

# TRANSACTION

TRANSACTION GROUP

## 4<sup>th</sup> Medium-term Management Plan (FY8/23 to FY8/25)

October 20, 2022

**TRANSACTION Co., Ltd.**

Prime Market of TSE

Securities code: 7818

Note: This document has been translated from a part of 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.

# Key Strategies of the 4<sup>th</sup> Medium-term Management Plan

1.

Finished goods demand arising from the promotion of **SDGs**

2.

**Tangible goods consumption** originating from **intangible goods consumption**

3.

**Demand for revenge spending** coming after COVID-19

4.

Strengthened **e-commerce**

5.

Strengthened domestic **in-house manufacturing**

Finished goods demand arising from the promotion of **SDGs**

To help enhance corporate value and solve social issues



# Finished Goods Demand Arising from the Promotion of SDGs

To promote the development of sustainable products that facilitate the settlement of customer issues



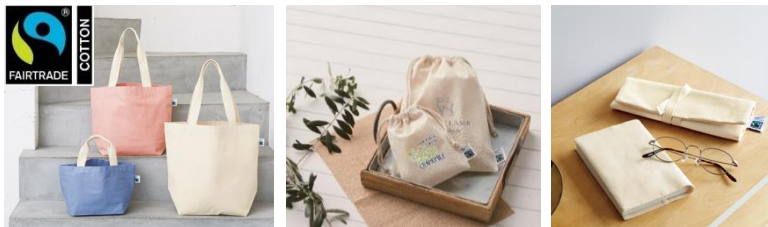
## ▼Organic cotton finished goods



## ▼Eco-Mark certified finished goods



## ▼Fairtrade cotton finished goods



## ▼Finished goods made from recycled materials



## ▼Biomass plastic and natural material finished goods



# Original Brand **MARKLESS STYLE** : Eco Products

Strengthening support for product sales and OEM

## Finished goods with certification marks

### Eco Mark



### Organic cotton



### Fairtrade cotton



## Upcycled material finished goods

### Biomass plastic/natural materials



Jute

Bamboo fiber

Straw

### Recycled materials



Recycled cotton

Recycled polyester fiber

R70

## Genderless colors

A wide variety of colors for men and women of all ages



**Full color printing to increase added value**

# Ethical Brand M O T T E R U®: Eco Products

To become a leading company in ethical products, anticipating mid/long-term market growth

## Clarification of our primary target group

Thoroughgoing redevelopment of our brand targeted at mainly women in their 20s

**Aiming for the highest approval rating**



## Upcycled material finished goods

To expand product categories using upcycled materials



Bamboo fiber



Recycled cotton



Aluminum



Recycled polyester fiber





## Tangible goods consumption originating from intangible goods consumption



# Tangible Goods Consumption Originating from Intangible Goods Consumption



## ▼Game and animation-related finished goods

Even during the COVID-19 pandemic, sales have been strong in the industry with an affinity for e-commerce. This segment is expected to evolve into a new form as the mainstay of “tangible goods consumption originating from intangible goods consumption.”



## ▼Pet wear and related finished goods

The number of pet animals increased amid the COVID-19 pandemic. Sales of finished goods that enrich the lives of pet dogs are expected to remain strong.



