Consolidated Financial Results for Fiscal Year Ended in August 2022 [Japanese GAAP]

October 14, 2022

Company name: Valuence Holdings Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9270
URL: https://www.valuence.inc/
Representative: (Title) Representative Director (Name) Shinsuke Sakimoto
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Scheduled date for ordinary general meeting of shareholders: November 25, 2022
Scheduled date for commencing dividend payments: November 10, 2022
Scheduled date for filing securities report: November 25, 2022
Preparation of supplementary financial results briefing materials: Yes
Holding of financial results briefing: Yes (For institutional investors and analysts)

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

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

(1) Consolidated operating results

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended in August 2022	63,385	20.7	1,888	61.6	1,791	83.4	969	33.7
Fiscal year ended in August 2021	52,512	38.4	1,169	85.2	976	57.1	725	137.2

Note: Comprehensive income: Fiscal year ended in August 2022 1,143 million yen [50.7%] Fiscal year ended in August 2021 758 million yen [147.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended in August 2022	74.06	73.61	13.2	8.5	3.0
Fiscal year ended in August 2021	54.87	54.58	10.5	5.7	2.2

(Reference only) Profits/losses from investment by equity method Fiscal year ended in August 2022 (50) million yen Fiscal year ended in August 2021 — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended in August 2022	23,249	7,853	32.4	586.41
Fiscal year ended in August 2021	18,727	7,270	38.0	539.40

(Reference only) Equity Fiscal year ended in August 2022 7,536 million yen Fiscal year ended in August 2021 7,115 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents closing balance
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended in August 2022	(1,716)	(1,536)	2,691	7,806
Fiscal year ended in August 2021	2,007	(1,256)	1,210	8,269

2. Dividends

	Annual dividends					Total dividends (total)	Dividend payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended in August 2021	—	0.00	—	25.00	25.00	329	45.6	4.8
Fiscal year ended in August 2022	—	0.00	—	25.00	25.00	321	33.8	4.4
Fiscal year ending in August 2023 (forecast)	—	0.00	—	30.00	30.00		29.7	

Note: Year-end dividends for the fiscal year ended in August 2022 are still planned at this time and will be determined by the board of directors meeting on October 27, 2022.

3. Consolidated financial results forecast for the fiscal year ending in August 2023 (September 1, 2022 to August 31, 2023)

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	78,500	23.8	2,500	32.4	2,350	31.2	1,300	34.1	101.15

* Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies due to application of new or revised accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatements: None

(Note) For details, please refer to "3. Consolidated financial statements and major notes (5) Notes on consolidated financial statements (Changes in accounting policies)" on page 15 of the attached materials.

(3) Number of shares of common stock issued

1) Number of shares issued at the end of the period (including treasury shares)	Fiscal year ended in August 2022	13,335,620 shares	Fiscal year ended in August 2021	13,326,170 shares
2) Number of shares of treasury shares at the end of the period	Fiscal year ended in August 2022	483,653 shares	Fiscal year ended in August 2021	134,384 shares
3) Average number of shares of common stock during the period	Fiscal year ended in August 2022	13,086,521 shares	Fiscal year ended in August 2021	13,215,643 shares

* These quarterly financial results are not subject to quarterly review procedures to be performed by certified public accountants or an audit firm.

* Explanation on appropriate use of financial results forecasts and other matters of note

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to "1. An overview of the business results etc. (4) Future outlook" on page 6 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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1. An overview of the business results etc.

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

In recent years, the concept of circular economy has widely taken hold among the general public, with ever-increasing calls to address environmental issues and social needs. Amid this operating environment, the Company Group decided on its vision to become a “Circular Design Company” by 2030, with “Circular Design for the Earth and Us” as the Company Group’s purpose. This commitment is based on the awareness that it is critical for the Company Group to enhance sustainability, including that for the Earth’s environment, and establish a medium- to long-term competitive edge. The Company Group had announced in October 2020 the VG1000 mid-term management plan, which covers the period through the fiscal year ending in August 2025. As the second year of the mid-term management plan, the fiscal year ended in August 2022, came to close, the plan has been revised into “VG1000 ver2.0” with an eye toward the newly set purpose and long-term targets. The Company Group will strive for growth by further advancing its business model, with the goal of hitting 100 billion yen in net sales in the fiscal year ending in August 2025 still intact.
As with before, the Company Group is set to proactively make forward-looking growth investments during the period covered by this mid-term management plan. In the fiscal year ended in August 2022, the Company Group continued to make proactive investments as it did in the previous fiscal year, and saw increased expenses related to system development, operation, and maintenance in addition to advertising and personnel expenses. Meanwhile, net sales grew substantially in the second half of the year, with customer traffic recovering as the market for bullion soared and the COVID-19 pandemic subsided. The growth in net sales offset the rise in SG&A expenses, leading to increases in both net sales and profits.
The Company Group’s consolidated financial results for the fiscal year under review were as follows. Effective from the beginning of the fiscal year under review, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., has been applied. With regard to the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment prescribed in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition, the new accounting policy has not been applied retrospectively for the fiscal year ended in August 2021. For details, please refer to “3. Consolidated financial statements and major notes (5) Notes on consolidated financial statements (Changes in accounting policies).”

