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April 12, 2024

Consolidated Financial Results for the Six Months Ended February 29, 2024 (Under Japanese GAAP)

Company name: TRANSACTION CO., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 7818
 URL: <http://www.trans-action.co.jp.e.zy.hp.transer.com/>
 Representative: Satoshi Ishikawa, Chairman and Representative Director
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 Scheduled date to file quarterly securities report: April 15, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts, institutional investors, and the press)

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

1. Consolidated financial results for the six months ended February 29, 2024 (from September 1, 2023 to February 29, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended | | | | | | | | |
| February 29, 2024 | 12,759 | 13.1 | 2,687 | 15.7 | 2,857 | 21.2 | 1,892 | 21.4 |
| February 28, 2023 | 11,278 | 25.7 | 2,322 | 43.9 | 2,357 | 45.2 | 1,559 | 45.4 |

Note: Comprehensive income For the six months ended February 29, 2024: ¥1,926 million [39.9%]
 For the six months ended February 28, 2023: ¥1,377 million [20.3%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| February 29, 2024 | 64.97 | – |
| February 28, 2023 | 53.56 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| February 29, 2024 | 21,143 | 17,143 | 81.1 |
| August 31, 2023 | 20,599 | 16,236 | 78.8 |

Reference: Equity
 As of February 29, 2024: ¥17,143 million
 As of August 31, 2023: ¥16,236 million

2. Cash dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|--------------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| Fiscal year ended August 31, 2023 | Yen – | Yen 0.00 | Yen – | Yen 35.00 | Yen 35.00 |
| Fiscal year ending August 31, 2024 | – | 0.00 | | | |
| Fiscal year ending August 31, 2024 (Forecast) | | | – | 37.00 | 37.00 |

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

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

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|------------------------------------|-----------------|-----|------------------|------|-----------------|------|---|-----|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending August 31, 2024 | 25,160 | 9.6 | 5,220 | 12.1 | 5,329 | 11.3 | 3,501 | 5.9 | 120.20 |

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

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting treatments for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

| | |
|-------------------------|-------------------|
| As of February 29, 2024 | 29,375,400 shares |
| As of August 31, 2023 | 29,375,400 shares |

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

| | |
|-------------------------|----------------|
| As of February 29, 2024 | 246,865 shares |
| As of August 31, 2023 | 246,865 shares |

(iii) Average number of shares outstanding during the period

| | |
|------------------------------------|-------------------|
| Six months ended February 29, 2024 | 29,128,535 shares |
| Six months ended February 28, 2023 | 29,112,888 shares |

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

1. The financial forecast and other forward-looking statements in this material are based on information currently available to the Company and certain preconditions considered to be reasonable. Actual performance, etc. may vary depending on various factors. For the preconditions on which the earnings forecast is based and notes, etc. for using the earnings forecast, please refer to “(4) Explanation of consolidated earnings forecasts and other forward-looking statements” in “1. Qualitative Information on Quarterly Financial Results” on page 6 of the Quarterly Financial Results (attached file).
2. The Company plans to hold an online financial results briefing for institutional investors and analysts on April 19, 2024. The material on financial results used for the briefing will be posted on the Company’s website immediately after the briefing.

[Attached Material]

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the first six months ended February 29, 2024, the Japanese economy showed signs of recovery mainly due to improvements in the employment and income environment and recovery of inbound demand. However, future uncertainty continued to persist due to such factors as the situations concerning Russia/Ukraine and the Middle East, rising prices due to the weak yen and other factors, as well as fluctuations in financial and capital markets.

In this environment, the TRANSACTION Group (the “Group”) reviewed the priorities of the five key strategies designated in the 4th medium-term management plan, and during the period under review, with a focused on “strengthened e-commerce” the Group promoted “finished goods demand arising from the promotion of SDGs,” “finished goods demand arising from reopening,” “tangible goods consumption derived from intangible goods consumption,” and “strengthened domestic in-house manufacturing.” While promoting such key strategies and ensuring changes in the social environment and consumption trends were identified in a timely and appropriate manner, the Group worked on the introduction of new products, the development of client entities, and the strengthening of relationships.

