bad debt expenses on receivables such as accounts receivable and loans receivable, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables. The estimated amount of irrecoverable debt is booked based on the recoverability of individual cases for specified receivables, such as debt with a possibility of default.

(2) Provision for bonuses

To prepare for the payment of employee bonuses, the estimated amount of bonus payments anticipated for the current fiscal year is recorded.

(3) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, the amount recorded is the amount required to be paid at the end of the term based on rules regarding provisions for directors' retirement benefits.

5. Standards for converting foreign-denominated assets and liabilities into the Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate as of the final day of the period, with translation differences booked as profit or loss.

6. Other significant matters that serve as bases for preparing consolidated financial statements

Accounting treatment of consumption taxes

Consumption tax and local consumption tax are accounted for by the tax excluded method.

(Significant accounting estimates)

Reasonable amounts are calculated for accounting estimates based on information available at the time of preparation of the financial statements.

Described below are accounting estimates recorded to the financial statements for the fiscal year under review associated with the risk of significant impact on financial statements for the next fiscal year.

Revaluation of loans to and investments in subsidiaries and associates

(1) Amount recorded to the balance sheet for the fiscal year under review

(Thousands of yen)

Account	Amount recorded in current fiscal year (pre-revaluation)	Revaluation loss in the current fiscal year	Amount recorded in current fiscal year
Shares of subsidiaries and associates	5,160,304	591,838	4,568,466

Account	Amount recorded in current fiscal year
Short-term loans receivable from subsidiaries and associates	150,000
Allowance for doubtful accounts on the above	(65,795)

(2) Information on specifics of significant accounting estimates related to the item identified

In the fiscal year under review, the Company recorded 591,838 thousand yen in losses on the valuation of shares of subsidiaries and associates and 65,795 thousand yen in the provision for allowance for doubtful accounts, due to a sharp decline in the effective price of stock in subsidiaries and associates. For shares of stock in subsidiaries and associates for which assessments of the recoverability of the effective price based on business plans indicated no likelihood of recovery in the effective price, the value was impaired to the effective price. In addition, a provision of allowance for doubtful accounts was recorded for short-term loans receivable from subsidiaries and associates not expected to be recoverable.

The Company has established accounting policies on impairment of securities, calling for impairment of the price of stock for which it is judged to be highly difficult to ascertain market value to the amount of net assets held as the effective price, and for abstaining from impairment even if the effective price falls by 50% or more from the acquisition price if sufficient grounds exist for considering recovery to be possible through the execution of a practical and reasonable business plan by the subsidiary or associate. Based on this policy, the Company confirms the effective price of stock in each company, as well as the potential for the recovery of the effective price, at the end of the fiscal year. The decision to apply impairment accounting is based on a study of the effectiveness and feasibility of the business plan with regard to matters such as the achievement of the most recent business plans.

The Group's future earnings may also be affected by the COVID-19 pandemic, which has had a wide-ranging impact on the economy and on corporate activity.

Any need to revise the assumptions on which these estimates are based, whether due to the spread of COVID-19, fluctuations generated by economic uncertainty, or other factors, may significantly affect reductions in book values in consolidated financial statements for the next consolidated fiscal year.

(Changes in presentation method)

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) is applied beginning with the financial statements for the end of the fiscal year under review. Notes on significant accounting estimates are appended to the financial statements.

However, in accordance with the provisional handling described in the proviso to Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates, the notes referred to above exclude details for the previous fiscal year.

(Statement of Income)

1. Due to the migration to a holding company structure effective March 1, 2020, the main business of the Company has become that of providing management guidance for affiliate companies. For this reason, revenues and expenditures related to this business are indicated as operating income and operating expenses, respectively.

2. Due to an increase in its monetary importance, interest on refunds, which had been included under other non-operating income in the previous fiscal year, is indicated separately beginning with the fiscal year under review. The financial statements for the previous fiscal year have been revised to reflect this change. As a result, the amount of 3,342 thousand yen in other non-operating income in the Statement of Income for the previous fiscal year has been restated as 16 thousand yen in interest on refund and 3,325 thousand yen in other non-operating income.

