

**Global Digital Transformation Partner**

**Supplemental Material for  
Q3 FY2023/3 Financial Results  
(April 1, 2022 – December 31, 2022)**



**January 31, 2023**

**transcosmos inc.**

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# 1. Executive Summary

## Achievements

- Sales increased in all segments, underpinning **6.9%** year over year growth.
- Operating income contracted by **¥1.9 billion** year over year due to a decrease in gross profit.
- Although profitability declined, the Parent Company **continued to grow sales in existing business, excluding COVID-19 related deals** despite an uncertain economic environment.
- Overseas business **continued to achieve sales growth** supported by Asia, despite a temporal drop in profitability.

## Key Initiatives

- Create transcosmos Group value and establish its competitive advantage.
- Respond to changing market conditions including hire resource prices, inflation, weaker yen, POST-COVID, etc.
- Address surging personnel expenses and IT talent shortage, and reinforce the Group's management base.

## 2. Consolidated Income Statement Summary

- Sales increased due to growth in all segments.
- Operating income decreased due to a drop in gross profit and an increase in SG&A expenses.
- Ordinary income decreased due to a drop in operating income.
- Quarterly net income attributable to owners of transcosmos inc. decreased due to a drop in ordinary income, extraordinary income, etc.

In ¥100M (rounded to the nearest 100M)	9M FY2022/3		9M FY2023/3		Change	
	Amount	Mix	Amount	Mix	Amount	%Change
Sales	2,582	100.0%	<b>2,760</b>	<b>100.0%</b>	178	6.9%
Cost of Sales	2,012	77.9%	<b>2,196</b>	<b>79.5%</b>	184	9.2%
Gross Profit	571	22.1%	<b>565</b>	<b>20.5%</b>	-6	-1.1%
SG&A	379	14.7%	<b>392</b>	<b>14.2%</b>	13	3.5%
Operating Income	192	7.4%	<b>172</b>	<b>6.2%</b>	-19	-10.0%
Non-operating Profit and Loss	-3	-0.1%	<b>-5</b>	<b>-0.2%</b>	-2	-82.9%
Ordinary Income	189	7.3%	<b>168</b>	<b>6.1%</b>	-21	-11.3%
Extraordinary Profit and Loss	18	0.7%	<b>4</b>	<b>0.1%</b>	-14	-77.2%
Quarterly Net Income attributable to owners of transcosmos inc.	140	5.4%	<b>100</b>	<b>3.6%</b>	-40	-28.6%

### 3. Performance Summary per Segment

- Parent Company: Sales up but profit down. Although profitability declined, the Parent Company continued to grow sales in existing business, excluding COVID-19 related despite an uncertain economic environment.
- Domestic Affiliates: Both sales and profit up. Some listed subsidiaries as well as BPO subsidiaries achieved strong performance.
- Overseas Affiliates: Sales up but profit down. Subsidiaries in South Korea, Southeast Asia and China increased sales. Currency fluctuations negatively affected profitability of some subsidiaries in China.

In ¥100M (rounded to the nearest 100M)		9M FY2022/3		9M FY2023/3		Change	
		Amount	Mix	Amount	Mix	Amount	%Change
Sales	Parent Company	1,763	68.3%	<b>1,834</b>	<b>66.4%</b>	70	4.0%
	Domestic Affiliates	294	11.4%	<b>320</b>	<b>11.6%</b>	26	8.9%
	Overseas Affiliates	607	23.5%	<b>698</b>	<b>25.3%</b>	90	14.9%
	Elimination of intra segment transaction	-82	-3.2%	<b>-91</b>	<b>-3.3%</b>	-9	-10.5%
	<b>(Total)</b>	<b>2,582</b>	<b>100.0%</b>	<b>2,760</b>	<b>100.0%</b>	<b>178</b>	<b>6.9%</b>
Segment Income (Loss)	Parent Company	136	71.2%	<b>123</b>	<b>71.6%</b>	-13	-9.6%
	(%profit)	7.7%		<b>6.7%</b>			
	Domestic Affiliates	28	14.7%	<b>31</b>	<b>17.8%</b>	3	9.4%
	(%profit)	9.6%		<b>9.6%</b>			
	Overseas Affiliates	27	14.0%	<b>18</b>	<b>10.7%</b>	-8	-30.9%
(%profit)	4.4%		<b>2.7%</b>				
Elimination of intra segment transaction	0	0.1%	<b>-0</b>	<b>-0.1%</b>	-0	-199.7%	
<b>(Total)</b>	<b>192</b>	<b>100.0%</b>	<b>172</b>	<b>100.0%</b>	<b>-19</b>	<b>-10.0%</b>	

