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## Consolidated Financial Results for the Six Months Ended February 28, 2023 [Japanese GAAP]

April 14, 2023

Company name: Valence Holdings Inc. Stock exchange listing: Tokyo Stock Exchange  
 Securities code: 9270 URL: <https://www.valence.inc/>  
 Representative: (Title) Representative Director (Name) Shinsuke Sakimoto  
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 Scheduled date for filing quarterly securities report: April 14, 2023 Scheduled date for commencing dividend payments: —

Preparation of supplementary quarterly financial results briefing materials: Yes  
 Holding of quarterly financial results briefing: Yes (For institutional investors and analysts)

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

### 1. Consolidated financial results for the six months ended February 28, 2023 (September 1, 2022 to February 28, 2023)

#### (1) Consolidated operating results (cumulative) (% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended February 28, 2023	33,629	28.8	505	136.9	485	165.2	159	—
Six months ended February 28, 2022	26,113	10.0	213	220.5	182	402.7	(47)	—

Note: Comprehensive income: Six months ended February 28, 2023 106 million yen [– %] Six months ended February 28, 2022 (11) million yen [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 28, 2023	12.36	12.29
Six months ended February 28, 2022	(3.63)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of February 28, 2023	27,103	7,922	27.9
As of August 31, 2022	23,249	7,853	32.4

(Reference only) Equity: As of February 28, 2023 7,564 million yen As of August 31, 2022 7,536 million yen

### 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended in August 2022	—	0.00	—	25.00	25.00
Fiscal year ending in August 2023	—	0.00			
Fiscal year ending in August 2023 (forecast)			—	30.00	30.00

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

### 3. Consolidated financial results forecast for the fiscal year ending in August 2023 (September 1, 2022 to August 31, 2023) (% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	75,000	18.3	2,500	32.4	2,350	31.2	1,240	27.9	96.12

(Notes) 1. Revision to the financial results forecast announced most recently: Yes

2. For details, please refer to “Announcement Concerning Revision to Financial Results Forecast” and “Financial Results Presentation for Q2 FY8/2023” released today.

\* Notes

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

(2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to application of new or revised accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares of common stock issued

1) Number of shares issued at the end of the period (including treasury shares)

As of February 28, 2023	13,427,550 shares	As of August 31, 2022	13,335,620 shares
As of February 28, 2023	495,230 shares	As of August 31, 2022	483,653 shares
Six months ended February 28, 2023	12,869,553 shares	Six months ended February 28, 2022	13,168,189 shares

2) Number of shares of treasury shares at the end of the period

3) Average number of shares of common stock during the period

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

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

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to "1. Qualitative information on quarterly financial results (3) Explanation of consolidated financial results forecast and other forward-looking information" on page 6 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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## 1. Qualitative information on quarterly financial results

### (1) Explanation of business results

The reuse industry in which the Company Group operates is expected to continue to grow. The size of the reuse market increased by 11.7% year on year to 2,698.8 billion yen in 2021 and is expected to reach 3.5 trillion yen in 2025 (source: “2022 Estimate of the Reuse Industry’s Market Size (2021 Edition)” published by The Japan Journal of Remodeling (September 2022)).

The Company Group aims to become a “Circular Design Company” by 2030, with “Circular Design for the Earth and Us” as the Company Group’s purpose. This commitment is based on the awareness that it is critical for the Company Group to enhance sustainability, including that for the Earth’s environment, and establish a medium- to long-term competitive edge.

The Company Group had formulated and announced in October 2020 the VG1000 mid-term management plan, which covers the period through the fiscal year ending in August 2025. As the second year of the mid-term management plan, the fiscal year ended in August 2022, came to a close, the plan has been revised into “VG1000 ver2.0”, which was announced in October 2022. The Company Group will advance its business with strategies to expand the existing CtoBtoB model worldwide, to shore up retail sales for both domestic and global markets, and to transform into a recurring revenue model through enhanced relationships with customers and partners. The period covered by the existing mid-term management plan is positioned as a period for forward-looking outlays to implement and enhance all the functions necessary for a leap forward in the fiscal year ending in August 2026 and beyond. Even so, the Company Group aims to achieve profit growth while making those investments under the plan.

The Company Group positions the fiscal year ending in August 2023 as the year for prioritizing investments in human resources in particular. The Company Group plans not only to staff up in preparation for the reacceleration of office openings and business expansion, but also to make proactive investments in human resources, including programs for employees to improve their capabilities and learn new skills.

