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transcosmos inc.
Consolidated Financial Report
For the First Quarter of the Fiscal Year Ended March 31, 2018 [J-GAAP]

July 31, 2017

(Amounts less than ¥1M are rounded down.)

1. Consolidated Performance for the Three Months Ended March 31, 2018
 (April 1, 2017 – June 30, 2017)

(1) Consolidated results of operations (cumulative total)

(Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of transcosmos inc.	
	¥M	%	¥M	%	¥M	%	¥M	%
1Q Mar. 2018 Period	61,898	9.3	440	(67.4)	210	(78.6)	123	(71.7)
1Q Mar. 2017 Period	56,616	10.4	1,351	(7.0)	983	(34.5)	436	(84.5)

(Note) Comprehensive income: 1Q Mar. 2018 Period ¥(270) million -% 1Q Mar. 2017 Period ¥(2,078) million -%

	Earnings per share (Quarter)	Earnings per share after adjustment for residual securities (Quarter)
	¥	¥
1Q Mar. 2018 Period	2.98	-
1Q Mar. 2017 Period	10.62	-

(2) Consolidated financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Jun. 30, 2017	141,085	82,301	55.8	1,896.75
As of Mar. 31, 2017	143,802	85,188	56.8	1,969.70

(Reference) Shareholders' equity: As of June 30, 2017 ¥78,669 million As of March 31, 2017 ¥81,695 million

2. Dividend Status

	Annual dividends				
	1Q End	2Q End	3Q End	Year End	Total
	¥	¥	¥	¥	¥
Mar. 2017 Period	-	0.00	-	52.00	52.00
Mar. 2018 Period	-	-	-	-	-
Mar. 2018 Period (Forecast)	-	-	-	-	-

(Note) Corrections to the consolidated performance forecast figures for this quarter: None
 The dividend forecast for Fiscal Year ending March 31, 2018 is not yet to be determined.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2018

(April 1, 2017 – March 31, 2018)

The consolidated financial forecast for Fiscal Year ending March 31, 2018 is not yet to be determined and presented because of the difficulties in making a reasonable forecast.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of June 30, 2017 and March 31, 2017

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	As of June 30,	As of March 31,	As of June 30,
	2017	2017	2017
Current assets:			
Cash and deposits	¥ 32,984	¥ 33,866	\$ 294,502
Notes and accounts receivable - trade	36,025	39,967	321,660
Merchandise and finished goods	2,172	2,047	19,399
Work in process	885	581	7,902
Supplies	46	34	416
Deferred tax assets	2,224	1,708	19,858
Others	5,214	4,370	46,555
Less - allowance for doubtful accounts	(281)	(292)	(2,516)
Total current assets	79,271	82,283	707,779
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	4,242	4,087	37,876
Tools, furniture and fixtures, net	3,762	3,608	33,597
Land	833	828	7,438
Others, net	720	545	6,428
Total property, plant and equipment, net	9,558	9,069	85,340
Intangible assets:			
Goodwill	3,695	3,818	32,992
Software	1,803	1,857	16,104
Others	656	618	5,863
Total intangible assets	6,155	6,294	54,960
Investments and other assets:			
Investment securities	14,056	14,286	125,507
Shares of subsidiaries and affiliates	10,936	10,457	97,650
Investments in capital of subsidiaries and affiliates	6,194	6,822	55,303
Deferred tax assets	208	149	1,859
Derivatives receivable	6,901	6,925	61,623
Guarantee deposits	6,092	5,861	54,399
Others	1,908	1,860	17,042
Less - allowance for doubtful accounts	(198)	(208)	(1,773)
Total investments and other assets	46,100	46,154	411,612
Total non-current assets	61,814	61,518	551,914
Total assets	¥ 141,085	¥ 143,802	\$ 1,259,693

