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January 11, 2024

Consolidated Financial Results for the Three Months Ended November 30, 2023 (Under Japanese GAAP)

Company name: TRANSACTION CO., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 7818
 URL: <http://www.trans-action.co.jp.e.zy.hp.transer.com/>
 Representative: Satoshi Ishikawa, Chairman and Representative Director
 Inquiries: Yoshinari Kitayama, Director
 Telephone: +81-3-6861-5577
 Scheduled date to file quarterly securities report: January 12, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended November 30, 2023 (from September 1, 2023 to November 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended November 30, 2023	6,624	11.0	1,487	17.9	1,518	20.9	1,002	22.5
November 30, 2022	5,969	33.9	1,262	60.3	1,255	59.2	818	57.3

Note: Comprehensive income For the three months ended November 30, 2023: ¥933 million [29.7%]
 For the three months ended November 30, 2022: ¥719 million [22.9%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2023	34.43	–
November 30, 2022	28.12	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
November 30, 2023	19,671	16,150	82.1
August 31, 2023	20,599	16,236	78.8

Reference: Equity
 As of November 30, 2023: ¥16,150 million
 As of August 31, 2023: ¥16,236 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended August 31, 2023	Yen –	Yen 0.00	Yen –	Yen 35.00	Yen 35.00
Fiscal year ending August 31, 2024	–				
Fiscal year ending August 31, 2024 (Forecast)		0.00	–	37.00	37.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2024 (from September 1, 2023 to August 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 29, 2024	12,278	8.9	2,577	11.0	2,634	11.7	1,732	11.1	59.48
Fiscal year ending August 31, 2024	25,160	9.6	5,220	12.1	5,329	11.3	3,501	5.9	120.20

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting treatments for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2023	29,375,400 shares
As of August 31, 2023	29,375,400 shares

(ii) Number of treasury shares at the end of the period

As of November 30, 2023	246,865 shares
As of August 31, 2023	246,865 shares

(iii) Average number of shares outstanding during the period

Three months ended November 30, 2023	29,128,535 shares
Three months ended November 30, 2022	29,104,535 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The financial forecast and other forward-looking statements in this material are based on information currently available to the Company and certain preconditions considered to be reasonable. Actual performance, etc. may vary depending on various factors. For the preconditions on which the earnings forecast is based and notes, etc. for using the earnings forecast, please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” in “1. Qualitative Information on Quarterly Financial Results” on page 5 of the Quarterly Financial Results (attached file).

[Attached Material]

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the first three months ended November 30, 2023, the Japanese economy showed signs of recovery mainly due to improvements in the employment and income environment and recovery of inbound demand. Meanwhile, future uncertainty continued to persist due to such factors as the situations concerning Russia/Ukraine and the Middle East, and fluctuations in financial and capital markets due to indications of a shift from deflation to inflation.

In this environment, the TRANSACTION Group (the “Group”) reviewed the priorities of the five key strategies designated in the 4th medium-term management plan, and during the period under review, with a focused on “strengthened e-commerce” the Group promoted “finished goods demand arising from the promotion of SDGs,” “finished goods demand arising from reopening,” “tangible goods consumption derived from intangible goods consumption,” and “strengthened domestic in-house manufacturing.” While promoting such key strategies and ensuring changes in the social environment and consumption trends were identified in a timely and appropriate manner, the Group worked on the introduction of new products, the development of client entities, and the strengthening of relationships.

■ Unique business model

The Group’s unique business model is based on the ability to plan and propose products in a short period of time based on unprecedented ideas, such as “things that are convenient to have,” “things that anticipate trends,” and “necessary things that are not in the market (or are lacking),” the ability to produce and procure products in bulk at low cost and in plain form through overseas suppliers and hold them in Japan, and the ability to add high-quality added-value to these plain products through printing and processing, and offer them at low prices and with short delivery times regardless of the quantity. In addition, by improving the efficiency of the entire process through e-commerce, we differentiate ourselves from our competitors and develop our business. In our unique business model, we provide the “MARKLESS Connect*” system, which was developed aiming to strengthen the e-commerce business, to client companies in order to effectively increase the performance of both the Group and its client companies by eliminating waste of their order receiving and placing operations and improving the efficiency of business process.