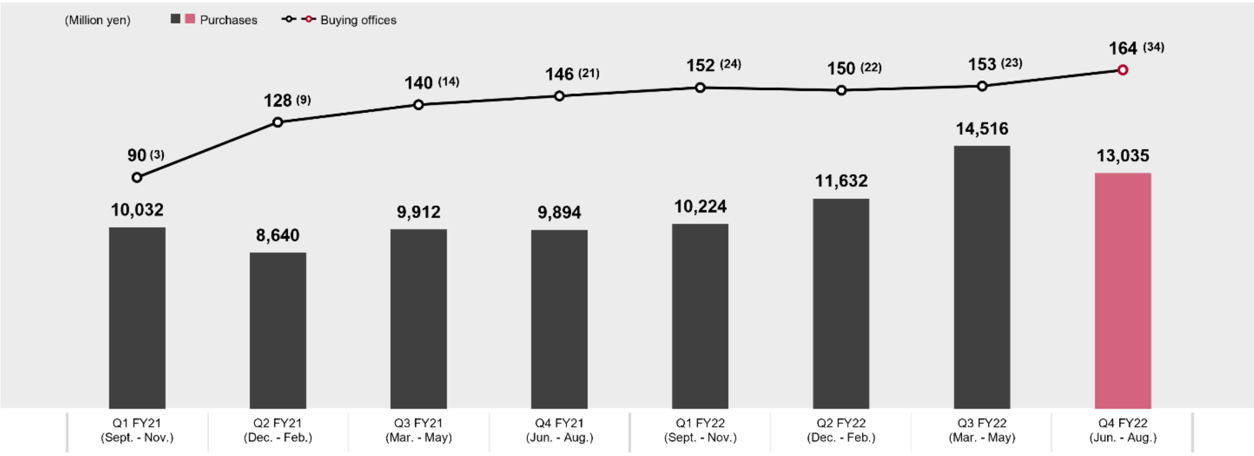
Net sales	63,385 million yen	(Up 20.7% from the previous fiscal year)
Operating profit	1,888 million yen	(Up 61.6% from the previous fiscal year)
Ordinary profit	1,791 million yen	(Up 83.4% from the previous fiscal year)
Profit attributable to owners of parent	969 million yen	(Up 33.7% from the previous fiscal year)

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

Specific initiatives in the fiscal year under review were as follows.
With regard to purchases, the impact from the COVID-19 pandemic, which still persisted at the beginning of the fiscal year, gradually faded. In part aided by the soaring market for watches in the second quarter and that for bullion in the third quarter, purchases reached a record high. Purchases per buying office has also recovered to a level before the pandemic. As for promotional efforts, the Company Group focused on online marketing, including search engine optimization (SEO) measures, to increase customer traffic. In addition, with a view to raising awareness, the Company Group aired TV commercials for *Nanboya* over two periods, in September and from April to May. Of note, aired during the latter period was a new commercial starring KANJANI ∞ (Eight). Featuring the catchphrase “A Future Connected by Belongings and Emotions,” promotional activities with emphasis on sustainability contributed to reaching a wider demographic.
With regard to buying offices development, the Company Group temporarily eased down the pace of new office openings, chiefly in order to focus on restoring the level of purchases per office, which had decreased due to the fallout from the COVID-19 pandemic, especially given that it had rapidly expanded the office network through M&A during the previous fiscal year. The Company Group opened 5 new offices in Japan, mainly in cities outside of major metropolitan areas, and 17 new offices overseas, many of which in collaboration with partners, bringing the total number of buying offices of the Company Group as a whole as of the end of the fiscal year under review to 130 offices in Japan and 34 offices overseas. The Company Group strengthened purchases through alliances with other industries in addition to opening new offices under its own brand, in an effort to efficiently expand purchases. While in-store purchases still account for the bulk of purchases, the Company Group also focuses on its on-site, home-delivery, and online purchases, and has gradually expanded results.

