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Consolidated Financial Results for the Six Months Ended February 29, 2020 [Japanese GAAP]

April 14, 2020

Company name: Valuence Holdings Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9270
URL: https://www.valuence.inc/
Representative: Shinsuke Sakimoto, Representative Director and President
Contact: Taro Okamura, Head of Investor Relations
Phone: +81-3-4580-9983

Scheduled date for filing quarterly securities report: April 14, 2020
Scheduled date for commencing dividend payments: —

Preparation of supplementary quarterly financial results briefing materials: Yes
Holding of quarterly financial results briefing: Yes (The briefing has been cancelled to prevent the spread of COVID-19. However, we plan to hold a video stream of the financial results briefing hosted by the Representative Director and President.)

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

1. Consolidated financial results for the six months ended February 29, 2020 (September 1, 2019 to February 29, 2020)

(1) Consolidated operating results (cumulative)

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended February 29, 2020	20,308	7.1	685	(40.5)	638	(44.4)	366	(52.4)
Six months ended February 28, 2019	18,956	23.2	1,152	(3.3)	1,149	(2.1)	770	(11.2)

(Note) Comprehensive income: Six months ended February 29, 2020: 373 million yen [(51.4)%]
Six months ended February 28, 2019: 769 million yen [(11.0)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 29, 2020	28.46	27.53
Six months ended February 28, 2019	63.47	57.83

(Note) The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2019. Figures for basic earnings per share and diluted earnings per share are calculated as if the stock splits had occurred at the beginning of the fiscal year ended August 31, 2019.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2020	15,061	6,775	45.0
As of August 31, 2019	14,111	6,695	47.4

(Reference) Equity: As of February 29, 2020: 6,775 million yen
As of August 31, 2019: 6,695 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 August 31, 2019	—	0.00	—	70.00	70.00
Fiscal year ending August 31, 2020	—	0.00			
Fiscal year ending August 31, 2020 (Forecast)			—	—	—

(Notes) 1. Revision to the dividend forecast announced most recently: None
2. The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2019. Dividends for the fiscal year ended August 31, 2019 are presented as the actual amounts of dividends paid prior to the stock split.
3. The year-end dividend for the fiscal year ending August 31, 2020 is undecided at this time.

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

(% 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	—	—	—	—	—	—	—	—	—

(Note) 1. Revision to the financial results forecast announced most recently: Yes

2. At present, as it is difficult to calculate the financial results forecast, the figures announced on October 15, 2019 have been withdrawn and are undecided. The consolidated financial results forecast for the fiscal year ending August 31, 2020 will be disclosed again when reasonable calculations become possible.

* 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)	As of February 29, 2020	13,120,910 shares	As of August 31, 2019	12,747,860 shares
2) Number of shares of treasury stock at the end of the period	As of February 29, 2020	36,912 shares	As of August 31, 2019	21,612 shares
3) Average number of shares of common stock during the period (cumulative)	Six months ended February 29, 2020	12,875,984 shares	Six months ended February 28, 2019	12,142,743 shares

(Note) The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2019. Figures for the number of shares of common stock issued are calculated as if the stock splits had occurred at the beginning of the fiscal year ended August 31, 2019.

* 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 Japanese version of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Previous fiscal year (As of August 31, 2019)	Six months under review (As of February 29, 2020)
Assets		
Current assets		
Cash and deposits	4,103,508	4,966,135
Accounts receivable – trade	346,011	288,868
Merchandise	4,863,395	5,157,673
Other	766,581	702,297
Allowance for doubtful accounts	(205,240)	(170,257)
Total current assets	9,874,255	10,944,718
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,617,327	1,667,553
Other, net	310,866	303,860
Total property, plant and equipment	1,928,194	1,971,413
Intangible assets		
Goodwill	367,101	293,298
Other	220,113	288,263
Total intangible assets	587,214	581,561
Investments and other assets		
Guarantee deposits	1,084,640	1,072,345
Other	640,157	494,682
Allowance for doubtful accounts	(2,667)	(3,232)
Total investments and other assets	1,722,131	1,563,795
Total non-current assets	4,237,540	4,116,770
Total assets	14,111,795	15,061,489

(Thousand yen)

