Securities Report

Fiscal Year	September 1, 2019
(Period 9)	To August 31, 2020

Valuence Holdings Inc.

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Documents Submitted	Securities Report
Legal Basis	Financial Instruments and Exchange Act, Article 24, Paragraph 1
Submitted to	Director-General, Kanto Local Finance Bureau
Date of Submission	November 20, 2020
Business Year	Period 9 (from September 1, 2019 to August 31, 2020)
Company Name	バリュエンスホールディングス株式会社 (formerly 株式会社SOU)
English Name	Valuence Holdings Inc. (formerly SOU Inc.)
Representative Name and Title	Shinsuke Sakimoto, Representative Director and President
Location of Head Office	Shinagawa Season Terrace 28F, 1-2-70 Konan, Minato-ku, Tokyo
Phone Number	+81-3-4580-9983
Administrative Contact Name	Director/Executive Officer and Vice-President, Corporate Strategy Division, Shinichiro Sato
Nearest Place of Contact	Shinagawa Season Terrace 28F, 1-2-70 Konan, Minato-ku, Tokyo
Phone Number	+81-3-4580-9983
Administrative Contact Name	Director/Executive Officer and Vice-President, Corporate Strategy Division, Shinichiro Sato
Place of Public Inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Note: The Company changed its Japanese and English names effective March 1, 2020 (as shown above) under a resolution passed on November 22, 2019 by the Ordinary General Meeting of Shareholders.

Part 1 Corporate Information

I. Company Overview

1. Key Management Indicators

(1) Consolidated Management Indicators

Period		Period 5	Period 6	Period 7	Period 8	Period 9
Closing Year and Month		August 2016	August 2017	August 2018	August 2019	August 2020
Net sales	(Thousands of yen)	21,980,953	22,685,086	31,529,271	37,799,272	37,932,651
Ordinary profit	(Thousands of yen)	449,384	1,139,789	1,806,141	2,262,320	622,038
Profit attributable to owners of parent	(Thousands of yen)	67,815	570,978	1,242,954	1,458,944	305,650
Comprehensive income	(Thousands of yen)	67,419	570,579	1,243,454	1,450,025	306,868
Net assets	(Thousands of yen)	2,686,185	3,265,725	5,796,677	6,695,450	6,735,904
Total assets	(Thousands of yen)	7,570,860	10,092,292	12,258,009	14,111,795	15,378,731
Net assets per share	(Yen)	483.13	583.71	477.45	526.11	512.88
Net income per share	(Yen)	12.30	102.44	107.09	119.67	23.53
Diluted net income per share	(Yen)	-	-	97.39	110.78	22.95
Equity ratio	(%)	35.48	32.36	47.29	47.45	43.80
Return on equity	(%)	2.73	19.19	27.43	23.36	4.55
Price to earnings ratio	(multiplier)	-	-	28.95	13.95	68.18
Cash flows from operating activities	(Thousands of yen)	917,857	(41,761)	449,475	1,697,322	1,582,557
Cash flows from investing activities	(Thousands of yen)	(704,030)	(814,367)	(554,564)	(689,373)	(74,061)
Cash flows from financing activities	(Thousands of yen)	549,770	1,072,159	744,549	(584,835)	1,052,513
Cash and cash equivalents closing balance	(Thousands of yen)	2,442,643	2,657,806	3,297,704	3,714,430	6,275,644
Number of employees [Average no. of temporary staff not included above]	(Persons)	339 [54]	379 [98]	421 [133]	471 [137]	587 [150]

Notes:

1. Net sales do not include consumption taxes.
2. Diluted net income per share is not stated for Periods 5 and 6. While dilutive shares were present, the Company's shares were unlisted, and the average stock price could not be calculated during such periods. Since the Company's stock was listed on the Tokyo Stock Exchange Mothers index on March 22, 2018, diluted net income per share for Period 7 is calculated based on the assumption that the average stock price during the period is the average stock price from the date of initial listing to the end of the 7th fiscal year.
3. Price to earnings ratios for Periods 5 and 6 are not stated. This is because the Company's shares were not listed at that time.
4. Figures for the number of employees provided in brackets indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.
5. The Company implemented a stock split at a ratio of five shares to one share of common stock on November 25, 2017. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 5.
6. The Company implemented a stock split at a ratio of two shares to one share of common stock on September 1, 2019. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 7.

(2) Management Indicators for Filing Company

Period		Period 5	Period 6	Period 7	Period 8	Period 9
Closing Year and Month		August 2016	August 2017	August 2018	August 2019	August 2020
Net sales	(Thousands of yen)	21,451,825	21,849,627	29,478,579	35,574,088	20,275,742
Ordinary profit	(Thousands of yen)	553,719	976,208	1,621,322	2,236,960	803,209
Net income	(Thousands of yen)	34,069	488,666	1,126,108	1,477,486	527,810
Capital stock	(Thousands of yen)	246,600	255,600	948,582	1,027,507	1,117,032
Number of shares issued	(Shares)	1,112,000	1,118,957	6,070,510	6,373,930	13,183,160
Net assets	(Thousands of yen)	2,700,291	3,200,139	5,613,745	6,539,979	6,801,373
Total assets	(Thousands of yen)	7,571,562	9,118,733	11,023,182	13,118,917	7,964,110
Net assets per share	(Yen)	485.66	571.99	462.38	513.90	517.86
Dividend per share (Amount of interim dividend per share)	(Yen)	6.13 (–)	88.00 (–)	51.50 (–)	70.00 (–)	25.00 (–)
Net income per share	(Yen)	6.18	87.67	97.03	121.19	40.63
Diluted net income per share	(Yen)	–	–	88.23	112.19	39.64
Equity ratio	(%)	35.66	35.09	50.93	49.85	85.40
Return on equity	(%)	1.35	16.56	25.55	24.31	7.91
Price to earnings ratio	(multiplier)	–	–	31.95	13.78	39.48
Payout ratio	(%)	20.01	20.15	26.54	28.88	61.54
Number of employees [Average temporary staff not included in above]	(Persons)	339 [54]	320 [92]	342 [124]	387 [130]	59 [13]
Total shareholder return (Comparison index: TOPIX, including dividends)	(%)	– (–)	– (–)	– (–)	55.00 (89.22)	53.68 (97.94)
Historical high	(Yen)	–	–	7,540	8,500 (1,720)	2,825
Historical low	(Yen)	–	–	3,570	3,345 (1,625)	957

Notes:

1. Net sales do not include consumption taxes.
2. Diluted net income per share is not stated for Periods 5 and 6. While dilutive shares were present, the Company’s shares were unlisted, and the average stock price could not be calculated during these periods. Since the Company’s stock was listed on the Tokyo Stock Exchange Mothers index on March 22, 2018, diluted net income per share for Period 7 is calculated based on the assumption that the average stock price during the period is the average stock price from the date of initial listing to the end of the 7th fiscal year.
3. Price to earnings ratios for Periods 5 and 6 are not stated. This is because the Company’s shares were not listed at that time.
4. Figures for the number of employees provided in brackets indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.
5. Total shareholder return and comparative indicators before Period 7 are not listed because the Company’s stock was listed on the Tokyo Stock Exchange Mothers index on March 22, 2018.

6. Historical high and historical low prices are based on the Tokyo Stock Exchange Mothers index. The Company's stock was listed on March 22, 2018. Accordingly, no relevant information on stock prices exists before that time. High and low share prices for Period 8 are expressed as the highest and lowest prices before attached rights have expired due to a two-for-one stock split on September 1, 2019. High and low prices after rights have expired are given in parentheses.
7. The Company implemented a stock split at a ratio of five shares to one share of common stock on November 25, 2017. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 5.
8. The Company implemented a stock split at a ratio of two shares to one share of common stock on September 1, 2019. Net assets per share, net income per share, and diluted net income per share are calculated based on the assumption that the stock split in question occurred at the beginning of Period 7.

2. History

Seeing an opportunity for luxury brand reuse goods in an environment consisting mostly of used appliances, the Company founder Shinsuke Sakimoto established MKS Corporation (MKS) in June 2004, opening the Company's first luxury brand buying office, *Namba de Nanboya*. In March 2007, the buying office was renamed NANBOYA, and a total of nine stores were opened in Osaka, Tokyo, and Kanagawa.

MKS had also been involved in the manufacture and sale of western confectioneries. In December 2011, SOU Inc. was established to expand its business specializing in the luxury brand reuse business. In May 2015, SF Property Management Inc. acquired all shares of the Company from MKS.

The background of the corporate group since the establishment of the Company is as follows:

Year and Month	Overview
December 2011	SOU Inc. (capitalized at 5,000 thousand yen) was established for the purpose of buying and selling luxury brand goods, watches, precious metals, antiques, and other products. Headquartered in Naniwa-ku, Osaka City, Osaka.
April 2012	Tokyo office opened in Aoyama, Minato-ku, Tokyo
March 2013	Tokyo office relocated to Udagawa-cho, Shibuya-ku, Tokyo
April 2013	Auction site set up at the Tokyo office; launch of TOKYO STAR AUCTION for dealers
December 2013	Capital increased to 10,000 thousand yen
March 2014	Tokyo office relocated to Dogenzaka, Shibuya-ku, Tokyo
April 2014	Head office relocated to Kita-ku, Osaka City, Osaka
December 2014	Established wholly owned subsidiary BRAND CONCIER and opened the first location, BRAND CONCIER Ginza in Chuo-ku, Tokyo
March 2015	Launched a new LINE Appraisal service using LINE Business Connect, the first of its kind in the brand reuse industry
June 2015	Renamed purchasing brand NANBOYA to *Nanboya* (reverting from Romanized characters to Japanese)
September 2015	Capital increased to 246,600 thousand yen
September 2015	STAR BUYERS LIMITED made a wholly owned subsidiary to expand sales channels in Hong Kong
November 2015	Tokyo STAR AUCTION rename STAR BUYERS AUCTION
December 2015	Tokyo office relocated to Minato-ku, Tokyo
January 2016	Retail brand BRAND RESALE SHOW ZIPANG launched in Izumisano City, Osaka
May 2016	Merged with BRAND CONCIER via absorption-type merger
June 2016	Made Matomedia Inc. (now Market Insight Co., Ltd.) a consolidated subsidiary to strengthen systems development (liquidated in August 2018)
October 2016	Opened ALLU, a new brand-name vintage select shop in Ginza, Chuo-ku, Tokyo and established an e-commerce site for the same
February 2017	Made Hakkoudo Inc. a wholly owned subsidiary to strengthen presence in antiques and art objects
March 2017	Launched the STAR BUYERS AUCTION in Hong Kong
April 2017	Capital increased to 255,600 thousand yen
October 2017	Launched Miney, a new service and application
November 2017	Head office relocated to Minato-ku, Tokyo from Kita-ku, Osaka City, Osaka
March 2018	Listed on the Tokyo Stock Exchange Mothers index
August 2018	Launched independent auction business THE EIGHT AUCTION under Hakkoudo Inc.
July 2019	Purchases of luxury brand items began in Hong Kong
November 2019	Company structure migrated to a company with audit and supervisory board
March 2020	Migrated to holding company structure; company renamed from SOU Inc. to Valuence Holdings Inc.
March 2020	STAR BUYERS AUCTION migrated online (migration completed in April) * Not including Hong Kong auctions
August 2020	Nomination and remuneration committee established as voluntary advisory body to the board of directors

3. Business Lines

At present, the Group (Valuence Holdings Inc. and affiliated companies) consists of nine companies:

Valuence Holdings and its consolidated subsidiaries (Valuence Japan, Valuence Art & Antiques, Valuence Technologies, Valuence Real Estate, Valuence International Limited, Valuence International USA Limited, Valuence International Europe S.A.S., and Valuence International Singapore Pte Limited). These companies are active in the reuse business, focusing primarily on purchasing and selling luxury brand goods, precious metals, watches, bullion, jewelry, antiques, and art. Effective March 1, 2020, the Group migrated to a holding company structure, under which Valuence Holdings as the holding company is responsible for enhancing group-wide management and business administration and drafting and formulating strategy. The main businesses of the consolidated subsidiaries are outlined below.

Valuence Japan Inc.	Purchase and sale of luxury brand items, precious metals, jewelry, etc.
Valuence Art & Antiques Inc.	Purchase and sale of antiques and art
Valuence Technologies Inc.	Development of software applications, computer systems, etc.
Valuence Real Estate Inc.	Real estate brokerage services
Valuence International Limited and overseas subsidiaries	Purchase and sale of luxury brand items, precious metals, jewelry, etc. outside of Japan

(1) Merchandise Purchasing (at office, via delivery, online, or in-home)

The Group deals primarily in reuse merchandise, including luxury brand goods, precious metals, watches, bullion, and jewelry, antiques, and art. The business conducts its purchasing in three ways: office buying, delivery/online buying, and in-home buying.

In-office buying occurs when office concierges (appraisers) at company buying offices appraise and assess merchandise brought for sale by customers, purchasing these goods on the spot. *Nanboya* and BRAND CONCIER mainly purchase items like luxury brand goods and precious metals. Hakkoudo Inc. deals mainly in antiques and art.

The Company is currently making progress internationally in the buying business by opening buying offices overseas.

Buying by mail occurs when a customer uses a delivery service to ship merchandise they wish to sell. Concierges appraise and assess merchandise, notifying the customer of the purchase price via email, phone, or other methods. If a purchase is not made, the merchandise is returned. In online buying, which was launched in May 2020, concierges appraise and assess merchandise through videoconferencing, and then the merchandise is picked up by the Company’s designated vendor or shipped by the customer. This service helps to relieve the unease that comes with buying by mail through customer service by concierges and notification of the appraised price on the spot.

In-home buying occurs when a customer is unable to bring or ship merchandise they wish to sell to a group location. A concierge visits the customer’s home and appraises, assesses, and purchases the item(s) in question.

Since about 90% of merchandise is purchased from customers (general consumers), the Group uses the internet as the main advertising/promotional venue for attracting customers.

When purchasing merchandise, the Group relies on a product management system that leverages past data on purchased products and sales. This cuts the time required for appraisals and assessments and makes purchase pricing more accurate. The system is also used to analyze price trends and to set sales prices at merchandise sale auctions.

(2) Merchandise Sales

The merchandise purchased in (1) Merchandise Purchasing (at offices, via delivery, online, or in-home) is mainly sold through group company-operated auctions for dealers. Items are also sold wholesale to dealers through markets operated by other companies in Japan and overseas, as well as through exhibits overseas. These methods account for approximately 96 percent of net sales. In addition, the Group sells to general consumers through retail stores and e-commerce sites.

(Wholesale at auction to dealers)

In-house auctions operated by group companies constitute the Group’s largest sales channel, accounting for about 55 percent of total net sales.

In March 2020, STAR BUYERS AUCTION (SBA), a domestic auction operated by Valuence Japan Inc. primarily for luxury brand goods previously held at an auction site in the Company’s head office, migrated online.

Overseas, Valuence International Limited operates auctions for diamonds in Hong Kong held four times each year. Auctions during the current consolidated fiscal year were delayed by the demonstrations in Hong Kong and the COVID-19 pandemic; migrating these auctions online is currently under consideration.

Starting in July 2020, Valuence Art & Antiques Inc. migrated its monthly THE EIGHT AUCTION for antiques and art objects online.

(Consignment sales of other merchandise in auctions to dealers)

Group company-oriented auctions also began accepting consignment sales of merchandise owned by other companies (the consignor), for sale to dealers, in March 2020, in addition to merchandise purchased by the Company. When a consigned item “sells” at auction, in addition to auction commissions earned from buying dealers as with merchandise purchased by the Company, the Company also earns listing fees from the consignor.

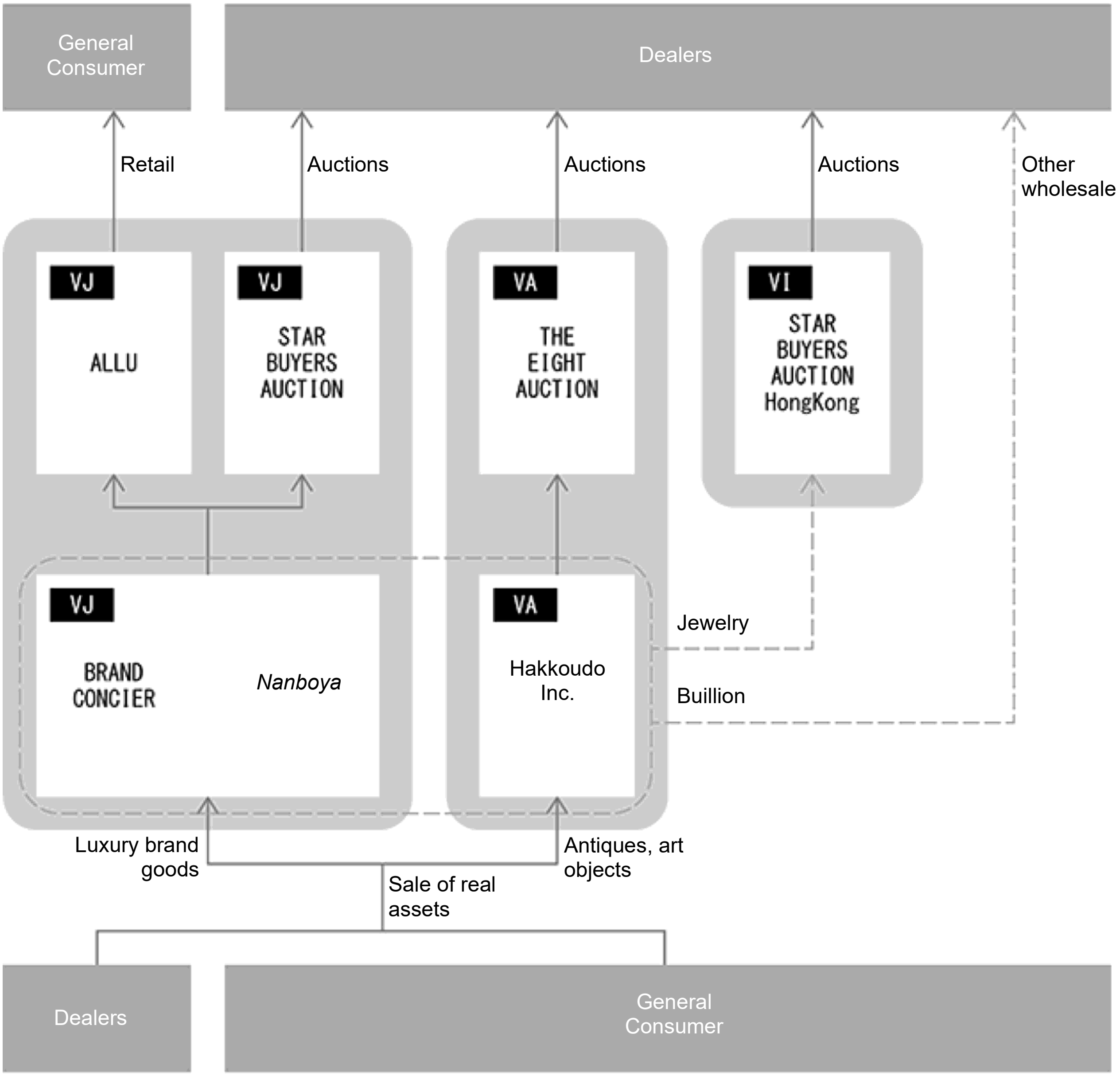
(Other wholesale sales)

The Group wholesales gold, platinum, other precious metals, and bullion to specialized dealers. In addition, some of the watches and jewelry purchased by the Company are sold wholesale through Valuence International Limited, primarily at watch and jewelry exhibitions held in Hong Kong.

(Retail sales through stores and e-commerce sites)

Retail sales targeting general consumers are conducted under the ALLU brand. ALLU offers a lineup of long-treasured, timeless vintage and antique merchandise through brick-and-mortar stores in the Ginza and Shinsaibashi areas of Japan. Sales also occur through an e-commerce site.

Below is a diagram of these businesses.



VJ Valuence Japan Inc.: Handles luxury brand items and other reuse businesses in Japan

VA Valuence Art & Antiques Inc.: Handles antiques, art, and other reuse businesses

VI Valuence International Limited: Handles luxury brand items and other reuse businesses in Japan overseas, international market research, and partnership development

* The responsibilities of Valuence Holdings Inc. include enhancement of administration and management groupwide and strategic planning and implementation.
* Valuence Technologies Inc. is responsible for app and systems development.
* Valuence Real Estate Inc. is involved in the real-estate brokerage business.

4. Affiliated Companies

Name	Address	Capital Stock	Major Business Lines	Share of Voting Rights Held (or Holdings) (%)	Relationship
(Consolidated Subsidiary) Valuence Japan Inc.	Konan, Minato-ku, Tokyo	10,000 thousand yen	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas within the business lines described at left.
(Consolidated Subsidiary) Valuence Art & Antiques Inc.	Naniwa-ku, Osaka City, Osaka Prefecture	10,000 thousand yen	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles antiques and arts areas within the business lines described at left.
(Consolidated Subsidiary) Valuence Technologies Inc.	Konan, Minato-ku, Tokyo	66,000 thousand yen	System development and related businesses	100.0	Develops apps, computer systems, etc.
(Consolidated Subsidiary) Valuence Real Estate Inc.	Konan, Minato-ku, Tokyo	45,000 thousand yen	Real estate brokering and related businesses	100.0	Handles real estate brokerage
(Consolidated Subsidiary) Valuence International Limited	Kowloon Tsim Sha Tsui, Hong Kong SAR, People's Republic of China	HKD1,000,000	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International USA Limited	New York State, USA	USD150,000	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International Europe S.A.S.	Paris, France	EUR135,000	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas overseas within the business lines described at left.
(Consolidated Subsidiary) Valuence International Singapore Pte Limited	Singapore	SGD137,721	Luxury brand items, antiques, art, and other reuse businesses	100.0	Handles luxury brand items and other areas overseas within the business lines described at left.

Notes:
1. The Major Business Lines column for consolidated subsidiaries indicates names listed in the Segment Information section.
2. No companies meet the definition of specified subsidiaries
3. No companies submit securities registration statements or securities reports.
4. The newly established companies Valuence Japan Inc. (name changed from SOU Spinoff Preparatory Company on December 1, 2019) and Valuence Technologies Inc. (name changed from SOU Technologies Inc. on March 1, 2020) have been included within the scope of consolidation since the first quarter of this consolidated fiscal year.
5. The newly established company Valuence International USA Limited has been included within the scope of consolidation since the second quarter of this consolidated fiscal year.
6. The newly established companies Valuence Real Estate Inc. and Valuence International Europe S.A.S. have been included within the scope of consolidation since the third quarter of this consolidated fiscal year.
7. The newly established company Valuence International Singapore Pte Limited has been included within the scope of consolidation since the fourth quarter of this consolidated fiscal year.

5. Employees

(1) Status of Consolidated Companies

(As of August 31, 2020)

Name of Segment	Number of Employees
Luxury brand items, antiques, art, and other reuse businesses	587 (150)

Notes:

1. The Company operates within a single segment (luxury brand items, antiques, art, and other reuse businesses). Accordingly, no per-segment information is provided.
2. As of August 31, 2020, no employees have been dispatched outside the Group; nor have any employees been dispatched to the group from outside the Group.
3. Figures for the number of employees indicated inside parentheses indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.
4. The number of employees increased by 116 compared to the end of the previous consolidated fiscal year, due mainly to new store openings and other business expansions including overseas operations.

(2) Status of Filing Company

(As of August 31, 2020)

Number of Employees	Average Age	Average Years of Service	Average Annual Salary (Thousands of yen)
59 (13)	30.7	2.8	4,397

Notes:

1. The Company operates within a single segment (luxury brand items, antiques, art, and other reuse businesses). Accordingly, no per-segment information is provided.
2. Figures for the number of employees indicated inside parentheses indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.
3. Figures for average age, average years of service, and average annual salary apply to regular employees.
4. Average annual salary includes bonuses and non-standard wages.
5. The Company migrated to a holding-company structure effective March 1, 2020. Since employees seconded to subsidiaries as a result of this change are counted as subsidiary employees, the number of employees decreased by 328 from the end of the previous business year.

(3) Status of Labor Unions

While no labor union has been formed at the Group, labor-management relations are progressing smoothly.

II. Business

1. Management Policies, Management Environment, Issues to be Addressed, etc.

Forward-looking statements are based on the judgments of the Valuence Group as of the date of the submission of this document. There is no guarantee that the result is achievable.

(1) Management policies

In line with the Valuence name, a portmanteau of “value” and “intelligence” and “experience,” the Group strives to provide life-changing value to its customers and all other stakeholders by identifying or creating new value using the knowledge and expertise accumulated to date. The group seeks to realize a world in which each individual can live his or her own life in his or her own way, with a positive outlook, true to oneself, with self-confidence.

(2) Management Environment

The expansion and popularization of flea market apps and numerous other factors has helped drive growth in the reuse and recycling industry market in which the Company operates. The Company expects intensifying competition to purchase merchandises; collaboration with and funding from different industries will become more active, while companies already in the industry are likely to experience growth. More new companies are expected to enter the market.

International demand is strong for luxury goods (the main category handled by the Company) bearing “Used in Japan” and “Checked in Japan” indications, a reflection of the Japanese market’s reputation for quality and reliability. The Company sees opportunities for further business growth through expanded sales channels overseas.

As online buying of luxury goods from ordinary consumers grows increasingly active, the Company expects e-commerce sites to drive growth in the used luxury goods market. The Company also expects the migration of ways of life and buying activities online to accelerate further in response to the COVID-19 pandemic.

(3) Management Strategies and Issues to be Addressed

In response to the management environment described above, the Group has formulated its VG1000 medium-term management plan for the period through the fiscal year ending in August 2025.

Seeking to become be a Global Reuse Platformer supporting buyers around the world, from purchasing through sales, while specializing in luxury goods, the Group will realize sustained growth by shifting to a recurring business model.

At the same time, the Group will strive to maximize business opportunities by expanding its business lines, including launching the real estate brokerage services business, as the Group targets annual net sales of 100 billion yen. Various target indicators are provided below.

Targets <Other Indicators>

		FY8/2021	FY8/2025
Growth potential indicator	Operating profit growth rate	(2.5 billion yen)	30%
Revenue performance indicator	ROE	23.7%	25.0%
Shareholder return indicator	Dividend payout ratio	30% or better	30% or better

(KPIs and management strategies)

The KPIs and strategies employed in deploying a global auction platform are shown below.

