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Consolidated Financial Results for Fiscal Year Ended in August 2023 [Japanese GAAP]

October 13, 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
Contact: (Title) Director and CFO	(Name) Shinichiro Sato (TEL) +81-3-4580-9983
Scheduled date for ordinary general meeting of shareholders: November 27, 2023	Scheduled date for commencing dividend payments: November 10, 2023
Scheduled date for filing securities report: November 27, 2023	
Preparation of supplementary financial results briefing materials:	Yes
Holding of financial results briefing:	Yes

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended in August 2023	76,130	20.1	2,183	15.6	2,034	13.6	1,050	8.4
Fiscal year ended in August 2022	63,385	20.7	1,888	61.6	1,791	83.4	969	33.7

Note: Comprehensive income: Fiscal year ended in August 2023 1,028 million yen [(10.0)%] Fiscal year ended in August 2022 1,143 million yen [50.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended in August 2023	81.42	80.94	13.1	8.0	2.9
Fiscal year ended in August 2022	74.06	73.61	13.2	8.5	3.0

(Reference only) Profits/losses from investment by equity method: Fiscal year ended in August 2023 (37) million yen Fiscal year ended in August 2022 (50) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2023	27,675	8,834	30.7	656.30
As of August 31, 2022	23,249	7,853	32.4	586.41

(Reference only) Equity: As of August 31, 2023 8,485 million yen As of August 31, 2022 7,536 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents closing balance
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended in August 2023	1,374	(2,538)	1,723	8,334
Fiscal year ended in August 2022	(1,716)	(1,536)	2,691	7,806

2. Dividends

	Annual dividends					Total dividends (total)	Dividend payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total			
Fiscal year ended in August 2022	—	0.00	—	25.00	25.00	321	33.8	4.4
Fiscal year ended in August 2023	—	0.00	—	30.00	30.00	387	36.8	4.8
Fiscal year ending in August 2024 (forecast)	—	0.00	—	35.00	35.00		28.3	

Note: Year-end dividends for the fiscal year ended in August 2023 are still planned at this time and will be determined by the board of directors meeting on October 26, 2023.

3. Consolidated financial results forecast for the fiscal year ending in August 2024 (September 1, 2023 to August 31, 2024)
(% 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
First half	40,870	21.5	670	32.5	490	1.0	200	25.7	15.47
Full year	90,120	18.4	2,850	30.5	2,570	26.3	1,600	52.3	123.74

* Notes

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

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

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

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

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(3) Number of shares of common stock issued

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

As of August 31, 2023	13,427,550 shares	As of August 31, 2022	13,335,620 shares
As of August 31, 2023	497,630 shares	As of August 31, 2022	483,653 shares
Fiscal year ended in August 2023	12,900,569 shares	Fiscal year ended in August 2022	13,086,521 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. An overview of the business results etc. (4) Future outlook" on page 6 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

■ Table of contents of the attached materials

1. An overview of the business results etc.	2
(1) An overview of the business results in the current fiscal year	2
(2) An overview of financial conditions in the current fiscal year.....	5
(3) Overview of cash flows in the current fiscal year	5
(4) Future outlook.....	6
(5) Important matters concerning the going concern assumptions.....	6
2. Basic policy on selection of accounting standards	6
3. Consolidated financial statements and major notes	7
(1) Consolidated balance sheet	7
(2) Consolidated statements of income and comprehensive income	9
(Consolidated statement of income).....	9
(Consolidated statement of comprehensive income).....	10
(3) Consolidated statement of changes in net assets	11
(4) Consolidated cash flow statement.....	12
(5) Notes on consolidated financial statements	14
(Notes regarding going concern assumptions)	14
(Change in scope of consolidation or equity method application)	14
(Changes in presentation)	14
(Segment information, etc.)	14
(Per share information)	16
(Important subsequent events)	16

1. An overview of the business results etc.

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

The reuse industry in which the Company Group operates is expected to continue to grow. The size of the reuse market increased by 7.4% year on year to 2,897.6 billion yen in 2022 and is expected to reach 4 trillion yen in 2030 (source: “2023 Estimate of the Reuse Industry’s Market Size (2022 Edition)” published by The Japan Journal of Remodeling (September 2023)).

