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October 12, 2023

## Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (Under Japanese GAAP)

Company name: TRANSACTION CO., Ltd.  
Listing: Tokyo Stock Exchange  
Securities code: 7818  
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Scheduled date of annual general meeting of shareholders: November 29, 2023  
Scheduled date to commence dividend payments: November 8, 2023  
Scheduled date to file annual securities report: November 29, 2023  
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, 2023 (from September 1, 2022 to August 31, 2023)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2023	22,958	25.6	4,658	44.1	4,786	44.9	3,305	50.6
August 31, 2022	18,273	6.6	3,231	14.6	3,304	14.9	2,195	6.6

Note: Comprehensive income For the fiscal year ended August 31, 2023: ¥3,579 million [33.7%]  
For the fiscal year ended August 31, 2022: ¥2,677 million [25.2%]

Fiscal year ended	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
	Yen	Yen	%	%	%
August 31, 2023	113.50	—	22.3	25.7	20.3
August 31, 2022	75.43	—	17.8	21.3	17.7

Reference: Share of profit (loss) of entities accounted for using equity method  
For the fiscal year ended August 31, 2023: ¥— million  
For the fiscal year ended August 31, 2022: ¥— million

#### (2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
August 31, 2023	20,599	16,236	78.8	557.41
August 31, 2022	16,650	13,354	80.2	458.84

Reference: Equity  
As of August 31, 2023: ¥16,236 million  
As of August 31, 2022: ¥13,354 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, 2023	3,767	(1,481)	(555)	6,060
August 31, 2022	239	(213)	(819)	4,351

### 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, 2022	–	0.00	–	25.00	25.00	727	33.1	5.9
Fiscal year ended August 31, 2023	–	0.00	–	35.00	35.00	1,019	30.8	6.9
Fiscal year ending August 31, 2024 (Forecast)	–	0.00	–	37.00	37.00		30.8	

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

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

(Percentages indicate year-on-year changes.)

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

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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, 2023	29,375,400 shares
As of August 31, 2022	29,375,400 shares

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

As of August 31, 2023	246,865 shares
As of August 31, 2022	270,865 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended August 31, 2023	29,120,776 shares
Fiscal year ended August 31, 2022	29,104,535 shares

**[Reference] Overview of non-consolidated financial results**

**Non-consolidated financial results for the fiscal year ended August 31, 2023 (from September 1, 2022 to August 31, 2023)**

**(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2023	1,427	8.5	782	5.9	936	6.5	964	18.0
August 31, 2022	1,315	(6.7)	739	(11.5)	878	3.5	817	(4.1)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
August 31, 2023	Yen 33.12	Yen –
August 31, 2022	Yen 28.10	Yen –

**(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, 2023	7,088	5,681	80.2	195.05
August 31, 2022	5,910	5,053	85.5	173.63

Reference: Equity

As of August 31, 2023: ¥5,681 million  
As of August 31, 2022: ¥5,053 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 6 of the Financial Results (attached file).
2. The Company plans to hold a financial results briefing for institutional investors and analysts on October 20, 2023. The material on financial results used for the briefing will be posted on the Company’s website by the same day.

**[Attached Material]**

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## 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 a gradual recovery due to improvements in the employment and income environment and the easing of restrictions on activities due to the COVID-19 pandemic. On the other hand, there was a series of price hikes on daily necessities and increases in energy costs due to the weak yen, and the outlook remained uncertain as the yen weakened again in the second half of the fiscal year.

In this environment, the TRANSACTION Group (the “Group”) executed marketing activities to capture changes in the social environment and demand trends in a timely fashion, and strengthened new product development based on the five key strategies designated in the 4th medium-term management plan of “finished goods demand arising from the promotion of SDGs,” “tangible goods consumption derived from intangible goods consumption,” “demand for revenge spending coming after COVID-19,” “strengthened e-commerce,” and “strengthened domestic in-house manufacturing.”

#### Eco-products

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. These products are reusable products made from organic cotton, recycled materials, biomass plastics, and natural materials. In addition, we drove expanding and offering the lineup of upcycled finished goods that have been transformed into more valuable goods, by adding value such as ideas and design to wasted resources. Since these are Eco-products that contribute to the achievement of the SDGs, they are also highly regarded by client entities promoting SDGs and there have been increased opportunities for use as novelties at exhibitions and seminars. Furthermore, overall sales promotions were revitalized by the normalization of socioeconomic activities, resulting in strong sales of mainstay products such as eco-bags and tumblers/thermo bottles, as well as stationery and cutlery products, significantly exceeding those of the previous fiscal year.