(Regarding balance sheets)

*1 Monetary receivables and payables from and to affiliated companies

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2020)	Current Fiscal Year (as of August 31, 2021)
Short-term monetary claims	856,073	927,631
Long-term monetary claims	5,408	-
Short-term monetary debt	16,807	835,994

*2 Guarantee obligations

The Company guarantees debts on loans from financial institutions and other lenders to the following affiliate companies:

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2020)	Current Fiscal Year (as of August 31, 2021)
Valuence Japan Inc.	1,200,000	1,600,000
Valuence International Limited	-	499,494

*3 Overdraft agreements

To raise working capital efficiently, we have entered into an overdraft agreement with one bank (two in the previous fiscal year). The unused balance under this agreement is as follows:

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2020)	Current Fiscal Year (as of August 31, 2021)
Total maximum overdraft limit	2,000,000	300,000
Balance of loans executed	200,000	-
Net balance	1,800,000	300,000

(Regarding statements of income)

*1 Major items, amounts, and their approximate shares within selling, general, and administrative expenses are as follows:

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Directors' compensation	137,100	154,973
Salaries and bonuses	1,057,762	515,616
Rents	937,113	492,405
Outsourcing expenses	237,041	374,421
Depreciation	187,013	190,372
Provision for bonuses	22,044	37,182
Provision of allowance for doubtful accounts	8,761	-
Provision for directors' retirement benefits	14,928	11,420
Approximate share		
Selling expenses	55%	0%
General and administrative expenses	45%	100%

*2 Transaction volumes with affiliated companies

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)	Current Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)
Volume of business transactions		
Net sales	744,174	-
Operating income	1,206,000	3,665,020
Total of SG&A and operating expenses	164,417	220,545
Volume of non-business transactions	16,851	2,577

(Securities)

The fair value of affiliated company stocks is not provided because these stocks lack market prices and fair value is extremely difficult to estimate.

The following provides the value for affiliate company stock recognized on the balance sheet, whose fair value is deemed extremely difficult to assess.

(Thousands of yen)

Classification	Previous Fiscal Year (as of August 31, 2020)	Current Fiscal Year (as of August 31, 2021)
Shares of subsidiaries	5,159,799	4,253,151
Shares of associates	-	315,315
Total	5,159,799	4,568,466

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major classification

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2020)	Current Fiscal Year (as of August 31, 2021)
Deferred tax assets		
Provision for directors' retirement benefits	20,331	20,391
Excess amount of amortization of deferred assets	68	-
Allowance for doubtful accounts	34,550	21,682
Provision for bonuses	6,749	11,385
Loss on valuation of inventories	7,058	-
Asset retirement obligations	61,270	48,808
Accrued business office taxes	631	752
Accrued enterprise tax	-	4,567
Rejected loss on valuation of shares of subsidiaries and associates	-	202,886
Stock-based compensation expenses	38,691	21,774
Shares of stock in successor company in corporate split	164,690	164,690
Other	778	625
Subtotal of deferred tax assets	334,822	497,566
Valuation allowance	(20,331)	(265,199)
Total deferred tax assets	314,491	232,366
Deferred tax liabilities		
Retirement expenses related to asset retirement obligations	19,786	12,236
Accrued enterprise tax receivable	3,081	-
Total deferred tax liabilities	22,868	12,236
Deferred tax assets, net	291,622	220,130

2. Significant differences between and details of statutory tax rates and effective tax rates

	Previous Fiscal Year (as of August 31, 2020)	Current Fiscal Year (as of August 31, 2021)
Effective statutory tax rate	30.62%	-%
Increase (decrease) in valuation allowance	0.10%	-%
Per capita	2.44%	-%
Non-deductible entertainment expenses	0.89%	-%
Other	(1.26%)	-%
Income tax rate after application of tax effect accounting	32.79%	-%

Note: Omitted because a loss before income taxes was recorded in the fiscal year under review

(Significant subsequent events)

(Issue of stock acquisition rights as stock options)

Omitted here because the information is provided under *Notes (Significant subsequent events)* in the consolidated financial statements.

d) Supplementary Schedule

Schedule of Property, Plant and Equipment

(Thousands of yen)

