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Consolidated Financial Results for Fiscal Year Ended in August 2020 [Japanese GAAP]

October 15, 2020

Company name: Valuence Holdings Inc.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 9270

URL: <https://www.valuence.inc/>

Representative: (Title) Representative Director and President

(Name) Shinsuke Sakimoto

Contact: (Title) Executive Officer and General Manager, Business Administration Division

(Name) Shinichiro Sato

(TEL) +81-3-4580-9983

Scheduled date for annual meeting of stockholders: November 20, 2020

Scheduled date for commencing dividend payments: November 5, 2020

Scheduled date for filing securities report: November 20, 2020

Preparation of supplementary financial results briefing materials: Yes

Holding of financial results briefing: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended August 31, 2020 (September 1, 2019 to August 31, 2020)

(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	%
Fiscal year ended in August 2020	37,932	0.4	631	(71.8)	622	(72.5)	305	(79.0)
Fiscal year ended in August 2019	37,799	19.9	2,240	19.4	2,262	25.3	1,458	17.4

Note: Comprehensive income: Fiscal year ended in August 2020 306 million yen (-78.8%) Fiscal year ended in August 2019 1,450 million yen (16.6%)

	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 2020	23.53	22.95	4.6	4.2	1.7
Fiscal year ended in August 2019	119.67	110.78	23.4	17.2	5.9

(Reference only) Profits/losses from investment by equity method Fiscal year ended in August 2020 — million yen Fiscal year ended in August 2019 — million yen

Note: The Company implemented a two-for-one share split on September 1, 2019. The Company calculated basic earnings per share and diluted earnings per share on the assumption that such share split took place at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended in August 2020	15,378	6,735	43.8	512.88
Fiscal year ended in August 2019	14,111	6,695	47.4	526.11

(Reference only) Equity Fiscal year ended in August 2020 6,735 million yen Fiscal year ended in August 2019 6,695 million yen

Note: The Company implemented a two-for-one share split on September 1, 2019. The Company calculated net assets per share on the assumption that such share split took place at the beginning of the previous consolidated fiscal year.

(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	%	Yen
Fiscal year ended in August 2020	1,582	(74)	1,052	6,275
Fiscal year ended in August 2019	1,697	(689)	(584)	3,714

2. Dividends

	Annual dividends					Total dividends (total)	Dividend payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended in August 2019	—	0.00	—	70.00	70.00	445	29.2	7.0
Fiscal year ended in August 2020	—	0.00	—	25.00	25.00	656	106.3	4.8
Fiscal year ending August 2021 (forecast)	—	0.00	—	35.00	35.00		30.3	

- Notes: 1. The Company implemented a two-for-one share split on September 1, 2019. Dividends for the fiscal year ended August 31, 2019 are presented as the actual amounts of dividends paid prior to the share split.
2. Year-end dividends for the fiscal year ended in August 2020 are still planned at this time and will be determined by the board of directors meeting on October 29, 2020.

3. Consolidated financial results forecast for the fiscal year ending in August 2021 (September 1, 2020 to August 31, 2021) (% 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	58,000	52.9	2,500	296.0	2,450	293.9	1,500	390.8	115.46

* 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 stock)
- 2) Number of shares of treasury stock at the end of the period
- 3) Average number of shares of common stock during the period

Fiscal year ended in August 2020	13,183,160 shares	Fiscal year ended in August 2019	12,747,860 shares
Fiscal year ended in August 2020	49,590 shares	Fiscal year ended in August 2019	21,612 shares
Fiscal year ended in August 2020	12,991,805 shares	Fiscal year ended in August 2019	12,191,263 shares

Note: The Company implemented a two-for-one share split on September 1, 2019. The Company calculated number of issued shares (ordinary) on the assumption that such share split took place at the beginning of the previous consolidated fiscal year.

* 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. (4) Future outlook” on page 4 of the Japanese version of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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1. An overview of the business results etc.

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

In the current consolidated fiscal year, improving employment and income put Japan's economy on the track toward gentle recovery. However, a consumption tax hike, world economic turmoil attributable to trade issues, and the global outbreak of COVID-19 in 2020 led to a precipitous decline in economic conditions. Restrictions on travel and social gatherings worldwide hurt the business environment. The pandemic continues to spread. Given its expected long-lasting impact on the economy, economic prospects remain uncertain.