# 4. Consolidated Sales Analysis

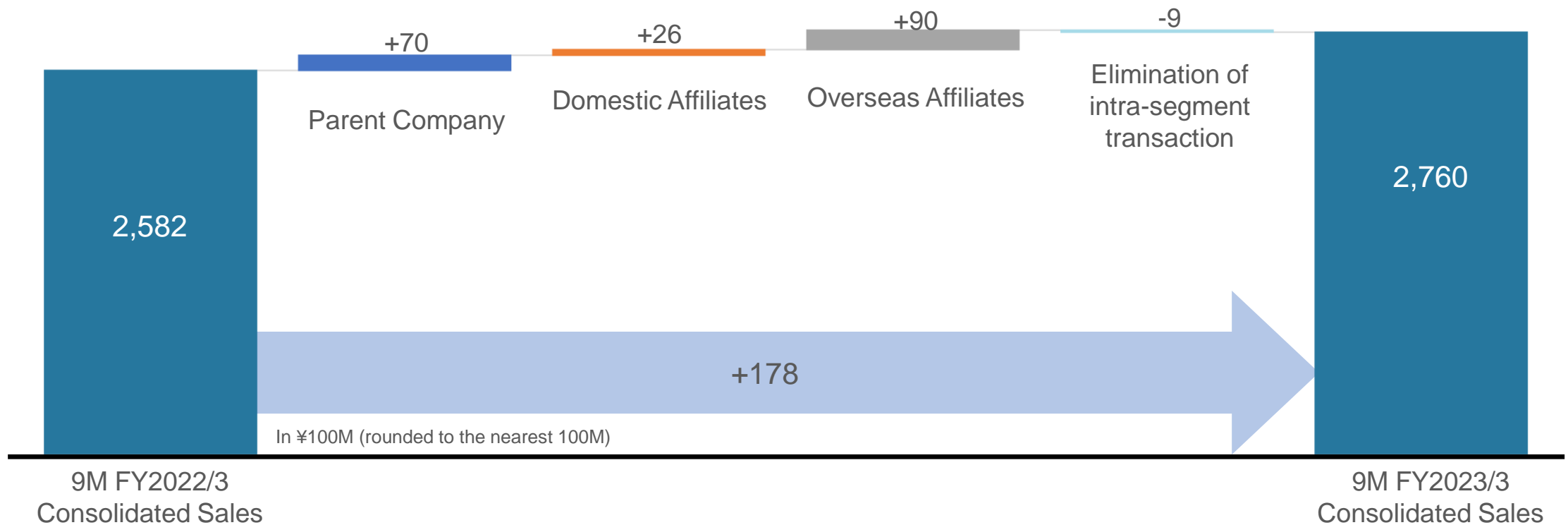
- Sales increased by ¥17.8 billion (+6.9%).

Parent Company
Domestic Affiliates
Overseas Affiliates

Sales grew due to an order increase in existing business excluding COVID-19 related projects.

Sales grew due to higher sales achieved by some listed subsidiaries as well as BPO subsidiaries including a staffing company and a consulting company.

higher sales achieved by subsidiaries in South Korea, Southeast Asia and China.



# 5. Parent Company Sales Analysis

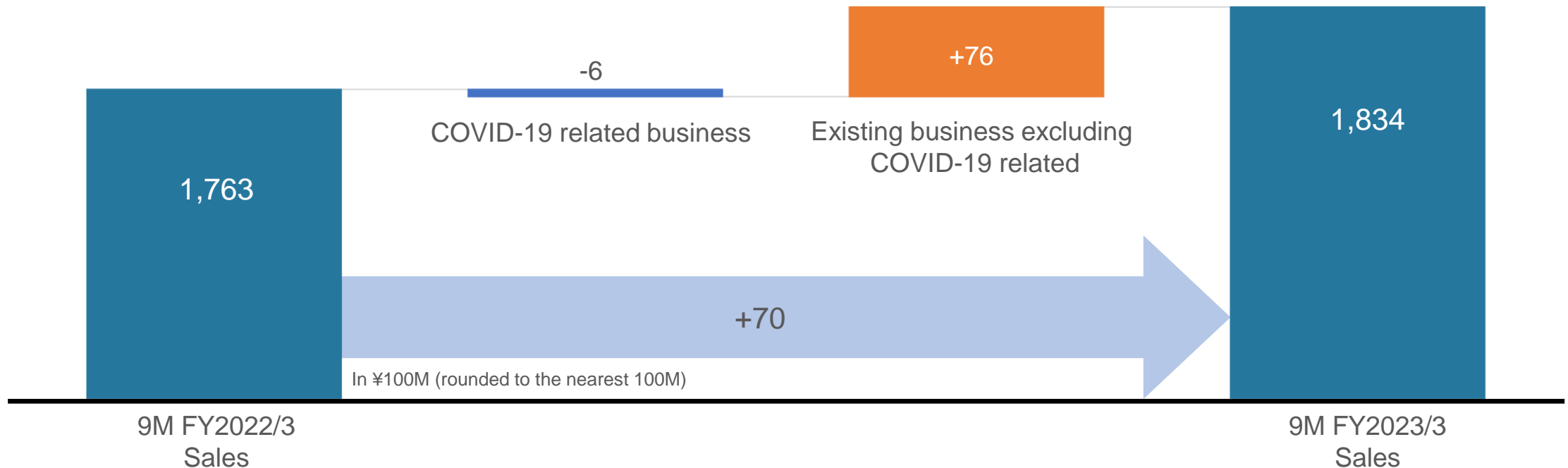
- Sales increased by ¥7.0 billion (+4.0%).

COVID-19 related business

Some urgent projects associated with COVID-19 infection control and economic measures carried out by local governments, etc. slowed down as social needs subsided.