■ Unique business model

The Group’s unique business model is based on the ability to plan and propose products in a short period of time based on unprecedented ideas, such as “things that are convenient to have,” “things that anticipate trends,” and “necessary things that are not in the market (or are lacking),” the ability to produce and procure products in bulk at low cost and in plain form through overseas suppliers and hold them in Japan, and the ability to add high-quality added-value to these plain products through printing and processing, and offer them at low prices and with short delivery times regardless of the quantity. In addition, by improving the efficiency of the entire process through e-commerce, we differentiate ourselves from our competitors and develop our business. By providing this unique business model through the “MARKLESS Connect*” system, which was developed aiming to strengthen the e-commerce business, to client companies, the waste of 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, in accordance with the key strategy of “strengthened e-commerce,” we reinforced initiatives to increase sales of B2B and D2C* sites, with the target of having those sales account for at least 30% of consolidated net sales in the fiscal year ending August 31, 2025. The e-commerce platform built by the Group automates a series of interactions, such as confirming real-time inventory information and receiving and placing orders, thereby reducing human involvement. Not only has this system increased sales, productivity, and efficiency for the Group, but it has also been equally effective for our client entities. In the second quarter under review, we continued to focus on hybrid marketing activities that fuse the in-person sales approach with e-commerce. In particular, in the main B2B site “MARKLESS STYLE,” “MARKLESS Connect” contributed to the growth of consolidated net sales and securing profits, as net sales increased due to synergies with partner companies. In the main D2C site “HANSOKU-STYLE,” the number of members increased and the repeat rate improved through measures such as expanding the number of registered finished goods and improving the usability of the site. In addition, measures are bearing fruit in “Original Goods Press” which produces goods for sale and OEM products for the entertainment industry, and “Original.com,” which produces original goods for sale for companies and stores. In terms of original brand sites, the “Calulu ONLINE STORE,” which handles pet wear and related finished goods, and the “gowell” site,

which handles travel-related finished goods, made effective use of social media to assist the approach to customer segments that had not been fully catered to in the past.

As a result, e-commerce sales increased 720 million yen, or 35.8% year on year, and the sales composition ratio expanded 3.6 percentage points year on year to 21.4%.

- * An abbreviation for “Direct to Consumer,” a business model in which a manufacturer plans and manufactures its own commodities and sells them directly to end customers without intermediaries such as wholesalers and stores.

Eco-products

The eco-products include reusable products made from organic cotton, recycled materials, biomass plastics, and natural materials, as well as upcycled finished goods that have been transformed into more valuable goods, by adding value such as ideas and design to wasted resources. These products contribute to the reduction and control of CO₂ emissions by focusing on materials, and have been highly evaluated and supported by client entities that are aware of their efforts to achieve the SDGs.

In Eco-products, under the key strategy of “finished goods demand arising from the promotion of SDGs,” we strived to expand the product category of environmentally-friendly products. In addition to a continued strong performance for eco bags and other mainstay products, we also saw stationery products made from recycled PET and recycled ABS being adopted as numerous novelty items at exhibitions, seminars and other events. As these products are “plain products” that combine high versatility and excellent design, they are used as novelties for sales promotions and as items for product sales at events. In addition to sales to end users and distributors, etc., sales through e-commerce also increased. In addition, the Group’s efforts to promote fair trade in its eco-products were highly evaluated, and the Group received the award for “Excellence in the Social Movement Category” for the First Fairtrade Japan Awards in 2023. The “MOTTERU,” which is being developed for the retail market, received the Good Design Award for the fourth time in 2023, and it was selected for the third consecutive year as an endorsed product of the “Let’s choose! 3R Campaign 2023” sponsored by the Ministry of the Environment.

As a result, sales of Eco-products increased by 291 million yen, or 5.9% year on year.

Lifestyle products

In Lifestyle products, under the key strategies of “finished goods demand arising from reopening” and “tangible goods consumption derived from intangible goods consumption,” the Group expanded its product and service menu for industries performing well and industries where demand for sales promotions is expected to grow, and conducted efficient and effective marketing activities that fuse the in-person sales approach with e-commerce. Sales to the game and animation industry, which is driving sales expansion of Lifestyle products, and peripheral industries such as VTuber significantly grew. In addition, demand for items in product sales increased, due to sales through e-commerce and at event venues of in-person events in the 2.5D and sporting events industries. Since these items are diversified and require high quality, we responded to our client entities’ needs by introducing new product categories and providing products with vivid full-color printing by introducing new equipment at our factories in Japan. In addition, to raise awareness of new category products, we exhibited quite a number of picture-style towels and acrylic products, which were well received by client entities. In sales promotions, we worked to expand sales by strengthening planning proposals utilizing IP in response to the recovery in campaign demand. In pet wear and related finished goods, we worked to expand sales channels and develop new products that can be sold year-round. In travel-related finished goods, we renewed products made in collaboration with popular characters to meet inbound demand. In addition, in response to the recovery in demand for international travel, we concluded licensing agreements with several fashion brands and enhanced our lineup of new products, such as suitcases, suitcase belts and passport cases. In addition to expanding sales channels, we focused on acquiring sales space at major specialty stores and home centers.