As a result of the business activities based on the above plan, the Company Group’s consolidated financial results for the six months under review were as follows.

(Unit: million yen)

	Previous six-month period (from September 1, 2021 to February 28, 2022)	Six months under review (from September 1, 2022 to February 28, 2023)	Year-on-year change	
			Amount	Percentage
Net sales	26,113	33,629	7,515	28.8%
Operating profit	213	505	292	136.9%
Ordinary profit	182	485	302	165.2%
Profit (loss) attributable to owners of parent	(47)	159	206	—

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

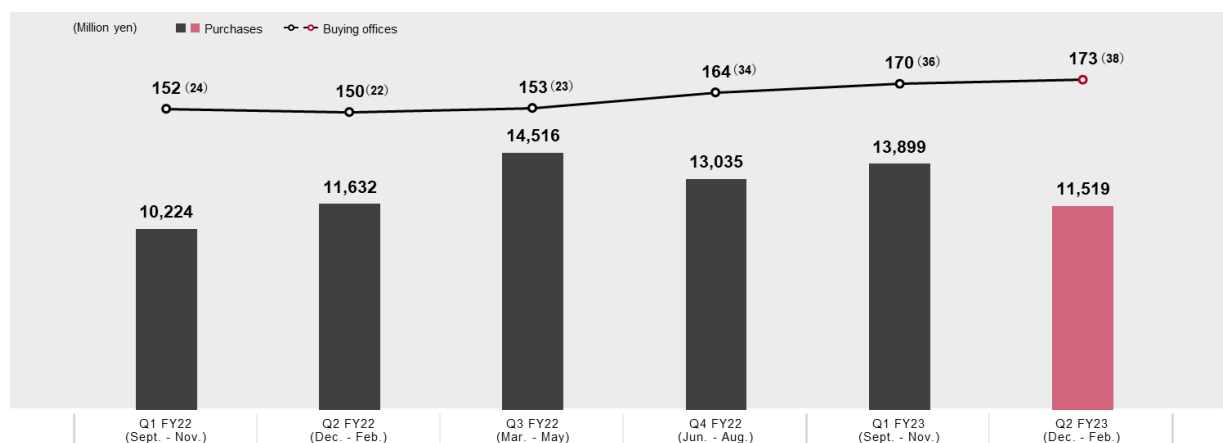
Specific initiatives in the six months under review were as follows.

With regard to purchases, the Company Group took steps to increase customer traffic, such as new office openings and web marketing. Furthermore, with an aim to further expand purchasing, the Company Group is strengthening not only purchases under its own brand but also efficient purchases through alliances with other industries. As a result of these initiatives, purchases during the six months under review totaled 25,419 million yen (up 3,561 million yen, or 16.3%, from the previous corresponding period), reaching a record high.

With regard to buying office development, the Company Group has been implementing initiatives to maximize office efficiency, including the decision to close unprofitable offices, while building a more convenient office network through new office openings and office relocations. The total number of buying offices of the Company Group as a whole as of the end of the six months under review amounted to 135 offices in Japan and 38 offices overseas.

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

### Purchases and Buying Offices



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

Purchases for the second quarter of the current fiscal year totaled 11,519 million yen (down 113 million yen, or 1.0%, from the previous corresponding period). The watch market trended downward after peaking in February 2022, and while the environment for watch purchases continued to be difficult, purchases of products other than watches remained firm.

With respect to selling operations, net sales in each sales channel, including the Company Group's own auction, the STAR BUYERS AUCTION ("SBA"), were favorable.