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 revised the previously formulated and announced VG1000 mid-term management plan, which covers the period through the fiscal year ending in August 2025, into “VG1000 ver2.0” and announced the revised plan 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 positioned the fiscal year ended in August 2023 as the year for prioritizing investments in human resources. The Company Group not only expanded its workforce in preparation for buying office openings and business scale expansion, but also made proactive investments in human resources, including programs for employees to improve their capabilities and learn new skills. Furthermore, while continuing to invest in expanding purchasing and enhancing the auction platform, the Company Group has begun initiatives for domain expansion and global investment, which are the investment themes for the next fiscal year and beyond, including M&A of YONE MOTORS CORPORATION, opening retail stores, and replacing the e-commerce site for establishing global e-commerce operations.

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

(Unit: million yen)

	Previous fiscal year (from September 1, 2021 to August 31, 2022)	Current fiscal year (from September 1, 2022 to August 31, 2023)	Year-on-year change	
			Amount	Percentage
Net sales	63,385	76,130	12,744	20.1%
Operating profit	1,888	2,183	294	15.6%
Ordinary profit	1,791	2,034	243	13.6%
Profit (loss) attributable to owners of parent	969	1,050	81	8.4%

With regard to purchases, the Company Group took efficient 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 efficient purchases through alliances with other industries. As a result of these initiatives, purchases during the fiscal year under review totaled 56,168 million yen (up 6,758 million yen, or 13.7%, from the previous fiscal year).

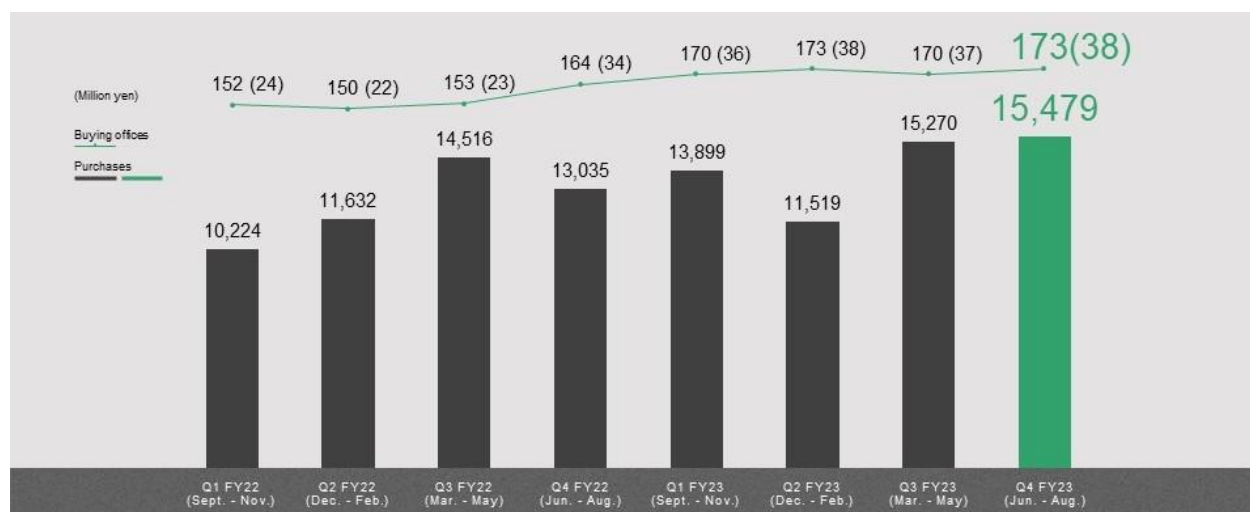
With regard to buying office development, the Company Group has been implementing initiatives to maximize office efficiency, including closing unprofitable offices, while building a more convenient office network through new office openings and office relocations. As a result, the total number of buying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

Purchases for the fourth quarter of the current fiscal year totaled 15,479 million yen (up 2,443 million yen, or 18.7%, from the previous fiscal year), reaching a record high. Purchases were favorable, as the bullion market continued to rise from the third quarter of the current fiscal year, and the Company Group focused on strengthening alliances and implementing measures to attract repeaters.

