



## Consolidated Financial Results for the Six Months Ended February 28, 2021 [Japanese GAAP]

April 14, 2021

Company name: Valuence Holdings Inc.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 9270

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Scheduled date for filing quarterly securities report: April 14, 2021

Scheduled date for commencing dividend payments: —

Preparation of supplementary quarterly financial results briefing materials : Yes

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

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

### 1. Consolidated financial results for the six months ended February 28, 2021 (September 1, 2020 to February 28, 2021)

#### (1) Consolidated operating results (cumulative)

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended February 28, 2021	23,743	16.9	66	(90.3)	36	(94.3)	(123)	—
Six months ended February 29, 2020	20,308	7.1	685	(40.5)	638	(44.4)	366	(52.4)

Note: Comprehensive income: Six months ended February 28, 2021 (114) million yen [—%]  
Six months ended February 29, 2020 373 million yen [-51.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 28, 2021	(9.39)	—
Six months ended February 29, 2020	28.46	27.53

#### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of February 28, 2021	18,406	6,456	34.8
As of August 31, 2020	15,378	6,735	43.8

(Reference only) Equity Six months ended February 28, 2021 6,404 million yen  
Fiscal year ended in August 2020 6,735 million yen

### 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended in August 2020	—	0.00	—	25.00	25.00
Fiscal year ending in August 2021	—	0.00	—	—	—
Fiscal year ending in August 2021 (forecast)	—	—	—	35.00	35.00

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

### 3. Consolidated financial results forecast for the fiscal year ending in August 2021 (September 1, 2020 to August 31, 2021)

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	58,000	52.9	2,500	296.0	2,450	293.9	1,500	390.8	113.46

(Note) Revision to the financial results forecast announced most recently: None

\* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the changes in the scope of consolidation): None
- (2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
- 1) Changes in accounting policies due to application of new or revised accounting standards : None
  - 2) Changes in accounting policies other than 1) above : None
  - 3) Changes in accounting estimates : None
  - 4) Retrospective restatements : None

(4) Number of shares of common stock issued

- 1) Number of shares issued at the end of the period (including treasury stock)
- 2) Number of shares of treasury stock at the end of the period
- 3) Average number of shares of common stock during the period (cumulative)

As of February 28, 2021	13,312,830 shares	Fiscal year ended in August 2020	13,183,160 shares
As of February 28, 2021	52,064 shares	Fiscal year ended in August 2020	49,590 shares
Six months ended February 28, 2021	13,186,308 shares	Six months ended February 29, 2020	12,875,984 shares

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

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

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. (3) Explanation of consolidated financial results forecast and other forward-looking information” on page 4 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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## 1. Qualitative information on quarterly financial results

### (1) Explanation of business results

The Company Group is currently promoting efforts to achieve the VG1000 mid-term management plan for the period through the fiscal year ending in August 2025. The Company Group aims to transform itself into a recurring revenue model to achieve sustainable growth by becoming a Global Reuse Platformer, providing partners (“partner” referring hereinafter to a reuse business operator in an auction) around the world with one-stop support in the buying and selling of luxury brand items.

The Company Group positions the current period as a year for concentrated proactive investment to achieve its growth strategies, and as such, it plans to increase advertising expenditures, as well as personnel expenses, expenditures related to systems maintenance and development, etc. As a result of carrying out initiatives based on this plan, the Company Group’s consolidated financial results for the six months under review were as follows.

Net sales	23,743 million yen	(Up 16.9% from the previous corresponding period)
Operating profit	66 million yen	(Down 90.3% from the previous corresponding period)
Ordinary profit	36 million yen	(Down 94.3% from the previous corresponding period)
Profit attributable to owners of parent	123 million yen	(Profit attributable to owners of parent for the previous corresponding period was 366 million yen)