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

Purchases and Buying Offices

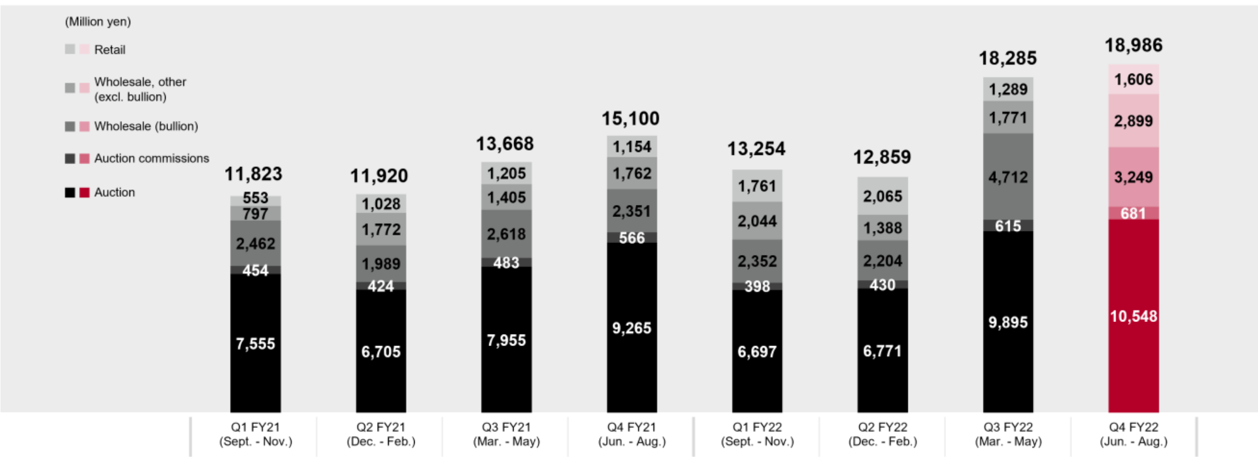


* No. of buying offices includes overseas buying offices. Nos. in parentheses indicate overseas buying offices.

With respect to selling operations, the Company Group was successful in establishing its own auction, the STAR BUYERS AUCTION ("SBA"), to be held four times a month, and combined with strong momentum for purchases as well as robust demand from overseas partners amid the yen weakness, sales from in-house auctions expanded significantly from the third quarter. In addition, wholesale (bullion) grew sharply as the sales volume increased, substantially benefiting from the soaring bullion market. As for retail sales, the Company Group opened a new flagship store in Omotesando in February, as part of its efforts to strengthen engagement with customers. Retail sales grew from the previous fiscal year, as overseas e-commerce sales also showed strength. On the other hand, from the third quarter, priority was given to sales at in-house auctions in order to disperse the risk associated with the falling watch market, ultimately resulting in limited growth in retail sales.
Gross profit margin deteriorated by 0.7 percentage points from the previous fiscal year to 25.7%, mainly due to an increase in the ratio of bullion in the sales mix.

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

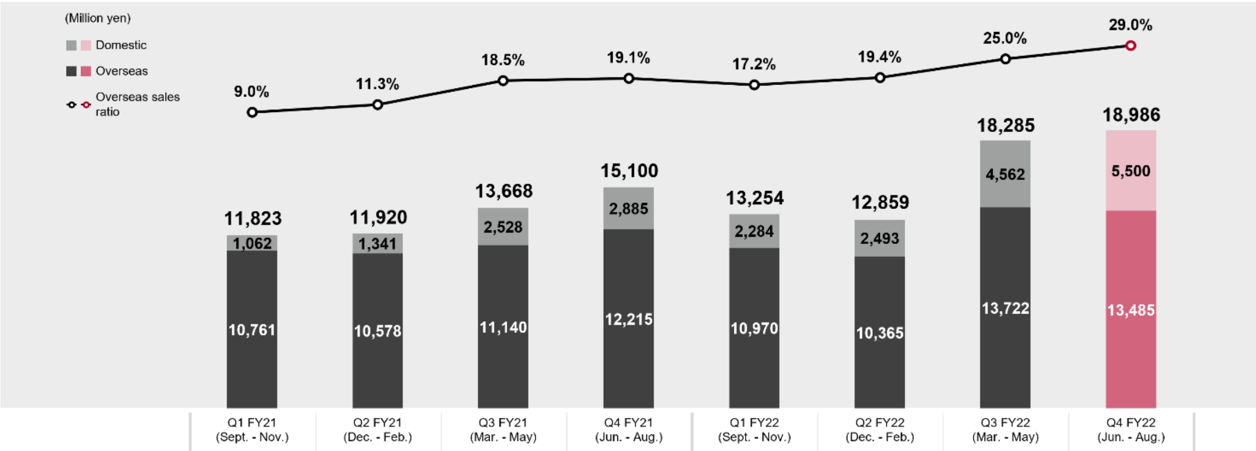
Net Sales by Channel (toB, toC)



The ratio of overseas sales to total net sales reached 23.4%, up 8.5 percentage points from the previous fiscal year. The elevated level was a result of many overseas partners winning bids on the SBA amid the yen weakness, a successful outcome from the Company Group pushing ahead with the efforts to find more overseas partners despite the COVID-19 pandemic. Sustained demand from overseas partners contributed to earnings growth, even as the Company Group saw a limited number of bids from Japanese partners amid a slowing momentum in the watch market from the third quarter.