In the reuse industry in which the Company Group operates, flea market apps and online auctions have recently permeated the lives of ordinary consumers. Due in part to the growing amount of time spent at home and financial needs generated by the spread of COVID-19, interest in selling personal property grew in certain sectors. In the meantime, in terms of both buying and selling, reuse business operators operating brick-and-mortar stores were significantly affected by restraints on venturing outside. This facilitated a shift to online operations.

The Company Group's conditions under these circumstances are as follows:

With respect to buying operations, the Company Group continued to expand its network of buying offices. It opened 12 new offices and relocated two existing offices of Nanboya, which primarily buys brand name products and precious metals; opened one new office for BRAND CONCIER, which also primarily buys brand name products and precious metals; and opened one new office for Hakkoudo, which buys antiques and works of art. The Group operated a total of 84 sites as of the end of the current consolidated fiscal year. The declaration of the state of emergency in response to the pandemic compelled the Group to close many of its buying offices in April and May, which affected its purchases. Operations at all offices returned to normal after June. Boosted in part by various campaigns, purchases gradually returned to normal levels. The Group also expanded its services at an accelerating pace, including launching online buying services.

With respect to selling operations, STAR BUYERS AUCTION ("SBA") moved fully online in April, ahead of the original schedule. Despite launching with relatively few items, it traced a path of sound growth, boosted by recovery in purchases, the participation of growing numbers of partners ("partner" referring hereinafter to a reuse business operator in an auction), and the start of direct participation by overseas partners in auctions. THE EIGHT AUCTION was canceled from March to June but resumed online in July. Initially postponed due to demonstrations and the pandemic, SBA Hong Kong by the end of the fiscal year was held four times for diamonds (September 2019, November 2019, July 2020, and August 2020) and three times for jewelry (September 2019, November 2019, and July 2020). While store shuttering seriously affected resale to general consumers, the Group sought to establish foundations for future global operations by expanding partnerships with EC companies in Japan and overseas.

The Group upgraded Miney, an asset management app that facilitates the management and investment of personal belongings as real assets, as part of efforts to enhance the lifetime value of each customer; to target additional categories, including paintings, antiques, works of art, and real estate; and to allow their management as assets together with watches, bags, brand name jewelry, accessories, and small items. Efforts also sought to make processes more convenient, including the introduction of AI-based automatic appraisals for certain items.

Due to these efforts, the Group's financial results for the current consolidated fiscal year were as follows: Sales were 37,932 million yen (up 0.4% from the previous year); operating profit was 631 million yen (down 71.8% from the previous year); ordinary profit was 622 million yen (down 72.4% from the previous year); and net income attributable to parent company shareholders was 305 million yen (down 78.9% from the previous year).

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

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

(Assets)

Current assets as of the end of the current consolidated fiscal year were 11,260 million yen, up 1,385 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 852 million yen in Merchandise resulting from strong sales and strong demand among partners at SBAs after June; and an increase of 2,173 million yen in cash and deposits due to borrowings to cover operating and purchasing funds.

No-current assets were 4,118 million yen, down 118 million yen from the end of the previous consolidated fiscal year, due to a decline of 147 million yen resulting from goodwill amortization on the one hand, and an increase of 40 million yen in buildings and structures (net) due to the opening of new buying offices, an increase of 53 million yen in guarantee deposits, and an increase of 147 million yen in deferred tax assets on the other hand.

Total assets were 15,378 million yen, up 1,266 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of the end of the current consolidated fiscal year were 7,645 million yen, up 1,406 million yen from the end of the previous consolidated fiscal year, due to a decrease of 160 million yen in corporate bonds redeemable within one year and a decrease of 354 million yen in accrued income taxes on the one hand, and an increase of 1,903 million yen in short-term loans payable for expanding purchases in response to the increase of buying offices and stabilizing company operations on the other hand. Non-current liabilities were 996 million yen, down 180 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 231 million yen in long-term loans payable. Total liabilities were 8,642 million yen, up 1,226 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets as of the end of the current consolidated fiscal year were 6,735 million yen, up 40 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 139 million yen in retained earnings on the one hand and an increase of 89 million yen each in capital stock and in capital surplus resulting from the exercise of share options on the other.