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

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

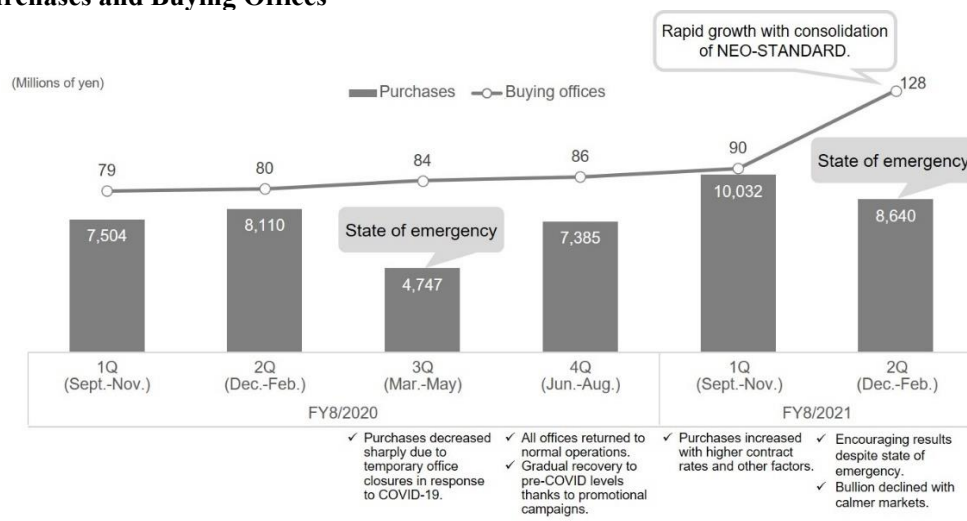
First, in order to enhance buying operations, the Company Group opened 8 offices in Japan (1 closure), while overseas it opened 7 offices in locations around the world, including France, Thailand, and Malaysia. The Company Group also endeavored to strengthen its buying operations by unifying the branding of 28 *NEOSTA* buying offices acquired via M&A into *Nanboya* from December 2020. As a result, the total number of buying offices operated by the Company Group as of the end of the six months under review stood at 128, a net increase of 42.

At the same time, the Company Group also carried out system development and other initiatives aimed at strengthening its online purchasing services, in order to accommodate the varied needs of its users. The Company Group plans to launch a renewed version of this service in April.

Under these circumstances, restrictions on people going out continued in line with the spread of COVID-19, and footfall at buying offices was subdued. The Company Group made efforts to improve the rates of successful transactions, but conditions were difficult for buying, owing to a downward trend in bullion market prices, as well as further declines in footfall as the government again declared a state of emergency in January. From the second half of February, there were signs that more people were beginning to go out again, and footfall and buying operations began trending toward recovery, thanks to the effects of web marketing and promotional campaigns.

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

#### Purchases and Buying Offices

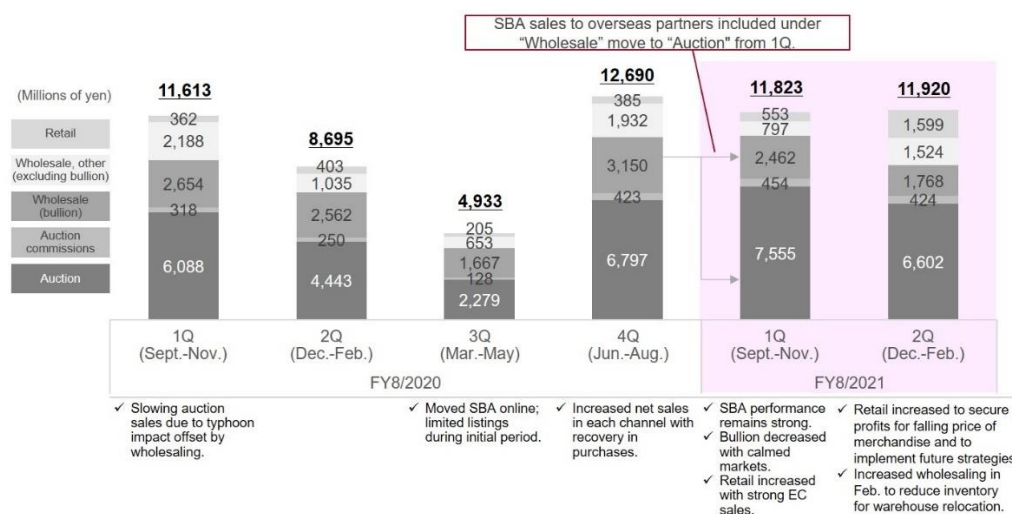


With respect to selling operations, at the end of February, the Company Group relocated its warehouse and adopted the warehouse management system, as part of efforts to accommodate future increases in GMV, enhance operational efficiency, and cut costs. Furthermore, as a step toward offering a full-fledged fulfillment service in future, the Company Group carried out proactive investment in such areas as enhancing facilities required for cleaning and maintaining products. At the same time, the Company Group enhanced the range of products available through ALLU, in order to strengthen this retail brand. The Company Group also strategically assigned inventories those value at auction were expected to fall due to the of market fluctuations to retail sales channels. Thanks to these efforts, net sales from retail increased. Additionally, the wholesale increased in February based on the intention to prepare for warehouse relocation, as well as the fact that buying operations began trending upward from the second half of February.

