

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

Securities Report

Fiscal Year	September 1, 2021
(Period 11)	To August 31, 2022

Valuence Holdings Inc.

Table of Contents

Part 1 Corporate Information	4
I. Company Overview	4
1. Key Management Indicators	4
2. History	7
3. Business Lines	8
4. Affiliated Companies	11
5. Employees	12
II. Business	13
1. Management Policies, Management Environment, Issues to be Addressed, etc.	13
2. Business and Other Risks	17
3. Management Analysis of Financial Position, Business Performance, and Cash Flows	21
4. Important Contracts and Other Business Agreements	27
5. Research and Development Activities	27
III. Status of Facilities	28
1. Overview of Capital Investment	28
2. Status of Major Facilities	28
3. Plans for New Equipment Installation, Removal, Etc.	30
IV. Information on the Filing Company	32
1. Information on Company Stock	32
2. Information on Acquisition of Treasury Shares	46
3. Dividend Policy	48
4. Information on Corporate Governance, Etc.	49
V. Accounting Status	66
1. Consolidated Financial Statements	67
2. Financial Statements	110
VI. Stock Administration	122
VII. Reference Information for Filing Company	123
1. Information on Parent Company of Filing Company	123
2. Other Reference Information	123
Part 2 Information on Guarantee Company, Etc. of the Filing Company	124
Audit Report	

Cover page

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, 2022
Business Year	Period 11 (from September 1, 2021 to August 31, 2022)
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	Yukiaki Ihara, Executive Officer; and General Manager, Corporate Strategy Head Office and Division Manager, Corporate Planning Division
Nearest Place of Contact	Shinagawa Season Terrace 28F, 1-2-70 Konan, Minato-ku, Tokyo
Phone Number	+81-3-4580-9983
Administrative Contact Name	Yukiaki Ihara, Executive Officer; and General Manager, Corporate Strategy Head Office and Division Manager, Corporate Planning Division
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 7	Period 8	Period 9	Period 10	Period 11
Closing Year and Month		August 2018	August 2019	August 2020	August 2021	August 2022
Net sales	(Thousands of yen)	31,529,271	37,799,272	37,932,651	52,512,592	63,385,779
Ordinary profit	(Thousands of yen)	1,806,141	2,262,320	622,038	976,968	1,791,321
Profit attributable to owners of the parent	(Thousands of yen)	1,242,954	1,458,944	305,650	725,121	969,129
Comprehensive income	(Thousands of yen)	1,243,454	1,450,025	306,868	758,553	1,143,080
Net assets	(Thousands of yen)	5,796,677	6,695,450	6,735,904	7,270,051	7,853,967
Total assets	(Thousands of yen)	12,258,009	14,111,795	15,378,731	18,727,224	23,249,702
Net assets per share	(Yen)	477.45	526.11	512.88	539.40	586.41
Net income per share	(Yen)	107.09	119.67	23.53	54.87	74.06
Diluted net income per share	(Yen)	97.39	110.78	22.95	54.58	73.61
Equity ratio	(%)	47.29	47.45	43.80	38.00	32.42
Return on equity	(%)	27.43	23.36	4.55	10.47	13.23
Price to earnings ratio	(multiplier)	28.95	13.95	68.18	54.95	28.64
Cash flows from operating activities	(Thousands of yen)	449,475	1,697,322	1,582,557	2,007,602	(1,716,122)
Cash flows from investing activities	(Thousands of yen)	(554,564)	(689,373)	(74,061)	(1,256,865)	(1,536,543)
Cash flows from financing activities	(Thousands of yen)	744,549	(584,835)	1,052,513	1,210,207	2,691,750
Cash and cash equivalents closing balance	(Thousands of yen)	3,297,704	3,714,430	6,275,644	8,269,430	7,806,382
Number of employees [Average number of temporary staff not included above]	(Persons)	421 [133]	471 [137]	587 [150]	873 [127]	896 [137]

Notes:

- 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.
- Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.
- The Company implemented a stock split at a ratio of 5 shares to 1 share of common stock on November 25, 2017 and a stock split at a ratio of 2 shares to 1 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.
- The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ended in August 2022, and the key management indicators for the current consolidated fiscal year are those following the application of this accounting standard, etc.

(2) Management Indicators for Filing Company

Period	Period 7	Period 8	Period 9	Period 10	Period 11
Closing Year and Month	August 2018	August 2019	August 2020	August 2021	August 2022
Net sales (Thousands of yen)	29,478,579	35,574,088	20,275,742	3,665,020	3,748,276
Ordinary profit (Thousands of yen)	1,621,322	2,236,960	803,209	519,618	1,102,614
Net income (loss) (Thousands of yen)	1,126,108	1,477,486	527,810	(301,272)	910,111
Capital stock (Thousands of yen)	948,582	1,027,507	1,117,032	1,144,576	1,146,335
Number of shares issued (Shares)	6,070,510	6,373,930	13,183,160	13,326,170	13,335,620
Net assets (Thousands of yen)	5,613,745	6,539,979	6,801,373	6,275,695	6,642,184
Total assets (Thousands of yen)	11,023,182	13,118,917	7,964,110	8,023,927	7,750,504
Net assets per share (Yen)	462.38	513.90	517.86	464.02	492.13
Dividend per share (Amount of interim dividend per share) (Yen)	51.50 (-)	70.00 (-)	25.00 (-)	25.00 (-)	25.00 (-)
Net income (loss) per share (Yen)	97.03	121.19	40.63	(22.80)	69.55
Diluted net income per share (Yen)	88.23	112.19	39.64	-	69.13
Equity ratio (%)	50.93	49.85	85.40	76.29	81.60
Return on equity (%)	25.55	24.31	7.91	(4.66)	14.62
Price to earnings ratio (multiplier)	31.95	13.78	39.48	-	30.50
Payout ratio (%)	26.54	28.88	61.54	-	35.95
Number of employees [Average temporary staff not included in above] (Persons)	342 [124]	387 [130]	59 [13]	88 [9]	108 [14]
Total shareholder return (Comparison index: TOPIX, including dividends) (%)	- (-)	55.00 (89.22)	53.68 (97.94)	100.00 (121.24)	71.97 (124.32)
Historical high (Yen)	7,540	8,500 (1,720)	2,825	5,430	3,445
Historical low (Yen)	3,570	3,345 (1,625)	957	1,686	1,034

Notes:

1. 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.
2. Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.
3. Total shareholder return and comparative indicators for Period 7 are not listed because the Company's stock was listed on the Tokyo Stock Exchange Mothers on March 22, 2018.
4. Historical high and historical low prices on or before April 3, 2022 are based on the Tokyo Stock Exchange Mothers and those on or after April 4, 2022 are based on the Tokyo Stock Exchange Growth. 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.
5. The Company implemented a stock split at a ratio of 5 shares to 1 share of common stock on November 25, 2017 and a stock split at a ratio of 2 shares to 1 share of common stock on September 1, 2019. Net assets per share, net income or loss 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.

6. Diluted earnings per share are not stated for Period 10. While dilutive shares were present, the Company recorded a net loss per share.
7. Price-to-earnings ratio and payout ratio are not stated for Period 10 because the Company recorded a net loss.
8. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ended in August 2022, and the key management indicators for the current fiscal year are those following the application of this accounting standard, etc.

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 (currently DOROQUIA HOLATHETA Co., Ltd.; hereinafter, “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 9 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 LLC. (currently 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 BRAND CONCIER as a wholly owned subsidiary (merged with the Company in May 2016), 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 <i>Nanboya</i> (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 renamed to STAR BUYERS AUCTION
December 2015	Tokyo office relocated to Minato-ku, Tokyo
January 2016	Retail brand RESALE SHOW ZIPANG launched in Izumisano City, Osaka
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 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 (merged into Valence Japan Inc. in September 2021)
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
August 2018	Launched THE EIGHT AUCTION, an auction site for dealers of antiques and art objects
November 2019	Company structure migrated to a company with audit and supervisory board
March 2020	Migrated to holding company structure and the Company renamed from SOU Inc. to Valence Holdings Inc.
March 2020	STAR BUYERS AUCTION migrated online
August 2020	Nomination and compensation committee established as voluntary advisory body to the board of directors
September 2020	NEO-STANDARD Co., Ltd. made consolidated subsidiary (merged into Valence Japan Inc. in March 2021)
August 2021	Nankatsu SC Co., Ltd. made equity-method affiliate through acquisition of its stock
April 2022	Migrated from Mothers to Growth following the market segment restructuring of the Tokyo Stock Exchange

3. Business Lines

Currently, the Company Group (the Company and its affiliates) consists of 11 companies: the Company, its consolidated subsidiaries (Valuence Japan Inc., Valuence Technologies 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 Company 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 a 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, antiques, and art; real estate brokerage services
Valuence Technologies Inc.	Development of software applications, computer systems, etc.
Valuence Ventures Inc.	Investment in startups
Valuence International Limited and other 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 4 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 purchasing staff 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 purchasing staff visit customers at their homes, the Company Group also offers online buying, in which purchasing staff 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 the Company Group focuses on handling of costly items, there is a strong demand for services that allow customers themselves to bring merchandise directly to buying offices. As such, in-office buying accounts for the majority of purchasing. At the same time, the Company 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 90% of purchases are from general consumers, the Company Group, since its founding, has focused on attracting prospective sellers through web marketing and exploring multiple channels including television commercials.

The Company Group standardizes the purchasing staff's appraisal standards by referring to the product management system, which leverages past data on products we have purchased and sold. The Company 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 purchasing staff 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 through a wholesale channel. These 2 methods account for 90% 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 60% of total net sales.

STAR BUYERS AUCTION (hereinafter "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 as well as 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 auction commissions from the partner with the winning bid.

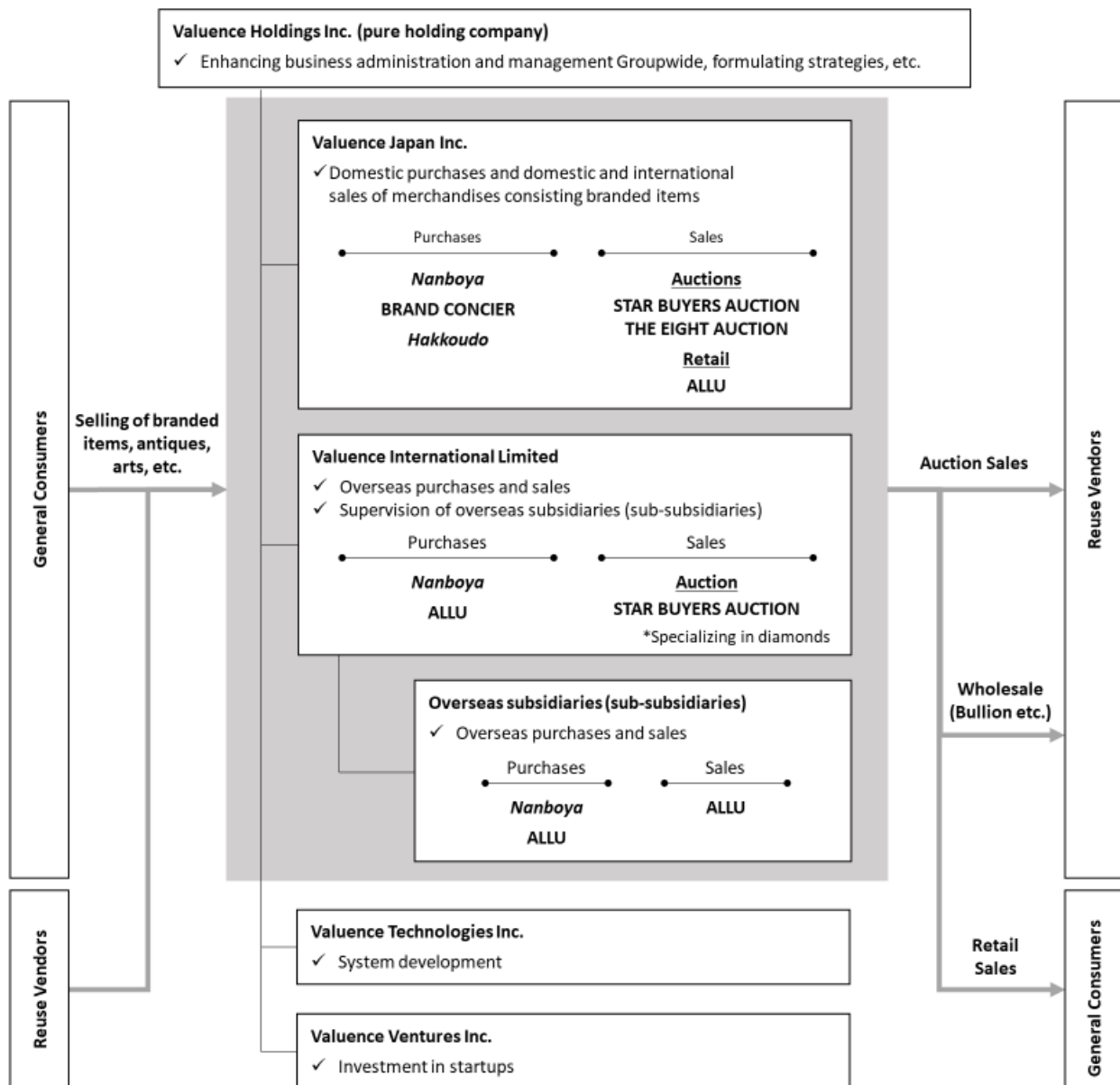
(Other wholesale sales)

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 Omotesando, 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 Subsidiaries)					
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.
Valuence Technologies Inc.	Konan, Minato-ku, Tokyo	66,000 thousand yen	System development and related businesses	100.0	Develops apps, computer systems, etc.
Valuence Ventures Inc.	Konan, Minato-ku, Tokyo	50,000 thousand yen	Development of and investment in startups	100.0	Developing and investing in startups
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.
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.
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.
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.
Valuence International UK Limited	London, UK	GBP70,000	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.
Valuence International Shanghai Co., Ltd.	Minhang District, Shanghai, People's Republic of China	CNY1,500,000	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:

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

Main profit/loss information, etc.	Net sales	62,336,388 thousand yen
	Ordinary profit	1,652,004 thousand yen
	Net income	1,111,906 thousand yen
	Net assets	5,148,843 thousand yen
	Total assets	19,660,923 thousand yen
- Qualifies as specified subsidiary.
- Effective September 1, 2021, Valuence Art & Antiques Inc. was involved in an absorption-type merger in which Valuence Japan Inc. remained the surviving company.
- Effective June 1, 2022, Valuence Real Estate Inc. was involved in an absorption-type merger in which Valuence Japan Inc. remained the surviving company.
- 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, 2022)

Name of Segment	Number of Employees
Luxury brand items, antiques, art, and other reuse businesses	896 [137]

Notes:

1. The Company Group has only one business segment—reuse business involving brand name products, antiques, works of art, and other items. Thus, information by segment is omitted.
2. The number of employees includes seven employees currently dispatched outside the Company Group.
3. Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.

(2) Status of Filing Company

(As of August 31, 2022)

Number of Employees	Average Age	Average Years of Service	Average Annual Salary (Thousands of yen)
108 [14]	34.4	3 years and 1 month	6,726

Notes:

1. No per-segment information is provided because the Company is a pure holding company.
2. The number of employees includes one employee currently dispatched outside the Company Group.
3. Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.
4. Figures for average age, average years of service, and average annual salary apply to regular employees.
5. Average annual salary includes bonuses and non-standard wages.
6. The number of employees grew by 20 from the end of the previous consolidated fiscal year. This was mainly due to a change in the timing of assignment of new employees to the Company subsidiaries and their inclusion in the number of employees of the Company at the end of the current consolidated fiscal year.

(3) Status of Labor Unions

While no labor union has been formed at the Company 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 Company Group as of the date of the submission of this document. There is no guarantee that the result is achievable.

(1) Management Policies

In order to enhance our sustainability not only in our business but also in the global environment and to establish a competitive advantage in the mid- to long-term, the Company Group has set “Circular Design for the Earth and Us” as our purpose and aims to become a “Circular Design Company.” To establish a world where things circulate around Valence through customers and partners relationships, the Company aims to create new earning opportunities for customers and partners by offering a broad range of choices and promoting circular use of the things not only owned by us but also owned by customers and partners.

(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 Group operates. Reuse of merchandise is drawing growing attention in light of increasing interest in sustainability. Under such conditions, competition to purchase merchandise from general 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 (hereinafter “M&A”) and other means is expected to accelerate.