Classification	Asset class	Beginning of period	Increase	Decrease	Depreciation	End of period	Accumulated depreciation
Property, plant and equipment	Buildings	245,879	108,362	31,183 (31,183)	135,030	188,028	286,775
	Tools, furniture and fixtures	9,117	10,529	-	5,763	13,883	50,575
	Leased assets	-	-	-	-	-	4,553
	Total	254,997	118,891	31,183 (31,183)	140,793	201,911	341,904
Intangible assets	Trademark right	14,729	-	-	2,550	12,179	18,320
	Software	106,057	87,662	-	47,028	146,691	115,708
	Other	-	95,700	-	-	95,700	-
	Total	120,786	183,362	-	49,578	254,570	134,029

(Notes)

1. Main items within the current-term increase are as follows.

(Thousands of yen)

Facilities attached to buildings	Head office	Interior construction, etc.	108,362
Software	Head office	Appraisal management system construction	87,362

2. The amount in parentheses in the Decrease column is the amount of impairment loss recorded, which is included in the total.

Schedule of Provisions

(Thousands of yen)

Account	Beginning of period	Increase	Decrease	End of period
Allowance for doubtful accounts	112,836	65,795	107,819	70,812
Provision for bonuses	22,044	56,454	41,316	37,182
Provision for directors' retirement benefits	66,400	11,420	11,225	66,595

(2) Major Assets and Liabilities

This information is omitted, as the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Stock Administration

Fiscal year	September 1 to August 31
Ordinary General Meeting of Shareholders	Within three months from the day following the final day of each fiscal year
Date of record	August 31
Date of record for dividends from surplus	End of February, August 31
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder Register Manager	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	—
Purchase and sales fee	Predetermined fees for the consignment of purchase and sales of shares
Method for public notice	Published electronically. However, public notices will be published via the *Nihon Keizai Shimbun* in the event that electronic publication is unavailable due to accidents or other unavoidable circumstances. Public notices are posted on the Company's website (URL below): https://www.valuence.inc/ir/investor/publicnotice/
Special benefits for shareholders	None

Note:

Company shareholders may not exercise any rights related to holdings of fractional shares, except those rights stipulated as follows:

(1) Rights as provided in Paragraph 2, Article 189 of the Companies Act

(2) Rights to demands as provided in Paragraph 1, Article 166 of the Companies Act

(3) Rights to receive an allotment of share subscriptions or share warrants according to the number of shares held by the shareholder in question

VII. Reference Information for Filing Company

1. Information on Parent Company of Filing Company

The Company's parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act is SF Property Management Inc.

2. Other Reference Information

The Company filed the following documents during the period from the first day of the fiscal year to the filing date of Annual Securities Report.

(1) Annual Securities Report and Attached Documents, and Confirmation Letter

9th Fiscal Year (September 1, 2019 to August 31, 2020)

Filed with the Director-General of the Kanto Local Finance Bureau on November 20, 2020

(2) Internal Control Report and Attached Documents

Filed with the Director-General of the Kanto Local Finance Bureau on November 20, 2020

(3) Quarterly Report and Confirmation Letter

10th Fiscal Year 1st Quarter (September 1, 2020 to November 30, 2020)

Filed with the Director-General of the Kanto Local Finance Bureau on January 14, 2021

10th Fiscal Year 2nd Quarter (December 1, 2020 to February 28, 2021)

Filed with the Director-General of the Kanto Local Finance Bureau on April 14, 2021

10th Fiscal Year 3rd Quarter (March 1, 2021 to May 31, 2021)

Filed with the Director-General of the Kanto Local Finance Bureau on July 14, 2021

(4) Report on purchase of treasury stock

Filed with the Director-General of the Kanto Local Finance Bureau on September 9, 2021, for the period subject to reporting (August 1–31, 2021).

Part 2 Information on Guarantee Company, Etc. of the Filing Company

Not applicable

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

November 25, 2021

To: The Board of Directors,

Valuence Holdings Inc.

Deloitte Touche Tohmatsu Limited
Tokyo Office

Designated Limited Liability Partner, Certified Public Accountant	Koichi Kuse	Seal
Designated Limited Liability Partner, Certified Public Accountant	Hiroyuki Ito	Seal

<Audit of financial statements>

Auditor’s opinion

We have audited the accompanying financial statements of Valuence Holdings Inc. included in Financial Information for the consolidated fiscal year from September 1, 2020, to August 31, 2021, comprising the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of shareholders’ equity, consolidated statement of cash flows, significant accounting policies, other related notes, and consolidated supplementary schedules, in accordance with Article 193, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the consolidated financial statements referred to above fairly present all material points concerning the state of finances as of August 31, 2020 and the state of business results and cash flows for the consolidated fiscal year ended on that date of Valuence Holdings Inc., in compliance with principles of corporate accounting generally accepted in Japan.