As a result of the above strategic selection of sales channels, in the three months ended February 28, 2021, net sales at the Company Group's own auctions declined compared with the previous quarter.

Quarterly net sales by channel (to B and to C) are as follows.

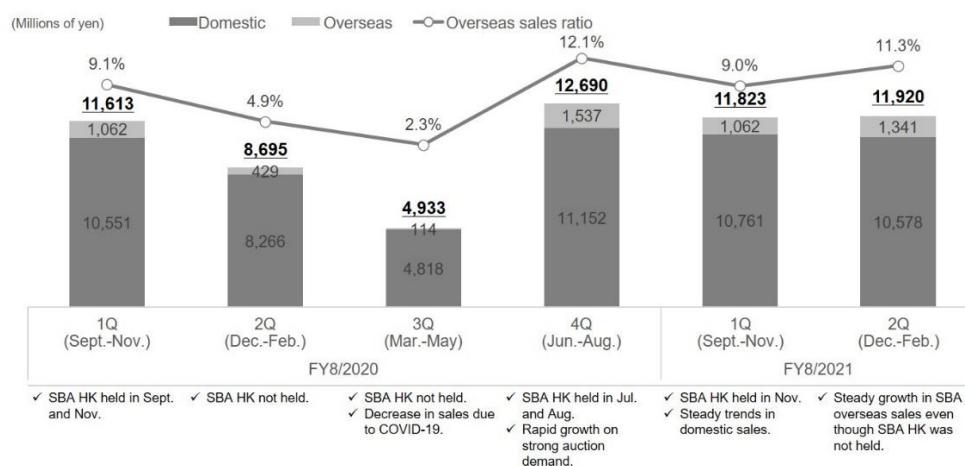
### Net Sales by Channel (to B, to C)



In the Company's mainstay STAR BUYERS AUCTION ("SBA") channel, in which it operates auctions for reuse vendors, it endeavored to enhance the UI and UX of its website, proposed and offered a better level of service to partners, and actively promoted the expansion of transactions including consignment sales. As a result, the number of registered partners in SBAs steadily grew, increasing by 311 from 602 (467 in domestic/ 135 overseas) at the end of the previous consolidated fiscal year to a total of 913 (638 in domestic/ 275 overseas). SBA Hong Kong only held one auction (in November) during the six months under review as it prepared to hold auctions online from April, but the Company achieved strong sales overseas at SBAs, with sales overseas making up 10.1% of net sales as a whole.

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

### Net Sales (Domestic, Overseas)



## (2) Explanation of financial conditions

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

#### (Assets)

Current assets as of the end of the six months under review were 13,800 million yen, up 2,540 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 121 million yen in accounts receivable - trade on the one hand, and an increase of 1,680 million yen in cash and deposits in preparation for higher buying volumes in line with an expansion of the Company Group's office network and an increase of 953 million yen in merchandise resulting from expanded buying operations on the other. Non-current assets were 4,605 million yen, up 486 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 182 million yen in buildings and structures (net) resulting from the opening of new offices and an increase in buying offices from M&A, and an increase of 115 million yen in guarantee deposits. Total assets were 18,406 million yen, up 3,027 million yen from the end of the previous consolidated fiscal year.

#### (Liabilities)

Current liabilities as of the end of the six months under review were 10,817 million yen, up 3,171 million yen from the end of the previous consolidated fiscal year, due to an increase of 2,425 million yen in short-term loans payable for business expansion, including an increase in buying operations, and an increase of 121 million yen in accrued income taxes. Non-current liabilities were 1,132 million yen, up 135 million yen from the end of the previous consolidated fiscal year, due mainly to a decrease of 95 million yen in long-term loans payable on the one hand and an increase of 90 million yen in asset retirement obligations on the other. Total liabilities were 11,949 million yen, up 3,306 million yen from the end of the previous consolidated fiscal year.

#### (Net assets)

Net assets as of the end of the six months under review were 6,456 million yen, down 278 million yen from the end of the previous consolidated fiscal year, due mainly to an increase of 25 million yen each in capital stock and in capital surplus resulting from the exercise of stock options on the one hand and a decrease of 404 million yen in retained earnings resulting from cash dividends paid on the other.

### 2) Status of cash flow

Cash and cash equivalents as of the end of the six months under review were 7,955 million yen, up 1,680 million yen from the end of the previous consolidated fiscal year.