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

Net Sales (Domestic, Overseas)



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

(Assets)

As of the end of the fiscal year under review, current assets were 16,804 million yen, up 3,394 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 462 million yen in cash and deposits and an increase of 2,408 million yen in merchandise resulting from business expansion, including product procurement and capital investment, as well as an increase of 816 million yen in consumption taxes refund receivable. Non-current assets were 6,445 million yen, up 1,128 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 359 million yen in property, plant and equipment resulting from the new opening and relocation of buying offices and a store, an increase of 414 million yen in intangible assets, including software and software in progress resulting from system development, and an increase of 380 million yen in guarantee deposits from office relocations. As a result, total assets were 23,249 million yen, up 4,522 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 14,320 million yen, up 4,018 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 3,560 million yen in short-term loans payable resulting from increased purchases. Non-current liabilities were 1,075 million yen, down 79 million yen from the end of the previous consolidated fiscal year, mainly due to a decrease of 66 million yen in provision for directors' retirement benefits, as well as a decrease of 62 million yen in asset retirement obligations from reclassification into current liabilities, which offset an increase of 94 million yen in long-term loans payable. As a result, total liabilities were 15,395 million yen, up 3,938 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 7,853 million yen, up 583 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 969 million yen in retained earnings resulting from the posting of profit attributable to owners of parent, an increase of 173 million yen in foreign currency translation adjustment, and an increase of 162 million yen from the issuance of share acquisition rights on the one hand, and a decrease of 329 million yen in retained earnings due to dividend payments and a decrease of 455 million yen from the acquisition of treasury shares on the other hand.

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

Cash and cash equivalents ("funds") as of the end of the fiscal year under review were 7,806 million yen, down 463 million yen from the end of the previous consolidated fiscal year.
An overview of cash flows by category in the fiscal year under review and major underlying factors are presented below.

(Cash flow from operating activities)

Cash flow from operating activities in the fiscal year under review was an outflow of 1,716 million yen (the result for the previous consolidated fiscal year was an inflow of 2,007 million yen), due mainly to fund increases, including 1,683 million yen in profit before income taxes, 715 million yen in depreciation expenses, and 280 million yen in share-based payment expenses on the one hand, and fund decreases, including 2,404 million yen in increase in inventories, 968 million yen in increase in consumption taxes receivable, and 609 million yen of income taxes paid on the other hand.

(Cash flow from investment activities)

Cash flow from investment activities in the fiscal year under review was an outflow of 1,536 million yen (the result for the previous consolidated fiscal year was an outflow of 1,256 million yen), due mainly to fund decreases, including outflows of 770 million yen due to purchase of property, plant and equipment, 362 million yen due to purchase of intangible assets, and 414 million yen in payments for guarantee deposits.

(Cash flow from financing activities)

Cash flow from financing activities in the fiscal year under review was an inflow of 2,691 million yen (the result for the previous consolidated fiscal year was an inflow of 1,210 million yen), due mainly to fund increases, including 3,560 million yen of increase in short-term loans payable and 220 million yen in proceeds from long-term borrowings on the one hand, and fund decreases, including outflows of 500 million yen due to purchase of treasury shares, 329 million yen in cash dividends paid, and 137 million yen due to repayment of long-term loans payable on the other hand.

(4) Future outlook

The Company Group had formulated and announced the VG1000 mid-term management plan, which covers the period through the fiscal year ending in August 2025. As the second year of the mid-term management plan, the fiscal year ended in August 2022, came to close, the Company Group has revised the plan and newly established the “VG1000 ver2.0”. The initial goal of hitting 100 billion yen in net sales in the fiscal year ending in August 2025 remains unchanged, even though the revision incorporates the delay in hitting profit targets due to ongoing forward-looking growth investments amid unexpectedly prolonged impact of the COVID-19 pandemic since the announcement of the mid-term management plan in October 2020. The Company Group will advance its business with strategies to expand the existing CtoBtoB model worldwide, to shore up retail sales for both domestic and global markets, and to transform into a recurring revenue model through enhanced relationships with customers and partners. The period covered by this mid-term management plan is positioned as a period for forward-looking outlays to implement and enhance all the functions necessary for a leap forward in the fiscal year ending in August 2026 and beyond. Even so, the Company Group aims to achieve profit growth while making those investments under the plan.

Based on this mid-term management plan, the Company Group will make headway with the following measures in the fiscal year ending in August 2023.