## ▼Gardening finished goods

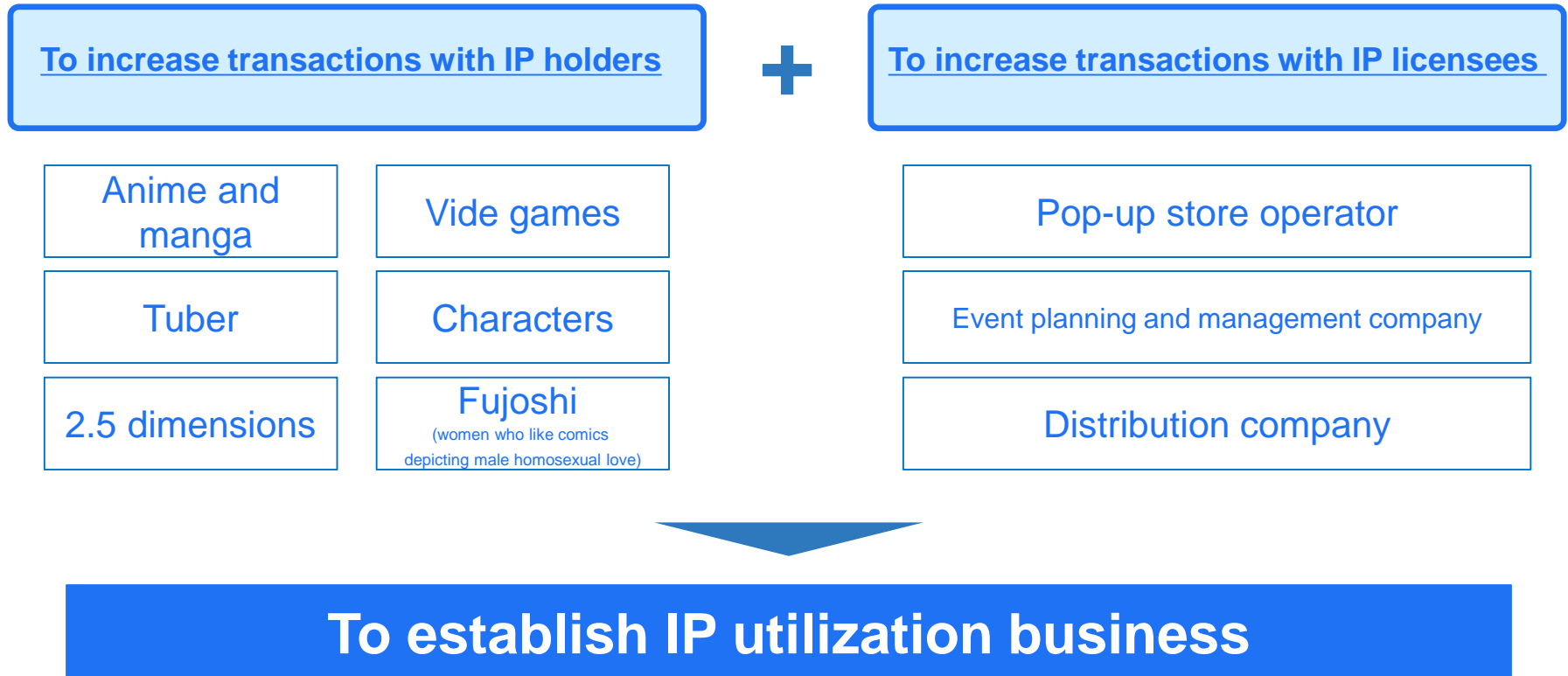
F.O.B COOP





# Game and Animation-related Finished Goods: Lifestyle Products

To increase transactions with IP holders and IP licensees



To provide comprehensive planning and proposals to IP holders and IP licensees and expand sales through events, product sales, etc.

# Pet Wear and Related Finished Goods: Lifestyle Products

## Further growth with the keyword “enriching the lives of pet dogs”

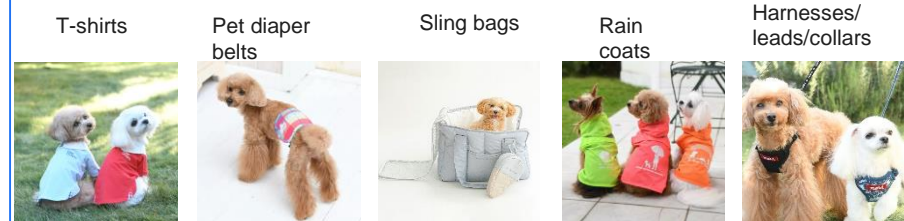
### Reinforcement of in-house original finished goods

From small to large dogs.  
To accelerate the growth of highly profitable original brands



### Expansion of finished goods for year-round sales

To expand functional finished goods categories for the health of pet dogs



### Expansion of brands handled



### Sustainable materials

To strengthen finished goods development using environmentally friendly materials



## Demand for revenge spending coming after COVID-19



# Demand for Revenge Spending Coming after COVID-19



## ▼Entertainment-related finished goods

Expansion of the lineup of finished goods for events, especially those compatible with full-color printing. We are preparing for the timing of the start of full-scale demand for revenge spending due to the resumption of live music events, theme parks, and other events.



## ▼Travel-related finished goods

Travel demand has been eagerly awaited during the COVID-19 pandemic.

“Travel goods that are sure to be useful all over the world!”