* This is a system that allows us to complete all transactions with client entities, such as checking the inventory status of our products (stock quantity, out-of-stock items, and next delivery date), order receipt and placement, design submission, and payment, through e-commerce, thereby improving efficiency without human intervention.

■ E-commerce business

In the E-commerce business, in accordance with the key strategy of “strengthened e-commerce,” we reinforced initiatives to increase sales of B2B and D2C* sites, with the target of having those sales account for at least 30% of consolidated net sales in the fiscal year ending August 31, 2025. The e-commerce platform built by the Group automates a series of interactions, such as confirming real-time inventory information and receiving and placing orders, thereby reducing human involvement. Not only has this system increased sales, productivity, and efficiency for the Group, but it has also been equally effective for our client entities. In the first quarter under review, we continued to focus on hybrid marketing activities that fuse the in-person sales approach with e-commerce, as we did in the previous fiscal year, and as a result, the increased sales of e-commerce contributed to the growth of consolidated net sales, leading to securing profits. In the main B2B site “MARKLESS STYLE,” sales of “MARKLESS Connect” continued to grow significantly. In the main D2C site “HANSOKU-STYLE,” the number of members increased and the repeat rate improved through measures such as expanding the number of registered finished goods and improving the usability of the site. In addition, measures are gradually bearing fruit in “Original Goods Press” for product sales and OEM, and “Original.com,” which produces original corporate goods for sale and commemorative gifts. In terms of original brand sites, the “Calulu ONLINE STORE,” which handles pet wear and related finished

goods, and the “gowell” site, which handles travel-related finished goods, made effective use of social media to assist the approach to customer segments that had not been fully catered to in the past.

As a result, e-commerce sales increased 423 million yen, or 41.0% year on year, and the sales composition ratio expanded 4.7 percentage points year on year to 22.0%.

- * An abbreviation for “Direct to Consumer,” a business model in which a manufacturer plans and manufactures its own commodities and sells them directly to end customers without intermediaries such as wholesalers and stores.

Eco-products

The eco-products include reusable products made from organic cotton, recycled materials, biomass plastics, and natural materials, as well as upcycled finished goods that have been transformed into more valuable goods, by adding value such as ideas and design to wasted resources. These products contribute to the reduction and control of CO₂ emissions by focusing on materials, and have been highly evaluated and supported by client entities that are aware of their efforts to achieve the SDGs.

In Eco-products, under the key strategy of “finished goods demand arising from the promotion of SDGs,” we strived to expand the product category of environmentally-friendly products. In the first quarter under review, eco bags, tumblers, thermos bottles and other mainstay products put in a strong performance. As these products are “plain products” that combine high versatility and excellent design, they are used as novelties for sales promotions and as items for product sales at events. In addition to sales to end users and distributors, etc., sales of “MARKLESS STYLE” and “HANSOKU-STYLE” in these products also increased due to the enhancement of e-commerce. In the “Original Goods Press” for product sales and OEM, the use of the eco-products as original store goods increased. In addition, the Group’s efforts to promote fair trade in its eco-products were highly evaluated, and the Group received the “Excellence in the Social Movement Category” for Fairtrade Japan Award 2023. The “MOTTERU,” which is being developed for the retail market, received the Good Design Award for the fourth time in 2023, and it was selected for the third consecutive year as an endorsed product of the “Let’s choose! 3R Campaign 2023” sponsored by the Ministry of the Environment.

As a result, sales of Eco-products increased by 190 million yen, or 6.8% year on year.

Lifestyle products

In Lifestyle products, under the key strategies of “finished goods demand arising from reopening” and “tangible goods consumption derived from intangible goods consumption,” the Group expanded its product and service menu for industries performing well and industries where demand for sales promotions is expected to grow, and conducted efficient and effective marketing activities that fuse the in-person sales approach with e-commerce. In the first quarter under review, sales to the game and animation industry, which is driving sales expansion of Lifestyle products, and peripheral industries such as VTuber grew. In addition, demand for items in product sales increased, due to sales through e-commerce and at event venues of in-person events in the 2.5D and sporting events industries. Since these items are diversified and require high quality, we responded to our client entities’ needs by introducing new product categories and providing products with vivid full-color printing by introducing new equipment at our factories in Japan. In addition, to raise awareness of new category products, we exhibited quite a number of picture-style towels and acrylic products, which were well received by end users, distributors, and other client entities. In sales promotions, we worked to expand sales by strengthening planning proposals utilizing IP in response to the recovery in campaign demand. In pet wear and related finished goods, we worked to expand sales channels and develop new products that can be sold year-round. In travel-related finished goods, we renewed products made in collaboration with popular characters to meet inbound demand and focused on acquiring sales space at major specialty stores and home centers in addition to expanding sales channels for future overseas travel demand.

