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October 15, 2024

Consolidated Financial Results for the Fiscal Year Ended August 31, 2024 (Under Japanese GAAP)

Company name: TRANSACTION CO., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 7818
URL: https://www.trans-action.co.jp.e.zy.hp.transer.com/
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Scheduled date of annual general meeting of shareholders: November 28, 2024
Scheduled date to commence dividend payments: November 7, 2024
Scheduled date to file annual securities report: November 28, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts, institutional investors, and the press)

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

1. Consolidated financial results for the fiscal year ended August 31, 2024 (from September 1, 2023 to August 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2024	25,047	9.1	5,233	12.3	5,625	17.5	3,763	13.9
August 31, 2023	22,958	25.6	4,658	44.1	4,786	44.9	3,305	50.6

Note: Comprehensive income For the fiscal year ended August 31, 2024: ¥3,431 million [(4.1)%]
For the fiscal year ended August 31, 2023: ¥3,579 million [33.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
August 31, 2024	129.40	–	21.9	26.2	20.9
August 31, 2023	113.50	–	22.3	25.7	20.3

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended August 31, 2024: ¥– million
For the fiscal year ended August 31, 2023: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 31, 2024	22,320	18,148	81.3	629.30
August 31, 2023	20,599	16,236	78.8	557.41

Reference: Equity
As of August 31, 2024: ¥18,148 million
As of August 31, 2023: ¥16,236 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
August 31, 2024	3,022	(1,715)	(1,516)	5,846
August 31, 2023	3,767	(1,481)	(555)	6,060

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended August 31, 2023	–	0.00	–	35.00	35.00	1,019	30.8	6.9
Fiscal year ended August 31, 2024	–	0.00	–	39.00	39.00	1,124	30.1	6.6
Fiscal year ending August 31, 2025 (Forecast)	–	0.00	–	41.00	41.00		30.2	

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

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2025 (from September 1, 2024 to August 31, 2025)

(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 28, 2025	13,845	8.5	2,915	8.5	2,969	3.9	1,944	2.7	67.43
Fiscal year ending August 31, 2025	27,900	11.4	5,850	11.8	5,959	5.9	3,915	4.0	135.75

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) 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

(3) Number of issued shares (common shares)

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

As of August 31, 2024	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 August 31, 2024	536,056 shares
As of August 31, 2023	246,865 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended August 31, 2024	29,085,441 shares
Fiscal year ended August 31, 2023	29,120,776 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended August 31, 2024 (from September 1, 2023 to August 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2024	2,549	78.5	1,860	137.7	2,279	143.5	2,125	120.4
August 31, 2023	1,427	8.5	782	5.9	936	6.5	964	18.0

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
August 31, 2024	73.09	–
August 31, 2023	33.12	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 31, 2024	8,231	6,120	74.3	212.21
August 31, 2023	7,088	5,681	80.2	195.05

Reference: Equity

As of August 31, 2024: ¥6,120 million

As of August 31, 2023: ¥5,681 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

1. 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 “(4) Future outlook” in “1. Summary of operating results, etc.” on page 7 of the Financial Results (attached file).
2. The Company plans to hold a financial results briefing for institutional investors and analysts on October 18, 2024. The material on financial results used for the briefing will be posted on the Company’s website by the same day.

[Attached Material]

Index

1. Summary of Operating Results, etc. 2
   (1) Summary of operating results during period 2
   (2) Summary of financial condition during period 5
   (3) Summary of cash flows during period 6
   (4) Future outlook 7
   (5) Basic policy on profit distribution, and dividends for the fiscal year under review and next fiscal year 10
   (6) Business-related risks etc. 10
2. Status of Corporate Groups 13
3. Basic Approach to the Selection of Accounting Standards 16
4. Consolidated Financial Statements and Major Notes 17
   (1) Consolidated Balance Sheet 17
   (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 19
      Consolidated Statement of Income 19
      Consolidated Statement of Comprehensive Income 20
   (3) Consolidated Statement of Changes in Equity 21
   (4) Consolidated Statement of Cash Flows 23
   (5) Notes to Consolidated Financial Statements 24
      Notes regarding assumption of a going concern 24
      Basis for preparation of consolidated financial statements 24
      Notes to consolidated balance sheet 27
      Notes to consolidated statement of income 27
      Consolidated statement of comprehensive income 30
      Consolidated statement of changes in equity 31
      Consolidated statement of cash flows 33
      Segment information 33
      Per share information 34
      Subsequent events 35

1. Summary of Operating Results, etc.

(1) Summary of operating results during period

During the fiscal year under review, the Japanese economy showed signs of recovery mainly due to improvements in the employment and income environment and recovery of inbound demand. However, future uncertainty persisted due to such factors as the situations concerning Russia/Ukraine and the Middle East, rising prices due to the progressive depreciation of the yen and other factors, as well as effects of monetary policies.

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 focus 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 that 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. By providing this unique business model through the "MARKLESS Connect*" system, which was developed aiming to strengthen the E-commerce business, to client entities, we help eliminate inefficiencies in their order-receiving and order-placing operations and the efficiency of business processes is increased. This results in effective growth in the business performance of both the Group and its client entities.

* This is a system that allows us to complete transactions, 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, by linking them to e-commerce sites operated by the client entities, thereby improving efficiency without human intervention.

■ 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 fiscal year under review, we continued to focus on hybrid marketing activities that fuse the in-person sales approach with e-commerce. In particular, for "MARKLESS Connect," which drives sales of the main B2B site "MARKLESS STYLE," an increase in net sales at partner companies up through the previous fiscal year and net sales at partner companies in the fiscal year under review made a significant contribution to growth in e-commerce sales. 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, we have been seeking to raise awareness with respect to "Original Goods Press," which produces goods for sale and OEM products catering to the entertainment and "Oshikatsu" (various activities to support favorite idols, actors, anime characters, etc.) market, and also with respect to "Original.com," which produces original goods for sale for companies and stores, by showcasing the distinctive appeal of the respective

websites through initiatives that have included redoubling efforts to issue news releases. 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, continued to make 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 1,089 million yen, or 24.2% year on year, and the sales composition ratio expanded 2.7 percentage points year on year to 22.3%.

* 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 CO_2 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 addition to a continued strong performance for eco bags and other mainstay products, we also saw stationery products made from recycled PET and recycled ABS being adopted as numerous novelty items at exhibitions, seminars and other events. 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 through e-commerce also increased. However, due in part to an increase in the number of client entities choosing products to counter the impact of extreme summer heat, sales in the fourth quarter under review recorded a year-on-year decline. In addition, the Group’s efforts to promote fair trade were highly evaluated, and the Group received the award for “Excellence in the Social Movement Category” for the First Fairtrade Japan Awards in 2023. We continued to engage in activities to promote fair trade by participating in the “Fairtrade Million Action Campaign 2024.” 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. Sales of the endorsed products increased.

As a result, sales of Eco-products increased by 314 million yen, or 3.1% year on year.

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. Sales to the entertainment industry, which is driving sales expansion of Lifestyle products grew. In addition to strong sales for the game and animation industry, demand increased and sales grew for items in product sales due to sales through e-commerce and at venues of in-person events in the 2.5D, sporting events and music industries. In seeking to meet demand for a more diverse range of premium-quality goods for sale in the entertainment and “Oshikatsu” sector, we have been introducing new product categories and providing products with vivid full-color printing by introducing new equipment at our factories in Japan. In order to raise awareness we also attended the 11th Live Entertainment Expo, which is one of Japan’s largest exhibitions, receiving positive feedback from many client entities for the picture-style towels, acrylic products, and other products that we showcased. At the exhibition, we also focused on activities aimed at acquiring new clients. In sales promotions, we secured business involving large campaigns as a result of our having stepped up our sales activities seizing the recovering demand, although this varies across different industries and enterprises. 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, sales significantly increased over the previous year, greatly exceeding pre-COVID results. We renewed products made in

collaboration with popular characters to meet inbound demand. In addition, in response to the recovery in demand for international travel, we concluded licensing agreements with several fashion brands and enhanced our lineup of new products, such as suitcases and suitcase belts. In addition to expanding sales channels, we focused on acquiring sales space at major specialty stores and home centers.