Furthermore, we participated in the “Fairtrade Million Action Campaign 2023” again this fiscal year. Recognition of the ethical brand “MOTTERU” further improved due to expanded color variations incorporating genderless colors and the expansion of product categories such as cutlery products and umbrellas, as well as the development and launch of products in collaboration with popular characters and products that combine functionality and design. As a result, our products were selected for the “Let’s choose! 3R Campaign 2022” sponsored by the Ministry of the Environment, as in 2021. In addition, we participated in various campaign projects and worked on social contribution activities, such as providing eco bags in support of the “SHIBUYA WANDERING CRAFT 2023 Colorful Festival: 4 Colorful Days in Shibuya,” a summer holiday craft workshop event.

As a result, overall sales of Eco-products increased by 2,544 million yen, or 33.3% year on year.

#### Lifestyle products

In Lifestyle products, we set the key strategies of “tangible goods consumption derived from intangible goods consumption” and “demand for revenge spending coming after COVID-19” and strengthened sales to the entertainment industry. In particular, in the game and animation industry, which has been a major driver of Lifestyle products sales, as well as in the VTuber, 2.5D, and sporting events industries, the holding of major in-person events and other industry-wide revitalization, partly due to a significant easing of restrictions on the holding of events, resulted in a significant increase in sales over the previous fiscal year. With the music, stage and other industries gradually regaining momentum, the Company stepped up its sales activities to meet growing demand in the future. In pet wear and related finished goods, as a result of increased recognition of the “RAKURUMU WEAR” product, which received the 2022 Good Design Award, and efforts to expand sales channels by launching new products in collaboration with outdoor and leisure-related product brands, as well as pet beds and toys themed on snack packages of a famous snack maker, sales were strong. On the other hand, while sales of travel-related finished goods have not recovered to pre-COVID-19 levels, they more than tripled compared to the previous fiscal year. During the fiscal year under review, while demand for domestic

travel increased from the Golden Week (one of Japan's major holiday seasons), demand for overseas travel, which is linked to sales of travel-related finished goods, showed a strengthening recovery trend, and we focused on sales activities such as sales channel expansion and new product development to prepare for future recovery. As a result, overall sales of Lifestyle products increased by 2,452 million yen, or 28.0% year on year.

#### Wellness products

In Wellness products, following the shift of COVID-19 to Category 5 under the Infectious Disease Control Law, we have decided to discontinue handling "infection control products." As for the remaining inventory, the Company recorded a 38 million yen loss on abandonment of inventories as an extraordinary loss in the third quarter of the current fiscal year. As a result, sales decreased by 348 million yen, or 21.9% year on year.

#### ■ E-commerce business

In the E-commerce business, in accordance with the key strategy of "strengthened e-commerce," we reinforced initiatives to achieve the target of accounting for at least 30% of consolidated net sales in the fiscal year ending August 31, 2025. Sales of our main sites "HANSOKU-STYLE" and "MARKLESS STYLE" grew significantly compared to the previous fiscal year as a result of efforts to promote use of the sites by expanding the number of registered finished goods and improving their usability. In particular, sales of "MARKLESS Connect" expanded significantly compared to the previous fiscal year due to an increase in the number of companies that have introduced it and the remarkable results of measures such as hybrid marketing activities that fuse the in-person sales approach with e-commerce for partner companies. In the "D2C"\* site, sales increased through effective use of social media activities for our "Original Goods Press" platform site for product sales and OEM, and for the "Calulu ONLINE STORE" for pet wear and related finished goods. We also renewed the "gowell" website, which handles travel-related finished goods, to deal with the future expansion of demand. As a result, along with the D2C site, the main sites recorded significant sales growth, leading to e-commerce sales growing 1,619 million yen, or 56.2% from the previous fiscal year, and the sales composition ratio expanded 3.8 percentage points from the previous fiscal year to 19.6%.

\* 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.

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. However, the Company was compelled to raise product prices from October 2022 onward due to the increased burden caused by the yen's much higher-than-expected depreciation. At our in-house factories in Japan, under our key strategy of "strengthening domestic in-house manufacturing," we have been striving to improve our in-house production rate and productivity by expanding capacity and investing in new facilities, but due to higher-than-expected manufacturing costs, we have raised printing and processing costs from January 2023 onward. In addition, inventory levels that were built up in the previous fiscal year were maintained, but from the fourth quarter of the fiscal year under review, the Company has been taking steps to optimize these levels.