Targets <KPIs>

	FY8/2020	FY8/2025
GMV (Gross Merchandise Volume)	37.5 billion yen	120 billion yen
Auction consignment rate	3.5%	50%
Overseas sales ratio	8.3%	20%
Number of buying offices (Japan and Overseas)	86	200

<Strategies>

a) Enhancing global business development

The participation of numerous partners and bringing together large volumes of high-quality merchandise are essential to building an attractive platform. Recognizing the potential of increased participation of overseas partners to stimulate the auction business further, in light of strong global demand for reused items from Japan, the Group will aim to secure more than 500 partners overseas by the fiscal year ending in August 2025, through partner development activities centered on its overseas subsidiaries. In the area of purchasing, while opening new buying offices at a pace of 10 locations per year in Japan, the Group will also aim to open 30 buying offices overseas by the fiscal year ending in August 2025, as its overseas buying activities grow as well. The Group will achieve a stable supply of merchandise to its platforms by expanding consignment sales, both in Japan and internationally, in addition to sales of merchandise purchased by the Group itself. The Group will achieve the sustained growth of its platforms through an organic natural cycle whereby the accumulation of large volumes of high-quality merchandise itself attracts more partners, while high closing prices from growing bidder competition attracts more consigned items.

b) Promoting digital transformation (DX)

Migrating to online auctions has eliminated time and volume restrictions and enables consignment sales of merchandise from other companies. Through further systems development and related progress in the future, the Group will seek to increase points of monetization in aspects like maintenance, cleaning, and acceptance of e-commerce consignment sales for merchandise sold in auctions through API linkages between SBA and e-commerce platforms in Japan and worldwide. By deploying value-added services, the Group will become a presence to which its partners can entrust operations, from purchase through sales, while increasing profitability through the growth of commission-based businesses.

c) Leveraging Big Data

The global expansion of the Group’s auctions has made it possible to collect the latest sales data from around the world. The Group boasts one of the world’s largest databases by volume in this field. The Group plans to leverage this database to reflect sale prices in purchase prices and to purchase merchandise at optimal pricing, thereby maintaining and improving on rates of successful transactions while suppressing any slippage in gross profit margins. In addition, the ability to purchase merchandise at optimal prices will create an environment that makes it possible to sell both merchandise purchased by the Company and merchandise consigned by other parties at optimal prices, leading to rising rates of successful sales at auction and growth in the consignment of merchandise received.

d) Strengthening marketing

The Group has sought to expand purchases of merchandise by attracting customers to its offices through an approach based on realizing potential needs for merchandise, chiefly through Web-based marketing. By proposing effective asset management using Miney, in addition to addressing these apparent needs, the Group plans to advance efforts to realize potential needs and grow its customer base. At the same time, the Group recognizes the low profile of its name at this time; few customers come to us by searching for us by name. This is an issue the Group plans to address. The Group will strengthen marketing efficiency by building name recognition through mass marketing, including flyers, commercials, and other media, in addition to attracting new customers through Web-based marketing and realizing untapped needs through Miney.

(Issues to be Addressed)

a) Building a global auction platform

In April 2020, SBA, the Group's main sales channel, migrated from real auctions to online auctions. The resulting lifting of physical constraints has enabled growth in the volumes of merchandise listed. It has also made possible direct participation by overseas partners, leading to steady growth in scale.

In the future, the Group plans to boost its gross merchandise value (GMV) through merchandise purchased directly and obtained as partner consignments, in this way building a platform that brings together large volumes of merchandise and numerous partners. The Group will also seek to strengthen profitability by increasing the number of auction locations and deploying new value-added services.

b) Secure concierges for opening new buying offices, etc.

The Group seeks to open new buying offices in Japan as an approach to increase merchandise purchasing. The Group also recognizes the need to secure sufficient concierges for assignment to new locations. The Group is currently accelerating efforts to expand its overseas buying offices. This, in turn, requires the ongoing hiring of more on site concierges.

For these reasons, the Group continues to hire new graduates and midcareer hires as concierges in step with the opening of new locations in Japan and to hire local buyers and dispatch personnel from Japan as it expands overseas.

c) Conduct concierge training and standardize appraisals

The Group strives to improve concierge appraisal and product assessment abilities by improving training systems and on-the-job training. In addition to boosting new concierge recruitment as the Group opens new locations, the Group sees the need to standardize purchase assessment procedures to ensure consistency in appraisal and estimation skills.

To this end, the Group continues to improve concierge abilities by updating and improving training, in addition to improving in-house product management systems and developing databases to standardize appraisal skills. The Group will also continue to enhance buying office support systems offered by headquarters.

d) Develop overseas network for business expansion

Keeping pace with rising overseas demand in the luxury brand reuse market, the Group established a base in Hong Kong. The Group is currently expanding its overseas facilities in Europe and Southeast Asia as well as Hong Kong.

The Group recognizes the importance of growing GMV, centered on auction platforms, to expand its businesses. The Group will continue to deploy overseas measures in developing partners who participate in its auctions, in receiving consignment sales, and in purchasing activities.

e) Develop multiple sales channels

While the Group secures stable profits through wholesale sales, mainly via its SBA auction platform, the Group also focuses on retail sales, striving to secure profits by selecting optimal sales channels for individual products. The e-commerce channel is especially important for the reuse market. Currently, the Group is expanding its alliances with e-commerce sites in Japan and around the world.

In addition to growing its sales channels, the Group plans to create multiple global sales channels by developing new services through its auction platform, alliances with e-commerce sites in Japan and worldwide, and other measures.

f) Integrated marketing deployment

While the Group attracts most of its customers through Web-based marketing, while also achieving high efficacy after bringing functions in-house, at the same time it continues to face issues with name recognition, as shown by the low percentage of customers who search for us by name.

The Group plans to strive to secure name recognition to the general public, including potential sellers, through multiple integrated marketing measures based on media such as commercials and flyers. The Group also plans to advance initiatives in areas like securing customers through the Miney asset management app and building structures to enable mutual customer referrals within the Group.

g) Responding to COVID-19

The Group has been advancing the online migration of its main sales channel of Group-operated auctions. The percentage of current auctions conducted online exceeds 90 percent. This has made it possible to continue sales operations even under the conditions imposed by the pandemic. In addition, while buying activities take place mainly in its buying offices, the Group has adopted online buying as a measure in response to COVID-19.

The Group is also considering migrating the SBA Hong Kong auctions (currently conducted as real-world auctions) online while continuing to transition online as a safeguard against unforeseen circumstances.

(4) Basic Policy Regarding Company Control

The Group has not established a specific basic policy or anti-takeover measures. However, the Group continues to monitor social trends and conduct careful investigations.

2. Business and Other Risks

Of the matters related to business and finance described in this document, the following risks may impact investor judgement. Note that forward-looking matters are based on the best judgments of the Group at the time of the publication of this document. Not all risks related to business risk or investment in Company stock may be addressed.

(1) Merchandise Buying System

a) Purchase of Reuse Goods

Buying reuse goods is the core activity that generates income for the Group. However, compared to the purchase of new products, the supply of reuse goods is less certain, depending as it does on the number of goods brought in by owners. To strengthen the stability of its purchasing sources, the Group conducts online, provide outstanding customer support, and offer pre-appraisals via telephone and social media to encourage owners to sell goods at Group buying offices. The Group also strives to create other robust buying mechanisms, including buying by mail and in-home buying. The Group has begun buying merchandise overseas. Its Miney asset management app is yet another tool to attract and uncover potential new customers.

Nevertheless, Group financial results may be adversely affected by challenges in sourcing reuse goods due to changing economic trends, growing competition, changing customer preferences, or changes in the market price of precious metals, and bullion.

b) Concierges

With the exception of gold and platinum, whose prices are set by the market, reuse goods lack predetermined market prices. The popularity of luxury brands and the recent increase in market volume for reuse goods requires concierges who are capable of inspecting the authenticity of reuse goods in line with the Group standards and providing appropriate purchase prices in accordance with individual circumstances. Accordingly, the Group recognizes the importance of developing concierges with specialized knowledge and experience.

Group financial results may be adversely affected if the Group fails to develop sufficient concierges in line with projections. This in turn could hamper buying plans and the opening of new locations.

c) Risks of Purchasing Counterfeit Goods

Counterfeit goods of well-known luxury brand items such as bags and watches are broadly distributed and have emerged as a social issue. The Group cultivates concierges' ability to confirm the authenticity of reuse goods to prevent the purchase of counterfeit goods. The Group also performs careful inspections to determine the authenticity of reuse goods before sale to provide safe and secure goods to customers (both partners and ordinary consumers). Counterfeit goods mistakenly purchased are returned or disposed of to prevent resale. The Group may ask third-party institutions to assess the authenticity of reuse goods.

The nature of its business—purchasing reuse goods from ordinary consumers through secondary distribution rather than from authorized brand stores—poses the constant risk of buying and selling counterfeit goods. Group financial results may be adversely affected by problems or loss of credibility associated with the purchase and/or sale of counterfeit goods.

d) Risk of Purchasing Stolen Goods

In the event that the Group identifies the purchase of any stolen goods, the Group attempts to return said items to the rightful owner at no charge within one year pursuant to the Secondhand Articles Dealer Act and within two years pursuant to the Civil Law Act. The Group maintains structures to prevent the purchase of suspected stolen goods and works closely with law enforcement to prevent the distribution of stolen goods.

From the perspective of compliance with the Secondhand Articles Dealer Act and Civil Law Act, the Group has linked its secondhand articles ledger (detailed records of reuse goods purchase) with its business system to facilitate timely and appropriate cooperation with law enforcement investigations in the event the Group discovers purchases of stolen goods and to facilitate the return of stolen goods to the owner at no charge. Nevertheless, the nature of its business makes it difficult to eliminate the purchase of stolen goods entirely. Group financial results may be adversely affected by losses of purchases traceable to the purchase of stolen goods and the loss of creditability arising from such events.

(2) Expansion and Operation of Stores and Offices

a) Future Buying Office Opening

The Group secures reuse goods through *Nanboya*, BRAND CONCIER, and *Hakkoudo* offices nationwide.

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

b) Group Business Areas

The Group has numerous buying offices in the Special Wards of Tokyo, Osaka, Nagoya and surrounding areas, all of which are located at the center of three major metropolitan areas supporting relatively large markets for reuse goods. Group financial results may be adversely affected by the destruction of operating facilities or constraints on the use of a wide range of infrastructure in the event of large-scale disasters affecting the three major metropolitan and surrounding areas.

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

The Group leases its buying offices. Valuence Group financial results may be adversely affected if contracts cannot be renewed or if rents rise upon contract renewal.

d) System Failures

Group business depends significantly on IT systems to attract customers via the internet; to prevent fraud in cash payout at buying offices; to manage the flow of individual goods; to collect market price data for purchase and sale; and to sell merchandise through online auctions.

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

e) Asset Impairment Accounting

The Group operates buying offices and retail stores. Group financial results may be adversely affected if the profitability of each office decreases due to changes in the management environment, resulting in appropriation or losses associated with the application of asset impairment accounting. The Group strives to manage profits at each location to prevent impairment and takes appropriate measures at locations marked by low profitability. Nevertheless, an increase in unprofitable locations or the closure of locations may lead to significant impairment losses.

(3) Influence of Changes in the External Environment

a) Changes in Sales Associated With Changes in the External Environment

The Group handles precious metals, watches, bullion, jewelry, and reuse luxury brand goods. By expanding to handle antiques, art objects, and tableware, the group has established a stable business structure that reduces dependence on specific goods. The Group continues to expand the categories of goods it handles to further increase profits.

However, the prices of some goods may decline due to economic obsolescence associated with changes in trends, exchange rate fluctuations, and changes in market prices of precious metals, and bullion. Additionally, the prices of certain goods may differ significantly depending on the presence or absence of certain popular goods. Group financial results may be adversely affected by sharp fluctuations in exchange rates and stock prices or rapid changes in business sentiment.

b) Effects of Natural Disasters

The Japanese government's declaration of a state of emergency in response to the COVID-19 pandemic impacted buying and selling of reuse goods during the fiscal year ended August 2020, resulting from the temporary suspension of store operations. As of the date this Report is submitted, sales were based on the migration of Company-operated auctions to an online platform. Buying occurred under the ordinary structure, with due consideration to prevent the spread of the virus and the highest priority on the safety of customers and employees. Nevertheless, another state of emergency may be declared or similar measures taken in the future; a natural disaster may pose grave difficulties in carrying out business activities, including in-office and in-home purchases of merchandise. In particular, since the prospects for the resolution of the COVID-19 pandemic remain uncertain and its impact on economic activities remains unpredictable, the pandemic may have significant effects on the Group's financial status, business results, and cash flow in the next period and beyond.

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

The Group wholesales purchased reuse goods to reuse goods dealers both in Japan and overseas via its independent auctions. Certain reuse goods dealers participating in the auctions tend to sell goods to overseas purchasers very quickly. Structurally, its business tends to be influenced by exchange rate fluctuations. Successful bid prices in auctions are influenced by exchange rates. When the yen is weaker, prices tend to increase; when the yen is stronger, prices tend to fall.

While the Group believes this tendency will be diluted by the participation in the auctions of participants from a broader range of countries and regions, Group financial results may be affected by the timing of exchange rate fluctuations and the proportions of partners participating in auctions from specific countries.

d) Intensified Competition

The Group competes with other companies to purchase goods. The Company seeks to improve its competitiveness and promote differentiation from competitors by strengthening its marketing, opening convenient buying locations, improved service at buying offices, and continuing human resource training and education.

However, Group financial results may be adversely affected if competition increases due to new entries into the reuse goods industry.

e) Dependence on Interest-Bearing Debt

The Group depends heavily on loans from financial institutions to procure working capital. Accordingly, Group business expansion may be adversely affected if capital procurement fails to proceed as planned due to changes in its financial position. In addition, if an increase in interest rates increases the cost of capital procurement, Group financial results may be affected by the resulting pressure on profits.

(4) Legal Restrictions

a) Restrictions Imposed by the Secondhand Articles Dealer Act

The Group is a Certified Secondhand Articles Dealer approved by the Local Public Safety Committee and is obligated to comply with the Secondhand Articles Dealer Act. While Secondhand Articles Dealer certification does not expire, violations of the Secondhand Articles Dealer Act or other laws and regulations regarding the secondhand article business, coupled with the inability to immediately identify or prevent the purchase and sale of stolen goods may result in business suspension or the revocation of certification by the Local Public Safety Committee, in accordance with Article 24 of the Secondhand Articles Dealer Act.

The Group purchases and sells secondhand articles under said certification and operates a market for the purchase and sale of secondhand articles among dealers with the permission of the secondhand article market owners. The Group complies with the Secondhand Articles Dealer Act by providing detailed internal training and education regarding said act, confirming the identification of sellers in accordance with said act, and the careful management of secondhand article ledgers. This strengthens the Company’s level of confidence that no problems affecting the group’s business continuity will arise.

Group financial results may be adversely affected if certification is revoked due to the events and conditions referenced above.

b) Personal Information Management

The Group handles customer addresses, names, occupations, ages, and credit card information, which are recorded and managed in ledgers in written form or by electromagnetic means. The Group has established a system that ensures appropriate protective measures for personal information. The Group has also acquired Privacy Mark certification and established internal regulations and other rules. It seeks continually to strengthen internal management structures, provide thorough employee training and education, and enhance information system security to improve its personal information protection management. The Company also strives to comply with the Act on the Protection of Personal Information to prevent leaks of personal information.

Nevertheless, the Group’s financial results may be adversely affected, its reputation and societal standing compromised, and significant costs incurred in the event of a personal information leak.

c) Laws and Regulations regarding the Prevention of Criminal Proceeds Transfer

The Criminal Proceeds Transfer Prevention Act applies to the Group’s businesses. Group financial results may be adversely affected if the group fails to comply with said act and is subject to guidance, advice, recommendation, or penalties by government agencies.

(5) Overseas Business Expansion

The Group continues to develop overseas group businesses to expand its business. Group financial results may be adversely affected in the event of business fluctuations, political and social unrest, changes in laws and regulations, and significant changes in exchange rates in specific countries.

(6) Weakening Share Values

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

Details of stock acquisition rights are provided under IV. Status of Filing Company: 1. Status of Company Stock and Other Items: (2) Stock Options.

3. Management Analysis of Financial Position, Business Performance, and Cash Flows

(1) Summary of Business Performance

Provided below is an overview of the financial condition, business performance, and cash flows ("Performance, etc." hereinafter) of the Valuence Group (Valuence Holdings Inc. and its consolidated subsidiaries) in the consolidated fiscal year under review.

The Company is categorized into a single business segment; namely, luxury brand items, antiques, art, and other reuse businesses. For this reason, description by segment is omitted.

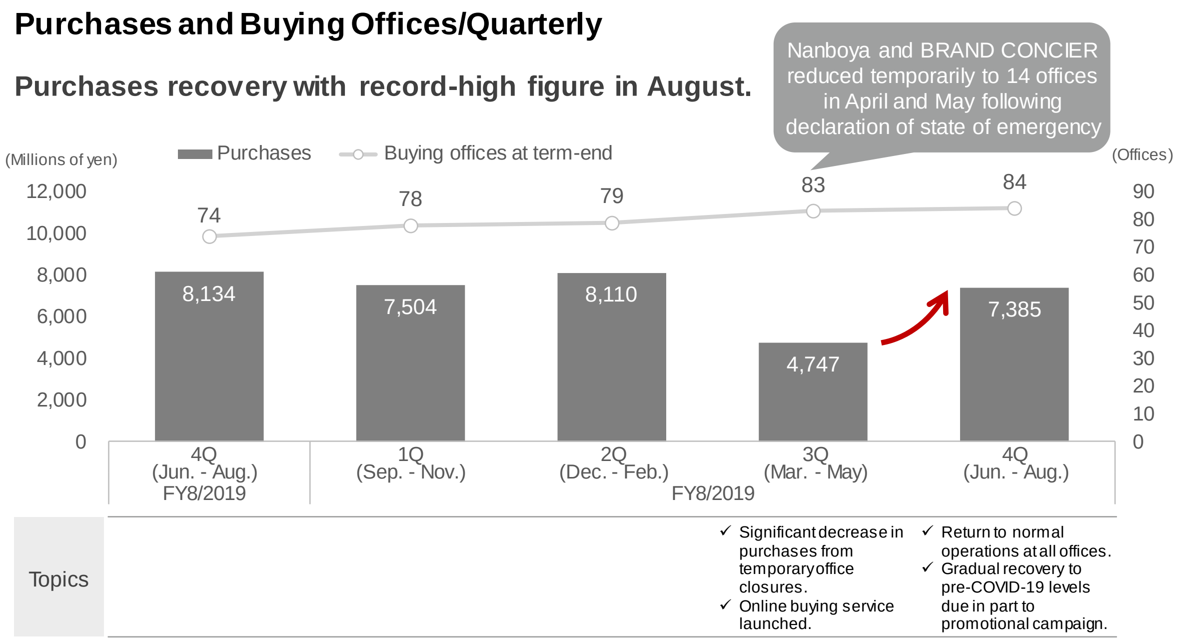
a) Financial Condition and Business Performance

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.

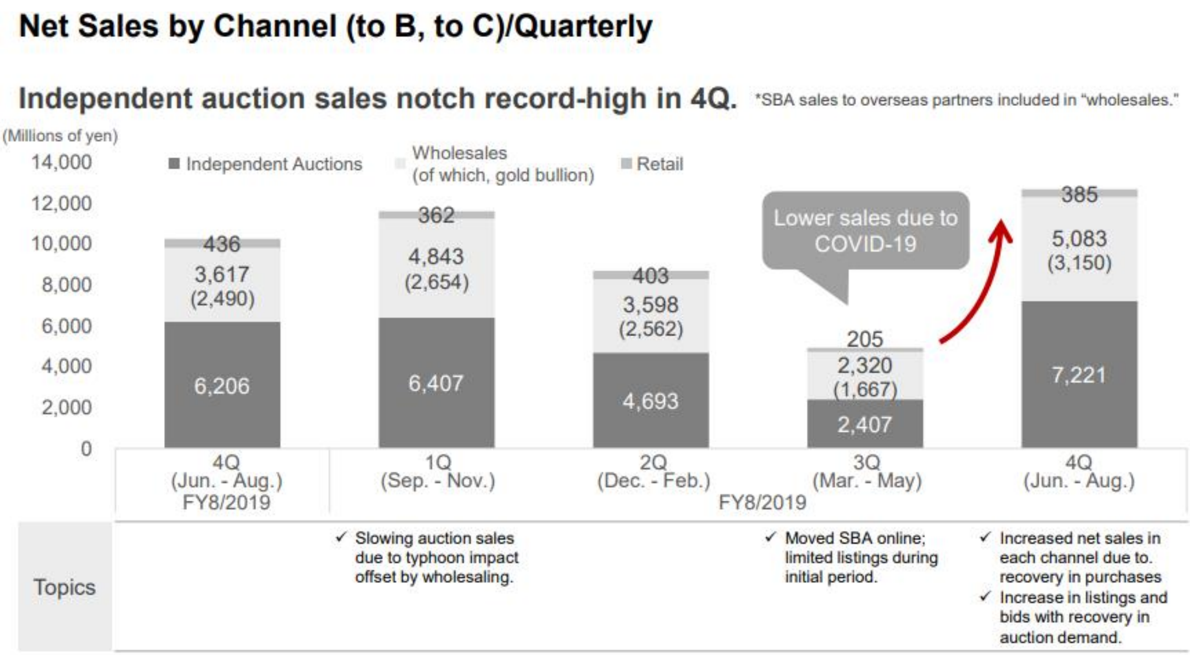
In the reuse industry in which the Group operates, flea market apps and online auctions have recently permeated the lives of ordinary consumers. Due in part to the growing amount of time spent at home and financial needs generated by the spread of COVID-19, interest in selling personal property has grown 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 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 a 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.

These efforts resulted in the Financial Position and business performance for the consolidated fiscal year under review described below.

a. Financial Position

Total assets at the end of the consolidated fiscal year under review amounted to 15,378 million yen, an increase of 1,266 million yen compared to the end of the prior fiscal year.

Total liabilities at the end of the consolidated fiscal year under review amounted to 8,642 million yen, an increase of 1,226 million yen compared to the end of the prior fiscal year.

Net assets at the end of the consolidated fiscal year under review amounted to 6,735 million yen, an increase of 40 million yen compared to the end of the prior fiscal year.

b. Business Performance

For the consolidated fiscal year under review, net sales amounted to 37,932 million yen (up 0.4%). Operating profit was 631 million yen (down 71.8%), while ordinary profit totaled 622 million yen (down 72.5%) and profit attributable to owners of parent amounted to 305 million yen (down 79.0%).

b) Overview of cash flows

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

Presented below is an overview of cash flows in the current consolidated fiscal year and major underlying factors.

(Cash flow from operating activities)

Cash flow from operating activities in the current consolidated fiscal year amounted to an inflow of 1,582 million yen (the result for the previous consolidated fiscal year was 1,697 million yen), due primarily 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 938 million yen paid for corporation income tax, etc., on the other.

(Cash flow from investing activities)

Cash flow from investing activities in the current consolidated fiscal year amounted to an outflow of 74 million yen (the result for the previous consolidated fiscal year was 689 million yen), due primarily to an inflow of 422 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 primarily 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.

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

a. Production

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

b. Orders Received

Not applicable; the Group does not engage in order receipts.

c. Purchases

Purchases for the consolidated fiscal year under review are as described below.

Segment Name	Purchases (Thousands of yen)	Change (%)
Luxury brand items, antiques, art, and other reuse businesses	27,748,941	97.7

Notes:
1. The figure above represents purchase prices.
2. This figure excludes consumption tax or other taxes.

d. Sales

Sales for the consolidated fiscal year under review are as described below.

Segment Name	Sales (Thousands of yen)	Change (%)
Luxury brand items, antiques, art, and other reuse businesses	37,932,651	100.4

Notes:
1. This figure excludes consumption tax or other taxes.
2. The following details sales and the ratio of sales by major customers for the two most-recent consolidated fiscal years.

Customer Name	Prior Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Sales (Thousands of yen)	Ratio (%)	Sales (Thousands of yen)	Ratio (%)
Net Japan Co., Ltd.	4,496,105	11.89	5,083,806	13.40
NIHON MATERIAL Co., Ltd.	3,120,706	8.26	4,738,301	12.49

(2) Management Discussion and Analysis

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

a) Significant Accounting Policies and Estimates

The Group prepares consolidated financial statements in accordance with accounting standards generally accepted in Japan. In preparing these statements, the Group must make estimates and forecasts that impact the disclosure of its financial status, business results, and cash flow as of the end of the consolidated fiscal year.

The Group makes continual estimates and forecasts based on judgments deemed rational in light of past performance figures and circumstances. Due to the inherent uncertainty of estimates, actual results may differ from estimates.

See V. Accounting Status: 1. Consolidated Financial Statements: Notes (Additional Information) for information concerning assumptions about the impact of COVID-19.

b) Management Understanding and Analysis of Financial Status and Business Results

a. Analysis of Financial Position

(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, as well as an increase of 2,173 million yen in cash and deposits due to borrowings to cover operating and purchasing funds. Non-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. 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. 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.

b. Analysis of Business Performance

(Net Sales)

Net sales during this consolidated fiscal year grew 133 million yen from the end of the previous consolidated fiscal year to 37,932 million yen. While the COVID-19 pandemic had a major impact, including the postponement of SBA Hong Kong and suspension of THE EIGHT AUCTION during the March-June period, successfully moving plans to migrate the Group's main sales channel SBA online forward to March contributed to sales. (The migration was completed in April.) The declaration of the state of emergency in response to the pandemic compelled the Group to close many of its buying offices, which affected purchases. While the migration to online services had modest beginnings, limiting the range of items offered for sale proved successful. The migration was achieved smoothly, providing time for improvements before the full launch in June.

Auction closing prices rose due to factors including strong demand and the ability of overseas partners to participate directly in bidding. The results since June have been strong.