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of June 30, 2017 and March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
LIABILITIES	As of June 30, 2017	As of March 31, 2017	As of June 30, 2017
Current liabilities:			
Accounts payable - trade	¥ 10,944	¥ 12,452	\$ 97,720
Short-term loans payable	386	476	3,451
Current portion of bonds	7	7	62
Current portion of long-term debt	1,691	1,692	15,099
Accounts payable - other	5,600	6,167	50,008
Accrued expenses	9,787	8,928	87,387
Income taxes payable	1,324	2,352	11,826
Accrued consumption taxes	3,213	3,104	28,696
Provision for bonuses	5,339	3,732	47,671
Others	2,515	1,897	22,461
Total current liabilities	<u>40,811</u>	<u>40,812</u>	<u>364,384</u>
Non-current liabilities:			
Bonds payable	39	39	352
Convertible bond-type bonds with subscription rights to shares	10,034	10,037	89,595
Long-term debt	3,499	3,407	31,244
Deferred tax liabilities	3,899	3,872	34,817
Liability for retirement benefits	16	16	149
Others	483	428	4,318
Total non-current liabilities	<u>17,973</u>	<u>17,800</u>	<u>160,478</u>
Total liabilities	<u>58,784</u>	<u>58,613</u>	<u>524,862</u>
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	259,517
Capital surplus	18,333	18,908	163,695
Retained earnings	35,740	37,737	319,109
Treasury stock	(15,233)	(15,232)	(136,010)
Total shareholders' equity	<u>67,906</u>	<u>70,478</u>	<u>606,312</u>
Accumulated other comprehensive income:			
Unrealized holding gain on securities	6,504	6,509	58,072
Unrealized loss on hedging instruments	5,176	5,193	46,217
Foreign currency translation adjustments	(917)	(485)	(8,194)
Total accumulated other comprehensive income	<u>10,762</u>	<u>11,217</u>	<u>96,095</u>
Subscription rights to shares	3	3	28
Non-controlling interests	3,628	3,489	32,393
Total net assets	<u>82,301</u>	<u>85,188</u>	<u>734,830</u>
Total liabilities and net assets	<u>¥ 141,085</u>	<u>¥ 143,802</u>	<u>\$ 1,259,693</u>

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the three months ended June 30, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Net sales	¥ 61,898	¥ 56,616	\$ 552,667
Cost of sales	51,949	47,023	463,831
Gross profit	9,949	9,593	88,836
Selling, general and administrative expenses	9,508	8,242	84,899
Operating income	440	1,351	3,936
Non-operating income (expenses):			
Interest income	14	20	132
Interest expenses	(10)	(8)	(98)
Dividend income	29	54	266
Share of profit (loss) of entities accounted for using equity method	(408)	14	(3,647)
Foreign exchange gain (loss)	133	(376)	1,188
Gain on sales of investment securities	303	10	2,712
Gain on step acquisitions	—	99	—
Loss on disposal of fixed assets	(3)	(7)	(32)
Impairment loss on fixed assets	(0)	(17)	(8)
Loss on valuation of investment securities	—	(239)	—
Other income (expenses), net	99	(82)	892
Total non-operating income (expenses)	157	(533)	1,407
Income before income taxes and non-controlling interests	598	817	5,344
Income taxes:			
Current	880	952	7,862
Deferred	(465)	(559)	(4,157)
	414	393	3,705
Net income	183	423	1,638
Net income attributable to non-controlling interests	60	(13)	535
Net income attributable to shareholders of transcosmos inc.	¥ 123	¥ 436	\$ 1,103

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the three months ended June 30, 2017 and 2016

	Millions of yen		Thousands of U.S.
	2017	2016	dollars (Note 3)
Net income	¥ 183	¥ 423	\$ 1,638
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(4)	(3,885)	(41)
Unrealized loss on hedging instruments	(17)	2,305	(155)
Foreign currency translation adjustments	(153)	(552)	(1,373)
Share of other comprehensive income of entities accounted for using equity method	(278)	(368)	(2,483)
Total other comprehensive income	(454)	(2,501)	(4,054)
Comprehensive income	¥ (270)	¥ (2,078)	\$ (2,415)
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ (330)	¥ (2,055)	\$ (2,955)
Non-controlling interests	60	(23)	540

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 ¥112.00=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2017. 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 three months ended June 30, 2017 and 2016

		Millions of yen										
		2017										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	¥	48,899	¥	3,554	¥	9,444	¥	61,898	¥	—	¥	61,898
Inter-segment sales and transfers		58		1,099		928		2,086		(2,086)		—
Total	¥	48,958	¥	4,654	¥	10,372	¥	63,985	¥	(2,086)	¥	61,898
Segment profit (loss)	¥	638	¥	42	¥	(235)	¥	445	¥	(4)	¥	440

		Thousands of U.S. dollars (Note 3)										
		2017										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	\$	436,606	\$	31,735	\$	84,326	\$	552,667	\$	—	\$	552,667
Inter-segment sales and transfers		524		9,819		8,289		18,632		(18,632)		—
Total	\$	437,130	\$	41,554	\$	92,615	\$	571,300	\$	(18,632)	\$	552,667
Segment profit (loss)	\$	5,701	\$	379	\$	(2,106)	\$	3,974	\$	(37)	\$	3,936

Note A: Segment profit (loss) of ¥(4) million (\$37) thousand in “Eliminations” consists of inter-segment elimination.

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

		Millions of yen										
		2016										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	¥	45,125	¥	3,699	¥	7,791	¥	56,616	¥	—	¥	56,616
Inter-segment sales and transfers		58		996		483		1,537		(1,537)		—
Total	¥	45,183	¥	4,696	¥	8,274	¥	58,154	¥	(1,537)	¥	56,616
Segment profit (loss)	¥	1,328	¥	81	¥	(69)	¥	1,340	¥	10	¥	1,351

Note A: Segment profit (loss) of ¥ 10 million in “Eliminations” consists of inter-segment elimination.

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