As a result, sales of Lifestyle products increased by 1,710 million yen, or 15.3% year on year.

Wellness products

There was a certain level of demand for sanitary products such as masks. Sales increased by 36 million yen, or 2.9% 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, while enhancing CSR procurement. 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. At the second factory completed in June, we proceeded with measures, which entailed installing state-of-the-art printing machinery aligned with needs for entertainment and "Oshikatsu" demand, making final adjustments to the factory layout for greater productivity, securing personnel for full-scale factory operations, preparations for optimizing operations, and addressing other matters.

As a result, both net sales and profits at each level reached record highs, with net sales for the fiscal year under review reaching 25,047 million yen (up by 2,088 million yen, or 9.1% year on year). Operating profit increased to 5,233 million yen (up by 574 million yen, or 12.3% year on year) owing to securing gross profit by an increase in net sales, and well-planned expenditure of selling, general and administrative expenses. Ordinary profit increased to 5,625 million yen (up by 838 million yen, or 17.5% year on year) due to the recording of foreign exchange gains from the redemption of a portion of U.S. dollar-denominated bonds held as a financial measure to reduce the impact of exchange rate fluctuations. Profit attributable to owners of parent also increased to 3,763 million yen (up by 458 million yen, or 13.9% year on year), due in part to a 34 million yen reduction in the tax burden resulting from the application of a wage increase promotion tax system.

Actual sales for the fiscal year under review by sales channel and product classification were as follows.

<Actual sales by sales channel>

(Millions of yen)

Category	Net sales		Change	
	Previous fiscal year	Current fiscal year	Change	Change (%)
Targeting end-user companies	10,686	11,270	583	5.5
Targeting wholesalers	7,769	8,184	415	5.3
E-commerce	4,502	5,591	1,089	24.2
Total	22,958	25,047	2,088	9.1

<Actual sales by product classification>

(Millions of yen)

Category	Net sales		Change	
	Previous fiscal year	Current fiscal year	Change	Change (%)
Eco-products	10,189	10,503	314	3.1
Lifestyle products	11,205	12,915	1,710	15.3
Wellness products	1,247	1,283	36	2.9
Design and other	316	344	27	8.8
Total	22,958	25,047	2,088	9.1

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) Summary of financial condition during period

Status of assets, liabilities, and net assets

Current assets

Current assets at the end of the fiscal year under review amounted to 14,801 million yen, a decrease of 389 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in securities by 688 million yen, a decrease in cash and deposits by 187 million yen, and an increase in finished goods by 303 million yen.

Non-current assets

Non-current assets at the end of the fiscal year under review amounted to 7,519 million yen, an increase of 2,110 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in investments and other assets by 1,413 million yen, an increase in property, plant and equipment by 661 million yen, and an increase in intangible assets by 35 million yen.

Current liabilities

Current liabilities at the end of the fiscal year under review amounted to 3,334 million yen, a decrease of 91 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in income taxes payable by 55 million yen, a decrease in accounts payable - trade by 3 million yen, and a decrease in provision for bonuses by 13 million yen.

Non-current liabilities

Non-current liabilities at the end of the fiscal year under review amounted to 837 million yen, a decrease of 98 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in deferred tax liabilities by 105 million yen.

Net assets

Net assets at the end of the fiscal year under review amounted to 18,148 million yen, an increase of 1,911 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in retained earnings by 2,744 million yen, despite purchase of treasury shares of 500 million yen.

(3) Summary of cash flows during period

Cash and cash equivalents at the end of the fiscal year under review amounted to 5,846 million yen (a decrease of 213 million yen, or 3.5% year on year). Interest-bearing liabilities at the end of the fiscal year under review amounted to 768 million yen.

Cash flows from operating activities

Net cash provided by operating activities in the fiscal year under review amounted to 3,022 million yen (compared with 3,767 million yen provided by operating activities in the previous fiscal year). This was due mainly to an increase in cash due to profit before income taxes of 5,628 million yen, and decreases in cash due to income taxes paid of 1,904 million yen, an increase in trade receivables and contract assets of 396 million yen, and an increase in inventories of 306 million yen.

Cash flows from investing activities

Net cash used in investing activities in the fiscal year under review amounted to 1,715 million yen (compared with 1,481 million yen used in investing activities in the previous fiscal year). This was due mainly to decreases in cash due to purchase of investment securities of 1,487 million yen and purchase of property, plant and equipment of 713 million yen, and an increase in cash due to sale and redemption of short-term and long-term investment securities of 611 million yen.

Cash flows from financing activities

Net cash used in financing activities in the fiscal year under review amounted to 1,516 million yen (compared with 555 million yen used in financing activities in the previous fiscal year). This was due mainly to decreases in cash due to dividends paid of 1,019 million yen and purchase of treasury shares of 501 million yen, and an increase in cash due to proceeds from long-term borrowings of 400 million yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended Aug. 2020	Fiscal year ended Aug. 2021	Fiscal year ended Aug. 2022	Fiscal year ended Aug. 2023	Fiscal year ended Aug. 2024
Equity-to-asset ratio (%)	73.9	78.5	80.2	78.8	81.3
Equity-to-asset ratio on a market value basis (%)	249.8	218.9	186.3	276.7	256.5
Ratio of interest-bearing liabilities to cash flow (Years)	0.6	0.3	2.6	0.2	0.3
Interest coverage ratio (Times)	571.0	782.6	97.5	1,606.0	947.9

Equity-to-asset ratio: Equity capital/Total assets

Equity-to-asset ratio on a market value basis: Market capitalization of equity/Total assets

Ratio of interest-bearing liabilities to cash flow: Interest-bearing liabilities/Cash flow

Interest coverage ratio: Cash flow/Interest payment

Note 1: The above figures are calculated based on figures on a consolidated basis.

Note 2: The market capitalization of equity was obtained by multiplying the closing price at the stock exchange on the final day of the period under review (or the final operating day of the market if the final day was a holiday) by the number of outstanding shares at year end excluding the number of treasury shares.

Note 3: Cash flow refers to cash flows from operating activities.

Note 4: Interest-bearing liabilities refer to all debt on the consolidated balance sheet for which the Company pays interest. Interest payment is based on the amount of interest paid on the consolidated statement of cash flows.

(4) Future outlook

For the fiscal year ending August 31, 2025, the Japanese economy is expected to continue its gradual recovery as the employment and income environment and corporate earnings improve, but conditions are forecast to remain challenging due to price hikes of daily necessities and rising energy costs caused by the weak yen, and uncertainties are expected to persist due to such factors as the situations in Ukraine and in the Middle East, and the impact on Japan's financial and capital markets of political trends and monetary policy in Japan and the U.S.

In these circumstances, with a focus on "strengthened e-commerce" in the final year of the 4th medium-term management plan, the Group will promote the introduction of new products, the development of client entities, and the strengthening of relationships by capturing changes in the social environment and consumption trends in a timely and appropriate manner without fail, in Eco-products, Lifestyle products, and Wellness products, under such key strategies as "finished goods demand arising from the promotion of SDGs," "tangible goods consumption derived from intangible goods consumption," "demand generated by inbound and outbound finished goods demand," and "strengthened domestic in-house manufacturing."

* In the light of current circumstances, the name of "finished goods demand arising from reopening" will be changed to "demand generated by inbound and outbound finished goods demand" from the fiscal year ending August 31, 2025.