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

Cash and cash equivalents (“funds”) as of the end of the current consolidated fiscal year were 6,275 million yen, up 2,561 million yen from the end of the previous consolidated fiscal year.

An overview of cash flows in the current consolidated fiscal year and major underlying factors are presented below.

(Cash flow from operating activities)

Cash flow from operating activities in the current consolidated fiscal year was an inflow of 1,582 million yen (the result for the previous consolidated fiscal year was 1,697 million yen), due mainly to fund increases, including 599 million yen in profit before income taxes, 381 million yen in depreciation expenses, 36 million yen in interest expenses, a decrease of 47 million yen in trade accounts receivable, and a decrease of 851 million yen in inventories on the one hand, and fund decreases, including 924 million yen paid for corporation income tax, etc., on the other.

(Cash flow from investment activities)

Cash flow from investment activities in the current consolidated fiscal year was an outflow of 74 million yen (the result for the previous consolidated fiscal year was 689 million yen), due mainly to an inflow of 389 million yen on the withdrawal of time deposits on the one hand, and fund decreases, including outflows of 273 million yen due to the acquisition of property, plant and equipment and 107 million yen due to the acquisition of intangible assets, and an outflow of 135 million yen due to the provision of guarantee deposits on the other.

(Cash flow from financing activities)

Cash flow from financing activities in the current consolidated fiscal year was an inflow of 1,052 million yen (the result for the previous consolidated fiscal year was 584 million yen), due mainly to an increase of 1,903 million yen in short-term loans payable on the one hand and fund decreases, including an outflow of 254 million yen due to the repayment of long-term loans and 444 million yen paid in dividends on the other.

(4) Future outlook

Japan's economic outlook remains uncertain due to concerns that a long-lasting lingering pandemic may dampen economic activity.

The Company Group has announced a mid-term management plan called VG1000, pursuant to which it will seek to achieve sales of 100 billion yen by the fiscal year ending in August 2025, the last year of the plan. The Company Group will transform itself into a recurring revenue model to achieve sustainable growth by becoming a Global Reuse Platformer, providing partners around the world with one-stop support in the buying and selling of luxury articles.

Toward this goal, in the fiscal year ending in August 2021, the Company Group will invest more for the future, including the development of an online auction platform and other systems, opening new offices to expand purchasing, and drawing on mass marketing to enhance name recognition for the Company Group, ultimately to boost its sales and gross profit ratio.

First, with respect to buying operations, the number of buying offices will increase by approximately 40 due to opening of new locations and the consolidation of NEO-STANDARD Co., Ltd. as a subsidiary.* Several new offices will also be opened overseas. In addition, the Company Group will upgrade its services to enable easier product deliveries from users and visits to users, as well as services in-store, to expand purchases on its own account.

In addition to purchasing products on its own account, the Company Group will boost acceptance of products from partners for consignment sales. Through these initiatives, the Company Group will accelerate turnover and establish an attractive platform on which large quantities of quality articles can be found.

With regard to selling operations, to meet the growing numbers of purchases and the resulting increase in number of products put up for auction, the Company Group will seek to hold several monthly auctions by making its auction operational structure more efficient, including introducing online auction opportunities. In addition, it will upgrade the activities of its overseas sites to secure new partners. Expanding the roll of participating partners will entail growth in numbers of bids and winner prices, which will help improve the gross profit ratio. The ratio of consignment sales will also rise gradually, while commission revenues will boost profits. SBA Hong Kong may be affected by restrictions on movement due to the pandemic, but the Company Group will aim to maintain steady auctions by changing the format, including by use of online auctions.

With respect to selling, general, and administrative expenses, the Company Group will increase expenditures related to systems development for new online services, such as auctions, as well as advertising expenditures intended to enhance name recognition. The Company Group anticipates personnel expenses and rents to rise, driven by business expansion, including the consolidation of NEO-STANDARD as a subsidiary, and ongoing efforts to open more offices. The fiscal year ending in August 2021 will be characterized by upfront investment, but with record operating profits.