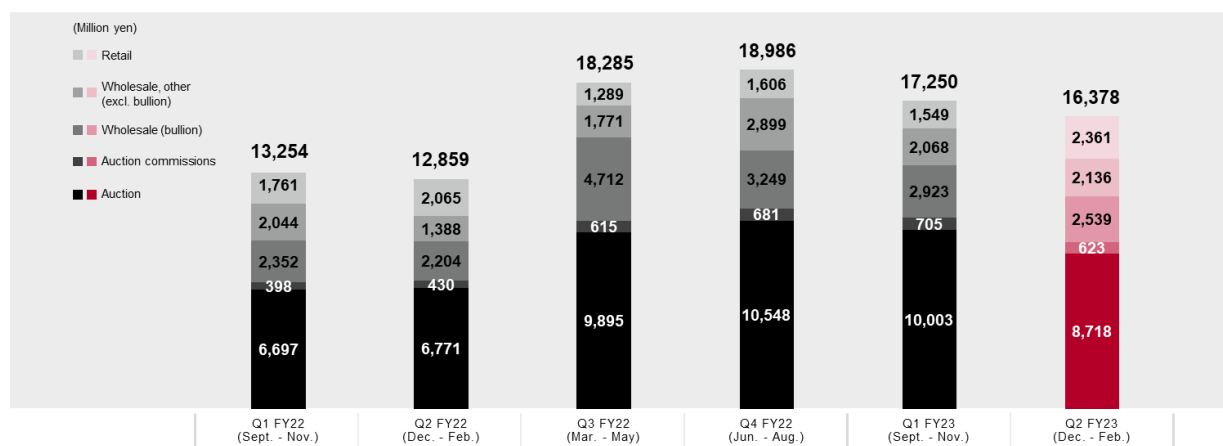
Not only domestic partners but also many overseas partners participate in the SBA, and its recognition as a global platform specializing in luxury brand items has increased. As a result, net sales from Auction totaled 18,721 million yen (up 5,253 million yen, or 39.0%, from the previous corresponding period) during the six months under review. In addition, winning bids on consignments at the Company Group's own auctions grew following the decision to provide free-of-charge listing of consigned items from April 2022. Consequently, net sales from Auction commissions amounted to 1,328 million yen (up 499 million yen, or 60.3%, from the previous corresponding period) during the six months under review.

As retail measures, the Company Group sought to shore up retail sales by deepening its relationships with customers and raising awareness of the ALLU brand, through efforts such as the opening of ALLU Shinsaibashi and holding of the first retail auction, ALLU Auction. As a result, retail net sales amounted to 3,910 million yen (up 83 million yen, or 2.2%, from the previous corresponding period) during the six months under review.

The gross profit margin for the six months under review was 27.0% (up 0.5 percentage points from the previous corresponding period), mainly owing to favorable retail sales and the strategic selection of sales channels at the time of market fluctuations.

Quarterly net sales by channel are as follows.

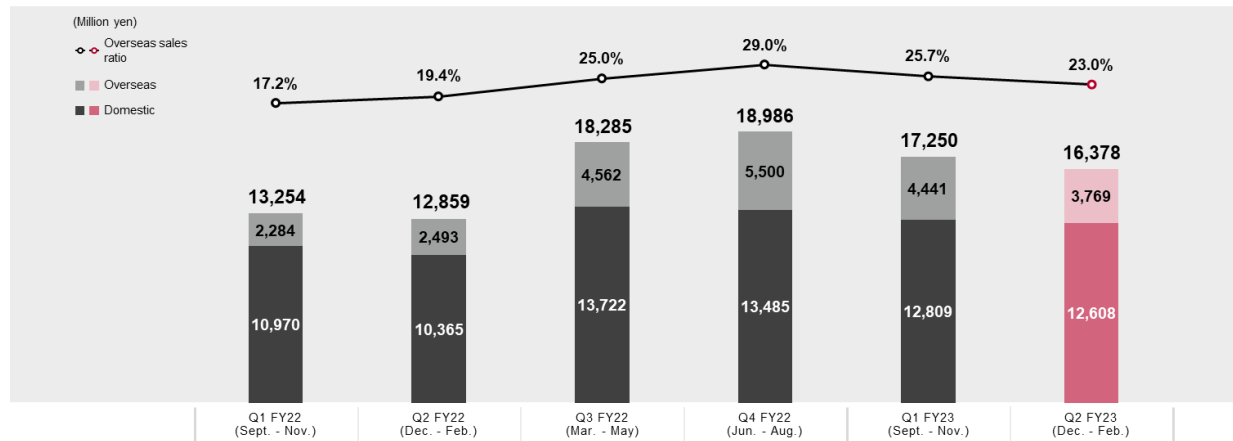
### Net Sales by Channel



Net sales for the second quarter of the current fiscal year amounted to 16,378 million yen (up 3,518 million yen, or 27.4 %, from the previous corresponding period). Net sales from retail for the second quarter of the current fiscal year were 2,361 million yen (up 295 million yen, or 14.3%, from the previous corresponding period), due to the success of securing inventory from a strategic perspective as part of retail measures during the first quarter of the current fiscal year. Furthermore, net sales from Auction and net sales from Auction commissions were strong at 8,718 million yen (up 1,947 million yen, or 28.8%, from the previous corresponding period) and 623 million yen (up 192 million yen, or 44.7%, from the previous corresponding period), respectively.