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

#### (Cash flow from operating activities)

Cash flow from operating activities in the six months under review was an outflow of 130 million yen (the result for the previous corresponding period was an inflow of 349 million yen), due mainly to fund increases including 325 million yen in depreciation expenses, income taxes refund of 239 million yen, share-based remuneration expenses of 194 million yen, and an increase of 137 million yen in trade accounts receivable on the one hand, and fund decreases including an increase of 885 million yen in inventories and 269 million yen paid for corporation income tax, etc., on the other.

#### (Cash flow from investment activities)

Cash flow from investment activities in the six months under review was an outflow of 188 million yen (the result for the previous corresponding period was an outflow of 283 million yen), due mainly to fund increases including proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 657 million yen on the one hand, and fund decreases including outflows of 500 million yen due to loan advances, 218 million yen due to the acquisition of property, plant and equipment and 108 million yen due to the provision of guarantee deposits on the other.

#### (Cash flow from financing activities)

Cash flow from financing activities in the six months under review was an inflow of 1,990 million yen (the result for the previous corresponding period was an inflow of 773 million yen), due mainly to fund decreases including 327 million yen in dividends paid and an outflow of 119 million yen due to the repayment of long-term loans on the one hand, and fund increases including an increase of 2,425 million yen in short-term loans payable on the other.

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

No changes have been made to the consolidated financial results forecast for the fiscal year ending in August 2021 announced on October 15, 2020.

## 2. Quarterly consolidated financial statements and major notes

### (1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2020)	Six months under review (February 28, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	6,276,732	7,957,022
Accounts receivable - trade	298,141	176,229
Merchandise	4,011,028	4,964,995
Other	849,157	799,352
Allowance for doubtful accounts	(175,039)	(97,107)
Total current assets	11,260,021	13,800,490
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,657,504	1,840,038
Other, net	342,167	412,173
Total property, plant and equipment	1,999,671	2,252,212
Intangible assets		
Goodwill	219,406	145,985
Other	253,750	304,397
Total intangible assets	473,157	450,383
Investments and other assets		
Guarantee deposits	1,137,651	1,252,771
Other	509,039	650,847
Allowance for doubtful accounts	(810)	(690)
Total investments and other assets	1,645,880	1,902,929
Total non-current assets	4,118,709	4,605,524
Total assets	15,378,731	18,406,015

(Unit: thousand yen)

	Previous consolidated fiscal year (August 31, 2020)	Six months under review (February 28, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	35,328	130,115
Short-term loans payable	6,343,288	8,768,680
Current portion of long-term loans payable	231,242	207,664
Income taxes payable	253,259	375,204
Provision for bonuses	203,916	283,252
Asset retirement obligations	1,699	94,392
Other	577,224	957,720
Total current liabilities	7,645,959	10,817,029
Non-current liabilities		
Long-term loans payable	340,868	245,310
Provision for directors' retirement benefits	66,400	60,927
Asset retirement obligations	580,214	670,494
Other	9,385	155,320
Total non-current liabilities	996,867	1,132,052
<b>Total liabilities</b>	<b>8,642,827</b>	<b>11,949,081</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,117,032	1,142,076
Capital surplus	1,104,809	1,129,854
Retained earnings	4,581,888	4,177,405
Treasury shares	(59,830)	(46,179)
Total shareholders' equity	6,743,900	6,403,156
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,995)	1,563
Total accumulated other comprehensive income	(7,995)	1,563
Stock acquisition rights	-	52,213
<b>Total net assets</b>	<b>6,735,904</b>	<b>6,456,934</b>
<b>Total liabilities and net assets</b>	<b>15,378,731</b>	<b>18,406,015</b>



## (2) Quarterly consolidated statements of income and comprehensive income

## Quarterly consolidated statement of income

For the six months ended February 29 and February 28

(Unit: thousand yen)