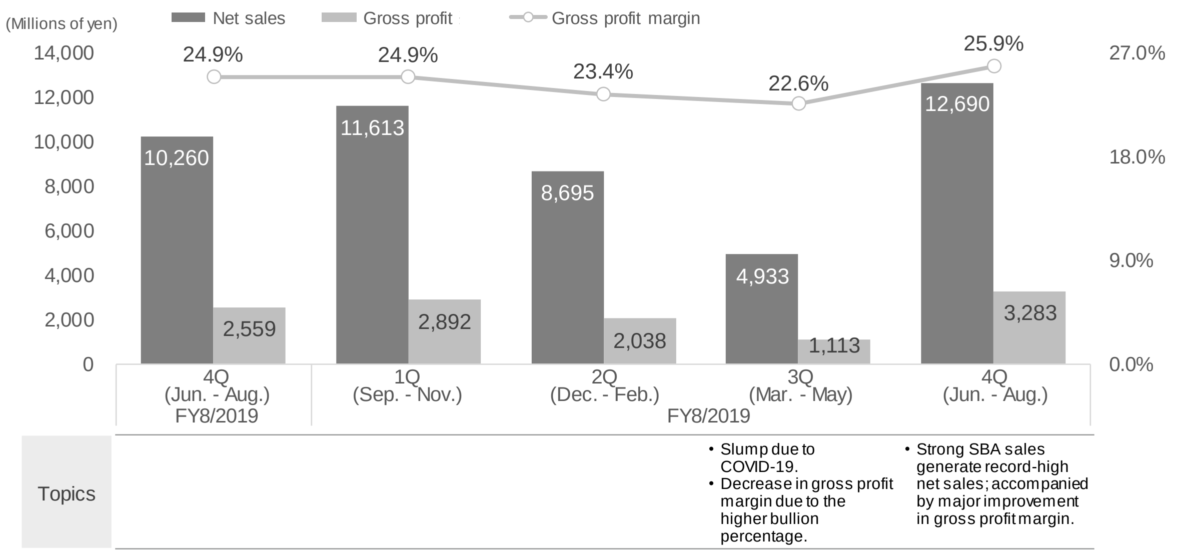
In connection with the increase in the number of items that can be offered for sale following the migration to online auctions, acceptance of consignment sales of other companies' products has also begun. THE EIGHT AUCTION migrated online in July and began accepting consignment sales. While SBA Hong Kong was delayed, efforts such as use of limit bids led to a total of four diamond events (in September and November 2019 and July and August 2020) and three jewelry events (in September and November 2019 and July 2020). Bullion sales increased due to high market prices for bullion throughout the year. This, too, helped boost sales.

Due to the factors above, the Group recorded record-high sales in the fourth quarter.

(Cost of Sales and Gross Profit)

Cost of sales for the consolidated fiscal year under review increased 439 million yen year on year to 28,605 million yen. Gross profit decreased by 306 million yen to 9,327 million yen. The gross profit margin fell by 0.9 percentage points to 24.6%, due to various factors, including increased sales of bullion accompanying rising bullion market prices. Gross profit fell year on year as a result. At the same time, due to factors such as strong bidding competition in SBA auctions, as noted above, and the contributions of commissions from consignment sales (although small in scale), the gross profit margin in the fourth quarter was 25.9%, despite continued high levels of bullion sales, due in part to the migration online.

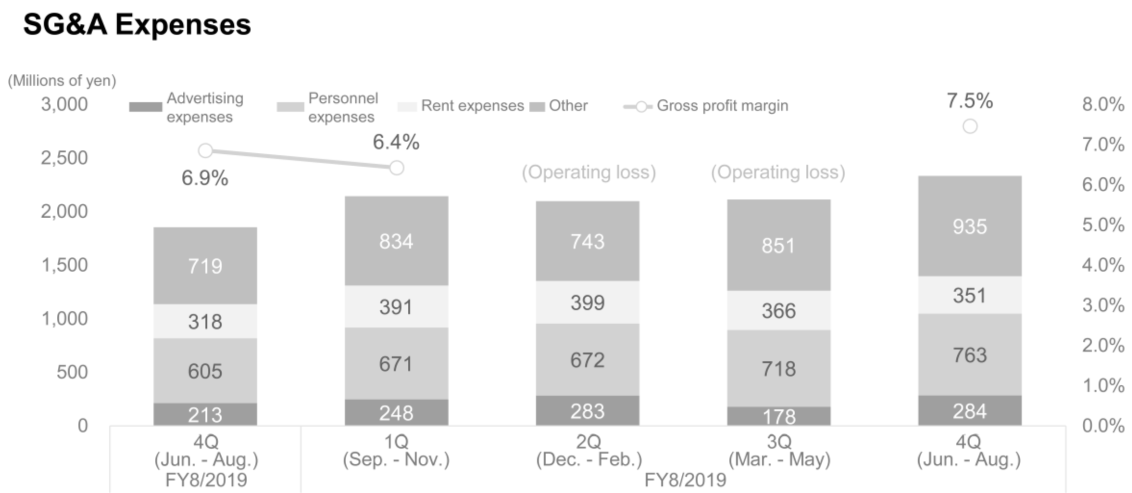
Net Sales and Gross Profit



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

Selling, general, and administrative expense increased by 1,302 million yen year-on-year to 8,695 million yen, due mainly to factors such as increased labor costs related to the expansion of office locations and business scale, increased expenses for the rent of space and land associated with the opening of new buying offices, increased share-based compensation expenses accompanying the allotment of restricted stock to Group employees in the previous consolidated fiscal year, and increased subcontracting costs associated with computer systems development, including computer systems development for auction platforms. While growth was constrained by the temporary closure of buying offices under the state of emergency, advertising and promotion expense increased due to various measures, including such as strategic investment in expanding its buying office network and attracting customers. While land rents have increased with the expansion of its network of locations, rents were discounted during the period of temporary store closure.

SG&A as a ratio of sales increased due to continued investment necessary for the future. However, as a result of the large-scale recovery in net sales and gross profit in the fourth quarter of this consolidated fiscal year, operating profit for the consolidated fiscal year remained in the black at 631 million yen, despite a decrease of 1,609 million yen from the previous consolidated fiscal year. The operating profit margin was 1.7% for the consolidated fiscal year under review.



Buying offices	74	78	79	83	84
Employees	471	475	499	542	587

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

Non-operating income increased by 35 million yen year on year to 117 million yen for the consolidated fiscal year under review, due mainly to factors such as receipt of subsidies for employment adjustment. Non-operating expenses increased by 66 million yen to 126 million yen, due to factors such as foreign exchange losses and losses on extinguishment of share-based compensation expenses accompanying the free allocation of transfer-restricted shares to retirees.

As a result, ordinary profit decreased by 1,640 million yen year-on-year to 622 million yen and the ordinary profit margin amounted to 1.6%.

(Extraordinary Income or Loss, Profit or Loss Attributable to Owners of Parent, Net Profit Margin)

Extraordinary loss amounted to 22 million yen due to the recording of impairment losses. Income tax expense amounted to 293 million yen, a decrease of 491 million yen year on year. This result was due to an increase in income tax for the consolidated fiscal year under review and other factors.

As a result, profit attributable to owners of parent decreased by 1,153 million yen year-on-year to 305 million yen, and the Group recorded a net profit margin of 0.8%.

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

The Group's fundamental policies on raising funds are to secure the level of liquidity needed to maintain and grow its business and to maintain financial soundness and stability. The Group strives to diversify its means of raising funds and to improve its capital efficiency, and the Group employs some interest-bearing debts, including loans from financial institutions.

Major demands for working capital in the Group are expenses for the purchase of merchandise and operating expenses, including sales, general and administrative expenses. Major demands for capital to be used in investments are the investment in IT systems development related to platforms for online auctions, app development, and internal systems related to buying and selling, and capital investment associated with new openings of buying offices. These demands for capital are covered mainly by borrowing for costs related to buying merchandise and essentially from operating cash flow for funds intended for investment purposes. Other funds may be procured when deemed necessary.

The analysis of cash flows is as described in (1) Summary of Business Performance b) Cash Flows.

4. Important Contracts and Other Business Agreements

Commitment Line Agreement

The Group has secured a commitment line agreement with partner banks in the sum of 4,000 million yen in syndicated loans to ensure the efficient sourcing of working capital. The Group currently has 600 million yen in outstanding borrowings under this agreement as of the end of the consolidated fiscal year under review.

5. Research and Development Activities

The Group conducts joint research with the Hokkaido University Graduate School of Information Science and Technology on AI for use in dynamic pricing of auctions reflecting external conditions and other factors and in automatic calculations of appraisal prices for purchases of reuse goods. R&D expenses totaled 5 million yen during this consolidated fiscal year.

III. Status of Facilities

1. Overview of Capital Investment

Valuence Holdings engages in the reuse business for luxury brand items, antiques, art, and other goods, which operated as one business segment. Accordingly, per-segment information is omitted below.

Capital investment during the current consolidated fiscal year included the addition of 14 new buying offices and the relocation of two facilities. This was part of efforts to strengthen its purchasing structure. The Company also invested in computer systems development to establish the online auction platform.

As a result, capital expenditures for the current consolidated fiscal year totaled 413 million yen.

The Company made no material equipment disposal during the current consolidated fiscal year.

2. Status of Major Facilities

The major Group facilities are listed below. The Company engages in the reuse business for luxury brand items, antiques, art, and other goods. The Company conducts these activities under a single business segment. For this reason, per-segment information is omitted.

(1) Filing Company

(As of August 31, 2020)

Business Name (Address)	Segment Name	Type of Facility	Carrying Amounts (Thousands of yen)						Number of Employees
			Buildings and Structures	Land (m^2)	Tools, Furniture, and Fixtures	Lease Assets	Other	Total Amount	
Head office (Minato-Ku, Tokyo)	Holding company	Head office functions	236,172	-	5,863	-	120,243	362,280	45 (11)
Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	Holding company	Head office functions	9,706	-	3,253	-	-	12,960	14 (2)

Notes:

1. No major facilities are currently suspended.
2. The above figures exclude consumption taxes.
3. *Other* under Carrying Amounts includes the total value of software and trademark rights.
4. Figures for the number of employees provided in parentheses indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.

(2) Domestic subsidiaries

(As of August 31, 2020)

Company Name	Business Name (Address)	Segment Name	Type of Facility	Carrying Amounts (Thousands of yen)						Number of Employees
				Buildings and Structures	Land (m^2)	Tools, Furniture, and Fixtures	Lease Assets	Other	Total Amount	
Valuence Japan Inc.	Osaka office (Kita-Ku, Osaka City, Osaka Prefecture)	-	Head office functions	-	-	-	-	-	-	42 (6)
	Head office (Minato-Ku, Tokyo)	Luxury brand items, antiques, art, and other reuse businesses	Auction and other facilities	-	-	5,572	-	149,979	155,551	149 (69)
	Nanboya Ginza flagship (Chuo-Ku, Tokyo) and 69 locations		Buying office	660,475	-	46,263	426	4,510	711,675	210 (29)
	BRAND CONCIER Ginza (Chuo-Ku, Tokyo) and three locations		Buying office	47,099	-	2,178	-	-	49,278	7 (2)
	ALLU (Chuo-Ku, Osaka City, Osaka Prefecture)		Retail outlet	254,926	-	6,076	-	2,534	263,537	8 (8)
Valuence Art & Antiques Inc.	Head office (Naniwa-Ku, Osaka City, Osaka Prefecture)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	159,433	- (381.5)	1,143	-	-	160,576	19 (6)
	Tokyo office (Ota- Ku, Tokyo)		Head office functions Auction facilities	208,608	-	6,333	-	6,203	221,145	30 (6)
	Hakkoudo Ginza flagship (Chuo-Ku, Tokyo) and nine locations		Buying office	53,533	-	2,780	-	284	56,598	34 (1)
Valuence Technologies Inc.	Head office (Minato-ku, Tokyo)	Systems development and related businesses	Head office functions	-	-	4,643	-	-	4,643	5 (3)

Notes:
1. No major facilities are currently suspended.
2. The above figures exclude consumption taxes.
3. *Other* under Carrying Amounts includes the total value of vehicles, software, and software in progress.
4. Figures for the number of employees provided in parentheses indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.

(3) Overseas subsidiaries

(As of August 31, 2020)

Company Name	Business Name (Address)	Segment Name	Type of Facility	Carrying Amounts (Thousands of yen)						Number of Employees
				Buildings and Structures	Land (m^2)	Tools, Furniture, and Fixtures	Lease Assets	Other	Total Amount	
Valuence International Limited	Head office (People's Republic of China)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Auction facilities	21,560	-	6,490	40,016	15,310	83,377	16 (7)
Valuence International USA Limited	Head office (United States)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions	-	-	-	-	99	99	-
Valuence International Europe S.A.S.	Head office (France)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions	-	-	-	-	107	107	-
Valuence International Singapore Pte Limited	Head office (Singapore)	Luxury brand items, antiques, art, and other reuse businesses	Head office functions Buying office	5,576	-	5,530	-	102	11,208	2

Notes:
1. No major facilities are currently suspended.
2. The above figures exclude consumption taxes.
3. *Other* under Carrying Amounts includes the total value of software and software in progress.
4. Figures for the number of employees provided in parentheses indicate the average number of associates, contract employees, and part-time employees (converted via the number of regular annual working hours per regular employees). They are not included in the figure above.

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

The Group engages in the reuse business related to luxury brand items, antiques, art, and other goods. The Group conducts these activities under a single business segment. For this reason, per-segment information is omitted.

(1) Newly Established Major Facilities

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Business Name (Address)</th><th rowspan="2">Type of Facility</th><th colspan="2">Expected Investment Amount</th><th rowspan="2">Source of Funding</th><th colspan="2">Planned Start and Completion Date</th><th rowspan="2">Increased Capacity After Completion</th></tr>
<tr><th>Total Amount (Thousands of yen)</th><th>Payments to Date (Thousands of yen)</th><th>Start Date</th><th>Completion Date</th></tr>
<tr><td>Valuence Holdings Inc.</td><td rowspan="4">Head office</td><td rowspan="4">Related to computer systems development for auction systems and other purposes</td><td rowspan="4">700,000</td><td rowspan="4">-</td><td rowspan="4">Funds on hand</td><td rowspan="4">September 2020</td><td rowspan="4">August 2021</td><td rowspan="4">Note 2</td></tr>
<tr><td>Valuence Japan Inc.</td></tr>
<tr><td>Valuence Art & Antiques Inc.</td></tr>
<tr><td>Valuence International Limited</td></tr>
<tr><td>Valuence Japan Inc.</td><td>Nanboya or BRAND CONCIER 13 locations</td><td>New buying offices</td><td>330,000</td><td>-</td><td>Funds on hand</td><td>September 2020</td><td>August 2021</td><td>Note 2</td></tr>
</table>

Notes:

1. The above figures exclude consumption taxes.
2. No value for increased capacity is stated due to the difficulty of making reasonable calculations.

(2) Repair of major facilities

Not applicable

(3) Removal of major facilities

Not applicable

IV. Information on the Filing Company

1. Information on Company Stock

(1) Total Number of Shares, Etc.

a) Total Number of Shares

Class	Total Number of Authorized Shares
Common Stock	40,000,000
Total	40,000,000

b) Issued Shares

Class	Number of Shares Issued as of the End of the Fiscal Year (August 31, 2020)	Number of Shares Issued as of the Filing Date (November 20, 2020)	Listed Stock Exchange or Registered Financial Instruments Firms Association	Description
Common Stock	13,183,160	13,211,740	Tokyo Stock Exchange (Mothers)	The above-mentioned stock represents shares with full voting rights that are standard shares free of rights restrictions. One trading unit consists of 100 shares.
Total	13,183,160	13,211,740	-	-

Note: The number of issued shares as of the filing date excludes the number of shares issued from the exercise of stock acquisition rights between November 1, 2020 and the date this securities report was filed.

(2) Information on Stock Acquisition Rights, Etc.

a) Stock Option Plan Details

The Company has adopted a stock option plan based on the method for issuing stock options detailed in the Companies Act. The details of this plan are as follows:

	Second Series Stock Acquisition Rights	Third Series Stock Acquisition Rights
Date of Resolution	March 31, 2017	November 8, 2017
Classification and Number of Eligible Individuals	Company Directors and Auditors 5 Company Employees 131 Wholly Owned Subsidiary Directors 2 Wholly Owned Subsidiary Employees 10	Company Directors and Auditors 5 Company Employees 72 Wholly Owned Subsidiary Directors 3 Wholly Owned Subsidiary Employees 10
Number of Stock Acquisition Rights (Units) *	9,968 [9,073]	14,574 [12,611]
Class of Shares Eligible for Stock Acquisition Rights *	Common Stock	Common Stock
Number of Shares Eligible for Stock Acquisition Rights *	99,680 [90,730] (Notes 1, 6)	145,740 [126,110] (Notes 1, 6)
Payment Upon Exercise of Stock Acquisition Rights (Yen) *	259 (Notes 2, 6)	450 (Notes 2, 6)
Exercise Period of Stock Acquisition Rights *	April 1, 2019 – March 29, 2027	November 9, 2019 – November 8, 2027
Issue Price Upon Exercise of Stock Acquisition Rights and Amount of Capitalization (Yen) *	Issue Price 259 Capitalized 130 (Note 6)	Issue Price 450 Capitalized 225 (Note 6)
Conditions for the Exercise of Stock Acquisition Rights *	(Note 3)	(Note 3)
Matters Concerning Transfer of Stock Acquisition Rights *	The approval of the Company board of directors is required for transfers of stock acquisition rights	(Same as at left)
Matters Concerning Grants of Stock Acquisition Rights Upon Organizational Restructuring	(Note 4)	(Note 4)
Reasons and Conditions Under Which the Company May Acquire Stock Acquisition Rights	(Note 5)	(Note 5)

* Details provided are as of the end of the current fiscal year (August 31, 2020). Details provided in brackets [ ] represent information at the end of the month before the filing date (October 31, 2020) for this securities report. Figures presented without brackets have not changed since the end of the current fiscal year.

Notes:

1. One unit of stock acquisition rights consists of one share.
   However, if the Company implements a stock split (including gratis allotment of common stock) or a reverse stock split of common stock after the allotment date of the stock acquisition rights, the number of shares granted will be adjusted and any fractional remainder discarded.

   Shares granted after adjustment = Shares granted before adjustment × Split or reverse-split factor

   In addition to the preceding, if an unavoidable event causes an adjustment in the number of granted shares subsequent to the allotment date, the number of shares granted will be adjusted within the range deemed reasonable.

2. If the Company implements a stock split or reverse stock split of common stock subsequent to the allotment date of stock acquisition rights, the exercise price will be adjusted according to the following formula and any remainders rounded up to whole yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split or reverse-split factor}}$$

   If the exercise price for the Company’s common stock is lower than the fair value (provided, however, that the fair value will be assumed to be the exercise price before adjustment if the transaction occurs before the listing of the Company’s common stock on a public stock exchange) and the Company issues new common stock or cancels treasury shares (excluding new shares issues via the exercise of stock acquisition rights (including bonds with stock acquisition rights) for which issuance of company common stock may be demanded), the exercise price shall be adjusted according to the following formula, with any remainders rounded up to whole yen:

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

In the formula above, the number of shares issued means the total number of issued common stock less the number of treasury shares of common stock held by the Company. This same formula is applied when canceling treasury shares, replacing the number of newly-issued shares with the number of treasury shares to be canceled. In addition, if an unavoidable event causes an adjustment in exercise price, the exercise price is adjusted within the range deemed reasonable.

3. i. When exercising rights, the holder of said stock acquisition rights is required to hold a position as director, auditor, or employee of either the Company, its subsidiaries, or its affiliates. Notwithstanding the preceding, this requirement does not apply if the person in question has concluded his or her term of office; if he or she has retired at the mandatory retirement age; or if the board of directors otherwise determines justifiable grounds exist for the holder of said stock acquisition rights to exercise rights after retirement.
   ii. The holders of stock acquisition rights may exercise their stock acquisition rights on the condition that the Company's common stock is listed on a public stock exchange.
   iii. In the event of the death of a holder of stock acquisition rights, heirs of the rights holder in question shall not be allowed to exercise said rights and said rights shall be extinguished in accordance with Article 287 of the Companies Act.
   iv. Holders of stock acquisition rights may exercise all or part of the units allotted to them. However, exercise of less than one stock acquisition right unit is not allowed.
   v. If a holder of stock acquisition rights no longer holds a position as director, auditor, or employee of the Company, its subsidiaries, or its affiliates, the Company may elect, by resolution of the board of directors, to not recognize the exercise of said holder's rights. In this event, said stock acquisition rights shall be extinguished in accordance with Article 287 of the Companies Act.
4. If the Company enters into a merger (limited to cases in which the Company is the absorbed entity) or conducts an absorption-type split, incorporation-type split, share exchange, or share transfer (collectively referred to as "organizational restructuring"), the holders of stock acquisition rights outstanding as of the time the organizational restructuring comes into effect ("remaining stock acquisition rights") shall have stock acquisition rights issued to them under the companies listed in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act ("reorganized company"). Any remaining stock acquisition rights shall be extinguished. This, however, is limited to cases where the issuance of stock acquisition rights by the reorganized company and the factor thereof is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan.
5. i. If a holder of stock acquisition rights no longer holds a position as director, auditor, or employee of the Company, its subsidiaries, or its affiliates, the Company may, by resolution of the board of directors, acquire said holder's stock acquisition rights gratis on a date decided separately.
   ii. If the following proposals are resolved at the Company's general meeting of shareholders (or, by the board of directors if resolution by the general meeting of shareholders is deemed unnecessary), the Company may acquire share acquisition rights gratis on a separately-decided date by resolution of its board of directors.
      (i) Proposal for approval of a merger agreement under which the Company is to be the absorbed company
      (ii) Proposal for approval of an absorption-type split agreement or incorporation-type split plan under which the Company is to be the splitting company
      (iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary
   iii. The company may acquire all or part of stock acquisition rights gratis by board of director resolution upon reaching the date decided separately. When acquiring a portion of stock acquisition rights, the portion to be acquired shall be determined by resolution of the Company's board of directors.
6. The Company executed a five-for-one stock split of common stock on November 25, 2017 and a two-for-one stock split of common stock on September 1, 2019. As a result, adjustments were made to the Number of Shares Eligible for Stock Acquisition Rights, Payment Upon Exercise of Stock Acquisition Rights, and Issue Price and amount Capitalized per Share Issued Upon the Exercise of Stock Acquisition Rights.

b) Rights Plan Details

Not applicable

c) Information on Other Stock Acquisition Rights, Etc.

Not applicable

(3) Information on the Exercise of Bonds With Stock Acquisition Rights and Exercise Price Adjustment Terms

Not applicable

(4) Number of Shares Issued, Capital, Etc.

Date	Increase (Decrease) in Total Number of Shares Issued (Shares)	Total Number of Shares Issued (Shares)	Increase (Decrease) in Capital (Thousands of yen)	Total Capital (Thousands of yen)	Increase (Decrease) in Capital Reserve (Thousands of yen)	Total Capital Reserve (Thousands of yen)
September 30, 2015 (Note 1)	112,000	1,112,000	236,600	246,600	236,600	236,600
April 10, 2017 (Note 2)	6,957	1,118,957	9,000	255,600	8,997	245,597
November 25, 2017 (Note 3)	4,475,828	5,594,785	-	255,600	-	245,597
March 20, 2018 (Note 4)	449,100	6,043,885	681,733	937,333	681,733	927,331
May 1, 2018 – August 31, 2018 (Note 5)	26,625	6,070,510	11,249	948,582	11,249	938,580
September 1, 2018 – August 31, 2019 (Note 5)	303,420	6,373,930	78,924	1,027,507	78,924	1,017,504
September 1, 2019 (Note 6)	6,373,930	12,747,860	-	1,027,507	-	1,017,504
September 1, 2019 – August 31, 2020 (Note 5)	435,300	13,183,160	89,525	1,117,032	89,525	1,107,029

Notes:

1. Capital Increase Through Third-Party Allotment
   Issue Price: 4,225 yen
   Capitalized: 2,112.50 yen
   Grantees: Kouji Sakimoto, Shinsuke Sakimoto
2. Capital Increase Through Third-Party Allotment to Employee Shareholding Association
   Issue Price: 2,587 yen
   Capitalized: 1,293.66 yen
   Grantee: Valuence Holdings Employee Shareholding Association
3. This increase was due to a five-for-one stock split.
4. Paid Public Offering (Book Building Method)
   Issue Price: 3,300 yen
   Subscription Price: 3,036 yen
   Capitalized: 1,518 yen
5. This increase was due to the exercise of stock acquisition rights.
6. This increase was due to a two-for-one stock split.
7. In addition, between September 1, 2020 and October 31, 2020, the exercise of stock acquisition rights increased the total number of issued shares by 28,580, with capital and capital reserve each increasing by 5,575 thousand yen.

(5) Shareholder Composition

(As of August 31, 2020)

Classification	Status of Shares (One Unit = 100 Shares)								Shares Constituting Less Than One Unit (Shares)
	Government and Public Entities	Financial Institutions	Financial Instruments Business Operators	Other Corporations	Foreign Corporations, Etc.		Individuals and Others	Total	
					Non-Individuals	Individuals			
No. of shareholders	-	7	16	23	38	12	2,097	2,193	-
No. of shares held (in Units)	-	21,161	606	73,857	12,597	286	23,199	131,706	12,560
Ownership ratio (%)	-	16.07	0.46	56.08	9.56	0.22	17.61	100.0	-

Notes:

1. Of the 49,590 shares of treasury stock, 495 units are included under Individuals and Others, and 90 shares are included under Shares Constituting Less Than One Unit.
2. No shares are registered under the Japan Securities Depository Center, Inc.