As a result, sales of Lifestyle products increased by 1,199 million yen, or 21.8% year on year.

Wellness products

There was a certain level of demand for sanitary products such as masks and disinfectant sprays. Sales decreased by 11 million yen, or 1.8% year on year.

On the production side, the Company worked to secure multiple production bases, flexibly switch between production sites in response to exchange rate fluctuations and surging raw material prices, and optimize distribution channels in order to achieve a stable and continuous supply and strengthen price competitiveness. We also increased the frequency of visits to overseas suppliers' factories to improve product quality and reduce product loss. In addition, we strived to maintain and improve profit margins by developing new overseas and domestic suppliers to further strengthen our price competitiveness. At our factories in Japan, the introduction of new equipment and the increase in the number of personnel to handle production led to an increase in the in-house production ratio, resulting in higher productivity. In addition, we proceeded with preparations for the completion and operation of the second factory, including the securing of personnel.

As a result, in the six months ended February 29, 2024, net sales increased to 12,759 million yen (up by 1,480 million yen, or 13.1% year on year), and operating profit increased to 2,687 million yen (up by 364 million yen, or 15.7% year on year) owing to securing gross profit by increase in net sales, and well-planned expenditure of selling, general and administrative expenses. Ordinary profit increased to 2,857 million yen (up by 500 million yen, or 21.2% year on year) due to the recording of foreign exchange gains from the redemption of a portion of U.S. dollar-denominated bonds held as a financial measure to reduce the impact of exchange rate fluctuations. Profit attributable to owners of parent also increased to 1,892 million yen (up by 333 million yen, or 21.4% year on year).

Actual sales by sales channel and product classification for the six months ended February 29, 2024 were as follows.

<Actual sales by sales channel>

(Millions of yen)

| Sales channel | Net sales | | Change | |
|------------------------------|------------------------------------|------------------------------------|-----------------|------------|
| | Six months ended February 28, 2023 | Six months ended February 29, 2024 | Change (Amount) | Change (%) |
| Targeting end-user companies | 5,439 | 6,184 | 745 | 13.7 |
| Targeting wholesalers | 3,826 | 3,841 | 14 | 0.4 |
| E-commerce | 2,012 | 2,733 | 720 | 35.8 |
| Total | 11,278 | 12,759 | 1,480 | 13.1 |

<Actual sales by product classification>

(Millions of yen)

| Product classification | Net sales | | Change | |
|------------------------|---------------------------------------|---------------------------------------|--------------------|---------------|
| | Six months ended February 28, 2023 | Six months ended February 29, 2024 | Change (Amount) | Change (%) |
| Eco-products | 4,977 | 5,268 | 291 | 5.9 |
| Lifestyle products | 5,501 | 6,700 | 1,199 | 21.8 |
| Wellness products | 642 | 631 | (11) | (1.8) |
| Design and other | 157 | 157 | 0 | 0.4 |
| Total | 11,278 | 12,759 | 1,480 | 13.1 |

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

(2) Explanation of financial position

Status of assets, liabilities, and net assets

Current assets

Current assets at the end of the second quarter under review amounted to 14,545 million yen, a decrease of 645 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in cash and deposits by 912 million yen, a decrease in securities by 294 million yen, and an increase in notes and accounts receivable - trade, and contract assets by 449 million yen.

Non-current assets

Non-current assets at the end of the second quarter under review amounted to 6,597 million yen, an increase of 1,188 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in investments and other assets by 1,040 million yen, an increase in property, plant and equipment by 136 million yen, and an increase in intangible assets by 12 million yen.

Current liabilities

Current liabilities at the end of the second quarter under review amounted to 2,857 million yen, a decrease of 568 million yen compared to the end of the previous fiscal year. This was due mainly to a decrease in income taxes payable by 173 million yen and a decrease in others by 359 million yen.

Non-current liabilities

Non-current liabilities at the end of the second quarter under review amounted to 1,142 million yen, an increase of 205 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in long-term borrowings by 169 million yen.

Net assets

Net assets at the end of the second quarter under review amounted to 17,143 million yen, an increase of 906 million yen compared to the end of the previous fiscal year. This was due mainly to an increase in retained earnings by 872 million yen and an increase in valuation difference on available-for-sale securities by 63 million yen.