Purchases reported in “1. An overview of the business results etc. (1) An overview of the business results in the current fiscal year” do not include purchases made by YONE MOTORS CORPORATION.

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, net sales in the Company Group’s own auction, the STAR BUYERS AUCTION (“SBA”), and retail were favorable. As a result, net sales for the fiscal year under review amounted to 76,130 million yen (up 12,744 million yen, or 20.1%, from the previous fiscal year).

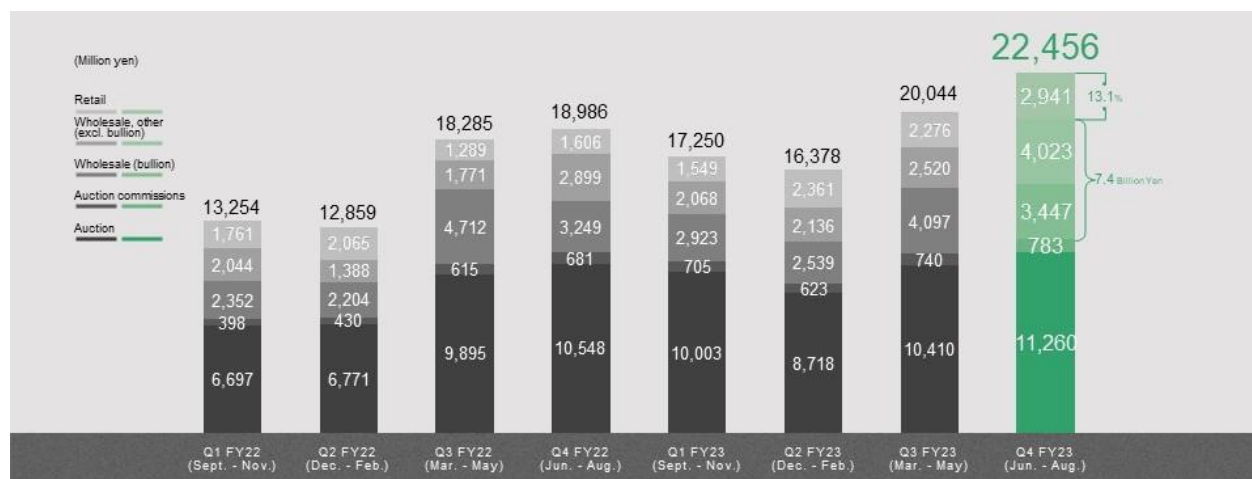
Not only domestic partners but also many overseas partners participate in the SBA, and its recognition as a global platform specializing in luxury brand items has increased. As a result, net sales from Auction totaled 40,393 million yen (up 6,480 million yen, or 19.1%, from the previous fiscal year) during the fiscal year under review. In addition, winning bids on consignments at the Company Group’s own auctions grew, due in part to the start of providing new SaaS functionality from March 2023. Consequently, net sales from Auction commissions amounted to 2,851 million yen (up 724 million yen, or 34.1%, from the previous fiscal year) during the fiscal year under review.

As retail measures, the Company Group sought to shore up retail sales by deepening its relationships with customers in addition to raising awareness of the ALLU brand, through efforts such as the opening of ALLU Shinsaibashi in December 2022 and holding ALLU Auctions every quarter from January 2023. As a result, retail net sales amounted to 9,127 million yen (up 2,404 million yen, or 35.8%, from the previous fiscal year) during the fiscal year under review.

In addition, net sales for the fourth quarter of the current fiscal year amounted to 22,456 million yen (up 3,469 million yen, or 18.3%, from the previous fiscal year), which was a record high, as were purchases. Sales increased for each channel due to strong purchases, and net sales from Auction amounted to 11,260 million yen (up 712 million yen, or 6.8%, from the previous fiscal year), and net sales from retail amounted to 2,941 million yen (up 1,334 million yen, or 83.1%, from the previous fiscal year), helped by a recovery in inbound demand. In addition, net sales from wholesale and other (including bullion) were 7,471 million yen (up 1,321 million yen, or 21.5%, from the previous fiscal year), due to YONE MOTORS CORPORATION’s contribution to performance and the continuously strong bullion market.

