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Consolidated Financial Results for the Fiscal Year Ended August 31, 2026 (Under Japanese GAAP)

October 15, 2026

Company name:	TRANSACTION CO., Ltd.
Listing:	Tokyo Stock Exchange
Securities code:	7818
URL:	https://www.trans-action.co.jp
Representative:	Satoshi Ishikawa, Chairman and Representative Director
Contact:	Yoshinari Kitayama, Director
TEL:	+81 3 6861 5577
Scheduled date of annual general meeting of shareholders:	November 27, 2026
Scheduled date to commence dividend payments:	November 6, 2026
Scheduled date to file annual securities report:	November 26, 2026
Preparation of supplementary material on financial results:	Yes
Holding of financial results briefing:	Yes (for analysts, institutional investors, and the press)

(Amounts of less than one million yen are rounded down.)

1. Consolidated financial results for the fiscal year ended August 31, 2026 (from September 1, 2025 to August 31, 2026)

(1) Consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2026	31,518	14.8	6,399	12.1	6,590	9.6	4,529	11.1
August 31, 2025	27,453	9.6	5,706	9.0	6,011	6.9	4,078	8.4

(Note) Comprehensive income

For the fiscal year ended August 31, 2026 4,712 million yen (14.2 %)

For the fiscal year ended August 31, 2025 4,126 million yen (20.3 %)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
August 31, 2026	80.04	-	21.2	25.3	20.3
August 31, 2025	70.87	-	21.6	26.1	20.8

(Reference) Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended August 31, 2026 - million yen

For the fiscal year ended August 31, 2025 - million yen

(Note) The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. Accordingly, basic earnings per share have been calculated assuming that this stock split had been in effect at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
August 31, 2026	28,366	23,053	81.3	406.29
August 31, 2025	23,798	19,663	82.6	348.16

(Reference) Equity

As of August 31, 2026 23,053 million yen

As of August 31, 2025 19,663 million yen

(Note) The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. Accordingly, net assets per share have been calculated assuming that this stock split had been in effect at the beginning of the previous consolidated fiscal year.

(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	Million yen	Million yen	Million yen	Million yen
August 31, 2026	3,429	(1,151)	(1,842)	7,092
August 31, 2025	4,247	(547)	(2,946)	6,611

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended August 31, 2025	-	0.00	-	57.00	57.00	1,609	40.2	8.6
Fiscal year ended August 31, 2026	-	0.00	-	32.50	32.50	1,844	40.6	8.6
Fiscal year ending August 31, 2027 (Forecast)	-	0.00	-	35.00	35.00		40.1	

(Notes) 1. Revisions to the forecasts of cash dividends most recently announced: None
2. The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. For the fiscal year ended August 2025, the amounts of actual dividends before the stock split are presented. For the fiscal year ended August 2026 and the fiscal year ending August 2027 (forecast), the amounts are presented on a post-stock-split basis.

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2027 (from September 1, 2026 to August 31, 2027)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending February 28, 2027	17,963	21.0	3,289	3.9	3,396	4.5	2,285	7.9	40.28
Fiscal year ending August 31, 2027	37,000	17.4	7,170	12.0	7,385	12.1	4,950	9.3	87.25

Notes

(1) Significant changes in the scope of consolidation during the period : Yes

Newly included 2Companies (Thousand Inc. and one other company)

Excluded None

(Note) For details, please refer to page 25 of the attached materials, “4. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Basis for preparation of consolidated financial statements).”

(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, 2026	57,550,800 shares
As of August 31, 2025	57,550,800 shares

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

As of August 31, 2026	807,712 shares

As of August 31, 2025	1,072,112 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended August 31, 2026	56,592,305 shares
Fiscal year ended August 31, 2025	57,550,468 shares

(Note) The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. Accordingly, the number of issued shares (common shares) has been presented as if this stock split had been in effect at the beginning of the previous consolidated fiscal year. For the number of shares used as the basis for calculating per share information, please refer to "Per share information" on page 38 of the attached materials.

(Reference) Overview of Non-consolidated Financial Results

Non-consolidated financial results for the fiscal year ended August 31,2026 (from September 1, 2025 to August 31, 2026)

(1) Non-consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2026	2,986	(54.0)	2,160	(62.5)	2,383	(60.7)	2,364	(60.6)
August 31, 2025	6,491	154.7	5,755	209.4	6,059	165.8	6,000	182.2

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
August 31, 2026	41.78	-
August 31, 2025	104.26	-

(Note) The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. Accordingly, basic earnings per share have been calculated assuming that this stock split had been in effect at the beginning of the previous consolidated fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
August 31, 2026	11,280	10,597	93.9	186.76
August 31, 2025	10,282	9,531	92.7	168.77

(Reference) Equity

As of August 31, 2026 10,597 million yen

As of August 31, 2025 9,531 million yen

(Note) The Company conducted a stock split of its ordinary shares at a ratio of 2 ordinary shares for each ordinary share as of September 1, 2025. Accordingly, Net assets per share is calculated assuming that the stock split had been conducted at the beginning of the previous fiscal year.

* Financial results are not subject to an audit by a certified public accountant or audit corporation.

※Proper use of earnings forecasts, and other special matters

1. The forward-looking statements, including forecasts of business performance, contained in this material are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual business performance, etc. may differ significantly due to various factors. For the conditions underlying the forecasts and precautions regarding the use of the Forecasts, please refer to page 6 of the Financial Results Summary (Attachments), "1. Summary of Operating Results, etc. (4) Future outlook."
2. The Company plans to hold an online financial results briefing for institutional investors and securities analysts on October 23, 2026. The financial results presentation materials to be used on that day are scheduled to be posted on the Company's website on the day of the event.
3. Supplementary materials for the financial results are disclosed on TDnet on the same day and are also posted on the Company's website.

[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 continued its gradual recovery, supported by improvements in employment and income conditions and increased inbound demand. However, the future outlook remained uncertain due to factors including persistently high crude oil prices resulting from the tightening of the situation in the Middle East triggered by the U.S. attack on Iran, increases in fuel, transportation, and electricity costs, higher prices for raw materials, particularly petrochemical products, the weakening of the yen, heightened geopolitical risks, continued price increases, and the impact of fluctuations in domestic and international financial and capital markets.

In this environment, the TRANSACTION Group (the "Group") began promoting four key strategies in the current fiscal year, which marks the first year of the Fifth Medium-term Management Plan (a five-year plan from the fiscal year ending August 31, 2026, to the fiscal year ending August 31, 2030), announced on October 15, 2025: "expansion of e-commerce business / entertainment (IP) business," "strengthening of Eco-products / climate change countermeasures and disaster-prevention products / travel-related finished goods / pet wear and related finished goods," "acquisition of trend demand in sales promotion," and "strengthening of our own plants," and worked on introducing new products, developing client companies, and strengthening relationships by capturing changes in the social environment and consumption trends in a timely and appropriate manner to achieve the plan for the first year. In response to the impact of the situation in the Middle East, the Company implemented measures such as forward exchange contracts at a certain ratio, securing raw materials, and increasing inventories including semi-finished goods, and business performance during the third quarter and thereafter remained strong as a result.

■ E-commerce business

For one of the four growth strategies in the Fifth Medium-term Management Plan, we aim to evolve the e-commerce business towards building an e-commerce platform that handles not only our own products but also other companies' products by opening up our e-commerce sites for other companies.* During the fiscal year under view, the Group positioned the expansion of the e-commerce business as a key strategy and focused on the opening of its main B2B site "MARKLESS STYLE," the full-scale operation of the site for the next fiscal year, and preparations for the launch of five new specialty sites.

