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Consolidated Financial Results for the Six Months Ended February 29, 2024 [Japanese GAAP]

April 12, 2024

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 Scheduled date for filing quarterly securities report: April 12, 2024 Scheduled date for commencing dividend payments: —
 Preparation of supplementary quarterly financial results briefing materials: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended February 29, 2024 (September 1, 2023 to February 29, 2024)

(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 29, 2024	39,427	17.2	(1,052)	—	(1,160)	—	(897)	—
Six months ended February 28, 2023	33,629	28.8	505	136.9	485	165.2	159	—

Note: Comprehensive income: Six months ended February 29, 2024 (870) million yen [—%] Six months ended February 28, 2023 106 million yen [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 29, 2024	(69.22)	—
Six months ended February 28, 2023	12.36	12.29

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of February 29, 2024	31,469	7,699	23.4
As of August 31, 2023	27,675	8,834	30.7

(Reference only) Equity: As of February 29, 2024 7,378 million yen As of August 31, 2023 8,485 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 2023	—	0.00	—	30.00	30.00
Fiscal year ending in August 2024	—	0.00			
Fiscal year ending in August 2024 (forecast)			—	0.00	0.00

Note: Revision to the dividend forecast announced most recently: Yes

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
Full year	81,370	6.9	(1,200)	—	(1,420)	—	(1,960)	—	(150.82)

Note: Revision to the financial results forecast announced most recently: Yes

* 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 29, 2024	13,532,950 shares	As of August 31, 2023	13,427,550 shares
2) Number of shares of treasury shares at the end of the period	As of February 29, 2024	506,579 shares	As of August 31, 2023	497,630 shares
3) Average number of shares of common stock during the period	Six months ended February 29, 2024	12,963,442 shares	Six months ended February 28, 2023	12,869,553 shares

- * These quarterly financial results are not subject to quarterly review procedures to be performed by certified public accountants or an audit firm.
- * Explanation on appropriate use of financial results forecasts and other matters of note
 Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. 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 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.

In the “VG1000 ver2.0” mid-term management plan, which covers the period through the fiscal year ending in August 2025, 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. In the fiscal year ending in August 2024, the Company Group will continue to focus on expanding purchasing by broadening the alliance strategy and enhancing CRM aimed at increasing the number of repeaters, in addition to strengthening purchasing through new buying office openings and web marketing. Furthermore, the Company Group will concentrate on expanding its domain to include types of real assets that are not brand name products by strengthening the automobile business, while enhancing the toC channel through measures centered on the opening of new domestic retail stores and simultaneous listings of products on the toB and toC channels. In overseas business, efforts will be also made on global investments, including the enhancement of web marketing in purchasing and retail expansion through the establishment of global e-commerce operations. In the existing toB domain, the Company Group will also continue to consider the implementation of new functions and provision of new services aimed at enhancing the auction platform, such as providing the new SaaS function to more partners and strengthening fulfillment services.

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, 2022 to February 28, 2023)	Six months under review (from September 1, 2023 to February 29, 2024)	Year-on-year change	
			Amount	Percentage
Net sales	33,629	39,427	5,798	17.2%
Operating profit (loss)	505	(1,052)	(1,557)	—
Ordinary profit (loss)	485	(1,160)	(1,645)	—
Profit (loss) attributable to owners of parent	159	(897)	(1,056)	—