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

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

(3) Management Strategies and Issues to be Addressed

In October 2020, the Company Group 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 plan has been revised into “VG1000 ver2.0” with an eye toward the newly set purpose and long-term targets. The Company Group strives to achieve the initial goal of hitting 100 billion yen in net sales in the fiscal year ending in August 2025, even though the revision with an eye toward longer-term performance 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 initial plan. 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.

(KPIs and Management Strategies)

The KPIs set as targets are shown below.

“VG1000 ver2.0”

	FY20 (At time of formulation)	FY22 (Year 2 of Plan)	FY25 (Targets at time of formulation)	FY25 (Target update)
Net sales	37.9 billion yen	63.3 billion yen	100 billion yen	100 billion yen
No. of Domestic offices	84	130	170	170
No. of Overseas offices	2	34	30	100
No. of Overseas partners	109	511	More than 500	1,000
Overseas ratio of sales	8.3%	23.4%	20%	30%

As a result of promoting global business development, the targets at the time of formulation of the number of buying offices overseas, number of partners overseas, and overseas sales ratio were achieved by the end of the fiscal year ended in August 2022, the second year. Along with this, aiming to further accelerate global business development in the future, the number of partners overseas and overseas sales ratio, which are KPIs set as targets, have been revised upward from the targets formulated in October 2020 in addition to the number of buying offices overseas that was revised upward in October 2021.

The following strategies will be implemented to achieve these goals.

a) Initiatives to expand purchasing

Increasing the number of buying offices is expected to expand purchases as in-office buying accounts for the bulk of purchases of the Company Group. With an eye toward the post-pandemic more than ever, the office network is expanding, including M&A. Although the speed of opening buying offices was temporarily slowed in the current fiscal year, as purchases per buying office have returned to a level before the pandemic, the Group aims to expand purchases by reaccelerating opening buying offices in the future.

In addition to opening new domestic buying offices, expanding purchases is planned through strengthened alliances with other industries. Internationally, the Company Group is opening new offices with a sense of speed, chiefly by opening offices in cooperation with partners, a way of opening offices with little risk to the Company Group.

In terms of marketing measures, the Company Group will focus on search engine optimization (hereinafter “SEO”) measures and other forms of web marketing, where it has a strength, along with the synergistic effect of mass marketing aiming to increase awareness to expand customer traffic. In addition, the Company Group intends to grow overseas purchasing by applying the know-how for web marketing developed in Japan to overseas markets. Moreover, the Company Group will work to attract customers more efficiently through enhanced CRM, which will motivate customers to become repeat users.

b) Initiatives to expand sales

The Company Group has grown its business thus far mainly through the CtoBtoB model. In the future, by evolving the existing business model, the Group aims for further growth. By providing value-added services such as fulfillment services and full listing services and increasing the convenience of partners along with promoting the development of participating partners, the toB platform, which is the Company Group’s strength, will be further strengthened and will become an even more attractive platform.

In addition, customer touchpoints in and outside of Japan will be expanded by establishing global e-commerce operations through overseas locations and strengthening toC channels such as strengthening new offices opening. Also, with the toC channel as a catalyst, by establishing continuous relationships such as the use of purchasing and other services, the Company Group aims to maximize revenue by creating synergies within the Company Group.

c) Expanding business domains-revenue maximization

The Company Group mainly handles brand name products, antiques, and works of art. In the future, in addition to existing areas, the Company Group will expand handled merchandise to various real assets such as cars and real estate. This will lead to one-stop solutions to customer problems and increasing customer LTV to maximize revenue.

In addition, along with real assets, the Company Group aims to improve corporate value by expanding the business in the area of providing spiritual richness and by creating a new circular economy that connects things and ideas.

d) Sustainability initiatives

In recent years, the term “circular economy” has generally become widespread, with ever-increasing calls even to companies to address environmental issues and social needs. The Company Group’s core business “Reuse” is one of the critical initiatives in a circular society where customers are helped to avoid disposing and connect them to someone in need.

Focusing not only on business but also on sustainability initiatives with a view towards the global environment will lead to realizing a sustainable society and sustainable growth of the Company.

(Issues to be Addressed)

a) Attracting more customers more efficiently

The Group’s efforts to attract customers are based on web marketing since its founding. 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 broadcasts television commercials as increased awareness will lead to more efficient web marketing.

In addition to broadcasting television commercials to a certain extent, the Group will continue to expand efforts to attract customers by approaching both potential and actual customers through the synergistic effect of focusing on web marketing, including SEO measures. The Group also believes that reducing cost per acquisition (CPA) by increasing searches for Group brand names based on increased name recognition, enhancing customer engagement, developing a structure for referring customers within the Group, and motivating customers to become repeat users will allow it to attract customers more efficiently.

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 purchasing staff 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 AI.

c) Growing auction platforms

The Group’s main sales channel, SBA, migrated from offline to online auctions in April 2020. The scale of auction is expanding as a global auction platform for branded reuse merchandise with many overseas partners participating.

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 aim to achieve improved profitability through the development of fulfillment services that handle all operations through retail sales of merchandise bought by partners at auction.

d) Enhancing retail sales

Currently, the Company Group makes retail sales to general consumers through 3 physical stores and e-commerce websites and is strengthening initiatives such as opening the Omotesando flagship store in February 2022.

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.

e) Enhancing customer engagement

Since the Company 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 Company Group will enhance customer engagement by growing its toC 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. 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 Company 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 Group. 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 Company Group recognizes business expansion in global markets as a key issue.

By applying web marketing know-how overseas, the Company Group aims to achieve further growth through the global expansion of the CtoBtoB business models based on its track record in Japan and enhancing retail sales in overseas markets.

g) Initiatives to strengthen sustainability

The Company Group's main business "Reuse" is one of the critical initiatives in a circular society and developing the Reuse business globally will lead to realizing a sustainable society and sustainable growth of the Company. The Company Group participates in activities such as the business development of "Resale Impact," which visualizes the avoided environmental footprint emissions through reuse and acquiring certifications of international initiatives to make itself carbon neutral.

Going forward, by playing a leading role in realizing a circular society with sustainability as the core of management strategies, by actively promoting initiatives that consider the environment and society, the Company Group aims to realize a sustainable society and improve corporate value.

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 Company 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 Purchasing System

a) Purchase of Reuse Goods

Purchasing reuse goods is the core activity that generates income for the Company 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 customers. To strengthen the stability of its purchasing sources, the Company Group improves SEO, provides outstanding customer support, and offers pre-appraisals via telephone and LINE social media app., to encourage customers to sell goods at 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 Company Group has begun buying merchandise overseas. Its asset management app Miney is yet another tool to attract and uncover potential new customers.

Nevertheless, the Company 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) Purchasing Staff

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 purchasing staff who are capable of inspecting the authenticity of reuse goods in line with the Company Group standards and providing appropriate purchase prices in accordance with individual circumstances. Accordingly, the Company Group recognizes the importance of developing purchasing staff with specialized knowledge and experience.

If the Company Group fails to develop sufficient purchasing staff in line with projections, this could hinder buying office operations and opening of new buying offices, which in turn could adversely affect the Company Group financial results.

c) Risk 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 Company Group cultivates purchasing staff's ability to confirm the authenticity of reuse goods to prevent the purchase of counterfeit goods. The Company 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 general consumers). Counterfeit goods mistakenly purchased are returned or disposed of to prevent resale. The Company Group may ask third-party institutions to assess the authenticity of reuse goods.

The nature of its business—purchasing reuse goods from general consumers through secondary distribution rather than from authorized brand stores—poses the constant risk of buying and selling counterfeit goods. The Company 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 Company Group identifies the purchase of any stolen goods, the Company Group attempts to return said items to the rightful owner at no charge within 2 years pursuant to the Civil Code or within 1 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 Company Group maintains a firm stance against the purchase of suspected stolen goods in any form and works closely with law enforcement to establish structures to prevent the distribution of stolen goods.

From the perspective of compliance with the Secondhand Articles Dealer Act and Civil Code, the Company 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 Company 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. The Company 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 Company Group secures reuse goods through *Nanboya*, BRAND CONCIER, and *Hakkoudo* offices nationwide.

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

reuse goods falls short of plans.

b) The Company Group Business Areas

The Company Group has numerous buying offices in the Special Wards of Tokyo, Osaka, Nagoya, and surrounding areas, all located at the center of 3 major metropolitan areas supporting relatively large markets for reuse goods. The Company 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 3 major metropolitan and surrounding areas.

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

The Company Group leases its buying offices and if for some reason the contract cannot be renewed, or if the rents rise upon contract renewal, the Company Group financial results may be adversely affected.

d) System Failures

The Company 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.

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

e) Asset Impairment Accounting

The Company Group operates buying offices and retail stores. The Company 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 Company 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 Company 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. The Company 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, resulting from the temporary suspension of buying office operations. Currently, 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.

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

The Company 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 Company Group believes this tendency will be diluted by the participation in the auctions of participants from a broader range of countries and regions, the Company 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 Company Group competes with other companies to purchase goods. The Company Group 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, the Company 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 Company Group depends heavily on loans from financial institutions to procure working capital. Accordingly, the Company Group business expansion may be adversely affected if capital procurement fails to proceed as planned due to changes in its financial position. In addition, although retail sales will be strengthened in the future, the interest-bearing debt ratio may increase due to the growing ratio of retail sales. Moreover, if an increase in interest rates increases the cost of capital procurement, the Company 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 Company 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 Company 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 Company 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, the Company Group financial results may be adversely affected if certification is revoked due to the events and conditions referenced above.

b) Personal Information Management

The Company 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 Company Group has established a system that ensures appropriate protective measures for personal information. The Company 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 Group 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 Company Group 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. The Company Group financial results may be adversely affected if the Company 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 Company Group continues to develop overseas group businesses to expand its business. The Company 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. In addition, because buying offices overseas are operated by overseas partners using the Company Group's business name, in the event of negative information or reports related to buying offices operations of local partners, the Company Group financial results and financial position may be adversely affected by a decline in brand image.

(6) Share Dilution

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

(7) Risks Related to New Businesses, Corporate Acquisitions, and Investments

The Company Group aims to improve corporate value through M&A and investments expected to produce synergistic effects to advance into new businesses and strengthen existing businesses. However, the Company Group financial position and business performance may be adversely affected if expected profit growth or synergistic effects are not realized by the companies that went through M&A or investees.

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 Company Group in the consolidated fiscal year under review.

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.

a) Business Performance

In October 2020, the Company Group 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 plan has been revised into “VG1000 ver2.0” with an eye toward the newly set purpose and long-term targets.

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 “V. Accounting Status: 1. Consolidated Financial Statements (1) Consolidated Financial Statements: Notes (Changes in accounting policies).”

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

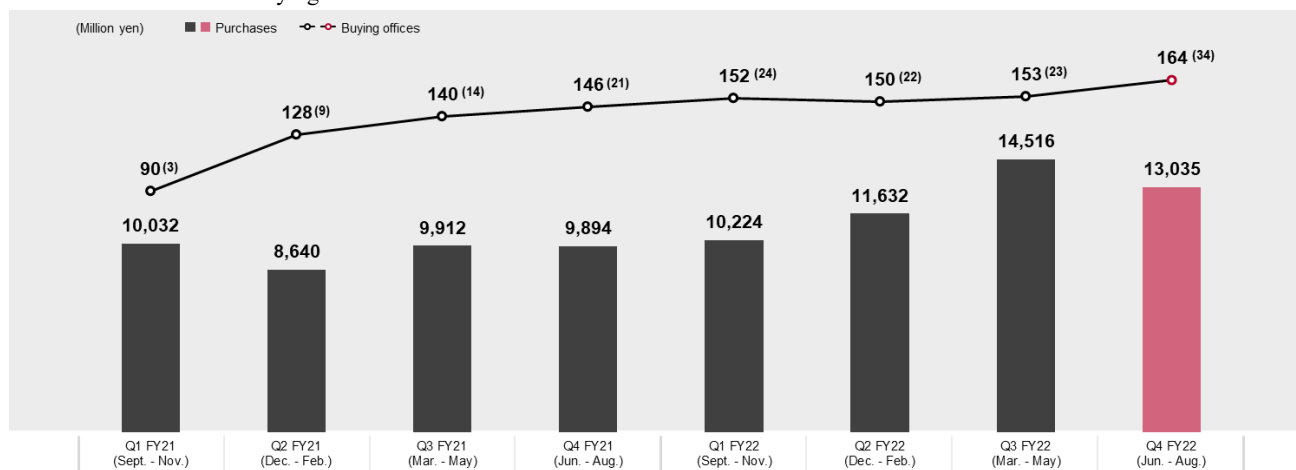
Specific initiatives in the fiscal year under review were as follows.

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 web marketing, including search engine optimization (SEO) measures, to increase customer traffic. In addition, with a view to raising awareness, the Company Group aired television commercials for *Nanboya* over 2 periods, in September 2021 and from April to May 2022. 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



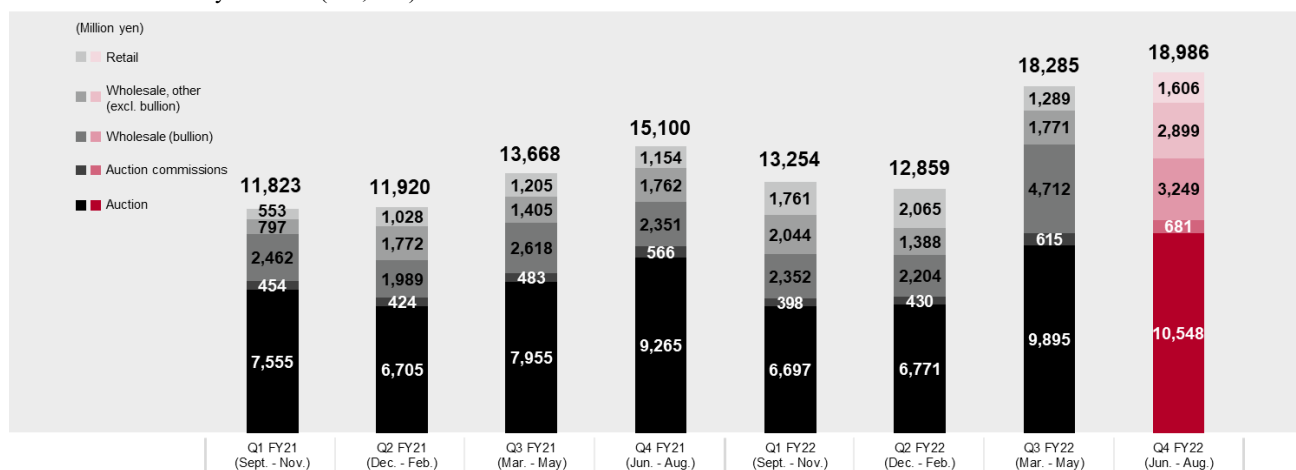
* No. of buying offices includes overseas buying offices. Nos. in parentheses indicate overseas buying offices.

With respect to selling operations, the Company Group was successful in establishing its own auction—SBA, to be held 4 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.

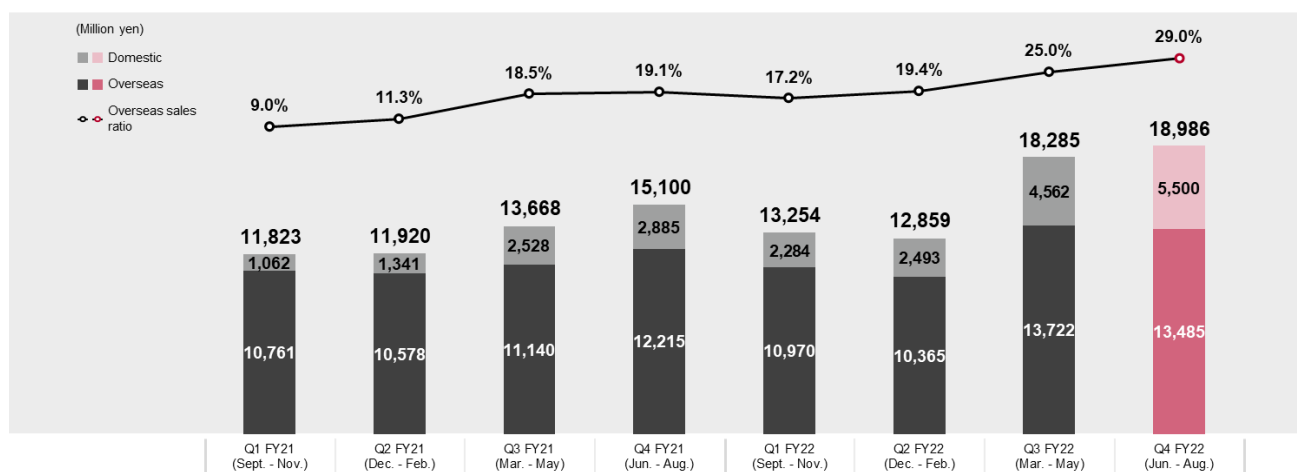
Net Sales by Channel (toB, toC)



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)



b) Financial Position

(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 the 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.

c) Cash Flows

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 current consolidated fiscal year 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.