Regarding sales for the fiscal year under review, sales through "MARKLESS Connect" continued to perform strongly and increased year on year. This was due to strengthened efforts to expand sales of the Group's products on client companies' e-commerce sites, including enhanced marketing support. In the third quarter, due to a temporary shift toward a more cautious stance on sales promotions caused by the deteriorating situation in the Middle East, the proportion of lower-priced products increased, resulting in slower year-on-year growth than in the first half. In the fourth quarter, although the shift toward lower-priced products continued due to an uncertain economic outlook, we achieved strong year-on-year growth on par with that of the second quarter. We responded by launching products in a price range with strong demand and selling high-value-added products. For "HANSOKU-STYLE," the main D2C** site; "Original Goods Press," a site specializing in goods for sale and OEM products catering to the entertainment and "Oshikatsu" (various activities to support favorite idols, actors, anime characters, etc.) market; and "ORIGINAL GOODS.com," which produces goods for sale and commemorative items for companies and shops, we enriched content such as special feature pages and columns, expanded search keywords, and worked on acquiring new members through web advertising. As a result, sales at "Original Goods Press" and "ORIGINAL GOODS.com" increased significantly, contributing to improvements in both the sales composition ratio and profit margin of the e-commerce business.

Regarding the opening up of the e-commerce website to other companies, we focused on infrastructure development during the fiscal year under review, and we expect it to begin contributing significantly to earnings starting in the next fiscal year. Additionally, during the fiscal year under review, we made thorough preparations for the launch of five new specialty sites, and we plan to launch them sequentially in the first half of the next fiscal year.

As a result, e-commerce sales increased by 1,595 million yen, or 20.5%, year on year.

* For the wholesale/distributor e-commerce site "MARKLESS STYLE," we plan, develop, and manufacture products suitable for printing and processing by our company, print photos and illustrations in vivid colors down to the details at our own domestic plants, and provide them to client companies. The opening up of the e-commerce website to other companies allows other manufacturers to list products, which expands the categories and price ranges of listed products. This not only improves convenience for client companies as sales destinations but also creates a mechanism that contributes to sales improvement for other manufacturers listing and for "MARKLESS STYLE." It represents a growth strategy to enhance our competitiveness in the

market by strengthening our own products, collaborating with other manufacturers, and thereby meeting the needs of our client companies.

** 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 sales agents.

Eco-products

For the original brand “MARKLESS STYLE,” as part of the responsibility for planning, manufacturing, and selling products, we strengthened the development of products using sustainable materials that enhance added value, such as materials certified by the FAIRTRADE Mark and the Eco Mark, organic cotton, biomass plastics, and recycled/upcycled materials, and worked on expanding environmentally friendly product categories. In addition, we promoted the provision of environmentally friendly, value-added products by supplying reusable, non-disposable items. Mainstay products such as eco bags, bottles, and tumblers continued to perform well, as did pouches/drawstring bags. Among climate change countermeasure products, for which we have strengthened product development and increased our produce lineup in recent years, umbrellas and rain goods, including highly functional all-weather umbrellas, saw significant growth year on year. In the second half, as the shift toward lower-priced products continued amid the impact of the Middle East situation and an uncertain economic outlook, we focused in the fourth quarter on the development and expansion of a product lineup with excellent cost performance. These products also use materials suited to color printing, making it possible to print photographs, illustrations, and other images with sharp detail in full color. These Eco-products and climate change countermeasure products use materials suitable for printing and processing, which enables the full-color printing of photos and illustrations with sharp detail, allowing us to differentiate ourselves from competitors through both product quality and high print quality. Against the backdrop of growing environmental awareness, we position eco-products as a product group for which we plan to increase sales by maintaining our efforts to utilize sustainable materials and promote recycling and upcycling. Moreover, the “Handit Simple Thermo Bottle” won the Good Design Award 2025, and also won the Bronze Award in the Sales (Products excluding Coffee) category at the Fairtrade Japan Award 2025. As a result, sales of “MARKLESS STYLE” continued to increase year on year.

The ethical brand “MOTTERU” was also selected as a target product for the “Let’s choose! 3R Campaign 2025” sponsored by the Ministry of the Environment in the current fiscal year, leading to its increased recognition as an ethical brand.

As a result, sales of Eco-products increased by 726 million yen, or 6.5% year on year.

Lifestyle products

Recently, with significant changes in individual lifestyles, the “Oshikatsu” (various activities to support favorite idols, actors, anime characters, etc.) market has achieved rapid expansion. By quickly capturing this trend, in addition to industries such as game and animation where demand continues to be high and further expansion is seen, we gained an understanding of trends in merchandise using IP and sales promotions, and strengthened planning proposals and sales activities. As a result, we were able to secure not only an increase in the number of projects but also several large-scale projects. In industries such as games and anime, demand for items in product sales through e-commerce and at event venues for in-person events continues to grow, and in industries such as those related to music and sports, demand for merchandise also continues to increase. We strengthened sales by differentiating ourselves from competitors with the high quality of products and printing that the Group is strong in. In sales promotions, in addition to capturing demand from client companies and accumulating small- and medium-sized projects, we also secured several large-scale projects from client companies experiencing strong business performance. Furthermore, with regard to large-scale projects, deliveries increased not only in Japan but also overseas, leading to a further expansion of the Group’s business domains. In travel-related finished goods, sales increased significantly year on year, driven by the continued strong performance of collaborative products featuring popular characters. In the area of pet wear and related finished goods, in addition to pet wear, dog gear, and other items for the fall and winter, we began sales of our first-ever dog treat product, “Kanjukuoh Banana Bolo,” and worked on new product development and expansion of sales channels.

As part of strengthening the entertainment (IP) business, one of the growth strategies in the Fifth Medium-term Management Plan, in September 2025, we entered into a capital tie-up with K2 Pictures Inc. (“K2P”) and made an investment accompanied by business alliance in the film production fund operated by K2P. Many renowned film directors participate in the fund, not only from Japan but also from the world’s film industry, as well as Japan’s top animation studios. During the second half, we participated in projects involving the production of merchandise and novelty items related to films produced by the company. In addition, as announced in the

“Notice Concerning Acquisition of Shares of Thousand Inc. to Make It a Consolidated Subsidiary, and Transfer of Specified Subsidiary” dated March 16, 2026, Thousand Inc. and one other company became consolidated subsidiaries. They are engaged in the figure business, which we have not handled on our own. This acquisition is reflected in our consolidated financial results for the fourth quarter. Although these companies’ sales and profits remain limited at this time, we are advancing preparations to expand the figure business.

As a result, sales of Lifestyle products increased by 3,318 million yen, or 23.2% year on year.

Wellness products

Sales increased by 56 million yen, or 3.5% year on year, due to sales of pouches/drawstring bags, mirrors, masks, and other sanitary products.

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 supply and strengthen price competitiveness amid a persistently challenging external environment. We also strengthened production management systems at overseas bases and factory inspections of overseas suppliers, worked on reducing procurement and management costs and improving product quality, and promoted CSR procurement. During the second half, to minimize the impact of the worsening situation in the Middle East and ensure a stable supply of products to our business partners, we made efforts to increase inventories, including semi-finished goods, and to secure the raw materials needed for the time being at appropriate prices. As a result, even as soaring raw material prices and supply uncertainties spread throughout the industry, we were able to ensure a stable supply at appropriate prices and differentiate ourselves from others in terms of price competitiveness to further strengthen our supply system. At our own domestic factories, we worked to improve operational efficiency and productivity by securing and optimally placing personnel and introducing and stabilizing the use of the process management system. We also systematically introduced state-of-the-art printing machinery to improve productivity and respond to needs for entertainment and “Oshikatsu” demand.

As a result, net sales for the fiscal year under review reached a record high of 31,518 million yen (up by 4,065 million yen, or 14.8% year on year). In addition, each level of profit also reached record highs. Operating profit amounted to 6,399 million yen (up by 692 million yen, or 12.1% year on year) despite an increase in personnel expenses due to the staff expansion and improvements in employee compensation aimed at achieving the goals of the Fifth Medium-term Management Plan, as well as the recording of one-time M&A-related expenses and other factors. We were able to secure gross profit resulting from the growth in sales and made efforts to keep selling, general, and administrative expenses within budget. Ordinary profit was 6,590 million yen (up by 578 million yen, or 9.6% year on year). Profit attributable to owners of parent reached 4,529 million yen (up by 451 million yen, or 11.1% year on year). This was because, as we continued to actively work to improve employee compensation, the tax burden was reduced by 101 million yen during the fiscal year under review through the application of the tax incentive program to promote wage increases.