■ Giving form to various types of consumption

The TRANSACTION Group handles consumer products. But more specifically, it specializes in original items of client entities, offering one-stop, integrated services from product planning and development, through design, production, processing, to sales, marketing, and sales promotions. Even in today's era, which is observed as a time where "physical goods don't sell," TRANSACTION has continued to grow, believing in the value that a physical item brings to people, discerning such value, and serving customers with proposals that enjoy uninterrupted support from customers. TRANSACTION seeks to give form to diversifying customer desires and to the trends of varied consumption types, and transforming them into physical items consumers can take in hand. In doing so, we create new experiences of exhilaration and value that cannot be provided by mere "things." We will constantly hone and enhance the five strengths that we have cultivated since our founding, which are the source of the value creation that has driven our growth thus far, and achieve further growth going forward.

Five Strengths of the TRANSACTION Group

(i) Planning and Development Capabilities Taking Advantage of Penchant for Reading the Times
(ii) Hybrid Sales Capabilities Combining In-Person Sales and E-Commerce Sites
(iii) Manufacturing Platform Development Capabilities
(iv) Diverse and Specialized Sales Channel Development Capabilities
(v) Group Management Capabilities for Achieving High Profitability

■ 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. By providing this unique business model through the "MARKLESS Connect*" system, which was developed aiming to strengthen the E-commerce business, to client entities, inefficiencies in their order receiving and placing operations is eliminated and the efficiency of business processes is increased. This results in effective growth in the business performance of both the Group and its client entities.

* This is a system that allows us to complete transactions, 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, by linking them to e-commerce sites operated by the client entities, thereby improving efficiency without human intervention.

■ E-commerce business

In the E-commerce business, by proceeding with system development aimed at further enhancing the convenience of the main B2B site "MARKLESS STYLE" and the D2C* site "HANSOKU-STYLE" in accordance with the key strategy of "strengthened e-commerce," and by strengthening hybrid sales activities that also incorporate face-to face sales to handle orders from areas and client entities that we had not previously approached, we will expand e-commerce to account for at least 30% of consolidated net sales, which is the target for the final year of the 4th medium-term management plan.

The e-commerce platform "MARKLESS STYLE" 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 also, through "MARKLESS Connect," it has provided a system that can achieve similar results for client entities, which was linked to a total of 27 client entity e-commerce sites by the end of August 2024. In order to enhance synergy effects with such partner companies, we will roll out new services to support the growth of sales at client entity e-commerce sites. By expanding sales at client entity e-commerce sites through such initiatives, we aim to expand sale of "MARKLESS Connect."

In the D2C site "HANSOKU-STYLE," we will work on increasing the number of members and the repeat rate through continued measures such as expanding the number of registered finished goods and improving the usability of the site. By enhancing special feature pages and columns within the site as well as strengthening dissemination of information on social media, we aim to achieve a rise in the number of inquiries made via the site, and expect inside sales to result in an increase in the unit price per customer, as well as in the acquisition of new customers. We will apply the same measures to "Original Goods Press," which produces goods for sale and OEM products for the entertainment and "Oshikatsu" markets, "Original.com," which produces original goods for sale for companies and stores, "Calulu ONLINE STORE," which handles pet wear and related finished goods, and the "gowell" site, which handles travel-related finished goods. In the next fiscal year, we plan to expand sales and profits by expanding the scale of our business through these initiatives.

* 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

In Japan, progress towards achieving the SDGs has been delayed, and there are serious issues with five of the SDGs goals, including "Responsible Consumption and Production" and "Life Below Water." Given these circumstances, we believe that proactive investment by the state and companies to achieve these goals will become increasingly important in Japan. For companies and individuals, the selection of environmentally-friendly products will become an important behavior for making steady progress in day-to-day situations towards achieving the goals.

In terms of responsible production, the "MARKLESS STYLE" original brand provides reusable products made from organic cotton, recycled materials, biomass plastics, natural materials, recycled PET and recycled ABS and other materials, as well as upcycled finished goods that have been transformed into more valuable products by adding value such as ideas and design to waste resources. These products contribute to the reduction and control of CO_2 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.

Next fiscal year, our aim is to increase the number of companies selecting eco-products for novelties used for sales promotions and items used for product sales at events, and to have finished goods from the ethical brand "MOTTERU," which we are developing for retail, selected by individuals as items for day-to-day use. Through such behavior we plan to further contribute to changing the awareness of

client entities and individuals, and use even higher levels of support to drive the expansion of sales and profits.

Lifestyle products

In recent years, lifestyles have become increasingly diverse and the changing trends of the era have resulted in repeated changes in various types of consumption. Such circumstances increase sales opportunities for the Group, which has addressed changes in the social environment and consumption trends in a timely and appropriate manner, and present an opportunity to improve results. This fiscal year, we will continue to develop finished goods and expand services tailored to consumption trends, in accordance with the key strategies of “tangible goods consumption derived from intangible goods consumption,” “demand generated by inbound and outbound finished goods demand.”

Demand from the game and animation and other industries, which are driving Lifestyle products, continues to trend upward. In addition, demand for items in product sales is expected to increase, due to sales through e-commerce and at venues for in-person events in the 2.5D, sporting events and music industries. We also expect “Oshikatsu”-related business to grow rapidly going forward. The targets for “Oshi” include not only idols, artists, actors, and sportspeople but also a variety of tangible and intangible objects other than people, such as characters, animals and vehicles. We expect the diversification of targets for “Oshi” to result in an increase in opportunities to sell support goods related to “Oshikatsu” by client entities. To ensure that this opportunity is not wasted, we will strengthen development of “Oshikatsu” goods that came to the hearts of fans, and of plain products that are suitable for printing and processing.

At the travel-related finished goods brand “gowell,” as an initiative to further grow inbound demand, we will work to expand products resulting from IP collaboration and original products from “gowell” that specialize in providing functionality. Because such products can also be used to address outbound demand, we will open the first “gowell select” specialist travel goods shop for “gowell” in the international departures area of Kansai International Airport. In pet wear and related finished goods, we will work to expand original brands that are not affected by seasonality and can be sold all year round, as well as strengthen planning and development of licensed brands. In terms of progress towards the SDGs, because Japan is judged to be facing serious issues related to “Take urgent action to combat climate change and its impacts,” we expect to see an increase in demand for finished goods that address climate change. In the past we have provided umbrellas, rain goods, and finished goods for use in unusually and extremely hot summers, as well as finished goods used in preparations for natural disasters, and we will make every effort to further strengthen planning and development of such product categories.

Wellness products

In Wellness products, we plan to deal with a certain level of demand centered on masks and other finished goods and do not expect net sales to increase.

On the production side, the Company will work 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 will also increase the frequency of visits to overseas suppliers’ factories to improve product quality and reduce product loss rates while strengthening CSR procurement. By continuously developing new overseas and domestic suppliers, we will strive to further strengthen our price competitiveness and improve profit margins. We will strive to raise operating rates as quickly as possible at the second domestic factory, which was completed in June 2024, and to respond to rising demand for printing and processing. In addition, we expect to raise the in-house production ratio and improve productivity through such initiatives as increasing operating rates for state-of-the-art printing machinery to address entertainment and “Oshikatsu” demand, introducing new printing equipment, securing headcount, and optimizing operations.

As a result, the consolidated financial forecast for the fiscal year ending August 31, 2025 is net sales of 27,900 million yen, operating profit of 5,850 million yen, ordinary profit of 5,959 million yen, and profit attributable to owners of parent of 3,915 million yen.

(5) Basic policy on profit distribution, and dividends for the fiscal year under review and next fiscal year

The Company's basic policy is to continue providing returns to shareholders commensurate with constant performance improvement and continuous profit distribution in accordance with earnings.

With this policy in mind, we set a policy to strengthen the business infrastructure and improve the dividend payout ratio, taking into consideration capital requirements and financial soundness to pursue business expansion and profit improvement in the future.

The year-end dividend for the fiscal year ended August 31, 2024 will be 39 yen per share, an increase of 4 yen from the previous fiscal year, as announced in "Notice Concerning Revisions to the Annual Earnings Forecast and Upward Revision to Dividend Forecast for the Fiscal Year Ended August 31, 2024" disclosed on October 7, 2024.