(6) Major Shareholders

(As of August 31, 2020)

Name of Individual or Company	Address	No. of Shares Held (Thousands of shares)	Ownership Ratio of Total Shares Issued (Excluding treasury shares)
SF Property Management Inc.	2-15-1 Konan, Minato-ku, Tokyo	7,368	56.10
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,197	9.12
Custody Bank of Japan, Ltd. (Trust Account 9)	1-8-12 Harumi, Chuo-ku, Tokyo	582	4.44
Kouji Sakimoto	Ashiya City, Hyogo	448	3.41
Shinsuke Sakimoto	Shinagawa-ku, Tokyo	448	3.41
BBH/SUMITOMO MITSUI TRUST BANK, LIMITED (LONDON BRANCH) /SMTTIL/JAPAN SMALL CAP FUND CLT AC (Standing proxy: Sumitomo Mitsui Banking Corporation)	BLOCK5, HARCOURT CENTRE HARCOURT ROAD, DUBLIN 2 (1-3-2 Marunouchi, Chiyoda-ku, Tokyo)	381	2.90
GOLDMAN, SACHS & CO. REG (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 WEST STREET NEW YORK,NY,USA (6-10-1 Roppongi, Minato-ku, Tokyo)	280	2.14
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	201	1.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	178	1.36
MSCO CUSTOMER SECURITIES (Morgan Stanley MUFG Securities Co., Ltd.)	1585 BROADWAY NEW YORK, NEW YORK 10036, USA (1-9-7 Otemachi, Chiyoda-ku, Tokyo)	128	0.98
Total	-	11,213	85.38

Notes:

1. Of the above shareholdings, the number of shares held under trust operations is as follows:
   Custody Bank of Japan, Ltd. (Trust Account) 1,197 thousand shares
   The Master Trust Bank of Japan, Ltd. (Trust Account) 178 thousand shares
2. The statement of change in large volume holdings made available for public inspection on February 7, 2020 noted that Mizuho Securities Co., Ltd. and its co-owner Asset Management One Co., Ltd. held 692,600 shares as of January 31, 2020. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2020; therefore, these shares have not been included in the list of major shareholders above. The details of the statement of change in large-volume holdings are as follows:

Name of Individual or Company	Address	Number of Shares Held	Ownership Ratio (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	45,200	0.35
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	647,400	5.00

3. The statement of change in large-volume holdings made available for public inspection on March 5, 2020 noted that Rheos Capital Works Inc. held 659,700 shares as of February 28, 2020. However, the Company has not been able to confirm the actual number of shares held as of August 31, 2020. Thus, these shares have not been included in the list of major shareholders above. The details of the statement of change in large-volume holdings are as follows:

Name of Individual or Company	Address	Number of Shares Held	Ownership Ratio (%)
Rheos Capital Works Inc.	1-11-1 Marunouchi, Chiyoda-ku, Tokyo	659,700	5.03

(7) Information on Voting Rights

a) Issued Shares

(As of August 31, 2020)

Classification	Number of Shares (Shares)	Number of Voting Rights (Units)	Details
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury shares, etc.)	(Treasury Shares) Common Stock 49,500	-	-
Shares with full voting rights (other)	Common Stock 13,121,100	131,211	The stock at left represents shares with full voting rights that are standard shares with no rights restrictions with respect to shareholders.
Shares constituting less than one unit	Common Stock 12,560	-	-
Number of shares issued	13,183,160	-	-
Total voting rights held by all shareholders	-	131,211	-

b) Treasury Shares

(As of August 31, 2020)

Shareholder Name	Shareholder Address	No. of Shares Held Under Own Name	No. of Shared Held Under Names of Others	Total No. of Shares Held	Ownership Ratio of Total No. of Shares Issued (%)
(treasury shares) Valuence Holdings Inc.	1-2-70 Konan, Minato-ku, Tokyo Shinagawa Season Terrace 28F	49,500	-	49,500	0.38
Total	-	49,500	-	49,500	0.38

2. Information on Acquisition of Treasury Shares

Class of Shares Acquisition of common stock pursuant to Article 155, Item 7 and Article 155, Item 13 of the Companies Act

(1) Acquisition by Resolution of the General Meeting of Shareholders

Not applicable

(2) Acquisition by Resolution of the Board of Directors

Not applicable

(3) Information on Purchases Not Based on Resolutions of the General Meeting of Shareholders or the Board of Directors

Acquisition pursuant to Article 155, Item 7 of the Companies Act

Classification	Number of Shares	Total Amount (Yen)
Treasury shares acquired during the current fiscal year	38	46,664
Treasury shares acquired during current period	-	-

Note: The number of treasury shares acquired during the current period excludes the number of shares constituting less than one unit purchased from November 1, 2020 to the date of filing of this securities report.

Acquisition pursuant to Article 155, Item 13 of the Companies Act

Classification	Number of Shares	Total Amount (Yen)
Treasury shares acquired during the current fiscal year	27,940	-
Treasury shares acquired during current period	1,160	-

Note: The number of treasury shares acquired during the current period excludes the number of shares constituting less than one unit purchased from November 1, 2020 to the date of filing of this securities report.

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

Classification	Current Fiscal Year		Current Period	
	Total Shares	Total Disposal Value (Yen)	Total Shares	Total Disposal Value (Yen)
Purchased treasury shares for which subscribers were solicited	-	-	-	-
Purchased treasury shares that have been canceled	-	-	-	-
Purchased treasury shares transferred related to a merger, share exchange, or company split	-	-	-	-
Others (–)	-	-	-	-
Number of Treasury shares held	49,590	-	50,750	-

Note: The number of treasury shares acquired during the current period excludes the number of shares acquired gratis between November 1, 2020 and the date on which this securities report was filed.

3. Dividend Policy

The Company recognizes that long-term, continuous improvement in corporate value contributes to shareholder interests. Its basic policy is to pay stable dividends to shareholders while carefully monitoring reinvestments based on its business plans.

In paying dividends from surplus, the Company targets a consolidated payout ratio of at least 25%, taking into account factors such as consolidated earnings, the business environment, capital efficiency, and free cash flows. Dividends and payout ratios will be determined accordingly during fiscal years in which net income and capital structure fluctuate significantly due to special circumstances.

The Company has set its date of record for year-end dividends to August 31 and the date of record for interim dividends to the last day of February. However, its basic policy is to pay a single year-end dividend each year. Its articles of incorporation stipulate that dividends from surplus and other matters specified in Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the board of directors, unless otherwise provided for by law.

The Company will pay a dividend of ¥25.00 per share for period 9. This dividend is based on its basic policy of stable dividends described above and considerations of securing internal reserves for growth investments.

The Company uses retained earnings for expenses in preparing for future business development and in investing for further growth.

(Note) Dividends of surplus for the current fiscal year are as follows:

Date of Resolution	Total Dividend Value (Yen)	Dividend per Share (Yen)
October 29, 2020 Resolution of board of directors	328,339,250	25.00

The Company revised its dividend policy effective October 15, 2020, increasing the target consolidated payout ratio from at least 25% to at least 30%.

4. Information on Corporate Governance, Etc.

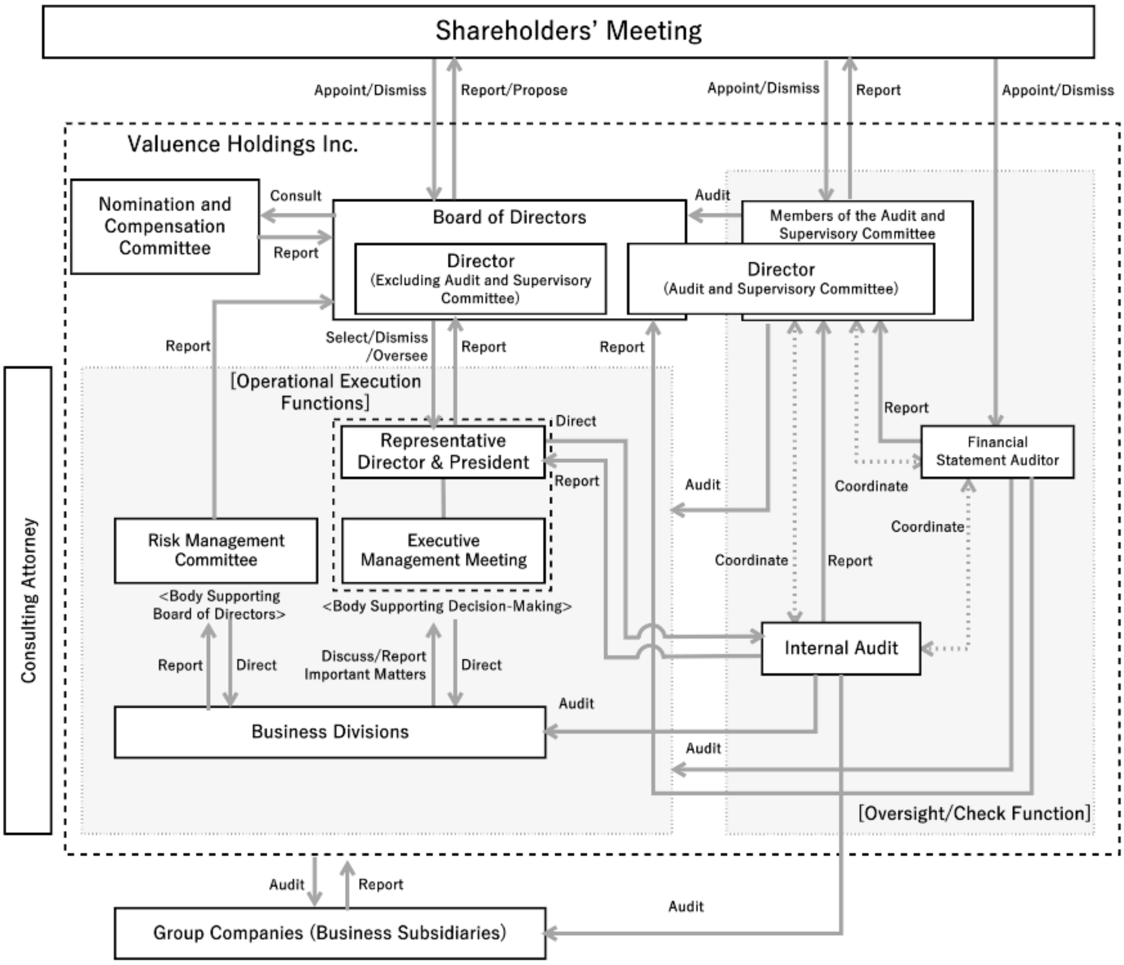
(1) Overview of Corporate Governance

a) Corporate Governance Philosophy

“Valuence” included in the Company’s name, is a word combination of “Value” indicates value, “Intelligence” indicates knowledge and wisdom, and “Experience” indicates experience and involvement. As the name implies, the Company appreciates, creates, and provides life-changing value to change the lives of every person involved with us. Being true to its name, the Company aims to encourage the prosperity of the shareholders, customers, business partners, employees, and society at large, while striving to achieve sustainable growth and maximize corporate value.

Endeavoring to enhance and strengthen corporate governance to achieve the Company mission is an important management issue. The Company recognizes that establishing a corporate governance system needed to ensure appropriate operations is a necessary management process. Accordingly, the Company works to strengthen corporate governance, focusing on compliance in conjunction with improving management efficiency and business performance.

The structure for corporate governance related to the Company organization and internal controls is as follows.



b) Overview of Corporate Governance System and Reasons for Adopting this System

A. Overview of Corporate Governance System

The Company has adopted the structure of a company with an Audit and Supervisory Committee. By establishing a general meeting of shareholders, a board of directors, an Audit and Supervisory Committee, a financial statement auditor, and an executive management committee whose function is the daily execution of business operations, the Company ensures sound, efficient management via coordination among these institutions. The Company has also established a nomination and remuneration committee as a voluntary advisory body to the board of directors to further enhance corporate governance.

(a) Board of Directors

The Company’s board of directors is composed of nine members: five directors who are not members of the Audit and Supervisory Committee, of which two are outside directors, and four directors who are members of the Audit and Supervisory Committee, of which three are outside directors. The board meets regularly once per month, as well as in special board meetings convened as necessary. The board supervises business operations and makes important management decisions, including company policies and business strategy. Directors who are Audit and Supervisory Committee members attend all board of director meetings to audit the state of business execution by the directors.

(b) Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four members, of which three are outside directors. In principle, this committee meets once each month. In addition, the committee exchanges information and opinions with the financial statement auditors and Internal Audit Office as necessary, working to substantially improve audits.

(c) Executive Management Meeting

In order to speed up and improve the efficiency of business execution, the Company holds, in principle, two meetings of the Executive Management Meeting each month. This meeting is comprised of directors (excluding non-executive directors) and executive officers to formulate business strategies, check progress, and share issues between departments. The executive management meeting functions effectively as an entity for directing and communicating important business matters, as well as in promoting a unified awareness organization-wide. The director who is a full-time member of the Audit and Supervisory Committee attends all meetings of the Executive Management Meeting, striving to grasp the situations within the Company as well as risks.

(d) Nomination and Compensation Committee

The Company established the Nomination and Compensation Committee as an optional advisory body to the board of directors on August 1, 2020. The Nomination and Compensation Committee consists of the representative director and president, and two outside directors to improve fairness, transparency, and objectiveness of the procedures relating to the nomination and compensation, etc. of directors and strive to enhance corporate governance.

Membership in each body is outlined below. (◎: chairperson)

Title	Name	Board of Directors	Audit and Supervisory Committee	Executive Management Committee	Nomination and Remuneration Committee
Representative Director and President	Shinsuke Sakimoto	◎		◎	○
Director	Susumu Muguruma	○		○	
Director/Executive Officer	Shinichiro Sato	○		○	
Outside Director	Hiroki Tomiyama	○			
Outside Director	Yoshihiko Takubo	○			
Outside Director (Audit and Supervisory Committee Member)	Masahide Kamachi	○	◎		
Director (Full-time Audit and Supervisory Committee Member)	Kenta Takami	○	○	○	
Outside Director (Audit and Supervisory Committee Member)	Kiyohito Hamada	○	○		◎
Outside Director (Audit and Supervisory Committee Member)	Takashi Goto	○	○		○
Executive Officer	Daisuke Nakamura			○	

B. Reasons for Adopting this System

The Company has adopted a system incorporating an Audit and Supervisory Committee to speed up decision making and improve the agility of the board of directors. Further, this committee enhances corporate governance and effectiveness through a stronger monitoring system and supervisory functions.

C. Internal Controls System

The Company has established an Internal Controls System Basic Policy. This policy defines a system of internal controls established by the board of directors. The Company has also established other internal rules to ensure transparent and fair business practices. The Company rigorously enforces these policies and rules. The Company's representative director and president selects an individual responsible for overseeing the Company's internal audit office, who then oversees internal audits to verify that internal controls function effectively. This system is outlined below.

(a) Systems for Ensuring the Execution of Duties by Company and Subsidiary Directors, Executive Officers, and Employees In Compliance with Laws, Regulations, and Articles of Incorporation

[1] The Company management philosophy is to fulfill the social responsibility to shareholders, customers, business partners, local communities, employees, and all other stakeholders through achieving sustainable growth and ongoing corporate value improvement. To this end, the Company has established Compliance Rules to ensure officers and employees observe a strict compliance with laws, regulations, and the articles of incorporation. Further, the Internal Audit Office conducts internal audits of the Company and subsidiaries. The Company strives to build stronger internal control systems by improving the risk management structure, which includes an internal reporting system.

[2] The Company has established Compliance Regulations and Code of Conduct to ensure employees comply strictly with laws, regulations, and the articles of incorporation. The Company also maintains a system for the ongoing improvement of internal control functions related to compliance.

[3] The Company has established Internal Reporting Regulations to provide a system for internal reporting related to any acts discovered that are in violation of compliance. The Company has established an internal contact point, as well as a third-party agent (consulting attorney), to whom reports may be made.

(b) Systems for the Storage and Management of Information Related to the Execution of Duties by Directors

The Company practices the appropriate storage and management of the proceedings of the general meeting of shareholders and meetings of the board of directors, as well as important information and documents related to management and business execution in compliance with laws, regulations, records management rules, approval regulations, and other internal rules and related manuals.

(c) Rules and other Systems to Manage the Risk of Loss by the Company and its Subsidiaries

[1] The Company has established the Risk Management Committee, chaired by the president, which makes determinations on systems and policies for risk management and evaluates and, if necessary, improves risk management structures within the Group, including subsidiaries. The Company's Legal Affairs Division serves as the risk management division, controlling risk management activities and verifying/revising the Risk Management Rules.

[2] The Company shall establish an emergency response system, including a business continuity plan, to prepare against large-scale disasters.

(d) Systems to Ensure Company and Subsidiary Directors Execute Duties Efficiently

[1] To ensure directors of the Company and its subsidiaries execute their duties efficiently, the Company has established the Board of Directors Rules, which provides for the operation of the board of directors. Regular Board of Director meetings are held once a month to make important decisions and oversee the status of business execution. Extraordinary board of director meetings are also held when deemed necessary.

[2] By adopting an executive officer system, directors focus on management functions such as speeding up management and strengthening the supervisory function to clarify responsibilities for execution through delegation of authority to execute business to executive officers.

[3] In accordance with the Board of Directors Rules, the board of directors that includes outside directors determines execution policies for management, matters prescribed by laws and regulations, and other important management matters, and supervises the status of business execution.

[4] In order to ensure fairness, transparency, and objectiveness in the decision-making process to determine nomination and compensation, etc. of directors, etc. at the board of directors, as well as to strengthen accountability, the Company establishes an optional Nomination and Compensation Committee comprised of multiple independent outside directors. The committee reports the results of its deliberation on the nomination and compensation, etc. of directors, etc. to the board of directors.

[5] The board of directors shall use technology-based information systems for rapid and accurate access to business information.

(e) Systems to Ensure Appropriate Business Management for the Corporate Group, Consisting of the Company and its Subsidiaries

The Company's general affairs department is responsible for overseeing the business operations of affiliated companies according to the Affiliated Company Management Rules. Further, the internal audit office conducts regular audits of affiliated companies according to the Internal Audit Rules.

(f) Matters Related to Directors and Employees Requested to Assist the Audit and Supervisory Committee in the Execution of its Duties ("Assistants"); Matters Related to Directors Independence Who Supervise the Said Directors and Employees (Excluding Directors who are Audit and Supervisory Committee Members); Matters Related to Ensuring Practicability of Instructions to Assistants As Per Directors and Employees Requirement.

[1] The Company does not have directors or employees assigned to assist members of the Audit and Supervisory Committee in their duties. However, the Company may appoint or assign directors or employees when it is necessary.

[2] The appointment or transfer of directors or employees assisting members of the Audit and Supervisory Committee requires approval by the Audit and Supervisory Committee.

[3] Directors and employees assigned to assist in the duties of the Audit and Supervisory Committee shall be considered as under the authority of the committee, and directors (excluding directors who are members of the Audit and Supervisory Committee) shall not have the authority to direct the said directors or employees. Evaluations of these directors or employees shall reflect the opinions of Audit and Supervisory Committee members.

(g) System for Directors (Excluding Directors who are Members of the Audit and Supervisory Committee) and Employees to Report to the Audit and Supervisory Committee, Other Systems Related to Reporting to the Audit and Supervisory Committee

[1] Members of the Audit and Supervisory Committee attend meetings of the board of directors, as well as important meetings such as those of the Executive Management Meeting, and receive reports related to matters of importance to the Company, matters that may have a negative impact on the Company.

[2] Directors who are members of the Audit and Supervisory Committee shall receive reports as necessary from the Corporate Planning Department and the Internal Audit Office.

[3] Directors and employees report important matters discussed at the board of director meetings and other important meetings, the status of internal audits, and other important matters deemed necessary to the Audit and Supervisory Committee.

[4] Directors and employees shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

(h) System for Directors, Members of Audit and Supervisory Committee, Employees of Company Subsidiaries, and Persons Receiving Reports from Such Individuals to Report to the Audit and Supervisory Committee; Other Systems Related to Reporting to the Audit and Supervisory Committee

Directors, members of Audit and Supervisory Committee and employees of company subsidiaries shall report promptly to the Audit and Supervisory Committee upon discovery of important matters having a material impact on subsidiary management or business performance or significant violations of laws, regulations, or articles of incorporation that may cause significant damage to the Company. Directors, members of Audit and Supervisory Committee and employees of company subsidiaries shall provide necessary reports and information promptly to the Audit and Supervisory Committee upon request.

(i) System to Ensure Individuals Reporting to the Audit and Supervisory Committee are not Subjected to Disadvantageous Treatment

The Company's Internal Reporting Rules provide that individuals who submit reports shall not be subjected to any manner of disadvantageous treatment. This rule applies likewise to individuals who provide reports to the Audit and Supervisory Committee as described in the paragraph above.

(j) Policy on Matters Regarding Expense Prepayments, Redemptions, Other Expenses, or Disposition of Debt Resulting from the Execution of Duties by Members of the Company's Audit and Supervisory Committee

When a member of the Audit and Supervisory Committee requests that the Company prepays expenses, the Company shall promptly pay such expenses or debt to the said member after a discussion with the relevant department, except where such expenses or debt is proven unnecessary to the execution of duties by the Audit and Supervisory Committee.

(k) Other Systems to Ensure Internal Audits by Members of the Audit and Supervisory Committee are Performed Effectively

Members of the Audit and Supervisory Committee hold regular conferences with the representative director and president to ensure communication and exchange opinions. Further, members of the Audit and Supervisor Committee share information and exchange opinions with financial statement auditors and the Internal Audit Office as necessary for ongoing substantive improvements in audits.

(l) Systems to Ensure Reliability of Financial Reporting

The Company recognizes the close interconnection among the four objectives of internal control system from the standpoint of financial reporting reliability: operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations related to business activities, and asset maintenance. Accordingly, the Company management works to establish, evaluate, and continuously improve internal controls related to financial reporting through enacting internal control systems and reporting of overall audits by internal auditors, etc.

(m) Status of Systems for Dealing with Anti-Social Forces

The Company rejects and eliminates relationships with anti-social forces and their organizations that may threaten social order and safety. Further, directors and employees constantly remain vigilant of anti-social forces. When a case arises, they cooperate closely with related government institutions and legal specialists and establish a system whereby the total organization can promptly handle the situation, in keeping with the Rules for Response to Anti-Social Forces and the Manual for Response to Anti-Social Forces.

D. Risk Management Structure

The Company has established a permanent Risk Management Committee, chaired by its representative director, at company headquarters. This committee creates a structure for safeguarding against risks with the potential to have a significant negative impact on company business and for responding promptly and judiciously in the event of a crisis or emergency.

The Risk Management Committee is composed of related officers and employees designated by directors and the representative director. The committee collects and analyzes risk information for the group and serves as a forum for exhaustive and comprehensive risk management. Each department head is responsible for day-to-day risk management in the department's operations. In the event of an emergency, this individual is responsible for taking initial action to limit damage and for reporting immediately to the Legal Division (home to the Risk Management Committee) with detailed information on the nature of the emergency and actions taken. As a corporate entity, the Company understands the imperative nature of legal and regulatory compliance. The Company has established rules governing compliance and has taken steps to ensure familiarity with these rules by all officers and employees. The rules require officers and employees to comply with laws, public order, social norms, industry self-regulation, ethics, and morals. The Company also requires the Company, officers, and employees to act in accordance with those rules as demanded by customers, business partners, shareholders, nations, general citizens, and other interested parties with whom the Company has relationships.

The Company is a *business operator handling personal information* as defined under the Act on the Protection of Personal Information and a certified Privacy Mark Entity. The company understands that the leakage or other disclosure of personal information collected and retained by the Company has a direct impact on the confidence society places in its organization. Accordingly, the Company has designated personal information protection managers and Specific Personal Information managers within the Company. The Company has also established a personal information management system in compliance with JIS Q 15001:2006. This system is managed and operated by the Valuence Holdings Inc. PMS Office.

E. Approach to the Protection of Intellectual Property and Internal Systems to Prevent Infringement of the Intellectual Property of Other Companies

(a) Approach to the Protection of Intellectual Property

The Company strives to protect all intellectual property rights of inventions devised through patent registrations, securing trademark rights, and so forth. Before petitioning the Japan Patent Office, its Legal Division and patent attorneys investigate the possibility of registration.

The Company's Legal Division and patent attorneys investigate potential infringement of the Company's existing intellectual property rights by other parties and proceed accordingly.

(b) Internal Systems to Prevent Infringement of the Intellectual Property of Other Companies

To prevent the Company from infringing on the intellectual property rights of other companies, the Company requests prior consultation and investigations at the planning and design stages from its Legal Division. The Legal Division provides appropriate clarification on these matters. The Company plans to conduct companywide training on intellectual property rights at least once a year.

F. Status of Systems to Ensure Appropriate Business Management of the Company's Subsidiaries

The general manager of the Company's General Administration Division is responsible for overseeing the business operations of affiliated companies according to the Affiliated Company Management Rules. The Internal Audit Office conducts regular audits of affiliated companies in accordance with Internal Audit Rules. Directors, members of Audit and Supervisory Committees, and employees of company subsidiaries are required to report promptly to the Audit and Supervisory Committee should any significant matters emerge with the potential for material impact on subsidiary management or business performance or significant violations of laws, regulations, or articles of incorporation that may result in significant damage to the Company. When requested by the Company's Audit and Supervisory Committee to provide a report, they are obliged to promptly provide the necessary reports and information. In addition, the propriety of business operations is secured through the appointment of company directors and employees as directors and auditors of subsidiaries.

The financial closing date of each of the aforementioned companies is the same as that of Valuence Holdings Inc., the parent company.

(a) Philosophy on Corporate Group Management

The Company's basic approach to affiliated company management is as follows:

[1] Accord due respect for the independent management of affiliated companies.

[2] Ensure affiliated companies act in unity with the corporate group.

[3] Ensure that transactions with affiliated companies are governed by basic trade contracts that clearly define mutual responsibilities.

(b) Responsible Departments, Management Matters, and Management Methods

[1] Responsible Departments

The Company's General Administration Division manages and controls subsidiary operations.

A. Guidance on Subsidiary Financial, Accounting, Etc.:	Finance Division and Accounting Division
B. Guidance on Subsidiary Legal Affairs:	Legal Division
C. Guidance on Subsidiary Human Resources, Labor Management, Etc.:	Human Resources Division
D. Guidance on Subsidiary Management:	Corporate Planning Division
E. Guidance on General Meeting of Shareholders at Subsidiaries:	General Administration Division
F. Auditing of Subsidiaries:	Internal Audit Office

[2] Management Matters

The Company requires subsidiaries to submit monthly financial statements and other materials for the Company to ascertain the business performance and financial condition of subsidiaries and to provide necessary guidance. In addition, subsidiaries are required to report important matters in advance. These reports are added to the agenda of the Company's board of director meetings at which decisions regarding future implementation are made.

[Matters Requiring Company Approval]

・ Confirmation of financial statements
・ Proposals for the general meetings of shareholders
・ Election or dismissal of officers
・ Increase or decrease in capital, issuance of corporate bonds, etc.
・ Important new business plans
・ Borrowings for key funding
・ Company merger or dissolution, the establishment of new companies

[3] Management Methods

The Company receives monthly reports on operations and on profit and loss from each subsidiary. The Company analyzes any discrepancies with plans and discusses countermeasures.

c) Director Liability Exemption

Under the provisions of Article 426, Paragraph 1 of the Companies Act and per resolution of the board of directors, the Company's articles of incorporation state that the Company may exempt directors (including former directors) from liability for damages arising from negligence to the extent allowed by laws and regulations. Further, the articles of incorporation state that the Company may, according to the provisions of Article 427, Paragraph 1 of the Companies Act, enter into agreements with directors (excluding executive directors, hereinafter the same in this section) related to liability for damages due to a failure to perform duties, limited to the amount provided for by laws and regulations. In addition, the Company's articles of incorporation also state that the Company may, to the extent allowed by laws and regulations, under the provisions of Article 423, Paragraph 1 of the Companies Act, and per resolution of the board of directors, exempt auditors (including former auditors) from liability for damages caused by actions or negligence before the closing of the Eighth Ordinary General Meeting of Shareholders. This is a provisional measure related to exemption of auditors of liability in connection with the migration to a company with an Audit and Supervisory Committee.