The Company consolidated the earnings of Thousand Inc. and one other company in the fourth quarter of the fiscal year under review. Accordingly, the profit margins of these two companies had an impact, resulting in a 0.4 point year-on-year decline in the gross profit margin and a 0.5 point year-on-year decline in the operating profit margin.

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)

Sales channel	Net sales		Change	
	Previous fiscal year	Current fiscal year	Change (Amount)	Change (%)
Targeting end-user companies	12,440	14,607	2,166	17.4
Targeting wholesalers	7,234	7,538	303	4.2
E-commerce	7,777	9,372	1,595	20.5
Total	27,453	31,518	4,065	14.8

<Actual sales by product classification>

(Millions of yen)

Product classification	Net sales		Change	
	Previous fiscal year	Current fiscal year	Change (Amount)	Change (%)
Eco-products	11,189	11,916	726	6.5
Lifestyle products	14,273	17,592	3,318	23.2
Wellness products	1,630	1,687	56	3.5
Design and other	359	322	(36)	(10.2)
Total	27,453	31,518	4,065	14.8

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 19,099 million yen, an increase of 3,367 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in finished goods by 1,357 million yen, an increase in notes and accounts receivable-trade, and contract assets by 714 million yen, an increase in securities by 455 million yen, and an increase in cash and deposits by 293 million yen.

Non-current assets

Non-current assets at the end of the fiscal year under review amounted to 9,266 million yen, an increase of 1,200 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in intangible assets by 891 million yen and an increase in investments and other assets by 382 million yen.

Current liabilities

Current liabilities at the end of the fiscal year under review amounted to 4,447 million yen, an increase of 972 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in accounts payable-trade by 930 million yen and an increase in income taxes payable by 84 million yen.

Non-current liabilities

Non-current liabilities at the end of the fiscal year under review amounted to 864 million yen, an increase of 205 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in long-term borrowings by 178 million yen.

Net assets

Net assets at the end of the fiscal year under review amounted to 23,053 million yen, an increase of 3,390 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings by 2,920 million yen, a decrease in treasury shares resulting from the disposal of treasury shares as restricted stock compensation by 261 million yen, and an increase in deferred gains or losses on hedges by 68 million yen.

(3) Summary of cash flows during period

Cash and cash equivalents at the end of the fiscal year under review amounted to 7,092 million yen (an increase of 481 million yen, or 7.3% year on year). Interest-bearing liabilities at the end of the fiscal year under review amounted to 642 million yen.

Cash flows from operating activities

Net cash provided by operating activities in the fiscal year under review amounted to 3,429 million yen (compared with 4,247 million yen provided by operating activities in the previous fiscal year). This was mainly due to a decrease in cash due to profit before income taxes of 6,682 million yen, 2,091 million yen in income taxes paid, and 1,033 million yen in a decrease or increase in inventories.

Cash flows from investing activities

Net cash used in investing activities in the fiscal year under review amounted to 1,151 million yen (compared with 547 million yen used in investing activities in the previous fiscal year). This was mainly due to a decrease in cash attributable to 626 million yen in payment for acquisition of subsidiaries resulting in change in scope of consolidation, 231 million yen for the purchase of intangible assets, and 134 million yen for the purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities in the fiscal year under review amounted to 1,842 million yen (compared with 2,946 million yen used in financing activities in the previous fiscal year). This was mainly due to a decrease of 1,608 million yen in cash dividends paid.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended Aug. 2022	Fiscal year ended Aug. 2023	Fiscal year ended Aug. 2024	Fiscal year ended Aug. 2025	Fiscal year ended Aug. 2026
Equity-to-asset ratio (%)	80.2	78.8	81.3	82.6	81.3
Equity-to-asset ratio on a market value basis (%)	186.3	276.7	256.5	293.8	237.2
Ratio of interest-bearing liabilities to cash flow (Years)	2.6	0.2	0.3	0.1	0.2
Interest coverage ratio (Times)	97.5	1,606.0	947.9	1,831.9	654.5

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: The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. The total number of issued shares at the end of the period has been calculated assuming that this stock split had been in effect at the beginning of the fiscal year ended August 31, 2022.

Note 4: Cash flow refers to cash flows from operating activities.

Note 5: 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, 2027, a gradual recovery is expected to continue due to improvements in employment and income conditions, and an increase in inbound tourism demand. However, the outlook is likely to remain uncertain due to factors such as persistently high crude oil prices resulting from the situation in the Middle East, rising fuel, transportation, and electricity costs, and rising prices for raw materials, particularly petrochemical products, as well as the weakening of the yen, heightened geopolitical risks, continued price increases, and the impact of the fluctuations in domestic and international financial and capital markets, including interest rates.

Against this backdrop, the Group released our fifth medium-term management plan (fiscal year ending August 31, 2026, to fiscal year ending August 31, 2030), a five-year plan beginning with the fiscal year ended August 31, 2026, on October 15, 2025. The Fifth Medium-term Management Plan positions the first and second years as a period of investment in human capital, as well as in systems such as those for e-commerce, to strengthen sales and marketing, advance the use of AI to improve operational efficiency, and secure talented personnel, as we seek to achieve the numerical targets in five years. Therefore, during the first two years, sales growth is expected to be outpaced by an increase in selling, general and administrative expenses, and operating profit growth is projected to decelerate slightly from prior levels. However, starting in the third year, we plan to accelerate growth in our e-commerce business and the entertainment (IP) business, while also strengthening our lineup of climate change countermeasures and disaster-prevention products in addition to eco-products. We will capture changes in the social environment and consumer behavior in a timely and appropriate manner and steadily implement the measures outlined in the medium-term management plan to achieve operating profit growth exceeding the levels of the first two years.

■ Giving form to various types of consumption

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

Five Strengths of the TRANSACTION Group

(i) Planning and Development Capabilities Taking Advantage of Penchant for Reading the Times
(ii) Hybrid Sales Capabilities Combining In-Person Sales and E-Commerce Sites
(iii) Manufacturing Platform Development Capabilities
(iv) Diverse and Specialized Sales Channel Development Capabilities
(v) Group Management Capabilities for Achieving High Profitability
https://www.trans-action.co.jp/business/strengths.html (in Japanese)

■ Unique business model

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

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

■ E-commerce business

In the e-commerce business, our main B2B site "MARKLESS STYLE" has been selling our own original products, which are categorized into "eco-products," "lifestyle products," and "wellness products," with an emphasis on originality, design, and functionality. However, starting in the fiscal year under review, we began selling products listed by our partner companies. Starting in the next fiscal year, this will enhance our product categories and broaden our price range, enabling us to further improve our services and attract new customers to expand our customer base, while also increasing sales to existing customers.

For D2C* sites, such as the main site “HANSOKU-STYLE,” as well as “Original Goods Press,” a site specializing in goods for sale and OEM products catering to the entertainment and “Oshikatsu” (various activities to support favorite idols, actors, anime characters, etc.) market, and “ORIGINAL GOODS.com,” which produces goods for sale and commemorative items for companies and shops, we will continue to implement measures such as the expansion of our registered finished goods and the enhancement of usability to increase membership and improve the repeat rate. Recent consumer behavior has increasingly shifted toward digital-centered consumption, with online shopping and mobile payments becoming mainstream. Since it has become common to collect product information and make purchases through digital platforms, we aim to increase the number of inquiries from websites by enhancing special feature pages and column sections and strengthening information dissemination through social media. We expect an increase in customer unit price through inside sales, as well as the acquisition of new customers. Additionally, during the fiscal year under review, we made thorough preparations for the launch of five new specialty sites, and we plan to launch them sequentially in the first half of the next fiscal year. We expect that it will take some time for new sites to begin contributing significantly to sales, and we are planning to expand sales during the latter half of the Fifth Medium-term Management Plan. We will maintain our efforts to raise awareness of each site and acquire users, with the goal of achieving sustainable growth for the e-commerce business as a whole.

* 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 sales agents.

Eco-products

In recent years, with the aim of reducing environmental impact and realizing a sustainable society, efforts have been underway in Japan to transition from a traditional model of mass production, mass consumption, and mass disposal to a “circular economy” that makes effective use of resources and recycles products and resources. In particular, initiatives to reduce environmental impact from the product planning and manufacturing stages, such as expanding the use of recycled materials, reducing waste, extending product lifespans, and promoting reuse and recycling, have become increasingly important.