The consolidated financial results forecast for the fiscal year ending in August 2021 based on the data given above are as follows:

Net sales	58,000 million yen	(Up 52.9% from the previous year)
Operating profit	2,500 million yen	(Up 296.0% from the previous year)
Ordinary profit	2,450 million yen	(Up 293.9% from the previous year)
Profit attributable to owners of parent	1,500 million yen	(Up 390.8% from the previous year)

* Valence Japan Inc., a consolidated Company subsidiary, disclosed on September 30, 2020 that it had acquired all shares in NEO-STANDARD Co., Ltd.

(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, 2019)	Current consolidated fiscal year (August 31, 2020)
Assets		
Current assets		
Cash and deposits	4,103,508	6,276,732
Accounts receivable - trade	346,011	298,141
Merchandise	4,863,395	4,011,028
Supplies	2,559	3,350
Other	764,021	845,807
Allowance for doubtful accounts	(205,240)	(175,039)
Total current assets	9,874,255	11,260,021
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,432,863	2,656,588
Accumulated depreciation	(815,535)	(999,084)
Buildings and structures (net)	1,617,327	1,657,504
Furniture and fixtures	282,889	315,433
Accumulated depreciation	(179,507)	(208,470)
Furniture and fixtures (net)	103,382	106,963
Leased assets	79,403	150,399
Accumulated depreciation	(72,735)	(109,956)
Leased assets (net)	6,667	40,443
Land	189,965	189,965
Construction in progress	10,424	4,510
Other	1,942	1,942
Accumulated depreciation	(1,515)	(1,658)
Other (net)	427	284
Total property, plant and equipment	1,928,194	1,999,671
Intangible assets		
Goodwill	367,101	219,406
Other	220,113	253,750
Total intangible assets	587,214	473,157
Investments and other assets		
Guarantee deposits	1,084,640	1,137,651
Deferred tax assets	339,963	487,623
Other	300,193	21,416
Allowance for doubtful accounts	(2,667)	(810)
Total investments and other assets	1,722,131	1,645,880
Total non-current assets	4,237,540	4,118,709
Total assets	14,111,795	15,378,731

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2019)	Current consolidated fiscal year (August 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	19,205	35,328
Short-term loans payable	4,440,000	6,343,288
Current portion of bonds	160,000	-
Current portion of long-term loans payable	254,088	231,242
Lease obligations	8,204	31,808
Income taxes payable	607,496	253,259
Provision for bonuses	191,575	203,916
Asset retirement obligations	14,577	1,699
Other	544,264	545,416
Total current liabilities	6,239,411	7,645,959
Non-current liabilities		
Long-term loans payable	572,518	340,868
Lease obligations	474	9,385
Provision for directors' retirement benefits	63,746	66,400
Asset retirement obligations	537,965	580,214
Long-term accounts payable	2,228	-
Total non-current liabilities	1,176,933	996,867
Total liabilities	7,416,344	8,642,827
Net assets		
Shareholders' equity		
Capital stock	1,027,507	1,117,032
Capital surplus	1,015,284	1,104,809
Retained earnings	4,721,656	4,581,888
Treasury shares	(59,783)	(59,830)
Total shareholders' equity	6,704,665	6,743,900
Accumulated other comprehensive income		
Foreign currency translation adjustment	(9,214)	(7,995)
Total accumulated other comprehensive income	(9,214)	(7,995)
Total net assets	6,695,450	6,735,904
Total liabilities and net assets	14,111,795	15,378,731