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

a. Production

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

b. Orders Received

Not applicable; the Company 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	49,410,025	128.4

Note: The figure above represents purchase prices.

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	63,385,779	120.7

Note: The details of sales by major customers for the 2 most recent consolidated fiscal years are omitted because the ratio of sales was less than 10%.

(2) Management Discussion and Analysis

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

a) Significant Accounting Policies and Estimates

The Company Group prepares consolidated financial statements in accordance with accounting standards generally accepted in Japan. In preparing these statements, the Company 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 Company 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 10,873 million yen from the end of the previous consolidated fiscal year to 63,385 million yen.

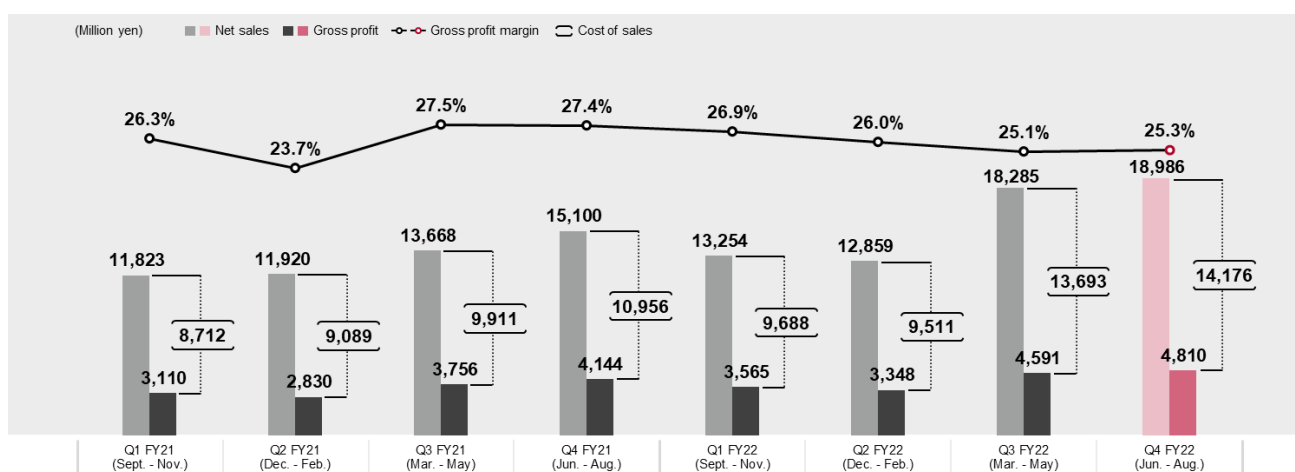
In addition to the recovery from COVID-19, aided by the soaring market for watches and bullion, purchases for the fiscal year under review reached a record high. The Group was also able to grow sales from auctions with an abundance in inventory channeled into auctions due to strong purchases supported by purchases by dealers overseas with the yen weakness.

(Cost of Sales and Gross Profit)

Cost of sales for the consolidated fiscal year under review increased 8,398 million yen year on year to 47,069 million yen. Gross profit grew 2,474 million yen over the same period to 16,316 million yen. The gross profit margin decreased by 0.7 percentage points to 25.7%. This was mainly due to the soaring market for bullion in the third quarter due to an increase in the ratio of bullion in the sales mix. Gross profit margin remained flat as net sales for bullion remained at a high level even with the cooling market for bullion from the fourth quarter.

Quarterly net sales and gross profit are as follows.

Net Sales and Gross Profit



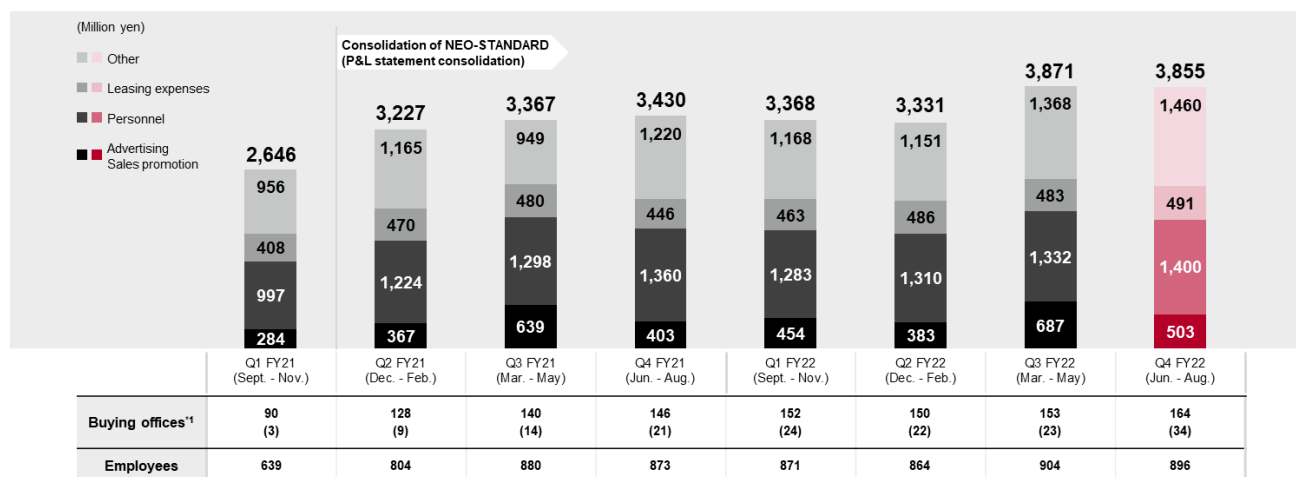
(Selling, General, and Administrative Expense, Operating Profit, Operating Profit Margin)

Selling, general, and administrative expenses grew 1,755 million yen year-on-year to 14,427 million yen due mainly to an increase in other expenses resulting from increased subcontracting costs associated with computer systems development and maintenance, including computer systems development and maintenance for auction platforms. Labor costs, advertising expenses associated with marketing initiatives, including television commercials, expenses for the rent of space and land associated with the opening of new buying offices also increased.

SG&A as a sales ratio increased due to continued investment necessary for the future. However, as a result of net sales growth, operating profit grew by 719 million yen from the previous consolidated fiscal year to 1,888 million yen. The operating profit margin was 3.0%.

Quarterly selling, general, and administrative expenses are as follows.

SG&A Expenses



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

*2 SG&A expenses have been restructured beginning in FY22/1Q, and the same way was applied for FY21 results.

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

Non-operating income declined 4 million yen year on year to 49 million yen for the consolidated fiscal year under review. Contributing factors included a decrease in received subsidies for closure due to COVID-19. Non-operating expenses declined 99 million yen to 146 million yen due to commission fee paid on conclusion of a commitment-line agreement and other factors.

Ordinary profit grew 814 million yen year-on-year to 1,791 million yen, and the ordinary profit margin stood at 2.8%.

(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 Group recorded an extraordinary loss of 108 million yen due to impairment losses on buying offices and other facilities. Income tax expense amounted to 714 million yen, an increase of 628 million yen year on year, due mainly to the loss of tax effects associated with the recording of losses carried forward through M&A activities in the previous consolidated fiscal year.

Profit attributable to owners of the parent grew 244 million yen year-on-year to 969 million yen. The Group recorded a net profit margin of 1.5%.

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

The Company 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 Company Group strives to diversify its means of raising funds and improving its capital efficiency, and employs some interest-bearing debts, including loans from financial institutions.

Major demands for working capital in the Company 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 Company 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 Company Group currently has 600 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 Company Group undertakes in-house research and 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 61 million yen during this consolidated fiscal year.

III. Status of Facilities

1. Overview of Capital Investment

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.

During the current consolidated fiscal year, capital investment included developing and strengthening systems including auctions together with the addition of new buying and sales offices for continuing business growth and capital expenditures such as newly establishing an art lounge for premium customers.

As a result, capital expenditures for the current consolidated fiscal year totaled 1,165 million yen.

The Company Group 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 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.

(1) Filing Company

(As of August 31, 2022)

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	Software	Others		Total Amount
Head office (Minato-Ku, Tokyo)	Holding company	Head office functions	112,722	-	3,476	-	12,426	14,579	143,205	93 [14]
Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	Holding company	Head office functions	4,848	-	3,260	-	-	-	8,109	15

Notes:

1. No major facilities are currently suspended.
2. Others under Carrying Amounts include trademark rights and construction in progress.
3. Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.

(2) Domestic subsidiaries

(As of August 31, 2022)

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	Software	Others	Total Amount		
Valuence Japan Inc.	Head office (Minato-Ku, Tokyo)	-	Head office functions	-	-	-	-	-	-	-	114 [20]	
	Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	-	Head office functions	-	-	-	-	-	-	-	67 [12]	
	Namba office and Hakkoudo Osaka main office (Naniwa-Ku, Osaka City, Osaka Prefecture)	Luxury brand items, antiques, art, and other reuse businesses	Office functions Buying office	158,004	189,965 (381.5)	8,835	-	-	-	356,805	19	
	Logistics warehouse (Shinagawa-ku, Tokyo)		Logistics facility	116,551	-	45,728	-	842,450	491,123	1,495,854	173 [44]	
	Logistics warehouse (Ota-ku, Tokyo)		Logistics facility; Auction facilities	164,572	-	9,074	-	5,357	-	179,004	28 [9]	
	Nanboya Ginza main office (Chuo-Ku, Tokyo) and 117 locations		Buying office	833,940	-	95,146	-	-	20,997	950,084	268 [9]	
	BRAND CONCIER Matsuzakaya Ueno office (Taitou-ku, Tokyo) and 2 locations		Buying office	39,990	-	2,004	-	-	-	41,995	3 [2]	
	Hakkoudo Ginza main office (Chuo-Ku, Tokyo) and 7 locations		Buying office	22,709	-	13,744	-	-	-	36,453	16 [1]	
	ALLU Ginza (Chuo-Ku, Tokyo) and 2 locations		Retail store	387,669	-	30,589	-	28,377	6,679	453,315	20 [18]	
	Art lounge (Chuo-Ku, Tokyo)		Art lounge Auction facilities	134,948	-	30,351	-	3,258	9,322	177,881	1 [2]	
Valuence Technologies Inc.	Head office (Minato-ku, Tokyo) and 1 location		Systems development and related businesses	Head office; Office functions	-	-	5,261	-	147,583	542	153,388	15 [4]

Notes:

1. No major facilities are currently suspended.
2. Others under Carrying Amounts include construction in progress and software in progress.
3. Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.

(3) Overseas subsidiaries

(As of August 31, 2022)

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	Software	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	74,470	-	23,211	156,036	-	-	253,718	23 [1]
Valuence International USA Limited	Head office (United States)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	43,085	-	5,322	-	-	-	48,408	8 [1]
Valuence International Europe S.A.S.	Head office (France)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	26,660	-	2,442	-	-	-	29,103	11
Valuence International Singapore Pte Limited	Head office (Singapore)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	12,095	-	0	28,282	-	-	40,377	15
Valuence International UK Limited	Head office (United Kingdom)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	16,110	-	1,608	-	-	-	17,719	2
Valuence International Shanghai Co., Ltd.	Head office (People's Republic of China)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	1,042	-	755	-	-	-	1,798	5

Notes:

- No major facilities are currently suspended.
- Figures for the number of employees represent the number of active employees. The figures provided in square 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 figures above.

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

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.

(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 Holdings Inc.	Head office (Minato-Ku, Tokyo)	Head office functions	510,000	3,000	Funds on hand or loans	September 2022	February 2023	Note
	Head office (Minato-Ku, Tokyo)	Budgetary control system	9,605	-	Funds on hand or loans	September 2022	November 2022	Note
Valuence Japan Inc.	Nanboya, 15 locations	New buying offices	270,000	-	Funds on hand or loans	September 2022	August 2023	Note
	ALLU, one location	New retail store	300,000	-	Funds on hand or loans	September 2022	December 2022	Note
	Nanboya, Logistics warehouse	Remodeling relocation	178,000	-	Funds on hand or loans	September 2022	August 2023	Note
	Head office	Computer system development for buying and selling systems, etc.	1,192,100	-	Funds on hand or loans	September 2022	August 2023	Note

Note: No value for increased capacity is stated due to the difficulty of making reasonable calculations.

(2) 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, 2022)	Number of Shares Issued as of the Filing Date (November 25, 2022)	Listed Stock Exchange or Registered Financial Instruments Firms Association	Description
Common Stock	13,335,620	13,336,740	Tokyo Stock Exchange (Growth)	The above-mentioned stock represents shares with full voting rights that are standard shares free of rights restrictions. 1 trading unit consists of 100 shares.
Total	13,335,620	13,336,740	-	-

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, 2022, 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, 2022)	As of the end of the month before the date of submittal (October 31, 2022)
Classification and Number of Eligible Individuals (Note 1)	Company Directors and Auditors 5 Company Employees 131 Wholly Owned Subsidiary Directors 2 Wholly Owned Subsidiary Employees 10	(Same as at left)
Number of Stock Acquisition Rights (Units)	4,704	4,592
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights (Shares)	47,040 (Notes 2, 7)	45,920 (Notes 2, 7)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	259 (Notes 3, 7)	(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 7)	(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 Concerning Grants of Stock Acquisition Rights Upon Organizational Restructuring	(Note 5)	(Same as at left)
Reasons and Conditions Under Which the Company May Acquire Stock Acquisition Rights	(Note 6)	(Same as at left)

Notes:

1. Classifications and numbers of eligible individuals indicated are figures at the time of grant.
2. 1 unit of stock acquisition rights consists of 1 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.

3. 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:

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

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.

4.
 - 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 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 1 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.
5. 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.
6.
 - 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.
7. 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, 2022)	As of the end of the month before the date of submittal (October 31, 2022)
Classification and Number of Eligible Individuals (Note 1)	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)	4,562	(Same as at left)
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights (Shares)	45,620 (Notes 2, 7)	(Same as at left)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	450 (Notes 3, 7)	(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 7)	(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 Concerning Grants of Stock Acquisition Rights Upon Organizational Restructuring	(Note 5)	(Same as at left)
Reasons and Conditions Under Which the Company May Acquire Stock Acquisition Rights	(Note 6)	(Same as at left)

Notes:

- Classifications and numbers of eligible individuals indicated are figures at the time of grant.
- 1 unit of stock acquisition rights consists of 1 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.

- 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:

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

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.

4.
 - 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 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, exercise of less than 1 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.
5. 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.
6.
 - 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.
7. 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, 2022)	As of the end of the month before the date of submittal (October 31, 2022)
Classification and Number of Eligible Individuals (Note 1)	Company Directors 1 Company Employees 39 Subsidiary Directors 2 Subsidiary Employees 85	(Same as at left)
Number of Stock Acquisition Rights (Units)	1,313	(Same as at left)
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights (Shares)	131,300 (Note 2)	(Same as at left)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	4,605 (Note 3)	(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 4)	(Same as at left)
Conditions for the Exercise of Stock Acquisition Rights	(Note 5)	(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 6)	(Same as at left)
Matters related to handling of Stock Acquisition Rights in the event of reorganization	(Note 7)	(Same as at left)

Notes:

- Classifications and numbers of eligible individuals indicated are figures at the time of grant.
- 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 1 share resulting from such adjustment shall be rounded down.
$$\text{Shares granted after adjustment} = \text{Shares granted before adjustment} \times \text{Split or reverse-split factor}$$
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.
- 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 1 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 1 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 1 yen resulting from such adjustment shall be rounded up.

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

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.

4.
 - 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 1 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.
5.
 - 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.
6.
 - 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.
7. 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.