In terms of buying operations, the Company Group will focus on SEO measures and other forms of online marketing, where it has a strength, in order to increase customer traffic. Moreover, the Company Group will work to attract customers more efficiently through enhanced CRM, which will motivate customers to become repeat users. As for TV commercials, the Company Group’s understanding is that a certain level of exposure is necessary, based on the view that an increased awareness will be conducive to increasing the efficiency of online marketing. As such, the Company Group intends to air TV commercials. Meanwhile, the Company Group plans to accelerate the pace of new office openings again, premised on a post-pandemic scenario. In Japan, the Company Group plans to open 10 to 15 new offices every year. Overseas, the Company Group will focus mainly on opening offices in collaboration with partners. While overseas purchasing currently accounts for a small portion of the overall purchases, the Company Group intends to grow this area in the future by applying the know-how for online marketing developed in Japan to overseas markets.

With regard to selling operations, the Company Group will continue expanding the scale of its auction platform, such as by increasing the number of partners in and outside of Japan, and launching the fulfillment service. Furthermore, with the auction platform at the core, the Company Group will focus on shoring up retail sales for both domestic and global markets, such as by creating e-commerce functions at overseas locations with an eye toward establishing global e-commerce operations, and opening new retail stores in Japan. The Company Group positions the enhancement of retail sales as a key initiative for transforming its business model to a recurring revenue model. The Company Group will work to strengthen engagement by expanding customer touchpoints and facilitating the use of purchasing and other services the Company Group offers. Moreover, by enhancing the ALLU brand, the Company Group will be able to land more consignment retail projects in the fulfillment service, which should also contribute to strengthening partner engagement.

In addition, of the years covered by the mid-term management plan, the Company Group positions the fiscal year ending in August 2023 as the year for prioritizing investments in human resources in particular. The Company Group plans not only to staff up in preparation for the reacceleration of office openings and business expansion, but also to make proactive investments in human resources, including programs for employees to improve their capabilities and learn new skills. On top of these efforts, the Company Group expects an increase in other expenses associated with system upgrades for developing customer management platforms and launching the fulfillment service, as well as maintenance and operation of those systems, higher advertising expenses associated with the above-mentioned enhancements to online marketing, and increased rent expenses associated with new office openings. Moreover, the Company Group plans to relocate its head office in February 2023 from the current Shinagawa area to the Omotesando district in order to develop an office environment that better fits its future branding strategy. As such, the Company Group expects to incur one-off expenses including rent and miscellaneous expenses associated with the relocation.

Based on the above, the Company Group’s targets for the fiscal year ending in August 2023 are as follows.

Net sales	78,500 million yen	(Up 23.8% from the previous fiscal year)
Operating profit	2,500 million yen	(Up 32.4% from the previous fiscal year)
Ordinary profit	2,350 million yen	(Up 31.2% from the previous fiscal year)
Profit attributable to owners of parent	1,300 million yen	(Up 34.1% from the previous fiscal year)

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

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

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2021)	Current consolidated fiscal year (August 31, 2022)
Assets		
Current assets		
Cash and deposits	8,270,558	7,807,795
Accounts receivable - trade	260,438	605,782
Merchandise	3,921,002	6,329,008
Supplies	4,870	5,640
Consumption taxes refund receivable	562,377	1,378,773
Other	526,186	953,934
Allowance for doubtful accounts	(135,830)	(276,876)
Total current assets	13,409,602	16,804,058
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,970,411	3,594,092
Accumulated depreciation	(1,112,544)	(1,444,670)
Buildings and structures (net)	1,857,866	2,149,422
Furniture and fixtures	523,554	663,592
Accumulated depreciation	(277,195)	(382,776)
Furniture and fixtures (net)	246,358	280,816
Leased assets	310,615	416,014
Accumulated depreciation	(125,939)	(231,695)
Leased assets (net)	184,676	184,318
Land	189,965	189,965
Construction in progress	8,477	41,949
Total property, plant and equipment	2,487,345	2,846,472
Intangible assets		
Other	437,848	852,375
Total intangible assets	437,848	852,375
Investments and other assets		
Investment securities	26,364	33,263
Shares of subsidiaries and associates	315,315	265,142
Guarantee deposits	1,224,529	1,604,581
Deferred tax assets	797,585	799,082
Other	29,313	45,530
Allowance for doubtful accounts	(680)	(806)
Total investments and other assets	2,392,427	2,746,795
Total non-current assets	5,317,621	6,445,643
Total assets	18,727,224	23,249,702