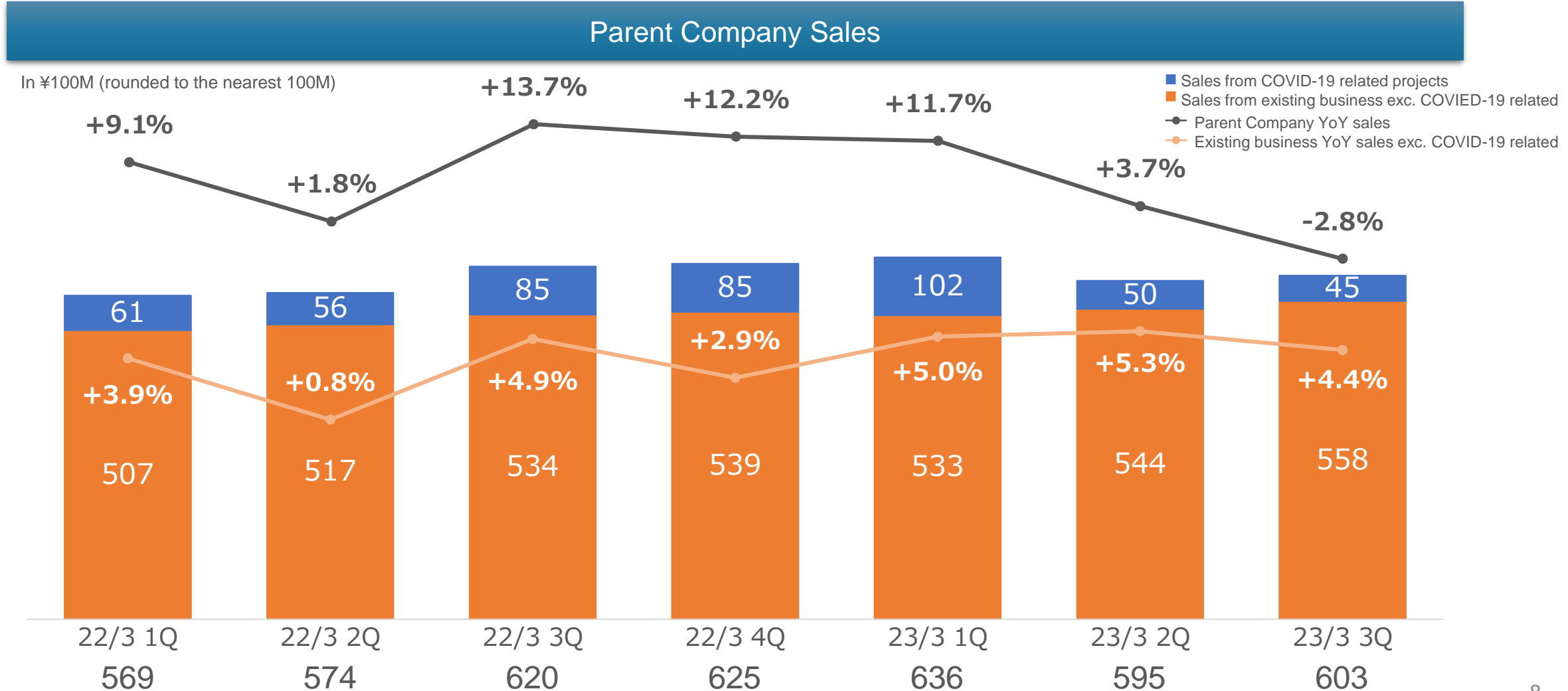
Existing Business exc COVID-19 related

Demand for outsourcing services that lead to higher sales and cost competitiveness remain solid. In addition, orders increased for internet-related projects, chat support and home-based contact center services, given the increasing demands for digital transformation and a shift to contactless channels under the pandemic.



# 6. Parent Company Quarterly Sales Trend

- Despite COVID-19 related projects - in particular urgent projects – being on a downward trend as social needs subside, orders for existing business excluding COVID-19 related deals achieved steady growth.





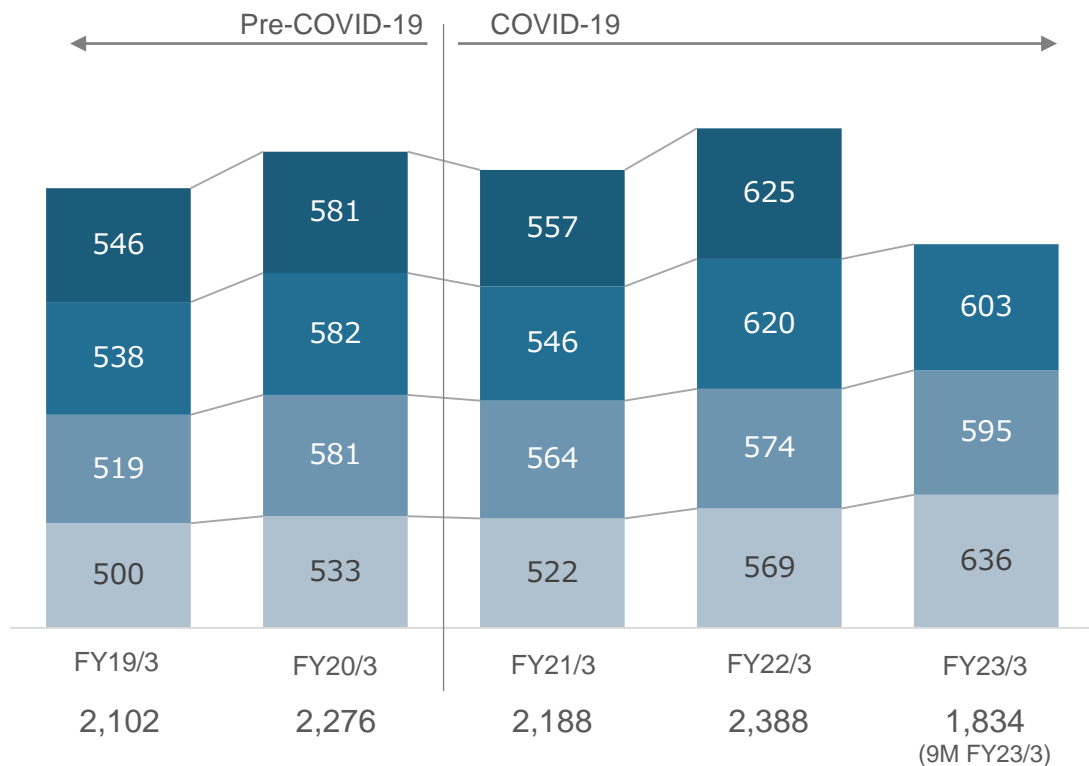
# (Reference) Parent Company Five-Year Sales/Operating Income Trend

- Both sales and operating income are on an upward trend since the pandemic.
- Despite a slowdown in COVID-19 related projects, operating income remains on a higher level than the pre-COVID years.