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

### Net Sales (Domestic, Overseas)



In the second quarter of the current fiscal year, domestic net sales reached 12,608 million yen (up 2,243 million yen, or 21.6%, from the previous corresponding period) mainly due to an increase in the number of domestic partners winning bids on our auctions in expectation of recovery in inbound demand. In addition, the ratio of overseas sales to total net sales was 23.0%, still maintaining a high level.

## (2) Explanation of financial conditions

### 1) Status of assets, liabilities, and net assets

#### (Assets)

As of the end of the six months under review, total current assets were 18,446 million yen, up 1,642 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 780 million yen in cash and deposits following fund raising and an increase of 1,299 million yen in merchandise including the impact of making YONE MOTORS CORPORATION a subsidiary, offset by a decrease of 453 million yen in consumption taxes refund receivable resulting from refund. Total non-current assets were 8,657 million yen, up 2,211 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 1,016 million yen in property, plant and equipment resulting from the new opening of a store, the relocation of the head office, etc., an increase of 687 million yen in goodwill associated with making YONE MOTORS CORPORATION a subsidiary, and an increase of 265 million yen in other intangible assets, including software and software in progress resulting from system development. As a result, total assets were 27,103 million yen, up 3,854 million yen from the end of the previous consolidated fiscal year.

#### (Liabilities)

Total current liabilities as of the end of the six months under review were 15,411 million yen, up 1,090 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 232 million yen in current portion of bonds payable and an increase in other current liabilities such as accounts payable - other caused by the relocation of the head office. Total non-current liabilities were 3,770 million yen, up 2,694 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 868 million yen in bonds payable and an increase of 1,513 million yen in long-term loans payable. As a result, total liabilities were 19,181 million yen, up 3,785 million yen from the end of the previous consolidated fiscal year.

#### (Net assets)

Total net assets as of the end of the six months under review were 7,922 million yen, up 68 million yen from the end of the previous consolidated fiscal year. This was mainly due to the recording of profit attributable to owners of parent, offset by a decrease of 162 million yen in retained earnings due to dividend payments, an increase of 242 million yen in capital stock and capital surplus following the issuance of new shares, an increase of 40 million yen in share acquisition rights, and a decrease of 52 million yen in foreign currency translation adjustment.

### 2) Status of cash flow

Cash and cash equivalents as of the end of the six months under review were 8,583 million yen, up 777 million yen from the end of the previous consolidated fiscal year.

An overview of cash flows by category in the six months under review and major underlying factors are presented below.

#### (Cash flow from operating activities)

Cash flow from operating activities in the six months under review was an inflow of 383 million yen (the result for the previous corresponding period was an outflow of 3,504 million yen), due mainly to fund decreases, including 930 million yen in increase in inventories and 536 million yen in income taxes paid on the one hand, and fund increases, including 334 million yen in profit before income taxes, 457 million yen in depreciation expenses, 458 million yen in decrease in consumption taxes refund receivable, and 192 million yen in decrease in accounts receivable - trade on the other hand.

#### (Cash flow from investment activities)

Cash flow from investment activities in the six months under review was an outflow of 1,290 million yen (the result for the previous corresponding period was an outflow of 789 million yen), due mainly to fund decreases, including 471 million yen in purchase of shares of subsidiary resulting in change in scope of consolidation, 367 million yen in purchase of property, plant and equipment, and 328 million yen in purchase of intangible assets.

#### (Cash flow from financing activities)

Cash flow from financing activities in the six months under review was an inflow of 1,739 million yen (the result for the previous corresponding period was an inflow of 2,186 million yen), due mainly to fund decreases, including 320 million yen in cash dividends paid and 300 million yen in decrease in short-term loans payable on the one hand, and fund increases, including 1,550 million yen in proceeds from long-term borrowings and 1,000 million yen in proceeds from issuance of bonds on the other hand.

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

The consolidated financial results forecast for the fiscal year ending in August 2023 has been revised in light of the financial results of the six months under review. For details, please refer to “Announcement Concerning Revision to Financial Results Forecast” and “Financial Results Presentation for Q2 FY8/2023” released today (April 14, 2023). No change has been made to the dividend forecast of 30 yen per share announced on October 14, 2022.