Quarterly net sales by channel are as follows.

Net Sales by Channel

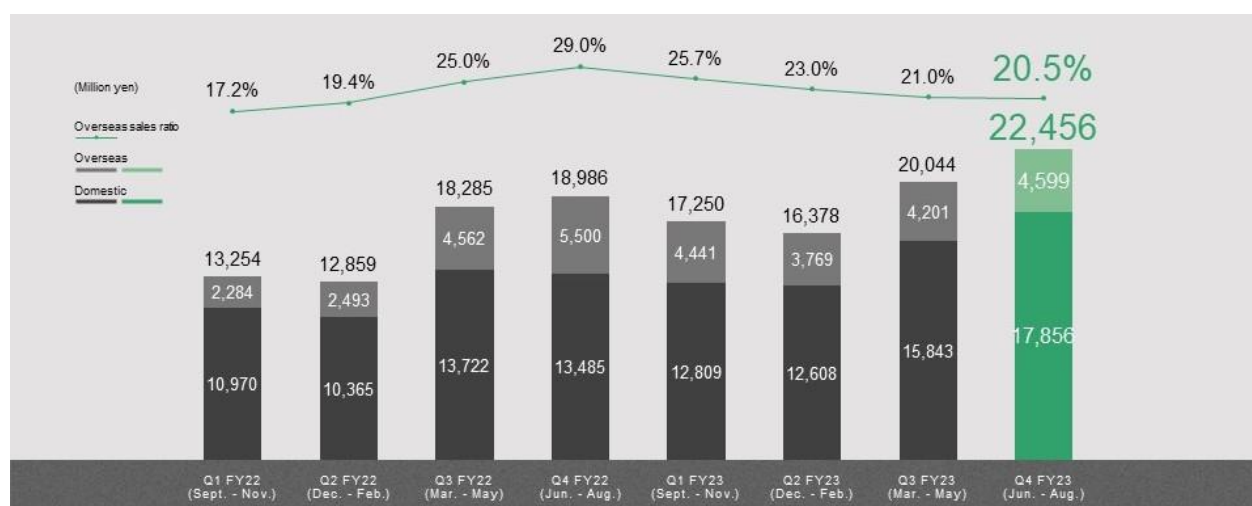


* Sales of YONE MOTORS CORPORATION are included in wholesale, other (excl. bullion).

In the fourth quarter of the current fiscal year, domestic net sales reached 17,856 million yen (up 4,370 million yen, or 32.4%, from the previous fiscal year), due to continued strong buying appetite among domestic partners in line with the recovery in inbound demand, buoyant sales to foreigners visiting Japan at retail stores, and an increase in wholesale and other sales including the financial results of YONE MOTORS CORPORATION. The ratio of overseas sales to total net sales was 20.5%.

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

Net Sales (Domestic, Overseas)



The gross profit margin for the fiscal year under review was 26.3% (up 0.5 percentage points from the previous fiscal year). The gross profit margin rose as net sales from retail increased, the holding of SBA at a pace of 4 times per month became firmly established, and winning bids on consignments at the Company Group's own auctions grew.

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) An overview of financial conditions in the current fiscal year

(Assets)

As of the end of the fiscal year under review, total current assets were 19,227 million yen, up 2,423 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 528 million yen in cash and deposits following fund raising and an increase of 1,304 million yen in merchandise including the impact of making YONE MOTORS CORPORATION a subsidiary, as well as an increase of 250 million yen in consumption taxes refund receivable. Total non-current assets were 8,448 million yen, up 2,002 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 960 million yen in property, plant and equipment resulting from the new opening of a store, the relocation of the head office, etc. and an increase of 1,240 million yen in intangible assets including goodwill associated with making YONE MOTORS CORPORATION a subsidiary and the recording of software and software in progress resulting from system development. As a result, total assets were 27,675 million yen, up 4,425 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Total current liabilities as of the end of the fiscal year under review were 14,822 million yen, up 501 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 200 million yen in current portion of bonds payable, an increase of 623 million yen in current portion of long-term loans payable, and an increase of 459 million yen in other current liabilities such as accrued expenses caused by the free rent contract of new offices, offset by a decrease of 799 million yen in short-term loans payable. Total non-current liabilities were 4,018 million yen, up 2,943 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 700 million yen in bonds payable and an increase of 1,989 million yen in long-term loans payable. As a result, total liabilities were 18,841 million yen, up 3,445 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of the end of the fiscal year under review were 8,834 million yen, up 980 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease due to dividend payments, offset by an increase of 729 million yen in retained earnings due to the recording of profit attributable to owners of parent and an increase of 242 million yen in capital stock and capital surplus following the issuance of new shares.