## Parent Company Sales

In ¥100M (rounded to the nearest 100M)

■ 1Q ■ 2Q ■ 3Q ■ 4Q

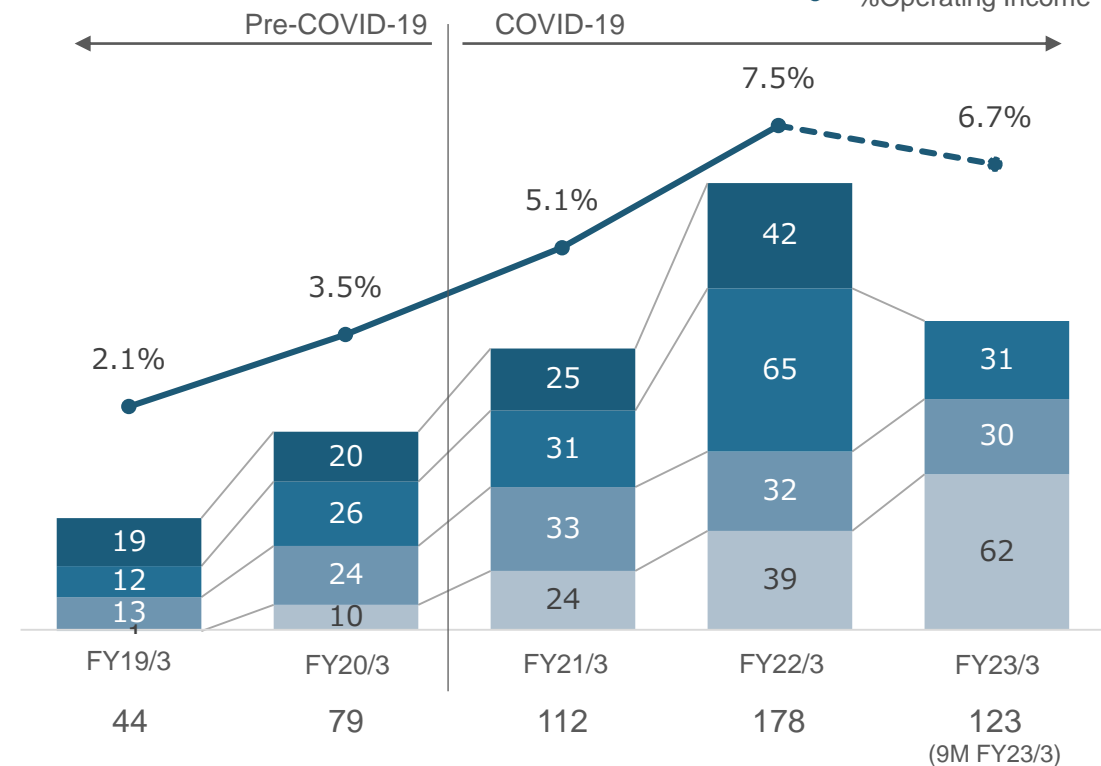


## Parent Company Operating Income

In ¥100M (rounded to the nearest 100M)

■ 1Q ■ 2Q ■ 3Q ■ 4Q

● %Operating Income



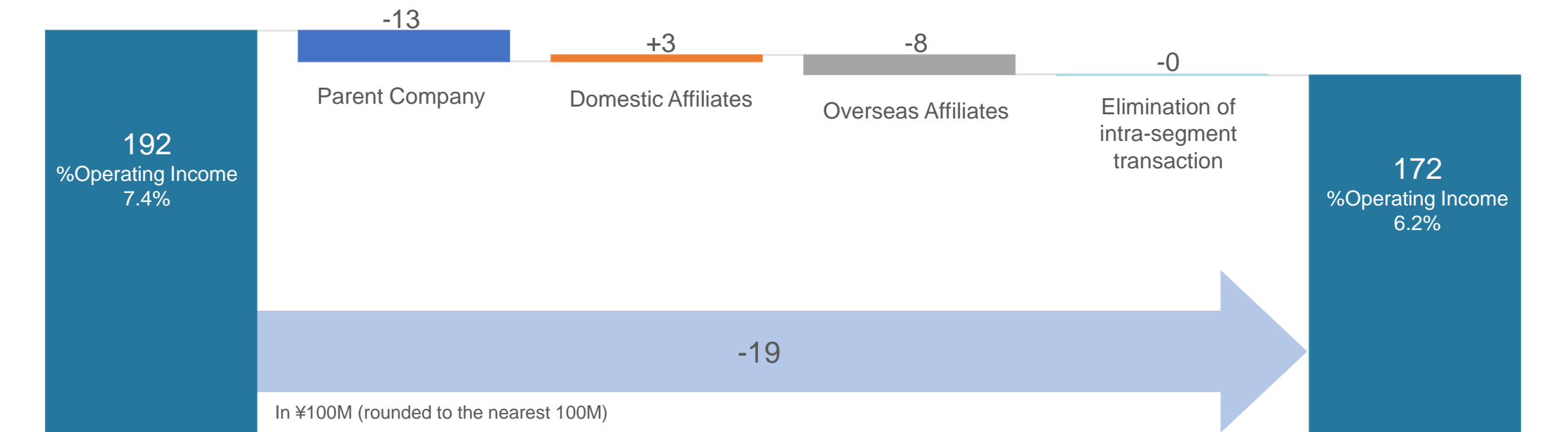
\*Effective from the start of FY2022/3, the Company has adopted the "Accounting Standard for Revenue Recognition."

- In FY21/3 sales, revenue from agent transactions has been restated using the net amount recognition method.
- In sales of FY20/3 and earlier years, revenues have not been restated with such a method.