Under our original “MARKLESS STYLE” brand, we take responsibility for the planning, manufacturing, and sales of our products by strengthening product development using sustainable materials. These include materials certified with third-party marks such as the FAIRTRADE Mark and the Eco Mark, as well as organic cotton, biomass plastics, and recycled or upcycled resources. In addition, by supplying products that are not disposable but can be used repeatedly, we will continue to promote the offering of environmentally conscious products with added value.

Next fiscal year, we will continue to aim to increase the number of companies selecting eco-products for novelties used for sales promotions and items used for product sales at various events, and to have finished goods from the ethical brand “MOTTERU,” which we are developing for retail, selected by individuals as items for day-to-day use. Furthermore, by focusing on developing products for countering extreme heat, intense heat, and heavy rainfall, whose demand is growing due to the impact of climate change, as well as disaster prevention products for preparing against earthquakes and other natural disasters, we plan to expand sales and profits by providing products that lead corporate and individual customers to take concrete actions regarding environmental issues and by gaining their support.

Lifestyle products

In the domestic entertainment market, in addition to the diversification of content such as anime, manga, games, music, characters, and VTubers, “Oshikatsu,” the practice of supporting one’s favorite people or characters, has taken hold across a wide range of generations. In particular, amid the increasing activity of exchanges involving content and among fans through social media and other channels, consumption opportunities originating from content are expanding beyond conventional content viewing and participation in live events to include the purchase of related goods, collaborative products, and participation in events and experiences, among others. Furthermore, the character business is also advancing beyond simple product sales toward comprehensive activities encompassing events, stores, digital content, and collaborations, and there is a growing trend toward diversifying points of contact with fans to encourage continuous consumption.

In Lifestyle products, we have set a goal of strengthening the entertainment (IP) business, which is one of the growth strategies outlined in the Fifth Medium-term Management Plan. We will continue to focus on providing merchandise through e-commerce and at in-person event venues, targeting industries such as games and anime, which remain in high demand and are trending toward expansion, as well as industries related to music and sports, which are closely tied to the consumption of tangible and intangible goods. We will also expand sales of

products featuring Japanese anime and game characters, which enjoy strong popularity both in Japan and overseas, through our own e-commerce site and pop-up stores for the domestic market. Furthermore, we will strengthen sales and marketing activities to lay the groundwork for expanding distribution channels in overseas markets. In addition, we will also make full-fledged efforts in the figure business incorporated during the fiscal year under review, pursuing business expansion covering the planning, development, production, and sale of figures centered on popular IPs such as anime and games. By utilizing synergies with existing businesses and combining sales channels such as e-commerce sites, pop-up stores, and in-person events, we will seek to create new product deployment and profit opportunities for IP content. Furthermore, due to the broad range of genres and the resulting difficulty in identifying what could become "Oshi," we will strengthen information dissemination and collection through lectures and other activities at the "Oshikatsu Business Research Laboratory (tentative title)." By discovering and creating the wants of customers, including those of which they are yet to be consciously aware, and by enhancing the development of increasingly diverse products, we will improve customer benefits and satisfaction and aim to expand both sales and profits.

Wellness products

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

On the production side, the Company will work to secure multiple production bases, flexibly switch between production sites in response to exchange rate fluctuations and rising raw material prices, and optimize distribution channels in order to achieve a stable supply and strengthen price competitiveness in a persistently challenging external environment. We will also further strengthen production management systems at overseas bases, increase the frequency and improve the quality of visits to overseas suppliers' factories, enhance product quality, and reduce product loss rates while strengthening CSR procurement. We are building a robust supply chain to address external factors such as exchange rate fluctuations, rising raw material prices, and increasing logistics costs. We will further strengthen our supply system so that we can respond to any unforeseen circumstances. Furthermore, to maintain our strengths as a "moving model fabless" company, we will further improve our price competitiveness and increase profit margins by continuously developing new overseas suppliers and domestic vendors. We will also strengthen production capacity by expanding existing production lines, introduce cutting-edge printing equipment, and incorporate new technologies into existing equipment to improve printing speed and expand production volume. At the same time, we will enhance productivity through digital transformation (DX) to increase the share of printing and processing handled at our domestic factories, thereby improving our profit margins.

As a result, the consolidated financial forecast for the fiscal year ending August 31, 2027 is net sales of 37,000 million yen, operating profit of 7,170 million yen, ordinary profit of 7,385 million yen, and profit attributable to owners of parent of 4,950 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 pursue management that is conscious of the cost of capital and stock price, recognizing that providing returns to shareholders is one of its most important management issues, and to continuously implement appropriate profit distribution in line with sustainable performance and corporate value improvement as well as our financial position.

With this policy in mind, regarding the distribution of profits to shareholders in our Fifth Medium-term Management Plan (fiscal year ended August 31, 2026, to fiscal year ending August 31, 2030), we set a policy to strengthen the business infrastructure and to continue to increase dividends, which we have done continuously since our listing, as measured using the dividend payout ratio and dividend on equity (DOE), while taking into consideration capital requirements and financial soundness, including risk management, to pursue business expansion and profit improvement in the future. With regard to dividends per share, we will continue to increase dividends with a target dividend payout ratio of 40% or more after appropriately judging the balance between investment in growth and profit distribution. In determining dividends per share, the lower limit will be a dividend on equity (DOE) of 7.0%.

<Year-end dividend for fiscal year ended August 31, 2026 (fiscal year under review)>

Regarding the year-end dividend for the fiscal year ended August 31, 2026 (the fiscal year under review), in accordance with this dividend policy and as announced in the "Notice Concerning Revisions to Full-Year Financial Results Forecast and Dividend Forecast (Dividend Increase)" released on October 8, we plan to pay 32.5 yen per share. This represents an increase of 4 yen from the 28.5 yen paid in the previous fiscal year (ended August 31, 2025) after the figures have been adjusted for a stock split*, and it marks the 15th consecutive fiscal year of dividend increases since the Company's listing. The dividend payout ratio is 40.6%, and the dividend on equity (DOE) is 8.6%.

*The company conducted a 2-for-1 stock split of common shares with a record date of September 1, 2025.

<Year-end dividend for fiscal year ending August 31, 2027 (next fiscal year)>

In accordance with the dividend policy outlined above, we plan to pay a year-end dividend of 35 yen per share for the fiscal year ending August 31, 2027 (the next fiscal year). This represents an increase of 2.50 yen per share from the fiscal year under review (fiscal year ended August 31, 2026) and marks the 16th consecutive year of dividend increases since our listing. The dividend payout ratio is expected to be 40.1%, and the dividend on equity (DOE) is projected to be 8.1%.

(6) Business-related risks etc.

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

- Business opportunity risk

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

- Operational risk

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

- External environmental risk

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

<Business opportunity risk>

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

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

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

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

We subscribe to product liability insurance in preparation for a product defect. However, if compensation is ordered pursuant to the Product Liability Act because of a product defect, and the final amount of compensation is not adequately covered by the insurance, the Group's business performance may be adversely affected.

In addition, the Group handles products of characters and various brands by utilizing manufacturing knowhow of miscellaneous products. We have entered into a license agreement for commercialization with the copyright holders of these products, and believe that we have a good relationship with them. However, if the renewal of the agreement is rejected because the terms and conditions are changed at the time of renewal and the conditions are

not met, or the license agreement is cancelled and terminated due to the bankruptcy of the copyright holder or discontinuance of the brand, etc., the Group's business performance may be adversely affected.

(iii) Risk of product supply suspension due to system failures

The Group operates various business functions, including e-commerce platforms, based on its core systems. Consequently, system failures may occur due to unforeseen circumstances such as human error, communication network disruptions, network equipment malfunctions, computer viruses, unauthorized access, natural disasters, or accidents. The Group outsources its core system servers to a data center operated by an external vendor to prevent system failures through regular backups, operational monitoring, and other practices, and to establish alternative operations in the event of a system failure. However, the Group's business performance may be adversely affected in the event of a large-scale system failure or prolonged system outage.