(3) Analysis of cash flows

Cash and cash equivalents at the end of the second quarter under review amounted to 5,142 million yen, a decrease of 917 million yen compared to the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities for the six months ended February 29, 2024 amounted to 809 million yen (compared with 1,742 million yen provided by operating activities in the same period of the previous fiscal year). This was due mainly to an increase in cash due to profit before income taxes of 2,857 million yen, and decreases in cash due to income taxes paid of 1,124 million yen, increase in trade receivables and contract assets of 448 million yen, and increase in inventories of 233 million yen.

Cash flows from investing activities

Net cash used in investing activities for the six months ended February 29, 2024 amounted to 907 million yen (compared with 1,278 million yen used in investing activities in the same period of the previous fiscal year). This was due mainly to a decrease in cash due to purchase of investment securities of 949 million yen.

Cash flows from financing activities

Net cash used in financing activities for the six months ended February 29, 2024 amounted to 834 million yen (compared with 497 million yen used in financing activities in the same period of the previous fiscal year). This was due mainly to decreases in cash due to dividends paid of 1,019 million yen and repayments of long-term borrowings of 215 million yen, and an increase in cash due to proceeds from long-term borrowings of 400 million yen.

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

The consolidated earnings forecasts for the fiscal year ending August 31, 2024 are unchanged from the forecasts announced on October 12, 2023.

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

| | As of August 31, 2023 | As of February 29, 2024 |
|--|-----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,006,583 | 5,094,091 |
| Notes and accounts receivable - trade, and contract assets | 2,734,278 | 3,184,074 |
| Securities | 859,361 | 565,206 |
| Finished goods | 4,746,607 | 4,976,171 |
| Other | 851,116 | 733,399 |
| Allowance for doubtful accounts | (7,562) | (7,564) |
| Total current assets | 15,190,385 | 14,545,379 |
| Non-current assets | | |
| Property, plant and equipment | 1,114,551 | 1,250,996 |
| Intangible assets | | |
| Other | 165,194 | 177,465 |
| Total intangible assets | 165,194 | 177,465 |
| Investments and other assets | | |
| Investment securities | 2,880,031 | 3,889,937 |
| Other | 1,249,530 | 1,279,310 |
| Allowance for doubtful accounts | (380) | – |
| Total investments and other assets | 4,129,182 | 5,169,247 |
| Total non-current assets | 5,408,927 | 6,597,709 |
| Total assets | 20,599,312 | 21,143,088 |

(Thousands of yen)

| | As of August 31, 2023 | As of February 29, 2024 |
|---|-----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 959,141 | 941,146 |
| Current portion of long-term borrowings | 332,513 | 348,032 |
| Income taxes payable | 1,087,987 | 914,575 |
| Provision for bonuses | 223,496 | 190,520 |
| Provision for shareholder benefit program | 7,337 | 7,450 |
| Other | 815,340 | 455,409 |
| Total current liabilities | 3,425,816 | 2,857,135 |
| Non-current liabilities | | |
| Long-term borrowings | 431,138 | 600,372 |
| Retirement benefit liability | 314,745 | 321,037 |
| Asset retirement obligations | 37,221 | 37,225 |
| Other | 153,735 | 183,765 |
| Total non-current liabilities | 936,840 | 1,142,400 |
| Total liabilities | 4,362,657 | 3,999,535 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 93,222 | 93,222 |
| Capital surplus | 3,305,428 | 3,305,428 |
| Retained earnings | 12,144,917 | 13,017,765 |
| Treasury shares | (203,471) | (203,471) |
| Total shareholders' equity | 15,340,096 | 16,212,943 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 540,891 | 604,234 |
| Deferred gains or losses on hedges | 127,851 | 80,583 |
| Foreign currency translation adjustment | 189,773 | 212,662 |
| Remeasurements of defined benefit plans | 38,041 | 33,127 |
| Total accumulated other comprehensive income | 896,558 | 930,609 |
| Total net assets | 16,236,655 | 17,143,553 |
| Total liabilities and net assets | 20,599,312 | 21,143,088 |

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

(Thousands of yen)