Evidence for the auditor’s opinion

We performed our audit in accordance with audit principles generally accepted in Japan. Our responsibilities under these audit principles are described under “Auditor’s responsibilities in audits of consolidated financial statements.” In accordance with rules of professional ethics in Japan, we are independent from the Company and its consolidated subsidiaries and have met all other applicable ethical responsibilities of an auditor. We believe we have obtained sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.

Matters of emphasis in the audit

Matters of emphasis in the audit are matters judged by us as audit professionals to be of particular importance in auditing the consolidated financial statements for the consolidated fiscal year under review. Matters of emphasis are considered in the process of auditing and issuing opinions on the audit of the consolidated financial statements as a whole. We do not express opinions on them individually.

<table>
<tr><td colspan="2">Revaluation of merchandise</td></tr>
<tr><td>Details of matters of emphasis and reasons for the decision</td><td>Audit responses</td></tr>
<tr><td>As indicated on the consolidated balance sheet, as of August 31, 2021, the Company recorded 3,921,002 thousand yen in merchandise, equivalent to approximately 21% of total assets.
In addition, as noted in the Note “Significant accounting estimates” and note *1 to the consolidated statement of income, cost of sales includes 51,919 thousand yen in gains on reversal (after offsetting reversal amounts by the reversal method).
The merchandise of Valuence Japan Inc., which accounts for the bulk of merchandise on the consolidated balance sheet, consists chiefly of reuse branded merchandise, jewelry, and precious metals. By nature, such merchandise involves wide variations in prices due to the highly individual nature of each item and fluctuating market conditions.
Due to the difficulty of estimating and recording decreases in book value for such highly individual items, as noted in the Note “Significant accounting estimates,” management revalues merchandise of Valuence Japan Inc. by estimating and recording declines in book value based on valuation standards for each category of merchandise.
The valuation standards are based on two perspectives: the possibility that merchandise may become non-moving and the likelihood of sale at a loss at some time in the future.
• For merchandise that may become non-moving, recoverability is set to zero after the standard sale period expires.
• For merchandise that may be sold at a loss at some point in the future, revaluation estimates are based on past sales rates at a loss.
Setting such valuation standards involves various uncertainties, including whether the categories used, match the actual state of the merchandise and whether future forecasts for each category are appropriate. These decisions also require judgment on the part of management.
For these reasons, we have identified revaluation of merchandise of Valuence Japan Inc. as a matter of emphasis in our audit, since it is of particular importance in auditing the consolidated financial statements for the consolidated fiscal year under review.</td><td>We employed mainly the following audit procedures in considering the revaluation of merchandise of Valuence Japan Inc.:
☐ Consideration of valuation standards by category
• We considered whether merchandise categories matched the categories used by the Company in its internal administration.
• As described below, we understood the merchandise valuation standards adopted by the management and examined whether they were reasonable in view of the accounting standards governing the valuation of inventories and the actual state of sale of the merchandise.
- Regarding the possibility that merchandise may become non-moving, we checked whether actual sales results in the period conformed to the Company’s standard sales periods.
- Regarding the possibility of sale at a loss at some point in the future, we assessed the precision of management estimates by comparing estimates of net sales values in past fiscal years and actual loss during the current fiscal year and considering the causes of differences between them.
☐ Consideration of reasonability of valuation losses
• We assessed the efficacy of the development and operation of internal controls in product registration.
• We considered the accuracy of purchase dates, which constitute data prepared by the Company used in the estimation of merchandise values based on the possibility that merchandise may become non-moving.
• We considered the accuracy of past rates of selling at a loss, which constitute data prepared by the Company used in estimation of merchandise values based on the possibility of being sold at a loss at some point in the future.
• Based on recalculations and merchandise valuation standards employed by management, we determined whether valuation losses were properly calculated.</td></tr>
</table>

Responsibilities of Company management and the Audit and Supervisory Committee regarding the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating the internal controls, management determines necessary for the preparation and fair presentation of consolidated financial statements free of material misstatements, whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the propriety of preparing consolidated financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with the principles of corporate accounting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the performance of the directors in duties related to implementing and maintaining the financial reporting process.