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

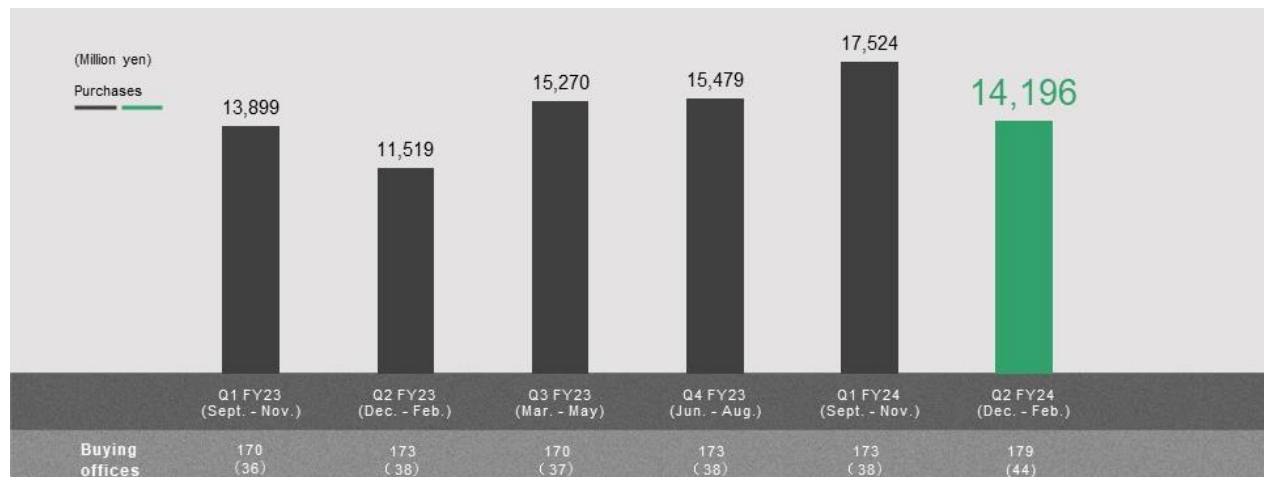
With regard to purchases, the Company Group made continuous efforts to strengthen purchases through alliances with parties such as department stores and financial institutions, while keeping a focus on purchases through buying offices. In addition, the overseas business has begun strengthening web marketing, similarly to the domestic business, with an aim to expand purchasing through synergy with office network expansion. As a result of these initiatives, purchases during the six months under review totaled 31,721 million yen (up 6,302 million yen, or 24.8%, from the previous corresponding period, excluding purchases made by YONE MOTORS CORPORATION).

The total number of buying offices as of the end of the second quarter of the current fiscal year amounted to 179 offices, 135 offices in Japan and 44 offices overseas, due to the opening of offices, particularly partner offices overseas.

In addition, purchases for the second quarter of the current fiscal year totaled 14,196 million yen (up 2,677 million yen, or 23.2%, from the previous corresponding period, excluding purchases made by YONE MOTORS CORPORATION), as the bullion market remained strong and the Company Group was able to secure merchandise for retail sale, especially bags.

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

Purchases and Buying Offices



* Excludes purchases made by YONE MOTORS CORPORATION.

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

With respect to selling operations, net sales for the six months under review amounted to 39,427 million yen (up 5,798 million yen, or 17.2%, from the previous corresponding period), as retail net sales increased mainly due to the opening of new retail stores and inbound demand, and the bullion market remained at a high level.

In the first quarter of the current fiscal year, net sales from the auction decreased from the previous corresponding period, mainly due to decreased buying appetite among overseas partners at the auction and the cancelation of the diamond auction operated at the Company Group's Hong Kong base (SBA Hong Kong) in consideration of diamond market conditions. Despite a recovery from these temporary factors in the second quarter of the current fiscal year, net sales from the auction totaled 18,074 million yen (down 647 million yen, or 3.5%, from the previous corresponding period) during the six months under review, as net sales from the auction tend to be slowed by seasonal factors every year.

In addition, partially as the auction consignments continued to perform well due to the contribution of new SaaS functions and other factors, net sales from auction commissions amounted to 1,369 million yen (up 41 million yen, or 3.1%, from the previous corresponding period) during the six months under review.