# Demand for Revenge Spending Coming after COVID-19

Games

Anime

Theme parks

Inbound

Sports

**Entertainment**



**Sightseeing**



e-Sports

Overseas travel

Metaverse

Domestic travel

Conventions

Youtuber

Music

Exhibitions

Activities

Live music

Apparel

Cosmetics

## Developing new mainstay businesses



## Travel demand rebounding in the Japanese market

### Acceleration of in-house original finished goods development

To be safe, secure, comfortable and fulfilling. To develop finished goods while pursuing functionality and comfort.



### Expansion of the lineup of licensed collaborative finished goods

Strengthen development of licensed collaborative finished goods.



# BEAMS DESIGN



### Development of new series

To establish a new series following in-house original and licensed collaborative series.

Coming soon!

Strengthened **e-commerce**

We aim to increase the ratio of e-commerce sales to consolidated net sales to **30% or higher**



# Strengthened e-commerce

We aim to increase the ratio of e-commerce sales to consolidated net sales to 30% or higher

## B2B

**MARKLESS STYLE** **販促** **STYLE**  
(HANSOKU-STYLE)  
**MARKLESS Connect, Partner**

Seamless and automatic integration  
of order receipt, processing and shipping

**The increase in convenience leads to  
the rise in order receipt rate.**

## D2C

**オリジナルグッズプレス** (Original Goods Press)

calulu®  
ONLINE STORE

MOTTER U®

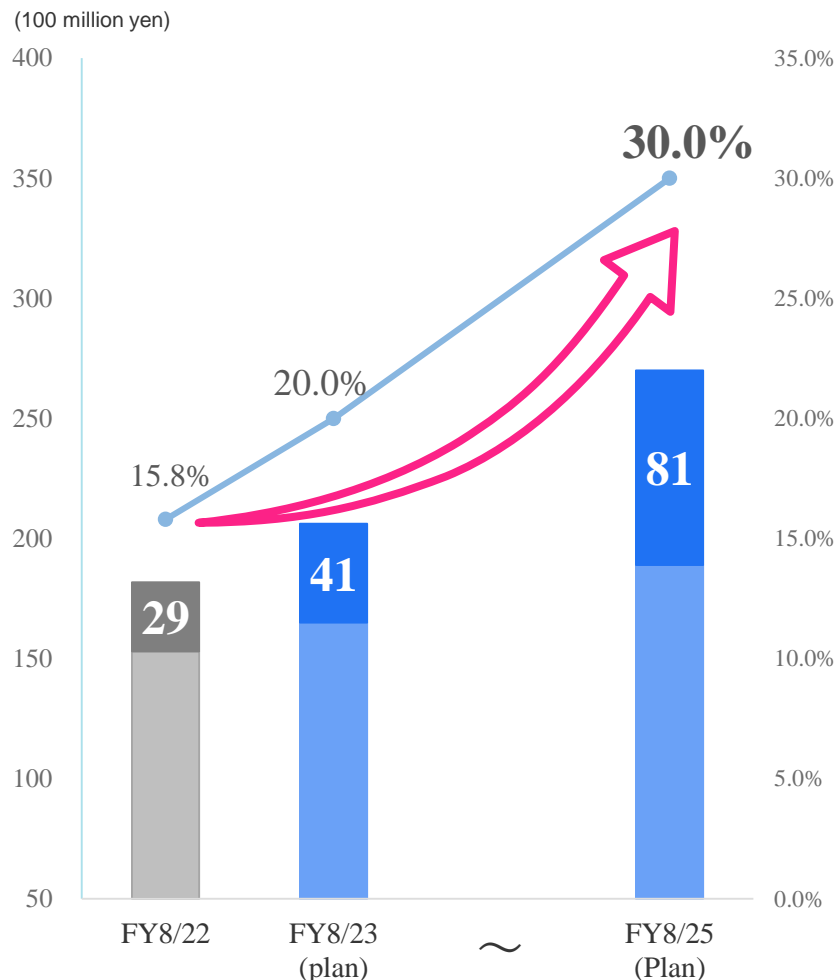
Rakuten

amazon

ZOZOTOWN

YAHOO!  
JAPAN

SEO enhancement  
+  
Advertising and  
social media



## Strengthened domestic in-house manufacturing



# Growth Strategy (Strengthening In-house Manufacturing in Japan)

To raise the domestic in-house production rates to consolidated sales  
To avoid foreign exchange risks and improve profit margin

To increase the in-house production rates of finished goods with high demand for product sales

To enhance full-color printing, on-demand printing, etc.