The Company and directors have entered into an agreement to limit liability for damages based on these articles; the maximum liability under this agreement is the amount specified by laws and regulations. Such limitation of liability will only be granted if the director has performed their duties in good faith and without gross negligence.

d) Maximum Number of Directors

The Articles of Incorporation stipulate that the number of company directors (excluding Audit and Supervisory Committee members) shall be 10 or fewer and the number of Audit and Supervisory Committee members shall be five or fewer.

e) Conditions for Resolutions to Appoint Directors

The Company's Articles of Incorporation state that resolutions to appoint directors require the presence of shareholders holding at least one-third of the total shareholder voting rights. Directors shall be elected by a resolution passed by a simple majority of voting rights in attendance. Further, elections shall not be based on cumulative voting.

f) Conditions for Special Resolutions of the General Meeting of Shareholders

The Company's articles of incorporation state that resolutions to appoint directors as specified by Article 309, Paragraph 2 of the Companies Act require the presence of shareholders holding at least one-third of the total shareholder voting rights. Additionally, such resolutions must be approved by a two-thirds majority of voting rights in attendance. The purpose of this is to ameliorate quorum requirements related to special resolutions at general meetings of shareholders to ensure the smooth operation of said meetings.

g) Determining Body for Dividends From Surplus and Related Matters

The Valuence Holdings Inc. articles of incorporation stipulate that, except where provided separately by law, dividends of surplus to shareholders shall be determined by resolution of the board of directors, rather than by resolution of the general meeting of shareholders. This rule complies with the provisions of Article 459, Paragraph 1 of the Companies Act. Further, Valuence Holdings Inc. has designated August 31 and the last day of February as the date of record for year-end and interim dividends, respectively. The Company may determine other dates of record for dividends of surplus; as a basic policy, dividends are paid once annually at the end of the fiscal year.

h) Purchase of Treasury Shares

With regard to the purchase of treasury shares, pursuant to Article 165, Paragraph 2 of the Companies Act, the Company may purchase its own shares through market transactions and other methods per resolution of the board of directors to implement management policies in a flexible manner. These policies include financial measures in response to changes in economic conditions.

(2) Information on Officers

a) List of Officers

Men: 9 Women: 0 (Ratio of Women Officers: 0%)

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Representative Director and President	Shinsuke Sakimoto	April 14, 1982	2004 June 2011 December 2012 January 2012 March 2014 July 2014 September 2015 September 2017 March 2019 March 2019 August 2019 September 2019 November 2020 March 2020 September	Managing Director, NEW STANDARD GLOBAL OFFICE Inc. (formerly MKS Corporation) Established SOU Inc. (currently the Company), named Representative Director and President (current position) Director, IO Co., Ltd. Director, DOROQUIA HOLATHETA Co. Ltd. Director, IBQLO Co., Ltd. Representative Director, BRAND CONCIER Representative Director, STAR BUYERS LIMITED Representative Director, Hakkoudo Inc. (currently Valuence Art & Antiques Inc.) Director, STAR BUYERS LIMITED (currently Valuence International Limited) Representative Director, FAN AND Co., Ltd. (currently Dual Career Inc.) (current position) Representative Director, SOU Preparatory Split Company Inc. (currently Valuence Japan Inc.) Director, SOU Technologies Inc. (currently Valuence Technologies Inc.) (current position) Director, Valuence Japan Inc. (current position) Director, Valuence Real Estate Inc. (current position) Director, Valuence Art & Antiques Inc. (current position)	Note 2	448,000
Director General Manager, Overseas Subsidiary Management Office	Susumu Muguruma	July 21, 1971	2017 August 2018 September 2019 March 2019 June 2019 September 2020 March 2020 September 2020 November	Joined Amazon Japan G.K. Joined SOU Inc. (currently the Company), named Vice-President, Overseas Business Head Office and General Manager, Overseas Business Strategy Division Director, Star Buyers Limited (currently Valuence International Limited) Vice-President, Overseas Business Head Office and General Manager, Hong Kong Business Division, the Company Representative Director, Star Buyers Limited (currently Valuence International Limited) (current position) Vice-President, Overseas Business Head Office and General Manager, Hong Kong Business Division, the Company Vice-President, Sales Management Head Office; Vice-President, Overseas Business Head Office; and General Manager, China Business Promotion Division, SOU Inc. (currently the Company) General Manager, Overseas Subsidiary Management Office, the Company Director and Executive Deputy President, Valuence Japan Inc. Representative Director and President, Valuence Japan Inc. (current position) Director/General Manager, Overseas Subsidiary Management Office, the Company (current position)	Note 2	24,800
Director; Executive Officer; Vice-President, Corporate Strategy Division; and General Manager, Human Resources Division	Shinichiro Sato	September 1, 1968	2015 January 2020 May 2020 June 2020 September 2020 November	Joined Digital Garage, Inc. Joined the Company, named Vice-President, Corporate Planning & Management Head Office Vice-President, Corporate Planning & Management Head Office and General Manager, Human Resources Division, the Company Executive Officer; Vice-President, Corporate Planning & Management Head Office; and General Manager, Human Resources Division, the Company Director; Vice-President, Corporate Planning & Administration Head Office; and General Manager, Corporate Planning Division, Valuence Japan Inc. (current position) Director, Valuence Real Estate Inc. (current position) Director; Executive Officer; Vice-President, Corporate Strategy Division; and General Manager, Human Resources Division, the Company (current position)	Note 2	-

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director	Hiroki Tomiyama	September 5, 1976	1999 April 2007 October 2015 May 2016 February 2016 August 2019 July 2020 August 2020 November	Joined Daika Kabushiki Kaisha (currently ARATA CORPORATION) Joined SAPPORO DRUG STORE CO., LTD. Representative Director and President, SAPPORO DRUG STORE CO., LTD. (current position) Director and Executive Deputy President, EZODEN Co., Ltd. (current position) Established SATUDORA HOLDINGS CO., LTD., named Representative Director and President Representative Director, Chairman, and CEO, Regional Marketing Co., Ltd. (current position) Director and Chairman, GRIT WORKS, Inc. (current position) Director, CoelaQanth, Inc. (current position) Director and CMO, AWL, Inc. (current position) Representative Director, President, and CEO, SATUDORA HOLDINGS CO., LTD. (current position) Outside Director, the Company (current position)	Note 2	0
Director	Yoshihiko Takubo	April 24, 1970	1995 April 2003 May 2006 April 2006 July 2008 April 2009 December 2012 April 2013 April 2016 March 2020 August 2020 November	Joined Mitsubishi Research Institute, Inc. Joined GLOBIS CORPORATION Assistant Professor, Management Graduate Course, Graduate School of Management, GLOBIS University Managing Director, GLOBIS CORPORATION (current position) Deputy Graduate Course Dean and Professor, Management Graduate Course, Graduate School of Management, GLOBIS University Managing Director GLOBIS Graduate School of Management, Incorporated Educational Institution (current position) Graduate Course Dean and Professor, Management Graduate Course, Graduate School of Management, GLOBIS University (current position) Director, KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current position) External Director, World Mode Holdings Co., Ltd. (current position) Director, Alba Edu Inc. (current position) Outside Director, the Company (current position)	Note 2	1,000
Director (Audit and Supervisory Committee Member)	Masahide Kamachi	May 18, 1981	2005 November 2009 September 2014 December 2015 March 2016 November 2016 November 2016 November 2017 January 2017 March 2017 May 2018 September 2019 November 2019 November 2020 June 2020 June 2020 June	Joined Chuo Aoyama Tax Accountants (currently PwC Tax Japan) Registered as a Certified Public Accountant Registered as a Certified Tax Accountant Controller, AfriMedico (current position) Established Kamachi Certified Public Accountants Office, named Partner (current position) Managing Partner, Kamachi Certified Tax Accountants Office (current position) Outside Director, SOU Inc. (currently the Company) Representative Director, WILL CONSULTING (current position) Outside Member of the Audit and Supervisory Board, Medley, Inc. (current position) Outside Member of the Audit and Supervisory Board, CHIBO Corporation Outside Director, CHIBO Holdings Co., Ltd. (current position) Director, SOU Technologies Inc. (currently Valuence Technologies Inc.) (current position) Outside Director, the Company (Audit and Supervisory Committee Member) (current position) Auditor, World Mode Holdings Co., Ltd. (current position) Auditor, AIAD Co., Ltd. (current position) Auditor, Japan Association for Female Executives (current position)	Note 3	15,240
Director (Audit and Supervisory Committee Member)	Kenta Takami	November 29, 1973	2012 February 2018 February September 2020 2020 November	Joined ORIX Facilities Corporation Joined SOU Inc. (currently the Company), named General Manager, Internal Audit Office Member of the Audit and Supervisory Board, Valuence Japan Inc. (current position) Member of the Audit and Supervisory Board, Valuence Art & Antiques Inc. (current position) Member of the Audit and Supervisory Board, Valuence Technologies Inc. (current position) Director, the Company (Audit and Supervisory Committee Member) (current position)	Note 4	14,000

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (Shares)
Director (Audit and Supervisory Committee Member)	Kiyohito Hamada	November 30, 1957	1985 October 1989 April 1998 April 2007 June 2014 March 2015 November 2016 September 2017 September 2019 June 2019 November 2019 November	Joined Sanwa & Co. (currently Deloitte Touche Tohmatsu Limited) Registered as a Certified Public Accountant Partner, Yotsubasogo Accounting Office (current position) Outside Member of the Audit and Supervisory Board, KITO CORPORATION (current position) Outside Member of the Audit and Supervisory Board, Medical Data Vision Co., Ltd. (current position) Outside Member of the Audit and Supervisory Board, TBI CO., LTD (current position) Outside Member of the Audit and Supervisory Board, SOU Inc. (currently the Company) Outside Director, Convano Inc. (current position) Outside Director, Nice Holdings, Inc. (current position) Director, SOU Technologies Inc. (currently Valuence Technologies Inc.) (current position) Outside Director, the Company (Audit and Supervisory Committee Member) (current position)	Note 3	7,150
Director (Audit and Supervisory Committee Member)	Takashi Goto	June 28, 1979	2002 October 2004 October 2008 July 2010 January 2015 December 2016 June 2017 September 2017 November 2018 March 2018 May 2019 November 2019 November	Passed the Bar Examination Registered as a Lawyer Joined STW & Partners (currently Shiomizaka) Partner, STW & Partners (current position) Outside Member of the Audit and Supervisory Board, PRAP Japan, Inc. (current position) Outside Member of the Audit and Supervisory Board, Coreforth Co., Ltd. (current position) Outside Director, Machine Learning Solutions Inc.(current position) Outside Member of the Audit and Supervisory Board, SOU Inc. (currently the Company) Outside Director, Edge Intelligence Systems Inc. (current position) Representative Director, Langsmith Inc. (current position) Member of the Audit and Supervisory Board, SOU Technologies Inc. (currently Valuence Technologies Inc.) (current position) Outside Director, the Company (Audit and Supervisory Committee Member) (current position)	Note 3	-
Total						510,190

Notes:

1. Directors Hiroki Tomiyama, Yoshihiko Takubo, Masahide Kamachi, Kiyohito Hamada, and Takashi Goto are outside directors.
2. The term of office for directors (excluding directors who are Audit and Supervisory Committee members) is from the conclusion of the Ordinary General Meeting of Shareholders held November 20, 2020 to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending August 2021.
3. The term of office of directors Masahide Kamachi, Kiyohito Hamada, and Takashi Goto, who are Audit and Supervisory Committee members, extends from the conclusion of the Ordinary General Meeting of Shareholders held November 22, 2019 to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending August 2021.
4. The term of office of Director Kenta Takami, an Audit and Supervisory Committee member, extends from the conclusion of the Ordinary General Meeting of Shareholders held November 20, 2020 to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending August 2022.

b) Information on Outside Directors

The Company has no specific rules or policies regarding independence for appointing outside directors. However, when appointing outside directors, the Company refers to the standards stipulated by the Tokyo Stock Exchange, taking into account the person’s background and relationship to the Company and determining on a case-by-case basis that sufficient independence can be secured to perform duties as an outside director from a position independent of company management and that the appointments pose no risk of conflict with the interests of general shareholders.

The function of outside directors is to objectively evaluate and correct the legality and validity of business execution. They play an important role in enhancing the transparency of corporate management. The Company has five outside directors: Hiroki Tomiyama, Yoshihiko Takubo, Masahide Kamachi, Kiyohito Hamada, and Takashi Goto.

Hiroki Tomiyama has a wealth of experience and knowledge gained as a manager at other companies. He was appointed an outside director because his provision of effective counsel on overall company management can be expected to contribute to boost the soundness and transparency of company decision-making.

As a professor in the Graduate School of Management of GLOBIS University, Yoshihiko Takubo possesses in-depth knowledge of the environment related to business administration. He was appointed an outside director because his oversight of company management and provision of effective counsel can be expected to contribute to further growth of the group.

Masahide Kamachi has a wealth of experience and insight as a certified public accountant and tax accountant. He was appointed to the position of outside director because of his accumulated knowledge and experience related to corporate and financial considerations.

Kiyohito Hamada is a certified public accountant and has been appointed as an outside director because he has specialized knowledge, high insight in corporate auditing, and a rich track record.

Lastly, Takashi Goto is certified as a lawyer and has abundant legal experience and knowledge. On this basis, he has been deemed capable of effectively discharging his duties as an outside director, to which position he was appointed.

As of the date of submission of this document, the Company shares held by each outside director are as described in the column titled Number of Shares Owned in the Status of Officers section. Further, Kiyohito Hamada holds 809 units of stock acquisition rights (equivalent to 8,090 Shares Eligible for said rights). Beyond this relationship, there are no capital, personal, business, or other interests between the Company and outside directors.

c) Audits or internal audits by outside directors or outside directors who are Audit and Supervisory Committee members, coordination with audits by the Audit and Supervisory Committee and accounting audits, and matters related to serving as liaison to internal controls

Through participation of outside directors in regular monthly meetings of the Boards of Directors and extraordinary meetings of the Board of Directors held as necessary, and through participation of outside directors who are Audit and Supervisory Committee members in monthly meetings of the Audit and Supervisory Committee in addition to these meetings of the Board of Directors, outside directors receive reports on the state of performance of the duties of the internal controls sections and the state of the internal controls themselves, checking on the contents of these reports and exchanging opinions and advising on the legal compliance and the validity of business execution and the state of internal controls from a neutral perspective independent of management and internal controls sections.

The four members of the Company's Audit and Supervisory Committee include three outside directors. This ensures a structure whereby it can effectively audit the performance of the duties of directors (excluding directors who are members of the Audit and Supervisory Committee) through business auditing conducted through means including attendance in meetings of the Board of Directors and other important meetings.

(3) Information on audits

a) Status of auditing by the Audit and Supervisory Committee

The four members of the Audit and Supervisory Committee include three outside directors, who attend meetings of the Board of Directors and other important meetings to offer opinions and audit the performance of the duties of directors (excluding directors who are members of the Audit and Supervisory Committee). The Audit and Supervisory Committee also maintains close cooperation with the accounting auditor and the Internal Audit Office, exchanging opinions and information with them to improve the efficacy and efficiency of auditing. Effective November 22, 2019, the Company transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. On that same date, Masahide Kamachi, Kiyohito Hamada, and Takashi Goto were appointed members of the Audit and Supervisory Committee. Kenta Takami was appointed a member effective November 20, 2020. During the fiscal year under review, the Company's Audit and Supervisory Committee met once monthly. The attendance of individual members is summarized below.

Name	Attendance in the Audit and Supervisory Board	Attendance in the Audit and Supervisory Committee
Masahide Kamachi	-	10/10 meetings
Kiyohito Hamada	2/2 meetings	8/10 meetings
Takashi Goto	2/2 meetings	10/10 meetings
Kenta Takami	-	-

The main topics of deliberation in the Audit and Supervisory Committee concern decisions on annual audit policies, plans, methods, and participants, evaluation and consent to reappointment of the accounting auditor, and consent to remuneration paid to the accounting auditor.

Other activities of members of the Audit and Supervisory Committee include auditing the performance of duties of directors through attendance in meetings of the Board of Directors and other important meetings as well as viewing important documents in cooperation with the accounting auditor and the Internal Audit Office and investigating the current state of businesses and assets. In addition to maintaining an environment for audits and related activities and striving to collect information internally, they monitor and verify the development and operation of internal controls systems in cooperation with internal controls sections and the Internal Audit Office.

b) Internal Audits

Internal audits are carried out by the Internal Audit Office (one member), which directly reports to the Representative Director and President. As a section independent from the sections being audited, the Internal Audit Office conducts activities that include checking on the state of compliance with internal rules, laws, regulations, etc., based on the Internal Audit Rules, checking on the state of operation of internal control systems, and identifying and reporting on matters related to efficiency, security, etc. Based on internal audit plans formulated at the start of the fiscal year, it carries out internal audits of all Company businesses and reports the audit results in writing directly to the Representative Director and President. It instructs audited sections on making improvements based on the audit results and compels it to report on the state of such improvements without delay following the audit, to ensure the efficacy of internal audits.

c) Information on Financial Statement Audits

A. Name of Auditing Firm

Deloitte Touche Tohmatsu Limited

B. Period of continual auditing

Since 2015

C. Certified Public Accountant in Charge of Audit

Koichi Kuse, Designated Limited Liability, Partner, Certified Public Accountant

Hiroyuki Ito, Designated Limited Liability, Partner, Certified Public Accountant

D. Composition of Assistants Involved in Audit Work

Three certified public accountants and seven staff members served as assistants in performing audit work.

E. Reasons and Policy for Selection of Financial Statement Auditor

Based on governance, management, quality control systems, audit systems and audit methods, global audit systems, and the level of understanding of the Group, etc., the Audit and Supervisory Committee conducts a comprehensive evaluation as to whether the financial statement auditor has independence and expertise, selecting a financial statement auditor after said review. Given the preceding, the Company selected Deloitte Touche Tohmatsu Limited as a suitable financial statement auditor.

If the financial statement auditor is deemed to be subject to any of the items specified under Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the financial statement auditor, subject to the consent of all directors serving as Audit and Supervisory Committee members. In this case, the dismissal and the reasons for said dismissal shall be reported to the first general meeting of shareholders convened after the dismissal. The report shall be provided by a director selected by the Audit and Supervisory Committee who is also a member of said committee. The Audit and Supervisory Committee shall determine the content of the proposal submitted to the general meeting of shareholders regarding the dismissal or non-reappointment of the financial statement auditor when is deemed necessary, such as when it is deemed difficult for the financial statement auditor to properly perform their duties.

F. Evaluation of the Auditing Firm by the Audit and Supervisory Committee and Committee Members

The Audit and Supervisory Committee monitors and verifies whether the financial statement auditor maintains an independent stance and conducts appropriate audits. The committee also receives reports from the financial statement auditor on the status of execution of their duties, requesting further explanations as needed. The committee has received notice from the financial statement auditor that systems to ensure the correct performance of duties (matters listed in each item of Article 131 of the Rules of Corporate Accounting) follow the Quality Control Standards for Audits (October 28, 2005 guidelines from the Business Accounting Council). The committee requests explanations here as needed.

Members of the Audit and Supervisory Committee have determined via the methods described above that the audit methods and results performed by Deloitte Touche Tohmatsu Limited were appropriate.

d) Details of Audit Compensation

A. Compensation for Certified Public Accountants Performing Audits, Etc.

Classification	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Compensation for Audit Certification Work (Thousands of yen)	Compensation for Non-Audit Work (Thousands of yen)	Compensation for Audit Certification Work (Thousands of yen)	Compensation for Non-Audit Work (Thousands of yen)
Filing Company	26,000	3,000	36,500	-
Consolidated Subsidiaries	-	-	-	-
Total	26,000	3,000	36,500	-

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

(Previous Consolidated Fiscal Year)

The Company contracted with and paid its financial statement auditor for advisory services related to the conceptual development of a product management system.

(Current Consolidated Fiscal Year)

Not applicable

There is no non-audit work at consolidated subsidiaries for the previous consolidated fiscal year or the current consolidated fiscal year.

B. Compensation for Organizations Belonging to the Same Network as the Certified Public Accountants Performing Audits, Etc. (Excluding Entities Referenced in A.)

There are no applicable items for the previous consolidated fiscal year or the current consolidated fiscal year.

C. Details of Compensation for Other Significant Audit Attestation Services

There are no applicable items for the previous consolidated fiscal year or the current consolidated fiscal year.

D. Policy for Determining Audit Compensation

The Company's policy for determining audit compensation for auditing certified public accountants, etc., is determined in consideration of the number of audit days, the scope and characteristics of the Company, and other factors.

E. Reasons Supporting the Agreement by the Audit and Supervisory Committee to Audit Compensation

The Audit and Supervisory Committee has agreed to the compensation paid to the financial statement auditor. This agreement is based on details of financial statement auditor audit plans, performance of services in past fiscal years, and calculations supporting estimates of compensation obtained as part of investigations conducted by the committee through the acquisition of necessary documents and reports from directors, internal departments, and the financial statement auditor.

(4) Director Compensation

a) Policies Related to Director Compensation and Policies for Determining Compensation Calculation Methods

Remuneration for board directors (excluding directors who are members of the Audit and Supervisory Committee) is determined by the board of directors. Remuneration for board directors who are members of the Audit and Supervisory Committee is determined via discussion in the Audit and Supervisory Committee. These corresponding amounts are determined within the total compensation limits determined at the general meeting of shareholders.

At the 8th Ordinary General Meeting of Shareholders held November 22, 2019, the collective remuneration approved for the three directors (excluding directors who are members of the Audit and Supervisory Committee) was up to 300 million yen annually (including up to 30 million yen annually for outside directors). The collective remuneration approved for the three directors who are members of the Audit and Supervisory Committee was up to 100 million yen annually. At the Extraordinary General Meeting of Shareholders held September 11, 2016, the collective remuneration approved for the three Audit and Supervisory Committee members was up to 20 million yen annually. Apart from the above, at the 8th Ordinary General Meeting of Shareholders held November 22, 2019, the total amount of monetary compensation claims approved to be paid to directors as restricted stock remuneration was up to 100 million yen annually (including up to 20 million yen for outside directors). The total amount approved at the 9th Ordinary General Meeting of Shareholders held November 20, 2020 for remuneration to directors in stock acquisition rights as stock options was up to 300 million yen annually (including up to 50 million yen for outside directors).

With respect to director remuneration for the current fiscal year, the board of directors determined compensation for individual board directors (excluding directors who are members of the Audit and Supervisory Committee) in its meeting held November 22, 2019. In its meeting held that same date, the Audit and Supervisory Committee determined compensation amounts for individual board directors who are members of the Audit and Supervisory Committee.

Effective August 1, 2020, the Company established the Nomination and Remuneration Committee as a voluntary advisory body to the board of directors. The purpose of this body is to enhance corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to matters such as the nomination and remuneration of board directors. Membership in the Nomination and Remuneration Committee consists of three or more directors, of which one is a representative director, appointed by resolution of the board of directors. The majority of them are independent outside directors. In response to consultation by the board of directors, the Nomination and Remuneration Committee deliberates on and advises the board regarding matters related to remuneration and other compensation for board directors (excluding directors who are members of the Audit and Supervisory Committee) and matters related to maximum remuneration amounts for board directors who are members of the Audit and Supervisory Committee.

b) Total Remuneration for Each Director Classification, Total Remuneration per Classification, and Number of Eligible Directors

Officer Classification	Total Remuneration (Thousands of yen)	Total Remuneration per Classification (Thousands of yen)					Number of Eligible Officers
		Base Compensation	Stock Options	Restricted Stock Compensation	Bonuses	Retirement Benefits	
Directors (Excluding outside directors and members of Audit and Supervisory Committee)	148,953	118,200	-	16,000	-	14,753	4
Members of Audit and Supervisory Committee (Excluding outside directors)	-	-	-	-	-	-	-
Auditors (Excluding outside auditors)	-	-	-	-	-	-	-
Outside directors	19,075	18,900	-	-	-	175	7

Notes:

1. The portion of remuneration represented by restricted stock remuneration represents the expenses recorded for one director for the current fiscal year.
2. The Company transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee on November 22, 2019.

c) Total Amount of Consolidated Remuneration for Each Officer of the Filing Company

No disclosure is made because no director receives remuneration in excess of 100 million yen.

(5) Information on Share Ownership

a) Classification Criteria and Approach to Investment Stock

The Company classifies investment stock as either investment stock held as a pure investment for the purpose of receiving profits solely from stock price fluctuations or profit from dividends related to said stock or investment stock held for purposes other than as a pure investment.

b) Investment Stock Held for Purposes Other Than Pure Investment

Not applicable

c) Investment Stock Held for Purposes of Pure Investment

Not applicable

d) Investment Stock Whose Classification Changed From Pure Investment Purposes to Other Purposes During the Current Fiscal Year

Not applicable

e) Investment Shares Whose Classification Changed From Other Than Pure Investment Purposes to Pure Investment Purposes During the Current Fiscal Year

Not applicable

V. Accounting Status

1. Preparation of Consolidated Financial Statements and Financial Statements

(1) The Company's consolidated financial statements have been prepared in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Company's financial statements have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; "Ordinance on Financial Statements" hereafter).

In addition, the Company falls under the definition of special companies submitting financial statements and prepares financial statements in accordance with Article 127 of the Ordinance on Financial Statements.

2. Audit Certification

Consolidated financial statements for the consolidated fiscal year (September 1, 2019 to August 31, 2020) and financial statements for the fiscal year (September 1, 2019 to August 31, 2020) have been audited by Deloitte Touche Tohmatsu Limited in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure Appropriateness of Consolidated Financial Statements

The Company takes special measures to ensure the propriety of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation and participates regularly in training and other events held by organizations with specialized knowledge to grasp the contents of accounting standards and to establish systems for disclosing consolidated financial statements based on various systems concerning corporate finance, including generally accepted accounting principles and disclosure systems.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

a) Consolidated balance sheets

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2019)	Current Consolidated Fiscal Year (As of 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	*1 2,432,863	*1 2,656,588
Accumulated depreciation	(815,535)	(999,084)
Buildings and structures, net	1,617,327	1,657,504
Tools, furniture, and fixtures	282,889	315,433
Accumulated depreciation	(179,507)	(208,470)
Tools, 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	*1 189,965	*1 189,965
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

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2019)	Current Consolidated Fiscal Year (As of August 31, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	19,205	35,328
Short-term loans payable	*2,*3 4,440,000	*2,*3 6,343,288
Current portion of bonds	160,000	-
Current portion of long-term loans payable	*1 254,088	*1 231,242
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	*1 572,518	*1 340,868
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 - other	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

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

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Net sales	37,799,272	37,932,651
Cost of sales	*1 28,165,668	*1 28,605,462
Gross profit	9,633,603	9,327,188
SG&A	*2 7,393,275	*2,3 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	*4 18,658	*4 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 Statements of Comprehensive Income

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (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

c) Consolidated Statements of Shareholders' Equity

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

(Thousands of 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	
Beginning of period	948,582	936,360	3,912,029	-	5,796,973	(295)	(295)	5,796,677
Changes of items during period								
Issuance of new shares	78,924	78,924			157,848		-	157,848
Dividends of 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
Transfer of loss on disposal of treasury shares		336,686	(336,686)		-		-	-
Net changes of items other than shareholders' equity					-	(8,918)	(8,918)	(8,918)
Total changes of items during period	78,924	78,924	809,626	(59,783)	907,691	(8,918)	(8,918)	898,773
End of period	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 (September 1, 2019 to August 31, 2020)

(Thousands of 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	
Beginning of period	1,027,507	1,015,284	4,721,656	(59,783)	6,704,665	(9,214)	(9,214)	6,695,450
Changes of items during period								
Issuance of new shares	89,525	89,525			179,050		-	179,050
Dividends of 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)
Net changes of items other than shareholders' equity					-	1,218	1,218	1,218
Total changes of items during period	89,525	89,525	(139,768)	(46)	39,235	1,218	1,218	40,453
End of period	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

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (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
Share-based compensation expenses	-	279,898
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
Subsidies for employment adjustment	-	(79,898)
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	191,806
Subtotal	2,441,442	2,478,992
Interest and dividend income received	185	94
Interest expenses paid	(31,340)	(37,096)
Subsidies for employment adjustment received	-	79,496
Income taxes paid	(712,964)	(938,930)
Cash flow from operating activities	1,697,322	1,582,557
Cash flow from investing 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	-	422,097
Payments for guarantee deposits	(144,521)	(135,810)
Proceeds from collection of guarantee deposits	28,654	69,590
Other	(35,703)	(34,106)
Cash flow from investing 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

[Notes]

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 8

Name of consolidated subsidiaries: Valuence Japan Inc. (Note)
Valuence International Limited
Valuence International USA Limited (Note)
Valuence International Europe S.A.S. (Note)
Valuence International Singapore Pte. Limited (Note)
Valuence Art & Antiques Inc.
Valuence Technologies Inc. (Note)
Valuence Real Estate Inc. (Note)

Note: The six companies noted above have been added to the scope of consolidation as newly established companies.