(iv) Risks associated with inability to secure human resources

The Group recognizes that securing, retaining, and developing talented personnel is essential for achieving continuous growth, sustainable business expansion, and enhanced corporate value. To this end, we assign dedicated recruitment and training staff within the human resources department to strengthen recruitment activities such as the hiring of new graduates and mid-career employees and secure outstanding personnel at an early stage. In addition, we conduct various training programs designed to enable employees at each level to systematically acquire the mindset and skills required, build their careers autonomously, and contribute to the enhancement of corporate value. With respect to our evaluation system, we operate it as a series of processes that include goal setting, self-evaluation, and evaluation and feedback by supervisors, and we ensure that evaluation results are reflected in fair and appropriate compensation. However, if the recruitment, retention, and development of personnel do not progress as planned and the necessary human resources cannot be secured, or if unexpected early or large-scale resignations occur, the Group's business performance may be adversely affected.

(v) Risks related to business expansion through M&A and other activities

The Group regards mergers and acquisitions (M&A), as well as capital and business alliances, as among its key strategies for business expansion. Candidates for M&A and other transactions are those that can generate synergies for the Group's operations. We conduct preliminary investigations and reviews regarding the financial condition and legal circumstances of target companies to avoid risks as much as possible. However, if unforeseen events occur after the execution of M&A or other transactions, if changes in the business environment prevent the Group from developing the business as planned, or if the initially anticipated synergies fail to materialize, there is a possibility that such transactions may not contribute to the Group's business performance as initially expected and that impairment losses may need to be recognized on goodwill or acquired shares. In such cases, the Group's business performance and financial condition may be adversely affected.

<Operational risk>

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

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

(ii) Risk arising from the inadequacy of legal compliance

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

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

(iii) Risk related to CSR procurement

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

<External environmental risk>

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

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

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

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

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

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

(iii) Risk concerning maritime transportation

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

(iv) Risk related to financial markets and currency exchanges

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

(v) Risk related to infectious diseases

In the event of an outbreak of a new infectious disease on a scale beyond expectations, the Group's business performance may be adversely affected by a drop in demand and loss of sales opportunities due to a reduction, postponement, or cancellation of various events or stagnation of corporate activities, among others. In addition, in order to prepare for lockdowns in countries and regions where our production bases are located, we have established a system to realize continuous stable supply and maintain price competitiveness by securing multiple production bases and optimizing distribution channel in China and other Asian countries. However, if multiple production sites were locked down at the same time due to the spread of a new type of infectious disease

worldwide, the smooth supply of products and purchase prices could be affected, which may adversely impact the Group's business performance. Based on a business contingency plan (BCP), the Group implements measures to prevent infection and prevent the spread of infections in order to minimize the impact on the health of employees and the Group's business activities. However, if an employee(s) contracted a new infectious disease and there was an overall or partial suspension of operation for a certain period of time, the Group's business performance may be adversely affected.

(vi) Risk related to climate change

In order to remain a company that contributes to the realization of a sustainable society, the Group places a high priority on sustainability initiatives and is actively working to address climate change risks. With regard to environmental issues, we are working on product development with the materiality of "contributing to the environment through finished goods" and "promotion of recycling and reduction of CO_2 emissions." In addition, we have set a goal of 100% renewable energy for electricity used by the Group by 2050, and are working toward achieving 50% by 2025 as an interim target, and we are continuing to take measures to reduce CO_2 emissions by implementing energy-saving activities, investing in machinery and equipment that can save electricity, reorganizing production lines at factories in Japan, and installing solar panels to generate and consume our own electricity.

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

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

(vii) Risk related to disasters

In the event that our business sites are affected by a large-scale natural disaster, etc., the Group's business activities may be suspended for a long time. Based on a business contingency plan (BCP), the Group implements measures to minimize the impact in the event of the suspension of activities by, for example, storing reserve stock at each business site, establishing backup telecommunication and information systems, and maintaining supplies by securing appropriate inventory. However, a large-scale stagnation of economic activities due to, among others, the occurrence of unexpected disasters, or an accident at a nuclear power plant may adversely affect the Group's business performance and financial condition significantly.

The Earthquake Research Committee of the Headquarters for Earthquake Research Promotion, a special panel under the Ministry of Education, Culture, Sports, Science and Technology, estimated that, as of January 2020, there was approximately a 70% probability of a magnitude 7-class earthquake occurring directly beneath the Tokyo metropolitan area within 30 years. The Group assumes that the majority of its business activities will be suspended for a certain period of time until infrastructure and lifelines are restored. The Group has secured 5,700 million yen in funds that would be required for personnel and other expenses to maintain the livelihoods of employees and their families even during the suspension of business activities, thus enabling the resumption of business thereafter. The Company has not taken into account expenses related to the restoration of facilities, such as returning factories and offices to their previous state, that would not be fully covered by insurance.

2. Status of Corporate Groups

The Group consists of a pure holding company (the Company) and eight 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., Thousand Inc., and AliceGlint Co., Ltd.). We conduct integrated business operations—from the planning and design of Eco-products, Lifestyle products, and Wellness products to their production (outsourced), production quality control, and sales.

The Group sells custom-made products directly to end-user companies in accordance with the needs of customers and markets, and sells the Group's original semi-custom products to wholesalers. These products are also distributed to end users and wholesalers through EC sites, including our proprietary site.

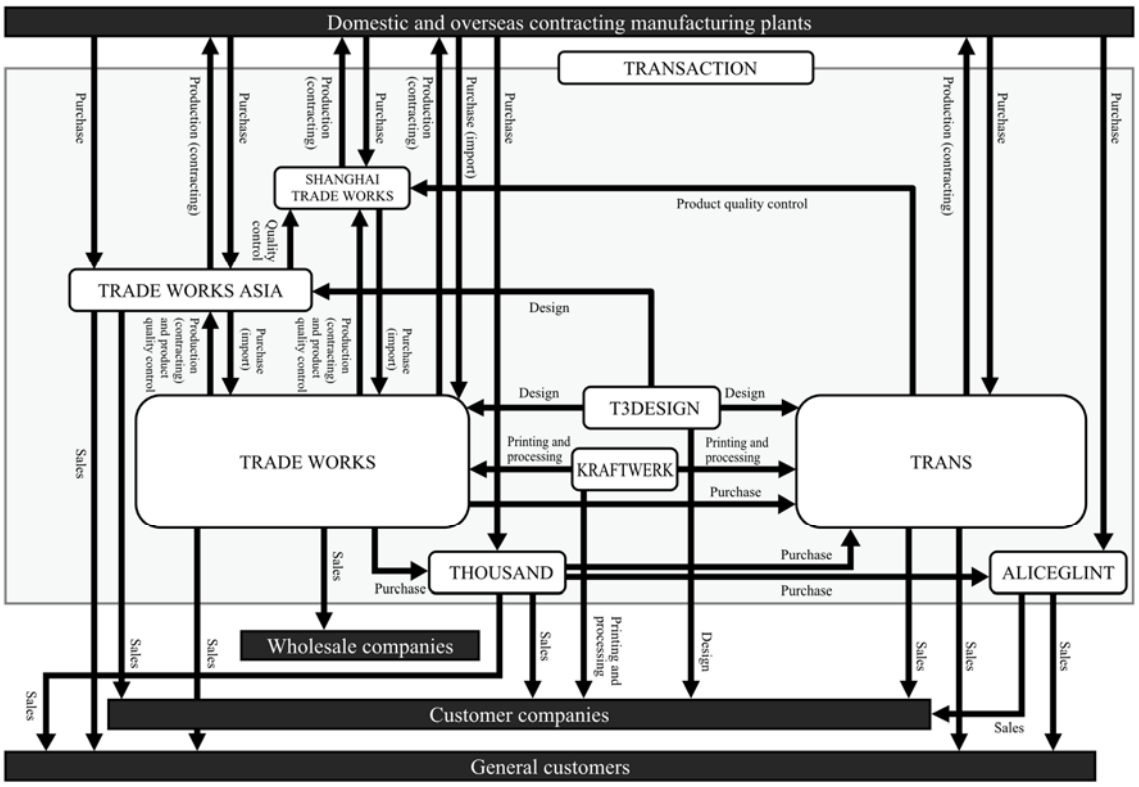
The Group has adopted a fabless approach in order to get various types of products to the market promptly. This approach allows us to concentrate our business resources on product development, always use the most suitable production plant and respond to a change in market needs. In addition, it constantly contributes to the mobility of

management, resulting in hedging country risk in overseas production. The Group is a company with a pure holding company, and is composed of a company that mainly engages in business management at the top and six affiliate companies with different functions. The affiliate companies engage separately in different functional areas, including planning and development, design, production (contracting) and product quality control, assembly/printing/processing, and sales. This produces synergies for these companies and improves the effectiveness and efficiency of their businesses, allowing the Group to provide comprehensive services as a fabless manufacturer specializing in miscellaneous goods. The functions and roles of the Group companies are as follows.

