

Note: This English translation is for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.



transcosmos inc.

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [J-GAAP]

January 31, 2023

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023
(April 1, 2022 through December 31, 2022)

(1) Consolidated operating results (For the nine months ended December 31)

(% of change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to owners of transcosmos inc.	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2022	276,037	6.9	17,235	(10.0)	16,777	(11.3)	9,979	(28.6)
Nine months ended Dec. 31, 2021	258,232	-	19,156	-	18,905	-	13,978	-

(Note) Comprehensive income: Nine months ended December 31, 2022: 8,436 million yen (64.8%). Nine months ended December 31, 2021: 23,946 million yen -%

	Earnings per share - Basic	Earnings per share - Diluted
	Yen	Yen
Nine months ended Dec. 31, 2022	242.86	228.89
Nine months ended Dec. 31, 2021	337.04	335.75

(Note) transcosmos has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the related guidance since the beginning of the previous first quarterly consolidated accounting period. All figures for the third quarter of the fiscal year ended March 2022 are based on the standard and the guidance. In the table above, as such, we have not presented the percentage changes compared with the corresponding period of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	199,078	117,131	54.5	2,747.63
As of Mar. 31, 2022	218,455	120,880	51.7	2,723.29

(Reference) Equity ratio: As of December 31, 2022: 108,457 million yen. As of March 31, 2022: 112,944 million yen

2. Cash dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2022	-	0.00	-	156.00	156.00
Year ending Mar. 31, 2023	-	0.00	-	-	-
Year ending Mar. 31, 2023 (Forecast)	-	-	-	-	-

(Note) Revisions to the forecast of cash dividends since the latest announcement: None

Please note that the dividend forecast for the fiscal year ending March 31, 2023 has not been finalized.

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2023
(April 1, 2022 through March 31, 2023)

Please note that this document does not include the forecasts for consolidated financial results for the fiscal year ending March 31, 2023, due to the difficulty in making reasonably accurate projections for such period.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of December 31, 2022 and March 31, 2022

ASSETS	Millions of yen		Thousands of U.S.
	As of December	As of March 31,	dollars (Note 1)
	31, 2022	2022	As of December
			31, 2022
Current assets:			
Cash and deposits	¥ 55,171	¥ 64,834	\$ 415,757
Notes and accounts receivable – trade, and contract assets	67,727	73,708	510,384
Merchandise and finished goods	7,353	5,425	55,417
Work in process	434	227	3,277
Supplies	97	84	735
Others	9,156	6,984	69,004
Less - allowance for doubtful accounts	(302)	(274)	(2,282)
Total current assets	139,639	150,990	1,052,294
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	6,815	6,274	51,359
Tools, furniture and fixtures, net	7,198	6,477	54,243
Land	833	829	6,284
Others, net	1,813	1,893	13,669
Total property, plant and equipment, net	16,661	15,474	125,556
Intangible assets:			
Goodwill	649	792	4,897
Software	2,978	3,271	22,448
Others	884	583	6,663
Total intangible assets	4,513	4,646	34,010
Investments and other assets:			
Investment securities	11,124	16,579	83,833
Shares of unconsolidated subsidiaries and affiliates	11,201	14,108	84,415
Investments of capital subsidiaries and affiliates	1,546	1,324	11,652
Deferred tax assets	2,609	4,030	19,661
Guarantee deposits	10,454	10,021	78,786
Others	1,643	1,560	12,382
Less - allowance for doubtful accounts	(315)	(282)	(2,374)
Total investments and other assets	38,264	47,344	288,356
Total non-current assets	59,439	67,465	447,923
Total assets	¥ 199,078	¥ 218,455..	\$ 1,500,217

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of December 31, 2022 and March 31, 2022