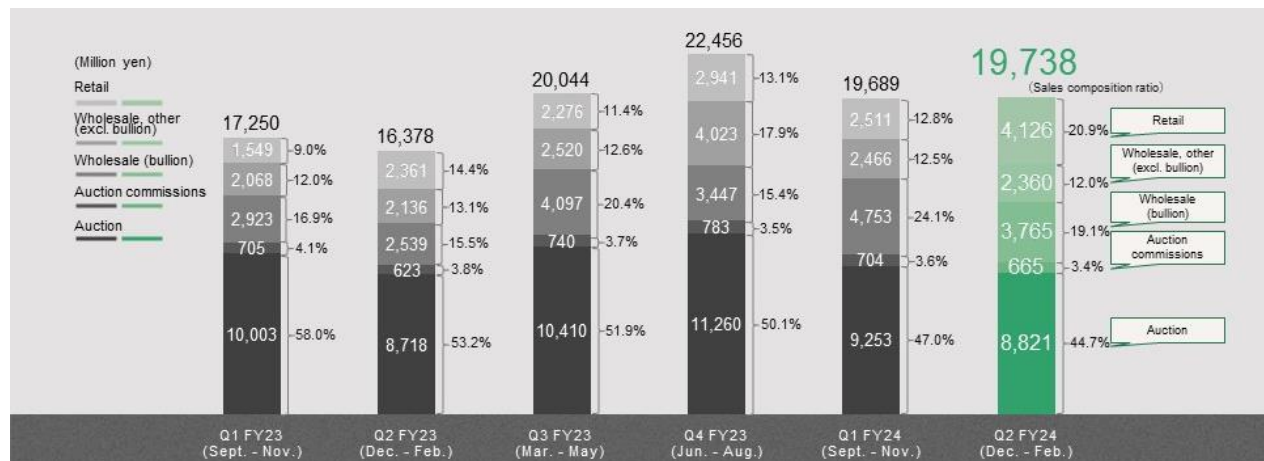
In terms of retail, the Company Group opened its fourth retail store, ALLU Shinsaibashi ANNEX, in December 2023. Retail net sales amounted to 6,637 million yen (up 2,727 million yen, or 69.7%, from the previous corresponding period) during the six months under review, mainly because inbound demand remained strong, and inventory was strategically sold at retail as part of retail reinforcement measures.

In addition, net sales for the second quarter of the current fiscal year amounted to 19,738 million yen (up 3,360 million yen, or 20.5%, from the previous corresponding period). Net sales from the auction totaled 8,821 million yen (up 103 million yen, or 1.2%, from the previous corresponding period) during the second quarter of the current fiscal year, primarily as a result of efforts being focused on retail sales in consideration of seasonality even amid the recovery of buying appetite among overseas partners at the auction.

Retail net sales amounted to 4,126 million yen (up 1,764 million yen, or 74.7%, from the previous corresponding period), primarily because the Company Group strategically stepped up retail sales during the high season spanning Christmas, year-end and New Year holidays, and Chinese New Year, and held a retail auction, ALLU Auction.

Quarterly net sales by channel are as follows.

Net Sales by Channel

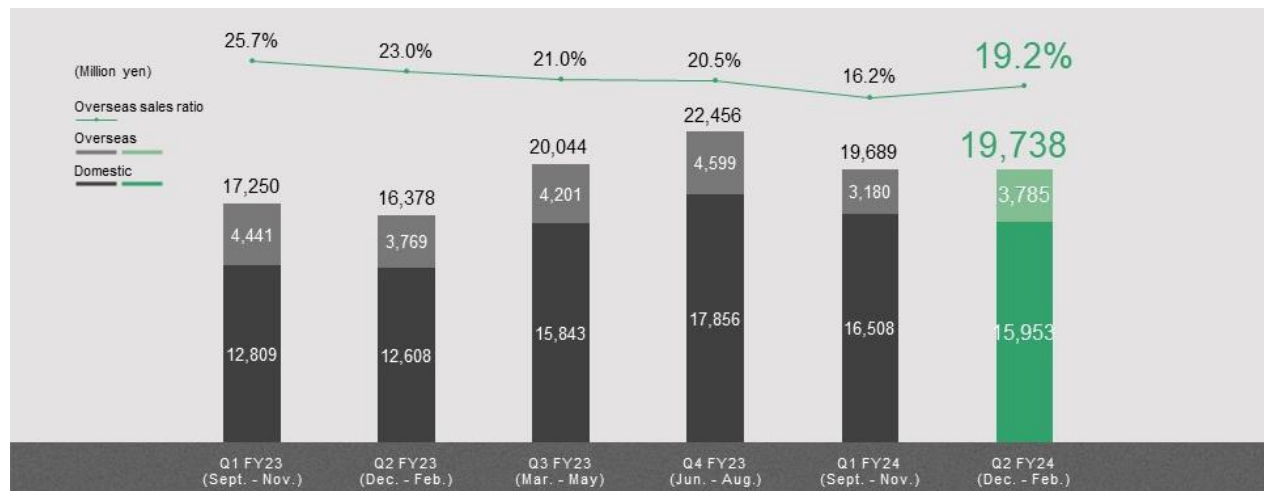


* Sales of YONE MOTORS CORPORATION are included in wholesale, other (excl. bullion).