As a result, both net sales and profits at each level reached record highs, with net sales for the fiscal year under review reaching 22,958 million yen (up by 4,685 million yen, or 25.6% year on year). Despite recording one-time expenses of 76 million yen in year-end bonuses to employees and 23 million yen in office renovations to improve the workplace environment, operating profit was 4,658 million yen (up by 1,426 million yen, or 44.1% year on year) due to securing gross profit from net sales growth and well-planned expenditure of selling, general and administrative expenses, and ordinary profit was 4,786 million yen (up by 1,482 million yen or 44.9% year on year). Profit attributable to owners of parent was 3,305 million yen (up by 1,109 million yen, or 50.6% year on year), due in part to

a 41 million yen reduction in the tax burden resulting from the application of a wage increase promotion tax system, despite recording extraordinary losses of 38 million yen due to discontinuation of handling of infection control products.

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 (Amount)	Change (%)
Targeting end-user companies	8,384	10,686	2,301	27.4
Targeting wholesalers	7,005	7,769	763	10.9
E-commerce	2,882	4,502	1,619	56.2
Total	18,273	22,958	4,685	25.6

<Actual sales by product classification>

(Millions of yen)

Category	Net sales		Change	
	Previous fiscal year	Current fiscal year	Change (Amount)	Change (%)
Eco-products	7,645	10,189	2,544	33.3
Lifestyle products	8,752	11,205	2,452	28.0
Wellness products	1,596	1,247	(348)	(21.9)
Design and other	279	316	36	13.2
Total	18,273	22,958	4,685	25.6

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 15,190 million yen, an increase of 2,379 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in cash and deposits by 1,671 million yen, an increase in securities by 567 million yen, an increase in finished goods by 303 million yen, and a decrease in other current assets by 214 million yen.

### (Non-current assets)

Non-current assets at the end of the fiscal year under review amounted to 5,408 million yen, an increase of 1,569 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in investments and other assets by 1,484 million yen, an increase in property, plant and equipment by 46 million yen, and an increase in intangible assets by 38 million yen.



(Current liabilities)

Current liabilities at the end of the fiscal year under review amounted to 3,425 million yen, an increase of 772 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in income taxes payable by 440 million yen, an increase in other current liabilities by 409 million yen, and a decrease in accounts payable - trade by 76 million yen.

(Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review amounted to 936 million yen, an increase of 294 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in long-term borrowings by 196 million yen and an increase in deferred tax liabilities by 98 million yen.

(Net assets)

Net assets at the end of the fiscal year under review amounted to 16,236 million yen, an increase of 2,882 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in retained earnings by 2,577 million yen and an increase in valuation difference on available-for-sale securities by 360 million yen.

**(3) Summary of cash flows during period**

Cash and cash equivalents at the end of the fiscal year under review amounted to 6,060 million yen (an increase of 1,708 million yen, or 39.3% year on year). Interest-bearing liabilities at the end of the fiscal year under review amounted to 763 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities in the fiscal year under review amounted to 3,767 million yen (compared with 239 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 4,800 million yen and income taxes refund of 96 million yen, and a decrease in cash due to income taxes paid of 1,289 million yen.

(Cash flows from investing activities)

Net cash used in investing activities in the fiscal year under review amounted to 1,481 million yen (compared with 213 million yen used in investing activities in the previous fiscal year). This was due mainly to a decrease in cash due to purchase of investment securities of 1,487 million yen.

(Cash flows from financing activities)

Net cash used in financing activities in the fiscal year under review amounted to 555 million yen (compared with 819 million yen used in financing activities in the previous fiscal year). This was due mainly to a decrease in cash due to dividends paid of 727 million yen and repayments of long-term borrowings of 458 million yen, and an increase in cash due to proceeds from long-term borrowings of 600 million yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended Aug. 2019	Fiscal year ended Aug. 2020	Fiscal year ended Aug. 2021	Fiscal year ended Aug. 2022	Fiscal year ended Aug. 2023
Equity-to-asset ratio (%)	74.1	73.9	78.5	80.2	78.8
Equity-to-asset ratio on a market value basis (%)	262.1	249.8	218.9	186.3	276.7
Ratio of interest-bearing liabilities to cash flow (Years)	0.6	0.6	0.3	2.6	0.2
Interest coverage ratio (Times)	338.1	571.0	782.6	97.5	1,606.0

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, 2024, the Japanese economy is expected to continue its gradual recovery as socioeconomic activities normalize and the employment and income environment and corporate earnings improve due to the diminished impact of the COVID-19 pandemic, but conditions are expected to remain challenging due to price hikes of daily necessities and rising energy costs caused by the weak yen.

In these circumstances, the Group will continue to 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, with key strategies as “product demand generated by SDGs promotion,” “tangible goods consumption derived from intangible goods consumption,” “demand arising from reopening\*,” “strengthened e-commerce,” and “strengthened domestic in-house manufacturing.”