LIABILITIES	Millions of yen		Thousands of U.S.
	As of December	As of March 31,	dollars (Note 1)
	31, 2022	2022	As of December
			31, 2022
Current liabilities:			
Accounts payable - trade	¥ 16,283	¥ 16,529	\$ 122,709
Short-term borrowings	1,697	1,563	12,790
Current portion of bonds payable	63	62	474
Current portion of long-term debt	2,054	12,060	15,485
Accounts payable – other	8,917	8,970	67,203
Accrued expenses	20,602	17,962	155,259
Income taxes payable	1,835	6,243	13,833
Accrued consumption taxes	5,722	5,455	43,121
Accrued compensation	3,643	6,395	27,455
Others	6,143	4,934	46,295
Total current liabilities	66,964	80,178	504,627
Non-current liabilities:			
Bonds payable	138	174	1,043
Convertible bond-type bonds with subscription rights to shares	10,079	10,094	75,953
Long-term debt	2,195	4,233	16,546
Deferred tax liabilities	541	1,025	4,077
Liability for retirement benefits	406	373	3,060
Others	1,623	1,496	12,233
Total non-current liabilities	14,983	17,396	112,914
Total liabilities	81,947	97,575	617,542
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	219,035
Capital surplus	19,330	19,331	145,671
Retained earnings	71,951	67,408	542,208
Treasury stock, at cost	(21,777)	(15,240)	(164,107)
Total shareholders' equity	98,570	100,564	742,807
Accumulated other comprehensive income:			
Unrealized holding gain on securities	4,653	11,324	35,065
Foreign currency translation gains adjustments	5,233	1,055	39,441
Total accumulated other comprehensive income	9,887	12,379	74,507
Stock acquisition rights	3	3	24
Non-controlling interests	8,670	7,932	65,336
Total net assets	117,131	120,880	882,675
Total liabilities and net assets	¥ 199,078	¥ 218,455	\$ 1,500,217

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the nine months ended December 31, 2022 and 2021

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2022	2021	2022
Net sales	¥ 276,037	¥ 258,232	\$ 2,080,164
Cost of sales	219,561	201,154	1,654,570
Gross profit	56,476	57,077	425,593
Selling, general and administrative expenses	39,240	37,921	295,708
Operating income	17,235	19,156	129,885
Non-operating income (expenses):			
Interest income	117	57	885
Interest expenses	(59)	(103)	(445)
Dividend income	41	11	315
Share of profits (losses) of entities accounted for using equity method	(940)	229	(7,086)
Subsidy income	225	192	1,702
Foreign exchange gains (losses)	161	(166)	1,219
Head office relocation costs	—	(630)	—
Gains on sales of investment securities	329	520	2,481
Gain on sale of shares of subsidiaries and associates	373	—	2,815
Gains(losses) on changes in ownership interests in affiliates	(141)	789	(1,065)
Impairment losses	(175)	(60)	(1,325)
Penalty income	—	734	—
Other income (expenses) net	19	(24)	148
Total non-operating income	(47)	1,550	(354)
Income before income taxes and non-controlling interests	17,188	20,706	129,530
Income taxes:			
Current	5,006	4,450	37,726
Deferred	1,288	1,307	9,713
Total income taxes	6,295	5,757	47,439
Net income	10,893	14,949	82,090
Net income attributable to non-controlling interests	913	971	6,887
Net income attributable to shareholders of transcosmos inc.	¥ 9,979	¥ 13,978	\$ 75,203

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Comprehensive Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the nine months ended December 31, 2022 and 2021

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2022	2021	2022
Income before non-controlling interests	¥ 10,893	¥ 14,949	\$ 82,090
Other comprehensive income:			
Unrealized holding gains (losses) on securities	(6,671)	7,434	(50,274)
Foreign currency translation gains adjustments	2,979	1,044	22,451
Share of other comprehensive income from ownership in entities accounted for using the equity method	1,234	518	9,306
Total other comprehensive income	(2,457)	8,996	(18,516)
Quarterly comprehensive income	¥ 8,436	¥ 23,946	\$ 63,574
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ 7,486	¥ 22,984	\$ 56,417
Non-controlling interests	949	962	7,156

See accompanying notes to unaudited quarterly consolidated financial statements.

Notes to Unaudited Quarterly Consolidated Financial Statements

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

1. U.S. Dollar Amounts

The accompanying quarterly consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥132.70=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 2022. This translation should not be construed as a representation that the amounts shown could be converted to U.S. dollars at such rate.