Installation of new equipment



<Sales from our own factories in Japan>

FY8/25 (plan)  
2.7 billion yen

Up 225%

FY8/22  
1.2 billion  
yen



# Investment Plan (1)

We plan to invest a total of 1.5 billion yen in equipment during the period of the 4<sup>th</sup> Medium-term Management Plan.

## Construction of the 2<sup>nd</sup> plant

- Plan to construct a new building to expand capacity.

Construction to be completed in FY8/25



## Replacement with a new mission-critical system

- Significant improvement in convenience and reduction of man-hours by replacing our system with the latest system.

Full-scale operation to be started in January 2024



## Expansion of our EC system

- To improve usability and UX
- Launch of a new website

To be continued as necessary

## Installation of solar panels

- Plan to install solar panels at our company's domestic factories

Scheduled to be installed by FY8/23



# Declaration of Renewable Energy 100



Sai-ene 100 Sengen (100% Renewable Energy Declaration)



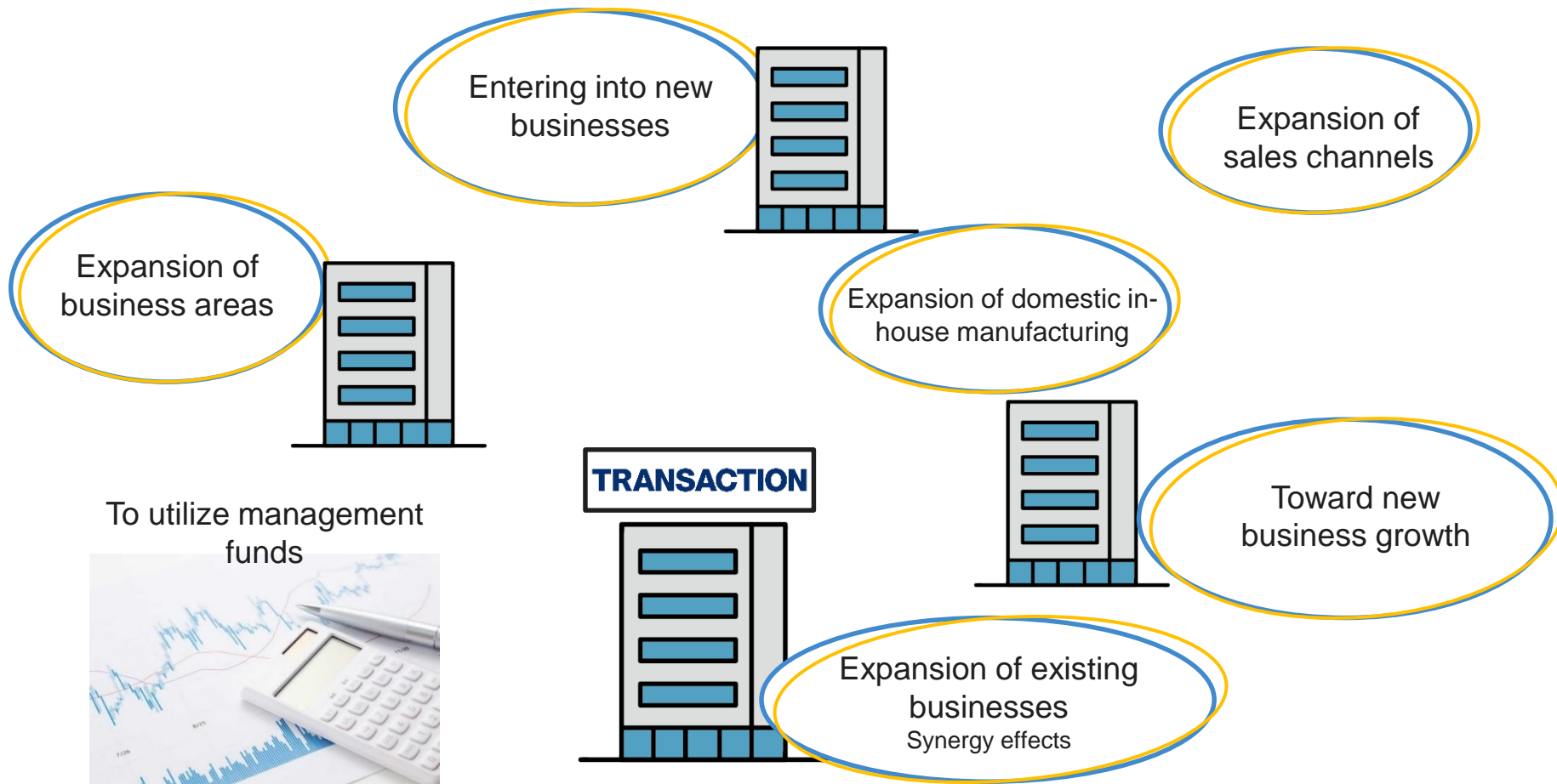
We aim to use 100% renewable energy sources for electricity used by the TRANSACTION GROUP.