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

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)	Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)
Sales	37,799,272	37,932,651
Cost of sales	28,165,668	28,605,462
Gross profit	9,633,603	9,327,188
Selling, general and administrative expenses	7,393,275	8,695,872
Operating profit	2,240,328	631,316
Non-operating income		
Interest income	185	94
Foreign exchange gains	39,434	-
Gain on valuation of derivatives	-	3,556
Outsourcing service income	7,009	3,675
Rent income	5,956	6,463
Employment adjustment subsidy	-	79,898
Eviction compensation income	16,800	-
Other	12,676	23,517
Total non-operating income	82,062	117,207
Non-operating expenses		
Interest expenses	30,783	36,688
Commission fee	10,585	1,602
Loss on derivatives	6,980	-
Foreign exchange losses	-	39,884
Loss on extinguishment of share-based remuneration expenses	-	38,035
Other	11,720	10,274
Total non-operating expenses	60,070	126,485
Ordinary profit	2,262,320	622,038
Extraordinary losses		
Impairment loss	18,658	22,994
Total extraordinary losses	18,658	22,994
Profit before income taxes	2,243,662	599,044
Income taxes - current	823,541	441,053
Income taxes - deferred	(38,823)	(147,659)
Total income taxes	784,717	293,393
Profit	1,458,944	305,650
Profit attributable to owners of parent	1,458,944	305,650

Consolidated statement of comprehensive income

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)	Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)
Profit	1,458,944	305,650
Other comprehensive income		
Foreign currency translation adjustment	(8,918)	1,218
Total other comprehensive income	(8,918)	1,218
Comprehensive income	1,450,025	306,868
Comprehensive income attributable to:		
Owners of parent	1,450,025	306,868

(3) Consolidated statement of changes in net assets

Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		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	948,582	936,360	3,912,029	-	5,796,973	(295)	(295)	5,796,677
Change during current fiscal year								
Issuance of new shares	78,924	78,924			157,848		-	157,848
Dividends from surplus			(312,631)		(312,631)		-	(312,631)
Profit attributable to owners of parent			1,458,944		1,458,944		-	1,458,944
Purchase of treasury shares				(1,002,565)	(1,002,565)			(1,002,565)
Disposal of treasury shares		(336,686)		942,782	606,096			606,096
Reclassification of loss on disposal of treasury shares		336,686	(336,686)		-			-
Change during current fiscal year other than change in shareholders' equity (net)					-	(8,918)	(8,918)	(8,918)
Overall change during current fiscal year	78,924	78,924	809,626	(59,783)	907,691	(8,918)	(8,918)	898,773
Closing balance	1,027,507	1,015,284	4,721,656	(59,783)	6,704,665	(9,214)	(9,214)	6,695,450

Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		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	1,027,507	1,015,284	4,721,656	(59,783)	6,704,665	(9,214)	(9,214)	6,695,450
Change during current fiscal year								
Issuance of new shares	89,525	89,525			179,050		-	179,050
Dividends from surplus			(446,696)		(446,696)		-	(446,696)
Provision of legal retained earnings			1,278		1,278			1,278
Profit attributable to owners of parent			305,650		305,650		-	305,650
Purchase of treasury shares				(46)	(46)		-	(46)
Change during current fiscal year other than change in shareholders' equity (net)					-	1,218	1,218	1,218
Overall change during current fiscal year	89,525	89,525	(139,768)	(46)	39,235	1,218	1,218	40,453
Closing balance	1,117,032	1,104,809	4,581,888	(59,830)	6,743,900	(7,995)	(7,995)	6,735,904

(4) Consolidated cash flow statement

(Unit: thousand yen)

	Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)	Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)
Cash flow from operating activities		
Profit before income taxes	2,243,662	599,044
Depreciation expenses	326,172	381,939
Goodwill amortization	147,760	147,734
Increase (decrease) in allowance for doubtful accounts	96,258	(32,058)
Increase (decrease) in provision for bonuses	5,197	12,340
Increase (decrease) in provision for directors' retirement benefits	13,371	2,653
Interest and dividend income	(185)	(94)
Interest expenses	30,783	36,688
Impairment loss	18,658	22,994
Decrease (increase) in accounts receivable - trade	(214,757)	47,869
Decrease (increase) in inventories	(255,305)	851,583
Increase (decrease) in accounts payable - trade	5,341	16,123
Increase (decrease) in income taxes payable	(9,380)	370
Other	33,863	456,398
Subtotal	2,441,442	2,543,585
Interest and dividend income received	185	94
Interest expenses paid	(31,340)	(37,096)
Income taxes paid	(712,964)	(924,026)
Cash flow from operating activities	1,697,322	1,582,557
Cash flow from investment activities		
Purchase of property, plant and equipment	(404,000)	(273,333)
Purchase of intangible assets	(125,666)	(107,312)
Fulfillment of asset retirement obligations	(8,136)	(15,185)
Proceeds from withdrawal of time deposits	-	389,078
Payments for guarantee deposits	(144,521)	(135,810)
Proceeds from collection of guarantee deposits	28,654	69,590
Other	(35,703)	(1,088)
Cash flow from investment activities	(689,373)	(74,061)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	1,390,000	1,903,288
Repayment of long-term loans payable	(503,680)	(254,496)
Redemption of bonds	(160,000)	(160,000)
Proceeds from issuance of shares	157,848	179,050
Purchase of treasury shares	(1,002,565)	(46)
Cash dividends paid	(312,520)	(444,401)
Other	(153,917)	(170,880)
Cash flow from financing activities	(584,835)	1,052,513
Effect of exchange rate change on cash and cash equivalents	(6,387)	205
Increase (decrease) in cash and cash equivalents	416,725	2,561,214
Opening balance of cash and cash equivalents	3,297,704	3,714,430
Closing balance of cash and cash equivalents	3,714,430	6,275,644

(5) Notes on consolidated financial statements
(Notes regarding going concern assumptions)

Not applicable

(Additional information)

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

Many Company Group buying offices, particularly those located in commercial facilities, were closed in April and May due to COVID-19. From April 18 to May 6, 59 of the 81 total number of buying offices were closed. Only 14 Nanboya and BRAND CONCIER offices and eight Hakkoudo offices remained open during this period. All offices have been open since June.

The state of emergency was lifted for all prefectures on May 26. With the resumption of economic activity, the Company Group's financial results since June have reflected a degree of recovery. The Company Group has formulated accounting estimates, including inventory valuation, impairment accounting for non-current assets, and assessments of the collectability of deferred tax assets, based on the assumption that demand will continue to recover gradually, reaching levels before COVID-19 outbreak by the end of the fiscal year ending in August 2021.

This assumption is subject to change. If the epidemic is not contained soon enough and its effects persist longer than anticipated, the Company Group may suffer losses.

(Changes in presentation method)

(Consolidated statement of income)

In the previous consolidated fiscal year, "Outsourcing service income" (7,009 thousand yen for that year) and "Rent income" (5,956 thousand yen for that year) were included in "Other" under "Non-operating income." Effective from the current consolidated fiscal year, these items are presented independently due to their increased importance in terms of value.

(Change in scope of consolidation or equity method application)

Effective from the consolidated first quarter period, the scope of consolidation includes the newly-established Valuence Technologies Inc., and Valuence Japan Inc.

In addition, Valuence International USA Limited, which was founded in the consolidated first quarter period, is included in the scope of consolidation because the corresponding capital contributions were completed in the consolidated second quarter period.

Effective from the consolidated third quarter period, the scope of consolidation includes newly-established Valuence Real Estate Inc., and Valuence International Europe S.A.S.

Effective from the consolidated fourth quarter period, the scope of consolidation includes newly-established Valuence International Singapore Pte Limited.

(Segment information, etc.)

[Segment information]

Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)

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, 2019 to August 31, 2020)

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, 2018 to August 31, 2019)

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 sales amount indicated on the consolidated statement of income.

2. Information by region

(1) Sales

(Unit: thousand yen)

Japan	China (Hong Kong)	Other	Total
33,974,441	3,153,884	670,946	37,799,272

Note: Sales are based on the locations of customers and divided into countries or regions.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount indicated on the consolidated balance sheet.

3. Information by major customer

(Unit: thousand yen)

Customer name	Sales	Relevant segment name
NET JAPAN Co., Ltd.	4,496,105	Reuse business involving brand name products, antiques, works of art, and other items
NIHON MATERIAL Co., Ltd.	3,120,706	Reuse business involving brand name products, antiques, works of art, and other items

Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)

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 sales amount indicated on the consolidated statement of income.

2. Information by region

(1) Sales

This information is omitted because sales to nongroup customers in Japan exceed 90% of the sales amount indicated on the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount indicated on the consolidated balance sheet.