# 7. Consolidated Operating Income Analysis

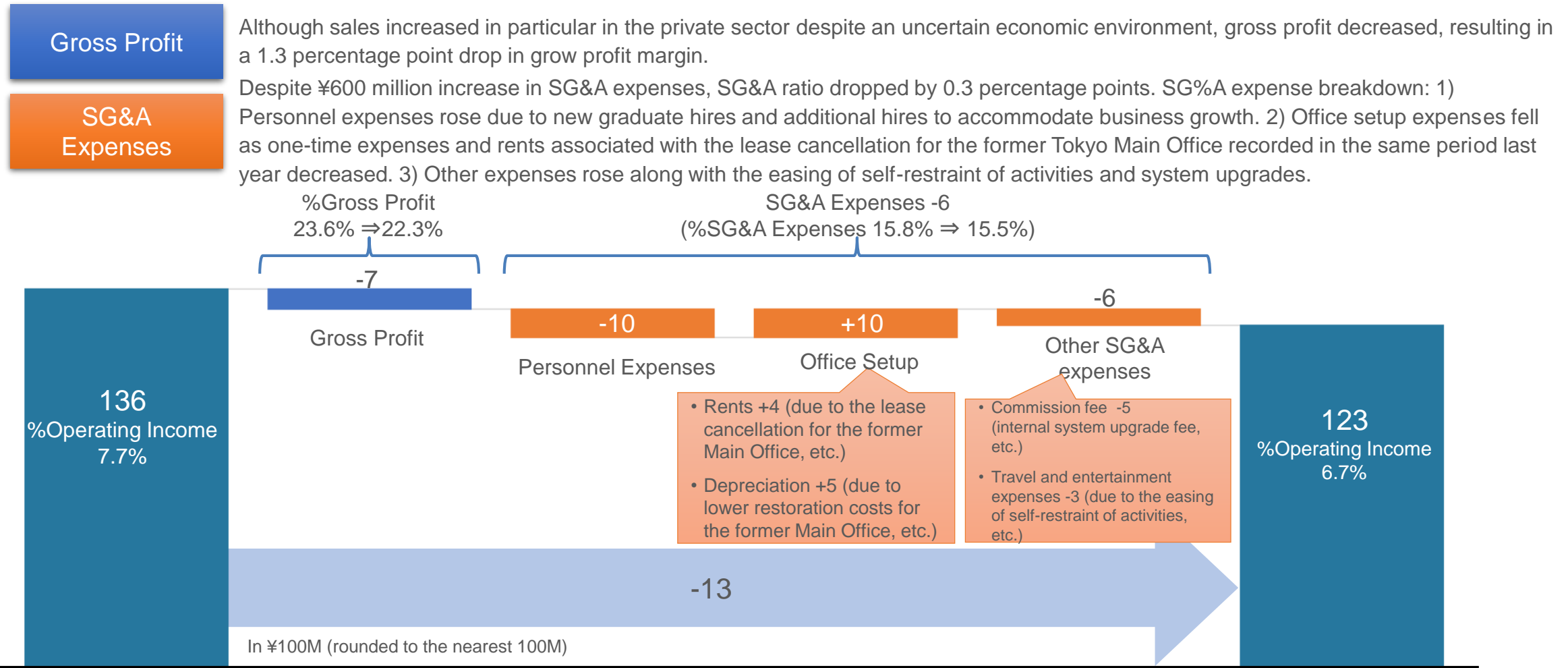
- Operating income decreased by ¥1.9 billion (- 10.0%).

Parent Company	Although sales increased in particular in the private sector despite an uncertain economic environment, operating income declined.
Domestic Affiliates	Operating income rose mainly due to higher income achieved by some BPO subsidiaries including a consulting company.
Overseas Affiliates	Operating income fell mainly due to a temporal drop in profitability in Chinese subsidiaries as currency fluctuations affected performance.



# 8. Parent Company Operating Income Analysis

- Operating income decreased by ¥1.3 billion (-9.6%).



9M FY2022/3  
Operating Income

9M FY2023/3  
Operating Income

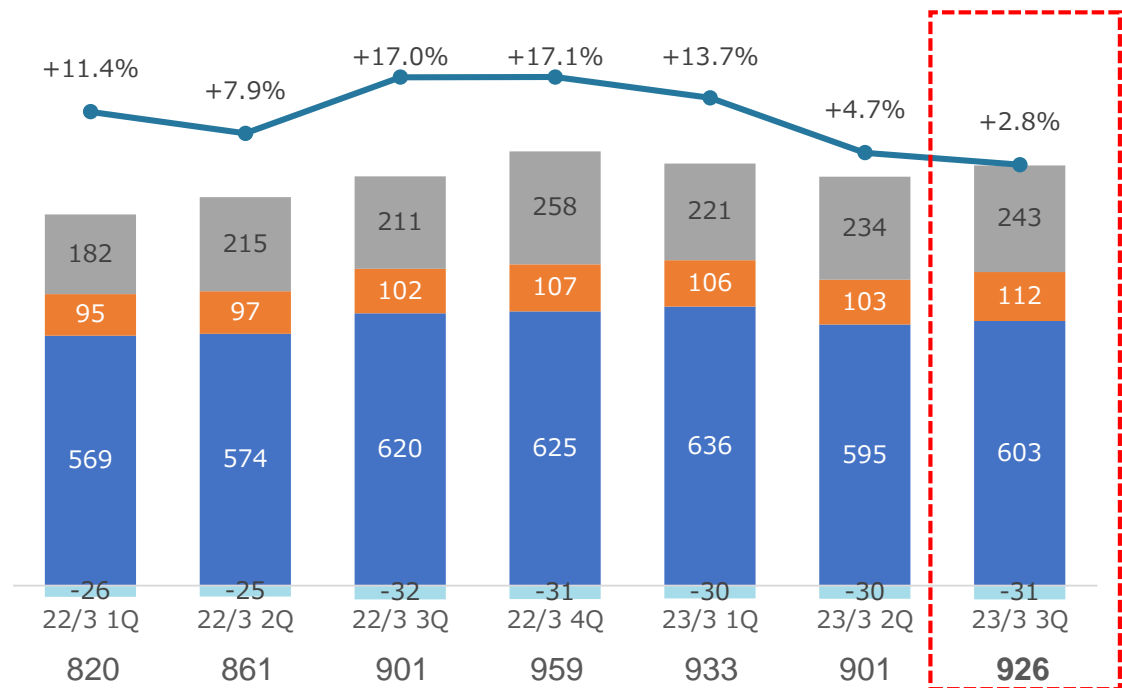
# 9. Consolidated Quarterly Performance Trend



- [QoQ Sales] All segments achieved sales growth as both the Parent Company and Domestic Affiliates got back on an upward path.  
[YoY Sales] Sales continued to grow backed by higher sales generated by Overseas and Domestic Affiliates despite a year-over-year decrease in some large-scale COVID-19 related projects in the Parent Company.
- [QoQ Operating Income] Decreased mainly due to lower profitability in the Overseas Affiliates.  
[YoY Operating Income] Decreased mainly due to a sales decline in the Parent Company, and lower profitability in the Overseas Affiliates.