[Functions and roles of the Group companies]

Company name	Function in the Group	Role in the Group
TRANSACTION CO., Ltd.	Pure holding company	Business management of operating subsidiaries
TRANS Co., Ltd.	Planning, taking orders, production (contracting), and sales	A fabless manufacturer that directly sells (including EC distribution) custom-made products mainly to end users in accordance with the needs of individual customers
TRADE WORKS Co., Ltd.	Planning, taking orders, production (contracting), and sales	A fabless manufacturer that sells (including EC distribution) internally-planned make-to-stock products of original brands mainly to wholesale companies, as well as purchases and distributes related products
KRAFTWERK Co., Ltd.	Printing, processing, packaging, examination (domestic), and product management	Printing (silkscreen printing and on-demand printing, etc.), processing, examination, assembly and logistics arrangement for the Group’s internal and external products
T3 DESIGN Co., Ltd.	Design	Graphic, products and WEB design, and product development for the Group’s internal and external products
TRADE WORKS ASIA LIMITED	Sales, product quality control, trade, and purchase of commodities	Overseas sales, product quality control and trade in Asian countries, and purchase and sales of VAPE and related products
SHANGHAI TRADE WORKS Co., Ltd.	Product quality control	Product quality control in China
Thousand Inc.	Planning, taking orders, production (contracting), and sales	OEM manufacturer involved in the creation of base models for high-quality figures, as well as their development and production
AliceGlint Co., Ltd.	Planning, taking orders, production (contracting), and sales	Planning, manufacturing, sales of toys and figures

[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, 2025	As of August 31, 2026
Assets		
Current assets		
Cash and deposits	6,558,981	6,852,399
Notes and accounts receivable - trade, and contract assets	*2 3,333,702	*2 4,048,643
Securities	52,032	507,455
Finished goods	5,079,853	6,436,941
Supplies	61,073	51,606
Accounts receivable - other	51,527	59,710
Other	594,861	1,142,637
Allowance for doubtful accounts	(117)	(39)
Total current assets	15,731,915	19,099,355
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,248,323	1,270,927
Accumulated depreciation	(282,083)	(354,821)
Buildings and structures, net	966,239	916,106
Machinery, equipment and vehicles	493,604	502,941
Accumulated depreciation	(227,078)	(260,754)
Machinery, equipment and vehicles, net	266,525	242,186
Land	452,259	452,259
Other	444,422	518,301
Accumulated depreciation	(361,601)	(435,197)
Other, net	82,821	83,104
Total property, plant and equipment	1,767,846	1,693,656
Intangible assets		
Goodwill	-	711,806
Other	221,350	401,463
Total intangible assets	221,350	1,113,270
Investments and other assets		
Investment securities	4,652,600	4,612,740
Investments in capital	-	100,030
Deferred tax assets	302,419	385,215
Leasehold and guarantee deposits	401,764	423,156
Other	720,274	938,631
Total investments and other assets	6,077,059	6,459,773
Total non-current assets	8,066,255	9,266,700
Total assets	23,798,171	28,366,055

(Thousands of yen)

	As of August 31, 2025	As of August 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	1,111,409	2,042,037
Current portion of long-term borrowings	262,106	290,772
Income taxes payable	1,092,858	1,177,506
Provision for bonuses	227,488	219,393
Provision for shareholder benefit program	8,311	10,642
Other	*3 773,228	*3 707,184
Total current liabilities	3,475,403	4,447,537
Non-current liabilities		
Long-term borrowings	172,500	351,481
Retirement benefit liability	353,694	320,399
Asset retirement obligations	45,765	45,900
Deferred tax liabilities	87,452	126,825
Other	-	20,000
Total non-current liabilities	659,413	864,606
Total liabilities	4,134,816	5,312,144
Net assets		
Shareholders' equity		
Share capital	93,222	93,222
Capital surplus	2,148,628	2,175,172
Retained earnings	17,842,687	20,762,903
Treasury shares	(1,033,497)	(772,451)
Total shareholders' equity	19,051,041	22,258,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	396,041	419,741
Deferred gains or losses on hedges	62,539	131,133
Foreign currency translation adjustment	146,255	199,640
Remeasurements of defined benefit plans	7,477	44,548
Total accumulated other comprehensive income	612,314	795,064
Total net assets	19,663,355	23,053,911
Total liabilities and net assets	23,798,171	28,366,055

(2) Consolidated Statements of Income and Consolidated Statemen of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Net sales	*1 27,453,452	*1 31,518,841
Cost of sales	*2 16,660,804	*2 19,249,171
Gross profit	10,792,648	12,269,670
Selling, general and administrative expenses	*3, *4 5,086,265	*3, *4 5,870,378
Operating profit	5,706,383	6,399,291
Non-operating income		
Interest income	9,476	13,914
Interest on securities	196,268	217,851
Subsidy income	-	373
Foreign exchange gains	98,114	-
Other	4,890	5,386
Total non-operating income	308,750	237,525
Non-operating expenses		
Interest expenses	2,296	5,425
Foreign exchange losses	-	25,105
Commission for purchase of treasury shares	831	-
Loss on investments in silent partnerships	-	8,035
Other	170	8,143
Total non-operating expenses	3,298	46,710
Ordinary profit	6,011,835	6,590,106
Extraordinary income		
Gain on sale of non-current assets	-	*5 91
Insurance claim income	-	38,683
Gain on receipt of donated non-current assets	26,997	-
Gain on sale of investment securities	72,276	90,931
Other	-	17,353
Total extraordinary income	99,273	147,058
Extraordinary losses		
Loss on retirement of non-current assets	*6 710	*6 3,274
Loss on abandonment of inventories	-	30,509
Other	-	20,686
Total extraordinary losses	710	54,470
Profit before income taxes	6,110,398	6,682,695
Income taxes - current	2,009,540	2,175,200
Income taxes - deferred	22,455	(22,363)
Total income taxes	2,031,995	2,152,836
Profit	4,078,402	4,529,858
Profit attributable to owners of parent	4,078,402	4,529,858

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Profit	4,078,402	4,529,858
Other comprehensive income		
Valuation difference on available-for-sale securities	22,959	23,699
Deferred gains or losses on hedges	89,176	68,594
Foreign currency translation adjustment	(39,064)	53,384
Remeasurements of defined benefit plans, net of tax	(25,156)	37,071
Total other comprehensive income	* 47,914	* 182,750
Comprehensive income	4,126,317	4,712,609
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,126,317	4,712,609
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

Fiscal year ended August 31, 2025

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	93,222	3,305,428	14,889,019	(703,497)	17,584,173
Changes during period					
Dividends of surplus			(1,124,734)		(1,124,734)
Profit attributable to owners of parent			4,078,402		4,078,402
Purchase of treasury shares				(1,486,800)	(1,486,800)
Cancellation of treasury shares		(1,156,800)		1,156,800	–
Shares for restricted stock compensation					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	(1,156,800)	2,953,668	(330,000)	1,466,868
Balance at end of period	93,222	2,148,628	17,842,687	(1,033,497)	19,051,041