As a result, sales of Lifestyle products increased by 474 million yen, or 17.2% year on year.

Wellness products

There was a certain level of demand for sanitary products such as masks and disinfectant sprays. Sales decreased by 5 million yen, or 1.7% year on year.

On the production side, the Company worked to secure multiple production bases, flexibly switch between production sites in response to exchange rate fluctuations and surging raw material prices, and optimize distribution channels in order to achieve a stable and continuous supply and strengthen price competitiveness. We also increased the frequency of visits to overseas suppliers' factories to improve product quality and reduce product loss. In addition, we strived to maintain and improve profit margins by developing new overseas and domestic suppliers to further strengthen our price competitiveness. At our factories in Japan, the introduction of new equipment and the increase in the number of personnel to handle production led to an increase in the in-house production ratio, resulting in higher productivity.

As a result, in the three months ended November 30, 2023, net sales increased to 6,624 million yen (up by 655 million yen, or 11.0% year on year), and operating profit increased to 1,487 million yen (up by 225 million yen, or 17.9% year on year) owing to securing gross profit by increase in net sales, and well-planned expenditure of selling, general and administrative expenses. Ordinary profit increased to 1,518 million yen (up by 262 million yen, or 20.9% year on year). Profit attributable to owners of parent also increased to 1,002 million yen (up by 184 million yen, or 22.5% year on year).

Actual sales by sales channel and product classification for the three months ended November 30, 2023 were as follows.

<Actual sales by sales channel>

(Millions of yen)

Sales channel	Net sales		Change	
	Three months ended November 30, 2022	Three months ended November 30, 2023	Change (Amount)	Change (%)
Targeting end-user companies	2,959	3,129	169	5.7
Targeting wholesalers	1,977	2,039	61	3.1
E-commerce	1,032	1,456	423	41.0
Total	5,969	6,624	655	11.0

<Actual sales by product classification>

(Millions of yen)

Product classification	Net sales		Change	
	Three months ended November 30, 2022	Three months ended November 30, 2023	Change (Amount)	Change (%)
Eco-products	2,801	2,991	190	6.8
Lifestyle products	2,759	3,234	474	17.2
Wellness products	329	323	(5)	(1.7)
Design and other	79	75	(4)	(5.3)
Total	5,969	6,624	655	11.0

Note: Design and other refers to those not falling under miscellaneous goods, including commissioned graphic, products and WEB design operations, as well as printing operations.

(2) Explanation of financial position

Status of assets, liabilities, and net assets

Current assets

Current assets at the end of the first quarter under review amounted to 13,775 million yen, a decrease of 1,414 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in cash and deposits by 2,215 million yen, a decrease in finished goods by 14 million yen, and an increase in notes and accounts receivable - trade, and contract assets by 922 million yen.

Non-current assets

Non-current assets at the end of the first quarter under review amounted to 5,895 million yen, an increase of 486 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in investments and other assets by 325 million yen, an increase in property, plant and equipment by 149 million yen, and an increase in intangible assets by 11 million yen.

Current liabilities

Current liabilities at the end of the first quarter under review amounted to 2,639 million yen, a decrease of 786 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in income taxes payable by 727 million yen.

Non-current liabilities

Non-current liabilities at the end of the first quarter under review amounted to 881 million yen, a decrease of 55 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in long-term borrowings by 49 million yen.

Net assets

Net assets at the end of the first quarter under review amounted to 16,150 million yen, a decrease of 86 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in deferred gains or losses on hedges by 38 million yen and a decrease in valuation difference on available-for-sale securities by 37 million yen.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The consolidated earnings forecasts for the six months ending February 29, 2024 and the fiscal year ending August 31, 2024 are unchanged from the forecasts announced on October 12, 2023.