November 25, 2021 resolution of the board of directors (Fifth Series Stock Acquisition Rights)

	As of the end of the fiscal year (August 31, 2022)	As of the end of the month before the date of submittal (October 31, 2022)
Classification and Number of Eligible Individuals (Note 1)	Company Directors 6 Subsidiary Directors 2 Subsidiary Employees 9 Affiliate Directors 3	(Same as at left)
Number of Stock Acquisition Rights (Units)	795	(Same as at left)
Class of Shares Eligible for Stock Acquisition Rights	Common Stock	(Same as at left)
Number of Shares Eligible for Stock Acquisition Rights (Shares)	79,500 (Note 2)	(Same as at left)
Payment Upon Exercise of Stock Acquisition Rights (Yen)	3,148 (Note 3)	(Same as at left)
Exercise Period of Stock Acquisition Rights	November 26, 2023 – November 24, 2031	(Same as at left)
Issue Price and Amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights (Yen)	Issue Price 3,148 Capitalized 1,574 (Note 4)	(Same as at left)
Conditions for the Exercise of Stock Acquisition Rights	(Note 5)	(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 6)	(Same as at left)
Matters related to handling of Stock Acquisition Rights in the event of reorganization	(Note 7)	(Same as at left)

Notes:

1. Classifications and numbers of eligible individuals indicated are figures at the time of grant.
2. 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 1 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.
3. 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 1 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 1 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 1 yen resulting from such adjustment shall be rounded up.

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

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.

4.
 - 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 1 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.
5.
 - 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.
6.
 - 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.
7. 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 26, 2023, or the effective date of the act of reorganization, whichever is later, through the ending date of the exercise period of November 24, 2031 (or the preceding banking business day if November 24, 2031, is not a banking business day).
- 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)
November 25, 2017 (Note 1)	4,475,828	5,594,785	-	255,600	-	245,597
March 20, 2018 (Note 2)	449,100	6,043,885	681,733	937,333	681,733	927,331
May 1, 2018 – August 31, 2018 (Note 3)	26,625	6,070,510	11,249	948,582	11,249	938,580
September 1, 2018 – August 31, 2019 (Note 3)	303,420	6,373,930	78,924	1,027,507	78,924	1,017,504
September 1, 2019 (Note 4)	6,373,930	12,747,860	-	1,027,507	-	1,017,504
September 1, 2019 – August 31, 2020 (Note 3)	435,300	13,183,160	89,525	1,117,032	89,525	1,107,029
September 1, 2020 – August 31, 2021 (Note 3)	143,010	13,326,170	27,544	1,144,576	27,544	1,134,574
September 1, 2021 – August 31, 2022 (Note 3)	9,450	13,335,620	1,758	1,146,335	1,758	1,136,333

Notes:

- This increase was due to a five-for-one stock split.
- Paid Public Offering (Book Building Method)
Issue Price: 3,300 yen
Subscription Price: 3,036 yen
Capitalized: 1,518 yen
- This increase was due to the exercise of stock acquisition rights.
- This increase was due to a two-for-one stock split.
- In addition, between September 1, 2022 and October 31, 2022, the exercise of stock acquisition rights increased the total number of issued shares by 1,120, with capital and capital reserve each increasing by 145 thousand yen.

(5) Shareholder Composition

(As of August 31, 2022)

Classification	Status of Shares (1 Unit = 100 Shares)								Fractional Shares of 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			
Number of shareholders	-	6	21	19	43	15	1,837	1,941	-
Number of shares held (in Units)	-	14,745	1,773	73,870	16,644	336	25,881	133,249	10,720
Ownership ratio (%)	-	11.06	1.33	55.43	12.49	0.25	19.42	100.00	-

Notes:

- Ownership ratio of total shares issued (excluding treasury shares) are rounded down to the second decimal place.
- Of the 483,653 shares of treasury shares, 4,836 units are included under Individuals and Others, and 53 shares are included under Fractional Shares of Less Than One Unit.
- No shares are registered under the Japan Securities Depository Center, Inc.

(6) Major Shareholders

(As of August 31, 2022)

Name of Individual or Company	Address	Number 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	57.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	695	5.41
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	657	5.11
Goldman Sachs Bank Europe SE, Luxembourg Branch (Standing proxy: Goldman Sachs Japan Co., Ltd.)	32-40 Boulevard Grande - Duchesse Charlotte, Luxembourg (6-10-1 Roppongi, Minato-ku, Tokyo)	473	3.68
Shinsuke Sakimoto	Shinagawa-ku, Tokyo	470	3.66
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)	450	3.50
Kouji Sakimoto	Ashiya City, Hyogo	448	3.48
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)	145	1.12
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	100	0.77
Custody Bank of Japan, Ltd. (Trust B Account)	1-8-12 Harumi, Chuo-ku, Tokyo	91	0.71
Total	-	10,901	84.81

Notes:

- Ownership ratio of total shares issued (excluding treasury shares) are rounded down to the second decimal place.
- Of the above shareholdings, the number of shares held under trust operations is as follows:
The Master Trust Bank of Japan, Ltd. (Trust Account) 95 thousand shares
Custody Bank of Japan, Ltd. (Trust Account) 619 thousand shares
- The statement of change in large-volume holdings made available for public inspection on January 21, 2022, noted that Rheos Capital Works Inc. and its co-owner SBI SECURITIES Co., Ltd. held 528,742 shares as of January 14, 2022. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2022. Thus, these contents of the statement of change in large-volume holdings 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 (Shares)	Ownership Ratio (%)
Rheos Capital Works Inc.	1-11-1 Marunouchi, Chiyoda-ku, Tokyo	481,900	3.61
SBI SECURITIES Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	46,842	0.35

- The statement of change in large volume holdings made available for public inspection on January 21, 2022, noted that Mizuho Securities Co., Ltd. and its co-owner Asset Management One Co., Ltd. and Asset Management One International Ltd. held 974,600 shares as of January 14, 2022. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2022; therefore, these contents of the statement of change in large-volume holdings 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 (Shares)	Ownership Ratio (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	19,100	0.14
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	931,100	6.98
Asset Management One International Ltd.	30 Old Bailey, London, EC4M 7AU, UK	24,400	0.18

5. The statement of change in large volume holdings made available for public inspection on February 21, 2022, noted that VIS Advisors, LP held 839,000 shares as of February 15, 2022. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2022; 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 (%)
VIS Advisors, LP	New York, NY 10022 U.S.A. 488 Madison Avenue 21st floor	839,000	6.29

(7) Information on Voting Rights

a) Issued Shares

(As of August 31, 2022)

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 483,600	-	-
Shares with full voting rights (other)	Common Stock 12,841,300	128,413	The stock at left represents shares with full voting rights that are standard shares with no rights restrictions with respect to shareholders.
Fractional shares of less than one unit	Common Stock 10,720	-	-
Number of shares issued	13,335,620	-	-
Total voting rights held by all shareholders	-	128,413	-

Note: The common stock in the "Fractional shares of less than one unit" row includes 53 treasury shares held by the Company.

b) Treasury Shares

(As of August 31, 2022)

Shareholder Name	Shareholder Address	Number of Shares Held Under Own Name	Number of Shares Held Under Names of Others	Total Number of Shares Held	Ownership Ratio of Total Number of Shares Issued (%)
(Treasury shares) Valuence Holdings Inc.	1-2-70 Konan, Minato-ku, Tokyo Shinagawa Season Terrace 28F	483,600	-	483,600	3.62
Total	-	483,600	-	483,600	3.62

Notes:

1. Other than the above, the Company holds 53 treasury shares that are fractional shares of less than one unit.
2. The ratio of shares held under own name to the total number of shares issued are rounded down to the second decimal place.

2. Information on Acquisition of Treasury Shares

Class of Shares Acquisition of common stock pursuant to Article 155, Item 3, 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	66,000	166,899,600
Treasury shares acquired during the current fiscal year	-	-
Total number and total amount 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:

- The ratio of shares held under own name to the total number of shares issued are rounded down to the second decimal place.
- Treasury shares of Company common stock were acquired through the Tokyo Stock Exchange Trading Network System for Off-Auction Own Share Repurchase Trading (ToSTNeT-3).
- 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.

Classification	Number of Shares	Total Amount (Yen)
Status of resolution of the board of directors (April 14, 2022) (Acquisition period: April 15 – August 24, 2022)	350,000	500,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired during the current fiscal year	321,500	499,925,500
Total number and total amount of shares remaining under the resolution	28,500	74,500
Percentage not exercised as of the ending date of the current fiscal year (%)	8.10	0.01
Treasury shares acquired during current period	-	-
Percentage not exercised as of the date of submittal (%)	8.10	0.01

Notes:

- The ratio of shares held under own name to the total number of shares issued are rounded down to the second decimal place.
- Treasury shares of Company common stock were acquired through market purchases in the Tokyo Stock Exchange.
- Acquisition of treasury shares based on the April 14, 2022, resolution of the board of directors was completed with the acquisition of treasury shares on June 30, 2022.

(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	69	183,155
Treasury shares acquired during current period	77	192,731

Note: The number of treasury shares acquired during the current period excludes the number of fractional shares of less than one unit purchased from November 1, 2022, 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	70,500	-
Treasury shares acquired during current period	500	-

Note: The number of treasury shares acquired during the current period excludes the number of shares acquired gratis between November 1, 2022, and the date on which this securities report was filed.

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

Classification	Current Fiscal Year		Current Period	
	Total Shares	Total Disposal Value (Yen)	Total Shares	Total Disposal Value (Yen)
Acquired treasury shares for which subscribers were solicited	42,800	119,797,200	-	-
Acquired treasury shares that have been canceled	-	-	-	-
Acquired treasury shares transferred related to a merger, share exchange, share swap, or company split	-	-	-	-
Others (-)	-	-	-	-
Number of Treasury shares held	483,653	-	484,230	-

Note: The number of treasury shares held during the current period excludes the number of shares acquired gratis between November 1, 2022, 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 dividend payout ratio of at least 30%, taking into account factors such as consolidated earnings, the business environment, capital efficiency, and free cash flows. Dividend per share and dividend payout ratio 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 11. 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 27, 2022 Resolution of board of directors	321,299,175	25.00

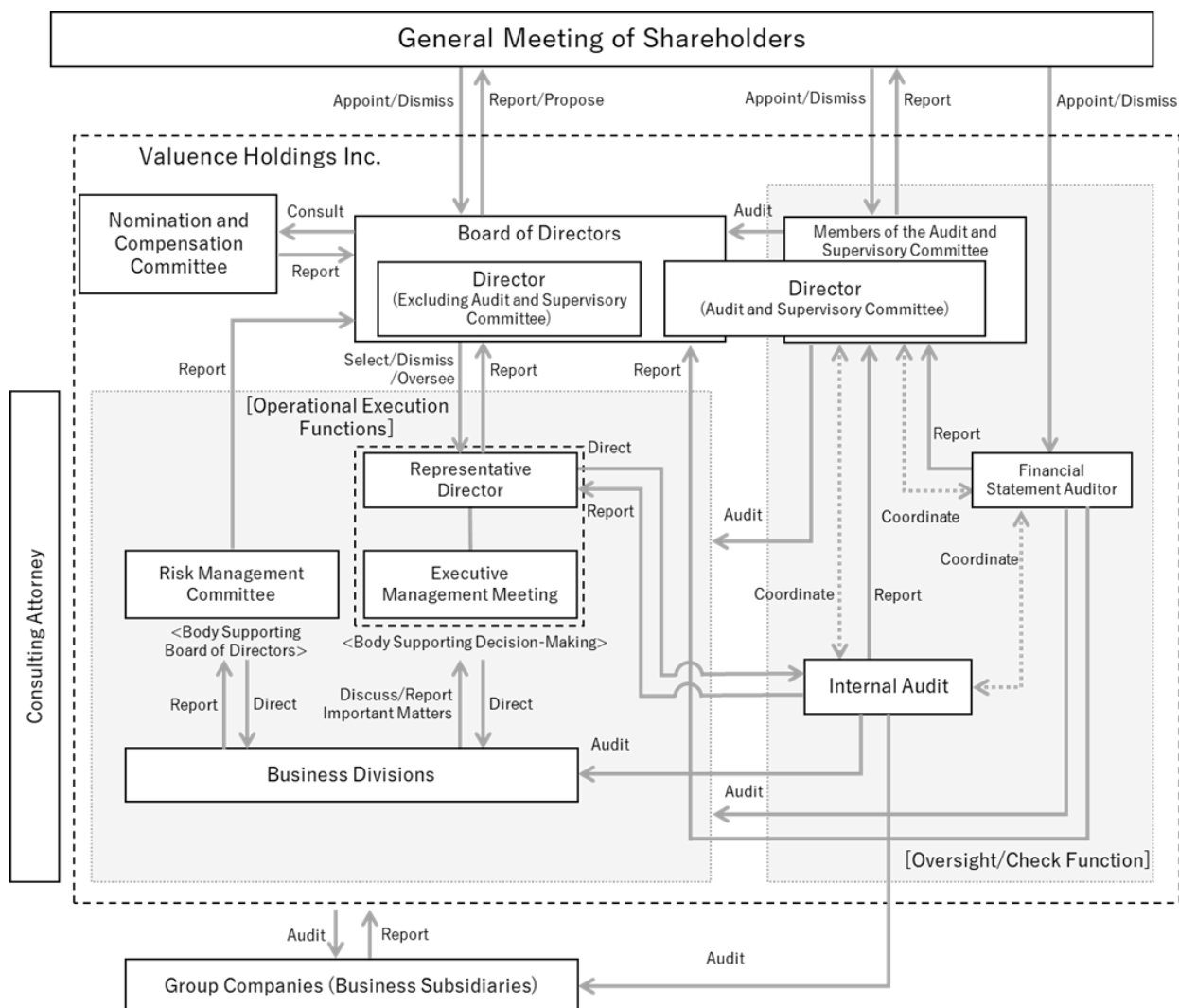
4. Information on Corporate Governance, Etc.

(1) Overview of Corporate Governance

a) Corporate Governance Philosophy

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 and a risk management committee as a voluntary body to the board of directors to further enhance corporate governance.

(a) Board of Directors

The Company's board of directors is composed of eleven members: seven 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 membership of the board includes the selection of five independent outside directors. 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.

(e) Risk Management Committee

The Company has established the Risk Management Committee, chaired by the representative director. The Risk Management Committee meets once each quarter in principle and collects and analyzes organization-wide compliance and risk information and manages risks exhaustively and comprehensively.

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	Shinichiro Sato	○		○	
Director	Ryoji Fukaya	○		○	
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	Yukiaki Ihara			○	
Executive Officer	Ryosuke Tanaka			○	
Executive Officer	Kenosuke Onishi			○	

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, records management rules, approval regulations, 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 representative director, 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 Nomination and Remuneration 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 Company 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 prepay 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 4 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 representative director. 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

The Company's 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 and executive directors of the Company and its subsidiaries as well as auditors of the Company's 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 at least two-thirds 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 Company's 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, the Company 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.

j) 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) Information on Officers

a) List of Officers

Men: ten members Women: one member (Ratio of Female Officers: 9%)

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Representative Director	Shinsuke Sakimoto	April 14, 1982	<p>June 2004 December 2011 January 2012 March 2012 July 2014 September 2014 November 2014 September 2015 March 2017 March 2019 August 2019 September 2019 November 2019 March 2020 September 2020 March 2021 August 2021</p>	<p>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 Partner (currently Representative Director), SF Property Management LLC (currently SF Property Management Inc.) (current position) Representative Director, Star Buyers Limited (currently Valuence International Limited) Representative Director, Hakkoudo Inc. (currently Valuence Japan 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. (currently Valuence Japan Inc.) Director, Valuence Art & Antiques Inc. (currently Valuence Japan Inc.) Representative Director, Valuence Ventures Inc. (current position) Director, Nankatsu SC Co., Ltd. (current position)</p>	Note 2	7,838,800
Director	Susumu Muguruma	July 21, 1971	<p>August 2017 September 2018 March 2019 June 2019 September 2019 March 2020 September 2020 November 2020</p>	<p>Joined Amazon Japan G.K. Joined SOU Inc. (currently the Company), named Vice-President, Overseas Business Head Office and General Manager, Overseas Business Strategy Division Director, Star Buyers Limited (currently Valuence International Limited) Vice-President, Overseas Business Head Office and General Manager, Hong Kong Business Division, SOU Inc. (currently the Company) Representative Director, Star Buyers Limited (currently Valuence International Limited) (current position) Vice-President, Sales Management Head Office; Vice-President, Overseas Business Head Office; and General Manager, China Business Promotion Division, SOU Inc. (currently the Company) General Manager, Overseas Subsidiary Management Office, the Company Director and Executive Deputy President, Valuence Japan Inc. Representative Director, Valuence Japan Inc. (current position) Director, the Company (current position)</p>	Note 2	27,100
Director	Shinichiro Sato	September 1, 1968	<p>January 2015 May 2020 June 2020 September 2020 November 2020 March 2021 September 2021</p>	<p>Joined Digital Garage, Inc. Joined the Company, named Vice-President, Corporate Planning & Management Head Office Vice-President, Corporate Planning & Management Head Office and General Manager, Human Resources Division, the Company 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. (currently Valuence Japan Inc.) Director (current position); Executive Officer; and Vice-President, Corporate Strategy Division, the Company Director, Valuence Ventures Inc. (current position) Director, Valuence Technologies Inc. (current position)</p>	Note 2	6,200