Notes to Unaudited Quarterly Consolidated Financial Statements
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

2. Segment Information

(1) Information on net sales and profit or loss for each reportable segment for the nine months ended December 31, 2022 and 2021

Millions of yen						
2022						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 182,551	¥ 27,022	¥ 66,463	¥ 276,037	¥ —	¥ 276,037
Inter-segment sales and transfers	803	4,990	3,322	9,116	(9,116)	—
Total	¥ 183,355	¥ 32,013	¥ 69,785	¥ 285,154	¥ (9,116)	¥ 276,037
Segment profit	¥ 12,334	¥ 3,074	¥ 1,849	¥ 17,258	¥ (23)	¥ 17,235

Thousands of U.S. dollars (Note 2)						
2022						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 1,375,672	\$ 203,637	\$ 500,854	\$ 2,080,164	\$ —	\$ 2,080,164
Inter-segment sales and transfers	6,055	37,609	25,037	68,701	(68,701)	—
Total	\$ 1,381,727	\$ 241,246	\$ 525,891	\$ 2,148,866	\$ (68,701)	\$ 2,080,164
Segment profit	\$ 92,948	\$ 23,171	\$ 13,939	\$ 130,059	\$ (173)	\$ 129,885

Note A: Segment profit of ¥ (23) million (\$ (173) thousand) in “Eliminations” consists of inter-segment elimination.

Note B: Total consolidated segment profit agrees with consolidated operating income.

Millions of yen						
2021						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 175,518	¥ 24,966	¥ 57,748	¥ 258,232	¥ —	¥ 258,232
Inter-segment sales and transfers	817	4,438	2,991	8,247	(8,247)	—
Total	¥ 176,335	¥ 29,404	¥ 60,739	¥ 266,479	¥ (8,247)	¥ 258,232
Segment profit	¥ 13,644	¥ 2,811	¥ 2,677	¥ 19,133	¥ 23	¥ 19,156

Note A: Segment profit of ¥ 23 million in “Eliminations” consists of inter-segment elimination.

Note B: Total consolidated segment profit agrees with consolidated operating income.

Notes to Unaudited Quarterly Consolidated Financial Statements
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

3. Revenue recognition

Information of disaggregated revenue from contracts with customers for the nine months ended December 31, 2022

Millions of yen				
2022				
Reportable segments				
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total
Japan	¥ 180,344	¥ 26,996	¥ 3,441	¥ 210,782
Korea	9	—	28,274	28,284
China	82	—	21,369	21,452
Southeast Asia	1,566	2	9,116	10,685
Other	549	23	4,261	4,833
Revenue from contracts with customers	<u>182,551</u>	<u>27,022</u>	<u>66,463</u>	<u>276,037</u>
Other revenue	—	—	—	—
Sales to third parties	<u>¥ 182,551</u>	<u>¥ 27,022</u>	<u>¥ 66,463</u>	<u>¥ 276,037</u>

Thousands of U.S. dollars (Note 1)				
2022				
Reportable segments				
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total
Japan	\$ 1,359,035	\$ 203,441	\$ 25,936	\$ 1,588,413
Korea	73	—	213,070	213,143
China	625	—	161,033	161,658
Southeast Asia	11,801	19	68,702	80,523
Other	4,137	175	32,111	36,425
Revenue from contracts with customers	<u>1,375,672</u>	<u>203,637</u>	<u>500,854</u>	<u>2,080,164</u>
Other revenue	—	—	—	—
Sales to third parties	<u>\$ 1,375,672</u>	<u>\$ 203,637</u>	<u>\$ 500,854</u>	<u>\$ 2,080,164</u>

Note: Revenue from contracts with customers above is disaggregated based on customers' locations into countries or areas.

Notes to Unaudited Quarterly Consolidated Financial Statements
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

	Millions of yen			
	2021			
	Reportable segments			
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total
Japan	¥ 173,975	¥ 24,961	¥ 3,134	¥ 202,071
Korea	—	—	23,978	23,978
China	80	—	20,124	20,204
Southeast Asia	1,093	1	7,289	8,384
Other	368	3	3,222	3,593
Revenue from contracts with customers	175,518	24,966	57,748	258,232
Other revenue	—	—	—	—
Sales to third parties	¥ 175,518	¥ 24,966	¥ 57,748	¥ 258,232

Note: Revenue from contracts with customers above is disaggregated based on customers' locations into countries or areas.