**Goal of achieving a renewable energy ratio of 50%**  
Five years ahead of schedule, from 2030 to 2025

To accelerate introduction of renewable energy

# Investment Plan (2)

To expand business through aggressive M&A and capital and business alliances  
To secure **3 billion yen** for investment

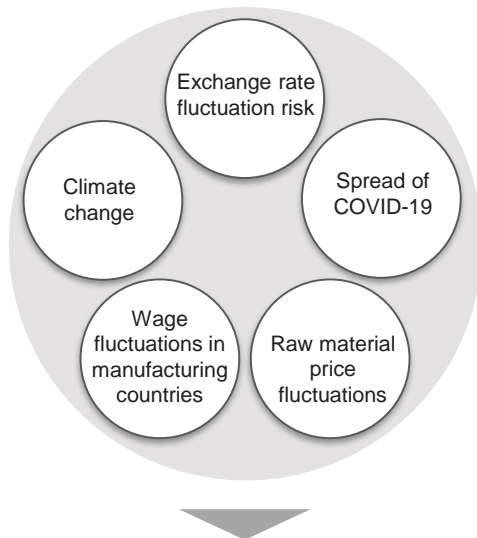


# Cost Reduction Measures

Thorough implementation of “production in the right location” by making the most of a moving model fabless company

## Five factors

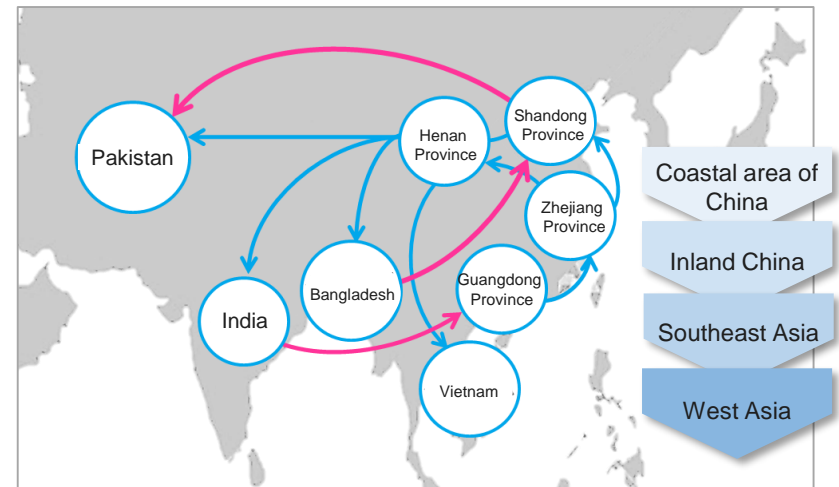
affecting manufacturing costs



**To select appropriate production sites according to fluctuations in exchange rates, labor costs, and raw material costs**

High flexibility in responding to changes in the business environment to ensure stable profits.

**A system that enables rapid switch of production bases in the event of another lockdown in each country.**



<b>Production site lockdown</b>	<b>High crude oil prices</b>	<b>Rapid depreciation of the yen</b>
<b>Soaring ocean freight rates</b>	<b>Shortage of containers</b>	<b>High metal market prices</b>
<b>Soaring cotton prices</b>		<b>Uyghur human rights issue</b>
<b>Russia-Ukraine issue</b>		