In the second quarter of the current fiscal year, overseas net sales reached 3,785 million yen (up 16 million yen, or 0.4%, from the previous corresponding period), and the ratio of overseas sales to total net sales was 19.2%. This is due to the recovery of buying appetite among overseas partners, particularly American partners, which was weak during the first quarter of the current fiscal year.

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

Net Sales (Domestic, Overseas)



The gross profit margin for the six months under review was 22.4% (down 4.6 percentage points from the previous corresponding period). This is mainly due to rising unit purchase prices caused by the intensifying purchasing competition environment, lower-than-normal retail gross profit margin resulting from sales of higher-ticket items and other factors, and an increase in the net sales composition of bullion.

In addition, selling, general and administrative expenses amounted to 9,893 million yen (up 1,314 million yen, or 15.3%, from the previous corresponding period) during the six months under review. This is due to an increase in costs associated with upfront investment, such as rent expenses of ALLU Shinjuku Store (tentative name), the Company Group's fifth retail store, and the enhancement of web marketing, including for retail and overseas purchases, despite the overhaul of staff assignments and streamlining of buying offices.

As a result of the above, operating loss amounted to 1,052 million yen (down 1,557 million yen from the previous corresponding period) during the six months 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.

(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 21,628 million yen, up 2,400 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 965 million yen in cash and deposits resulting from product procurement, an increase of 1,630 million yen in merchandise, as well as an increase of 1,055 million yen in consumption taxes refund receivable. Total non-current assets were 9,841 million yen, up 1,393 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 284 million yen in property, plant and equipment resulting from the opening of retail stores and other factors, an increase of 187 million yen in intangible assets such as software and software in progress resulting from system development, and an increase of 922 million yen in investments and other assets resulting from guarantee deposits related to the opening of retail stores and the recording of deferred tax assets. As a result, total assets were 31,469 million yen, up 3,794 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 13,581 million yen, down 1,240 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,200 million yen in short-term loans payable. Total non-current liabilities were 10,188 million yen, up 6,169 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 6,144 million yen in long-term loans payable. As a result, total liabilities were 23,770 million yen, up 4,929 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 7,699 million yen, down 1,135 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease due to dividend payments and a decrease of 1,285 million yen in retained earnings due to the recording of loss attributable to owners of parent.

2) Status of cash flow

Cash and cash equivalents as of the end of the six months under review were 7,368 million yen, down 965 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 outflow of 4,144 million yen (the result for the previous corresponding period was an inflow of 383 million yen), due mainly to fund increases reflecting 548 million yen in depreciation expenses on the one hand, and fund decreases, including 1,169 million yen in loss before income taxes, 1,635 million yen in increase in inventories, 1,020 million yen in increase in consumption taxes refund receivable, and 370 million yen of income taxes paid on the other hand.

(Cash flow from investment activities)

Cash flow from investment activities in the six months under review was an outflow of 1,193 million yen (the result for the previous corresponding period was an outflow of 1,290 million yen), due mainly to fund decreases, including 320 million yen in purchase of property, plant and equipment, 406 million yen in purchase of intangible assets, and 481 million yen in payments for guarantee deposits.

(Cash flow from financing activities)

Cash flow from financing activities in the six months under review was an inflow of 4,353 million yen (the result for the previous corresponding period was an inflow of 1,739 million yen), due mainly to fund decreases, including 387 million yen in cash dividends paid, 1,200 million yen in decrease in short-term loans payable, and 355 million yen in repayment of long-term loans payable on the one hand, and fund increases, including 6,500 million yen in proceeds from long-term borrowings.