(2) Names of nonconsolidated subsidiaries

Not applicable

2. Matters concerning the application of the equity method

Not applicable; the group includes no nonconsolidated subsidiaries or affiliates.

3. Matters concerning fiscal calendars for consolidated subsidiaries

Financial closing dates for consolidated subsidiaries are the same as the consolidated financial closing date.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

a) Inventories

Merchandise

Secondhand goods, jewelry, precious metals

The Company calculates costs via the specific identification method (values on the balance sheet are calculated via the book value reduction method based on decreased profitability).

b) Derivative transactions

The Company applies the fair value method.

(2) Depreciation/amortization method for significant depreciable/amortizable assets

a) Property, Plant and Equipment (excluding Leased Assets)

The Company and domestic consolidated subsidiaries primarily use the declining balance method. However, the straight-line method is used for buildings (excluding facilities attached to buildings but including facilities attached to buildings acquired on or after April 1, 2016).

Overseas consolidated subsidiaries use the straight-line method.

The following describes the most common useful economic lives:

Buildings and structures	3-50 years
Tools, furniture, and fixtures	2-20 years

b) Intangible Assets (excluding Leased Assets)

The Company uses the straight-line method. For software, the Company uses the straight-line method based on the period of internal use (five years).

c) Leased Assets

Leased assets related to finance leases without transfer of ownership

The Company uses the straight-line method with the lease period defined as the useful economic life and zero residual value.

(3) Standards for recognizing significant allowances

a) Allowance for Doubtful Accounts

The Company creates allowances for doubtful accounts to prepare against bad debt expenses on receivables based on a historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt is posted according to the recoverability of individual cases for specified receivables, such as debt with a possibility of default.

b) Provision for Bonuses

The Company provides an allowance for the payment of bonuses to employees at amounts based on the estimated payment amount appropriate for the current consolidated fiscal year.

c) Provision for Directors' Retirement Benefits

The Company provides an allowance for the payment of directors' retirement benefits at the amount required to be paid at the end of the term based on internal rules.

(4) Standards for translating material assets or liabilities denominated in foreign currency into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate as of the consolidated financial closing date. Translation differences are posted as profit or loss. Note that the assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate as of the consolidated financial closing date, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments under net assets.

(5) Amortization method and amortization period of goodwill

The Company amortizes goodwill using under the straight-line method over five years.

(6) Scope of funds reported in the consolidated statement of cash flows

The Company reports cash on hand, deposits drawable at will, price change-insensitive short-term investments readily convertible to cash and whose redemption period is within three months.

(7) Other significant matters related to preparing consolidated financial statements

Accounting treatment of consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax excluded method.

(Unapplied accounting standards)

1. Accounting standards for revenue recognition

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020)
- Guidance on Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 30, March 31, 2020)

(1) Overview

This standard provides a comprehensive accounting standard for revenue recognition. Revenue is recognized according to the following five steps:

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate transaction price to performance obligations within the contract.

Step 5: Recognize revenue when or as performance obligations are satisfied.

(2) Scheduled application date

To be applied from the beginning of the fiscal year ending August 2022

(3) Impact of the application of this accounting standard

The Company is currently evaluating the impact of this accounting standard on consolidated financial statements.

2. Accounting standards concerning measurement methods for fair values

- Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan ("ASBJ") Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement ("Accounting Standard and Implementation Guidance for Fair Value Measurement" hereinafter) were developed and guidance and other standards issued on methods for calculating the fair value to facilitate comparison to the provisions of international accounting standards. The Accounting Standard and Implementation Guidance for Fair Value Measurement applies to the fair value of the following items:

- Financial instruments subject to the Accounting Standard for Financial Instruments
- Inventories held for trading purposes under the Accounting Standard for Measurement of Inventories

The Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised as well to establish guidelines on matters such as breakdown by levels of the fair value of financial instruments.

(2) Scheduled application date

To be applied from the beginning of the fiscal year ending August 2022.

(3) Impact of the application of this accounting standard

The Company is currently evaluating the potential impact of this accounting standard on consolidated financial statements.

3. Accounting Standard for Accounting Policy Disclosures, Accounting Changes, and Error Corrections

Accounting Standard for Accounting Policy Disclosures, Accounting Changes, and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

This standard provides an overview of principles and procedures for account processing applied when the relevant provisions of accounting standards are unclear.

(2) Scheduled application date

To be applied from the end of the fiscal year ending August 2021

4. Accounting Standard for Disclosure of Accounting Estimates

・ Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The purpose of this standard concerning information disclosure is to contribute to the understanding of those reading financial statements regarding the nature of accounting estimates for items posing the risk of material impact on the consolidated financial statements of the following fiscal year included among accounting estimates recorded as amounts on the consolidated financial statements for the current fiscal year.

(2) Scheduled application date

To be applied from the end of the fiscal year ending August 2021

(Change in presentation method)

(Consolidated statements 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*. These items are presented independently from the current consolidated fiscal year due to their increased importance in terms of value.

(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 81total 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 Group's financial results since June have reflected some recovery. The 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 adequately contained within a certain timeframe and effects persist longer than anticipated, the Group may suffer losses.

(Consolidated balance sheets)

*1 Collateral assets and secured debt

The following describes assets pledged as collateral and secured debts:

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2019)	Current Consolidated Fiscal Year (as of August 31, 2020)
Buildings and structures	138,510	135,561
Land	189,965	189,965
Total	328,475	325,526

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2019)	Current Consolidated Fiscal Year (as of August 31, 2020)
Current portion of long-term loans payable	19,896	19,896
Long-term loans payable	275,154	254,850
Total	295,050	274,746

*2 Overdraft agreements

To raise working capital efficiently, the Company has entered into overdraft agreements with 10 banks. The following describes unused loan balances under this agreement:

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2019)	Current Consolidated Fiscal Year (as of August 31, 2020)
Total maximum overdraft limit	8,120,000	13,344,000
Balance of loans executed	4,370,000	5,600,000
Net balance	3,750,000	7,744,000

*3 Commitment lines

To raise working capital efficiently, the Company has entered into a syndicated commitment line agreement with several banks.

The following describes unused balances under this agreement (converted to yen at exchange rates as of the date of accounts settlement).

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2019)	Current Consolidated Fiscal Year (as of August 31, 2020)
Total value of commitment lines	4,000,000	4,000,000
Balance of loans executed	70,000	600,288
Net balance	3,930,000	3,399,712

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

Previous Consolidated Fiscal Year (as of August 31, 2019)

a) At the end of the fiscal year ended August 31, 2018 and in each subsequent fiscal year, the total amount of net assets stated on the consolidated balance sheet must be maintained at levels at least 75 percent of total net assets included in the consolidated balance sheet as of the end of August 2017.

b) The figure for ordinary profit or loss given in the consolidated statement of income as of the end of the fiscal year ended August 2018 and at the end of each fiscal year must not constitute a loss for two consecutive years.

Current Consolidated Fiscal Year (as of August 31, 2020)

a) At the end of the fiscal year ended August 31, 2018 and in each subsequent fiscal year, the total amount of net assets stated on the consolidated balance sheet must be maintained at levels at least 75 percent of the total amount of net assets included in the consolidated balance sheet as of the end of August 2017.

b) The figure for ordinary profit or loss given in the consolidated statement of income as of the end of the fiscal year ended August 2018 and at the end of each fiscal year must not constitute a loss for two consecutive years.

(Consolidated statements of income)

*1 Inventory balances at the end of the fiscal year reflect amounts after book values have been written down according to decreased profitability. The resulting loss (gain) on valuation of inventories is included in the cost of sales.

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Loss (gain) on valuation of inventories	(733)	27,795

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

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Advertising expenses	827,373	994,826
Salaries and bonuses	1,843,785	2,117,051
Rents	1,405,102	1,509,333
Provision for bonuses	191,575	203,916
Provision of allowance for doubtful accounts	109,963	62,979
Provision for directors' retirement benefits	13,371	14,928

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

(Thousands of yen)

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
-	5,000

*4 Impairment loss

The Group has recorded impairment losses on the following assets:

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

Location	Use	Type	Impairment loss (thousands of yen)
Tokyo: Three offices	Office	Buildings and structures	5,725
Osaka Prefecture: Two offices	Office	Buildings and structures	12,933
Total			18,658

The Group categorizes business assets based on a single location as the minimum unit generating cash flow.

The Group has written down the carrying amounts of assets to recoverable amounts for assets whose profitability has declined significantly. The Group recorded said write-downs as an impairment loss (18,658 thousand yen) under extraordinary losses. This amount consists of 18,658 thousand yen related to buildings and structures.

The Company measures the recoverable value of these assets based on their value in use. However, since the Group does not expect future cash flows from these assets, value in use is deemed to be 0 yen.

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Location	Use	Type	Impairment loss (thousands of yen)
Tokyo: Two offices	Office	Buildings and structures	17,138
Aichi Prefecture: One office	Office	Buildings and structures	2,565
Hyogo Prefecture: One office	Office	Buildings and structures	3,290
Total			22,994

The Group categorizes business assets based on a single location as the minimum unit generating cash flow.

The Group has written down the carrying amounts of assets to recoverable amounts for assets whose profitability has declined significantly. The Group recorded said write-downs as an impairment loss (22,994 thousand yen) under extraordinary losses. This amount consists of 22,994 thousand yen related to buildings and structures.

The Company measures recoverable value of these assets based on their value in use. However, since the Group does not expect future cash flows from these assets, value in use is deemed to be 0 yen.

(Consolidated statements of comprehensive income)

* Reclassifications and tax effects for other comprehensive income

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Foreign currency translation adjustment:		
Gains (losses) arising during the year	(8,918)	1,218
Total other comprehensive income	(8,918)	1,218

(Consolidated statements of shareholders' equity)

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

1. Information on issued stock and treasury shares

Class of stock	Balance at the Beginning of the Current Consolidated Fiscal Year (shares)	Increase in Shares (shares)	Decrease in Shares (shares)	Balance at the End of the Current Consolidated Fiscal Year
Issued shares				
Common stock	6,070,510	303,420	-	6,373,930
Total	6,070,510	303,420	-	6,373,930
Treasury shares				
Common stock	-	179,166	168,360	10,806
Total	-	179,166	168,360	10,806

Note: While the Company conducted a two-for-one stock split of common stock effective September 1, 2019, the items above are based on numbers of shares prior to the stock split.

(Reasons for changes)

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

Increase in shares due to exercise of stock acquisition rights: 303,420 shares

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

Increase in shares due to purchase of treasury shares pursuant to resolution by the board of directors: 179,000 shares

Increase in shares due to *gratis* acquisition under restricted-share-based compensation program: 130 shares

Increase in shares due to acquisition of shares in less than the minimum trading unit: 36 shares

Decrease in shares due to disposal of treasury shares under the restricted-share-based compensation program: 168,360 shares

2. Matters concerning stock acquisition rights

Not applicable

3. Matters concerning dividends

(1) Cash dividends paid

Resolution	Class of Stock	Total Dividend (thousands of yen)	Dividend per Share (thousands of yen)	Record Date	Effective Date
October 15, 2018 Meeting of the Board of Directors	Common stock	312,631	51.50	August 31, 2018	November 8, 2018

(2) Dividends with cutoff dates falling during the fiscal year but effective dates subsequent to the current fiscal year

Resolution	Class of Stock	Source of Dividend	Total Dividend (thousands of yen)	Dividend per Share (thousands of yen)	Record Date	Effective Date
October 24, 2019 Meeting of the Board of Directors	Common stock	Retained earnings	445,418	70.00	August 31, 2019	November 7, 2019

Note: The Company executed a two-for-one stock split for common stock on September 1, 2019. However, the dividend per share figure presented here is the figure from the end of the fiscal year, before adjustments for said stock split.

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

1. Information on issued stock and treasury shares

Class of stock	Balance at the Beginning of the Current Consolidated Fiscal Year (shares)	Increase in Shares (shares)	Decrease in Shares (shares)	Balance at the End of the Current Consolidated Fiscal Year
Issued shares				
Common stock	6,373,930	6,809,230	-	13,183,160
Total	6,373,930	6,809,230	-	13,183,160
Treasury shares				
Common stock	10,806	38,784	-	49,590
Total	10,806	38,784	-	49,590

(Reasons for changes)

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

Increase in shares due to two-for-one stock split of common stock effective September 1, 2019: 6,373,930 shares

Increase in shares due to exercise of stock acquisition rights: 435,300 shares

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

Increase in shares due to two-for-one stock split of common stock effective September 1, 2019: 10,806 shares

Increase in shares due to *gratis* acquisition under the restricted-share-based compensation program: 27,940 shares

Increase in shares due to acquisition of shares in less than the minimum trading unit: 38 shares

2. Matters concerning stock acquisition rights

Not applicable

3. Matters concerning dividends

(1) Cash dividends paid

Resolution	Class of Stock	Total Dividend (thousands of yen)	Dividend per Share (thousands of yen)	Record Date	Effective Date
October 24, 2019 Meeting of the Board of Directors	Common stock	445,418	70.00	August 31, 2019	November 7, 2019

Note: The Company executed a two-for-one stock split for common stock on September 1, 2019. However, the dividend per share figure presented here is the figure from the end of the fiscal year, before adjustments for said stock split.

(2) Dividends with a cutoff date during the fiscal year but an effective date subsequent to the current fiscal year

Resolution	Class of Stock	Source of Dividend	Total Dividend (thousands of yen)	Dividend per Share (thousands of yen)	Record Date	Effective Date
October 29, 2020 Meeting of the Board of Directors	Common stock	Retained earnings	328,339	25.00	August 31, 2020	November 5, 2020

(Consolidated statements of cash flows)

* Relationship between the period-end balance in cash and deposits and items listed on the consolidated balance sheet

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Cash and deposits	4,103,508	6,276,732
Time deposits with maturities of more than three months	(389,078)	(1,088)
Cash and cash equivalents	3,714,430	6,275,644

(Lease transactions)

(Lessee)

1. Finance lease transactions

Finance lease transactions without transfer of ownership

a) Lease Asset Details

(A) Property, plant, and equipment

Primarily terminal equipment (tools, furniture, and fixtures) used in the buying business.

(B) Intangible assets

Intangible assets consist of software.

b) Depreciation method for lease assets

The depreciation method for lease assets is described in *4. Matters concerning the accounting policies (2) Depreciation/amortization method for significant depreciable/amortizable assets* of *Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements*.

(About impairment loss)

No impairment losses have been recorded in relation to lease assets.

2. Operating lease transactions

Not applicable

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policy on financial instruments

The Group restricts fund management to highly secure short-term deposits and similar instruments, raising necessary funds primarily through bank borrowings in line with capital investment plans. Derivatives are used to mitigate the risk of interest rate fluctuations on borrowings and are not traded on speculation.

(2) Details and risks of financial instruments

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

Guarantee deposits relate mainly to lease contracts for buying offices and other facilities. These lease contracts are exposed to credit risks associated with the lender.

Most accounts payable are operating receivables that come due within one month.

Borrowings, corporate bonds, and lease obligations related to finance lease transactions are mainly for financing capital investments and have a maximum redemption period of 16 years after the settlement date.

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

(3) Risk management for financial instruments

A. Credit risk management (risks related to breach of contract or similar actions by customers)

The Group manages credit risk in accordance with internal accounting rules. It monitors payment due dates and balances by entity and checks the credit status of transaction partners as deemed necessary. In this way, the Group identifies collection concerns and reduce the risk of bad debt in the early stages.

B. Liquidity risk management (risk of the Company being unable to pay on a given due date)

The Group manages liquidity risk based on cash operating plans prepared and updated, based on timely reports from each business unit, by the Finance Division. The Group maintains liquidity on hand through overdraft facilities and commitment line contracts.

(4) Supplementary information on fair value of financial instruments

The fair value of financial instruments includes prices based on market prices and prices calculated on reasonable grounds in the absence of market prices. Since price calculations incorporate variable factors, values may fluctuate if different assumptions are used.

2. Matters concerning the fair value of financial instruments

The following table describes the carrying amount, fair value, and gains or losses related to financial instruments on consolidated financial statements. Note that these values do not include items for which fair value is extremely difficult to determine.

Previous Consolidated Fiscal Year (as of August 31, 2019)

(Thousands of yen)

	Carrying value	Fair value	Gains/losses
(1) Cash and deposits	4,103,508	4,103,508	-
(2) Accounts receivable – trade	346,011	346,011	-
(3) Guarantee deposits	1,084,640	1,084,640	-
Total assets	5,534,160	5,534,160	-
(1) Accounts payable – trade	19,205	19,205	-
(2) Short-term loans payable	4,440,000	4,440,000	-
(3) Income taxes payable	607,496	607,496	-
(4) Bonds payable (*1)	160,000	160,144	144
(5) Long-term loans payable (*2)	826,606	829,279	2,673
(6) Lease obligations (*3)	8,678	8,512	(166)
(7) Long-term accounts payable - other	2,228	2,228	-
Total liabilities	6,064,215	6,066,866	2,651
Derivative transactions (*4)	(11,615)	(11,615)	-

(*1) Includes the current portion of bonds.
(*2) Includes current portion of long-term loans payable.
(*3) Total of both current and non-current liabilities.
(*4) Net receivables and payables arising from derivative transactions are shown on a net basis. Items representing net payables in total are shown in parentheses.

Current Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Carrying value	Fair value	Gains/losses
(1) Cash and deposits	6,276,732	6,276,732	-
(2) Accounts receivable – trade	298,141	298,141	-
(3) Guarantee deposits	1,137,651	1,137,651	-
Total assets	7,712,525	7,712,525	-
(1) Accounts payable – trade	35,328	35,328	-
(2) Short-term loans payable	6,343,288	6,343,288	-
(3) Income taxes payable	253,259	253,259	-
(4) Long-term loans payable (*1)	572,110	574,715	2,605
(5) Lease obligations (*2)	41,194	42,841	1,647
Total liabilities	7,245,180	7,249,433	4,252
Derivative transactions (*3)	(8,059)	(8,059)	-

(*1) Includes current portion of long-term loans payable.
(*2) Total of both current and non-current liabilities.
(*3) Net receivables and payables arising from derivative transactions are shown on a net basis. Items representing net payables in total are shown in parentheses.

Note 1: Fair value calculation method of financial instruments and derivative transactions

Assets

(1) Cash and deposits and (2) Accounts receivable - trade

The carrying amounts of these assets approximate fair value due to their short maturities.

(3) Guarantee deposits

The fair value of guarantee deposits is evaluated as the present value of future cash flows discounted at a rate reflecting government bond yields or other appropriate indicators.

Liabilities

(1) Accounts payable – trade, (2) Short-term loans payable, and (3) Income taxes payable

The carrying amounts of these liabilities approximate fair value due to their short maturities.

(4) Long-term loans payable (including current portion of long-term loans payable) and (5) Lease obligations

The fair value of these liabilities is measured at the present value of the total amount of principal and interest, discounted at the interest rate assumed for a similar new borrowing.

Derivative transactions

See note on Derivative transactions.

Note 2: Scheduled redemption value of monetary claims after the consolidated financial closing date

Previous Consolidated Fiscal Year (as of August 31, 2019)

(Thousands of yen)

	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	4,103,508	-	-	-
Accounts receivable – trade	346,011	-	-	-
Guarantee deposits	522,326	475,972	86,341	-
Total	4,971,846	475,972	86,341	-

Current Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	6,276,732	-	-	-
Accounts receivable – trade	298,141	-	-	-
Guarantee deposits	170,015	934,511	33,123	-
Total	6,744,890	934,511	33,123	-

Note 3: Repayments of bonds payable, long-term loans payable, lease obligations, and other interest-bearing debt scheduled after the consolidated financial closing date

Previous Consolidated Fiscal Year (as of August 31, 2019)

(Thousands of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	4,440,000	-	-	-	-	-
Bonds payable	160,000	-	-	-	-	-
Long-term loans payable	254,088	231,650	105,914	19,896	19,896	195,162
Lease obligations	8,204	474	-	-	-	-
Total	4,862,292	232,124	105,914	19,896	19,896	195,162

Current Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	6,343,288	-	-	-	-	-
Bonds payable	-	-	-	-	-	-
Long-term loans payable	231,242	105,914	19,896	19,896	19,896	175,266
Lease obligations	31,808	9,385	-	-	-	-
Total	6,606,338	115,299	19,896	19,896	19,896	175,266

(Derivative transactions)

Derivative transactions not accounted for hedge accounting

Interest rates

Previous Consolidated Fiscal Year (as of August 31, 2019)

(Thousands of yen)

	Category	Contract value	Portion of contract in excess of one year	Fair value	Loss (gain) on valuation
Non-market transactions	Interest rate swap transactions Fixed interest payable for variable interest receivable	256,250	241,250	(11,615)	(6,980)
Total		256,250	241,250	(11,615)	(6,980)

Note: Fair value measurement method: Based on prices provided by financial institutions

Current Consolidated Fiscal Year (as of August 31, 2020)

(Thousands of yen)

	Category	Contract value	Portion of contract in excess of one year	Fair value	Loss (gain) on valuation
Non-market transactions	Interest rate swap transactions Fixed interest payable for variable interest receivable	241,250	226,250	(8,059)	3,556
Total		241,250	226,250	(8,059)	3,556

Note: Fair value measurement method: Based on prices provided by financial institutions

(Stock options)

1. Expenses recorded and accounts related to stock options

The Company was a privately held company on the date stock options were first granted. Since the intrinsic value per unit of stock options is 0 yen, no expenses were recorded.

2. Stock option details, scope, and variability

The Company converted numbers of stock options to numbers of shares for eligible stock options existing as of the current consolidated fiscal year (fiscal year ended August 2020).

These options were converted to shares after the stock split (five-for-one) on November 25, 2017 and the stock split (two-for-one) on September 1, 2019.

(1) Stock option details

	First Series Stock Acquisition Rights
Date of resolution	September 11, 2015
Classification and number of eligible grantees	Company Directors 1 Company Employees 24
Number of stock options per class of share	Common stock: 78,040 shares
Grant date	September 30, 2015
Vesting terms	Between the grant date to the vesting date (first day on which the grantee may exercise these rights), the holder must serve in a position as director, auditor, or employee of the Company, company subsidiaries, or company affiliates. Notwithstanding the preceding, such terms shall not apply if the individual's term of office has expired; the individual has retired at the mandatory retirement age; or if a majority of company directors (or a resolution of the Company's board of directors, if established; same below) otherwise determines justifiable grounds exist for the retirement of the holder of said stock acquisition rights or for the exercise of said rights after retirement. However, the exercise of less than one stock acquisition right unit is not permitted.
Eligible service period	Not stipulated.
Exercise period	October 1, 2017 to September 10, 2025

	Second Series Stock Acquisition Rights
Date of resolution	March 31, 2017
Classification and number of eligible grantees	Company Directors and Auditors 5 Company Employees 131 Wholly Owned Subsidiary Directors 2 Wholly Owned Subsidiary Employees 10
Number of stock options per class of share	Common stock: 847,500 shares
Grant date	April 1, 2017
Vesting terms	Between the grant date to the vesting date (first day on which grantee may exercise these rights), the holder must serve in a position as director, auditor, or employee of the Company, company subsidiaries, or company affiliates. Notwithstanding the preceding, such terms shall not apply if the individual's term of office has expired; the individual has retired at the mandatory retirement age; or if a resolution of the Company's board of directors otherwise determines justifiable grounds exist for the retirement of the holder of said stock acquisition rights or for the exercise of said rights after retirement. However, the exercise of a fraction of one stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	April 1, 2019 to March 29, 2027

	Third Series Stock Acquisition Rights
Date of resolution	November 8, 2017
Classification and number of eligible grantees	Company Directors and Auditors 5 Company Employees 72 Wholly Owned Subsidiary Directors 3 Wholly Owned Subsidiary Employees 10
Number of stock options per class of share	Common stock: 512,610 shares
Grant date	November 9, 2017
Vesting terms	Between the grant date to the vesting date (first day on which grantee may exercise these rights), the holder must serve in a position as director, auditor, or employee of the Company, company subsidiary, or company affiliate. Notwithstanding the preceding, such terms shall not apply if the individual's term of office has expired; the individual has retired at the mandatory retirement age; or if a resolution of the Company's board of directors otherwise determines justifiable grounds exist for the retirement of the holder of said stock acquisition rights or for the exercise of said rights after retirement. However, the exercise of a fraction of one stock acquisition right unit shall not be permitted.
Eligible service period	Not stipulated.
Exercise period	November 9, 2019 to November 8, 2027

(2) Stock option details, scope, and variability

a) Number of Stock Options

	First Series Stock Acquisition Rights	Second Series Stock Acquisition Rights	Third Series Stock Acquisition Rights
Date of resolution	September 11, 2015	March 31, 2017	November 8, 2017
Unvested shares			
End of previous consolidated fiscal year	-	-	496,490
Granted	-	-	-
Expired	-	-	-
Vested	-	-	496,490
Balance of unvested shares	-	-	-
Vested shares			
End of previous consolidated fiscal year	6,160	191,950	-
Vested	-	-	496,490
Exercised	6,160	87,270	341,870
Expired	-	5,000	8,880
Balance of unvested shares	-	99,680	145,740

b) Unit Price Information

	First Series Stock Acquisition Rights	Second Series Stock Acquisition Rights	Third Series Stock Acquisition Rights
Date of resolution	September 11, 2015	March 31, 2017	November 8, 2017
Exercise price (yen)	423	259	450
Average stock price at time of exercise (yen)	2,324	2,219	2,140
Fair unit value price on grant date (yen)	-	-	-

3. Method for estimating fair unit value price of stock options

Since the Company was a private company at the time of grant, the fair unit value of stock options is evaluated by estimating the intrinsic value per unit of stock options.