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2021)	Previous consolidated fiscal year (August 31, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	119,801	244,150
Short-term loans payable	8,340,494	11,900,793
Current portion of long-term loans payable	101,018	88,440
Lease obligations	51,768	92,732
Income taxes payable	268,516	395,198
Provision for bonuses	325,234	256,992
Asset retirement obligations	24,680	166,864
Other	1,070,477	1,175,193
Total current liabilities	10,301,990	14,320,364
Non-current liabilities		
Long-term loans payable	211,250	306,090
Lease obligations	143,540	127,399
Provision for directors’ retirement benefits	66,595	–
Asset retirement obligations	648,412	585,770
Other	85,383	56,109
Total non-current liabilities	1,155,182	1,075,369
Total liabilities	11,457,173	15,395,734
Net assets		
Shareholders’ equity		
Capital stock	1,144,576	1,146,335
Capital surplus	1,180,011	1,256,619
Retained earnings	4,978,670	5,602,463
Treasury shares	(213,079)	(668,240)
Total shareholders’ equity	7,090,178	7,337,177
Accumulated other comprehensive income		
Foreign currency translation adjustment	25,435	199,386
Total accumulated other comprehensive income	25,435	199,386
Share acquisition rights	154,436	317,403
Total net assets	7,270,051	7,853,967
Total liabilities and net assets	18,727,224	23,249,702

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Net sales	52,512,592	63,385,779
Cost of sales	38,671,013	47,069,588
Gross profit	13,841,578	16,316,191
Selling, general and administrative expenses	12,672,503	14,427,514
Operating profit	1,169,075	1,888,676
Non-operating income		
Interest income	291	99
Gain on valuation of derivatives	–	5,316
Benefits	21,427	6,475
Subsidy income	400	21,571
Other	31,978	15,790
Total non-operating income	54,097	49,254
Non-operating expenses		
Interest expenses	45,305	61,275
Commission fee	148,260	6,997
Share of loss of entities accounted for using equity method	–	50,172
Loss on derivatives	299	–
Foreign exchange losses	11,283	22,057
Loss on extinguishment of share-based remuneration expenses	16,232	3,983
Other	24,823	2,123
Total non-operating expenses	246,204	146,609
Ordinary profit	976,968	1,791,321
Extraordinary income		
Gain on bargain purchase	69,486	–
Total extraordinary income	69,486	–
Extraordinary losses		
Impairment loss	218,794	99,509
Office relocation expenses	9,263	–
Loss on cancellation of rental contracts	7,365	–
Settlement payments	–	8,529
Total extraordinary losses	235,423	108,038
Profit before income taxes	811,031	1,683,282
Income taxes - current	400,738	716,064
Income taxes - deferred	(314,828)	(1,911)
Total income taxes	85,910	714,153
Profit (loss)	725,121	969,129
Profit (loss) attributable to owners of parent	725,121	969,129

(Consolidated statement of comprehensive income)

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Profit (loss)	725,121	969,129
Other comprehensive income		
Foreign currency translation adjustment	33,431	173,950
Total other comprehensive income	33,431	173,950
Comprehensive income	758,553	1,143,080
Comprehensive income attributable to:		
Owners of parent	758,553	1,143,080

(3) Consolidated statement of changes in net assets

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

(Unit: thousand yen)

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

Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Opening balance	1,144,576	1,180,011	4,978,670	(213,079)	7,090,178	25,435	25,435	154,436	7,270,051
Cumulative effects of changes in accounting policies			(15,541)		(15,541)		-		(15,541)
Restated balance	1,144,576	1,180,011	4,963,128	(213,079)	7,074,636	25,435	25,435	154,436	7,254,509
Change during current fiscal year									
Issuance of new shares	1,758	1,758			3,517		-		3,517
Dividends from surplus			(329,794)		(329,794)		-		(329,794)
Profit attributable to owners of parent			969,129		969,129		-		969,129
Purchase of treasury shares				(500,108)	(500,108)		-		(500,108)
Disposal of treasury shares		74,849		44,947	119,797		-		119,797
Change during current fiscal year other than change in shareholders' equity (net)					-	173,950	173,950	162,966	336,917
Overall change during current fiscal year	1,758	76,607	639,335	(455,160)	262,540	173,950	173,950	162,966	599,458
Closing balance	1,146,335	1,256,619	5,602,463	(668,240)	7,337,177	199,386	199,386	317,403	7,853,967