| | Six months ended February 28, 2023 | Six months ended February 29, 2024 |
|--|---------------------------------------|---------------------------------------|
| Net sales | 11,278,222 | 12,759,034 |
| Cost of sales | 6,841,804 | 7,828,321 |
| Gross profit | 4,436,418 | 4,930,712 |
| Selling, general and administrative expenses | | |
| Salaries and allowances | 629,301 | 679,139 |
| Provision for bonuses | 167,169 | 155,580 |
| Retirement benefit expenses | 14,811 | 14,175 |
| Provision of allowance for doubtful accounts | 76 | (54) |
| Provision for shareholder benefit program | 6,584 | 7,450 |
| Other | 1,295,788 | 1,387,223 |
| Total selling, general and administrative expenses | 2,113,731 | 2,243,515 |
| Operating profit | 2,322,686 | 2,687,197 |
| Non-operating income | | |
| Interest income | 747 | 1,593 |
| Interest on securities | 27,162 | 76,335 |
| Foreign exchange gains | 5,052 | 92,220 |
| Other | 2,771 | 1,824 |
| Total non-operating income | 35,733 | 171,972 |
| Non-operating expenses | | |
| Interest expenses | 864 | 1,409 |
| Other | 41 | 5 |
| Total non-operating expenses | 906 | 1,414 |
| Ordinary profit | 2,357,513 | 2,857,755 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 24,193 | – |
| Total extraordinary income | 24,193 | – |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 18 |
| Total extraordinary losses | 0 | 18 |
| Profit before income taxes | 2,381,706 | 2,857,737 |
| Income taxes - current | 843,257 | 931,992 |
| Income taxes - deferred | (20,881) | 33,398 |
| Total income taxes | 822,375 | 965,391 |
| Profit | 1,559,331 | 1,892,346 |
| Profit attributable to owners of parent | 1,559,331 | 1,892,346 |

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

| | Six months ended February 28, 2023 | Six months ended February 29, 2024 |
|--|---------------------------------------|---------------------------------------|
| Profit | 1,559,331 | 1,892,346 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (49,050) | 63,343 |
| Deferred gains or losses on hedges | (118,714) | (47,267) |
| Foreign currency translation adjustment | (10,148) | 22,888 |
| Remeasurements of defined benefit plans, net of tax | (4,221) | (4,913) |
| Total other comprehensive income | (182,134) | 34,050 |
| Comprehensive income | 1,377,196 | 1,926,396 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,377,196 | 1,926,396 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

| | Six months ended February 28, 2023 | Six months ended February 29, 2024 |
|---|---------------------------------------|---------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,381,706 | 2,857,737 |
| Depreciation | 60,691 | 76,920 |
| Increase (decrease) in allowance for doubtful accounts | 76 | (378) |
| Increase (decrease) in provision for bonuses | 28,690 | (33,560) |
| Increase (decrease) in retirement benefit liability | (1,225) | 1,378 |
| Increase (decrease) in provision for shareholder benefit program | (324) | 113 |
| Foreign exchange losses (gains) | 9,787 | (113,524) |
| Interest and dividend income | (27,909) | (77,928) |
| Interest expenses | 864 | 1,409 |
| Loss (gain) on sale and retirement of non-current assets | (24,193) | 18 |
| Decrease (increase) in trade receivables and contract assets | (6,443) | (448,851) |
| Decrease (increase) in inventories | (211,272) | (233,777) |
| Increase (decrease) in trade payables | 36,059 | (19,990) |
| Decrease (increase) in advance payments to suppliers | (65,081) | (38,044) |
| Other, net | 212,758 | (182,776) |
| Subtotal | 2,394,184 | 1,788,745 |
| Interest and dividends received | 19,425 | 48,073 |
| Interest paid | (1,007) | (1,590) |
| Income taxes refund | 96,163 | 99,287 |
| Income taxes paid | (766,484) | (1,124,800) |
| Net cash provided by (used in) operating activities | 1,742,280 | 809,715 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (79,047) | (201,921) |
| Purchase of intangible assets | (39,074) | (55,144) |
| Purchase of investment securities | (1,218,741) | (949,478) |
| Proceeds from sale and redemption of short-term and long-term investment securities | – | 348,667 |
| Payments of leasehold and guarantee deposits | – | (590) |
| Proceeds from refund of leasehold and guarantee deposits | – | 360 |
| Purchase of insurance funds | (48,999) | (48,999) |
| Other, net | 107,465 | – |
| Net cash provided by (used in) investing activities | (1,278,397) | (907,107) |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 400,000 | 400,000 |
| Repayments of long-term borrowings | (200,864) | (215,247) |
| Proceeds from disposal of treasury shares | 30,432 | – |
| Dividends paid | (727,030) | (1,019,235) |
| Net cash provided by (used in) financing activities | (497,462) | (834,482) |
| Effect of exchange rate change on cash and cash equivalents | (30,473) | 14,127 |
| Net increase (decrease) in cash and cash equivalents | (64,053) | (917,746) |
| Cash and cash equivalents at beginning of period | 4,351,963 | 6,060,372 |
| Cash and cash equivalents at end of period | 4,287,909 | 5,142,625 |

(4) Notes to Quarterly Consolidated Financial Statements

Notes regarding assumption of a going concern

None.

Notes on significant changes in the amount of shareholders' equity

None.

Subsequent events

None.