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January 14, 2025

Consolidated Financial Results for the Three Months Ended November 30, 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/
Representative: Satoshi Ishikawa, Chairman and Representative Director
Inquiries: Yoshinari Kitayama, Director
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended November 30, 2024 (from September 1, 2024 to November 30, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2024	7,106	7.3	1,544	3.8	1,567	3.2	1,045	4.2
November 30, 2023	6,624	11.0	1,487	17.9	1,518	20.9	1,002	22.5

Note: Comprehensive income For the three months ended November 30, 2024: ¥1,209 million [29.6%]
For the three months ended November 30, 2023: ¥933 million [29.7%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2024	36.25	–
November 30, 2023	34.43	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
November 30, 2024	21,917	18,233	83.2
August 31, 2024	22,320	18,148	81.3

Reference: Equity
As of November 30, 2024: ¥18,233 million
As of August 31, 2024: ¥18,148 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2024	–	0.00	–	39.00	39.00
Fiscal year ending August 31, 2025	–				
Fiscal year ending August 31, 2025 (Forecast)		0.00	–	41.00	41.00

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

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

*** Notes**

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

(2) Application of special accounting treatments for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of November 30, 2024	29,375,400 shares
As of August 31, 2024	29,375,400 shares

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

As of November 30, 2024	536,056 shares
As of August 31, 2024	536,056 shares

(iii) Average number of shares outstanding during the period

Three months ended November 30, 2024	28,839,344 shares
Three months ended November 30, 2023	29,128,535 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

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

[Attached Material]

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the first three months ended November 30, 2024, the Japanese economy showed a moderate recovery mainly due to improvements in the employment and income environment and an increase in inbound demand. However, future uncertainty persisted due to such factors as the instability in international affairs, progressive depreciation of the yen, rising prices, as well as effects of monetary policies.

In this environment and during the fiscal year ending August 31, 2025, which is the final year of the 4th medium-term management plan, the TRANSACTION Group (the "Group") has been working to achieve the goals of the plan by promoting its five key strategies of "strengthened e-commerce," "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." 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, 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 accordance with the key strategy of "strengthened e-commerce," we continued our initiatives, including hybrid marketing activities, with the target of having those sales account for at least 30% of consolidated net sales in the fiscal year ending August 31, 2025. In the main B2B site "MARKLESS STYLE," we worked to expand sales of the Group's products at client entity e-commerce sites, including strengthening marketing support for client entities that are partners of "MARKLESS Connect." Additionally, as a result of focusing on transitioning to transactions carried out through "MARKLESS STYLE," sales grew significantly year on year. We will continue to take various measures aimed at increasing sales and profits for both the Group and our client entities. In the main D2C* site "HANSOKU-STYLE," we expanded the content and services on the site and updated the system to further improve convenience for existing and new customers. As a result, sales increased year on year. We also worked to expand our customer base and increase sales by leveraging content marketing and inside sales at specialized websites that offer a narrowed-down line-up of the products we handle to suit the size and needs of our target customers and make the selection process easier while improving usability. Such websites include "Original Goods Press," which produces goods for sale and OEM products, and "ORIGINAL GOODS.com," which produces goods for sale and commemorative items for companies and shops.

As a result, the shift in sales from “targeting wholesalers” by sales channel to “e-commerce” contributed to an increase in e-commerce sales of 581 million yen, or 39.9% year on year, and the sales composition ratio expanded 6.7 percentage points year on year to 28.7%.

* 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

Under the key strategy of “finished goods demand arising from the promotion of SDGs,” we have continued to develop 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 values such as originality and design to waste resources, endeavoring to expand our environmentally friendly product categories. 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. Consequently, in “MARKLESS STYLE,” mainstay products such as eco bags, bottles and tumblers exhibited strong performance, while sales of stationery products made from recycled PET and recycled ABS, which are distributed at exhibitions and other events, also increased. In addition, the “MOTTERU,” which is being developed for the retail market, was selected for the fourth consecutive year as an endorsed product of the “Let’s choose! 3R Campaign 2024” sponsored by the Ministry of the Environment again in this fiscal year, and received the Good Design Award for the fifth time in 2024.

As a result, sales of Eco-products increased by 168 million yen, or 5.6% year on year.