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director; Executive Officer; and General Manager of Information Security Head Office	Ryoji Fukaya	August 2, 1980	December 2016 April 2018 September 2018 November 2019 December 2020 April 2022 November 2022	Joined free K.K. Joined the Company, named General Manager, Miney Promotion Division Office Manager, President's Office and General Manager, Miney Promotion Division, the Company Representative Director, SOU Technologies Inc. (currently Valuence Technologies Inc.) (current position) Executive Officer and General Manager, Information Security Head Office, the Company (current position) Executive Officer and General Manager, Marketing Head Office, Valuence Japan Inc. (current position) Director, the Company (current position)	Note 2	21,200
Director	Hiroki Tomiyama	September 5, 1976	April 1999 October 2007 May 2015 February 2016 August 2016 July 2019 August 2020 November 2020 April 2021	Joined Daika Kabushiki Kaisha (currently ARATA CORPORATION) Joined SAPPORO DRUG STORE CO., LTD. Representative Director and President, SAPPORO DRUG STORE CO., LTD. Director and Executive Deputy President, EZODEN Co., Ltd. Established SATUDORA HOLDINGS CO., LTD., named Representative Director and President 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. Representative Director, President, and CEO, SATUDORA HOLDINGS CO., LTD. (current position) Representative Director, President, and CEO, SAPPORO DRUG STORE CO., LTD. (current position) Outside Director, the Company (current position) Director, RxR Innovation Initiative Co., Ltd. (current position) Outside Director, Demae-can Co., Ltd. (current position) Outside Director, AWL, Inc. (current position)	Note 2	-
Director	Yoshihiko Takubo	April 24, 1970	April 1995 May 2003 April 2006 July 2006 April 2008 December 2009 April 2012 April 2013 March 2016 August 2020 October 2020 November 2020 November 2021	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) Outside Director, w2solution Co., Ltd. (current position)	Note 2	2,400
Director	Kenji Fuma	March 27, 1980	April 2004 July 2013 July 2019 June 2020 February 2021 November 2021 March 2022 July 2022	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. (current position) Outside Director, the Company (current position) Director, MASHING UP (current position) Specially Appointed Professor, Office of Sustainability, Shinshu University (current position)	Note 2	-

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director (Audit and Supervisory Committee Member)	Kenta Takami	November 29, 1973	February 2012 February 2018 September 2020 November 2020	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. (currently Valuence Japan Inc.) Member of the Audit and Supervisory Board, Valuence Technologies Inc. (current position) Director, Audit and Supervisory Committee Member, the Company (current position)	Note 4	4,000
Director (Audit and Supervisory Committee Member)	Masahide Kamachi	May 18, 1981	November 2005 September 2009 December 2014 November 2016 January 2017 March 2017 November 2019 April 2020 June 2020 November 2021 March 2022	Joined Chuo Aoyama Tax Accountants (currently PwC Tax Japan) Registered as a Certified Public Accountant Registered as a Certified Tax Accountant 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 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 (current position) External Auditor, World Mode Holdings Co., Ltd. (current position) Outside Director, w2solution Co., Ltd. (current position) Outside Director, IBJ, Inc. (current position)	Note 3	15,240
Director (Audit and Supervisory Committee Member)	Takashi Goto	June 28, 1979	October 2004 July 2008 January 2010 December 2015 June 2016 September 2017 November 2017 March 2018 May 2018 March 2019 November 2019 July 2021	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. (currently LTV-X 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 Auditor, Learning Agency Co., Ltd. (current position) Outside Director, Audit and Supervisory Committee Member, the Company (current position) Auditor, SOU Technologies Inc. (currently Valuence Technologies Inc.) Outside Auditor, OsidOri, Inc. (current position)	Note 3	-
Director (Audit and Supervisory Committee Member)	Emi Omura	September 2, 1976	October 2002 March 2007 July 2008 September 2010 January 2014 September 2014 June 2019 April 2021 November 2021 February 2021	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 as counsel Joined CLS Hibiya Tokyo Law Office as counsel Outside Director, Audit and Supervisory Committee Member, the Company (current position) Partner, CLS Hibiya Tokyo Law Office (current position)	Note 3	-
Total						7,914,840

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 on November 25, 2022, to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending in August 2023.
3. 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 on November 25, 2021 to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending in August 2023.
4. 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 on November 25, 2022, to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending in August 2024.
5. The number of shares held by Director Shinsuke Sakimoto includes 7,368,200 shares held by his asset management company, SF Property Management Inc.

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 possesses a wealth of experience and knowledge as a corporate manager at other companies. We have determined that he can be expected to continue to utilize his experience and knowledge to enhance the soundness and transparency of decision-making at the Company, etc. through his effective advice on the management of the Company as a whole. Accordingly, he was appointed an outside director.

Yoshihiko Takubo has developed expert knowledge in management as Professor at the Graduate School of Management, GLOBIS University over many years, and possesses deep knowledge regarding the environment surrounding corporate management. We have determined that he can be expected to continue to monitor the management of the Company based on his knowledge and experience, while also contributing to the further growth of the Company's Group by providing advice on management of the Company's Group as a whole. Accordingly, he was appointed an outside director.

Kenji Fuma has managed a company that provides advisory services related to sustainability and ESG investment since 2013 and possesses a wealth of experience and achievements and deep insight. He has provided practical and objective advice and recommendations on the ESG strategy of the Company's Group. We have determined that he can be expected to continue to strengthen the ESG systems of the Company's Group. Accordingly, he was appointed an outside director.

Masahide Kamachi accumulated expertise as a certified public accountant and tax accountant. In our judgment, he can be expected to play a significant role in the supervision of business execution, etc., as an Audit and Supervisory Committee Member by utilizing his wealth of experience as an outside director in other companies. Accordingly, he was appointed an outside director.

Takashi Goto has abundant legal expertise and experience as a lawyer and possesses a wealth of knowledge to govern corporate management. In our judgment, he can be expected to play a significant role in the supervision of business execution, etc., as an Audit and Supervisory Committee Member. Accordingly, he was appointed an outside director.

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. In our judgment, she can be expected to play a significant role in the supervision of business execution, etc., as an Audit and Supervisory Committee Member by proactively counseling the Company's global business expansion and ESG initiatives. Accordingly, she was appointed an outside director.

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. Kenji Fuma is Representative Director and CEO of Neural Inc., with which the Company has concluded an ESG consulting contract. The actual transactions with Neural Inc. represent less than 0.1% of the Company's consolidated net sales for the fiscal year under review. There are no capital, personal, business, or other interests between the Company and other 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. Kenta Takami and Masahide Kamachi have specialized knowledge and experience concerning finance and accounting. Takashi Goto and Emi Omura have 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.

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)	12/12 meetings	16/16 meetings
Masahide Kamachi (outside director)	12/12 meetings	16/16 meetings
Takashi Goto (outside director)	12/12 meetings	16/16 meetings
Emi Omura (outside director)	10/10 meetings	13/13 meetings
Kiyohito Hamada (outside director)	2/2 meetings	3/3 meetings

Notes:

1. For Emi Omura, 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 LLC

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

Seven certified public accountants and ten 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 LLC 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 LLC 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	43,500	1,500	46,500	-
Consolidated Subsidiaries	-	-	-	-
Total	43,500	1,500	46,500	-

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

(Previous 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.

(Current Consolidated Fiscal Year)

Not applicable

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)

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.

(Current Consolidated Fiscal Year)

Not applicable.

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 1-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 1 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 on 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 3 directors; there were no outside directors. Apart from the above, at the 10th Ordinary General Meeting of Shareholders held on November 25, 2021, the total compensation approved for payment to directors (excluding directors and outside directors who are members of the Audit and Supervisory Committee) as restricted stock remuneration was capped at 300 million yen annually, and the total number of restricted shares approved to be issued through such remuneration was 30,000 shares. The number of directors (excluding directors and outside directors who are members of the Audit and Supervisory Committee) as of the end of that Ordinary General Meeting of Shareholders was 3 directors.

At the 8th Extraordinary General Meeting of Shareholders held on 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 3 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	Retirement Benefits	
			Restricted Stock Compensation		
Directors (Excluding outside directors and members of Audit and Supervisory Committee)	172,375	120,600	49,203	2,571	3
Members of Audit and Supervisory Committee (Excluding outside directors)	10,232	10,200	-	32	1
Outside directors	37,500	37,500	-	-	7

Notes:

1. The table above includes 1 director who resigned upon the end of the 10th Ordinary General Meeting of Shareholders held on November 25, 2021.
2. Total amounts for director remuneration exclude the employee salary portions of remuneration for directors serving concurrently in employee positions.
3. Performance-linked remuneration is restricted stock compensation and its details are described under “a) A. Matters related to policies for determining the specifics of remuneration for individual directors.” 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 1,888 million yen. The table above gives the amounts of related costs recorded during the fiscal year under review.
4. The Company provides restricted shares of stock as non-monetary remuneration. 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.” The table above gives the amounts of related costs recorded during the fiscal year under review.
5. Retirement benefits above represent the total amount provided for directors’ retirement benefits recorded during the fiscal year under review. Furthermore, based on the determination at the 10th Ordinary General Meeting of Shareholders held on November 25, 2021 to dissolve the directors’ retirement benefits program, payment has been discontinued to 4 directors.

c) Total Amount, etc. of Remuneration for Officers who Received Remuneration of 100 Million Yen or more

Name	Total Remuneration (Thousands of yen)	Officer Classification	Company Classification	Total Remuneration per Classification (Thousands of yen)		
				Base Compensation	Performance-linked remuneration	Retirement Benefits
					Restricted Stock Compensation	
Shinsuke Sakimoto	112,209	Director	Filing Company	77,400	33,087	1,721

(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 Valence Ventures Inc.

Described below are the stock holdings of Valence 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 investment companies	Total amount recorded on the balance sheet (Thousands of yen)	Number of investment companies	Total amount recorded on the balance sheet (Thousands of yen)
Unlisted shares	1	33,263	1	26,364
Shares other than unlisted shares	-	-	-	-

Category	Current fiscal year		
	Total dividends received (Thousands of yen)	Total gains/losses on sale (Thousands of yen)	Total gains/losses on revaluation (Thousands of yen)
Unlisted shares	-	-	6,899
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, 2021 to August 31, 2022) and financial statements for the fiscal year (September 1, 2021 to August 31, 2022) have been audited by Deloitte Touche Tohmatsu LLC 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, 2021)	Current consolidated fiscal year (As of 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	*1 2,970,411	*1 3,594,092
Accumulated depreciation	(1,112,544)	(1,444,670)
Buildings and structures (net)	1,857,866	2,149,422
Tools, furniture and fixtures	523,554	663,592
Accumulated depreciation	(277,195)	(382,776)
Tools, 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	*1 189,965	*1 189,965
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

(Thousands of yen)

	Previous consolidated fiscal year (As of August 31, 2021)	Current consolidated fiscal year (As of August 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	119,801	244,150
Short-term loans payable	*2, *3 8,340,494	*2, *3 11,900,793
Current portion of long-term loans payable	*1 101,018	*1 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	*4 1,175,193
Total current liabilities	10,301,990	14,320,364
Non-current liabilities		
Long-term loans payable	*1 211,250	*1 306,090
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
Stock 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

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

(Thousands of yen)

	Previous consolidated fiscal year (September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (September 1, 2021 to August 31, 2022)
Sales	52,512,592	*1 63,385,779
Cost of sales	*2 38,671,013	*2 47,069,588
Gross profit	13,841,578	16,316,191
Selling, general and administrative expenses	*3,4 12,672,503	*3,4 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	*5 218,794	*5 99,509
Office relocation expenses	9,263	-
Loss on cancellation of rental contracts	7,365	-
Settlement payments	-	*6 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	725,121	969,129
Profit attributable to owners of the parent	725,121	969,129

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous consolidated fiscal year (September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (September 1, 2021 to August 31, 2022)
Profit	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 the parent	758,553	1,143,080

c) Consolidated Statements of Changes in Shareholders' Equity

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

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Stock acquisition rights	Total netassets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning of period	1,117,032	1,104,809	4,581,888	(59,830)	6,743,900	(7,995)	(7,995)	-	6,735,904
Change during the period									
Issuance of new shares	27,544	27,544			55,089		-		55,089
Dividends of surplus			(332,061)		(332,061)		-		(332,061)
Provision of retained 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 in shareholders' equity (net)					-	33,431	33,431	154,436	187,868
Total change during the period	27,544	75,201	396,782	(153,249)	346,278	33,431	33,431	154,436	534,147
End of period	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 (September 1, 2021 to August 31, 2022)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Stock acquisition rights	Total netassets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning of period	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 the period									
Issuance of new shares	1,758	1,758			3,517		-		3,517
Dividends of surplus			(329,794)		(329,794)		-		(329,794)
Profit attributable to owners of the 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
Total change during the period	1,758	76,607	639,335	(455,160)	262,540	173,950	173,950	162,966	599,458
End of period	1,146,335	1,256,619	5,602,463	(668,240)	7,337,177	199,386	199,386	317,403	7,853,967

d) Consolidated Cash Flow Statement

(Thousands of yen)

	Previous consolidated fiscal year (September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (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	*2 657,681	-
Loan advances	(500,000)	-
Other	(26,137)	18
Cash flow from investment activities	(1,256,865)	(1,536,543)
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

	(Thousands of yen)	
	Previous consolidated fiscal year (September 1, 2020 to August 31, 2021)	Current consolidated fiscal year (September 1, 2021 to August 31, 2022)
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	*1 8,269,430	*1 7,806,382

[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: Nine

Name of consolidated subsidiaries: Valuence Japan Inc.
Valuence Technologies 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
Valuence International Shanghai Co., Ltd.

Valuence Art & Antiques Inc. and Valuence Real Estate, Inc. have been excluded from the scope of consolidation as it was dissolved through an absorption-type merger with Valuence Japan Inc. during the fiscal year under review.

(2) Names of nonconsolidated subsidiaries

Not applicable

2. Matters concerning the application of the equity method

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

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 life periods:

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 (1-5 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.

(4) Significant revenue and expense recognition standards

The details of the main performance obligations in the major businesses related to revenue from contracts with the customers of the Company and its consolidated subsidiaries and the timing at which the Company and its consolidated subsidiaries typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

The Company and its consolidated subsidiaries are engaged in the business of reusable merchandise through the sale of branded products, precious metals, watches, bullion, jewelry, and antiques, and works of art. Revenue from sales of such merchandise is recognized when such merchandise is transferred to a customer.

In addition, revenue is the amount to be paid promised by a customer through a contract and is measured by the amount excluding returns. For merchandise that is returned, as the projected return amount for the return is highly uncertain and extremely difficult to predict, the transaction value is calculated using the method of taking the probability-weighted average amount (expected value method) of a projected return amount that can occur. As a result, liabilities due to returns are recognized and revenue is recognized only within the scope of a low probability of significant reversals.

Furthermore, some transactions are obligated to be carried out as an agent. When the Company acts as the party for transactions, the total amount received from a customer is recognized as revenue. When the Company acts as an agent for a third party for transactions, the revenue shown is the amount of commissions which are subtracted from the total amount received from a customer collected for a third party.

As payment for transactions is usually received within one year from the satisfaction of performance obligations, no significant financing component is included.

(Domestic sales)

The Company 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 because the period between the time of shipment and the time when control of the merchandise is transferred to the customer is normal time.

(Overseas sales)

Revenue is recognized for overseas transactions when the burden of risk is transferred to a customer based on trade terms, etc., stipulated by Incoterms, etc.

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

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

(6) 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.

(7) 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 3 months.

(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	Previous consolidated fiscal year	Current consolidated fiscal year
Revaluation losses	111,326	185,548
Amounts recorded on the consolidated balance sheet for merchandise	3,921,002	6,329,008

Note: Revaluation losses are amounts after offsetting reversal amounts by the reversal method and the amount included in net sales is -51,919 thousand yen (the negative sign indicating a gain on reversal) for the previous consolidated fiscal year and 75,516 thousand yen 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 2 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 Company'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.

(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.

In accordance with the provisional handling described in the Paragraph 89-3 of the Accounting Standard for Revenue Recognition, Notes concerning revenue recognition are not provided for the previous consolidated fiscal year.

(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.