# Performance Targets

Category	Results in FY8/22	4 <sup>th</sup> medium-term management plan	Three-year increase/decrease	
			Amount	Rate
Net Sales	18.27 billion yen	27 billion yen	8.72 billion yen	147.8%
Operating profit	3.23 billion yen	4.7 billion yen	1.46 billion yen	145.4%
Operating profit margin	17.7%	17.4%	-	-0.3 points
Ordinary profit	3.3 billion yen	4.71 billion yen	1.4 billion yen	142.5%
Profit attributable to owners of parent	2.19 billion yen	3.12 billion yen	0.93 billion yen	142.5%

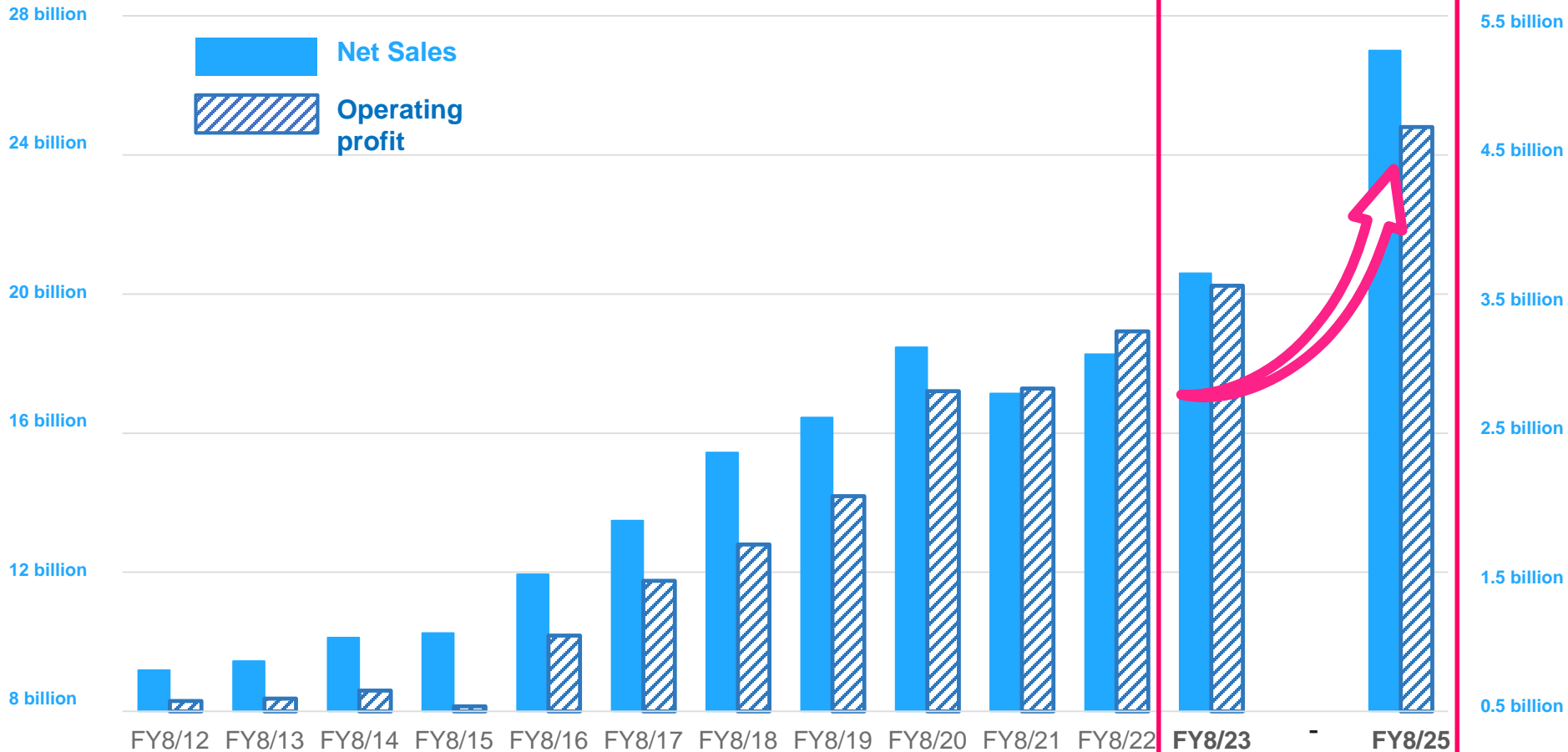


# Performance Trends and Plans



(Net sales: yen)

(Operating profit : yen)