Lifestyle products

Based on our key strategies of “tangible goods consumption derived from intangible goods consumption” and “demand generated by inbound and outbound finished goods demand,” we worked to both improve quality and develop finished goods that capture consumption patterns such as the various types of consumption arising from “Oshikatsu” and other trends that are showing signs of rising popularity. The entertainment industry, which drives sales of Lifestyle products, continues to be strong, with unabated enthusiasm for “Oshi.” Due to the popularity of Japanese animation overseas, the game and animation industry is expected to see further growth in demand, accompanying the increase in inbound tourism. In addition, demand for items in product sales continues to increase 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, continuously from the previous fiscal year, 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 sales promotions, we secured business involving large campaigns as a result of strengthening our hybrid marketing activities, although this varies across different industries and enterprises. Sales of travel-related finished goods have been strong, driven by favorable sales of finished goods featuring collaborations with characters that are popular among inbound tourists. By leveraging these popular finished goods and rolling them out alongside other finished goods, we worked to expand sales channels and create an environment that catches the attention of foreign visitors to Japan. In pet wear and related finished goods, we worked to develop pet wears for winter and new products that can be sold year-round and to expand sales channels.

As a result, sales of Lifestyle products increased by 147 million yen, or 4.5% year on year.

Wellness products

Sales of wellness products increased by 121 million yen, or 37.4% year-on-year, due to sales of humidifiers and mirrors, in addition to a certain volume of sales of sanitary products such as masks.

On the production side, the Company worked to secure multiple production bases so that it can flexibly switch between production sites in response to fluctuations in the exchange rate and raw material prices, and optimize distribution channels in order to ensure a stable and continuous supply and strengthen price competitiveness amid a persistently challenging external environment. We also increased the frequency of visits to overseas suppliers' factories as we endeavored to promote CSR procurement, as well as improve product quality and reduce product loss with the goal of achieving a loss rate of zero for main finished goods.

At our factories in Japan, we worked to secure personnel and achieve efficient operations, including at the first factory, in preparation for the commencement of full-scale operations at the second factory, which was completed in June 2024. In addition, we worked to install and increase operating rates for state-of-the-art printing machinery aligned with needs for entertainment and "Oshikatsu" demand.

As a result, in the three months ended November 30, 2024, net sales increased to 7,106 million yen (up by 481 million yen, or 7.3% year on year), and operating profit increased to 1,544 million yen (up by 56 million yen, or 3.8% year on year) owing to securing gross profit by increase in net sales, and well-planned expenditure of selling, general and administrative expenses. Ordinary profit increased to 1,567 million yen (up by 49 million yen, or 3.2% year on year). Profit attributable to owners of parent also increased to 1,045 million yen (up by 42 million yen, or 4.2% year on year).

Actual sales by sales channel and product classification for the three months ended November 30, 2024 were as follows.

<Actual sales by sales channel>

(Millions of yen)

Sales channel	Net sales		Change	
	Three months ended November 30, 2023	Three months ended November 30, 2024	Change (Amount)	Change (%)
Targeting end-user companies	3,129	3,292	163	5.2
Targeting wholesalers	2,039	1,776	(263)	(12.9)
E-commerce	1,456	2,037	581	39.9
Total	6,624	7,106	481	7.3

<Actual sales by product classification>

(Millions of yen)

Product classification	Net sales		Change	
	Three months ended November 30, 2023	Three months ended November 30, 2024	Change (Amount)	Change (%)
Eco-products	2,991	3,160	168	5.6
Lifestyle products	3,234	3,381	147	4.5
Wellness products	323	445	121	37.4
Design and other	75	119	44	58.5
Total	6,624	7,106	481	7.3

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

(2) Explanation of financial position

Status of assets, liabilities, and net assets

Current assets

Current assets at the end of the first quarter under review amounted to 14,383 million yen, a decrease of 417 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in cash and deposits by 1,632 million yen and an increase in notes and accounts receivable - trade, and contract assets by 1,129 million yen.

Non-current assets

Non-current assets at the end of the first quarter under review amounted to 7,533 million yen, an increase of 14 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in property, plant and equipment by 14 million yen.

Current liabilities

Current liabilities at the end of the first quarter under review amounted to 2,875 million yen, a decrease of 458 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in income taxes payable by 570 million yen.

Non-current liabilities

Non-current liabilities at the end of the first quarter under review amounted to 808 million yen, a decrease of 29 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in long-term borrowings by 68 million yen.

Net assets

Net assets at the end of the first quarter under review amounted to 18,233 million yen, an increase of 84 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in deferred gains or losses on hedges by 91 million yen.

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

The consolidated earnings forecasts for the six months ending February 28, 2025 and the fiscal year ending August 31, 2025 are unchanged from the forecasts announced on October 15, 2024.