Responsibilities of the auditor in auditing the consolidated financial statements

Our responsibility is to secure, based on our audit, reasonable assurance that the consolidated financial statements as a whole are free of material misrepresentation due to malfeasance or error and to set forth, in the audit report, an independent opinion on the consolidated financial statements. Misstatements may arise due to malfeasance or error and are judged to constitute material misstatements if they can reasonably be expected to impact decision-making by users of the consolidated financial statements, either individually or in sum.

Through the audit process, in accordance with audit principles generally accepted in Japan, we implemented the following measures based on our professional judgment and the spirit of skeptical inquiry:

- Identification and assessment of risks of material misrepresentation due to malfeasance or error; drafting and implementation of audit procedures suited to the risks of material misrepresentation; making judgments on the selection and application of audit procedures; securing sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.
- An audit of consolidated financial statements is not intended to lead to an opinion on the efficacy of internal controls. Nevertheless, in assessing risks, we do consider internal controls related to auditing to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and how they are applied, as well as the reasonableness of accounting estimates made by management and the suitability of related notes.
- We reach our conclusions on whether or not management's preparation of consolidated financial statements based on the going-concern assumption is appropriate and whether, based on the audit evidence obtained, any material uncertainties have been identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to them in the notes to the consolidated financial statements. If the notes to the consolidated financial statements concerning material uncertainties are inappropriate, the audit report must express an opinion mentioning such exceptions to the consolidated financial statements. The auditor's conclusions are based on the audit evidence obtained through the date of the audit report. Future events or conditions may render it impossible for the Company to continue as a going concern.
- We assess whether the presentation and notes in the consolidated financial statements conform to the principles of corporate accounting generally accepted in Japan; and whether the presentation, structures, and contents of the consolidated financial statements, including related notes, as well as the consolidated financial statements as a whole, accurately present the transactions and accounting facts on which they are based.
- We obtain sufficient and appropriate audit evidence concerning the financial information of the Company and its consolidated subsidiaries to serve as the basis for the statement of our opinion on the consolidated financial statements. We are responsible for instructions, oversight, and implementation related to auditing of the consolidated financial statements. We are responsible for the expression of an independent audit opinion.

We report to the Audit and Supervisory Committee on the scope and timing of the planned audit; any material audit discoveries, including material deficiencies in internal controls systems identified in the audit process; and related matters specified by audit standards.

We report to the Audit and Supervisory Committee with regard to our independence in accordance with rules of professional ethics in Japan and with regard to any matters that may reasonably be viewed as affecting the independence of auditors, as well as the specifics of safeguards taken to eliminate or mitigate any such impediments.

Among those items discussed with the Audit and Supervisory Committee, we identified as matters of emphasis in our audit items considered to be of particular importance in audits of consolidated financial statements for the consolidated fiscal year under review. However, such items are not described in cases in which disclosure is legally prohibited or in the extremely rare cases in which we have determined that they should not be reported because the disadvantages of reporting them in the audit report can be reasonably considered to exceed any public benefit arising from their disclosure.

<Audit of internal controls>

Auditor's opinion

We have audited the Internal Controls Report of Valuence Holdings Inc. as of August 31, 2021, for the purposes of auditing and verification pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the Internal Controls Report referred to above, which states that the internal controls of Valuence Holdings Inc. related to its financial report of August 31, 2021, on the consolidated financial statements referred to above, fairly present all material points concerning the result of an assessment of internal controls related to financial reporting, in conformity with the principles of assessments of internal controls related to financial reporting generally accepted in Japan.

Evidence for the auditor's opinion

We undertook our audit in accordance with audit principles for internal controls related to financial reporting generally accepted in Japan. Our responsibilities under these principles are described under "Responsibilities of the auditor in auditing internal controls." In accordance with professional ethical standards that apply in Japan, we are independent from the Company and its consolidated subsidiaries and have duly fulfilled our other ethical responsibilities as auditors. We believe we have obtained sufficient and appropriate grounds for auditing to serve as the basis for stating our opinion on the audit.