	Previous six-month period (from September 1, 2019 to February 29, 2020)	Six months under review (from September 1, 2020 to February 28, 2021)
Sales	20,308,740	23,743,921
Cost of sales	15,378,375	17,802,952
Gross profit	4,930,365	5,940,969
Selling, general and administrative expenses	4,245,306	5,874,384
Operating profit	685,059	66,585
Non-operating income		
Interest income	44	251
Outsourcing service income	3,120	-
Gain on valuation of derivatives	-	1,586
Benefits	-	9,655
Rent income	4,046	-
Other	2,975	10,830
Total non-operating income	10,186	22,324
Non-operating expenses		
Interest expenses	16,858	20,112
Commission fee	752	756
Foreign exchange losses	8,813	7,791
Loss on extinguishment of share-based remuneration expenses	24,065	11,100
Other	5,996	12,762
Total non-operating expenses	56,485	52,524
Ordinary profit	638,760	36,384
Extraordinary income		
Gains on negative goodwill incurred	-	69,486
Total extraordinary income	-	69,486
Extraordinary losses		
Impairment loss	17,965	31,578
Office relocation expenses	-	9,263
Loss on cancellation of rental contracts	-	6,596
Total extraordinary losses	17,965	47,438
Profit before income taxes	620,794	58,432
Income taxes - current	261,871	311,737
Income taxes - deferred	(7,545)	(129,504)
Total income taxes	254,326	182,232
Profit (loss)	366,468	(123,799)
Profit (loss) attributable to owners of parent	366,468	(123,799)

Quarterly consolidated statement of comprehensive income  
For the six months ended February 29 and February 28

(Unit: thousand yen)

	Previous six-month period (from September 1, 2019 to February 29, 2020)	Six months under review (from September 1, 2020 to February 28, 2021)
Profit (loss)	366,468	(123,799)
Other comprehensive income		
Foreign currency translation adjustment	7,445	9,559
Total other comprehensive income	7,445	9,559
Comprehensive income	373,913	(114,240)
Comprehensive income attributable to:		
Owners of parent	373,913	(114,240)

## (3) Quarterly consolidated cash flow statement

(Unit: thousand yen)

	Previous six-month period (from September 1, 2019 to February 29, 2020)	Six months under review (from September 1, 2020 to February 28, 2021)
Cash flow from operating activities		
Profit before income taxes	620,794	58,432
Depreciation expenses	170,530	325,919
Goodwill amortization	73,870	73,418
Share-based remuneration expenses	142,449	194,127
Increase (decrease) in allowance for doubtful accounts	(34,418)	(79,389)
Increase (decrease) in provision for bonuses	3,436	39,336
Increase (decrease) in provision for directors' retirement benefits	(2,196)	(5,472)
Interest and dividend income	(44)	(251)
Interest expenses	16,858	20,112
Benefits	-	(9,655)
Gains on negative goodwill	-	(69,486)
Impairment loss	17,965	31,578
Office relocation expenses	-	9,263
Loss on cancellation of rental contracts	-	6,596
Decrease (increase) in accounts receivable - trade	57,142	137,729
Decrease (increase) in inventories	(294,237)	(885,605)
Increase (decrease) in accounts payable - trade	30,524	94,226
Other	57,700	(24,258)
Subtotal	860,374	(83,379)
Interest and dividend income received	44	251
Interest expenses paid	(17,157)	(20,462)
Benefits received	-	9,655
Payments for cancellation of rental contracts	-	(6,596)
Income taxes paid	(493,835)	(269,951)
Income taxes refund	-	239,593
Cash flow from operating activities	349,427	(130,890)
Cash flow from investment activities		
Purchase of property, plant and equipment	(147,372)	(218,141)
Purchase of intangible assets	(106,155)	(25,187)
Fulfillment of asset retirement obligations	(14,162)	(20,015)
Payments for guarantee deposits	(39,033)	(108,608)
Proceeds from collection of guarantee deposits	41,101	25,681
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	657,681
Loan advances	-	(500,000)
Other	(18,012)	-
Cash flow from investment activities	(283,634)	(188,590)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	1,441,368	2,425,392
Repayment of long-term loans payable	(134,544)	(119,136)
Redemption of bonds	(160,000)	-
Proceeds from issuance of shares	151,929	50,088
Purchase of treasury shares	-	(158)
Cash dividends paid	(443,988)	(327,819)
Other	(81,667)	(37,959)
Cash flow from financing activities	773,098	1,990,406
Effect of exchange rate change on cash and cash equivalents	5,723	9,355
Increase (decrease) in cash and cash equivalents	844,614	1,680,281
Opening balance of cash and cash equivalents	3,714,430	6,275,644
Closing balance of cash and cash equivalents	4,559,044	7,955,926

(4) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

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

Not applicable

(Change in scope of consolidation or equity method application)

Effective from the end of the consolidated first quarter period, the scope of consolidation newly includes NEO-STANDARD Co., Ltd. because Valence Japan Inc., a consolidated Company subsidiary, has acquired the company's shares.

In addition, effective from the end of consolidated second quarter period, the scope of consolidated includes newly-established Valence International UK Limited, and Valence International Shanghai Co., Ltd.

(Additional information)

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