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of August 31, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	5,818,864	4,186,032
Notes and accounts receivable - trade, and contract assets	3,130,367	4,260,315
Securities	171,143	189,607
Finished goods	5,049,611	4,995,550
Other	631,410	752,254
Allowance for doubtful accounts	(116)	(116)
Total current assets	14,801,280	14,383,646
Non-current assets		
Property, plant and equipment	1,775,570	1,790,560
Intangible assets		
Other	200,648	199,960
Total intangible assets	200,648	199,960
Investments and other assets		
Investment securities	4,150,574	4,242,385
Other	1,392,577	1,300,826
Total investments and other assets	5,543,152	5,543,211
Total non-current assets	7,519,370	7,533,733
Total assets	22,320,651	21,917,379

(Thousands of yen)

	As of August 31, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	956,043	1,264,166
Current portion of long-term borrowings	333,532	333,532
Income taxes payable	1,032,588	462,287
Provision for bonuses	209,726	132,563
Provision for shareholder benefit program	6,951	–
Other	795,385	682,960
Total current liabilities	3,334,225	2,875,509
Non-current liabilities		
Long-term borrowings	434,606	365,923
Retirement benefit liability	317,509	318,275
Asset retirement obligations	37,229	37,262
Other	48,507	87,075
Total non-current liabilities	837,852	808,536
Total liabilities	4,172,078	3,684,046
Net assets		
Shareholders' equity		
Share capital	93,222	93,222
Capital surplus	3,305,428	3,305,428
Retained earnings	14,889,019	14,809,753
Treasury shares	(703,497)	(703,497)
Total shareholders' equity	17,584,173	17,504,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373,082	417,184
Deferred gains or losses on hedges	(26,637)	64,636
Foreign currency translation adjustment	185,320	216,053
Remeasurements of defined benefit plans	32,634	30,552
Total accumulated other comprehensive income	564,399	728,426
Total net assets	18,148,572	18,233,332
Total liabilities and net assets	22,320,651	21,917,379

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

Quarterly Consolidated Statement of Income (Cumulative)

(Thousands of yen)

	Three months ended November 30, 2023	Three months ended November 30, 2024
Net sales	6,624,888	7,106,203
Cost of sales	4,022,344	4,302,417
Gross profit	2,602,543	2,803,786
Selling, general and administrative expenses		
Salaries and allowances	341,688	374,874
Provision for bonuses	83,245	92,274
Retirement benefit expenses	6,996	8,222
Provision of allowance for doubtful accounts	(57)	(0)
Other	682,734	783,767
Total selling, general and administrative expenses	1,114,607	1,259,139
Operating profit	1,487,935	1,544,647
Non-operating income		
Interest income	98	58
Interest on securities	35,434	47,434
Other	140	706
Total non-operating income	35,673	48,199
Non-operating expenses		
Interest expenses	763	756
Foreign exchange losses	4,463	24,436
Other	51	201
Total non-operating expenses	5,278	25,394
Ordinary profit	1,518,330	1,567,451
Extraordinary income		
Gain on receipt of donated non-current assets	–	26,997
Total extraordinary income	–	26,997
Extraordinary losses		
Loss on retirement of non-current assets	0	354
Total extraordinary losses	0	354
Profit before income taxes	1,518,330	1,594,094
Income taxes - current	396,482	462,153
Income taxes - deferred	118,996	86,473
Total income taxes	515,479	548,626
Profit	1,002,851	1,045,467
Profit attributable to owners of parent	1,002,851	1,045,467

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

	Three months ended November 30, 2023	Three months ended November 30, 2024
Profit	1,002,851	1,045,467
Other comprehensive income		
Valuation difference on available-for-sale securities	(37,555)	44,102
Deferred gains or losses on hedges	(38,629)	91,273
Foreign currency translation adjustment	9,088	30,733
Remeasurements of defined benefit plans, net of tax	(2,456)	(2,082)
Total other comprehensive income	(69,552)	164,026
Comprehensive income	933,298	1,209,494
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	933,298	1,209,494
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements

Notes on changes in accounting policies

Application of the "Accounting Standard for Current Income Taxes," Etc.

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the first quarter of the fiscal year ending August 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022). This change in accounting policies has no impact on the quarterly consolidated financial statements.

Notes regarding assumption of a going concern

None.

Notes on significant changes in the amount of shareholders' equity

None.

Notes to quarterly consolidated balance sheet

Overdraft contracts

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

The unused lines of credit, etc. at the end of the first quarter under review are as follows.

(Thousands of yen)

	As of August 31, 2024	As of November 30, 2024
Credit line of overdrafts	1,300,000	1,300,000
Borrowing balance of those contracts	–	–
Difference	1,300,000	1,300,000

Notes to quarterly consolidated statement of cash flows

The Company has not prepared quarterly consolidated statement of cash flows for the first three months ended November 30, 2024. In addition, the amounts of depreciation (including amortization related to intangible assets) for the first three months of the current and previous fiscal years are as stated below.

(Thousands of yen)

	Three months ended November 30, 2023	Three months ended November 30, 2024
Depreciation	37,078	52,777

Segment information

[Segment information]

Three months ended November 30, 2023

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.

Three months ended November 30, 2024

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.

Subsequent events

None.