Responsibilities of management and the Audit and Supervisory Committee regarding the Internal Controls Report

Management is responsible for maintaining and operating internal controls for financial reporting and for preparing and appropriately presenting the Internal Controls Report conforming to the principles for assessments of internal controls related to financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and verifying the state of the maintenance and operation of internal controls related to financial reporting.

Note that internal controls on financial reporting may not always be sufficient to prevent or detect misrepresentations in financial reports.

Responsibilities of the auditor in auditing internal controls

Based on our audit of internal controls, our responsibility is to secure reasonable assurance that the Internal Controls Report is free of material misrepresentations and to set forth, in the audit report, an independent opinion on the Internal Controls Report.

Through the audit process, in accordance with principles of auditing internal controls generally accepted in Japan, we implemented the following measures based on our professional judgment and in the spirit of skeptical inquiry:

- Audit procedures intended to obtain audit evidence concerning the results of assessments of general controls related to financial reporting in the Internal Controls Report. Procedures for auditing internal controls were selected and applied at our discretion based on the materiality of impacts on the reliability of financial reporting.
- Consideration of the presentation of the Internal Controls Report as a whole, including the scope, procedures, and results of assessments of internal controls related to financial reporting.
- Obtaining adequate and appropriate audit evidence regarding the results of assessment of internal controls related to financial reporting in the Internal Controls Report. We are responsible for instruction, oversight, and implementation related to audits of the Internal Controls Report. We are also responsible for formulating an independent opinion on the audit.

We report to the Audit and Supervisory Committee concerning the scope and timing of the implementation of the planned audit of internal controls, the results of implementing the audit of internal controls, any material deficiencies identified in internal controls that should be disclosed, the results of rectification thereof, and other matters required by the principles for audits of internal controls.

We report to the Audit and Supervisory Committee with regard to our independence in accordance with rules of professional ethics in Japan and with regard to any matters that may reasonably be viewed as affecting the independence of auditors, as well as the specifics of safeguards taken to eliminate or mitigate any such impediments.

Conflict of interest

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries warranting disclosure pursuant to the provisions of the Certified Public Accountants Act.

Notes:

1. The above is a digital version of the original audit report. The original is kept separately by the Company (filing company of the securities report).
2. XBRL data is unaudited.

Independent Auditor's Report on the Financial Statements

November 25, 2021

To: The Board of Directors,

Valuence Holdings Inc.

Deloitte Touche Tohmatsu Limited
Tokyo Office

Designated Limited Liability Partner, Certified Public Accountant	Koichi Kuse	Seal
Designated Limited Liability Partner, Certified Public Accountant	Hiroyuki Ito	Seal

Auditor's opinion

We have audited the accompanying financial statements of Valuence Holdings Inc. included in Financial Information for the 10th fiscal year from September 1, 2020, to August 31, 2021, which comprise the balance sheet, statement of income, statement of shareholders' equity, significant accounting policies, and other related notes in accordance with Article 193, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the financial statements referred to above fairly present all material points on the state of finances as of August 31, 2021, and the state of business results for the fiscal year ended on that date, of Valuence Holdings Inc., in compliance with the principles of corporate accounting generally accepted in Japan.

Evidence for the auditor's opinion

We carried out our audit in accordance with audit principles generally accepted in Japan. Our responsibilities under these audit principles are described under "Auditor's responsibilities in audits of financial statements." In accordance with rules of professional ethics in Japan, we are independent from the Company and have met all other applicable ethical responsibilities of an auditor. We believe we have obtained sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.

Matters of emphasis in the audit

Matters of emphasis in the audit are matters judged by us as audit professionals to be of particular importance in auditing the financial statements for the fiscal year under review. Matters of emphasis are considered in the process of auditing and issuing opinions on the audit of the financial statements as a whole. We do not express opinions on them individually.