Notes concerning breakdown by levels of the fair value of financial instruments are provided in the Notes concerning financial instruments but include no information for the previous consolidated fiscal year in accordance with the provisional handling described in the Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

(Change in presentation method)

(Consolidated balance sheet)

“Consumption taxes refund receivable,” included in “Other” under “Current assets” in the previous fiscal year 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, 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.

(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)

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

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.

(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, 2021)	Current Consolidated Fiscal Year (as of August 31, 2022)
Buildings and structures	132,612	129,662
Land	140,544	140,544
Total	273,156	270,206

	(Thousands of yen)	
	Previous Consolidated Fiscal Year (as of August 31, 2021)	Current Consolidated Fiscal Year (as of August 31, 2022)
Current portion of long-term loans payable	15,000	15,000
Long-term loans payable	211,250	196,250
Total	226,250	211,250

*2 Overdraft agreements

To raise working capital efficiently, the Company has entered into overdraft agreements with 11 banks. The following describes unused loan balances under this agreement:

	(Thousands of yen)	
	Previous Consolidated Fiscal Year (as of August 31, 2021)	Current Consolidated Fiscal Year (as of August 31, 2022)
Total maximum overdraft limit	11,284,000	13,408,000
Balance of loans executed	7,800,000	11,300,000
Net balance	3,484,000	2,108,000

*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, 2021)	Current Consolidated Fiscal Year (as of August 31, 2022)
Total value of commitment lines	11,000,000	11,000,000
Balance of loans executed	499,494	600,000
Net balance	10,500,506	10,400,000

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

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

- a) At the end of the fiscal year ended in August 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% 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 in August 2021 and at the end of each fiscal year must not constitute a loss for 2 consecutive years.

Current Consolidated Fiscal Year (as of August 31, 2022)

- a) At the end of the fiscal year ended in August 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% 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 in August 2021 and at the end of each fiscal year must not constitute a loss for 2 consecutive years.

*4 Contract liabilities

Contract liabilities are included in “Other” under contract liabilities. The amounts of contract liabilities are provided in “Notes concerning revenue recognition, 3. (1) Balance of contract liabilities, etc.” in the consolidated financial statements.

(Consolidated statements of income)

*1 Revenue from contracts with customers

The Company Group does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes (Revenue recognition), 1. Disaggregation of revenue from contracts with customers” in the consolidated financial statements.

*2 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, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Revaluation gain/loss on merchandise	(51,919)	75,516

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

	(Thousands of yen)	
	Previous Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Advertising expenses	1,616,203	1,978,498
Salaries and bonuses	3,223,599	3,784,047
Rents	1,805,892	1,924,119
Provision for bonuses	285,234	193,758
Provision of allowance for doubtful accounts	116,438	224,511
Provision for directors' retirement benefits	11,420	2,604

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

	(Thousands of yen)	
	Previous Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
R&D expenses	1,783	61,434

*5 Impairment loss

The Company Group has recorded impairment losses on the following assets:

Previous 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: 8 offices	Office	Buildings and structures	84,432
Aichi Prefecture: 1 office	Office	Buildings and structures	12,548
Fukushima Prefecture: 1 office	Office	Buildings and structures	12,957
Toyama Prefecture: 1 office	Office	Buildings and structures	4,285
Chiba Prefecture: 2 offices	Office	Long-term prepaid expenses	274
Saitama Prefecture: 1 office	Office	Long-term prepaid expenses	119
-	-	Goodwill	72,992
Total			218,794

The Company 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 Company Group has written down the carrying amounts of assets to recoverable amounts for assets whose profitability has declined significantly. The Company 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 Group measures the recoverable value of these assets based on their value in use. However, since the Company Group does not expect future cash flows from these assets, the value in use is deemed to be zero yen.

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

Location	Use	Type	Impairment loss (thousands of yen)
Tokyo: 3 offices	Office	Buildings and structures	24,421
Chiba Prefecture: 2 offices	Office	Buildings and structures	16,042
Osaka Prefecture: 1 office	Office	Buildings and structures	11,777
Hokkaido Prefecture: 1 office	Office	Buildings and structures	10,141
Shizuoka Prefecture: 1 office	Office	Buildings and structures	8,898
Kanagawa Prefecture: 1 office	Office	Buildings and structures	4,568
Kyoto Prefecture: 1 office	Office	Buildings and structures	4,175
Hiroshima Prefecture: 1 office	Office	Buildings and structures	2,633
Hyogo Prefecture: 1 office	Office	Buildings and structures	1,868
Minato-ku, Tokyo	Office	Tools, furniture and fixtures	7,253
Hong Kong SAR, People's Republic of China	Common use asset	Buildings and structures	7,729
Total			99,509

The Company 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 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 Company 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 (99,509 thousand yen) under extraordinary losses. This amount consists of 92,255 thousand yen related to buildings and structures and 7,253 thousand yen related to tools, furniture and fixtures.

The Company Group 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.

*6 Settlement payments

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

Settlement of payments resulted as an arbitral award concerning a dispute with a former employee.

(Consolidated statements of comprehensive income)

* Reclassifications and tax effects for other comprehensive income

	Previous Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
(Thousands of yen)		
Foreign currency translation adjustment:		
Gains (losses) arising during the year	33,431	173,950
Total other comprehensive income	33,431	173,950

(Consolidated statements of shareholders' equity)

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

1. Information on issued shares and treasury shares

Class of stock	Balance at the start of current consolidated fiscal year (shares)	Increase in Shares (shares)	Decrease in Shares (shares)	Balance at end of 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 remuneration 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 shares under the share-based remuneration 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 (thousands of 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

Note: 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

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

1. Information on issued shares and treasury shares

Class of stock	Balance at the start of current consolidated fiscal year (shares)	Increase in Shares (shares)	Decrease in Shares (shares)	Balance at end of current consolidated fiscal year (shares)
Issued shares				
Common stock	13,326,170	9,450	-	13,335,620
Total	13,326,170	9,450	-	13,335,620
Treasury shares				
Common stock	134,384	392,069	42,800	483,653
Total	134,384	392,069	42,800	483,653

(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: 9,450 shares

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

Acquisition of treasury stock under the April 14, 2022, resolution of the board of directors: 321,500 shares

Increase in shares due to gratis acquisition under the restricted-share-based remuneration program: 70,500 shares

Increase in shares due to acquisition of shares in less than the minimum trading unit: 69 shares

Decrease due to disposal of treasury shares under the share-based remuneration program involving allotment of restricted stock: 42,800 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 (thousands of yen)
			Start of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Submitting company	Stock acquisition rights as 2020 stock options	-	-	-	-	-	281,297
	Stock acquisition rights as 2021 stock options	-	-	-	-	-	36,105
Total			-	-	-	-	317,403

Notes:

- The starting date of the exercise period of 2020 stock acquisition rights has not yet arrived.
- The starting date of the exercise period of 2021 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 28, 2021 Meeting of the Board of Directors	Common stock	329,794	25.00	August 31, 2021	November 10, 2021

(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 27, 2022 Meeting of the Board of Directors	Common stock	Retained earnings	321,299	25.00	August 31, 2022	November 10, 2022

(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, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Cash and deposits	8,270,558	7,807,795
Time deposits with maturities of more than 3 months	(1,128)	(1,412)
Cash and cash equivalents	8,269,430	7,806,382

*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, 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)

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

Not applicable

(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

Future lease payments for operating lease transactions that are cannot be canceled.

(Thousands of yen)

	Previous Consolidated Fiscal Year (August 31, 2021)	Current Consolidated Fiscal Year (August 31, 2022)
Within 1 year	-	1,675
Over 1 year	-	3,071
Total	-	4,746

(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 and management structure

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

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. For these credit risks, together with determining the creditworthiness when beginning a transaction, the Group checks the credit status of the contract partners when renewing a contract.

Unlisted investment securities are exposed to credit risks associated with the issuers. For these credit risks, the Group periodically checks the financial condition of issuers and reviews the holdings.

Most accounts payable and accounts payable - other are operating receivables that come due within 1 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 15 years after the settlement date.

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

With respect to 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.

(3) Supplementary information on fair value of financial instruments

Since the calculations of fair value of financial instruments 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 the relevant differences in relation to financial instruments on consolidated financial statements.

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

(Thousands of yen)

	Carrying value	Fair value	Difference
(1) Guarantee deposits	1,224,529	1,224,529	-
Total assets	1,224,529	1,224,529	-
(2) Long-term loans payable (*3)	312,268	312,268	-
(3) Lease obligations (*4)	195,309	196,451	1,142
Total liabilities	507,577	508,719	1,142
Derivative transactions (*5)	(8,358)	(8,358)	-

(*1) The information for "Cash and deposits," "Accounts receivable – trade," "Consumption taxes refund receivable," "Accounts payable – trade," "Short-term loans payable," and "Income taxes payable" are omitted as they are cash and the carrying amounts of these liabilities approximate fair value due to their short maturities.

(*2) The following financial instruments are not included in the above table because they have no market prices and their current value is recognized to be highly difficult to ascertain. The amounts recorded on the consolidated balance sheet are as follows:
(Thousands of yen)

Category	Previous Consolidated Fiscal Year
Unlisted stock	26,364
Shares of subsidiaries and associates	315,315

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

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

(*5) 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, 2022)

(Thousands of yen)

	Carrying value	Fair value	Difference
(1) Guarantee deposits	1,604,581	1,603,263	(1,318)
Total assets	1,604,581	1,603,263	(1,318)
(2) Long-term loans payable (*3)	394,530	394,530	-
(3) Lease obligations (*4)	220,132	221,742	1,610
Total liabilities	614,662	616,272	1,610
Derivative transactions (*5)	(3,041)	(3,041)	-

(*1) The information for “Cash and deposits,” “Accounts receivable – trade,” “Consumption taxes refund receivable,” “Accounts payable – trade,” “Short-term loans payable,” and “Income taxes payable” are omitted as they are cash and the carrying amounts of these liabilities approximate fair value due to their short maturities.

(*2) Shares without market prices are not included in the above table. The amounts recorded on the consolidated balance sheet are as follows:

(Thousands of yen)

Category	Current Consolidated Fiscal Year
Unlisted stock	33,263
Shares of subsidiaries and associates	265,142

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

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

(*5) 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: Scheduled redemption value of monetary claims after the consolidated financial closing date

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

(Thousands of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits	8,270,558	-	-	-
Accounts receivable – trade	260,438	-	-	-
Consumption taxes receivable	562,377	-	-	-
Guarantee deposits	448,823	764,397	11,309	-
Total	9,542,197	764,397	11,309	-

Current Consolidated Fiscal Year (as of August 31, 2022)

(Thousands of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits	7,807,795	-	-	-
Accounts receivable – trade	605,782	-	-	-
Consumption taxes receivable	1,378,773	-	-	-
Guarantee deposits	284,707	1,036,842	283,031	-
Total	10,077,058	1,036,842	283,031	-

Note 2: 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, 2021)

(Thousands of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 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

Current Consolidated Fiscal Year (as of August 31, 2022)

(Thousands of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	11,900,793	-	-	-	-	-
Long-term loans payable	88,440	88,440	51,400	15,000	15,000	136,250
Lease obligations	92,732	98,007	18,161	10,366	863	-
Total	12,081,965	186,447	69,561	25,366	15,863	136,250

3. Breakdown by levels of the fair value of financial instruments

The fair value of financial instruments is classified into the following 3 levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Current Consolidated Fiscal Year (as of August 31, 2022)

Category	Fair value (thousands of yen)			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Interest rates	-	(3,041)	-	(3,041)
Total assets	-	(3,041)	-	(3,041)

(2) Financial instruments other than those measured at fair value

Current Consolidated Fiscal Year (as of August 31, 2022)

Category	Fair value (thousands of yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	-	1,603,263	-	1,603,263
Total assets	-	1,603,263	-	1,603,263
Long-term loans payable	-	394,530	-	394,530
Lease obligations	-	221,742	-	221,742
Total liabilities	-	616,272	-	616,272

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Derivative transactions

Fair value is based on prices provided by financial institutions and is classified as Level 2.

Guarantee deposits

Fair value is based on estimates of scheduled redemption periods and present values discounted by appropriate indicators such as future cash flows and government bond yields, and is classified as Level 2.

Long-term loans payable and Lease obligations

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 2.

(Securities)

1. Available-for-sale securities

Previous 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.

Current consolidated fiscal year (August 31, 2022)

Unlisted stock (amount recorded on the consolidated balance sheet: 33,263 thousand yen) and shares of subsidiaries and associates (amount recorded on the consolidated balance sheet: 265,142 thousand yen) are excluded 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, 2021)

(Thousands of yen)

	Category	Contract value	Portion of contract in excess of 1 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)

Current Consolidated Fiscal Year (as of August 31, 2022)

(Thousands of yen)

	Category	Contract value	Portion of contract in excess of 1 year	Fair value	Loss (gain) on valuation
Non-market transactions	Interest rate swap transactions Fixed interest payable for variable interest receivable	211,250	196,250	(3,041)	5,316
	Total	211,250	196,250	(3,041)	5,316

(Stock options)

1. Expenses recorded and accounts related to stock options

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Selling, general, and administrative expenses	154,436	162,966

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 in August 2022). 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	<table> <tr> <td>Company Directors and Auditors</td> <td>5</td> </tr> <tr> <td>Company Employees</td> <td>131</td> </tr> <tr> <td>Wholly Owned Subsidiary Directors</td> <td>2</td> </tr> <tr> <td>Wholly Owned Subsidiary Employees</td> <td>10</td> </tr> </table>	Company Directors and Auditors	5	Company Employees	131	Wholly Owned Subsidiary Directors	2	Wholly Owned Subsidiary Employees	10
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	<p>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.</p> <p>However, the exercise of a fraction of 1 stock acquisition right unit shall not be permitted.</p>								
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	<table> <tr> <td>Company Directors and Auditors</td> <td>5</td> </tr> <tr> <td>Company Employees</td> <td>72</td> </tr> <tr> <td>Wholly Owned Subsidiary Directors</td> <td>3</td> </tr> <tr> <td>Wholly Owned Subsidiary Employees</td> <td>10</td> </tr> </table>	Company Directors and Auditors	5	Company Employees	72	Wholly Owned Subsidiary Directors	3	Wholly Owned Subsidiary Employees	10
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	<p>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.</p> <p>However, the exercise of a fraction of 1 stock acquisition right unit shall not be permitted.</p>								
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 Director 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 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 1 stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	November 21, 2022 to November 19, 2030

Fifth Series Stock Acquisition Rights	
Date of resolution	November 25, 2021
Classification and number of eligible grantees	Company Employees 6
	Wholly Owned Subsidiary Directors 2
	Wholly Owned Subsidiary Employees 9
	Directors of Company consolidated affiliates 3
Number of stock options per class of share	Common stock: 79,500 shares
Grant date	December 24, 2021
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 1 stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	November 26, 2023 to November 24, 2031

(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	Fifth Series Stock Acquisition Rights
Date of resolution	March 31, 2017	November 8, 2017	November 20, 2020	November 25, 2021
Unvested shares				
End of previous consolidated fiscal year	-	-	168,200	-
Granted	-	-	-	79,500
Expired	-	-	36,900	-
Vested	-	-	-	-
Balance of unvested shares	-	-	131,300	79,500
Vested shares				
End of previous consolidated fiscal year	51,030	51,240	-	-
Vested	-	-	-	-
Exercised	3,850	5,600	-	-
Expired	140	20	-	-
Balance of unvested shares	47,040	45,620	-	-

b) Unit Price Information

	Second Series Stock Acquisition Rights	Third Series Stock Acquisition Rights	Fourth Series Stock Acquisition Rights	Fifth Series Stock Acquisition Rights
Date of resolution	March 31, 2017	November 8, 2017	November 20, 2020	November 25, 2021
Exercise price (yen)	259	450	4,605	3,148
Average stock price at time of exercise (yen)	2,505	3,007	-	-
Fair unit value price on grant date (yen)	-	-	2,448.46	1,211.10

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) Fifth Series Stock Acquisition Rights

a) Valuation method employed: Black-Scholes model

b) Main base values and estimation methods

	Fifth Series Stock Acquisition Rights
Variability of share price (Note 1)	71.40%
Projected remaining period (Note 2)	5.92 years
Projected dividends (Note 3)	25 yen/share
Risk-free interest rate (Note 4)	(0.08%)

Notes:

1. Calculated based on actual share prices over 3.7 years (March 22, 2018 – December 24, 2021)
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
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

163,819 thousand yen

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

22,965 thousand yen

(Tax effect accounting)

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

	Previous Consolidated Fiscal Year (as of August 31, 2021)	(Thousands of yen) Current Consolidated Fiscal Year (as of August 31, 2022)
Deferred tax assets		
Provision for directors' retirement benefits	20,391	—
Allowance for doubtful accounts	47,019	85,083
Provision for bonuses	111,012	87,756
Excess depreciation	19,529	25,334
Loss on valuation of inventories	37,211	62,973
Impairment loss	55,850	65,114
Asset retirement obligations	195,236	251,773
Accrued business office taxes	3,947	4,975
Accrued enterprise tax	23,465	36,287
Loss on valuation of derivatives	2,888	1,052
Share-based remuneration expenses	29,163	37,429
Elimination of unrealized gains on fixed assets	119,564	161,859
Elimination of unrealized gains on inventories	1,859	29,499
Retained loss (Note 2)	336,083	109,186
Other	14,328	20,771
Subtotal	1,017,553	979,097
Valuation allowance (Note 1)	(109,376)	(63,061)
Total deferred tax assets	908,177	916,035
Deferred tax liabilities		
Retirement expenses related to asset retirement obligations	110,592	110,166
Other	—	6,786
Total deferred tax liabilities	110,592	116,953
Deferred tax assets, net	797,585	799,082

(Change in presentation method)

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

As a result, of the amount of 13,681 thousand yen in other deferred tax assets in the notes to the previous consolidated fiscal year, 1,859 thousand yen in the elimination of unrealized gains on inventories is presented as a classification and 2,506 thousand yen in the excess amount of amortization of deferred assets is included in 14,328 thousand yen in other.