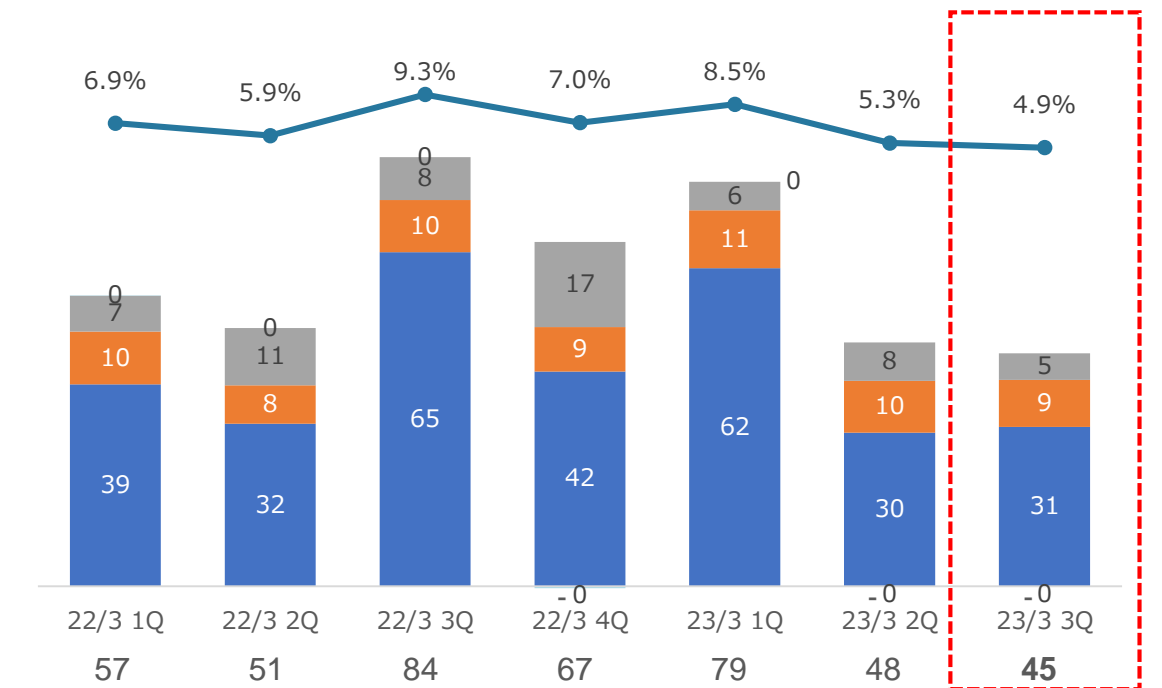
## Sales

In ¥100M (rounded to the nearest 100M) — %Sales Growth



## Operating Income

In ¥100M (rounded to the nearest 100M) — %Operating Income



■ Parent Company ■ Domestic Affiliates ■ Overseas Affiliates ■ Elimination of intra-segment transaction