3. Information by major customer

(Unit: thousand yen)

Customer name	Sales	Relevant segment name
NET JAPAN Co., Ltd.	5,083,806	Reuse business involving brand name products, antiques, works of art, and other items
NIHON MATERIAL Co., Ltd.	4,738,301	Reuse business involving brand name products, antiques, works of art, and other items

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

Current consolidated fiscal year (from September 1, 2018 to August 31, 2019)

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, 2019 to August 31, 2020)

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.

[Goodwill amortization and unamortized balance by reportable segment]

Current consolidated fiscal year (from September 1, 2018 to August 31, 2019)

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, 2019 to August 31, 2020)

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]

Current consolidated fiscal year (from September 1, 2018 to August 31, 2019)

Not applicable

Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)

Not applicable

(Per share information)

	Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)	Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)
Net assets per share	526.11 yen	512.88 yen
Basic earnings per share	119.67 yen	23.53 yen
Diluted earnings per share	110.78 yen	22.95 yen

- Notes: 1. The Company implemented a two-for-one share split on September 1, 2019. The Company calculated net assets per share, basic earnings per share, and diluted earnings per share on the assumption that such share split took place at the beginning of the previous consolidated fiscal year.
2. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

	Previous consolidated fiscal year (from September 1, 2018 to August 31, 2019)	Current consolidated fiscal year (from September 1, 2019 to August 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	1,458,944	305,650
Amount not attributable to ordinary shareholders (thousands of yen)	-	-
Profit attributable to owners of parent regarding ordinary shares (thousands of yen)	1,458,944	305,650
Average number of ordinary shares outstanding	12,191,263	12,991,805
Diluted earnings per share		
Profit adjustment attributable to owners of parent (thousands of yen)	-	-
Number of incremental ordinary shares (of which those with share options are)	977,944 (977,944)	328,293 (328,293)
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)

(Business combination by acquisition)

At the August 20, 2020 Board of Directors' meeting, the Company passed a resolution allowing Valuence Japan Inc., a consolidated Company subsidiary, to acquire all shares in NEO-STANDARD Co., Ltd.. The acquisition was completed on September 30, 2020.

(1) Overview of business combination

1) Name and business line of the acquired company

a. Name of acquired company

NEO-STANDARD Co., Ltd.

b. Business line

Purchasing of used brand name products and reused items, agency services related to placing products for auction, watch repairs, overhauls, etc.

c. Business size

Total assets: 632,758 thousand yen

Sales: 3,608,692 thousand yen

These figures are for the fiscal year ended in April 2020 and have yet to be audited and certified by Company auditors.

2) Major reasons for the business combination

The Company Group engages in the reuse business. This primarily entails buying and selling brand name products, precious metals, watches, gold bullion, antiques, and works of art. Its business model is CtoBtoB—that is, buying products from consumers and selling them wholesale to business operators mainly through the Company Group's own auctions. The Company Group is in the process of bolstering buying operations primarily by opening new Nanboya buying offices. It currently operates 84 buying offices in Japan (as of the end of August 2020). NEO-STANDARD Co., Ltd. operates a total of 54 buying offices for used articles in Tokyo and the five prefectures. The Company Group has determined that this share acquisition will give it the capacity needed to upgrade its buying operations structure.

3) Date of business combination

September 30, 2020 (date of deemed acquisition: November 30, 2020)

4) Legal form of business combination

Acquisition of shares in exchange for cash compensation

5) Name of acquired company after combination

NEO-STANDARD Co., Ltd.

6) Percentage of acquired voting rights

100%

7) Major reason for selection by acquiring company

The reason is that Valuence Japan Inc. acquired all voting rights in NEO-STANDARD Co., Ltd. by acquiring shares in exchange for cash compensation.

(2) Acquisition cost of acquired company and breakdown by type of compensation

Compensation for acquisition: 0 thousand yen in cash

Acquisition cost: 0 thousand yen

(3) Description and amount of major acquisition-related expenses

Advisory fees: 6,000 thousand yen

(4) Amount, cause, and amortization method and period of goodwill acquired

Not yet established

(5) Amount of assets accepted and liabilities assumed as of the date of business combination and major breakdown items

Not yet established