# Other Management Goals

Category	Results in FY8/22	4 <sup>th</sup> medium-term management plan	Comments
Sales policies			
EC sales ratio	15.8%	30%	To efficiently increase sales and profit
Domestic in-house manufacturing ratio	6%	10%	Reduction of foreign exchange risk
Diversity			
Ratio of women and foreign nationals in management positions	30%	35%	To promote diversity
Renewable energy			
Ratio of electricity used by the group	0%	50%	Target to be achieved ahead of schedule (from 2030 to 2025)
Return to shareholders			
Dividend per share	25 yen	35 yen	To continue to distribute profits appropriately based on business performance Dividend payout ratio: 33%

\*The dividend per share was estimated from the total number of outstanding shares as of the end of FY8/22.

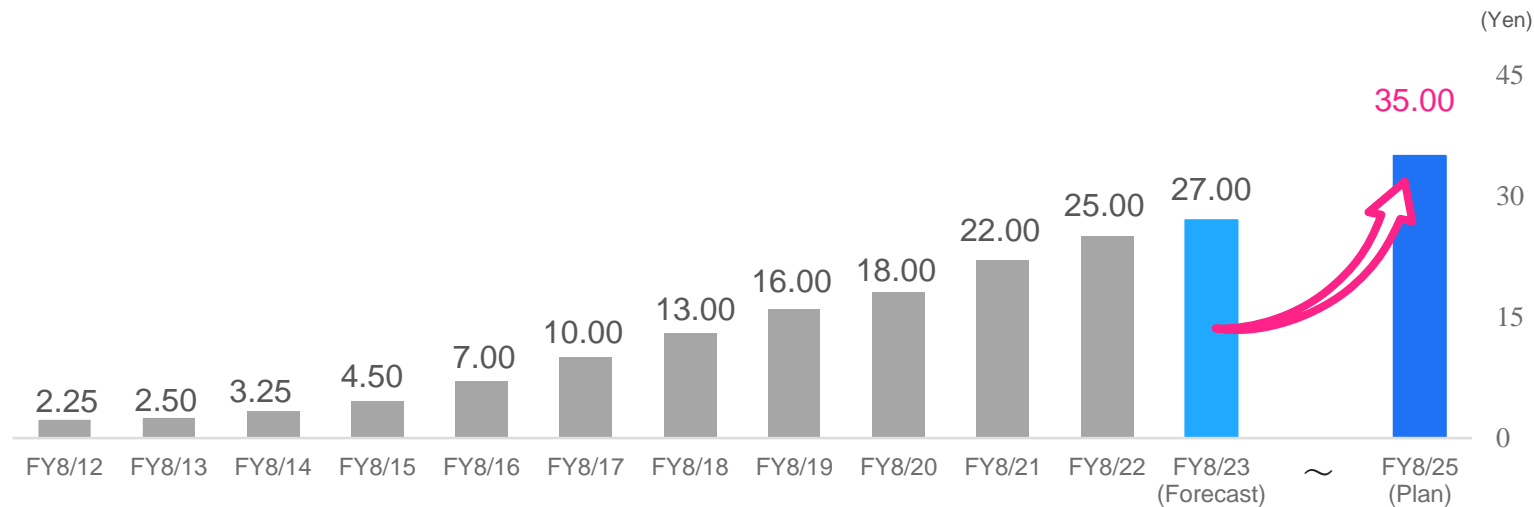
# Dividends

**FY8/22**  
Dividend: 25.0 yen

➔

**FY8/25 (plan)**  
Dividend: 35.0 yen

<<Dividend per share>>



\*Past stock splits are taken into account.

# Sustainability Initiatives (1)

## TRANSACTION GROUP

### Toward the realization of a sustainable society

The TRANSACTION GROUP will continue  
to enhance its corporate value through its business activities  
in accordance with its management philosophy and action guidelines, and  
remain committed to achieving the SDGs for the realization of a sustainable society.