\* The strategy for “demand for revenge spending coming after COVID-19” remains unchanged, but the name will be changed to “demand arising from reopening” beginning from the fiscal year ending August 31, 2024.

#### ■ 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. In addition, by visualizing the entire process through e-commerce, we differentiate ourselves from our competitors and develop our business.

In our unique business model, we provide the “MARKLESS Connect”<sup>\*</sup> system, which was developed aiming to strengthen the e-commerce business, to client companies in order to effectively increase the performance of both the Group and its client companies by eliminating waste and improving the efficiency of their order receiving and placing operations.

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

#### ■ E-commerce business

In the E-commerce business, the Group has adopted the key strategy of “strengthened e-commerce,” and aims to increase sales of B2B and D2C\* sites operated by the Group by stepping up investments to expand e-commerce systems, with the goal of achieving the target of accounting for at least 30% of consolidated net sales in the fiscal year ending August 31, 2025.

Regarding the main B2B site “MARKLESS STYLE,” “MARKLESS Connect,” which contributed to the expansion of business results in the fiscal year under review, is now on track, and the Company has changed from a system in which sales staff handled everything from order receipt to delivery and established a system that enables hybrid marketing activities that fuse the in-person sales approach with e-commerce by efficiently using both sales staff and the e-commerce site “MARKLESS STYLE” according to the size of the project. This will enable us to conduct sales activities more efficiently and effectively than before, and we expect that this will lead to sales expansion in response to future growth in demand.

In addition to our B2B site, we are striving to increase the number of members and promote usage of our main site for end-user companies, “HANSOKU STYLE,” through measures such as expanding the number of registered finished goods and improving the usability of the site. In addition to our own platform site “Original Goods Press” for product sales and OEM, and “Original Goods.com,” which produces original corporate goods for sale and commemorative gifts, we are working to increase the number of members and improve the repeat rate through effective use of social media on our original brand sites, such as the “Calulu ONLINE STORE,” which handles pet wear and related finished goods, and the “gowell” site, which handles travel-related finished goods. By expanding and enhancing these D2C sites, we are strengthening our approach to customer segments that we have not been able to address in the past. In the next fiscal year, we plan to expand sales and profits by further promoting these initiatives and thereby expanding the scale of our business.

\* 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

To achieve the Sustainable Development Goals (SDGs) by 2030, proactive investment by nations and companies is essential. In addition, companies and individuals can achieve their goals by selecting eco-friendly products and taking actions to reduce their environmental impact, a trend that is expected to accelerate even more.

The eco-products handled by the original brand “MARKLESS STYLE” 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. As these products contribute to achieving the SDGs, amid normalization of socioeconomic activities, they are increasingly being highly regarded and supported by environmentally conscious client entities for uses as novelties for sales promotions and merchandising items at events, etc. In addition, the ethical brand “MOTTERU,” which is being developed for the retail market based on the brand concept of “non-use of disposable items” and “reusable items,” received the Good Design Award for the fourth time in 2023, further increasing its name recognition.

In the next fiscal year, we plan to increase sales and profits through social contribution initiatives and new product development to achieve the SDGs goals of “Responsible Consumption and Production” and “Life Below Water.”

## Lifestyle products

In recent years, people's lifestyles have changed significantly. However, even as lifestyles change, there will be no change in the form of "tangible goods consumption derived from intangible goods consumption," and demand will increase as much as the number of interests and preferences. In addition, with the dawn of the post-pandemic era, "demand arising from reopening" is expected to increase demand through sales promotions by client entities.

In the game and animation industry, which is driving Lifestyle products, as well as in the VTuber, 2.5D and sporting events industries, it is expected that major in-person events will be held and that merchandise sales items at event venues will be diversified and will demand high quality. In addition, during the fiscal year under review, some companies were unable to effectively implement sales promotions due to price hikes and other factors. However, going forward, we expect overall sales promotions, such as campaign projects, to become more active. In order to respond these demands, we have introduced new printing equipment at our factories in Japan from the current fiscal year, as well as developing a production system to meet the increased demand. This will enable us to offer products in new categories and products with clear full-color printing.

In pet wear and related finished goods, we expect continued strong performance by expanding sales channels and strengthening development of new products. In travel-related finished goods, we had expected a rapid expansion in overseas as well as domestic travel demand, which represents "intangible goods consumption," during the fiscal year under review, but a full-fledged recovery has not been observed. However, in the next fiscal year, overseas travel demand is expected to increase from the year-end and New Year holidays, and will likely be in full swing from the Golden Week holiday period through the summer vacation period. In response to this demand, we will strive to provide finished goods developed with the concept of "travel goods that are sure to be useful all over the world!" under the travel-related finished goods brand "gowell" which has expanded its sales channels and developed new products under the brand theme of "safer, more comfortable, and more fulfilling" as a key word.