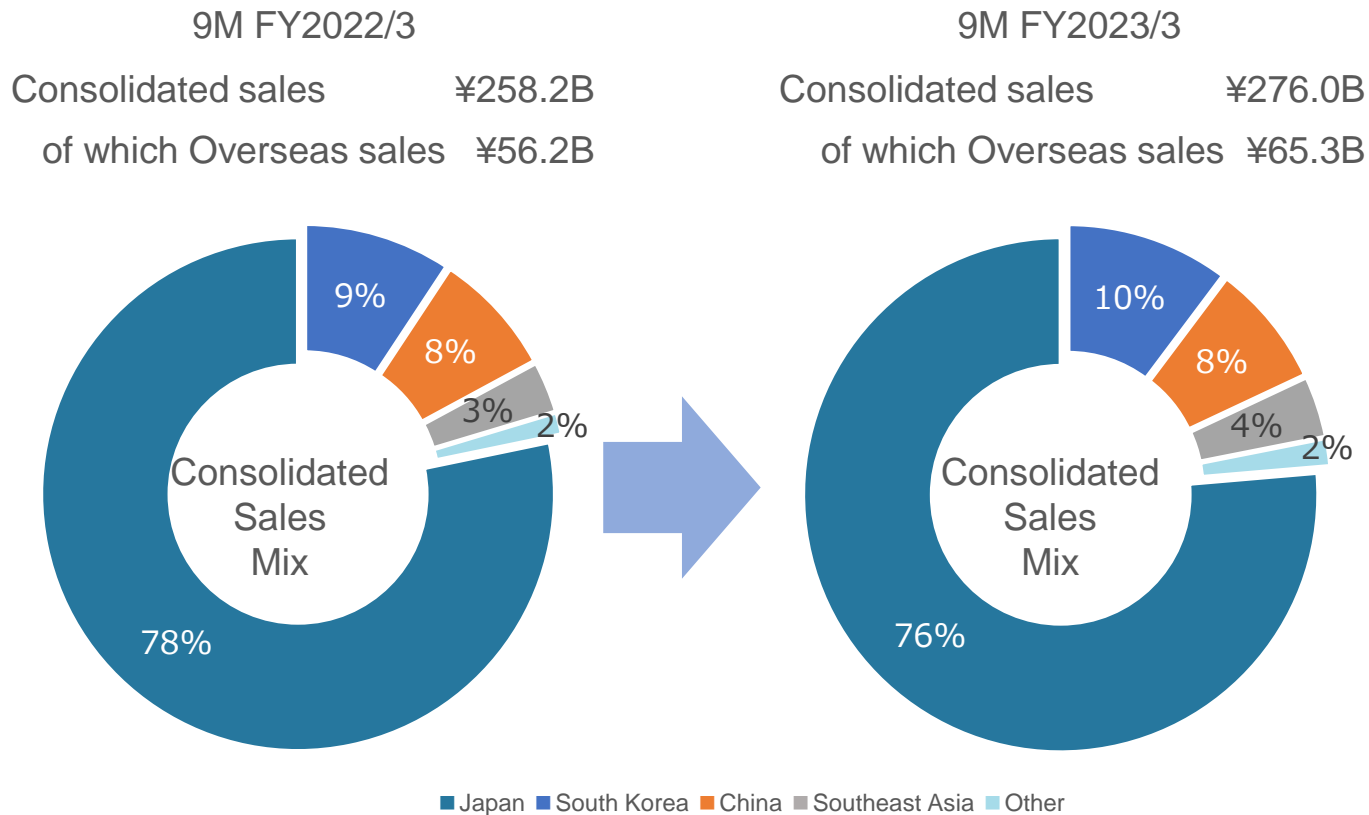
# 10. Overseas Sales Trend per Country

\* Overseas sales are categorized by country or region based on clients' location, therefore, figures are different from the Overseas Affiliates segment.

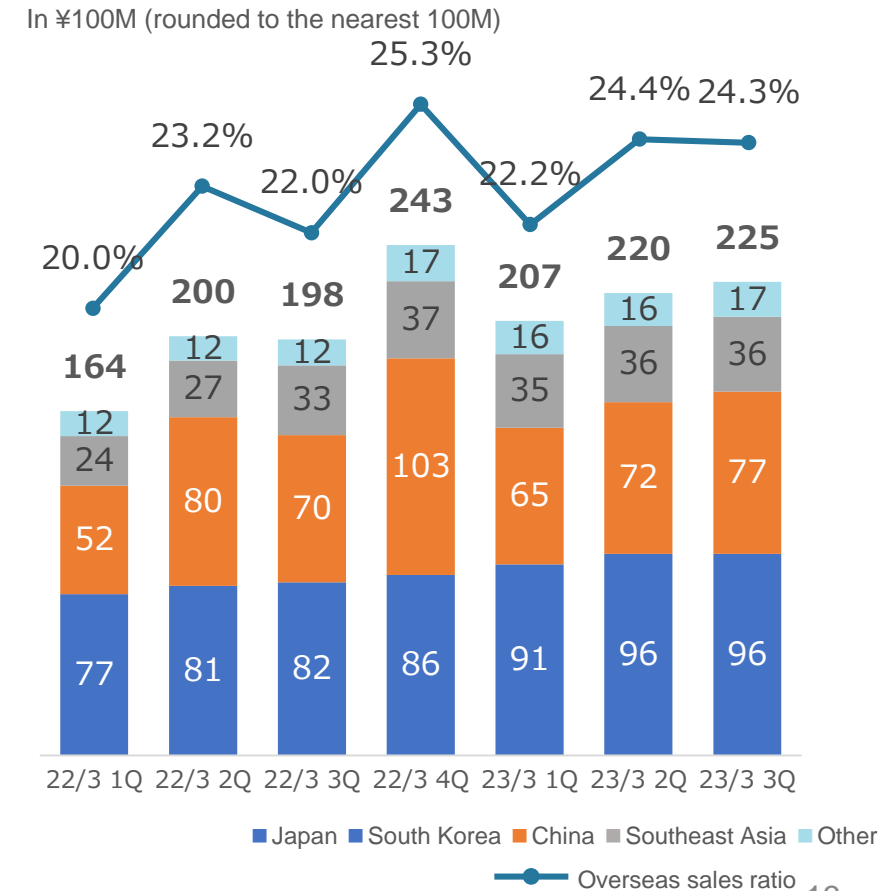


- Overseas Sales: ¥65.3 billion (YoY: +¥9.1 billion, +16.2%).

## Overseas Sales as a percentage of Consolidated Sales



## Overseas Sales Quarterly Trend per Country



# 11. transcocosmos inc. Quarterly Net Income Analysis

- transcosmos inc. quarterly net income decreased ¥4.0 billion (-28.6%).

Non-Operating  
Income (Loss)

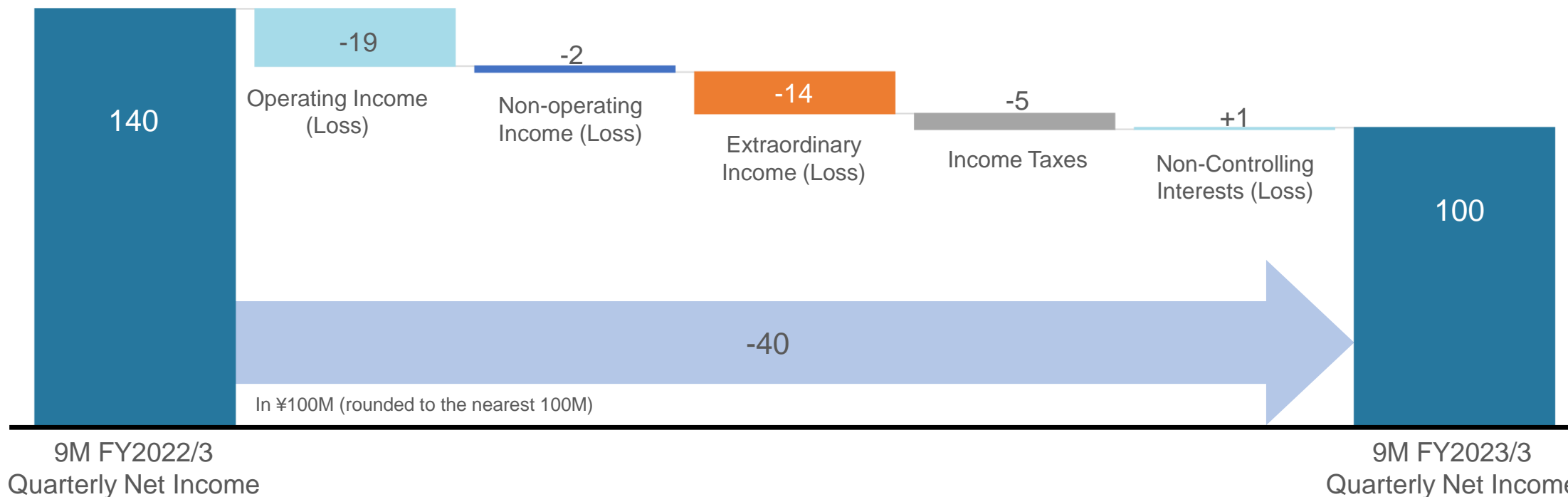
Decreased by ¥200 million mainly due to the recording of share of loss of entities accounted for using equity method as opposed to the same period last year when recorded share of profit of entities accounted for using equity method.