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

The consolidated financial results forecast and dividend forecast for the fiscal year ending in August 2024 has been revised in light of the financial results of the six months under review. For details, please refer to “Notice of Differences between Consolidated Financial Results Forecasts and the Results for the Cumulative second quarter of the Fiscal Year Ending August 31, 2024, Revisions to the Consolidated Financial Results Forecasts for the Fiscal Year Ending August 31, 2024, and Revisions to the Dividend Forecasts (No Dividend)” and “Financial Results Presentation for Q2 FY24” released today (April 12, 2024).

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2023)	Six months under review (February 29, 2024)
Assets		
Current assets		
Cash and deposits	8,336,308	7,370,456
Accounts receivable - trade	798,816	1,021,452
Merchandise	7,633,221	9,264,208
Consumption taxes refund receivable	1,629,030	2,684,770
Other	1,192,390	1,771,136
Allowance for doubtful accounts	(362,576)	(483,997)
Total current assets	19,227,190	21,628,028
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,890,202	3,035,011
Other (net)	916,692	1,056,013
Total property, plant and equipment	3,806,894	4,091,025
Intangible assets		
Goodwill	543,696	507,450
Other	1,549,577	1,772,939
Total intangible assets	2,093,274	2,280,390
Investments and other assets		
Shares of subsidiaries and associates	228,014	242,944
Guarantee deposits	1,479,347	1,945,395
Other	840,794	1,281,962
Allowance for doubtful accounts	(174)	(195)
Total investments and other assets	2,547,981	3,470,107
Total non-current assets	8,448,150	9,841,522
Total assets	27,675,341	31,469,550

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2023)	Six months under review (February 29, 2024)
Liabilities		
Current liabilities		
Accounts payable – trade	393,345	328,335
Short-term loans payable	11,101,376	9,900,800
Current portion of bonds payable	200,000	200,000
Current portion of long-term loans payable	711,667	711,296
Income taxes payable	408,823	200,654
Provision for bonuses	316,640	334,522
Asset retirement obligations	–	608
Other	1,690,390	1,905,674
Total current liabilities	14,822,243	13,581,890
Non-current liabilities		
Bonds payable	700,000	600,000
Long-term loans payable	2,295,605	8,440,168
Asset retirement obligations	793,973	827,115
Other	229,252	321,153
Total non-current liabilities	4,018,831	10,188,437
Total liabilities	18,841,074	23,770,327
Net assets		
Shareholders' equity		
Capital stock	1,219,780	1,295,404
Capital surplus	1,425,798	1,501,423
Retained earnings	6,331,587	5,046,294
Treasury shares	(668,432)	(668,488)
Total shareholders' equity	8,308,733	7,174,634
Accumulated other comprehensive income		
Foreign currency translation adjustment	177,264	203,887
Total accumulated other comprehensive income	177,264	203,887
Share acquisition rights	348,268	320,701
Total net assets	8,834,266	7,699,223
Total liabilities and net assets	27,675,341	31,469,550

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statement of income)
(For the six months ended February 29)

(Unit: thousand yen)

	Previous six-month period (from September 1, 2022 to February 28, 2023)	Six months under review (from September 1, 2023 to February 29, 2024)
Net sales	33,629,057	39,427,908
Cost of sales	24,544,308	30,586,591
Gross profit	9,084,749	8,841,317
Selling, general and administrative expenses	8,579,195	9,893,589
Operating profit (loss)	505,553	(1,052,271)
Non-operating income		
Interest income	213	466
Share of profit of entities accounted for using equity method	10,562	14,930
Gain on valuation of derivatives	4,929	–
Foreign exchange gains	–	23,323
Other	19,616	6,403
Total non-operating income	35,321	45,124
Non-operating expenses		
Interest expenses	35,202	46,848
Commission fee	676	99,836
Loss on valuation of derivatives	–	145
Foreign exchange losses	12,192	–
Other	7,743	6,831
Total non-operating expenses	55,814	153,661
Ordinary profit (loss)	485,060	(1,160,808)
Extraordinary income		
Gain from sales of fixed asset	–	1,535
Total extraordinary income	–	1,535
Extraordinary losses		
Impairment loss	140,650	10,409
Office relocation expenses	9,892	–
Total extraordinary losses	150,542	10,409
Profit (loss) before income taxes	334,517	(1,169,682)
Income taxes – current	260,629	164,604
Income taxes - deferred	(85,170)	(436,892)
Total income taxes	175,458	(272,287)
Profit (loss)	159,059	(897,394)
Profit (loss) attributable to owners of parent	159,059	(897,394)