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

Cash and cash equivalents (“funds”) as of the end of the fiscal year under review were 8,334 million yen, up 528 million yen from the end of the previous consolidated fiscal year.

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

(Cash flow from operating activities)

Cash flow from operating activities in the fiscal year under review was an inflow of 1,374 million yen (the result for the previous consolidated fiscal year was an outflow of 1,716 million yen), due mainly to fund increases, including 1,914 million yen in profit before income taxes, 971 million yen in depreciation expenses, and 169 million yen in share-based payment expenses on the one hand, and fund decreases, including 934 million yen in increase in inventories, 245 million yen in increase in consumption taxes refund receivable, and 840 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 2,538 million yen (the result for the previous consolidated fiscal year was an outflow of 1,536 million yen), due mainly to fund decreases, including 1,341 million yen in purchase of property, plant and equipment, 831 million yen in purchase of intangible assets, and 471 million yen in purchase of shares of YONE MOTORS CORPORATION.

(Cash flow from financing activities)

Cash flow from financing activities in the fiscal year under review was an inflow of 1,723 million yen (the result for the previous consolidated fiscal year was an inflow of 2,691 million yen), due mainly to 898 million yen in decrease in short-term loans payable, 718 million yen in repayment of long-term loans payable, and 320 million yen in cash dividends paid on the one hand, and fund increases, including 1,000 million yen in proceeds from issuance of bonds and 3,050 million yen in proceeds from long-term borrowings on the other hand.

(4) Future outlook

The Company has established the mid-term management plan “VG1000 ver2.0” covering the period through the fiscal year ending in August 2025, and is carrying out its business with the strategies of expanding the existing CtoBtoB model worldwide, shoring up retail sales for both domestic and global markets, and transforming into a recurring revenue model through enhanced relationships with customers and partners.

During the fiscal year ending in August 2024, which is the fourth year of the mid-term plan, the Company plans to make global investments ahead of schedule, such as setting up overseas e-commerce and strengthening overseas marketing, in addition to making investments for domain expansion such as opening new domestic retail stores and enhancing the automobile business.

Based on these plans, and taking into account the latest business conditions and external environment, the Company Group’s targets for the fiscal year ending in August 2024 are as follows.

Net sales	90,120 million yen	(Up 18.4% from the previous fiscal year)
Operating profit	2,850 million yen	(Up 30.5% from the previous fiscal year)
Ordinary profit	2,570 million yen	(Up 26.3% from the previous fiscal year)
Profit attributable to owners of parent	1,600 million yen	(Up 52.3% from the previous fiscal year)

For details on the financial results forecast, please refer to “FY23 Financial Results” that was separately disclosed today.

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

2. Basic policy on selection of accounting standards

The Company Group creates consolidated financial statements in accordance with Japanese GAAP based on considerations related to comparisons between different fiscal periods and to those of other companies.