## Wellness products

In the fiscal year under review, we discontinued the handling of infection control products that had been urgently needed due to the COVID-19 pandemic. Looking ahead, although there will be a certain level of demand for sanitary products such as masks and disinfectant sprays, we do not anticipate sales growth.

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. In addition, by developing new overseas and domestic suppliers, we will strive to further strengthen our price competitiveness and improve profit margins. With regard to responding to the increasing demand for printing and processing at our own factories in Japan, we plan to complete construction of our second factory in March 2024, and have plans to further expand capacity and invest in new printing equipment. As a result, we expect the in-house production ratio and productivity to improve from the latter half of the fourth quarter.

As a result, the consolidated financial forecast for the fiscal year ending August 31, 2024 is net sales of 25,160 million yen, operating profit of 5,220 million yen, ordinary profit of 5,329 million yen, and profit attributable to owners of parent of 3,501 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, 2023 will be 35 yen per share, an increase of 10 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, 2023” disclosed on October 6, 2023.

The year-end dividend for the next fiscal year ending August 31, 2024 will be 37 yen per share, based on the above dividend policy. This will mark the 13th 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 customer company 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. However, if a supplier's plant is in violation of laws, 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 fables"(\*) 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 fables" 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 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.

(vi) Risk related to infectious diseases

In the event of a resurgence of COVID-19 infections or 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.

(vii) 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<sub>2</sub> 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<sub>2</sub> 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).

## **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 miscellaneous goods directly to end-user companies in accordance with the needs of customers and markets, and sells the Group’s original miscellaneous goods to wholesalers. These products are also distributed to end users and wholesalers through EC sites, including our proprietary site.

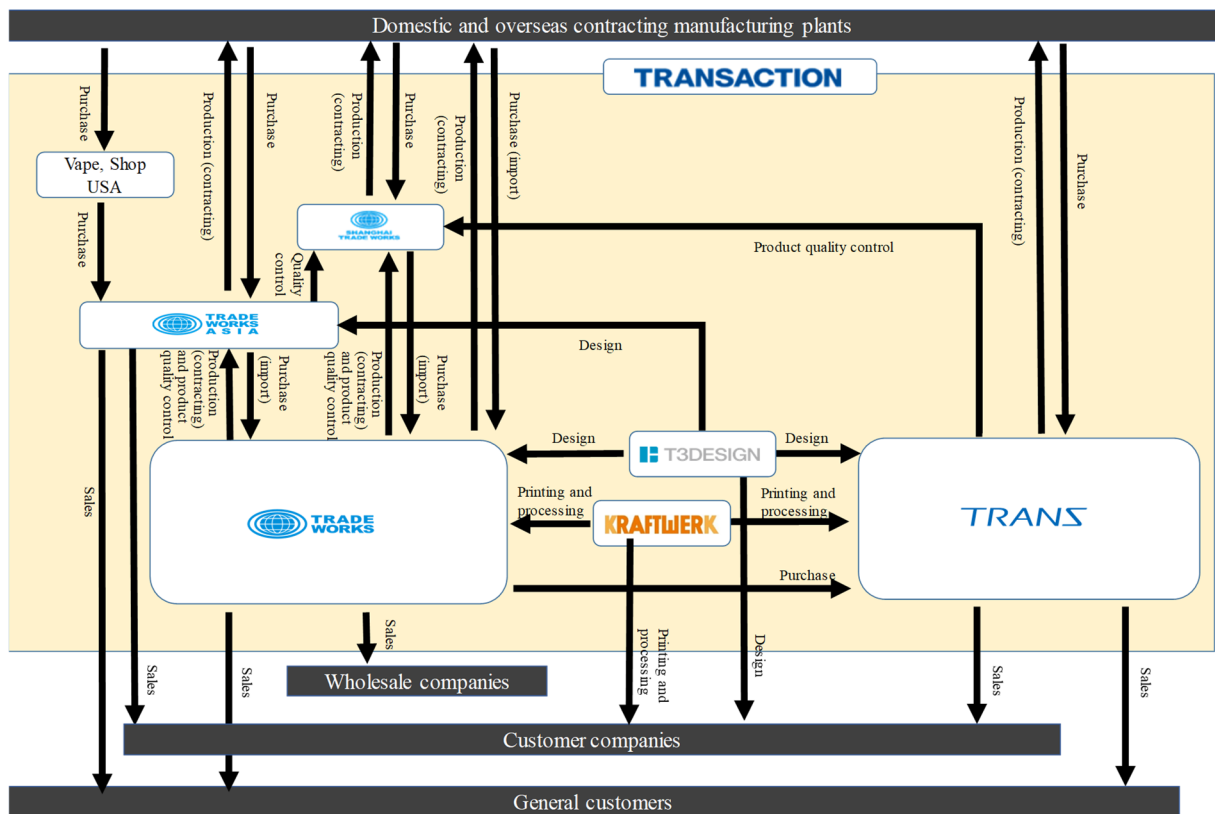
The Group has adopted a fables approach in order to get various types of products to the market promptly. This approach allows us to concentrate our business resources on product development, always use the most suitable production plant and respond to a change in market needs. In addition, it constantly 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 fables 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 fables 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 fables 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, 2022		As of August 31, 2023	
<b>Assets</b>				
Current assets				
Cash and deposits		4,335,232		6,006,583
Notes and accounts receivable - trade, and contract assets	*2	2,679,941	*2	2,734,278
Securities		291,900		859,361
Finished goods		4,443,094		4,746,607
Supplies		21,536		23,042
Accounts receivable - other		67,262		62,146
Other		979,930		765,927
Allowance for doubtful accounts		(8,187)		(7,562)
Total current assets		12,810,710		15,190,385
Non-current assets				
Property, plant and equipment				
Buildings and structures		600,571		632,959
Accumulated depreciation		(152,091)		(179,612)
Buildings and structures, net		448,479		453,347
Machinery, equipment and vehicles		165,416		274,127
Accumulated depreciation		(103,599)		(124,783)
Machinery, equipment and vehicles, net		61,817		149,343
Land		518,259		452,259
Other		340,787		396,612
Accumulated depreciation		(301,522)		(337,011)
Other, net		39,265		59,600
Total property, plant and equipment		1,067,821		1,114,551
Intangible assets				
Other		126,671		165,194
Total intangible assets		126,671		165,194
Investments and other assets				
Investment securities		1,578,124		2,880,031
Deferred tax assets		188,809		294,710
Leasehold and guarantee deposits		303,400		311,194
Other		575,047		643,625
Allowance for doubtful accounts		(380)		(380)
Total investments and other assets		2,645,001		4,129,182
Total non-current assets		3,839,494		5,408,927
Total assets		16,650,205		20,599,312