The year-end dividend for the next fiscal year ending August 31, 2025 will be 41 yen per share, based on the above dividend policy. This will mark the 14th consecutive fiscal year of dividend increases since the Company's listing.

(6) Business-related risks etc.

There are risks and fluctuation factors that may affect the Group's business performance and financial status, etc., as described below. With the presence of these risks in mind, we will continue making efforts to avoid an adverse effect resulting from the occurrence of relevant risks.

- Business opportunity risk

  Risk related to acquisition and reduction of business opportunities, and business closure, etc.

- Operational risk

  Risk related to the inappropriateness of an internal process, personnel, and systems

- External environmental risk

  Risk related to external factors that cannot be controlled by the Group

<Business opportunity risk>

(i) Risk that adversely affects the business due to market and economic developments

The Group sells miscellaneous goods to companies for their sales promotion purposes. Therefore, if a client entity reduces advertisement and sales promotion expenses or postpones the timing of marketing depending on the trends in the market to which it belongs, or economic trends, the Group's business performance may be adversely affected. The Group also sells miscellaneous goods to wholesale and retail companies. The business performance of these companies, and a decrease in general consumer purchases due to an economic slowdown that triggers a fall in consumer confidence, may adversely affect the Group's performance and financial condition.

(ii) Risk arising from defects or supply disruption of products

A product or service provided by the Group may become defective for any reason. A product or service that is found to be defective may be subject to discount, reproduction, re-examination, withdrawal, etc. We pay due attention to quality control and production management, etc. to prevent product failure. However, if a product is found to be defective in a deal in which a large order is received, the Group's business performance may be adversely affected.

We subscribe to product liability insurance in preparation for a product defect. However, if compensation is ordered pursuant to the Product Liability Act because of a product defect, and the final

amount of compensation is not adequately covered by the insurance, the Group's business performance may be adversely affected.

In addition, the Group handles products of characters and various brands by utilizing manufacturing knowhow of miscellaneous products. We have entered into a license agreement for commercialization with the copyright holders of these products, and believe that we have a good relationship with them. However, if the renewal of the agreement is rejected because the terms and conditions are changed at the time of renewal and the conditions are not met, or the license agreement is cancelled and terminated due to the bankruptcy of the copyright holder or discontinuance of the brand, etc., the Group's business performance may be adversely affected.

<Operational risk>

(i) Risk arising from leakage and loss of personal information and customer information

We pay due attention to prevent the leakage of personal information and customer information held by the Group. Specifically, in line with the Personal Information Management Rules and the Information System Management Rules, etc., we raise employee awareness about information management internally, while entering into a confidentiality agreement with outside business contractors who handle data. However, if confidential information and personal information is leaked due to computer hacking by an unknown party, or negligence by an interested person, etc., resulting in a loss of confidence in the Group, the Company's business performance may be adversely affected.

(ii) Risk arising from the inadequacy of legal compliance

The Group conducts business in compliance with the Product Liability Act, the Act against Unjustifiable Premiums and Misleading Representations, the Food Sanitation Act, and the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (former Pharmaceutical Affairs Act), among others. We conduct business by paying due attention in order to not violate these laws. However, if a violation occurs, the Group's business performance may be adversely affected.

In addition, depending on the details of a proposed plan, the products and services provided by the Group may infringe a third party's intellectual property right (or constitute an act of unfair competition). When making proposals or commencing production, we confirm the presence of intellectual property rights, except in the case of general-purpose goods. Basically, we have a patent attorney confirm this. However, if a dispute occurs unexpectedly after the provision of products and services, the Group's business performance may be adversely affected.

(iii) Risk related to CSR procurement

The Group strictly requests suppliers to whom production is contracted out in China and other countries in Asia to provide workers with a fair and safe working environment in compliance with the Fair Labor Standards Act of the United States and other laws, and to endorse CSR procurement guidelines set forth by the Group using the UN Global Compact as a reference. The Group also requests strict compliance with its CSR procurement rules by implementing regular questionnaires, on-site surveys, and other initiatives. However, if a supplier's plant is in violation of laws or other rules, the Group's business performance may be adversely affected.

<External environmental risk>

(i) Risk concerning the occurrence of a factor that may prevent proper production of products

The Group is a "moving model fabless" (*) company and contracts out production to suppliers in China and other countries in Asia. Therefore, the bankruptcy, etc. of a production contractor may result in a delivery delay or require reproduction, etc., which may affect the Group's performance. In addition, if the country of residence of a supplier to whom production is contracted out experiences political or social unrest, natural disasters, terrorism, conflict, diseases, currency upvaluation, a failure of infrastructure, etc., resulting in trouble caused in material procurement, production and distribution, the Company's business performance may be adversely affected.

The Group also handles many needlework products, including eco bags, and molded products, including design miscellaneous goods, etc. A sharp rise in the prices of raw materials, including cotton and petrochemical products, may affect procurement prices. Taking full advantage of our “moving model fabless” company, we choose affordable production sites in China and other countries in Asia, and implement countermeasures, including review of product prices. However, if the prices of raw materials rise unexpectedly sharply, the Group’s business performance may be adversely affected.

* Contracting out production enables us to always choose an optimum production country and sites in order to reduce manufacturing cost.

(ii) Risk related to trade conflict between the United States and China

The Group contracts out the production of products to suppliers in China and other countries in Asia. Taking advantage of our “moving model fabless” company, we continued flexibly supplying products in response to various situations by, for example, contracting out the production of the same products to several suppliers in different regions under the COVID-19 crisis. However, if a problem occurs in the procurement of products due to, among others, a sharp rise in raw material prices resulting from trade restrictions caused by the recent trade frictions between the U.S. and China, or an unexpected event caused by China’s political or legal restrictions, the Group’s business performance may be adversely affected.

(iii) Risk concerning maritime transportation

The Group imports products from China and other countries in Asia mainly by way of maritime transportation. Thus, we are exposed to operational risk caused by worsening security and the state of unrest, etc. resulting from terrorism, regional conflict, deterioration of international relationships, an increase in transportation cost due to rising oil prices, a delay in transportation due to a shortage of containers, and an increase in transportation cost, among other things. We optimize our logistics methods by, for example, reviewing the logistics channel from the production site as needed. However, if an unexpected event occurs, the Group’s business performance may be adversely affected.

(iv) Risk related to financial markets and currency exchanges

As described above, the Group depends heavily on import transactions from China and other countries in Asia. Since payments for the transactions are made mainly in U.S. dollars, currency fluctuations may affect purchase prices. To avoid the risks related to currency fluctuations, we take countermeasures, including entering into forward exchange contracts. However, a significant currency fluctuation may adversely affect the Group’s business performance and financial condition.

(v) Risk related to infectious diseases

In the event of an outbreak of a new infectious disease on a scale beyond expectations, the Group’s business performance may be adversely affected by a drop in demand and loss of sales opportunities due to a reduction, postponement, or cancellation of various events or stagnation of corporate activities, among others. In addition, in order to prepare for lockdowns in countries and regions where our production bases are located, we have established a system to realize continuous stable supply and maintain price competitiveness by securing multiple production bases and optimizing distribution channel in China and other Asian countries. However, if multiple production sites were locked down at the same time due to the spread of a new type of infectious disease worldwide, the smooth supply of products and purchase prices could be affected, which may adversely impact the Group’s business performance. Based on a business contingency plan (BCP), the Group implements measures to prevent infection and prevent the spread of infections in order to minimize the impact on the health of employees and the Group’s business activities. However, if an employee(s) contracted a new infectious disease and there was an overall or partial suspension of operation for a certain period of time, the Group’s business performance may be adversely affected.