The Company Group will take appropriate action with regard to the potential future adoption of IFRS (International Financial Reporting Standards) based on a consideration of circumstances at home and abroad.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2022)	Current consolidated fiscal year (August 31, 2023)
Assets		
Current assets		
Cash and deposits	7,807,795	8,336,308
Accounts receivable - trade	605,782	798,816
Merchandise	6,329,008	7,633,221
Work in process	—	3,655
Raw materials and supplies	5,640	11,236
Consumption taxes refund receivable	1,378,773	1,629,030
Other	953,934	1,177,498
Allowance for doubtful accounts	(276,876)	(362,576)
Total current assets	16,804,058	19,227,190
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,594,092	4,226,392
Accumulated depreciation	(1,444,670)	(1,336,189)
Buildings and structures (net)	2,149,422	2,890,202
Furniture and fixtures	663,592	958,935
Accumulated depreciation	(382,776)	(482,398)
Furniture and fixtures (net)	280,816	476,536
Leased assets	416,014	643,674
Accumulated depreciation	(231,695)	(416,674)
Leased assets (net)	184,318	226,999
Land	189,965	189,965
Construction in progress	41,949	10,174
Other	—	52,531
Accumulated depreciation	—	(39,515)
Other (net)	—	13,015
Total property, plant and equipment	2,846,472	3,806,894
Intangible assets		
Goodwill	—	543,696
Other	852,375	1,549,577
Total intangible assets	852,375	2,093,274
Investments and other assets		
Investment securities	33,263	35,077
Shares of subsidiaries and associates	265,142	228,014
Guarantee deposits	1,604,581	1,479,347
Deferred tax assets	799,082	745,585
Other	45,530	60,131
Allowance for doubtful accounts	(806)	(174)
Total investments and other assets	2,746,795	2,547,981
Total non-current assets	6,445,643	8,448,150
Total assets	23,249,702	27,675,341

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2022)	Current consolidated fiscal year (August 31, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	244,150	393,345
Short-term loans payable	11,900,793	11,101,376
Current portion of bonds payable	–	200,000
Current portion of long-term loans payable	88,440	711,667
Lease obligations	92,732	56,162
Income taxes payable	395,198	408,823
Provision for bonuses	256,992	316,640
Asset retirement obligations	166,864	–
Other	1,175,193	1,634,228
Total current liabilities	14,320,364	14,822,243
Non-current liabilities		
Bonds payable	–	700,000
Long-term loans payable	306,090	2,295,605
Lease obligations	127,399	195,594
Asset retirement obligations	585,770	793,973
Other	56,109	33,657
Total non-current liabilities	1,075,369	4,018,831
Total liabilities	15,395,734	18,841,074
Net assets		
Shareholders' equity		
Capital stock	1,146,335	1,219,780
Capital surplus	1,256,619	1,425,798
Retained earnings	5,602,463	6,331,587
Treasury shares	(668,240)	(668,432)
Total shareholders' equity	7,337,177	8,308,733
Accumulated other comprehensive income		
Foreign currency translation adjustment	199,386	177,264
Total accumulated other comprehensive income	199,386	177,264
Share acquisition rights	317,403	348,268
Total net assets	7,853,967	8,834,266
Total liabilities and net assets	23,249,702	27,675,341

(2) Consolidated statements of income and comprehensive income
(Consolidated statement of income)

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2021 to August 31, 2022)	Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)
Net sales	63,385,779	76,130,018
Cost of sales	47,069,588	56,116,521
Gross profit	16,316,191	20,013,496
Selling, general and administrative expenses	14,427,514	17,829,878
Operating profit	1,888,676	2,183,618
Non-operating income		
Interest income	99	731
Gain on valuation of derivatives	5,316	3,723
Subsidy income	21,571	14,564
Other	22,266	17,696
Total non-operating income	49,254	36,716
Non-operating expenses		
Interest expenses	61,275	77,859
Share of loss of entities accounted for using equity method	50,172	37,128
Foreign exchange losses	22,057	28,919
Other	13,104	41,602
Total non-operating expenses	146,609	185,510
Ordinary profit	1,791,321	2,034,824
Extraordinary income		
Gain from sales of fixed asset	-	8,914
Gain on forgiveness of debts	-	98,847
Total extraordinary income	-	107,762
Extraordinary losses		
Impairment loss	99,509	165,016
Office relocation expenses	-	63,335
Settlement payments	8,529	-
Total extraordinary losses	108,038	228,351
Profit before income taxes	1,683,282	1,914,234
Income taxes - current	716,064	833,853
Income taxes - deferred	(1,911)	29,958
Total income taxes	714,153	863,811
Profit	969,129	1,050,422
Profit attributable to owners of parent	969,129	1,050,422