(4) Consolidated cash flow statement

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Cash flow from operating activities		
Profit before income taxes	811,031	1,683,282
Depreciation expenses	626,875	715,579
Goodwill amortization	146,420	—
Share-based payment expenses	422,675	280,240
Increase (decrease) in allowance for doubtful accounts	(40,676)	141,172
Increase (decrease) in provision for bonuses	81,318	(68,242)
Increase (decrease) in provision for directors' retirement benefits	195	(66,595)
Interest and dividend income	(291)	(99)
Interest expenses	45,305	61,275
Share of loss (profit) of entities accounted for using equity method	—	50,172
Subsidy income	(400)	(21,571)
Benefits	(21,427)	(6,475)
Gain on bargain purchase	(69,486)	—
Settlement payments	—	8,529
Impairment loss	218,794	99,509
Office relocation expenses	9,263	—
Loss on cancellation of rental contracts	7,365	—
Decrease (increase) in accounts receivable - trade	53,520	(345,344)
Decrease (increase) in inventories	158,749	(2,404,491)
Increase (decrease) in accounts payable - trade	83,912	124,349
Increase (decrease) in income taxes payable	22,072	8,614
Decrease/increase in consumption taxes receivable/payable	(534,124)	(968,768)
Other	252,656	(393,182)
Subtotal	2,273,751	(1,102,047)
Interest and dividend income received	291	99
Interest expenses paid	(41,726)	(59,364)
Subsidies received	400	20,095
Benefits received	21,427	6,475
Office relocation expenses paid	(9,263)	—
Payments for cancellation of rental contracts	(7,365)	—
Income taxes paid	(472,899)	(609,082)
Income taxes refund	242,986	27,701
Cash flow from operating activities	2,007,602	(1,716,122)
Cash flow from investment activities		
Purchase of property, plant and equipment	(635,602)	(770,180)
Purchase of intangible assets	(269,250)	(362,578)
Fulfillment of asset retirement obligations	(112,756)	(9,531)
Payments for guarantee deposits	(264,457)	(414,186)
Proceeds from collection of guarantee deposits	208,970	19,915
Purchase of shares of subsidiaries and associates	(315,315)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	657,681	—
Loan advances	(500,000)	—
Other	(26,137)	18
Cash flow from investment activities	(1,256,865)	(1,536,543)

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	1,997,206	3,560,299
Proceeds from long-term borrowings	—	220,000
Repayment of long-term loans payable	(259,842)	(137,738)
Proceeds from issuance of shares	55,089	3,517
Purchase of treasury shares	(167,058)	(500,108)
Cash dividends paid	(328,244)	(329,508)
Other	(86,942)	(124,710)
Cash flow from financing activities	1,210,207	2,691,750
Effect of exchange rate change on cash and cash equivalents	32,841	97,867
Increase (decrease) in cash and cash equivalents	1,993,785	(463,047)
Opening balance of cash and cash equivalents	6,275,644	8,269,430
Closing balance of cash and cash equivalents	8,269,430	7,806,382

(5) Notes on consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Change in scope of consolidation or equity method application)

As of the end of the first quarter of the current fiscal year, Valuence Art & Antiques Inc. has been excluded from the scope of consolidation as it was dissolved through an absorption-type merger with Valuence Japan Inc.

In addition, as of the end of the fourth quarter of the current fiscal year, Valuence Real Estate, Inc. has been excluded from the scope of consolidation as it was dissolved through an absorption-type merger with Valuence Japan Inc.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Accounting Standard for Revenue Recognition"), etc., from the beginning of the fiscal year ended in August 2022. It recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. As a result, the Company Group has changed its method of recognizing net sales and cost of sales to one that recognizes the amount excluding the amount equivalent to net sales and cost of sales of merchandise that is expected to be returned as net sales and cost of sales.

In addition, the Company Group has applied the alternative treatment prescribed in Paragraph 98 of the Guidance on Accounting Standard for Revenue Recognition and recognizes revenue at the time of shipment for domestic sales of merchandise if the period between the time of shipment and the time when control of the merchandise is transferred to the customer is normal time.

With respect to the application of the Accounting Standard for Revenue Recognition, etc., the Company Group has followed the transitional treatment prescribed in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year ended in August 2022 has been added to or deducted from retained earnings at the beginning of the fiscal year ended in August 2022, and the new accounting policy has been applied from the balance at the beginning of the fiscal year ended in August 2022.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

As a result, the balance of retained earnings at the beginning of the term decreased by 15,541 thousand yen since the cumulative effect was reflected in net assets at the beginning of the fiscal year ended in August 2022.

Compared with the previous method, this change decreased net sales by 195,466 thousand yen, cost of sales by 158,830 thousand yen, and operating profit, ordinary profit, and profit before income taxes by 36,635 thousand yen, respectively, in the fiscal year under review.

In addition, 19,618 thousand yen of returned assets are included in other under current assets, and 25,528 thousand yen of refund liabilities are included in other under current liabilities.

In the consolidated cash flow statement for the fiscal year under review, profit before income taxes decreased by 36,635 thousand yen.

In the consolidated statement of changes in net assets, the opening balance of retained earnings decreased by 15,541 thousand yen since the cumulative effect was reflected in net assets at the beginning of the fiscal year ended in August 2022.

The impact on per share information is stated in the applicable section.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Accounting Standard for Fair Value Measurement"), etc., from the beginning of the fiscal year ended in August 2022, and the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc., will be applied prospectively in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

This change has no impact on the consolidated financial statements.