(vi) Risk related to climate change

In order to remain a company that contributes to the realization of a sustainable society, the Group places a high priority on sustainability initiatives and is actively working to address climate change risks. With regard to environmental issues, we are working on product development with the materiality of “contributing to the environment through finished goods” and “promotion of recycling and reduction of CO_2 emissions.” In addition, we have set a goal of 100% renewable energy for

electricity used by the Group by 2050, and are working toward achieving 50% by 2025 as an interim target, and we are continuing to take measures to reduce CO_2 emissions by implementing energy-saving activities, investing in machinery and equipment that can save electricity, reorganizing production lines at factories in Japan, and installing solar panels to generate and consume our own electricity.

Since the Group outsources product production to suppliers in China and other Asian countries, in the event of an unforeseen natural disaster caused by climate change in those countries or regions, it may become difficult to maintain a stable product supply due to disruptions in product procurement and logistics, disruption of energy supply, etc., which may adversely affect the Group's business performance. Additionally, in the event that new laws and regulations are introduced or strengthened as a result of global climate change countermeasures, the Group's business performance and financial condition may be adversely affected due to an increase in business costs.

On May 31, 2023, the Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

(vii) Risk related to disasters

In the event that our business sites are affected by a large-scale natural disaster, etc., the Group's business activities may be suspended for a long time. Based on a business contingency plan (BCP), the Group implements measures to minimize the impact in the event of the suspension of activities by, for example, storing reserve stock at each business site, establishing backup telecommunication and information systems, and maintaining supplies by securing appropriate inventory. However, a large-scale stagnation of economic activities due to, among others, the occurrence of unexpected disasters, or an accident at a nuclear power plant may adversely affect the Group's business performance and financial condition significantly. According to the final report of the Working Group on Countermeasures for Tokyo Metropolitan Inland Earthquake, which was published by the Japanese government in 2013, it is estimated there is a 70% probability that a magnitude-7 class earthquake will occur directly below the Tokyo Metropolitan Area within thirty years. The Group assumes that the majority of its business activities will be suspended for a certain period of time until infrastructure and lifelines are restored. The Group has secured 3,700 million yen in funds that would be required for personnel and other expenses to maintain the livelihoods of employees and their families even during the suspension of business activities, thus enabling the resumption of business thereafter. The Company has not taken into account expenses related to the restoration of facilities, such as returning factories and offices to their previous state, that would not be fully covered by insurance.

2. Status of Corporate Groups

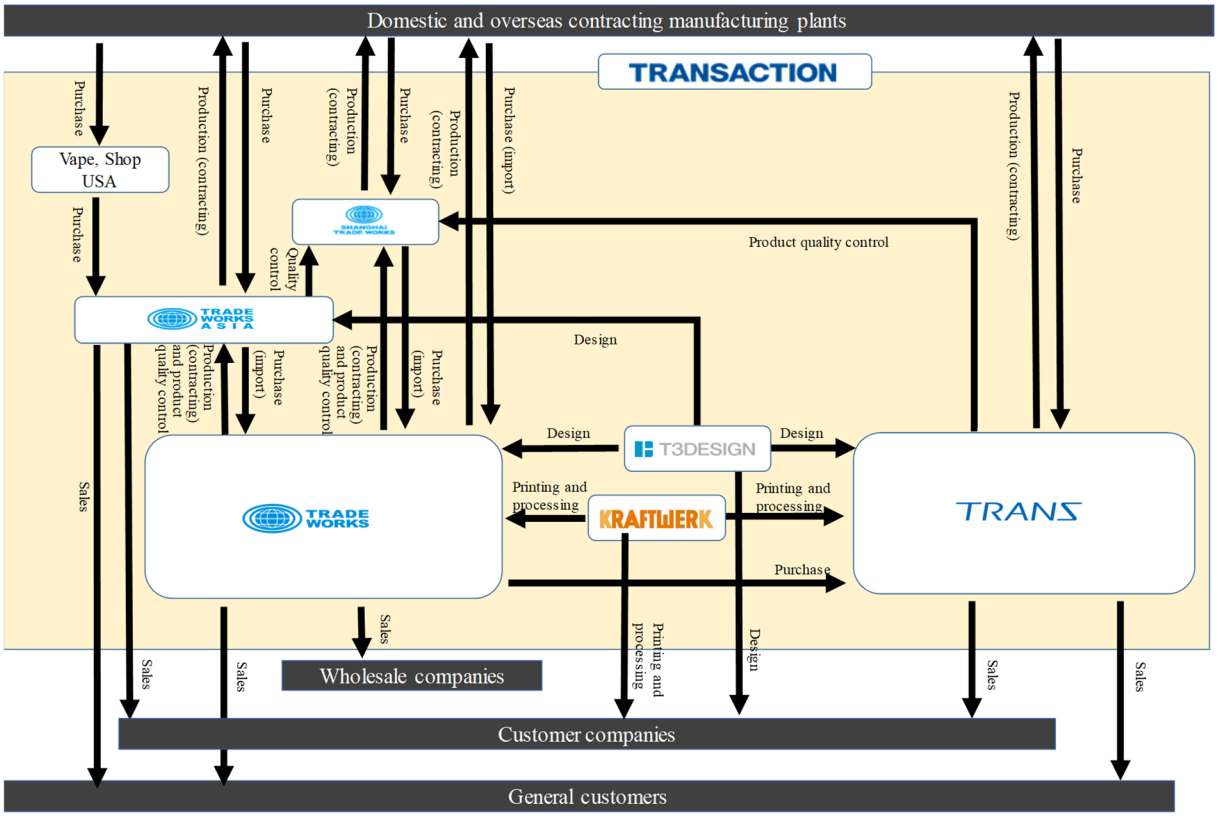
The Group is composed of a pure holding company (the Company) and seven consolidated subsidiaries, including Trans Co., Ltd. Trade Works Co., Ltd., Kraftwerk Co., Ltd., T3 Design Co., Ltd., Trade Works Asia Limited, Shanghai Trade Works Co., Ltd., and Vape.Shop USA Corporation, and engages in all stages from planning and design to production (contracting), product quality control, and sales of Eco-products, Lifestyle products, and Wellness products. The Group sells custom-made products directly to end-user companies in accordance with the needs of customers and markets, and sells the Group's original semi-custom products to wholesalers. These products are also distributed to end users and wholesalers through EC sites, including our proprietary site.

The Group has adopted a fabless approach in order to get various types of products to the market promptly. This approach allows us to concentrate our business resources on product development, always use the most suitable production plant and respond to a change in market needs. In addition, it constantly contributes to the mobility of management, resulting in hedging country risk in overseas production. The Group is a company with a pure holding company, and is composed of a company that mainly engages in business management at the top and seven affiliate companies with different functions. The affiliate companies engage separately in different functional areas, including planning and development, design, production (contracting) and product quality control, assembly/printing/processing, and sales. This produces synergies for these companies and improves the effectiveness and efficiency of their businesses, allowing the Group to provide comprehensive services as a fabless manufacturer specializing in miscellaneous goods. The functions and roles of the Group companies are as follows.

