

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect, or any other forms of damages arising from this translation.



April 12, 2024

To Whom It May Concern,

Company name: Valence Holdings Inc.
 Representative: Shinsuke Sakimoto, Representative Director
 (Securities Code: 9270; TSE Growth Market)
 Contact: Shinichiro Sato, Director and CFO
 (Phone +81-3-4580-9983)

Notice of Differences between Consolidated Financial Results Forecasts and the Results for the Cumulative second quarter of the Fiscal Year Ending August 31, 2024, Revisions to the Consolidated Financial Results Forecasts for the Fiscal Year Ending August 31, 2024, and Revisions to the Dividend Forecasts (No Dividend)

Valence Holdings Inc. (the “Company”) announces the following differences between the consolidated financial results forecasts disclosed on October 13, 2023, and the results for the cumulative second quarter of the fiscal year ending August 31, 2024.

Also, The Company has resolved to revise the consolidated financial results forecasts for the fiscal year ending August 2024, as well as to revise the dividend forecast (no dividend) at the Board of Directors meeting held today. Please refer to the details below.

1. Differences between the consolidated financial results forecasts and the results for the cumulative second quarter of the fiscal year ending August 31, 2024, and revisions to the consolidated financial results forecasts for the fiscal year ending August 31, 2024

(1) Consolidated financial results forecasts for the first half of the fiscal year ending August 31, 2024 (September 1, 2023 to February 29, 2024)

	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
Previous forecasts (A)	40,870	670	490	200	15.47
Results(B)	39,427	(1,052)	(1,160)	(897)	(69.22)
Change (B-A)	(1,443)	(1,722)	(1,650)	(1,097)	
Change (%)	(3.5)	-	-	-	
(Reference) Actual results for the first half of the fiscal year ended August 31, 2023	33,629	505	485	159	12.36

(2) Consolidated financial results forecasts for the fiscal year ending August 31, 2024
(September 1, 2023 to August 31, 2024)

	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
Previous forecasts (A)	90,120	2,850	2,570	1,600	123.77
Revised forecasts (B)	81,370	(1,200)	(1,420)	(1,960)	(150.82)
Change (B-A)	(8,750)	(4,050)	(3,990)	(3,560)	
Change (%)	(9.7)	-	-	-	
(Reference) Actual results for the fiscal year ended August 31, 2023	76,130	2,183	2,034	1,050	81.42

(3) Reason for the Revision

i . Differences between the consolidated financial results forecasts and the results for the cumulative second quarter of the fiscal year ending August 31, 2024

There have been no major changes in the external environment surrounding the Company Group since the first quarter of the fiscal year under review. The markets continues to be weak, and the competitive purchasing environment continues to be severe.

Currently, the Company recovered from one-time factors in the first quarter of the fiscal year under review due to factors such as the recovery from weak auction competition by overseas partners and the holding of a diamond auction. However, the markets for watches and other products (excluding bullion) remain weak.

In the second quarter of the fiscal year under review, the ratio of retail sales increased, but the gross profit margin of retail sales declined due to factors such as the strengthening of purchasing through measures to enhance retail sales and the increase in the unit purchase price accompanying the intensified competitive environment for purchasing. The gross profit margin for the first half of the fiscal year ending August 31, 2024, was 22.4%, down 4.2 points from the previous forecasts.

Selling, general and administrative expenses for the first half of the fiscal year ending August 31, 2024, were reduced by approximately 400 million yen from the previous forecasts, but this was not enough to compensate for the decline in the gross profit margin, and the operating loss for the first half of the fiscal year ending August 31, 2024, was 1,052 million yen.

ii . Revision to consolidated financial results Forecast for the fiscal year ending August 31, 2024

Under the premise that there will be no major changes in the external environment surrounding the Company Group, we revised our plan for opening domestic buying offices and changed to a purchasing policy that emphasizes gross profit margin by expanding purchases through improved efficiency at existing buying offices and focusing on measures for repeat customers. Through these initiatives, based on the possibility that the growth in the amount of purchases will slow, the amount of purchases has been conservatively estimated from the previous forecasts.

In addition, we have reviewed some of our sales strategies. For example, we switched some of our inventory, which had been secured for retail since the beginning of the fiscal year, to sales at in-house auctions, considering the development status of the e-commerce retailing and the change in the scheduled opening date of ALLU Shinjuku (tentative name). Also, for products from the third quarter of the fiscal year, we plan to focus on handling them at in-house auctions.

The gross profit margin for the second half of the fiscal year ending August 31, 2024, is expected to improve from the cumulative second quarter of the fiscal year ending August 31, 2024, as a result of purchasing with an emphasis on the gross profit margin. However, the gross profit margin is expected to decline from the announced figures of the previous forecasts, due to the changes of sales strategy to sell inventories purchased for retail use at in-house auctions, which will promote inventory turnover. Furthermore, although we had continued to invest aggressively in growth, we have revised our staffing and the buying office opening strategy and decided to allocate resources with an emphasis on efficiency in each business. Through these initiatives, selling, general and administrative expenses for the second half of the fiscal year ending August 31, 2024, will be reduced by approximately 700 million yen from the previous forecasts.

The full-year consolidated financial results forecasts have also been revised as shown in the table above, based on the revisions to the consolidated financial results for the first half of the fiscal year under review and efforts planned to be made after the third quarter of the fiscal year. For details, please refer to “Announcement Concerning Revision to Financial Results Forecast” and “Financial Results Presentation for Q2 FY8/2024” released today (April 12, 2024).

2. Revisions to the Dividend Forecast

(1) Details of the Revisions

	Annual dividends		
	Second quarter-end	Fiscal Year-end	Total
Previous forecast (October 13, 2023)	Yen 0.00	Yen 35.00	Yen 35.00
Revised forecast	0.00	0.00	0.00
Actual results for the fiscal year ended August 31, 2023	0.00	30.00	30.00

(2) Reasons for the Revision

We regard the return of profits to shareholders as an important management issue with the aim of achieving sustainable growth in corporate value over the medium to long term. Our basic policy is to stably pay dividends to shareholders in consideration of strategic capital requirements for future growth and other factors, and we have set a consolidated dividend payout ratio target of 30% or higher in principle.

However, based on the revision to the full-year financial results forecasts for the fiscal year ending August 31, 2024, we sincerely regret that we will pay no dividend at the end of the fiscal year ending August 31, 2024.

We would like to express our deepest apologies to our shareholders and ask for your continued support, as we strive to resume dividend payments as soon as possible.

*The above forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ from these forecasts for a number of reasons.