(Quarterly consolidated statement of comprehensive income)
(For the six months ended February 29)

(Unit: thousand yen)

	Previous six-month period (from September 1, 2022 to February 28, 2023)	Six months under review (from September 1, 2023 to February 29, 2024)
Profit (loss)	159,059	(897,394)
Other comprehensive income		
Foreign currency translation adjustment	(52,134)	26,622
Total other comprehensive income	(52,134)	26,622
Comprehensive income	106,924	(870,772)
Comprehensive income attributable to:		
Owners of parent	106,924	(870,772)

(3) Quarterly consolidated cash flow statement

(Unit: thousand yen)

	Previous six-month period (from September 1, 2022 to February 28, 2023)	Six months under review (from September 1, 2023 to February 29, 2024)
Cash flow from operating activities		
Profit (loss) before income taxes	334,517	(1,169,682)
Depreciation expenses	457,377	548,999
Goodwill amortization	—	36,246
Share-based payment expenses	113,504	46,480
Increase (decrease) in allowance for doubtful accounts	48,113	120,612
Increase (decrease) in provision for bonuses	(58,872)	17,565
Interest and dividend income	(213)	(466)
Interest expenses	35,202	46,848
Share of loss (profit) of entities accounted for using equity method	(10,562)	(14,930)
Subsidy income	(9,290)	(1,161)
Benefits	(2,041)	—
Loss (gain) on sale of non-current assets	—	(1,535)
Impairment loss	140,650	10,409
Office relocation expenses	9,892	—
Decrease (increase) in accounts receivable - trade	192,578	(222,636)
Decrease (increase) in inventories	(930,316)	(1,635,648)
Increase (decrease) in accounts payable - trade	(25,477)	(65,010)
Decrease/increase in consumption taxes receivable/payable	458,696	(1,020,929)
Other	198,549	(432,421)
Subtotal	952,309	(3,737,260)
Interest and dividend income received	213	466
Interest expenses paid	(35,048)	(44,871)
Subsidies received	9,290	1,161
Benefits received	2,041	—
Payments of relocation expenses	(8,829)	—
Income taxes paid	(536,914)	(370,224)
Income taxes refund	—	5,918
Cash flow from operating activities	383,063	(4,144,810)
Cash flow from investment activities		
Purchase of property, plant and equipment	(367,926)	(320,084)
Purchase of intangible assets	(328,455)	(406,922)
Fulfillment of asset retirement obligations	(3,575)	(1,469)
Payments for guarantee deposits	(129,277)	(481,856)
Proceeds from collection of guarantee deposits	10,391	14,878
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(471,550)	—
Other	34	1,810
Cash flow from investment activities	(1,290,358)	(1,193,645)

(Unit: thousand yen)

	Previous six-month period (from September 1, 2022 to February 28, 2023)	Six months under review (from September 1, 2023 to February 29, 2024)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	(300,000)	(1,200,000)
Proceeds from long-term borrowings	1,550,000	6,500,000
Repayment of long-term loans payable	(107,549)	(355,808)
Proceeds from issuance of bonds	1,000,000	—
Redemption of bonds	—	(100,000)
Proceeds from issuance of shares	1,532	—
Purchase of treasury shares	(192)	(55)
Cash dividends paid	(320,863)	(387,544)
Other	(83,820)	(103,360)
Cash flow from financing activities	1,739,106	4,353,232
Effect of exchange rate change on cash and cash equivalents	(54,676)	19,323
Increase (decrease) in cash and cash equivalents	777,135	(965,900)
Opening balance of cash and cash equivalents	7,806,382	8,334,817
Closing balance of cash and cash equivalents	8,583,517	7,368,916

(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

(Important subsequent events)

Not applicable