Revaluation of shares of subsidiaries and associates	
Details of matters of emphasis and reasons for the decision	Audit response
As indicated on the balance sheet, as of August 31, 2021, the Company recorded 4,568,466 thousand yen in shares of subsidiaries and associates. This is equivalent to approximately 57% of total assets. In addition, as noted in the statement of income and the Note "Significant accounting estimates," the Company recorded 591,838 thousand yen in losses on the valuation of shares of subsidiaries and associates. As noted under "1. Standards for and method of valuation of securities" under the Note "Significant accounting estimates," the Company applies the moving average cost method in its valuation of shares of subsidiaries and associates. In the event of a sharp decline in the effective price of such stock due to the declining financial position of the issuer, resulting in cases in which there are insufficient grounds for expecting the recoverability of the effective price, considerable impairment will be required. Since shares of subsidiaries and associates account for a significant portion of the monetary amounts on the balance sheet, it is especially important to conduct the valuation of the financial statements for the current fiscal year appropriately. Accordingly, we have identified this as a matter of emphasis.	In general, we applied the following audit procedures in considering the validity of valuations of shares of subsidiaries and associates: • In addition to considering whether the effective prices of shares of subsidiaries and associates were appropriately calculated based on the net assets of each issuing company and based on financial information concerning each issuer, we compared the purchase prices of shares of subsidiaries and associates with effective prices to assess the propriety of management decisions regarding the need for impairment. • We assessed the reliability of financial information from the issuers, which serves as the basis for calculations of net assets per share, based on reviews and audit procedures undertaken and their results. • We assessed the grounds for the recoverability of shares of subsidiaries and associates whose effective price had declined significantly. We compared the effective prices with the book value of the shares to assess whether the value reduced to the effective price if there were insufficient grounds for expecting recoverability of the effective price.

Responsibilities of Company management and the Audit and Supervisory Committee regarding the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating the internal controls, management determines necessary for the preparation and fair presentation of financial statements free of material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the propriety of preparing financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with the principles of corporate accounting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the performance of the duties of the directors in the maintenance and operation of the financial reporting process.

Responsibilities of the auditor in auditing the financial statements

Our responsibility is to secure, based on our audit, reasonable assurance that the financial statements as a whole are free of material misrepresentation due to malfeasance or error and to present, in the audit report, an independent opinion on the financial statements. Misstatements may arise due to malfeasance or error and are judged to constitute material misstatements if they can reasonably be expected to impact decision-making by users of the financial statements, either individually or in sum.

Through an audit process in accordance with audit principles generally accepted in Japan, we implemented the following measures based on our professional judgment and the spirit of skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error; drafting and implementation of audit procedures suited to the risks of material misrepresentation; making judgments on selection and application of audit procedures; and, securing sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.
- An audit of financial statements is not intended to lead to an opinion on the efficacy of internal controls. Nevertheless, in assessing risks, we do consider internal controls related to auditing to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and how they are applied, as well as the reasonableness of accounting estimates made by management and the suitability of related notes.
- We reach our conclusions on whether or not management's preparation of financial statements based on the going-concern assumption is appropriate and whether, based on the audit evidence obtained, any material uncertainties have been identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to them in the notes to the financial statements. If the notes to the financial statements concerning material uncertainties are inappropriate, the audit report must express an opinion mentioning such exceptions to the financial statements. The auditor's conclusions are based on the audit evidence obtained through the date of the audit report. Future events or conditions may render it impossible for the Company to continue as a going concern.
- We assess whether the presentation and notes in the financial statements conform to the principles of corporate accounting generally accepted in Japan; and whether the presentation, structures, and contents of the financial statements, including related notes, as well as the financial statements as a whole, accurately present the transactions and accounting facts on which they are based.

We report to the Audit and Supervisory Committee on the scope and timing of the planned audit; any material audit discoveries, including material deficiencies in internal controls systems identified in the audit process; and related matters specified by audit standards.

We report to the Audit and Supervisory Committee with regard to our independence in accordance with rules of professional ethics in Japan and with regard to any matters that may reasonably be viewed as affecting the independence of auditors, as well as the specifics of safeguards taken to eliminate or mitigate any such impediments.

Among those items discussed with the Audit and Supervisory Committee, we identified as matters of emphasis in our audit items considered to be of particular importance in audits of financial statements for the fiscal year under review. However, such items are not described in cases in which disclosure is legally prohibited or in the extremely rare cases in which we have determined that they should not be reported because the disadvantages of reporting them in the audit report can be reasonably considered to exceed any public benefit arising from their disclosure.

Conflicts of interest

Our firm and engagement partners have no interest in the Company warranting disclosure pursuant to the provisions of the Certified Public Accountants Act.

Notes:

1. The above is a digital version of the original audit report. The original is kept separately by the Company (filing company of the securities report).
2. XBRL data is unaudited.