The Company measures the value of shares, the basis for calculating the intrinsic value per unit, by referencing the price calculated by the net asset method.

4. Method for estimating numbers of vested stock options

Rationally estimating the number of expired options in the future is difficult for fundamental reasons. The Company applies a method that reflects only the actual number of expirations.

5. Total intrinsic value at end of current consolidated fiscal year

319,226 thousand yen

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

760,471 thousand yen

(Tax effect accounting)

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

(Thousands of yen)

	Previous Consolidated Fiscal Year (as of August 31, 2019)	Current Consolidated Fiscal Year (as of August 31, 2020)
Deferred tax assets		
Provision for directors' retirement benefits	19,522	20,331
Excess amount of amortization of deferred assets	2,188	740
Allowance for doubtful accounts	63,670	56,346
Provision for bonuses	59,706	69,182
Excess depreciation	2,241	2,948
Loss on valuation of inventories	44,414	55,938
Impairment loss	50,620	37,655
Asset retirement obligations	171,542	192,369
Accrued business office taxes	2,821	2,482
Accrued enterprise tax	34,493	16,592
Loss on valuation of derivatives	4,013	2,784
Stock-based compensation expenses	7,631	97,789
Retained loss	-	37,983
Other	931	33,471
Subtotal	463,798	626,618
Valuation allowance (Note)	(19,522)	(48,198)
Total deferred tax assets	444,275	578,420
Deferred tax liabilities		
Retirement expenses related to asset retirement obligations	102,767	86,438
Other	1,543	4,358
Total deferred tax liabilities	104,311	90,796
Deferred tax assets, net	339,963	487,623

Note: Valuation allowance increased by 28,676 thousand yen, due mainly to the recognition of valuation allowance of 27,866 thousand yen on asset retirement obligations of consolidated subsidiaries during the current consolidated fiscal year.

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

	Previous Consolidated Fiscal Year (as of August 31, 2019)	Current Consolidated Fiscal Year (as of August 31, 2020)
Effective statutory tax rate	30.62%	30.62%
Increase (decrease) in valuation allowance	0.18%	0.14%
Per capita	1.38%	6.43%
Accumulated earnings tax	2.80%	0.68%
Non-deductible entertainment expenses	0.09%	1.57%
Tax credits under salary growth promotion system	(1.88%)	-%
Goodwill amortization, etc.	1.75%	8.31%
Other	0.03%	1.22%
Income tax rate after application of tax effect accounting	34.97%	48.97%

(Changes in presentation methods)

Included under *Other* in the previous consolidated fiscal year, *Goodwill amortization* is presented independently starting this consolidated fiscal year due to its greater importance. Presented independently in the previous consolidated fiscal year, *Tax rate differences compared to consolidated subsidiaries* are included under *Other* starting this consolidated fiscal year due to its lower importance.

To reflect these changes in presentation methods, "(0.49%)" presented under tax rate differences compared to consolidated subsidiaries and "2.28%" presented under *Other* in the previous consolidated fiscal year are replaced by "1.75%" under *Goodwill amortization* and "0.03%" under *Other*.

(Corporate consolidation, etc.)

(Transition to holding company structure through company split)

As approved at the 8th Ordinary General Meeting of Shareholders held November 22, 2019, the Company migrated to a holding company structure effective March 1, 2020, through an absorption company split in which the Company became the split company and Valuence Japan Inc., the Company's wholly owned subsidiary, became the successor company.

In accordance with this migration to a holding company structure, the Company was renamed Valuence Holdings Inc. The successor company, SOU Split Preparatory Company, Inc., was renamed Valuence Japan Inc.

(Transaction under common management and related matters)

(1) Overview of transaction

a) Name and details of subject business

The Company's reuse business for luxury brand merchandise, antiques, art, etc.

b) Date of corporate consolidation

March 1, 2020

c) Legal form of corporate consolidation

Absorption company split in which the Company became the split company and Valuence Japan Inc., the Company's wholly owned subsidiary, became the successor company

d) Name of enterprises after consolidation

Split company: Valuence Holdings Inc. (renamed from SOU Inc.)

Successor company: Valuence Japan Inc. (renamed from SOU Split Preparatory Company, Inc.)

e) Other matters related to an overview of this transaction

From the start, the Company has pursued a medium- to long-term management vision of providing global access to pricing and value data to enable smarter lifestyles. In doing so, it has continued to open buying offices to source products and launched a personal asset management app to attract new customers. It strives to be the top player in the Japanese luxury brand reuse market and to advance its businesses globally.

To achieve further increases in corporate value and sustained growth, the Group believes it is essential to restructure the Group organization to realize greater management efficiency and enable greater flexibility in response to market changes.

This transition to a holding company structure is intended to strengthen the Group's capacity to plan and execute management strategies while also enabling flexible adaptation to market conditions. The Group intends to establish a dynamic organizational structure to expand its business lines through mergers and acquisitions (M&As), thereby strengthening corporate value and realizing sustained growth.

(2) Accounting treatment employed

Pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), this transition has been accounted for as a transaction under common management.

(Asset retirement obligations)

Asset retirement obligations carried on consolidated balance sheets

1. Summary of asset retirement obligations

These asset retirement obligations include obligations to restore stores and offices to their original state per real estate lease agreements.

2. Calculating asset retirement obligation value

Asset retirement obligations are calculated on the basis of an estimated usage period of 3-18 years after the acquisition and a discount rate between 0.000% and 0.845%.

3. Increase (decrease) in total value of asset retirement obligations

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Beginning of period	451,635	552,542
Increase due to purchase of property, plant, and equipment	122,541	50,076
Adjustment due to passage of time	1,429	1,376
Decrease due to fulfillment of asset retirement obligations	(19,566)	(22,087)
Other increase (decrease)	(3,497)	6
End of period	552,542	581,914

(Segment information)

Segment Information

The Group operates as a single segment that includes luxury brand items, antiques, art, and other reuse businesses. Accordingly, segment information is omitted here.

Related Information

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

1. Information by product and service

This information is omitted because net sales to external customers for a single product and service category exceed 90% of net sales recorded on the consolidated statements of income.

2. Information by region

(1) Net sales

(Thousands of yen)

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

Note: Net sales are classified according to the country or region where the customer is located.

(2) Property, plant, and equipment

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

3. Information by major customer

(Thousands of yen)

Name of customer	Net sales	Name of relevant segment
NET JAPAN Co., Ltd.	4,496,105	Luxury brand items, antiques, art, and other reuse businesses
NIHON MATERIAL Co., Ltd.	3,120,706	Luxury brand items, antiques, art, and other reuse businesses

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

1. Information by product and service

This information is omitted because net sales to external customers for a single product and service category exceed 90% of net sales recorded on the consolidated statements of income.

2. Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan exceed 90% of net sales recorded on the consolidated statements of income.

(2) Property, plant, and equipment

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

3. Information by major customer

(Thousands of yen)

Name of customer	Net sales	Name of relevant segment
NET JAPAN Co., Ltd.	5,083,806	Luxury brand items, antiques, art, and other reuse businesses
NIHON MATERIAL Co., Ltd.	4,738,301	Luxury brand items, antiques, art, and other reuse businesses

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

The Group operates as a single segment that includes luxury brand items, antiques, art, and other reuse businesses. Accordingly, segment information is omitted here.

Information on Amortization and Unamortized Balance of Goodwill per Reporting Segment

The Group operates as a single segment that includes luxury brand items, antiques, art, and other reuse businesses. Accordingly, segment information is omitted here.

Information on Gain on Negative Goodwill by Reporting Segment

Not applicable

Related-Party Information

1. Related-party transactions

(1) Transactions between the Company submitting consolidated financial statements and related parties

(A) Officers and major shareholders (restricted to individuals only) of the Company submitting consolidated financial statements

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

Classification	Name of Company/ Organization/ Individual	Location	Capital/ Investment Amount (thousands of yen)	Business Line/ Business	Ratio of Voting Rights Held (ownership) (%)	Relationship	Details of Transaction	Transaction Value (thousands of yen)	Account	End of period (thousands of yen)
Officer	Shinsuke Sakimoto	-	-	Representative Director	(Ownership) 3.5%, directly held	-	Debt guarantee for real estate lease contracts (Note 2)	41,772	-	-
Officer	Kei Fujita	-	-	Company director	(Ownership) 0.4%, directly held	-	Exercise of stock acquisition rights (Note 3)	11,965	-	-
Officer	Toshihide Ohzono	-	-	Company director	(Ownership) 0.2%, directly held	-	Exercise of stock acquisition rights (Note 3)	11,999	-	-

Notes:

1. The above transactions exclude consumption taxes.
2. Mr. Shinsuke Sakimoto provides a joint guarantee for rents (annualized) related to the Company's Osaka office. Note that there has been no payment of guarantee fees.
3. This transaction is related to the exercise of second series stock acquisition rights granted per resolution at the meeting of the board of directors held March 31, 2017.

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Classification	Name of Company/ Organization/ Individual	Location	Capital/ Investment Amount (thousands of yen)	Business Line/ Business	Ratio of Voting Rights Held (ownership) (%)	Relationship	Details of Transaction	Transaction Value (thousands of yen)	Account	End of period (thousands of yen)
Officer	Toshihide Ohzono	-	-	Company director	(Ownership) 0.1%, directly held	-	Exercise of stock acquisition rights (Note 3)	11,999	-	-
Officer	Kei Fujita	-	-	Subsidiary director	(Ownership) 0.2%, directly held	-	Exercise of stock acquisition rights (Notes 2, 3)	11,997	-	-
Company or other organization in which an officer and his or her close family members hold a majority of voting rights	Sakimoto Co., Ltd. (Note 4)	Osaka, Osaka Prefecture	10,000	Real estate trading, leasing, and management	-	Store lease	Payment of rent (Note 5)	14,715	-	-

Notes:

1. The above transactions exclude consumption taxes.
2. This transaction is related to the exercise of stock acquisition rights issued per resolution at the meeting of the board of directors held September 11, 2015.

3. This transaction is related to the exercise of stock acquisition rights issued per resolutions at the meetings of the board of directors held March 31, 2017 and November 8, 2017.
4. Close family members of Shinsuke Sakimoto, the Company's representative director, hold 100% of voting rights in this company.
5. Amounts of rent paid are determined based on results of transactions on nearby properties and other factors.

(B) Parent company of the Company and major shareholders (corporate entities only)

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

Classification	Name of Company/ Organization	Location	Capital/ Investment Amount (thousands of yen)	Business Line/ Business	Ratio of Voting Rights Held (ownership) (%)	Relationship	Details of Transaction	Transaction Value (thousands of yen)	Account	End of period (thousands of yen)
Major shareholders	SF Property Management LLC.	Minato-ku, Tokyo	2,000	Asset management, investment consulting, etc.	(Ownership) 57.9%, directly held	Shared officers	Purchase of treasury shares (Note)	1,002,400	-	-

Note: Per board resolution approved on January 11, 2019, stock was acquired at 5,600 yen per share of common stock via tender offer.

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Not applicable

(2) Transactions between the Company and consolidated subsidiaries or related parties

(A) Company officers and major shareholders (individuals only)

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

Not applicable

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Not applicable

(B) Parent company of the Company and major shareholders (corporate entities only)

Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)

Not applicable

Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)

Not applicable

2. Notes on parent company or significant affiliates

Not applicable

(Per-share information)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Net assets per share	526.11 yen	512.88 yen
Net income per share	119.67 yen	23.53 yen
Diluted net income per share	110.78 yen	22.95 yen

Notes:

1. The Company executed a two-for-one stock split of common stock on September 1, 2019. As a result, net assets per share, net income per share, and diluted net income per share are calculated assuming that the stock split occurred at the beginning of the previous consolidated fiscal year.
2. The basis for calculating net income per share and diluted net income per share is as follows:

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	1,458,944	305,650
Amount not attributable to common stock shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent related to common stock (Thousands of yen)	1,458,944	305,650
Average number of common stock during the period	12,191,263	12,991,805
Diluted earnings per share		
Reconciliation of profit attributable to owners of parent (Thousands of yen)	-	-
Increase in number of common stock	977,944	323,708
(Included number of shares subject to stock acquisition rights)	(977,944)	(323,708)
Overview of potential shares not included in the calculation of diluted net income per share because they had no dilutive effect	-	-

(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

a) 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.

b) Major reasons for the business combination

The Group engages in the reuse business. This primarily entails buying and selling brand name products, precious metals, watches, gold bullion, jewelry, 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 Group's own auctions. The Group is in the process of bolstering buying operations 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 Group has determined that this share acquisition will give it the capacity needed to upgrade its buying operations structure.

c) Date of business combination

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

d) Legal form of business combination

Acquisition of shares in exchange for cash compensation

e) Name of acquired company after combination

NEO-STANDARD Co., Ltd.

f) Percentage of acquired voting rights

100%

g) Major reason for selection by acquiring company

This is because 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

(Announcement Concerning Issue of Stock Acquisition Rights (Stock Options))

At a Board of Directors meeting held today, Valuence Holdings Inc. ("the Company" hereinafter) passed a resolution concerning the issue of stock acquisition rights ("Stock Acquisition Rights" hereinafter) to Directors and employees of the Company and to Directors and employees of Company subsidiaries, pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act of Japan. Provided below is an overview.

(1) Purpose of and reason for granting the Stock Acquisition Rights

The Stock Acquisition Rights will be issued to strengthen the motivation of Directors and employees of the Company and Directors and employees of Company subsidiaries to contribute to medium- to long-term growth in Group corporate value through actions consistent with the interests of shareholders.

(2) Guidelines on issuing Stock Acquisition Rights

a) Number of stock acquisition rights

1,793 units

The total number of shares to be granted through the exercise of the Stock Acquisition Rights is 179,300 shares of Company's common stock. If the number of shares to be granted through the Stock Acquisition Rights is adjusted as described under Paragraph 3.a) below, the total number of shares to be granted will instead be the adjusted number of shares multiplied by the number of Stock Acquisition Rights.

b) Amount paid in exchange for Stock Acquisition Rights

The paid-in amount per Stock Acquisition Right shall be the fair value of the Stock Acquisition Rights, calculated by a fair method, including Black.Scholes model, as of the date of allocation of the Stock Acquisition Rights.

This paid-in amount shall be offset against claims of the recipient of the Stock Acquisition Rights on the Company for monetary compensation in the same amount (or claims of Director or employee of Company subsidiary on that subsidiary for monetary compensation, the resulting obligations for which are underwritten by the Company).

(3) Details of Stock Acquisition Rights

a) Class and number of shares to be subject to Stock Acquisition Rights the resulting obligations for which are underwritten by the Company).

The number of shares to be subject to each Stock Acquisition Right ("number of shares granted" hereinafter) shall be 100 shares of Company's common stock.

However, in the event of a stock split (including hereinafter the gratis allocation of common stock of the Company) or reverse stock split by the Company after the allocation date of Stock Acquisition Rights, the number of shares granted shall be adjusted using the formula given below. Note that such adjustment shall be made only for the number of shares to be subject to the Stock Acquisition Rights not yet exercised at that time; any fractional figure of less than one share resulting from such adjustment shall be rounded down.

number of shares granted after adjustment = number of shares granted before adjustment × ratio of stock split (or reverse stock split)

Following the date of allocation of the Stock Acquisition Rights, if the Company needs to adjust the number of shares granted due to merger, corporate split, decrease in capital, or other reasons than those indicated above, the number of shares granted may be adjusted appropriately.

b) Value of assets financed upon the exercise of the Stock Acquisition Rights and calculation method

The value of assets financed upon the exercise of the Stock Acquisition Rights shall be the amount derived by multiplying the paid-in amount per share of stock ("exercise price" hereinafter) by the number of shares granted.

The exercise price shall be the average of the closing price of the shares of the common stock of the Company on <the Tokyo Stock Exchange Mothers Section> for all days of the month preceding the month in which the date of allocation of Stock Acquisition Rights falls (excluding days on which no trading was completed) multiplied by 1.05 (rounding up any fraction less than one share). If this price is less than the closing price on the date of allocation of the Stock Acquisition Rights (or if no transactions were completed on that date, the closing price on the nearest preceding day on which there is a closing price), that closing price shall be used as the exercise price.

In the event of a stock split or reverse stock split by the Company after the date of allocation of the Stock Acquisition Rights, the exercise price shall be adjusted using the following formula. Any fractional figure of less than one yen resulting from such adjustment shall be rounded up.

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

After the date of allocation of the Stock Acquisition Rights, if the Company issues new shares or disposes of treasury shares of Company's common stock at a price less than the fair value (excluding issue of new shares or disposal of treasury shares based on exercise of stock acquisition rights or transfer of treasury shares as a result of a share exchange), the exercise price shall be adjusted using the following formula; any fractional figure of less than one yen resulting from such adjustment shall be rounded up.

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

In the above formula, "number of shares issued" refers to the total number of shares the Company has issued minus the number of treasury shares of the Company's common stock. In the event that treasury shares of the Company's common stock are disposed of, the "number of shares newly issued" shall be read as the "number of treasury shares disposed of."

In addition to the adjustments above, if the Company must adjust the exercise price after the date of allocation of the Stock Acquisition Rights due to a merger with another company, corporate split, or other such reasons, it may adjust the exercise price within the range deemed reasonable.

c) Period during which the Stock Acquisition Rights may be exercised

The period during which the Stock Acquisition Rights may be exercised ("exercise period" hereinafter) shall be from November 21, 2022 to November 19, 2030 (or the preceding banking business day if November 19, 2030 is not a banking business day).

d) Matters related to capital increases and capital reserves

a. The increase in capital on issue of shares through the exercise of the Stock Acquisition Rights shall be equal to one-half of the Maximum Amount of Increase in Stated Capital calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Any fraction less than one yen resulting from such calculation shall be rounded up.

b. The increase in capital reserves on the issue of shares through the exercise of the Stock Acquisition Rights shall be the Maximum Amount of Increase in Stated Capital under a. above minus the amount of the increase in capital described under a. above.

e) Restrictions on acquisition of Stock Acquisition Rights through transfer

Approval by resolution of the Company Board of Directors is required to acquire Stock Acquisition Rights through transfer.

f) Conditions on exercise of Stock Acquisition Rights

a. A holder of the Stock Acquisition Rights must be a Director, Auditor, or employee of the Company or a Director, Auditor, or employee of an affiliate of the Company (referring to an affiliate as defined in the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.) at the time of exercise of the Stock Acquisition Rights, unless he or she has resigned upon the termination of his or her term of office, retired upon mandatory retirement age, or has other good reason to be exempt from this condition.

b. An heir to a holder of the Stock Acquisition Rights may not exercise the Stock Acquisition Rights.

c. tock Acquisition Rights may not be exercised if the exercise of Stock Acquisition Rights would cause the Company's total number of shares issued to exceed its authorized total number of shares to be issued at that time.

d. A Stock Acquisition Right may not be exercised fractionally.

e. A Stock Acquisition Right may not be exercised in violation of the Agreement on Stock Acquisition Rights.

g) Matters related to the acquisition of Stock Acquisition Rights

a. If the General Meeting of Shareholders issues approval for (or, in a case not requiring the approval of the General Meeting of Shareholders, the Board of Directors passes a resolution on) a merger agreement whereby the Company would be extinguished, a split agreement or plan under which the Company would be split, or a share exchange agreement or share transfer plan under which the Company would become a wholly owned subsidiary, the Company may acquire all Stock Acquisition Rights gratis as of the date specified separately by the Company Board of Directors.

b. If a holder of Stock Acquisition Rights is no longer able to exercise Stock Acquisition Rights for the reasons specified under Paragraph 3.f) above, the Company may acquire the Stock Acquisition Rights gratis.

c. If a holder of the Stock Acquisition Rights requests their forfeiture, the Company may acquire the Stock Acquisition Rights gratis.

h) Handling of Stock Acquisition Rights in the event of reorganization

In the event of the merger (but only in cases in which the Company would be extinguished by such merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, “organizational restructuring ” hereinafter) of the Company, Stock Acquisition Rights of the Company that falls under any of Sub-items (A)-(E) in Article 236, Paragraph 1, Item 8, Sub-items (“reorganized company” hereinafter) of the Companies Act, shall be issued to holders of the Stock Acquisition Rights on the effective date of such organizational restructuring. subject to the conditions given below. However, this provision shall apply only to cases in which the absorption-type merger agreement, consolidation-type merger agreement absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan states that Stock Acquisition Rights in the reorganized company are to be issued in accordance with the following conditions:

a. Number of stock acquisition rights to be issued in reorganized company

To be issued to each holder of the Stock Acquisition Rights in the same number as the Stock Acquisition Rights held by that holder

b. Class of shares of the reorganized company to be subject to Stock Acquisition Rights

Class of shares shall be common stock of the reorganized company

c. Number of shares of the reorganized company to be subject to Stock Acquisition Rights

To be determined in accordance with Paragraph 3.a) above in consideration of the conditions of the organizational restructuring

d. Value of assets financed upon exercise of the Stock Acquisition Rights

The value of assets financed upon exercise of each Stock Acquisition Right to be issued shall be the exercise price after the organizational restructuring resulting from the adjustment of the exercise price set out in Paragraph 3.b) above, multiplied by the number of shares in the reorganized company to be subject to the Stock Acquisition Rights in accordance with Paragraph 3.h)c. above

e. Period during which Stock Acquisition Rights may be exercised

Period from the start date of the exercise period as provided in Paragraph 3.c) above or the effective date of the organizational restructuring, whichever is later, through the ending date of the exercise period as provided in Paragraph 3.c) above

f. Matters related to capital increases and capital reserves when issuing shares through the exercise of Stock

(4) Date of allocation of Stock Acquisition Rights

December 23, 2020

(5) Matters related to certificates on the Stock Acquisition Rights

The company shall not issue certificates for the Stock Acquisition Rights

(6) Recipients of Stock Acquisition Rights and numbers thereof

Director of the Company	1 person	200 units
Employees of the Company	41 persons	529 units
Directors of Company subsidiaries	2 persons	200 units
Employees of Company subsidiaries	90 persons	864 units

e) Consolidated Supplementary Schedules

Corporate Bond Schedule

Company Name	Class	Date issued	Beginning of period (thousands of yen)	End of period (thousands of yen)	Interest rate (%)	Collateral	Redemption deadline
Valuence Holdings Inc.	First Series Unsecured Bonds (Guaranteed by Mizuho Bank)	March 31, 2015	160,000 (160,000)	- (-)	0.12	None	March 31, 2020
Total	-	-	160,000 (160,000)	- (-)	-	-	-

Note: Amounts in parentheses indicate amounts scheduled for redemption within one year, included in the total.

Schedule of Borrowings

Classification	Beginning of period (thousands of yen)	End of period (thousands of yen)	Average interest rate (%)	Due date
Short-term loans payable	4,440,000	6,343,288	0.34	-
Current portion of long-term loans payable	254,088	231,242	0.39	-
Current portion of lease obligations	8,204	31,808	0.28	-
Long-term loans payable (excludes current portion)	572,518	340,868	0.50	September 2021 to September 2036
Lease obligations (excludes current portion)	474	9,385	0.29	September 2021 to December 2021
Total	5,275,284	6,956,592	-	-

Notes:

1. Average interest rate is the weighted average interest rate for borrowings at the end of the period.
2. Scheduled repayments for long-term loans payable and lease obligations (excluding the current portion) for the five years following the consolidated financial closing date are as follows:

(Thousands of yen)

	Between one and two years	Between two and three years	Between three and four years	Between four and five years
Long-term loans payable	105,914	19,896	19,896	19,896
Lease obligations	9,385	-	-	-

Schedule of Asset Retirement Obligations

Information is omitted because the items to be described in this schedule are provided in the notes stipulated in Article 15-23 of the Ordinance on Financial Statements.