Extraordinary  
Income (Loss)

Decreased by ¥1.4 billion due to a lack of gains from changes in equity interests and penalty income related to the breach of an equity transfer agreement recorded in the same period last year.

Income Taxes

Increased by ¥500 million mainly due to higher income tax expenses incurred by the Parent Company.



# 12. Consolidated Balance Sheet Summary

- Current Assets: Cash and deposits and notes and accounts receivables decreased.
- Fixed Assets: Investment securities decreased reflecting the fair market valuation of listed shares that the Company owns.
- Liabilities: Liabilities decreased after the repayment of current portion of long-term loans payable.
- Net Assets: Valuation difference on available-for-sale securities decreased. Foreign currency translation adjustments increased.

In ¥100M (rounded to the nearest 100M)	End of Mar. 2022	End of Dec. 2022	Change	
Current Assets	1,510	<b>1,396</b>	-114	<ul style="list-style-type: none"> <li>• Cash and deposits -97</li> <li>• Notes and accounts receivables – trade -60</li> </ul>
Fixed Assets	675	<b>594</b>	-80	<ul style="list-style-type: none"> <li>• Investment securities -55</li> <li>• Shares of subsidiaries and associates -29</li> </ul>
Total Assets	2,185	<b>1,991</b>	-194	
Current Liabilities	802	<b>670</b>	-132	<ul style="list-style-type: none"> <li>• Current portion of long-term loans payable -100</li> <li>• Accrued income taxes -44</li> </ul>
Fixed Liabilities	174	<b>150</b>	-24	
Total Liabilities	976	<b>819</b>	-156	<ul style="list-style-type: none"> <li>• Long-term loans payable -20</li> </ul>
Net Assets	1,209	<b>1,171</b>	-37	<ul style="list-style-type: none"> <li>• Retained earnings +45</li> <li>• Treasury shares -65</li> <li>• Valuation difference on available-for-sale securities-67</li> <li>• Foreign currency translation adjustments+42</li> </ul>
Liabilities/Net Assets Total	2,185	<b>1,991</b>	-194	
Cash and deposits	648	<b>552</b>	-97	
Interest-bearing debt	282	<b>162</b>	-120	
Net Cash*	366	<b>389</b>	23	

\* Net Cash = Cash and deposits – interest-bearing debt

# (Reference) Listed Shares Held by the Company

- List of listed shares held by transcosmos inc.

In ¥100M

Type	Stock name	Market	Securities code	Fair value*
Shares of affiliates	J-Stream Inc.	TSE Growth	4308	71
	APPLIED TECHNOLOGY CO.,LTD.	TSE Standard	4356	67
	eMnet Inc.	KOSDAQ	123570	25
	UNQ HOLDINGS LIMITED	HKEX	2177	18
Investment securities	PFSweb Inc.	NASDAQ	PFSW	31
	Infracommerce CXAAS S.A	Bovespa	IFCM3	19
	Other			13
Total				244

- List of listed shares held by Group companies

Type	Stock name	Market	Securities code	Fair value*
Investment securities	北京騰信創新網絡營銷技術股份有限公司 (TensynPRC)	ChiNext	300392	20

\*Fair values are calculated based on the closing price of January 30, 2023. Note that fair values of PFSweb and Infracommerce are calculated based on the closing price of January 27, 2023.



# 13. CAPEX, Amortization/Depreciation, Employees, Service Bases

## ● Capital expenditures/Depreciation expenses

In ¥100M (rounded to the nearest 100M)	9M FY2022/3	9M FY2023/3	%Change
Capital expenditures	40	<b>47</b>	18.1%
Depreciation expenses	40	<b>42</b>	3.8%

### ● CAPEX

Capital expenditures increased mainly due to the openings of centers in the Parent Company.

### ● Depreciation and Amortization

Depreciation and amortization expenses increased mainly due to the opening of centers in the Overseas Affiliates in the previous year.

## ● Number of Employees

	End of Mar. 2022	End of Dec. 2022	Change
Consolidated basis	39,870	<b>40,730</b>	860
(Temporary employees)	29,642	<b>29,485</b>	-157
Parent Company	16,462	<b>16,810</b>	348
(Temporary employees)	22,844	<b>22,232</b>	-612

### ● Consolidated basis

Number of employees in some overseas subsidiaries increased.

### ● Parent Company

Number of employees increased mainly due to new graduate hires and additional hires to accommodate order growth.

## ● Service Bases

	End of Mar. 2022	End of Dec. 2022	Change
Service bases	169	<b>172</b>	3
(Japan)	67	<b>70</b>	3
(Overseas)	102	<b>102</b>	0

### ● Japan

Opened a BPO center in Osaka, and a contact center and a BPO center in Sapporo.

### ● Overseas

Opened a new operations center in Indonesia. Closed some centers in Vietnam.

\*Service bases included the Company's own bases, head offices, branches, sales offices and bases of subsidiaries, associates, and partners.

- Forward-looking statements included in this document are based on information available on the date of the announcement and estimates based on reasonable assumptions. Actual future results may differ materially from these forecasts depending on Japanese economic conditions, trends in the stock market and information services industry, evolution of new services or technologies, and other diverse other factors. The company assumes no obligation to update or revise any forward-looking statements.
- In this document, yen is rounded to the nearest hundred million (figures shown in million yen is rounded to the nearest million) and the percentage is rounded to the first decimal place.



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