(Changes in presentation)

(Consolidated balance sheet)

"Consumption taxes refund receivable," included in "Other" under "Current assets" in the previous fiscal year, and "Shares of subsidiaries and associates," included in "Other" under "Investments and other assets" in the previous fiscal year, are presented separately from the fiscal year under review in light of their increased financial materiality and from the perspective of ensuring clarity. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 1,088,563 thousand yen presented in "Other" under "Current assets" in the consolidated balance sheet for the previous fiscal year is now presented as "Consumption taxes refund receivable" of 562,377 thousand yen and "Other" of 526,186 thousand yen, while 344,628 thousand yen previously presented in "Other" under "Investments and other assets" has been reclassified into "Shares of subsidiaries and associates" of 315,315 thousand yen and "Other" of 29,313 thousand yen.

(Consolidated statement of income)

"Subsidy income," included in "Other" under "Non-operating income" in the previous fiscal year, is presented separately from the fiscal year under review in light of their increased financial materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 32,378 thousand yen presented in "Other" under "Non-operating income" in the consolidated statement of income for the previous fiscal year has been reclassified into "Subsidy income" of 400 thousand yen and "Other" of 31,978 thousand yen.

(Consolidated cash flow statement)

"Subsidy income," "Subsidies received," and "Decrease/increase in consumption taxes receivable/payable" under "Cash flow from operating activities" are presented separately from the fiscal year under review in light of their increased financial materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result, in the consolidated cash flow statement for the previous fiscal year, an outflow of 400 thousand yen in "Subsidy income," as well as inflows of 400 thousand yen in "Subsidies received" and 534,124 thousand yen in "Decrease/increase in consumption taxes receivable/payable," are now presented separately under "Cash flow from operating activities," while "Other" and "Subtotal" have been changed respectively from an outflow of 281,467 thousand yen to an inflow of 252,656 thousand yen and from an inflow of 2,274,151 thousand yen to an inflow of 2,273,751 thousand yen.

(Additional information)

With regard to the impact of the spread of COVID-19, the Company Group has made accounting estimates on impairment of non-current assets, recoverability of deferred tax assets, etc., based on the assumption that the impact will persist for a certain period of time beyond the fiscal year under review.

Of note, the impact from the COVID-19 pandemic involves many uncertainties, and depending on future developments, it may affect the Company Group's financial position and business performance.

(Segment information, etc.)

[Segment information]

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

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

Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)

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

[Relevant information]

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

1. Information by product and service

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

2. Information by region

(1) Net sales

(Unit: thousand yen)

Japan	China	U.S.	Others	Total
44,822,507	3,132,282	1,925,991	2,631,811	52,512,592

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

(2) Property, plant and equipment

(Unit: thousand yen)

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

3. Information by major customer

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

Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Unit: thousand yen)

Japan	China	U.S.	Others	Total
48,544,643	4,292,844	5,449,943	5,098,347	63,385,779

(Notes)
1. Net sales are based on the location of customers and are categorized by country or region.
2. Net sales to customers in the U.S. are presented separately from the fiscal year under review due to their increased materiality. This change in presentation has also been reflected for the previous fiscal year.

(2) Property, plant and equipment

(Unit: thousand yen)

Japan	China	Others	Total
2,455,346	255,516	135,608	2,846,472

3. Information by major customer

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

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

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

Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other articles. Thus, information by segment is omitted.

[Amortization and unamortized balance of goodwill by reportable segment]

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

Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other articles. Thus, information by segment is omitted.

[Gains on negative goodwill incurred by reportable segment]

Previous consolidated fiscal year (from September 1, 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 was recorded in extraordinary income.

Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Not applicable

(Per share information)

	Previous consolidated fiscal year (from September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Net assets per share	539.40 yen	586.41 yen
Basic earnings per share	54.87 yen	74.06 yen
Diluted earnings per share	54.58 yen	73.61 yen

Notes: 1. As stated in “Changes in accounting policies,” the Company Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., and has followed the transitional treatment prescribed in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition. This has caused net assets per share for the fiscal year under review to decrease by 2.35 yen, while causing basic earnings per share and diluted earnings per share to decrease by 1.12 yen and 1.11 yen, respectively.

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

	Previous consolidated fiscal year (from September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (from September 1, 2021 to August 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	725,121	969,129
Amount not attributable to ordinary shareholders (thousands of yen)	-	-
Profit attributable to owners of parent regarding ordinary shares (thousands of yen)	725,121	969,129
Average number of ordinary shares outstanding	13,215,643	13,086,521
Diluted earnings per share		
Profit adjustment attributable to owners of parent (thousands of yen)	-	-
Number of incremental ordinary shares	70,641	78,328
[of which those with share options are]	[70,641]	[78,328]
An outline of potential shares not included in the calculation of diluted earnings per share because they do not have dilutive effects	-	-

(Significant subsequent events)

Not applicable