# Sustainability Initiatives (2)

## Efforts to become carbon neutral

### Installation of solar panels at our company's domestic factories



Sai-ene 100 Sengen (100% Renewable Energy Declaration)



By 2050, the TRANSACTION GROUP hopes to use 100% renewable energy for its electric power. We intend to complete this task as soon as possible.














































**Goal of achieving a renewable energy ratio of 50%  
Five years ahead of schedule, from 2030 to 2025**

**To accelerate introduction of renewable energy**



# Sustainability Initiatives (3)

## Material issues and company's efforts to achieve the SDGs

	Material Issues	Major SDGs	TRANSACTION GROUP Initiatives
Company business	Improvement of products and services	  	<p>Under our corporate philosophy, we will supply environmentally friendly finished goods in our "production," and continue to offer items that are appealing in terms of style, quality, and affordability, while responding to social trends. Furthermore, by leveraging our company's feature as a "moving model fables company," we will form amicable collaborations with suppliers in Japan and abroad, therefore contributing to the achievement of the SDGs across the board.</p>
	Strengthening of price competitiveness		
	Providing products while responding to social trends		
Environment	To contribute to the environment through finished goods	    	<ul style="list-style-type: none"> <li>•To promote the development and sales of finished goods (eco-products) for "non-use of disposable items"</li> <li>•To strengthen the development of finished goods using recycled materials, etc., and promote the reduction of CO<sub>2</sub> emissions</li> <li>•To encourage the use of organic materials derived from sustainable agriculture processes</li> </ul>
	Promotion of recycling and reduction of CO <sub>2</sub> emissions	   	
Social	Respect for human rights	   	<ul style="list-style-type: none"> <li>•In our corporate activities, we respect the dignity and rights of all people, and we respect the human rights of our diverse stakeholders and do not infringe upon or unfairly discriminate against them.</li> <li>•We will promote the training and development of human resources from a medium/long-term perspective through a clear personnel evaluation system and education programs by job level.</li> <li>•We will actively incorporate diverse human resources and values regardless of nationality, gender, age, creed, etc., and utilize them in our corporate activities and to enhance corporate value.</li> <li>•To contribute broadly to society through our business activities, deepen our understanding of various communities, and continue to meet the needs and expectations of these communities</li> <li>•To develop finished goods using international fairtrade certified cotton</li> <li>•To implement on-site supplier inspections and corrective actions</li> </ul>
	Human resource development	  	
	Promoting diversity	   	
	Contribution to communities	  	
	Fairtrade	       	
	Promotion of supply chain management	    	
	Work-life balance	 	
Governance	Corporate governance		<ul style="list-style-type: none"> <li>•To have an Audit and Supervisory Board to strengthen supervisory functions based on free and vigorous discussions at the Board of Directors meetings</li> <li>•To ensure the fairness, effectiveness, and transparency of management through the activities of the Compensation Committee, a voluntary advisory committee</li> <li>•To implement internal control based on the "Basic Policy for Establishment of Internal Control System"</li> <li>•To hold regular Compliance and Risk Management Committee meetings in accordance with the "Basic Compliance Policy" and "Compliance Management Regulations"</li> <li>•To establish "Compliance Consultation Desk" and "Compliance Helpline" as whistle-blowing systems</li> <li>•To strengthen the management system based on the Basic Policy on Information Security</li> </ul>
	Compliance		
	Risk management		
	Reinforcement of information security		

# Sustainability Initiatives (4)

## Relationship between our business and the SDGs

### Core Business

#### ■ Custom-made miscellaneous goods



#### ■ Original miscellaneous goods



### Growing Business

#### ■ E-commerce

MARKLESS STYLE 販促 STYLE



#### ■ Ethical brand business

M O T T E R U<sup>®</sup>



#### ■ Pet wear and related finished goods business

calulu<sup>®</sup> One Octave



#### ■ Travel-related finished goods business

TRAVEL WELL USE GOWELL  
gowell<sup>®</sup>



# Sustainability Initiatives (5)

## Examples of finished goods using environmentally friendly materials

MARKLESS STYLE offers carbon offset rights for all of its finished goods.

•Organic cotton



•Fairtrade cotton



•Recycled polyester fiber



•Unbleached cotton



•Chambrick (Recycled cotton)



•Jute



•Bamboo fiber



•Rubberwood



•Recycled paper



•Recycled leather



•Tritan™



•Straw material



•Dolomite



and more...!

# **TRANSACTION**

**TRANSACTION Co., Ltd.**

**8<sup>th</sup> floor of Shibuya-Shinminamiguchi Bldg., 3-28-13 Shibuya, Shibuya-ku, Tokyo 150-0002**

**TEL: 03-5468-9033**

**FAX: 03-5468-8010**

**<https://www.trans-action.co.jp/>**

**<Notes>**

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