	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	373,082	(26,637)	185,320	32,634	564,399	18,148,572
Changes during period						
Dividends of surplus						(1,124,734)
Profit attributable to owners of parent						4,078,402
Purchase of treasury shares						(1,486,800)
Cancellation of treasury shares						–
Shares for restricted stock compensation						–
Net changes in items other than shareholders' equity	22,959	89,176	(39,064)	(25,156)	47,914	47,914
Total changes during period	22,959	89,176	(39,064)	(25,156)	47,914	1,514,782
Balance at end of period	396,041	62,539	146,255	7,477	612,314	19,663,355

Fiscal year ended August 31, 2026

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	93,222	2,148,628	17,842,687	(1,033,497)	19,051,041
Changes during period					
Dividends of surplus			(1,609,642)		(1,609,642)
Profit attributable to owners of parent			4,529,858		4,529,858
Purchase of treasury shares					–
Cancellation of treasury shares					–
Shares for restricted stock compensation		26,543		261,045	287,589
Net changes in items other than shareholders' equity					–
Total changes during period	–	26,543	2,920,215	261,045	3,207,805
Balance at end of period	93,222	2,175,172	20,762,903	(772,451)	22,258,846

	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	396,041	62,539	146,255	7,477	612,314	19,663,355
Changes during period						
Dividends of surplus						(1,609,642)
Profit attributable to owners of parent						4,529,858
Purchase of treasury shares						–
Cancellation of treasury shares						–
Shares for restricted stock compensation						287,589
Net changes in items other than shareholders' equity	23,699	68,594	53,384	37,071	182,750	182,750
Total changes during period	23,699	68,594	53,384	37,071	182,750	3,390,556
Balance at end of period	419,741	131,133	199,640	44,548	795,064	23,053,911

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Cash flows from operating activities		
Profit before income taxes	6,110,398	6,682,695
Depreciation	237,895	273,574
Amortization of goodwill	-	12,064
Increase (decrease) in allowance for doubtful accounts	0	(77)
Increase (decrease) in provision for bonuses	17,536	(15,223)
Increase (decrease) in liabilities for retirement benefits	11,028	3,776
Increase (decrease) in provision for shareholder benefit program	1,360	2,331
Foreign exchange loss	(105,451)	-
Interest income and dividends income	(208,145)	(234,326)
Interest expenses	2,296	5,425
Loss (gain) on sale of investment securities	(72,276)	(90,931)
Insurance claim income	-	(38,683)
Loss (gain) on sale and retirement of non-current assets	710	3,182
Loss (gain) on investments in silent partnerships	-	8,035
Loss on abandonment of inventories	-	30,509
Gain on receipt of donated non-current assets	(26,997)	-
Decrease (increase) in accounts receivable - trade, and contract assets	(202,851)	(394,872)
(Increase) decrease in inventories	(64,870)	(1,033,973)
Increase (decrease) in trade payables	154,699	548,060
Decrease (increase) in advance payments to suppliers	19,713	(321,465)
Other, net	190,292	(56,766)
Subtotal	6,065,338	5,383,336
Interest and dividends received	133,176	133,103
Interest paid	(2,318)	(5,239)
Income taxes refund	143	9,909
Income taxes paid	(1,948,922)	(2,091,844)
Cash flows from operating activities	4,247,416	3,429,266
Cash flows from investing activities		
Purchase of property, plant and equipment	(235,569)	(110,179)
Purchase of intangible assets	(66,631)	(231,907)
Purchase of investment securities	(354,158)	(134,853)
Proceeds from sales and redemption of investment securities	180,470	100,181
Proceeds from sale of non-current assets	-	91
Payments of leasehold and guarantee deposits	(24,086)	-
Proceeds from refund of leasehold and guarantee deposits	1,754	353
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (626,439)
Purchase of insurance funds	(48,999)	(48,999)
Other, net	-	(100,000)
Cash flows from investing activities	(547,219)	(1,151,752)

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Cash flows from financing activities		
Proceeds from long-term borrowings	-	200,000
Repayments of long-term borrowings	(333,532)	(383,930)
Purchase of treasury shares	(1,487,631)	-
Dividends paid	(1,124,955)	(1,608,516)
Net increase (decrease) in short-term borrowings	-	(50,000)
Cash flows from financing activities	(2,946,118)	(1,842,446)
Effect of exchange rate change on cash and cash equivalents	10,155	46,218
Net increase (decrease) in cash and cash equivalents	764,233	481,286
Cash and cash equivalents at beginning of period	5,846,780	6,611,013
Cash and cash equivalents at end of period	*1 6,611,013	*1 7,092,300

(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: Eight

   Names of major consolidated subsidiaries:

   TRANS Co., Ltd.

   TRADE WORKS Co., Ltd.

   KRAFTWERK Co., Ltd.

   T3 DESIGN Co., Ltd.

   Thousand Inc.

   TRADE WORKS ASIA LIMITED

   SHANGHAI TRADE WORKS Co., Ltd.

   For the fiscal year under review, Thousand Inc. and its subsidiary were included in the scope of consolidation following the share acquisition.

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., and that of Thousand Inc. end on December 31, while that of one other company ends on January 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	2 to 10 years

(ii) Intangible assets

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

(3) Provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(iii) Provision for shareholder benefit program

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

(4) Accounting method for retirement benefits

(i) Allocation method of estimated total retirement benefits

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

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

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

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

(5) Basis for recording significant income and expenses

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

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

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

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

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

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

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

(7) Important hedge accounting

(i) Hedge accounting

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

(ii) Hedging instrument and hedged item

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

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

(iii) Hedging policies

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

(iv) Assessing hedge effectiveness

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

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

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

Notes to consolidated balance sheet

1. Overdraft contracts

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

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

(Thousands of yen)

	As of August 31, 2025	As of August 31, 2026
Credit line of overdrafts	1,300,000	1,350,000
Borrowing balance of those contracts	–	–
Difference	1,300,000	1,350,000

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

(Thousands of yen)

	As of August 31, 2025	As of August 31, 2026
Notes receivable - trade	237,069	144,792
Accounts receivable - trade	3,091,258	3,896,697
Contract assets	5,374	7,142

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

(Thousands of yen)

	As of August 31, 2025	As of August 31, 2026
Contract liabilities	29,075	34,287

Notes to consolidated statement of income

*1. Revenue from contracts with customers

In the presentation of net sales, revenue from contracts with customers is not distinguished from other revenues.

*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, 2025	Fiscal year ended August 31, 2026
Cost of sales	13,166	32,359

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

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Provision of allowance for doubtful accounts	0	19
Bonuses and allowances	1,510,872	1,747,112
Rent expenses on land and buildings	403,573	432,149
Provision for bonuses	189,755	177,623
Retirement benefit expenses	33,212	46,214
Provision for shareholder benefit program	8,311	10,642
Freight costs	741,339	806,561

*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, 2025	Fiscal year ended August 31, 2026
38,074	57,043

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

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Vehicles	–	91

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

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Machinery, equipment and vehicles	–	2,573
Other (tools, furniture and fixtures)	710	700
Total	710	3,274

Notes to 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, 2025	Fiscal year ended August 31, 2026
Valuation difference on available-for-sale securities, net of tax:		
Amount arising during the fiscal year	178,941	162,327
Reclassification adjustments	(123,750)	(90,931)
Before income taxes and tax effect adjustments	55,191	71,395
Income taxes and tax effect amounts	(32,232)	(47,695)
Subtotal	22,959	23,699
Deferred gains or losses on hedges, net of tax:		
Amount arising during the fiscal year	176,726	273,923
Adjustments to acquisition cost of assets	(40,371)	(167,347)
Before income taxes and tax effect adjustments	136,355	106,575
Income taxes and tax effect amounts	(47,178)	(37,981)
Subtotal	89,176	68,594
Foreign currency translation adjustment:		
Amount arising during the fiscal year	(39,064)	53,384
Before income taxes and tax effect adjustments	(39,064)	53,384
Income taxes and tax effect amounts	–	–
Subtotal	(39,064)	53,384
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	(27,093)	61,234
Reclassification adjustments	(11,372)	(4,550)
Before income taxes and tax effect adjustments	(38,465)	56,684
Income taxes and tax effect amounts	13,309	(19,612)
Subtotal	(25,156)	37,071
Total other comprehensive income	47,914	182,750

Notes to consolidated statement of changes in equity

Fiscal year ended August 31, 2025

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	–	600,000	28,775,400

(Major cause of movement)

The breakdown of the decrease is as follows.