Notes:

- Valuation allowance decreased by 46,314 thousand yen, due mainly to a decrease in the valuation allowance related to the retained loss of consolidated subsidiaries.
- Amounts of retained loss for tax purposes and related deferred tax assets by retention period
Previous consolidated fiscal year (August 31, 2021)

(Thousands of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 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.

Current consolidated fiscal year (August 31, 2022)

(Thousands of yen)

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Retained loss for tax purposes (*1)	-	-	-	-	-	109,186	109,186
Valuation allowance	-	-	-	-	-	50,557	50,557
Deferred tax assets	-	-	-	-	-	58,629	58,629

(*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 109,186 thousand yen (multiplied by the legal effective tax rate) is recorded as 58,629 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, 2021)	Current Consolidated Fiscal Year (as of August 31, 2022)
Effective statutory tax rate	30.62%	30.62%
Increase (decrease) in valuation allowance	12.93%	1.46%
Per capita	6.38%	3.81%
Income tax refund	(15.36%)	(0.09%)
Accumulated earnings tax	-%	2.00%
Non-deductible entertainment expenses	9.03%	5.92%
Goodwill amortization, etc.	8.28%	-%
Unrecognized tax effects related to unrealized gains or losses	4.22%	-%
Succession of retained loss through merger	(58.94%)	(6.05%)
Difference in tax rates on consolidated subsidiaries	11.23%	6.50%
Other	2.20%	(1.74%)
Income tax rate after application of tax effect accounting	10.59%	42.43%

(Corporate consolidation)

(Absorption between consolidated subsidiaries through merger)

(1) Overview of transaction

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

Name of company engaging in consolidation: Valence Japan Inc.
Lines of business: Purchasing and selling of branded items, precious metals, jewelry, etc.
Name of company subject to consolidation: Valence Art & Antiques Inc.
Lines of business: Purchasing and selling of antiques and works of art

b) Date of corporate consolidation

September 1, 2021

c) Legal method of corporate consolidation

Absorption-type merger in which Valence Japan Inc. is the absorbing and surviving company and Valence Art & Antiques Inc. is the company absorbed and extinguished

d) Company name after acquisition

Valence 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.

(Absorption between consolidated subsidiaries through merger)

(1) Overview of transaction

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

Name of company engaging in consolidation: Valence Japan Inc.
Lines of business: Purchasing and selling of branded items, precious metals, jewelry, etc.
Name of company subject to consolidation: Valence Real Estate Inc.
Lines of business: Real estate brokerage services

b) Date of corporate consolidation

June 1, 2022

c) Legal method of corporate consolidation

Absorption-type merger in which Valence Japan Inc. is the absorbing and surviving company and Valence Real Estate Inc. is the company absorbed and extinguished

d) Company name after acquisition

Valence 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, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Beginning of period	581,914	673,093
Increase due to purchase of property, plant and equipment	146,306	70,421
Increase due to change in estimate	-	20,000
Adjustment due to passage of time	1,797	1,402
Decrease due to fulfillment of asset retirement obligations	(142,945)	(13,402)
Increase accompanying new consolidation	85,918	-
Other increase (decrease)	102	1,119
End of period	673,093	752,635

4. Change in estimate of asset retirement obligations

The estimate for expenses for restoring property to their original state has been revised for the consolidated fiscal year under review due to acquiring new information on asset retirement obligations of restoring property to their original state per real estate lease agreements.

20,000 thousand yen was added to the asset retirement obligations balance before the change due to the change in estimate.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers is as follows:

Current Consolidated Fiscal Year (from September 1, 2021 to August 31, 2022)

(Thousands of yen)

Category	Reuse business	Total
Domestic	48,544,643	48,544,643
Overseas	14,841,135	14,841,135
Revenue from transactions with customers	63,385,779	63,385,779
Revenue from other sources	-	-
Sales to external customers	63,385,779	63,385,779

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in “(Significant matters that serve as the basis for preparing consolidated financial statements), 4. Matters concerning accounting policies, (4) Significant revenue and expense recognition standards.”

3. Useful information in understanding revenue for the current consolidated fiscal year and from the next consolidated fiscal year

(1) Balance of contract liabilities, etc.

(Thousands of yen)

	Current consolidated fiscal year
Contract liabilities (beginning balance)	32,975
Contract liabilities (ending balance)	218,329

Contract liabilities are mainly advances received for sold merchandise and is included in “Other” under current liabilities in the consolidated balance sheet. Contract liabilities are transferred to revenue when performance obligations by selling merchandise to customers are satisfied.

For the revenue recognized in the current consolidated fiscal year, 32,975 thousand yen is included in contract liabilities as of the beginning of the fiscal year.

(2) Transaction values allocated to residual performance obligations

Information on transaction values allocated to residual performance obligations for the Company and consolidated subsidiaries is omitted as they are not significant contracts where the contract period is originally expected to not exceed 1 year.

Within the amounts to be paid by customers through contracts, there are no significant amounts not included in transaction values.

(Segment information)

Segment Information

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.

Related Information

Previous 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	U.S.	Other	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

(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.

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

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	U.S.	Other	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

(Thousands of yen)

Japan	China	Other	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.

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

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.

Information on Amortization and Unamortized Balance of Goodwill per Reporting Segment

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.

Information on Gain on Negative Goodwill incurred by Reporting 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 is recorded in extraordinary income for the previous consolidated fiscal year.

Current Consolidated Fiscal Year (from September 1, 2021 to August 31, 2022)

Not applicable

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, 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 1)	11,686	-	-
Officer	Kenta Takami	-	-	Company director	(Ownership) 0.1%, directly held	-	Purchase of treasury shares (Note 2)	15,036	-	-
Officer	Reo Mizuno	-	-	Subsidiary director	(Ownership) 0.0%, directly held	-	Purchase of treasury shares (Note 2)	28,067	-	-
Officer	Takatomo Honda	-	-	Subsidiary director	(Ownership) 0.1%, directly held	-	Purchase of treasury shares (Note 2)	25,060	-	-
Officer	Ryu Kahou	-	-	Subsidiary director	(Ownership) 0.1%, directly held	-	Purchase of treasury shares (Note 2)	25,060	-	-

Notes:

1. 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.
2. Based on an August 2, 2021, board of directors' resolution, treasury shares were 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.

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

Not applicable

(B) Parent company and major shareholders of the company submitting consolidated financial statements (corporate entities only)

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

Not applicable

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

Not applicable

(2) Transactions between consolidated subsidiaries of 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, 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)
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 1)	Osaka City, Osaka	10,000	Real estate trading, leasing, and management	-	Office lease	Payment of rent (Note 2)	14,441	-	-

Note:

1. A close family member of Shinsuke Sakimoto, the Company's representative director, holds 100% of voting rights in this company.
2. Amounts of rent paid are determined based on results of transactions on nearby properties and other factors.

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

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)
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 1)	Osaka, Osaka Prefecture	10,000	Real estate trading, leasing, and management	-	Store lease	Payment of rent (Note 2)	14,441	-	-

Notes:

1. Close family members of Shinsuke Sakimoto, the Company's representative director, hold 100% of voting rights in this company.
2. Amounts of rent paid are determined based on results of transactions on nearby properties and other factors.

(B) Parent company and major shareholders of the company submitting consolidated financial statements (corporate entities only)

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

Not applicable

Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)

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)
major shareholder	SF Property Management Inc.	Minato-ku, Tokyo	2,000	Asset investment, investment consulting service, etc.	(Ownership) 57.33%, directly held	Real estate brokering Concurrently serving as Director	Fee inflow from real estate brokering (Note)	13,860	-	-

Note: Prices and other transaction conditions are determined in consideration of market conditions.

2. Notes on parent company or significant affiliates

Not applicable

(Per-share information)

	Previous Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Net assets per share	539.40 yen	586.41 yen
Net income per share	54.87 yen	74.06 yen
Diluted net income per share	54.58 yen	73.61 yen

Notes:

- As stated in “Changes in accounting policies,” the Company 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.
- The basis for calculating net income per share and diluted net income per share is as follows:

	Previous Consolidated Fiscal Year (September 1, 2020 to August 31, 2021)	Current Consolidated Fiscal Year (September 1, 2021 to August 31, 2022)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	725,121	969,129
Amount not attributable to common stock shareholders (Thousands of yen)	-	-
Profit attributable to owners of the parent related to common stock (Thousands of yen)	725,121	969,129
Average number of common stocks during the period	13,215,643	13,086,521
Diluted earnings per share		
Reconciliation of profit attributable to owners of the parent (Thousands of yen)	-	-
Increase in number of common stocks	70,641	78,328
(Included number of shares subject to stock acquisition rights)	(70,641)	(78,328)
Overview of potential shares not included in the calculation of diluted net income per share because they had no dilutive effect	-	-

(Significant subsequent events)

(Issuance of stock acquisition rights as stock options)

In its meeting held on November 25, 2022, the Board of Directors passed a resolution concerning the issue of stock acquisition rights (“Stock Acquisition Rights” hereinafter) to employees of the Company and to directors and employees of Company subsidiaries, pursuant to the provisions of Article 236, Article 238, and Article 240 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 and of directors and employees of Company subsidiaries, 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

530 units

The total number of shares to be granted through the exercise of the Stock Acquisition Rights is 53,000 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.

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 at that subsidiary 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.

(3) Details of Stock Acquisition Rights

a) Class and number of shares to be subject to Stock Acquisition Rights

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 the gratis allocation of common stock of the Company, the same shall apply hereinafter) or reverse stock split by the Company after the allocation date of Stock Acquisition Rights (“allocation date” hereinafter), 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.

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

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.

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

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.

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

In the above formula, "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, 2024, to November 24, 2032 (or the preceding banking business day if November 24, 2032, 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's 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 23, 2022

(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

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

(Issuance of new shares as restricted stock compensation)

At a Board of Directors meeting held on November 25, 2022, the Company made a resolution on the issuance of new shares as restricted stock compensation (the “New Share Issuance”).

1. Details of issuance

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

2. Objectives and reasons for issuance

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

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	8,340,494	11,900,793	0.36	-
Current portion of long-term loans payable	101,018	88,440	0.50	-
Current portion of lease obligations	51,768	92,732	2.66	-
Long-term loans payable (excludes current portion)	211,250	306,090	0.54	February 2025 to September 2036
Lease obligations (excludes current portion)	143,540	127,399	2.95	November 2023 to October 2026
Total	8,848,071	12,515,455	-	-

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 5 years following the consolidated financial closing date are as follows:

	Over 1 year and within 2 years (thousands of yen)	Over 2 years and within 3 years (thousands of yen)	Over 3 years and within 4 years (thousands of yen)	Over 4 years and within 5 years (thousands of yen)
Long-term loans payable	88,440	51,400	15,000	15,000
Lease obligations	98,007	18,161	10,366	863

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)	13,254,226	26,113,758	44,399,431	63,385,779
Profit before income taxes	(Thousands of yen)	160,640	128,477	820,540	1,683,282
Profit (loss) attributable to owners of the parent	(Thousands of yen)	45,358	(47,821)	367,988	969,129
Net income (loss) per share	(Yen)	3.44	(3.63)	27.97	74.06

(Fiscal year)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share	(Yen)	3.44	(7.08)	31.67	46.67

2. Financial Statements

(1) Financial Statements

a) Balance sheets

	(Thousands of yen)	
	Previous Consolidated Fiscal Year (As of August 31, 2021)	Current Consolidated Fiscal Year (As of August 31, 2022)
Assets		
Current assets		
Cash and deposits	1,457,362	1,355,097
Accounts receivable – trade	*1 380,700	*1 285,100
Supplies	422	574
Prepaid expenses	*1 133,176	*1 202,765
Accounts receivable – other	*1 240,938	*1 270,841
Short-term loans receivable from subsidiaries and associates	*1 150,000	-
Other	*1 181,045	*1 93,809
Allowance for doubtful accounts	(70,812)	(4,490)
Total current assets	2,472,832	2,203,698
Non-current assets		
Property, plant and equipment		
Buildings	188,028	117,571
Tools, furniture and fixtures	13,883	6,737
Other	-	4,950
Total property, plant and equipment	201,911	129,259
Intangible assets		
Trademark right	12,179	9,629
Software	146,691	12,426
Other	95,700	-
Total intangible assets	254,570	22,055
Investments and other assets		
Shares of subsidiaries and associates	4,568,466	4,568,466
Guarantee deposits	298,409	561,605
Deferred tax assets	220,130	264,798
Other	7,606	620
Total investments and other assets	5,094,612	5,395,491
Total non-current assets	5,551,094	5,546,805
Total assets	8,023,927	7,750,504

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2021)	Current Consolidated Fiscal Year (As of August 31, 2022)
Liabilities		
Current liabilities		
Short-term loans payable	*3 41,000	-
Short-term loans payable to subsidiaries and associates	*1 800,000	*1 400,000
Current portion of long-term loans payable	86,018	-
Accrued expenses	44,663	33,512
Income taxes payable	29,063	124,622
Provision for bonuses	37,182	28,644
Asset retirement obligations	-	157,492
Other	*1 484,308	*1 341,567
Total current liabilities	1,522,235	1,085,839
Non-current liabilities		
Asset retirement obligations	159,400	22,480
Provision for directors' retirement benefits	66,595	-
Total non-current liabilities	225,996	22,480
Total liabilities	1,748,232	1,108,319
Net assets		
Shareholders' equity		
Capital stock	1,144,576	1,146,335
Capital surplus		
Legal capital surplus	1,134,574	1,136,333
Other capital surplus	47,656	122,506
Total capital surplus	1,182,231	1,258,839
Retained earnings		
Legal retained earnings	2,500	2,500
Other retained earnings		
Retained earnings brought forward	4,005,030	4,585,347
Total retained earnings	4,007,530	4,587,847
Treasury shares	(213,079)	(668,240)
Total shareholders' equity	6,121,258	6,324,781
Stock acquisition rights	154,436	317,403
Total net assets	6,275,695	6,642,184
Total liabilities and net assets	8,023,927	7,750,504

b) Statements of Income

(Thousands of yen)

	Previous Fiscal Year (September 1, 2020 to August 31, 2021)	Current Fiscal Year (September 1, 2021 to August 31, 2022)
Operating revenue	*2 3,665,020	*2 3,748,276
Operating expenses	*1, *2 2,996,659	*1, *2 2,634,507
Operating profit	668,360	1,113,768
Non-operating income		
Interest income	*2 648	*2 3,954
Foreign exchange gains	0	-
Interest on refunds	1,612	-
Fiduciary obligation fee	*2 900	*2 1,200
Subsidy income	400	5,677
Other	2,438	1,287
Total non-operating income	6,000	12,119
Non-operating expenses		
Interest expenses	6,100	*2 15,049
Foreign exchange losses	-	35
Commission fee	132,740	6,838
Loss on extinguishment of share-based remuneration expenses	11,611	-
Other	4,288	1,349
Total non-operating expenses	154,741	23,273
Ordinary profit	519,618	1,102,614
Extraordinary income		
Reversal of allowance for doubtful accounts	-	65,795
Total extraordinary income	-	65,795
Extraordinary losses		
Impairment loss	31,183	-
Losses on the valuation of shares of subsidiaries and associates	591,838	-
Provision of an allowance for doubtful accounts	65,795	-
Settlement payments	-	8,529
Total extraordinary losses	688,818	8,529
Profit (loss) before income taxes	(169,199)	1,159,881
Income taxes – current	60,580	294,438
Income taxes – deferred	71,492	(44,668)
Total income taxes	132,073	249,769
Net income (loss)	(301,272)	910,111

c) Statement of Changes in Shareholders' Equity

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

(Thousands of yen)