(Consolidated statement of comprehensive income)

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2021 to August 31, 2022)	Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)
Profit	969,129	1,050,422
Other comprehensive income		
Foreign currency translation adjustment	173,950	(22,121)
Total other comprehensive income	173,950	(22,121)
Comprehensive income	1,143,080	1,028,300
Comprehensive income attributable to:		
Owners of parent	1,143,080	1,028,300

(3) Consolidated statement of changes in net assets

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

(Unit: thousand yen)

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

Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Opening balance	1,146,335	1,256,619	5,602,463	(668,240)	7,337,177	199,386	199,386	317,403	7,853,967
Change during current fiscal year									
Issuance of new shares	73,445	169,179			242,624		-		242,624
Dividends from surplus			(321,299)		(321,299)		-		(321,299)
Profit attributable to owners of parent			1,050,422		1,050,422		-		1,050,422
Purchase of treasury shares				(192)	(192)		-		(192)
Change during current fiscal year other than change in shareholders' equity (net)					-	(22,121)	(22,121)	30,865	8,743
Overall change during current fiscal year	73,445	169,179	729,123	(192)	971,555	(22,121)	(22,121)	30,865	980,298
Closing balance	1,219,780	1,425,798	6,331,587	(668,432)	8,308,733	177,264	177,264	348,268	8,834,266

(4) Consolidated cash flow statement

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2021 to August 31, 2022)	Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)
Cash flow from operating activities		
Profit before income taxes	1,683,282	1,914,234
Depreciation expenses	715,579	971,505
Goodwill amortization	—	36,246
Share-based payment expenses	280,240	169,812
Increase (decrease) in allowance for doubtful accounts	141,172	82,196
Increase (decrease) in provision for bonuses	(68,242)	53,598
Increase (decrease) in provision for directors' retirement benefits	(66,595)	—
Interest and dividend income	(99)	(731)
Interest expenses	61,275	77,859
Share of loss (profit) of entities accounted for using equity method	50,172	37,128
Subsidy income	(21,571)	(14,564)
Settlement payments	8,529	—
Gain on forgiveness of debts	—	(98,847)
Impairment loss	99,509	165,016
Office relocation expenses	—	63,335
Decrease (increase) in accounts receivable - trade	(345,344)	(168,975)
Decrease (increase) in inventories	(2,404,491)	(934,341)
Increase (decrease) in accounts payable - trade	124,349	122,044
Increase (decrease) in income taxes payable	8,614	27,276
Decrease/increase in consumption taxes receivable/payable	(968,768)	(245,016)
Other	(393,182)	84,958
Subtotal	(1,095,571)	2,342,735
Interest and dividend income received	99	731
Interest expenses paid	(59,364)	(77,417)
Subsidies received	20,095	14,564
Payments of relocation expenses	—	(65,818)
Income taxes paid	(609,082)	(840,355)
Income taxes refund	27,701	—
Cash flow from operating activities	(1,716,122)	1,374,439
Cash flow from investment activities		
Purchase of property, plant and equipment	(770,180)	(1,341,894)
Purchase of intangible assets	(362,578)	(831,213)
Fulfillment of asset retirement obligations	(9,531)	(20,424)
Payments for guarantee deposits	(414,186)	(159,899)
Proceeds from collection of guarantee deposits	19,915	270,567
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(471,550)
Other	18	15,963
Cash flow from investment activities	(1,536,543)	(2,538,451)

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2021 to August 31, 2022)	Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	3,560,299	(898,000)
Proceeds from long-term borrowings	220,000	3,050,000
Repayment of long-term loans payable	(137,738)	(718,743)
Proceeds from issuance of bonds	—	1,000,000
Redemption of bonds	—	(200,000)
Proceeds from issuance of shares	3,517	1,532
Purchase of treasury shares	(500,108)	(192)
Cash dividends paid	(329,508)	(320,948)
Other	(124,710)	(189,672)
Cash flow from financing activities	2,691,750	1,723,975
Effect of exchange rate change on cash and cash equivalents	97,867	(31,528)
Increase (decrease) in cash and cash equivalents	(463,047)	528,435
Opening balance of cash and cash equivalents	8,269,430	7,806,382
Closing balance of cash and cash equivalents	7,806,382	8,334,817

(5) Notes on consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Change in scope of consolidation or equity method application)

YONE MOTORS CORPORATION has been included in the scope of consolidation as the Company newly acquired its shares during the second quarter of the current fiscal year. In addition, the newly established Valuence International MEA Trading L.L.C has been newly included in the scope of consolidation since the third quarter of the current fiscal year.