(2) Other

Quarterly information for the current consolidated fiscal year:

(Year-to-date)		First quarter	Second quarter	Third quarter	Current Consolidated Fiscal Year
Net sales	(Thousands of yen)	11,613,180	20,308,740	25,242,427	37,932,651
Profit (loss) before income taxes	(Thousands of yen)	721,298	620,794	(388,614)	599,044
Profit (loss) attributable to owners of parent	(Thousands of yen)	467,429	366,468	(585,853)	305,650
Net income (loss) per share	(Yen)	36.64	28.46	(45.25)	23.53

(Fiscal year)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share	(Yen)	36.64	(7.77)	(72.76)	67.93

2. Financial Statements

(1) Financial Statements

a) Balance sheets

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2019)	Current Consolidated Fiscal Year (As of August 31, 2020)
Assets		
Current assets		
Cash and deposits	3,671,638	500,327
Accounts receivable – trade	*1 316,598	*1 219,900
Merchandise	4,673,530	-
Supplies	2,294	452
Prepaid expenses	427,898	145,711
Accounts receivable – other	*1 231,273	*1 460,613
Short-term loans receivable from subsidiaries and associates	-	*1 150,000
Other	*1 51,508	*1 299,372
Allowance for doubtful accounts	(205,240)	(112,836)
Total current assets	9,169,501	1,663,541
Non-current assets		
Property, plant, and equipment		
Buildings	1,136,467	245,879
Tools, furniture, and fixtures	81,381	9,117
Lease Assets	6,667	-
Construction in progress	10,424	-
Total property, plant, and equipment	1,234,940	254,997
Intangible assets		
Trademark right	17,279	14,729
Software	194,683	106,057
Leased assets	323	-
Other	5,754	-
Total intangible assets	218,040	120,786
Investments and other assets		
Shares of subsidiaries and associates	884,269	5,159,799
Guarantee deposits	1,000,622	462,373
Deferred tax assets	315,623	291,622
Other	*1 298,585	*1 10,988
Allowance for doubtful accounts	(2,667)	-
Total investments and other assets	2,496,433	5,924,784
Total non-current assets	3,949,415	6,300,569
Total assets	13,118,917	7,964,110

(Thousands of yen)

	Previous Consolidated Fiscal Year (As of August 31, 2019)	Current Consolidated Fiscal Year (As of August 31, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	18,552	-
Short-term loans payable	*3 4,200,000	*3 343,000
Current portion of long-term loans payable	186,996	171,996
Current portion of bonds	160,000	-
Lease obligations	8,204	-
Accrued expenses	87,301	6,626
Income taxes payable	571,320	10,419
Provision for bonuses	165,144	22,044
Other	*1 402,115	*1 256,130
Total current liabilities	5,799,634	810,217
Non-current liabilities		
Long-term loans payable	258,014	86,018
Lease obligations	474	-
Asset retirement obligations	454,840	200,100
Provision for directors’ retirement benefits	63,746	66,400
Long-term accounts payable - other	2,228	-
Total non-current liabilities	779,304	352,518
Total liabilities	6,578,938	1,162,736
Net assets		
Shareholders’ equity		
Capital stock	1,027,507	1,117,032
Capital surplus		
Legal capital surplus	1,017,504	1,107,029
Total capital surplus	1,017,504	1,107,029
Retained earnings		
Legal retained earnings	2,500	2,500
Other retained earnings		
Retained earnings brought forward	4,552,250	4,634,642
Total retained earnings	4,554,750	4,637,142
Treasury shares	(59,783)	(59,830)
Total shareholders’ equity	6,539,979	6,801,373
Total net assets	6,539,979	6,801,373
Total liabilities and net assets	13,118,917	7,964,110

b) Statements of Income

(Thousands of yen)

	Previous Fiscal Year (September 1, 2018 to August 31, 2019)	Current Fiscal Year (September 1, 2019 to August 31, 2020)
Net sales	*2 35,574,088	*2 19,069,742
Operating revenue	-	*2 1,206,000
Total of net sales and operating revenue	35,574,088	20,275,742
Cost of sales		
Merchandise, beginning of period	4,305,340	4,673,530
Cost of purchased goods	27,341,826	14,982,367
Total	31,647,167	19,655,898
Merchandise, ending of period	4,673,530	-
Transfer to other accounts	-	4,873,582
Cost of goods sold	26,973,636	14,782,315
Gross profit	8,600,451	5,493,426
SG&A	*1,*2 6,406,061	*1,*2 3,563,144
Operating expenses	-	1,102,734
Total of SG&A and operating expenses	6,406,061	4,665,878
Operating profit	2,194,390	827,547
Non-operating income		
Interest income	175	*2 556
Dividends income	-	12,780
Foreign exchange gains	34,166	3,206
Fiduciary obligation fee	*2 9,457	*2 6,008
Rental income	5,956	6,463
Eviction fee revenue	16,800	-
Other	*2 20,454	*2 3,342
Total non-operating income	87,009	32,358
Non-operating expenses		
Interest expenses	24,749	15,655
Commission fee	10,186	559
Loss on extinguishment of share-based remuneration expenses	-	32,779
Other	9,504	7,702
Total non-operating expenses	44,440	56,696
Ordinary profit	2,236,960	803,209
Extraordinary losses		
Impairment loss	16,676	17,965
Total extraordinary losses	16,676	17,965
Profit before income taxes	2,220,283	785,244
Income taxes – current	777,979	233,433
Income taxes – deferred	(35,182)	24,000
Total income taxes	742,796	257,434
Net income	1,477,486	527,810

c) Statement of Changes in Equity

Previous Fiscal Year (September 1, 2018 to August 31, 2019)

(Thousands of yen)

	Shareholders' Equity						
		Capital Surplus			Retained Earnings		
	Capital Stock	Legal Capital Surplus	Other Capital Surplus	Capital Surplus Total	Legal Retained Earnings	Other Retained Earnings Retained Earnings Brought Forward	Retained Earnings Total
Beginning of period	948,582	938,580	-	938,580	2,500	3,724,081	3,726,581
Changes during the period							
Issuance of new shares	78,924	78,924		78,924			-
Dividends of surplus				-		(312,631)	(312,631)
Net income				-		1,477,486	1,477,486
Purchase of treasury shares				-			-
Disposal of treasury shares			(336,686)	(336,686)			-
Transfer of loss on disposal of treasury shares			336,686	336,686		(336,686)	(336,686)
Total changes during the period	78,924	78,924	-	78,924	-	828,168	828,168
End of period	1,027,507	1,017,504	-	1,017,504	2,500	4,552,250	4,554,750

	Shareholders' Equity		Total Net Assets
	Treasury Shares	Shareholders' Equity Total	
Beginning of period	-	5,613,745	5,613,745
Changes during the period			
Issuance of new shares		157,848	157,848
Dividends of surplus		(312,631)	(312,631)
Net income		1,477,486	1,477,486
Purchase of treasury shares	(1,002,565)	(1,002,565)	(1,002,565)
Disposal of treasury shares	942,782	606,096	606,096
Transfer of loss on disposal of treasury shares		-	-
Total changes during the period	(59,783)	926,233	926,233
End of period	(59,783)	6,539,979	6,539,979

Current Fiscal Year (September 1, 2019 to August 31, 2020)

(Thousands of yen)

	Shareholders' Equity						
	Capital Stock	Capital Surplus			Retained Earnings		
		Legal Capital Surplus	Other Capital Surplus	Capital Surplus Total	Legal Retained Earnings	Other Retained Earnings Retained Earnings Brought Forward	Retained Earnings Total
Beginning of period	1,027,507	1,017,504	-	1,017,504	2,500	4,552,250	4,554,750
Changes during the period							
Issuance of new shares	89,525	89,525		89,525			-
Dividends of surplus				-		(445,418)	(445,418)
Net income				-		527,810	527,810
Purchase of treasury shares				-			-
Total changes during the period	89,525	89,525	-	89,525	-	82,391	82,391
End of period	1,117,032	1,107,029	-	1,107,029	2,500	4,634,642	4,637,142

	Shareholders' Equity		Total Net Assets
	Treasury Shares	Shareholders' Equity Total	
Beginning of period	(59,783)	6,539,979	6,539,979
Changes during the period			
Issuance of new shares		179,050	179,050
Dividends of surplus		(445,418)	(445,418)
Net income		527,810	527,810
Purchase of treasury shares	(46)	(46)	(46)
Total changes during the period	(46)	261,394	261,394
End of period	(59,830)	6,801,373	6,801,373

[Notes]

(Key accounting policies)

1. Valuation standards and methods for securities

Affiliated companies: The moving average cost method is applied.

2. Valuation standards and methods for inventories

Merchandise

Used goods, jewelry, precious metals

The Company calculates costs by the specific identification method (i.e., values on the balance sheet are calculated by the book value reduction method based on decreased profitability).

Supplies

The Company calculates costs by the specific identification method (i.e., values on the balance sheet are calculated by the book value reduction method based on decreased profitability).

3. Depreciation method for non-current assets

(1) Property, plant, and equipment (excluding leased assets)

The declining balance method is applied. However, for buildings (excluding facilities attached to buildings but including facilities attached to buildings acquired on or after April 1, 2016), the straight-line method is applied.

Note that the most common useful economic life periods are as follows:

Buildings	3-15 years
Tools, furniture, and fixtures	3-10 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied. For software, the straight-line method based on the period of internal use (five years) is applied.

(3) Leased assets

Lease assets related to finance leases without transfer of ownership

The straight-line method is applied, with the lease period defined as the useful economic life and zero residual value.

4. Accounting standards for provisions

(1) Allowance for doubtful accounts

To prepare for bad debt expenses on receivables such as accounts receivable and loans receivable, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables. The estimated amount of irrecoverable debt is booked based on the recoverability of individual cases for specified receivables, such as debt with a possibility of default.

(2) Provision for bonuses

To prepare for the payment of employee bonuses, the estimated amount of bonus payments anticipated for the current fiscal year is recorded.

(3) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, the amount recorded is the amount required to be paid at the end of the term based on rules regarding provisions for directors' retirement benefits.

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

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

6. Other significant matters that serve as bases for preparing consolidated financial statements

Accounting treatment of consumption taxes

Consumption tax and local consumption tax are accounted for by the tax excluded method.

(Change in presentation method)

(Balance sheets)

Included under *Current assets* as *Other* in the previous fiscal year, *Accounts receivable – other* is presented independently starting this fiscal year due to its greater monetary significance. Financial statements for the previous fiscal year have been restated to reflect this change in presentation methods.

As a result, the 282,781 thousand yen under *Other* current assets in the previous fiscal year is restated as 231,273 thousand yen in *Accounts receivable – other* and 51,508 thousand yen under *Other*.

(Statements of income)

Included under *Non-operating income* as *Other* in the previous fiscal year, *Rent income* is presented independently starting this fiscal year due to its greater monetary significance. Financial statements for the previous fiscal year have been restated to reflect this change in presentation methods.

As a result, the 26,410 thousand yen under *Other* non-operating income in the previous fiscal year is restated as 5,956 thousand yen in *Rent income* and 20,454 thousand yen under *Other*.

(Additional information)

(Change in presentation categories accompanying transition to holding company structure)

The company transitioned to a holding company structure effective March 1, 2020. As a result, what had been presented as *Net sales* under Operating profit (loss) on statements of income before this transition is now presented as *Operating income*, while *Cost of sales* and *SG&A* are now are presented as *Operating expenses*. The entire amount of the 1,102,734 thousand yen recorded as operating expenses in this fiscal year corresponds to SG&A.

(Regarding balance sheets)

*1 Monetary receivables and payables from and to affiliated companies

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2019)	Current Fiscal Year (as of August 31, 2020)
Short-term monetary claims	48,215	856,073
Long-term monetary claims	20,171	5,408
Short-term monetary debt	8,653	16,807

*2 Guarantee obligations

The Company guarantees debts on loans from financial institutions and other lenders to the following affiliate company:

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2019)	Current Fiscal Year (as of August 31, 2020)
Valuence Japan Inc.	-	1,200,000

*3 Overdraft agreements

To raise working capital efficiently, we have entered into an overdraft agreement with two banks (10 in the previous fiscal year). The unused balance under this agreement is as follows:

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2019)	Current Fiscal Year (as of August 31, 2020)
Total maximum overdraft limit	7,820,000	2,000,000
Balance of loans executed	4,200,000	200,000
Net balance	3,620,000	1,800,000

(Regarding statements of income)

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

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Depreciation	279,337	187,013
Advertising expenses	735,426	498,106
Salaries and bonuses	1,509,178	1,057,762
Rents	1,238,036	937,113
Provision for bonuses	165,144	22,044
Provision of allowance for doubtful accounts	109,963	8,761
Provision for directors' retirement benefits	13,371	14,928
Approximate share		
Selling expenses	71%	55%
General and administrative expenses	29%	45%

*2 Transaction volumes with affiliated companies

(Thousands of yen)

	Previous Consolidated Fiscal Year (September 1, 2018 to August 31, 2019)	Current Consolidated Fiscal Year (September 1, 2019 to August 31, 2020)
Volume of business transactions		
Net sales	14,162	744,174
Operating income	-	1,206,000
SG&A	194,079	164,417
Volume of non-business transactions	10,605	16,851

(Securities)

The fair value of affiliated company stocks is not provided because these stocks lack market prices and fair value is extremely difficult to estimate.

The following provides the value for affiliate company stock recognized on the balance sheet. Estimating a fair value for these stocks is extremely difficult.

(Thousands of yen)

Classification	Previous Fiscal Year (as of August 31, 2019)	Current Fiscal Year (as of August 31, 2020)
Shares of subsidiaries and associates	884,269	5,159,799
Total	884,269	5,159,799

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major classification

(Thousands of yen)

	Previous Fiscal Year (as of August 31, 2019)	Current Fiscal Year (as of August 31, 2020)
Deferred tax assets		
Provision for directors' retirement benefits	19,522	20,331
Excess amount of amortization of deferred assets	2,188	68
Allowance for doubtful accounts	63,670	34,550
Provision for bonuses	50,574	6,749
Excess depreciation	235	-
Loss on valuation of inventories	37,887	7,058
Impairment loss	50,620	-
Asset retirement obligations	143,757	61,270
Accrued business office taxes	2,821	631
Accrued enterprise tax	34,493	-
Stock-based compensation expenses	6,972	38,691
Shares of stock in successor company in corporate split	-	164,690
Other	931	778
Subtotal of deferred tax assets	413,675	334,822
Valuation allowance	(19,522)	(20,331)
Total deferred tax assets	394,153	314,491
Deferred tax liabilities		
Retirement expenses related to asset retirement obligations	78,529	19,786
Accrued enterprise tax receivable	-	3,081
Total deferred tax liabilities	78,529	22,868
Deferred tax assets, net	315,623	291,622

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

	Previous Fiscal Year (as of August 31, 2019)	Current Fiscal Year (as of August 31, 2020)
Effective statutory tax rate	30.62%	30.62%
Increase (decrease) in valuation allowance	0.18%	0.10%
Per capita	1.36%	2.44%
Accumulated earnings tax	2.78%	-%
Non-deductible entertainment expenses	0.08%	0.89%
Tax credits under salary growth promotion system	(1.90%)	-%
Other	0.33%	(1.26%)
Income tax rate after application of tax effect accounting	33.46%	32.79%

(Corporate consolidation, etc.)

(Transition to holding company structure through corporate split)

Omitted here because the information is provided under *Notes (Corporate consolidation, etc.)* in consolidated financial statements

(Transaction under common management and related matters)

Omitted here because the information is provided under *Notes (Corporate consolidation, etc.)* in consolidated financial statements

(Significant subsequent events)

(Issue of stock acquisition rights as stock options)

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

d) Supplementary Schedule

Schedule of Property, Plant and Equipment

(Thousands of yen)

Classification	Asset class	Beginning of period	Increase	Decrease	Depreciation	End of period	Accumulated depreciation
Property, plant and equipment	Buildings	1,136,467	186,595	961,814 (17,965)	115,368	245,879	383,954
	Tools, furniture and fixtures	81,381	13,072	67,713	17,622	9,117	45,129
	Leased assets	6,667	-	2,449	4,218	-	12,679
	Construction in progress	10,424	16,072	26,497	-	-	-
	Total	1,234,940	215,740	1,058,474 (17,965)	137,209	254,997	441,764
Intangible assets	Trademark right	17,279	-	-	2,550	14,729	15,770
	Software	194,683	143,648	185,343	46,930	106,057	68,680
	Leased assets	323	-	-	323	-	-
	Other	5,754	116,149	121,904	-	-	-
	Total	218,040	259,798	307,247	49,804	120,786	84,450

(Notes)

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

(Thousands of yen)

Facilities attached to buildings	ALLU Ginza	Interior construction, etc.	27,600
	Nanboya Shinjuku Alta	Interior construction, etc.	20,893
	BRAND CONCIER Matsuzakaya Nagoya	Interior construction, etc.	20,580
	Nanboya+Miney Tokyu Plaza Shibuya	Interior construction, etc.	19,893
Software	Head office	Appraisal management system construction	106,483

2. The amounts subject to split through the absorption-type split conducted March 1, 2020, included above under Decrease, are shown below.

Buildings and structures	76 offices in total	Interior construction, etc.	943,848
Software	Head office	System for company use	105,621

3. The amount in parentheses in the Decrease column is the amount of impairment loss recorded, which is included in the total.

Schedule of Provisions

(Thousands of yen)

Account	Beginning of period	Increase	Decrease	End of period
Allowance for doubtful accounts	207,907	8,761	103,832	112,836
Provision for bonuses	165,144	22,044	165,144	22,044
Provision for directors' retirement benefits	63,746	14,928	12,275	66,400

(Note) The amount in the Decrease column field under the allowance for doubtful accounts is primarily from reductions in provision due to reversal and reductions due to the absorption-type split in which the Company was the split company and Valuence Japan Inc. was the succeeding company in the absorption-type split.

(2) Major Assets and Liabilities

This information is omitted, as the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Stock Administration

Fiscal year	September 1 to August 31
Ordinary General Meeting of Shareholders	Within three months from the day following the final day of each fiscal year
Date of record	August 31
Date of record for Dividends From Surplus	End of February, August 31
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder Register Manager	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	—
Purchase and sales fee	Predetermined fees for the consignment of purchase and sales of shares
Method for public notice	Published electronically. However, public notices will be published via the *Nihon Keizai Shimbun* in the event that electronic publication is unavailable due to accidents or other unavoidable circumstances. Public notices are posted on the Company's website (URL below): https://www.valuence.inc/ir/investor/publicnotice/
Special benefits for shareholders	None

Note:

Company shareholders may not exercise any rights related to holdings of fractional shares, except those rights stipulated as follows:

(1) Rights as provided in Paragraph 2, Article 189 of the Companies Act

(2) Rights to demands as provided in Paragraph 1, Article 166 of the Companies Act

(3) Rights to receive an allotment of share subscriptions or share warrants according to the number of shares held by the shareholder in question

VII. Reference Information for Filing Company

1. Information on Parent Company of Filing Company

The Company's parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act is SF Property Management Inc.

2. Other Reference Information

The Company filed the following documents during the period from the first day of the fiscal year to the filing date of Annual Securities Report.

(1) Annual Securities Report and Attached Documents, and Confirmation Letter

8th Fiscal Year (September 1, 2018 to August 31, 2019)

Filed with the Director-General of the Kanto Local Finance Bureau on November 22, 2019

(2) Amendment to Annual Securities Report and Confirmation Letter

7th Fiscal Year (September 1, 2017 to August 31, 2018)

Filed with the Director-General of the Kanto Local Finance Bureau on November 28, 2019

8th Fiscal Year (September 1, 2018 to August 31, 2019)

Filed with the Director-General of the Kanto Local Finance Bureau on November 28, 2019

(3) Internal Control Report and Attached Documents

Filed with the Director-General of the Kanto Local Finance Bureau on November 22, 2019

(4) Quarterly Report and Confirmation Letter

9th Fiscal Year 1st Quarter (September 1, 2019 to November 30, 2019)

Filed with the Director-General of the Kanto Local Finance Bureau on January 14, 2020

9th Fiscal Year 2nd Quarter (December 1, 2019 to February 29, 2020)

Filed with the Director-General of the Kanto Local Finance Bureau on April 14, 2020

9th Fiscal Year 3rd Quarter (March 1, 2020 to May 31, 2020)

Filed with the Director-General of the Kanto Local Finance Bureau on July 15, 2020

(5) Extraordinary Report

Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (Voting Results at the Shareholders' Meeting)

Filed with the Director-General of the Kanto Local Finance Bureau on November 25, 2019

Part 2 Information on Guarantee Company, Etc. of the Filing Company

Not applicable

Independent Auditor's Report on the Financial Statements

November 20, 2020

To: The Board of Directors,

Valuence Holdings Inc.

Deloitte Touche Tohmatsu Limited
Tokyo Office

Designated Limited Liability Partner, Certified Public Accountant	Koichi Kuse	Seal
Designated Limited Liability Partner, Certified Public Accountant	Hiroyuki Ito	Seal

Auditor's opinion

We have audited the accompanying financial statements of Valuence Holdings Inc. (formerly SOU Inc.) included in Financial Information for the consolidated fiscal year from September 1, 2019 to August 31, 2020, comprising the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of shareholders' equity, consolidated statement of cash flows, significant accounting policies, other related notes, and consolidated supplementary schedules, in accordance with Article 193, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the consolidated financial statements referred to above fairly present all material points concerning the state of finances as of August 31, 2020 and the state of business results and cash flows for the consolidated fiscal year ended on that date of Valuence Holdings Inc. (formerly SOU Inc.), in compliance with principles of corporate accounting generally accepted in Japan.

Evidence for the auditor's opinion

We performed our audit in accordance with audit principles generally accepted in Japan. Our responsibilities under these audit principles are described under "Auditor's responsibilities in audits of consolidated financial statements." In accordance with rules of professional ethics in Japan, we are independent from the Company and its consolidated subsidiaries and have met all other applicable ethical responsibilities of an auditor. We believe we have obtained sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.

Matter of Emphasis

As described in Significant Subsequent Events, at its August 20, 2020 Board of Directors' meeting, the Company passed a resolution allowing Valuence Japan Inc., a consolidated Company subsidiary, to acquire all shares of stock in NEO-STANDARD Co., Ltd. Procedures to acquire this stock were completed on September 30, 2020.

Our opinion is not modified in respect of this matter.

Responsibilities of Company management and of the Audit and Supervisory Committee regarding the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for designing and operating the internal controls management determines necessary for the preparation and fair presentation of consolidated financial statements free of material misstatements, whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the propriety of preparing consolidated financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with the principles of corporate accounting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the performance of the directors in duties related to implementing and maintaining the financial reporting process.

Responsibilities of the auditor in auditing the consolidated financial statements

Our responsibility is to secure, based on our audit, reasonable assurance that the consolidated financial statements as a whole are free of material misrepresentation due to malfeasance or error and to set forth, in the audit report, an independent opinion on the consolidated financial statements. Misstatements may arise due to malfeasance or error and are judged to constitute material misstatements if they can reasonably be expected to impact decision-making by users of the consolidated financial statements, either individually or in sum.

Through the audit process, in accordance with audit principles generally accepted in Japan, we implemented the following measures based on our professional judgment and the spirit of skeptical inquiry:

- Identification and assessment of risks of material misrepresentation due to malfeasance or error; drafting and implementation of audit procedures suited to the risks of material misrepresentation; making judgments on the selection and application of audit procedures; securing sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.
- An audit of consolidated financial statements is not intended to lead to an opinion on the efficacy of internal controls. Nevertheless, in assessing risks, we do consider internal controls related to auditing to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and how they are applied, as well as the reasonableness of accounting estimates made by management and the suitability of related notes.
- We reach our conclusions on whether or not management's preparation of consolidated financial statements based on the going-concern assumption is appropriate and whether, based on the audit evidence obtained, any material uncertainties have been identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to them in the notes to the consolidated financial statements. If the notes to the consolidated financial statements concerning material uncertainties are inappropriate, the audit report must express an opinion mentioning such exceptions to the consolidated financial statements. The auditor's conclusions are based on audit evidence obtained through the date of the audit report. Future events or conditions may render it impossible for the Company to continue as a going concern.
- We assess whether the presentation and notes in the consolidated financial statements conform to the principles of corporate accounting generally accepted in Japan; and whether the presentation, structures, and contents of the consolidated financial statements, including related notes, as well as the consolidated financial statements as a whole, accurately present the transactions and accounting facts on which they are based.
- We obtain sufficient and appropriate audit evidence concerning the financial information of the Company and its consolidated subsidiaries to serve as the basis for the statement of our opinion on the consolidated financial statements. We are responsible for instructions, oversight, and implementation related to auditing of the consolidated financial statements. We are responsible for expression of an independent audit opinion.

We report to the Audit and Supervisory Committee on the scope and timing of the planned audit; any material audit discoveries, including material deficiencies in internal controls systems identified in the audit process; and related matters specified by audit standards.

We report to the Audit and Supervisory Committee with regard to our independence in accordance with rules of professional ethics in Japan and with regard to any matters that may reasonably be viewed as affecting the independence of auditors, as well as the specifics of safeguards taken to eliminate or mitigate any such impediments.

Conflict of interest

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries warranting disclosure pursuant to the provisions of the Certified Public Accountants Act.

Notes:

1. The above is a digital version of the original audit report. The original is kept separately by the Company (filing company of the securities report).
2. XBRL data is unaudited.

Independent Auditor's Report on the Financial Statements

November 20, 2020

To: The Board of Directors,

Valuence Holdings Inc.

Deloitte Touche Tohmatsu Limited
Tokyo Office

Designated Limited Liability Partner, Certified Public Accountant	Koichi Kuse	Seal
Designated Limited Liability Partner, Certified Public Accountant	Hiroyuki Ito	Seal

Auditor's opinion

We have audited the accompanying financial statements of Valuence Holdings Inc. (formerly SOU Inc.) included in Financial Information for the ninth fiscal year from September 1, 2019 to August 31, 2020, which comprise the balance sheet, statement of income, statement of shareholders' equity, significant accounting policies, and other related notes in accordance with Article 193, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the financial statements referred to above fairly present all material points on the state of finances as of August 31, 2020, and the state of business results for the fiscal year ended on that date, of Valuence Holdings Inc. (formerly SOU Inc.), in compliance with the principles of corporate accounting generally accepted in Japan.

Evidence for the auditor's opinion

We carried out our audit in accordance with audit principles generally accepted in Japan. Our responsibilities under these audit principles are described under "Auditor's responsibilities in audits of financial statements." In accordance with rules of professional ethics in Japan, we are independent from the Company and have met all other applicable ethical responsibilities of an auditor. We believe we have obtained sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.

Responsibilities of Company management and of the Audit and Supervisory Committee regarding the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating the internal controls management determines necessary for the preparation and fair presentation of financial statements free of material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the propriety of preparing financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with the principles of corporate accounting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the performance of the duties of the directors in maintenance and operation of the financial reporting process.

Responsibilities of the auditor in auditing the financial statements

Our responsibility is to secure, based on our audit, reasonable assurance that the financial statements as a whole are free of material misrepresentation due to malfeasance or error and to present, in the audit report, an independent opinion on the financial statements. Misstatements may arise due to malfeasance or error and are judged to constitute material misstatements if they can reasonably be expected to impact decision-making by users of the financial statements, either individually or in sum.

Through an audit process in accordance with audit principles generally accepted in Japan, we implemented the following measures based on our professional judgment and the spirit of skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error; drafting and implementation of audit procedures suited to the risks of material misrepresentation; making judgments on selection and application of audit procedures; and, securing sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.

- An audit of financial statements is not intended to lead to an opinion on the efficacy of internal controls. Nevertheless, in assessing risks, we do consider internal controls related to auditing to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and how they are applied, as well as the reasonableness of accounting estimates made by management and the suitability of related notes.
- We reach our conclusions on whether or not management's preparation of financial statements based on the going-concern assumption is appropriate and whether, based on the audit evidence obtained, any material uncertainties have been identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to them in the notes to the financial statements. If the notes to the financial statements concerning material uncertainties are inappropriate, the audit report must express an opinion mentioning such exceptions to the financial statements. The auditor's conclusions are based on audit evidence obtained through the date of the audit report. Future events or conditions may render it impossible for the Company to continue as a going concern.
- We assess whether the presentation and notes in the financial statements conform to the principles of corporate accounting generally accepted in Japan; and whether the presentation, structures, and contents of the financial statements, including related notes, as well as the financial statements as a whole, accurately present the transactions and accounting facts on which they are based.

We report to the Audit and Supervisory Committee on the scope and timing of the planned audit; any material audit discoveries, including material deficiencies in internal controls systems identified in the audit process; and related matters specified by audit standards.

We report to the Audit and Supervisory Committee with regard to our independence in accordance with rules of professional ethics in Japan and with regard to any matters that may reasonably be viewed as affecting the independence of auditors, as well as the specifics of safeguards taken to eliminate or mitigate any such impediments.

Conflicts of interest

Our firm and engagement partners have no interest in the Company warranting disclosure pursuant to the provisions of the Certified Public Accountants Act.

Notes:

1. The above is a digital version of the original audit report. The original is kept separately by the Company (filing company of the securities report).
2. XBRL data is unaudited.