[Functions and roles of the Group companies]

Company name	Function in the Group	Role in the Group
TRANSACTION CO., Ltd.	Pure holding company	Business management of operating subsidiaries
Trans Co., Ltd.	Planning, taking orders, production (contracting), and sales	A fabless manufacturer that directly sells (including EC distribution) custom-made products mainly to end users in accordance with the needs of individual customers
Trade Works Co., Ltd.	Planning, taking orders, production (contracting), and sales	A fabless manufacturer that sells (including EC distribution) internally-planned make-to-stock products of original brands mainly to wholesale companies, as well as purchases and distributes related products
Kraftwerk Co., Ltd.	Printing, processing, packaging, examination (domestic), and product management	Printing (silkscreen printing and on-demand printing, etc.), processing, examination, assembly and logistics arrangement for the Group's internal and external products
T3 Design Co., Ltd.	Design	Graphic, products and WEB design, and product development for the Group's internal and external products
Trade Works Asia Limited	Sales, product quality control, trade, and purchase of commodities	Overseas sales, product quality control and trade in Asian countries, and purchase and sales of VAPE and related products
Shanghai Trade Works Co., Ltd.	Product quality control	Product quality control in China
Vape.Shop USA Corporation	Purchase of commodities	Purchase of VAPE and other relevant products in the North America

[Business chart]



3. Basic Approach to the Selection of Accounting Standards

The Group has adopted a Japanese accounting standard in order for the Group to perform domestic peer analysis.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

		As of August 31, 2023		As of August 31, 2024
Assets				
Current assets				
Cash and deposits		6,006,583		5,818,864
Notes and accounts receivable - trade, and contract assets	*2	2,734,278	*2	3,130,367
Securities		859,361		171,143
Finished goods		4,746,607		5,049,611
Supplies		23,042		26,652
Accounts receivable - other		62,146		58,539
Other		765,927		546,217
Allowance for doubtful accounts		(7,562)		(116)
Total current assets		15,190,385		14,801,280
Non-current assets				
Property, plant and equipment				
Buildings and structures		632,959		1,159,365
Accumulated depreciation		(179,612)		(216,992)
Buildings and structures, net		453,347		942,372
Machinery, equipment and vehicles		274,127		470,392
Accumulated depreciation		(124,783)		(156,687)
Machinery, equipment and vehicles, net		149,343		313,704
Land		452,259		452,259
Other		396,612		402,617
Accumulated depreciation		(337,011)		(335,382)
Other, net		59,600		67,234
Total property, plant and equipment		1,114,551		1,775,570
Intangible assets				
Other		165,194		200,648
Total intangible assets		165,194		200,648
Investments and other assets				
Investment securities		2,880,031		4,150,574
Deferred tax assets		294,710		331,763
Leasehold and guarantee deposits		311,194		379,286
Other		643,625		681,528
Allowance for doubtful accounts		(380)		–
Total investments and other assets		4,129,182		5,543,152
Total non-current assets		5,408,927		7,519,370
Total assets		20,599,312		22,320,651

(Thousands of yen)

		As of August 31, 2023		As of August 31, 2024
Liabilities				
Current liabilities				
Accounts payable - trade		959,141		956,043
Current portion of long-term borrowings		332,513		333,532
Income taxes payable		1,087,987		1,032,588
Provision for bonuses		223,496		209,726
Provision for shareholder benefit program		7,337		6,951
Other	*3	815,340	*3	795,385
Total current liabilities		3,425,816		3,334,225
Non-current liabilities				
Long-term borrowings		431,138		434,606
Retirement benefit liability		314,745		317,509
Asset retirement obligations		37,221		37,229
Deferred tax liabilities		153,735		48,507
Total non-current liabilities		936,840		837,852
Total liabilities		4,362,657		4,172,078
Net assets				
Shareholders' equity				
Share capital		93,222		93,222
Capital surplus		3,305,428		3,305,428
Retained earnings		12,144,917		14,889,019
Treasury shares		(203,471)		(703,497)
Total shareholders' equity		15,340,096		17,584,173
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		540,891		373,082
Deferred gains or losses on hedges		127,851		(26,637)
Foreign currency translation adjustment		189,773		185,320
Remeasurements of defined benefit plans		38,041		32,634
Total accumulated other comprehensive income		896,558		564,399
Total net assets		16,236,655		18,148,572
Total liabilities and net assets		20,599,312		22,320,651

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

		Fiscal year ended August 31, 2023		Fiscal year ended August 31, 2024
Net sales	*1	22,958,375	*1	25,047,146
Cost of sales	*2	13,914,395	*2	15,237,508
Gross profit		9,043,979		9,809,637
Selling, general and administrative expenses	*3, *4	4,385,394	*3, *4	4,576,460
Operating profit		4,658,584		5,233,177
Non-operating income				
Interest income		1,713		2,972
Interest on securities		82,020		167,289
Subsidy income		1,050		152
Foreign exchange gains		42,955		231,279
Other		2,823		5,456
Total non-operating income		130,563		407,150
Non-operating expenses				
Interest expenses		2,059		3,006
Litigation expenses		–		10,798
Other		92		1,159
Total non-operating expenses		2,152		14,964
Ordinary profit		4,786,995		5,625,363
Extraordinary income				
Gain on sale of non-current assets	*5	52,367	*5	2,615
Insurance claim income		–		585
Total extraordinary income		52,367		3,201
Extraordinary losses				
Loss on sale of non-current assets	*6	91		–
Loss on retirement of non-current assets	*7	51	*7	18
Loss on abandonment of inventories		38,419		–
Total extraordinary losses		38,562		18
Profit before income taxes		4,800,800		5,628,546
Income taxes - current		1,632,560		1,833,898
Income taxes - deferred		(136,991)		31,046
Total income taxes		1,495,569		1,864,944
Profit		3,305,231		3,763,601
Profit attributable to owners of parent		3,305,231		3,763,601

Consolidated Statement of Comprehensive Income

(Thousands of yen)

		Fiscal year ended August 31, 2023		Fiscal year ended August 31, 2024
Profit		3,305,231		3,763,601
Other comprehensive income				
Valuation difference on available-for-sale securities		360,568		(167,809)
Deferred gains or losses on hedges		(112,062)		(154,488)
Foreign currency translation adjustment		29,742		(4,453)
Remeasurements of defined benefit plans, net of tax		(3,997)		(5,407)
Total other comprehensive income	*	274,250	*	(332,159)
Comprehensive income		3,579,482		3,431,441
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		3,579,482		3,431,441
Comprehensive income attributable to non-controlling interests		–		–

(3) Consolidated Statement of Changes in Equity

Fiscal year ended August 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	93,222	3,294,777	9,567,299	(223,253)	12,732,046
Changes during period					
Dividends of surplus			(727,613)		(727,613)
Profit attributable to owners of parent			3,305,231		3,305,231
Purchase of treasury shares					–
Restricted share-based remuneration		10,650		19,781	30,432
Net changes in items other than shareholders' equity					–
Total changes during period	–	10,650	2,577,618	19,781	2,608,050
Balance at end of period	93,222	3,305,428	12,144,917	(203,471)	15,340,096

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	180,323	239,913	160,031	42,039	622,307	13,354,354
Changes during period						
Dividends of surplus						(727,613)
Profit attributable to owners of parent						3,305,231
Purchase of treasury shares						–
Restricted share-based remuneration						30,432
Net changes in items other than shareholders' equity	360,568	(112,062)	29,742	(3,997)	274,250	274,250
Total changes during period	360,568	(112,062)	29,742	(3,997)	274,250	2,882,300
Balance at end of period	540,891	127,851	189,773	38,041	896,558	16,236,655

Fiscal year ended August 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	93,222	3,305,428	12,144,917	(203,471)	15,340,096
Changes during period					
Dividends of surplus			(1,019,498)		(1,019,498)
Profit attributable to owners of parent			3,763,601		3,763,601
Purchase of treasury shares				(500,025)	(500,025)
Restricted share-based remuneration					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	2,744,102	(500,025)	2,244,076
Balance at end of period	93,222	3,305,428	14,889,019	(703,497)	17,584,173

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	540,891	127,851	189,773	38,041	896,558	16,236,655
Changes during period						
Dividends of surplus						(1,019,498)
Profit attributable to owners of parent						3,763,601
Purchase of treasury shares						(500,025)
Restricted share-based remuneration						–
Net changes in items other than shareholders' equity	(167,809)	(154,488)	(4,453)	(5,407)	(332,159)	(332,159)
Total changes during period	(167,809)	(154,488)	(4,453)	(5,407)	(332,159)	1,911,917
Balance at end of period	373,082	(26,637)	185,320	32,634	564,399	18,148,572