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,035,921	959,141
Current portion of long-term borrowings	387,628	332,513
Income taxes payable	647,298	1,087,987
Provision for bonuses	169,848	223,496
Provision for shareholder benefit program	6,909	7,337
Other	*3 406,209	*3 815,340
Total current liabilities	2,653,814	3,425,816
Non-current liabilities		
Long-term borrowings	234,819	431,138
Retirement benefit liability	315,035	314,745
Asset retirement obligations	36,791	37,221
Deferred tax liabilities	55,390	153,735
Total non-current liabilities	642,035	936,840
Total liabilities	3,295,850	4,362,657
<b>Net assets</b>		
Shareholders' equity		
Share capital	93,222	93,222
Capital surplus	3,294,777	3,305,428
Retained earnings	9,567,299	12,144,917
Treasury shares	(223,253)	(203,471)
Total shareholders' equity	12,732,046	15,340,096
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	180,323	540,891
Deferred gains or losses on hedges	239,913	127,851
Foreign currency translation adjustment	160,031	189,773
Remeasurements of defined benefit plans	42,039	38,041
Total accumulated other comprehensive income	622,307	896,558
Total net assets	13,354,354	16,236,655
Total liabilities and net assets	16,650,205	20,599,312

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

(Thousands of yen)

	Fiscal year ended August 31, 2022		Fiscal year ended August 31, 2023	
Net sales	*1	18,273,354	*1	22,958,375
Cost of sales	*2	11,115,818	*2	13,914,395
Gross profit		7,157,535		9,043,979
Selling, general and administrative expenses	*3, *4	3,925,636	*3, *4	4,385,394
Operating profit		3,231,899		4,658,584
Non-operating income				
Interest income		323		1,713
Interest on securities		27,374		82,020
Subsidy income		13,523		1,050
Foreign exchange gains		28,177		42,955
Other		5,080		2,823
Total non-operating income		74,478		130,563
Non-operating expenses				
Interest expenses		2,200		2,059
Other		64		92
Total non-operating expenses		2,265		2,152
Ordinary profit		3,304,112		4,786,995
Extraordinary income				
Gain on sale of non-current assets		–	*5	52,367
Insurance claim income		15,943		–
Total extraordinary income		15,943		52,367
Extraordinary losses				
Loss on sale of non-current assets		–	*6	91
Loss on retirement of non-current assets	*7	693	*7	51
Loss on abandonment of inventories		14,080		38,419
Total extraordinary losses		14,773		38,562
Profit before income taxes		3,305,282		4,800,800
Income taxes - current		1,125,951		1,632,560
Income taxes - deferred		(15,954)		(136,991)
Total income taxes		1,109,996		1,495,569
Profit		2,195,285		3,305,231
Profit attributable to owners of parent		2,195,285		3,305,231