## 2. Quarterly consolidated financial statements and major notes

### (1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2022)	Six months under review (February 28, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,807,795	8,587,907
Accounts receivable - trade	605,782	437,261
Merchandise	6,329,008	7,628,770
Consumption taxes refund receivable	1,378,773	925,316
Other	959,575	1,195,356
Allowance for doubtful accounts	(276,876)	(328,247)
<b>Total current assets</b>	<b>16,804,058</b>	<b>18,446,366</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures (net)	2,149,422	2,956,053
Other (net)	697,049	906,568
<b>Total property, plant and equipment</b>	<b>2,846,472</b>	<b>3,862,621</b>
<b>Intangible assets</b>		
Goodwill	-	687,734
Other	852,375	1,118,023
<b>Total intangible assets</b>	<b>852,375</b>	<b>1,805,757</b>
<b>Investments and other assets</b>		
Shares of subsidiaries and associates	265,142	275,705
Guarantee deposits	1,604,581	1,728,209
Other	877,876	985,669
Allowance for doubtful accounts	(806)	(420)
<b>Total investments and other assets</b>	<b>2,746,795</b>	<b>2,989,164</b>
<b>Total non-current assets</b>	<b>6,445,643</b>	<b>8,657,543</b>
<b>Total assets</b>	<b>23,249,702</b>	<b>27,103,909</b>

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2022)	Six months under review (February 28, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	244,150	245,823
Short-term loans payable	11,900,793	11,697,610
Current portion of bonds payable	–	232,000
Current portion of long-term loans payable	88,440	299,344
Income taxes payable	395,198	156,565
Provision for bonuses	256,992	204,170
Asset retirement obligations	166,864	241,130
Other	1,267,925	2,334,415
<b>Total current liabilities</b>	<b>14,320,364</b>	<b>15,411,059</b>
Non-current liabilities		
Bonds payable	–	868,000
Long-term loans payable	306,090	1,819,122
Asset retirement obligations	585,770	839,825
Other	183,508	243,165
<b>Total non-current liabilities</b>	<b>1,075,369</b>	<b>3,770,112</b>
<b>Total liabilities</b>	<b>15,395,734</b>	<b>19,181,172</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,146,335	1,219,780
Capital surplus	1,256,619	1,425,798
Retained earnings	5,602,463	5,440,223
Treasury shares	(668,240)	(668,432)
<b>Total shareholders' equity</b>	<b>7,337,177</b>	<b>7,417,369</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	199,386	147,251
<b>Total accumulated other comprehensive income</b>	<b>199,386</b>	<b>147,251</b>
Share acquisition rights	317,403	358,116
<b>Total net assets</b>	<b>7,853,967</b>	<b>7,922,737</b>
<b>Total liabilities and net assets</b>	<b>23,249,702</b>	<b>27,103,909</b>

(2) Quarterly consolidated statements of income and comprehensive income  
(Quarterly consolidated statement of income)  
(For the six months ended February 28)

(Unit: thousand yen)

	Previous six-month period (from September 1, 2021 to February 28, 2022)	Six months under review (from September 1, 2022 to February 28, 2023)
Net sales	26,113,758	33,629,057
Cost of sales	19,199,689	24,544,308
Gross profit	6,914,068	9,084,749
Selling, general and administrative expenses	6,700,657	8,579,195
Operating profit	213,411	505,553
Non-operating income		
Interest income	54	213
Share of profit of entities accounted for using equity method	-	10,562
Gain on valuation of derivatives	3,511	4,929
Subsidy income	2,670	9,290
Other	4,054	10,325
Total non-operating income	10,290	35,321
Non-operating expenses		
Interest expenses	27,122	35,202
Foreign exchange losses	8,945	12,192
Share of loss of entities accounted for using equity method	2,440	-
Other	2,280	8,420
Total non-operating expenses	40,789	55,814
Ordinary profit	182,912	485,060
Extraordinary losses		
Impairment loss	54,435	140,650
Office relocation expenses	-	9,892
Total extraordinary losses	54,435	150,542
Profit before income taxes	128,477	334,517
Income taxes - current	263,111	260,629
Income taxes - deferred	(86,811)	(85,170)
Total income taxes	176,299	175,458
Profit (loss)	(47,821)	159,059
Profit (loss) attributable to owners of parent	(47,821)	159,059