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	4,800,800	5,628,546
Depreciation	135,183	177,705
Increase (decrease) in allowance for doubtful accounts	(625)	(7,825)
Increase (decrease) in provision for bonuses	53,478	(14,100)
Increase (decrease) in retirement benefit liability	(4,286)	(2,644)
Increase (decrease) in provision for shareholder benefit program	428	(386)
Foreign exchange losses (gains)	11,151	–
Interest and dividend income	(83,733)	(170,262)
Interest expenses	2,059	3,006
Insurance claim income	–	(585)
Loss (gain) on sale and retirement of non-current assets	(39,859)	(2,597)
Loss on litigation	–	10,798
Decrease (increase) in accounts receivable - trade, and contract assets	(53,381)	(396,502)
Decrease (increase) in inventories	(302,735)	(306,468)
Increase (decrease) in trade payables	(78,888)	(4,534)
Decrease (increase) in advance payments to suppliers	(83,374)	(6,341)
Other, net	539,970	(171,314)
Subtotal	4,896,187	4,736,494
Interest and dividends received	67,241	104,053
Interest paid	(2,345)	(3,188)
Payments for loss on litigation	–	(10,798)
Income taxes refund	96,163	100,408
Income taxes paid	(1,289,604)	(1,904,893)
Net cash provided by (used in) operating activities	3,767,642	3,022,077
Cash flows from investing activities		
Purchase of property, plant and equipment	(185,677)	(713,749)
Purchase of intangible assets	(56,537)	(84,835)
Purchase of investment securities	(1,487,256)	(1,416,138)
Proceeds from sale and redemption of short-term and long-term investment securities	206,180	611,272
Payments of leasehold and guarantee deposits	(27,479)	(68,628)
Proceeds from refund of leasehold and guarantee deposits	–	578
Purchase of insurance funds	(48,999)	(48,999)
Other, net	118,744	4,537
Net cash provided by (used in) investing activities	(1,481,026)	(1,715,964)
Cash flows from financing activities		
Proceeds from long-term borrowings	600,000	400,000
Repayments of long-term borrowings	(458,796)	(395,513)
Proceeds from disposal of treasury shares	30,432	–
Purchase of treasury shares	–	(501,179)
Dividends paid	(727,333)	(1,019,500)
Net cash provided by (used in) financing activities	(555,697)	(1,516,192)
Effect of exchange rate change on cash and cash equivalents	(22,510)	(3,512)
Net increase (decrease) in cash and cash equivalents	1,708,409	(213,592)
Cash and cash equivalents at beginning of period	4,351,963	6,060,372
Cash and cash equivalents at end of period	* 6,060,372	* 5,846,780

(5) Notes to Consolidated Financial Statements

Notes regarding assumption of a going concern

None.

Basis for preparation of consolidated financial statements

1. Matters related to the scope of consolidation

   All the subsidiaries are included in the scope of consolidation.

   The number of consolidated subsidiaries: Seven

   Names of consolidated subsidiaries:

   Trans Co., Ltd.

   Trade Works Co., Ltd.

   Kraftwerk Co., Ltd.

   T3 Design Co., Ltd.

   Trade Works Asia Limited

   Shanghai Trade Works Co., Ltd.

   Vape.Shop USA Corporation

2. Matters related to the application of the equity method

   None.

3. Matters related to the fiscal year of the consolidated subsidiaries

   The fiscal year of Shanghai Trade Works Co., Ltd. ends on December 31. The consolidated financial statements were prepared using the financial statements based on the preliminary financial settlement on the consolidated balance sheet date.

4. Summary of significant accounting policies

   (1) Valuation standard and method for major assets

   (i) Valuation method for securities

   Available-for-sale securities

   Securities other than stocks, etc. without fair value

   Securities other than stocks, etc. without fair value are valued using the fair value method (valuation differences are directly charged or credited to net assets, and the cost of securities sold is determined by the moving-average method).

   Among available-for-sale securities other than stocks, etc. without fair value, when the difference between the acquisition cost and the amount of debt securities is considered to constitute an adjustment of interest rates, they are carried at amortized cost.

   Securities, etc. without fair value

   Securities, etc. without fair value are valued at cost determined by the moving-average method.

   (ii) Valuation method for claims and debts arising from derivatives contracts

   Claims and debts arising from derivatives contracts are valued at fair value.

(iii) Inventories

Inventories held for normal sales purposes

Inventories are stated at cost with the book value written down to the net realizable value.

Finished goods

The moving-average method

Supplies

The moving-average method

(2) Depreciation and amortization

(i) Property, plant and equipment

Property, plant and equipment are depreciated using the declining balance method.

However, buildings, facilities attached to buildings, and structures acquired on or after April 1, 2016 are valued using the straight-line method.

The useful lives are as follows.

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	3 to 10 years

(ii) Intangible assets

Internal use software is amortized using the straight-line method over an estimated useful life, generally 5 years.

(3) Provisions

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of an amount calculated using the actual historical rate of losses with respect to general receivables and the estimated uncollectible amount with respect to certain identified doubtful receivables.

(ii) Provision for bonuses

Provision for bonuses for employees is provided at the amount calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees up to the date of the balance sheet.

(iii) Provision for shareholder benefit program

Provision for shareholder benefit program is provided at the end of the current fiscal year at the amount calculated and provided for based on the estimated amounts of future payments for the shareholder benefit program that are expected to arise in the following fiscal year.

(4) Accounting method for retirement benefits

(i) Allocation method of estimated total retirement benefits

When calculating retirement benefit obligations, the benefit formula basis is used to allocate estimated total retirement benefits to the period up to the fiscal year-end.

(ii) Amortization method of the actuarial difference and past service cost

The amount of actuarial differences is amortized on a straight-line basis over a period of 5 years from the year following the year in which they arise, which is within the average remaining years of service of the eligible employees.

Past service cost is amortized on a straight-line basis over a period of 10 years within the average remaining years of service of the eligible employees when incurred.

(5) Basis for recording significant income and expenses

The Group manufactures and sells miscellaneous goods to companies and individuals for their sales promotion purposes.

For such sales, the performance obligation is considered to be satisfied at the time of delivery, when control of the product is considered to have been transferred to the customer, and therefore revenue is recognized at that point in time.

For the point system operated by the Group, the points granted are identified as performance obligation, and the transaction price is allocated based on standalone sales price calculated by taking into account such factors as the expected future expiration of the points.

The Group's obligation to refund customers in the event of returns on sales is identified as a performance obligation at the time of sale, and the transaction price is allocated based on standalone sales price calculated by taking into account historical rates and other factors.

The promised consideration arising from these sales is generally collected within approximately two months from the time the performance obligation is satisfied, and the amount of consideration does not include a significant financing component.

(6) Foreign currency translation of significant assets and liabilities adopted for the preparation of consolidated subsidiaries' financial statements that constitute the basis for the preparation of consolidated financial statements

All monetary receivables and payables of the Company and its domestic consolidated subsidiaries that are denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect as at the consolidated balance sheet date. Translation gains or losses are included in the accompanying consolidated statements of income. All assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect on the consolidated balance sheet date. All income and expenses are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying consolidated balance sheets under "Foreign currency translation adjustment."

(7) Important hedge accounting

(i) Hedge accounting

The deferred hedge accounting method is applied. Designation (*furiate-shori*) is applied to forward exchange contacts that qualify for such designation.

(ii) Hedging instrument and hedged item

The hedging instrument and hedged item to which hedging accounting is applied are as follows.

(Hedging instrument)	(Hedged item)
Forward exchange contracts	Transactions in foreign currency scheduled to be executed

(iii) Hedging policies

The Company uses forward exchange contracts to avoid foreign exchange fluctuation risks and enters into forward exchange contracts within the necessary scope based on contracts for business transactions denominated in foreign currencies, and does not enter into foreign exchange contracts for speculative trading purposes.

(iv) Assessing hedge effectiveness

The Company enters into forward exchange contracts with the same maturities and same amounts in foreign currency at the closing of forward exchange contracts, in accordance with the hedging policy. We believe that the correlation with subsequent changes in the exchange rates is completely ensured, and therefore, an assessment of hedge effectiveness on the balance sheet date is omitted.

(8) Cash and cash equivalents on the consolidated statement of cash flows

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

Notes to consolidated balance sheet

1. Overdraft contracts

The Company has entered into overdraft contracts with its four major banks to finance working capital efficiently.