Cancellation of treasury shares 600,000 shares

Note: The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. However, the number of issued shares is based on the number of shares prior to the stock split.

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	536,056	600,000	600,000	536,056

(Major cause of movement)

The breakdown of the increase is as follows.

Purchase of treasury shares 600,000 shares

The breakdown of the decrease is as follows.

Cancellation of treasury shares 600,000 shares

Note: The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. However, the number of treasury shares is based on the number of shares prior to the stock split.

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 24, 2024	Ordinary shares	1,124,734	39	August 31, 2024	November 7, 2024

(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 23, 2025	Ordinary shares	Retained earnings	1,609,642	57	August 31, 2025	November 6, 2025

Note: The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. However, the per share dividend is based on the number of shares prior to the stock split.

Fiscal year ended August 31, 2026

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	28,775,400	28,775,400	–	57,550,800

(Major cause of movement)

The breakdown of the increase is as follows.

Increase resulting from a 2-for-1 stock split of common shares that took effect on September 1, 2025	28,775,400 shares

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	536,056	542,456	270,800	807,712

(Major cause of movement)

The breakdown of the increase is as follows.

Increase due to the stock split	536,056 shares
Increase due to the acquisition without consideration related to restricted stock compensation	6,400 shares

The breakdown of the decrease is as follows.

Disposal of shares for restricted stock compensation	270,800 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 23, 2025	Ordinary shares	1,609,642	57	August 31, 2025	November 6, 2025

Note: The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. However, the per share dividend is based on the number of shares prior to the stock split.

(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 23, 2026	Ordinary shares	Retained earnings	1,844,150	32.5	August 31, 2026	November 6, 2026

Notes to consolidated statement of cash flows

*1 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, 2025	Fiscal year ended August 31, 2026
Cash and deposits	6,558,981	6,852,399
Securities (MMF)	52,032	239,900
Cash and cash equivalents	6,611,013	7,092,300

*2 Breakdown of the assets and liabilities of the company that became a newly consolidated subsidiary through the share acquisition

The breakdown of assets and liabilities at the beginning of consolidation upon inclusion of Thousand Inc. and its subsidiary through the share acquisition, and the relationship between the acquisition cost of Thousand Inc. and the expenditures for the acquisition of Thousand Inc. (net), are as follows.

(Thousands of yen)

Current assets	954,034
Non-current assets	137,078
Goodwill	723,871
Current liabilities	(501,388)
Non-current liabilities	(393,594)
Share acquisition cost	920,000
Unpaid portion	(20,000)

Cash and cash equivalents	(273,560)
Net: acquisition expenditures	626,439

Business combinations, etc.

Business combination through acquisition

1. Overview of business combination

(1) Name and business of the acquired company
Name of the acquired company: Thousand Inc.
Description of business: OEM manufacturer involved in the creation of base models for high-quality figures, as well as their development and production

(2) Main reasons for the business combination
Because Thousand's vision is extraordinarily compatible with the Group in terms of promoting the evolution of the entertainment (IP) business, the business combination is expected to be highly successful in generating outcomes in various areas, including joint development of new products, strengthening of sourcing and procurement, and mutual use of sales routes, which we believe will contribute to increases in the corporate value of the Group.

(3) Date of the business combination
March 31, 2026 (deemed business combination date)

(4) Legal form of the business combination
Acquisition of shares

(5) Name of the company after combination
No change.

(6) Percentage of voting rights to be acquired
100%

(7) Main basis for determining the acquiring company
The acquisition of shares by the Company in exchange for cash

2. The period for which the acquired company's results are included in the consolidated financial statements

Since March 31, 2026, is the deemed acquisition date, only the acquired company's balance sheet as of March 31, 2026, has been included in the consolidated financial statements for the nine months ended May 31, 2026. The consolidated statement of income for the fiscal year under review includes the results of the acquired company and its subsidiary for the period from April 1, 2026, to June 30, 2026.

3. Acquisition cost of the acquired company and breakdown by type of consideration

(Thousands of yen)

Consideration for acquisition	Cash	920,000
Acquisition cost		920,000

4. Details of conditional consideration provided for in the business combination agreement and accounting treatment policy after the current fiscal year

(1) Details of conditional consideration
The conditional consideration will be paid depending on the degree of achievement of the acquired company's business performance targets, and the payment amount has not yet been determined.

(2) Accounting policy

In the event of a change in the acquisition consideration, the acquisition cost shall be adjusted as if the change had occurred at the time of acquisition, and the amount of goodwill and the amortization amount of goodwill shall be adjusted accordingly.

5. Details and amounts of major acquisition-related expenses

Advisory fees, commissions, etc.: 82,000 thousand yen

6. Amount of goodwill recognized, reasons for recognition, amortization method, and amortization period

(1) Amount of goodwill recognized

723,871 thousand yen

Note that this amount of goodwill is provisional as the allocation of the acquisition cost has not yet been completed.

(2) Reason for recognition

Because the acquisition cost exceeded the net amount of the assets acquired and liabilities assumed, the difference was recognized as goodwill.

(3) Amortization method and amortization period

Goodwill is amortized on a straight-line basis over a 15-year period.

7. Amount of assets accepted and liabilities assumed on the date of the business combination and their main breakdown

(Thousands of yen)

Current assets	954,034
Non-current assets	137,078
Total assets	1,091,112
Current liabilities	501,388
Non-current liabilities	393,594
Total liabilities	894,983

8. Estimated amount of the impact on the income statement for the fiscal year under review, calculated on the assumption that the business combination was completed on the first day of that fiscal year, and the method of calculation

(Thousands of yen)

Net sales	1,522,955
Operating profit	55,904
Loss before income taxes	(50,213)
Profit attributable to owners of parent	10,492
Earnings per share	0.19

(Method for calculating the estimated amount)

The calculation assumes that the goodwill recognized at the time of the business combination arose at the start of the fiscal year under review. The company's net sales and profit/loss information for the period from July 1, 2025, to March 31, 2026, was adjusted for the amortization of goodwill to calculate the estimated impact.

This note has not received audit certification.

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, 2025

1. Information on products and services

(Thousands of yen)

	Eco-products	Lifestyle products	Wellness products	Design and other	Total
Net sales for external customers	11,189,901	14,273,488	1,630,522	359,540	27,453,452

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, 2026

1. Information on products and services

(Thousands of yen)

	Eco-products	Lifestyle products	Wellness products	Design and other	Total
Net sales for external customers	11,916,827	17,592,030	1,687,150	322,834	31,518,841

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, 2025
None.

Fiscal year ended August 31, 2026
None.

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

Fiscal year ended August 31, 2025
None.

Fiscal year ended August 31, 2026
The amortization of goodwill is 12,064 thousand yen, while the outstanding balance of goodwill is 711,806 thousand yen.
Information on amortization and outstanding balance of goodwill by reportable segment is not provided 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.

[Information regarding gain on bargain purchase by reportable segment]

None.

Per share information

(Yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Net assets per share	348.16	406.29
Earnings per share	70.87	80.04

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

2. The Company conducted a 2-for-1 stock split of common shares on September 1, 2025. Accordingly, net assets per share and basic earnings per share have been calculated assuming that this stock split had been in effect at the beginning of the previous consolidated fiscal year.

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

(Thousands of yen)

	Fiscal year ended August 31, 2025	Fiscal year ended August 31, 2026
Earnings per share		
Profit attributable to owners of parent	4,078,402	4,529,858
Amount not attributable to owners of ordinary shares	–	–
Profit attributable to owners of ordinary shares of parent	4,078,402	4,529,858
Weighted-average number of ordinary shares outstanding for the period (shares)	57,550,468	56,592,305

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

(Thousands of yen)

	As of August 31, 2025	As of August 31, 2026
Total net assets	19,663,355	23,053,911
Amount subtracted from total net assets	–	–
Net assets for ordinary shares at the end of the period	19,663,355	23,053,911
Number of ordinary shares at the end of the period used for calculating the amount of net assets per share (shares)	56,478,688	56,743,088

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.