(Changes in presentation)

(Consolidated balance sheet)

The item name “Supplies” has been changed to “Raw materials and supplies” from the fiscal year under review as raw materials arose in the fiscal year under review.

(Consolidated statement of income)

“Benefits,” presented separately under “Non-operating income” in the previous fiscal year, is included in “Other” under “Non-operating income” from the fiscal year under review in light of its decreased financial materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 6,475 thousand yen presented in “Benefits” under “Non-operating income” in the consolidated statement of income for the previous fiscal year has been reclassified into “Other” of 22,266 thousand yen.

In addition, “Commission fee” and “Loss on extinguishment of share-based remuneration expenses,” presented separately under “Non-operating expenses” in the previous fiscal year, are included in “Other” under “Non-operating expenses” from the fiscal year under review in light of their decreased financial materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result, 6,997 thousand yen presented in “Commission fee” and 3,983 thousand yen presented in “Loss on extinguishment of share-based remuneration expenses” under “Non-operating expenses” in the consolidated statement of income for the previous fiscal year have been reclassified into “Other” of 13,104 thousand yen.

(Consolidated cash flow statement)

“Benefits” and “Benefits received,” presented separately under “Cash flow from operating activities” in the previous fiscal year, are included in “Other” under “Cash flow from operating activities” from the fiscal year under review in light of their decreased financial materiality. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result, (6,475) thousand yen presented in “Benefits” and 6,475 thousand yen presented in “Benefits received” under “Cash flow from operating activities” in the consolidated cash flow statement for the previous fiscal year have been reclassified into “Other” of (393,182) thousand yen and “Subtotal” of (1,095,571) thousand yen.

(Segment information, etc.)

[Segment information]

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

[Relevant information]

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

1. Information by product and service

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

2. Information by region

(1) Net sales

(Unit: thousand yen)

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

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

(2) Property, plant and equipment

(Unit: thousand yen)

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

3. Information by major customer

This information is omitted as there are no sales to external customers that account for 10% or more of net sales in the consolidated statement of income.

Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Unit: thousand yen)

Japan	China	U.S.	Others	Total
59,117,845	4,703,810	6,855,709	5,452,652	76,130,018

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

(2) Property, plant and equipment

(Unit: thousand yen)

Japan	China	Others	Total
3,388,119	157,767	261,007	3,806,894

3. Information by major customer

This information is omitted as there are no sales to external customers that account for 10% or more of net sales in the consolidated statement of income.

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

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

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

Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)

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

[Amortization and unamortized balance of goodwill by reportable segment]

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

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

Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)

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

[Gains on negative goodwill incurred by reportable segment]

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

Not applicable

Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)

Not applicable

(Per share information)

	Previous consolidated fiscal year (from September 1, 2021 to August 31, 2022)	Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)
Net assets per share	586.41 yen	656.30 yen
Basic earnings per share	74.06 yen	81.42 yen
Diluted earnings per share	73.61 yen	80.94 yen

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

	Previous consolidated fiscal year (from September 1, 2021 to August 31, 2022)	Current consolidated fiscal year (from September 1, 2022 to August 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	969,129	1,050,422
Amount not attributable to ordinary shareholders (thousands of yen)	-	-
Profit attributable to owners of parent regarding ordinary shares (thousands of yen)	969,129	1,050,422
Average number of ordinary shares outstanding	13,086,521	12,900,569
Diluted earnings per share		
Profit adjustment attributable to owners of parent (thousands of yen)	-	-
Number of incremental ordinary shares	78,328	75,705
[of which those with share options are]	[78,328]	[75,705]
An outline of potential shares not included in the calculation of diluted earnings per share because they do not have dilutive effects	-	-

(Important subsequent events)

Not applicable