**(Consolidated Statement of Comprehensive Income)**

(Thousands of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Profit	2,195,285	3,305,231
Other comprehensive income		
Valuation difference on available-for-sale securities	143,708	360,568
Deferred gains or losses on hedges	172,042	(112,062)
Foreign currency translation adjustment	118,657	29,742
Remeasurements of defined benefit plans, net of tax	48,193	(3,997)
Total other comprehensive income	* 482,602	* 274,250
Comprehensive income	2,677,887	3,579,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,677,887	3,579,482
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated Statement of Changes in Equity

Fiscal year ended August 31, 2022

(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	8,020,557	(223,253)	11,185,304
Cumulative effects of changes in accounting policies			(8,244)		(8,244)
Restated balance	93,222	3,294,777	8,012,313	(223,253)	11,177,060
Changes during period					
Dividends of surplus			(640,299)		(640,299)
Profit attributable to owners of parent			2,195,285		2,195,285
Restricted share-based remuneration					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	1,554,985	–	1,554,985
Balance at end of period	93,222	3,294,777	9,567,299	(223,253)	12,732,046

	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	36,614	67,870	41,373	(6,153)	139,705	11,325,010
Cumulative effects of changes in accounting policies						(8,244)
Restated balance	36,614	67,870	41,373	(6,153)	139,705	11,316,766
Changes during period						
Dividends of surplus						(640,299)
Profit attributable to owners of parent						2,195,285
Restricted share-based remuneration						–
Net changes in items other than shareholders' equity	143,708	172,042	118,657	48,193	482,602	482,602
Total changes during period	143,708	172,042	118,657	48,193	482,602	2,037,588
Balance at end of period	180,323	239,913	160,031	42,039	622,307	13,354,354



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
Cumulative effects of changes in accounting policies					—
Restated balance	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
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
Cumulative effects of changes in accounting policies						—
Restated balance	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
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

#### (4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,305,282	4,800,800
Depreciation	118,294	135,183
Increase (decrease) in allowance for doubtful accounts	(1,444)	(625)
Increase (decrease) in provision for bonuses	8,115	53,478
Increase (decrease) in retirement benefit liability	(18,062)	(4,286)
Increase (decrease) in provision for shareholder benefit program	1,004	428
Increase (decrease) in provision for point card certificates	(6,592)	–
Foreign exchange losses (gains)	(107,177)	11,151
Interest and dividend income	(27,697)	(83,733)
Interest expenses	2,200	2,059
Insurance claim income	(15,943)	–
Loss (gain) on sale and retirement of non-current assets	693	(39,859)
Decrease (increase) in trade receivables and contract assets	(519,048)	(53,381)
Decrease (increase) in inventories	(1,627,017)	(302,735)
Increase (decrease) in trade payables	222,022	(78,888)
Decrease (increase) in advance payments to suppliers	(81,520)	(83,374)
Other, net	(98,910)	539,970
Subtotal	1,154,198	4,896,187
Interest and dividends received	36,842	67,241
Interest paid	(2,456)	(2,345)
Income taxes refund	143,786	96,163
Income taxes paid	(1,108,735)	(1,289,604)
Proceeds from insurance income	15,943	–
Net cash provided by (used in) operating activities	239,579	3,767,642
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(49,137)	(185,677)
Purchase of intangible assets	(29,824)	(56,537)
Purchase of investment securities	(545,416)	(1,487,256)
Proceeds from sale and redemption of short-term and long-term investment securities	449,790	206,180
Payments of leasehold and guarantee deposits	–	(27,479)
Proceeds from refund of leasehold and guarantee deposits	9,834	–
Purchase of insurance funds	(48,999)	(48,999)
Other, net	–	118,744
Net cash provided by (used in) investing activities	(213,754)	(1,481,026)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	200,000	600,000
Repayments of long-term borrowings	(379,577)	(458,796)
Proceeds from disposal of treasury shares	–	30,432
Dividends paid	(639,725)	(727,333)
Net cash provided by (used in) financing activities	(819,302)	(555,697)
Effect of exchange rate change on cash and cash equivalents	62,398	(22,510)
Net increase (decrease) in cash and cash equivalents	(731,078)	1,708,409
Cash and cash equivalents at beginning of period	5,083,041	4,351,963
Cash and cash equivalents at end of period	* 4,351,963	* 6,060,372

**(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 contracts 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.