	Previous fiscal year (As of August 31, 2019)	Six months under review (As of February 29, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	19,205	49,729
Short-term loans payable	4,440,000	5,881,368
Current portion of bonds	160,000	—
Current portion of long-term loans payable	254,088	239,088
Income taxes payable	607,496	334,538
Provision for bonuses	191,575	195,012
Asset retirement obligations	14,577	312
Other	552,468	505,324
Total current liabilities	6,239,411	7,205,374
Non-current liabilities		
Long-term loans payable	572,518	452,974
Provision for directors' retirement benefits	63,746	61,550
Asset retirement obligations	537,965	565,704
Other	2,703	11
Total non-current liabilities	1,176,933	1,080,239
Total liabilities	7,416,344	8,285,613
Net assets		
Shareholders' equity		
Capital stock	1,027,507	1,103,471
Capital surplus	1,015,284	1,091,249
Retained earnings	4,721,656	4,642,706
Treasury shares	(59,783)	(59,783)
Total shareholders' equity	6,704,665	6,777,644
Accumulated other comprehensive income		
Foreign currency translation adjustment	(9,214)	(1,768)
Total accumulated other comprehensive income	(9,214)	(1,768)
Total net assets	6,695,450	6,775,875
Total liabilities and net assets	14,111,795	15,061,489

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

For the six months ended February 28 and February 29

(Thousand yen)

	Previous six month period (September 1, 2018 to February 28, 2019)	Six months under review (September 1, 2019 to February 29, 2020)
Net sales	18,956,982	20,308,740
Cost of sales	14,139,405	15,378,375
Gross profit	4,817,576	4,930,365
Selling, general and administrative expenses	3,665,363	4,245,306
Operating profit	1,152,212	685,059
Non-operating income		
Interest income	45	44
Foreign exchange gains	19,692	—
Outsourcing service income	2,666	3,120
Rental income	1,263	4,046
Other	3,720	2,975
Total non-operating income	27,388	10,186
Non-operating expenses		
Interest expenses	14,225	16,858
Commission fee	5,231	752
Foreign exchange losses	—	8,813
Loss on extinguishment of share-based remuneration expenses	—	24,065
Other	10,351	5,996
Total non-operating expenses	29,807	56,485
Ordinary profit	1,149,794	638,760
Extraordinary losses		
Impairment loss	7,498	17,965
Total extraordinary losses	7,498	17,965
Profit before income taxes	1,142,295	620,794
Income taxes – current	358,332	261,871
Income taxes – deferred	13,293	(7,545)
Total income taxes	371,625	254,326
Profit	770,670	366,468
Profit attributable to owners of parent	770,670	366,468

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

(Thousand yen)

	Previous six month period (September 1, 2018 to February 28, 2019)	Six months under review (September 1, 2019 to February 29, 2020)
Profit	770,670	366,468
Other comprehensive income		
Foreign currency translation adjustment	(1,050)	7,445
Total other comprehensive income	(1,050)	7,445
Comprehensive income	769,619	373,913
Comprehensive income attributable to:		
Owners of parent	769,619	373,913

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	Previous six month period (September 1, 2018 to February 28, 2019)	Six months under review (September 1, 2019 to February 29, 2020)
Cash flows from operating activities		
Profit before income taxes	1,142,295	620,794
Depreciation	147,244	170,530
Amortization of goodwill	73,890	73,870
Share-based remuneration expenses	—	142,449
Increase (decrease) in allowance for doubtful accounts	(2,569)	(34,418)
Increase (decrease) in provision for bonuses	15,678	3,436
Increase (decrease) in provision for directors' retirement benefits	6,639	(2,196)
Interest and dividend income	(45)	(44)
Interest expenses	14,225	16,858
Impairment loss	7,498	17,965
Decrease (increase) in notes and accounts receivable – trade	(1,088,962)	57,142
Decrease (increase) in inventories	748,168	(294,237)
Increase (decrease) in notes and accounts payable – trade	(7,181)	30,524
Other	342,778	57,700
Subtotal	1,399,659	860,374
Interest and dividend income received	45	44
Interest expenses paid	(15,069)	(17,157)
Income taxes paid	(390,572)	(493,835)
Cash flows from operating activities	994,063	349,427
Cash flows from investing activities		
Purchase of property, plant and equipment	(224,453)	(147,372)
Purchase of intangible assets	(65,104)	(106,155)
Payments for asset retirement obligations	(4,400)	(14,162)
Payments for guarantee deposits	(85,783)	(39,033)
Proceeds from collection of guarantee deposits	1,719	41,101
Other	(17,699)	(18,012)
Cash flows from investing activities	(395,721)	(283,634)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,260,000	1,441,368
Repayments of long-term loans payable	(354,544)	(134,544)
Redemption of bonds	(80,000)	(160,000)
Proceeds from issuance of common shares	1,749	151,929
Cash dividends paid	(312,500)	(443,988)
Other	(85,290)	(81,667)
Cash flows from financing activities	1,429,414	773,098
Effect of exchange rate change on cash and cash equivalents	(966)	5,723
Net increase (decrease) in cash and cash equivalents	2,026,790	844,614
Cash and cash equivalents at beginning of period	3,297,704	3,714,430
Cash and cash equivalents at end of period	5,324,495	4,559,044