	Shareholders' Equity						
	Capital Stock	Capital Surplus			Retained Earnings		
		Capital Surplus	Other Capital Surplus	Capital Surplus Total	Retained Earnings	Other Retained Earnings	Retained Earnings Total
					Retained Earnings Brought Forward		
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	Total Shareholders' Equity		
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

Current Fiscal Year (September 1, 2021 to August 31, 2022)

(Thousands of yen)

	Shareholders' Equity						
	Capital Stock	Capital Surplus			Retained Earnings		
		Capital Surplus	Other Capital Surplus	Capital Surplus Total	Retained Earnings	Other Retained Earnings	Retained Earnings Total
					Retained Earnings Brought Forward		
Beginning of period	1,144,576	1,134,574	47,656	1,182,231	2,500	4,005,030	4,007,530
Cumulative effects of changes in accounting policies				-			-
Restated balance	1,144,576	1,134,574	47,656	1,182,231	2,500	4,005,030	4,007,530
Changes during the period							
Issuance of new shares	1,758	1,758		1,758			-
Dividends of surplus				-		(329,794)	(329,794)
Net income				-		910,111	910,111
Purchase of treasury shares				-			-
Disposal of treasury shares			74,849	74,849			-
Change during current fiscal year other than change in shareholders' equity (net)				-			-
Total changes during the period	1,758	1,758	74,849	76,607	-	580,317	580,317
End of period	1,146,335	1,136,333	122,506	1,258,839	2,500	4,585,347	4,587,847

	Shareholders' Equity		Stock Acquisition Rights	Total Net Assets
	Treasury Shares	Total Shareholders' Equity		
Beginning of period	(213,079)	6,121,258	154,436	6,275,695
Cumulative effects of changes in accounting policies		-		-
Restated balance	(213,079)	6,121,258	154,436	6,275,695
Changes during the period				
Issuance of new shares		3,517		3,517
Dividends of surplus		(329,794)		(329,794)
Net income		910,111		910,111
Purchase of treasury shares	(500,108)	(500,108)		(500,108)
Disposal of treasury shares	44,947	119,797		119,797
Change during current fiscal year other than change in shareholders' equity (net)		-	162,966	162,966
Total changes during the period	(455,160)	203,522	162,966	366,489
End of period	(668,240)	6,324,781	317,403	6,642,184

[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, 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).

The following describes the most common useful economic life periods:

Buildings and structures 3-15 years

Tools, furniture and fixtures 3-10 years

(2) 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 (5 years).

(3) Leased assets

Lease 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.

4. Standards for recognizing allowances

(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.

5. Revenue and expense recognition standards

The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

Revenue for the Company comes mainly from consulting fee income and dividends income from subsidiaries and affiliates.

Consulting fee income comes from performance obligations for duties related to consolidated management and management of subsidiaries and affiliates based on contracts with subsidiaries and affiliates. The performance obligations of consulting fee income are recognized as revenue according to the contract period. Dividends income is recognized at the effective date of the dividends.

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

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

(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 affiliates

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

(Thousands of yen)

Account	Previous Fiscal Year	Current Fiscal Year
Shares of subsidiaries and affiliates	4,568,466	4,568,466
Losses on the valuation of shares of subsidiaries and affiliates	591,838	-
Short-term loans receivable from subsidiaries and affiliates	150,000	-
Allowance for doubtful accounts on the above	(65,795)	-
Provision of allowance for doubtful accounts (the negative sign indicating the amount of reversal)	65,795	(65,795)

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

The Company has established accounting policies on impairment of securities, calling for impairment of the price of stock without market prices 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 subsidiaries or affiliates.

In addition, for loans receivable from subsidiaries and affiliates, if a decrease in the effective price of re-establishment is recognized due to worsening financial position and business performance, the estimated amount of irrecoverable debt is posted as allowance for doubtful accounts according to the recoverability of individual cases for specified receivables.

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.

For the fiscal year under review, in regard to short-term loans receivable from subsidiaries and affiliates to consolidated subsidiaries for which an allowance for doubtful accounts to an amount equivalent to excess debt was recorded at the end of the previous fiscal year, because collection was realized, a reversal for allowance for doubtful accounts for 65,795 thousand yen was recorded.

The Company'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 the revaluation of shares of subsidiaries and associates in addition to recording allowance for doubtful accounts for short-term loans receivable from subsidiaries and affiliates in consolidated financial statements for the next consolidated fiscal year.

(Changes in accounting policies)

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

The Company 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.

There is no impact to the fiscal year under review.

With respect to the application of the Accounting Standard for Revenue Recognition, etc., the Company has followed the

transitional treatment prescribed in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition, but there is no impact to the opening balance of retained earnings brought forward.

In accordance with the provisional handling described in the Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes concerning (revenue recognition) are not provided for the previous fiscal year.

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

The Company 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 financial statements.

(Change in presentation method)

(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, financial statements for the previous fiscal year have been reclassified. As a result, 2,838 thousand yen presented in “Other” under “Non-operating income” in the statement of income for the previous fiscal year has been reclassified into “Subsidy income” of 400 thousand yen and “Other” of 2,438 thousand yen.

(Balance sheets)

*1 Monetary receivables and payables from and to affiliated companies

	(Thousands of yen)	
	Previous Fiscal Year (as of August 31, 2021)	Current Fiscal Year (as of August 31, 2022)
Short-term monetary claims	927,631	688,117
Short-term monetary debt	835,994	410,454

*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, 2021)	Current Fiscal Year (as of August 31, 2022)
Valuence Japan Inc.	1,600,000	1,700,000
Valuence International Limited	499,494	600,000

*3 Overdraft agreements

To raise working capital efficiently, we have entered into an overdraft agreement with 1 bank. The unused balance under this agreement is as follows:

	(Thousands of yen)	
	Previous Fiscal Year (as of August 31, 2021)	Current Fiscal Year (as of August 31, 2022)
Total maximum overdraft limit	300,000	300,000
Balance of loans executed	-	-
Net balance	300,000	300,000

(Statements of income)

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

	(Thousands of yen)	
	Previous Fiscal Year (September 1, 2020 to August 31, 2021)	Current Fiscal Year (September 1, 2021 to August 31, 2022)
Directors' compensation	154,973	161,460
Salaries and bonuses	515,616	508,678
Rents	492,405	380,755
Depreciation	190,372	109,919
Provision for bonuses	37,182	12,462
Provision for directors' retirement benefits	11,420	2,604
Approximate share		
Selling expenses	-%	-%
General and administrative expenses	100%	100%

*2 Transaction volumes with subsidiaries and affiliated companies

	(Thousands of yen)	
	Previous Fiscal Year (September 1, 2020 to August 31, 2021)	Current Fiscal Year (September 1, 2021 to August 31, 2022)
Volume of business transactions		
Operating income	3,665,020	3,748,276
Operating expenses	220,545	141,778
Volume of non-business transactions	2,577	7,859

(Securities)

Subsidiaries and affiliated companies

Previous Fiscal Year (August 31, 2021)

The value for subsidiary and affiliated 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, 2021)
Shares of subsidiaries	4,253,151
Shares of affiliates	315,315
Total	4,568,466

Current Fiscal Year (August 31, 2022)

The value for stock without market prices

(Thousands of yen)

Classification	Current Fiscal Year (as of August 31, 2022)
Shares of subsidiaries	4,253,151
Shares of affiliates	315,315
Total	4,568,466

(Tax effect accounting)

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

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2021)	Current Fiscal Year (as of August 31, 2022)
Deferred tax assets		
Provision for directors' retirement benefits	20,391	-
Allowance for doubtful accounts	21,682	1,374
Provision for bonuses	11,385	8,770
Excess depreciation	-	10,344
Asset retirement obligations	48,808	55,107
Accrued business office taxes	752	998
Accrued enterprise tax	4,567	11,631
Loss on valuation of shares of subsidiaries and associates	202,886	205,642
Share-based remuneration expenses	21,774	31,512
Shares of stock in successor company in corporate split	164,690	164,690
Other	625	472
Subtotal	497,566	490,546
Valuation allowance	(265,199)	(218,146)
Total deferred tax assets	232,366	272,399
Deferred tax liabilities		
Retirement expenses related to asset retirement obligations	12,236	7,601
Total deferred tax liabilities	12,236	7,601
Deferred tax assets, net	220,130	264,798

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

	Previous Fiscal Year (as of August 31, 2021)	Current Fiscal Year (as of August 31, 2022)
Effective statutory tax rate	-%	30.62%
Increase (decrease) in valuation allowance	-%	(4.06%)
Per capita	-%	0.40%
Accumulated earnings tax	-%	2.90%
Non-deductible entertainment expenses	-%	7.71%
Exclusion of Dividends Income from Gross Profits	-%	(16.03%)
Other	-%	(0.01%)
Income tax rate after application of tax effect accounting	-%	21.54%

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

(Revenue recognition)

Useful information in understanding revenue from contracts with customers is omitted here because the information is provided under *Notes (Key accounting policies), 5. Revenue and expense recognition standards* in the financial statements.

(Significant subsequent events)

(Issuance of stock acquisition rights as stock options)

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

(Issuance of new shares as restricted stock compensation)

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 and structures	188,028	20,000	-	90,456	117,571	377,232
	Tools, furniture and fixtures	13,883	148	0	7,294	6,737	55,010
	Leased assets	-	4,950	-	-	4,950	-
	Total	201,911	25,098	0	97,751	129,259	432,242
Intangible assets	Trademark right	12,179	-	-	2,550	9,629	20,870
	Software	146,691	4,460	129,105	9,618	12,426	75,774
	Other	95,700	-	95,700	-	-	-
	Total	254,570	4,460	224,805	12,168	22,055	96,645

Notes:

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

(Thousands of yen)

Facilities attached to buildings	Head office	Estimated difference of asset retirement obligations	20,000
Software	Head office	Budgetary control system	4,460

2. Of the decrease, this was mainly due to the sale to Valence Japan Inc., a consolidated subsidiary, as follows.

(Thousands of yen)

Software	Head office	Auction related systems	129,105
Other (Software in progress)	Head office	Auction related systems	95,700

Schedule of Provisions

(Thousands of yen)

Account	Beginning of period	Increase	Decrease	End of period
Allowance for doubtful accounts	70,812	-	66,322	4,490
Provision for bonuses	37,182	28,644	37,182	28,644
Provision for directors' retirement benefits	66,595	1,754	68,350	-

(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 3 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 1 unit	100 shares
Purchase and sales of fractional shares of 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 <i>Nihon Keizai Shimbun</i> 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

10th Fiscal Year (September 1, 2020 to August 31, 2021)

Filed with the Director-General of the Kanto Local Finance Bureau on November 25, 2021

(2) Annual Securities Report Correction Report and Confirmation Letter

10th Fiscal Year (September 1, 2020 to August 31, 2021)

Filed with the Director-General of the Kanto Local Finance Bureau on January 24, 2022

(3) Internal Control Report and Attached Documents

Filed with the Director-General of the Kanto Local Finance Bureau on November 25, 2021

(4) Quarterly Report and Confirmation Letter

11th Fiscal Year 1st Quarter (September 1, 2021 to November 30, 2021)

Filed with the Director-General of the Kanto Local Finance Bureau on January 14, 2022

11th Fiscal Year 2nd Quarter (December 1, 2021 to February 28, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on April 14, 2022

11th Fiscal Year 3rd Quarter (March 1, 2022 to May 31, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on July 14, 2022

(5) Extraordinary Report

Extraordinary report as prescribed in the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Results of the exercise of voting rights at shareholder meetings)

Filed with the Director-General of the Kanto Local Finance Bureau on November 25, 2021

(6) Report on purchase of treasury stock

Filed with the Director-General of the Kanto Local Finance Bureau on May 10, 2022, for the period subject to reporting (April 15–30, 2022).

Filed with the Director-General of the Kanto Local Finance Bureau on June 7, 2022, for the period subject to reporting (May 1–31, 2022).

Filed with the Director-General of the Kanto Local Finance Bureau on July 8, 2022, for the period subject to reporting (June 1–30, 2022).

Filed with the Director-General of the Kanto Local Finance Bureau on August 5, 2022, for the period subject to reporting (July 1–31, 2022).

Filed with the Director-General of the Kanto Local Finance Bureau on September 7, 2022, for the period subject to reporting (August 1–31, 2022).

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, 2022

To: The Board of Directors,

Valuence Holdings Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Limited
Liability Partner,
Certified Public Accountant

Koichi Kuse

Designated Limited
Liability Partner,
Certified Public Accountant

Hiroyuki Ito

<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, 2021 to August 31, 2022, 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- 2, Paragraph 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, 2022 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.

Revaluation of merchandise	
Details of matters of emphasis and reasons for the decision	Audit responses
<p>As indicated on the consolidated balance sheet, as of August 31, 2022, the Company recorded 6,329,008 thousand yen in merchandise, equivalent to approximately 27% 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 75,516 thousand yen in revaluation losses. The merchandise of Valence 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.</p> <p>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 Valence Japan Inc. by estimating and recording declines in book value based on valuation standards for each category of merchandise.</p> <p>The valuation standards are based on 2 perspectives: the possibility that merchandise may become non-moving and the likelihood of sale at a loss at some time in the future.</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>For these reasons, we have identified revaluation of merchandise of Valence 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.</p>	<p>We employed mainly the following audit procedures in considering the revaluation of merchandise of Valence Japan Inc.:</p> <p><input type="checkbox"/> Consideration of valuation standards by category</p> <ul style="list-style-type: none"> • 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. <p>- 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.</p> <p>- 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.</p> <p><input type="checkbox"/> Consideration of reasonability of valuation losses</p> <ul style="list-style-type: none"> • 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.

Other descriptions

Other descriptions refer to the information included in the securities report such as the consolidated financial statements, financial statements, and information other than the audit report. Management is responsible for the preparation and disclosure of other descriptions. The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the process for reporting other descriptions.

Other descriptions are not subject to our opinion on the consolidated financial statements and we do not express any opinion on other descriptions.

Our responsibility for the audit of the consolidated financial statements is to thoroughly read other descriptions, to examine, while we thoroughly reading other descriptions, whether there is any material difference between other descriptions and the consolidated financial statements, as well as the knowledge that we acquired during the audit process, and to pay attention to whether there is any sign of material error in other descriptions other than such material difference.

If we consider that there is material error in other descriptions based on the operations we conducted, we are required to report that fact.

We have no matters to report as to other descriptions.

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, 2022, 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, 2022, 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 original audit report 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, 2022

To: The Board of Directors,

Valuence Holdings Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Limited
Liability Partner,
Certified Public Accountant

Koichi Kuse

Designated Limited
Liability Partner,
Certified Public Accountant

Hiroyuki Ito

Auditor's opinion

We have audited the accompanying financial statements of Valuence Holdings Inc. included in Financial Information for the 11th fiscal year from September 1, 2021 to August 31, 2022, which comprise the balance sheet, statement of income, statement of shareholders' equity, significant accounting policies, and other related notes in accordance with Article 193-2, Paragraph 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, 2022, 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
<p>As indicated on the balance sheet, as of August 31, 2022, the Company recorded 4,568,466 thousand yen in shares of subsidiaries and associates. This is equivalent to approximately 59% of total assets.</p> <p>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.</p> <p>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.</p>	<p>In general, we applied the following audit procedures in considering the validity of valuations of shares of subsidiaries and associates:</p> <ul style="list-style-type: none"> • 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.

Other descriptions

Other descriptions refer to the information included in the securities report such as the consolidated financial statements, financial statements, and information other than the audit report. Management is responsible for the preparation and disclosure of other descriptions. The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the process for reporting other descriptions.

Other descriptions are not subject to our opinion on the financial statements and we do not express any opinion on other descriptions.

Our responsibility for the audit of the financial statements is to thoroughly read other descriptions, to examine, while we thoroughly reading other descriptions, whether there is any material difference between other descriptions and the financial statements, as well as the knowledge that we acquired during the audit process, and to pay attention to whether there is any sign of material error in other descriptions other than such material difference.

If we consider that there is material error in other descriptions based on the operations we conducted, we are required to report that fact.

We have no matters to report as to other descriptions.

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 directors in duties related to implementing and maintaining 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 original audit report is kept separately by the Company (filing company of the securities report).
2. XBRL data is unaudited.