The unused lines of credit of the overdraft contracts, etc. at the end of the fiscal year are as follows.

(Thousands of yen)

	As of August 31, 2023	As of August 31, 2024
Credit line of overdrafts	1,300,000	1,300,000
Borrowing balance of those contracts	–	–
Difference	1,300,000	1,300,000

*2. Among notes and accounts receivable - trade, and contract assets, the amount of receivables and contract assets arising from contracts with customers is as follows.

(Thousands of yen)

	As of August 31, 2023	As of August 31, 2024
Notes receivable - trade	218,362	210,698
Accounts receivable - trade	2,507,693	2,911,389
Contract assets	8,222	8,279

*3. Among other, the amount of contract liabilities is as follows.

(Thousands of yen)

	As of August 31, 2023	As of August 31, 2024
Contract liabilities	35,619	33,178

Notes to consolidated statement of income

*1. Revenue from contracts with customers

In the presentation of net sales, revenue from contracts with customers is not distinguished from other revenues. The amount of revenue from contracts with customers is described in “Notes to Consolidated Financial Statements (Revenue recognition) 1. Breakdown of revenue from contracts with customers.”

*2. The book value devaluation of inventories held for normal sales purposes based on a decline in profitability

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Cost of sales	149,521	41,332

*3. The selling, general and administrative expenses account includes the following major items and amounts.

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Provision of allowance for doubtful accounts	(606)	(7,502)
Bonuses and allowances	1,273,334	1,391,541
Rent expenses on land and buildings	306,910	317,231
Provision for bonuses	186,667	173,978
Retirement benefit expenses	29,643	29,195
Provision for shareholder benefit program	7,337	6,951
Freight costs	709,490	692,888

*4. Research and development expenses included in the selling, general and administrative expenses account are as follows.

(Thousands of yen)

Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
45,236	36,994

*5. The breakdown of gain on sale of non-current assets is as follows.

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Land	52,367	–
Vehicles	–	2,615
Total	52,367	2,615

*6. The breakdown of loss on sale of non-current assets is as follows.

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Buildings and structures	33	–
Other (tools, furniture and fixtures)	58	–
Total	91	–

*7. The breakdown of loss on retirement of non-current assets is as follows.

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Machinery, equipment and vehicles	0	0
Other (tools, furniture and fixtures)	51	18
Total	51	18

Consolidated statement of comprehensive income

* The components of other comprehensive income, including reclassification adjustments and tax effects

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Valuation difference on available-for-sale securities, net of tax:		
Amount arising during the fiscal year	607,021	(18,048)
Reclassification adjustments	(55,659)	(238,411)
Amount before tax effects	551,362	(256,459)
Tax effects	(190,793)	88,649
Subtotal	360,568	(167,809)
Deferred gains or losses on hedges, net of tax:		
Amount arising during the fiscal year	92,531	(23,137)
Adjustments to acquisition cost of assets	(263,824)	(213,082)
Amount before tax effects	(171,292)	(236,220)
Tax effects	59,230	81,732
Subtotal	(112,062)	(154,488)
Foreign currency translation adjustment:		
Amount arising during the fiscal year	29,742	(4,453)
Amount before tax effects	29,742	(4,453)
Tax effects	–	–
Subtotal	29,742	(4,453)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	6,794	6,758
Reclassification adjustments	(12,904)	(15,027)
Amount before tax effects	(6,110)	(8,268)
Tax effects	2,112	2,860
Subtotal	(3,997)	(5,407)
Total other comprehensive income	274,250	(332,159)

Consolidated statement of changes in equity

Fiscal year ended August 31, 2023

1. Matters related to outstanding shares

Type	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Ordinary shares	29,375,400	–	–	29,375,400

2. Matters related to treasury shares

Type	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Ordinary shares	270,865	–	24,000	246,865

(Major cause of movement)

The breakdown of the decrease is as follows.

Disposal of treasury shares 24,000 shares

3. Matters related to subscription rights to shares

None.

4. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of cash dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on October 26, 2022	Ordinary shares	727,613	25	August 31, 2022	November 9, 2022

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Type	Funds for dividends	Total amount of cash dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on October 25, 2023	Ordinary shares	Retained earnings	1,019,498	35	August 31, 2023	November 8, 2023

Fiscal year ended August 31, 2024

1. Matters related to outstanding shares

Type	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Ordinary shares	29,375,400	–	–	29,375,400

2. Matters related to treasury shares

Type	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Ordinary shares	246,865	289,191	–	536,056

(Major cause of movement)

The breakdown of the increase is as follows.

Purchase of treasury shares	289,100 shares
Purchases of shares less than one unit from shareholders upon request	91 shares

3. Matters related to subscription rights to shares

None.

4. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of cash dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on October 25, 2023	Ordinary shares	1,019,498	35	August 31, 2023	November 8, 2023

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Type	Funds for dividends	Total amount of cash dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on October 24, 2024	Ordinary shares	Retained earnings	1,124,734	39	August 31, 2024	November 7, 2024

Consolidated statement of cash flows

* The reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of the consolidated balance sheets is as follows.

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Cash and deposits	6,006,583	5,818,864
Securities (MMF)	53,788	27,915
Cash and cash equivalents	6,060,372	5,846,780

Segment information

[Segment information]

Information is omitted as the business of the Company and its consolidated subsidiaries is comprised of a single reportable segment engaged in the miscellaneous goods business and its accompanying operations.

[Related information]

Fiscal year ended August 31, 2023

1. Information on products and services

(Thousands of yen)

	Eco-products	Lifestyle products	Wellness products	Design and other	Total
Net sales for external customers	10,189,472	11,205,156	1,247,502	316,243	22,958,375

2. Information by region

(1) Net sales

Information is omitted because net sales for external customers in Japan constitute more than 90% of the net sales on the consolidated statements of income.

(2) Property, plant and equipment

Information is omitted because property, plant and equipment located in Japan constitute more than 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the consolidated statements of income.

Fiscal year ended August 31, 2024

1. Information on products and services

(Thousands of yen)

	Eco-products	Lifestyle products	Wellness products	Design and other	Total
Net sales for external customers	10,503,914	12,915,196	1,283,865	344,170	25,047,146

2. Information by region

(1) Net sales

Information is omitted because net sales for external customers in Japan constitute more than 90% of the net sales on the consolidated statements of income.

(2) Property, plant and equipment

Information is omitted because property, plant and equipment located in Japan constitute more than 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the consolidated statements of income.

[Information regarding impairment losses on non-current assets by reportable segment]

Fiscal year ended August 31, 2023
None.

Fiscal year ended August 31, 2024
None.

[Information on amortization and outstanding balance of goodwill by reportable segment]

None.

[Information regarding gain on bargain purchase by reportable segment]

None.

Per share information

(Yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Net assets per share	557.41	629.30
Earnings per share	113.50	129.40

Notes: 1. Basis for calculation of diluted earnings per share is omitted because no potentially dilutive shares exist.

2. Basis for calculation of earnings per share is as follows.

(Thousands of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Earnings per share		
Profit attributable to owners of parent	3,305,231	3,763,601
Amount not attributable to owners of ordinary shares	–	–
Profit attributable to owners of ordinary shares of parent	3,305,231	3,763,601
Weighted-average number of ordinary shares outstanding for the period (shares)	29,120,776	29,085,441

3. Basis for calculation of net assets per share is as follows.

(Thousands of yen)

	As of August 31, 2023	As of August 31, 2024
Total net assets	16,236,655	18,148,572
Amount subtracted from total net assets	–	–
Net assets for ordinary shares at the end of the period	16,236,655	18,148,572
Number of ordinary shares at the end of the period used for calculating the amount of net assets per share (shares)	29,128,535	28,839,344

Number of ordinary shares at the end of the period used for calculating the amount of net assets per share is calculated by subtracting the number of shares owned in the name of the Company.

Subsequent events

None.