(Quarterly consolidated statement of comprehensive income)  
(For the six months ended February 28)

(Unit: thousand yen)

	Previous six-month period (from September 1, 2021 to February 28, 2022)	Six months under review (from September 1, 2022 to February 28, 2023)
Profit (loss)	(47,821)	159,059
Other comprehensive income		
Foreign currency translation adjustment	35,896	(52,134)
Total other comprehensive income	35,896	(52,134)
Comprehensive income	(11,925)	106,924
Comprehensive income attributable to:		
Owners of parent	(11,925)	106,924

(3) Quarterly consolidated cash flow statement

(Unit: thousand yen)

	Previous six-month period (from September 1, 2021 to February 28, 2022)	Six months under review (from September 1, 2022 to February 28, 2023)
<b>Cash flow from operating activities</b>		
Profit before income taxes	128,477	334,517
Depreciation expenses	296,390	457,377
Share-based payment expenses	136,848	113,504
Increase (decrease) in allowance for doubtful accounts	68,396	48,113
Increase (decrease) in provision for bonuses	(67,888)	(58,872)
Increase (decrease) in provision for directors' retirement benefits	(66,595)	—
Interest and dividend income	(54)	(213)
Interest expenses	27,122	35,202
Share of loss (profit) of entities accounted for using equity method	2,440	(10,562)
Subsidy income	(2,670)	(9,290)
Benefits	—	(2,041)
Impairment loss	54,435	140,650
Office relocation expenses	—	9,892
Decrease (increase) in accounts receivable - trade	(55,961)	192,578
Decrease (increase) in inventories	(2,719,100)	(930,316)
Increase (decrease) in accounts payable - trade	79,235	(25,477)
Decrease/increase in consumption taxes receivable/payable	(830,083)	458,696
Other	(180,017)	198,549
Subtotal	(3,129,024)	952,309
Interest and dividend income received	54	213
Interest expenses paid	(27,773)	(35,048)
Subsidies received	2,570	9,290
Benefits received	—	2,041
Payments of relocation expenses	—	(8,829)
Income taxes paid	(377,167)	(536,914)
Income taxes refund	27,129	—
Cash flow from operating activities	(3,504,211)	383,063
<b>Cash flow from investment activities</b>		
Purchase of property, plant and equipment	(495,416)	(367,926)
Purchase of intangible assets	(210,336)	(328,455)
Fulfillment of asset retirement obligations	(3,757)	(3,575)
Payments for guarantee deposits	(84,164)	(129,277)
Proceeds from collection of guarantee deposits	4,024	10,391
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(471,550)
Other	18	34
Cash flow from investment activities	(789,631)	(1,290,358)

(Unit: thousand yen)

	Previous six-month period (from September 1, 2021 to February 28, 2022)	Six months under review (from September 1, 2022 to February 28, 2023)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	2,659,000	(300,000)
Proceeds from long-term borrowings	—	1,550,000
Repayment of long-term loans payable	(93,518)	(107,549)
Proceeds from issuance of bonds	—	1,000,000
Proceeds from issuance of shares	3,206	1,532
Purchase of treasury shares	(136)	(192)
Cash dividends paid	(329,379)	(320,863)
Other	(52,632)	(83,820)
Cash flow from financing activities	2,186,539	1,739,106
Effect of exchange rate change on cash and cash equivalents	19,221	(54,676)
Increase (decrease) in cash and cash equivalents	(2,088,081)	777,135
Opening balance of cash and cash equivalents	8,269,430	7,806,382
Closing balance of cash and cash equivalents	6,181,348	8,583,517

(4) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Notes in the case of significant changes in the amount of shareholders' equity)

Not applicable

(Change in scope of consolidation or equity method application)

YONE MOTORS CORPORATION has been newly included in the scope of consolidation as the Company acquired all of its shares during the second quarter of the current fiscal year. Since the deemed acquisition date is February 28, 2023, and the difference between the acquisition date and the quarterly consolidated closing date is no more than three months, only the balance sheet has been consolidated for the second quarter of the current fiscal year.

(Additional information)

There are no significant changes to the assumptions provided under “(Additional Information)” in the Securities Report for the previous consolidated fiscal year concerning accounting estimates related to the effect of the spread of COVID-19.

(Important subsequent events)

Not applicable