The earnings forecasts are based on information available as of the date of disclosure of this report. Going forward, actual performance may vary from forecast figures depending on various factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of August 31, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	6,006,583	3,791,542
Notes and accounts receivable - trade, and contract assets	2,734,278	3,656,853
Securities	859,361	855,704
Finished goods	4,746,607	4,732,435
Other	851,116	746,500
Allowance for doubtful accounts	(7,562)	(7,561)
Total current assets	15,190,385	13,775,473
Non-current assets		
Property, plant and equipment	1,114,551	1,263,744
Intangible assets		
Other	165,194	177,102
Total intangible assets	165,194	177,102
Investments and other assets		
Investment securities	2,880,031	3,280,255
Other	1,249,530	1,174,688
Allowance for doubtful accounts	(380)	–
Total investments and other assets	4,129,182	4,454,943
Total non-current assets	5,408,927	5,895,791
Total assets	20,599,312	19,671,264

(Thousands of yen)

	As of August 31, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	959,141	1,199,128
Current portion of long-term borrowings	332,513	303,330
Income taxes payable	1,087,987	360,188
Provision for bonuses	223,496	122,008
Provision for shareholder benefit program	7,337	–
Other	815,340	654,796
Total current liabilities	3,425,816	2,639,452
Non-current liabilities		
Long-term borrowings	431,138	381,205
Retirement benefit liability	314,745	320,149
Asset retirement obligations	37,221	37,223
Other	153,735	142,779
Total non-current liabilities	936,840	881,357
Total liabilities	4,362,657	3,520,809
Net assets		
Shareholders' equity		
Share capital	93,222	93,222
Capital surplus	3,305,428	3,305,428
Retained earnings	12,144,917	12,128,270
Treasury shares	(203,471)	(203,471)
Total shareholders' equity	15,340,096	15,323,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	540,891	503,336
Deferred gains or losses on hedges	127,851	89,222
Foreign currency translation adjustment	189,773	198,862
Remeasurements of defined benefit plans	38,041	35,584
Total accumulated other comprehensive income	896,558	827,006
Total net assets	16,236,655	16,150,455
Total liabilities and net assets	20,599,312	19,671,264

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**Quarterly Consolidated Statement of Income (Cumulative)**

(Thousands of yen)

	Three months ended November 30, 2022	Three months ended November 30, 2023
Net sales	5,969,644	6,624,888
Cost of sales	3,640,956	4,022,344
Gross profit	2,328,688	2,602,543
Selling, general and administrative expenses		
Salaries and allowances	325,339	341,688
Provision for bonuses	91,419	83,245
Retirement benefit expenses	7,484	6,996
Provision of allowance for doubtful accounts	295	(57)
Other	642,136	682,734
Total selling, general and administrative expenses	1,066,675	1,114,607
Operating profit	1,262,012	1,487,935
Non-operating income		
Interest income	87	98
Interest on securities	10,452	35,434
Other	1,249	140
Total non-operating income	11,788	35,673
Non-operating expenses		
Interest expenses	462	763
Foreign exchange losses	17,654	4,463
Other	21	51
Total non-operating expenses	18,137	5,278
Ordinary profit	1,255,663	1,518,330
Extraordinary income		
Total extraordinary income	–	–
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	1,255,663	1,518,330
Income taxes - current	373,623	396,482
Income taxes - deferred	63,625	118,996
Total income taxes	437,249	515,479
Profit	818,413	1,002,851
Profit attributable to owners of parent	818,413	1,002,851

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

	Three months ended November 30, 2022	Three months ended November 30, 2023
Profit	818,413	1,002,851
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,886)	(37,555)
Deferred gains or losses on hedges	(71,036)	(38,629)
Foreign currency translation adjustment	(3,765)	9,088
Remeasurements of defined benefit plans, net of tax	(2,111)	(2,456)
Total other comprehensive income	(98,799)	(69,552)
Comprehensive income	719,614	933,298
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	719,614	933,298
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

Notes regarding assumption of a going concern

None.

Notes on significant changes in the amount of shareholders' equity

None.

Subsequent events

None.