**(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, 2022	As of August 31, 2023
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 arising from contracts with customers is as follows.

	(Thousands of yen)	
	As of August 31, 2022	As of August 31, 2023
Notes receivable - trade	244,299	218,362
Accounts receivable - trade	2,429,430	2,507,693
Contract assets	6,211	8,222

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

	(Thousands of yen)	
	As of August 31, 2022	As of August 31, 2023
Contract liabilities	26,982	35,619

**(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 (Segment information)."

\*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, 2022	Fiscal year ended August 31, 2023
Cost of sales	116,825	149,521

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

(Thousands of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Provision of allowance for doubtful accounts	(74)	(606)
Bonuses and allowances	1,255,642	1,273,334
Rent expenses on land and buildings	310,498	306,910
Provision for bonuses	138,899	186,667
Retirement benefit expenses	51,830	29,643
Provision for shareholder benefit program	6,909	7,337
Freight costs	590,847	709,490

\*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, 2022	Fiscal year ended August 31, 2023
	44,893	45,236

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

(Thousands of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Land	–	52,367
Total	–	52,367

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

(Thousands of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
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, 2022	Fiscal year ended August 31, 2023
Machinery, equipment and vehicles	–	0
Other (tools, furniture and fixtures)	0	51
Other (software)	693	–
Total	693	51



**(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, 2022	Fiscal year ended August 31, 2023
Valuation difference on available-for-sale securities, net of tax:		
Amount arising during the fiscal year	326,889	607,021
Reclassification adjustments	(107,177)	(55,659)
Amount before tax effects	219,712	551,362
Tax effects	(76,003)	(190,793)
Subtotal	143,708	360,568
Deferred gains or losses on hedges, net of tax:		
Amount arising during the fiscal year	432,594	92,531
Adjustments to acquisition cost of assets	(169,572)	(263,824)
Amount before tax effects	263,021	(171,292)
Tax effects	(90,979)	59,230
Subtotal	172,042	(112,062)
Foreign currency translation adjustment:		
Amount arising during the fiscal year	118,657	29,742
Amount before tax effects	118,657	29,742
Tax effects	-	-
Subtotal	118,657	29,742
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	73,687	6,794
Reclassification adjustments	(1,589)	(12,904)
Amount before tax effects	73,687	(6,110)
Tax effects	(25,493)	2,112
Subtotal	48,193	(3,997)
Total other comprehensive income	482,602	274,250

**(Consolidated statement of changes in equity)**

Fiscal year ended August 31, 2022

## 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	–	–	270,865

(Major cause of movement)

None.

## 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, 2021	Ordinary shares	640,299	22	August 31, 2021	November 8, 2021

## (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 26, 2022	Ordinary shares	Retained earnings	727,613	25	August 31, 2022	November 9, 2022

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

**(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, 2022	Fiscal year ended August 31, 2023
Cash and deposits	4,335,232	6,006,583
Securities (MMF)	16,730	53,788
Cash and cash equivalents	4,351,963	6,060,372

**(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, 2022

## 1. Information on products and services

(Thousands of yen)

	Eco-products	Lifestyle products	Wellness products	Design and other	Total
Net sales for external customers	7,645,183	8,752,332	1,596,409	279,429	18,273,354

## 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, 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.

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

Fiscal year ended August 31, 2022

None.

Fiscal year ended August 31, 2023

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, 2022	Fiscal year ended August 31, 2023
Net assets per share	458.84	557.41
Earnings per share	75.43	113.50

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, 2022	Fiscal year ended August 31, 2023
Earnings per share		
Profit attributable to owners of parent	2,195,285	3,305,231
Amount not attributable to owners of ordinary shares	—	—
Profit attributable to owners of ordinary shares of parent	2,195,285	3,305,231
Weighted-average number of ordinary shares outstanding for the period (shares)	29,104,535	29,120,776

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

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
Total net assets	13,354,354	16,236,655
Amount subtracted from total net assets	—	—
Net assets for ordinary shares at the end of the period	13,354,354	16,236,655
Number of ordinary shares at the end of the period used for calculating the amount of net assets per share (shares)	29,104,535	29,128,535

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.