



transcosmos inc.
Consolidated Financial Report
For the Nine Months Ended December 31, 2017 [J-GAAP]
(For the 3rd Quarter of the Fiscal Year Ended March 31, 2018)

January 31, 2018

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

1. Consolidated Performance for the Nine Months Ended December 31, 2017
 (April 1, 2017 - December 31, 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	%
3Q Mar. 2018 Period	194,848	9.8	4,256	(28.1)	3,694	(36.0)	1,422	(77.3)
3Q Mar. 2017 Period	177,446	7.6	5,916	(11.8)	5,768	(8.5)	6,272	(14.0)

(Note) Comprehensive income: 3Q Mar. 2018 Period ¥(8,448) million -% 3Q Mar. 2017 Period ¥1,643 million (91.4)%

	Earnings per share	Earnings per share after adjustment for residual securities
	¥	¥
3Q Mar. 2018 Period	34.30	-
3Q Mar. 2017 Period	151.68	-

(2) Consolidated financial standing

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Dec. 31, 2017	126,455	73,853	55.7	1,698.11
As of Mar. 31, 2017	143,802	85,188	56.8	1,969.70

(Reference) Shareholders' equity: As of December 31, 2017 ¥70,430 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	-	0.00	-		
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 December 31, 2017 and March 31, 2017

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	As of December 31, 2017	As of March 31, 2017	As of December 31, 2017
Current assets:			
Cash and deposits	¥ 26,619	¥ 33,866	\$ 235,462
Notes and accounts receivable - trade	39,442	39,967	348,896
Merchandise and finished goods	2,091	2,047	18,504
Work in process	1,237	581	10,950
Supplies	40	34	356
Deferred tax assets	1,126	1,708	9,963
Others	6,066	4,370	53,658
Less - allowance for doubtful accounts	(458)	(292)	(4,051)
Total current assets	<u>76,166</u>	<u>82,283</u>	<u>673,742</u>
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	4,699	4,087	41,572
Tools, furniture and fixtures, net	3,972	3,608	35,142
Land	830	828	7,348
Others, net	694	545	6,145
Total property, plant and equipment, net	<u>10,198</u>	<u>9,069</u>	<u>90,208</u>
Intangible assets:			
Goodwill	3,642	3,818	32,218
Software	1,989	1,857	17,595
Others	668	618	5,917
Total intangible assets	<u>6,300</u>	<u>6,294</u>	<u>55,731</u>
Investments and other assets:			
Investment securities	6,135	14,286	54,273
Shares of subsidiaries and affiliates	13,765	10,457	121,763
Investments in capital of subsidiaries and affiliates	6,512	6,822	57,610
Deferred tax assets	145	149	1,288
Derivatives receivable	—	6,925	—
Guarantee deposits	6,286	5,861	55,605
Others	1,113	1,860	9,847
Less - allowance for doubtful accounts	(168)	(208)	(1,493)
Total investments and other assets	<u>33,789</u>	<u>46,154</u>	<u>298,894</u>
Total non-current assets	<u>50,288</u>	<u>61,518</u>	<u>444,833</u>
Total assets	<u>¥ 126,455</u>	<u>¥ 143,802</u>	<u>\$ 1,118,576</u>

See accompanying notes to unaudited quarterly consolidated financial statements.

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

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 1)
	As of December 31, 2017	As of March 31, 2017	As of December 31, 2017
Current liabilities:			
Accounts payable - trade	¥ 11,595	¥ 12,452	\$ 102,569
Short-term loans payable	342	476	3,027
Current portion of bonds	7	7	61
Current portion of long-term debt	1,700	1,692	15,041
Accounts payable – other	5,764	6,167	50,994
Accrued expenses	11,435	8,928	101,157
Income taxes payable	750	2,352	6,637
Accrued consumption taxes	3,552	3,104	31,426
Provision for bonuses	2,062	3,732	18,243
Others	2,263	1,897	20,020
Total current liabilities	39,474	40,812	349,180
Non-current liabilities:			
Bonds payable	36	39	318
Convertible bond-type bonds with subscription rights to shares	10,029	10,037	88,719
Long-term debt	1,801	3,407	15,932
Deferred tax liabilities	601	3,872	5,316
Liability for retirement benefits	17	16	154
Others	641	428	5,672
Total non-current liabilities	13,126	17,800	116,113
Total liabilities	52,601	58,613	465,294
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	257,107
Capital surplus	18,316	18,908	162,017
Retained earnings	37,135	37,737	328,484
Treasury stock	(15,234)	(15,232)	(134,755)
Total shareholders' equity	69,283	70,478	612,854
Accumulated other comprehensive income:			
Unrealized holding gain on securities	1,429	6,509	12,642
Unrealized loss on hedging instruments	—	5,193	—
Foreign currency translation adjustments	(282)	(485)	(2,495)
Total accumulated other comprehensive income	1,147	11,217	10,147
Subscription rights to shares	3	3	28
Non-controlling interests	3,419	3,489	30,252
Total net assets	73,853	85,188	653,282
Total liabilities and net assets	¥ 126,455	¥ 143,802	\$ 1,118,576

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales	¥ 194,848	¥ 177,446	\$ 1,723,560
Cost of sales	160,566	146,082	1,420,309
Gross profit	34,282	31,363	303,251
Selling, general and administrative expenses	30,025	25,447	265,598
Operating income	4,256	5,916	37,652
Non-operating income (expenses):			
Interest income	44	49	394
Interest expenses	(20)	(21)	(179)
Dividend income	46	95	408
Share of loss of entities accounted for using equity method	(894)	(474)	(7,910)
Foreign exchange gain	170	183	1,508
Gain on sales of investment securities	324	954	2,867
Gain on sales of shares of subsidiaries and affiliates	—	2,407	—
Impairment loss on fixed assets	(17)	(70)	(156)
Gain on change in equity	135	51	1,198
Loss on change in equity	(278)	—	(2,460)
Other income net	6	81	61
Total non-operating income (expense)	(482)	3,256	(4,268)
Income before income taxes and non-controlling interests	3,774	9,172	33,384
Income taxes:			
Current	1,463	1,888	12,949
Deferred	707	518	6,262
	2,171	2,407	19,211
Net income	1,602	6,765	14,172
Net income attributable to non-controlling interests	179	492	1,587
Net income attributable to shareholders of transcosmos inc.	¥ 1,422	¥ 6,272	\$ 12,585

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income	¥ 1,602	¥ 6,765	\$ 14,172
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(5,068)	(7,436)	(44,837)
Unrealized gain (loss) on hedging instruments	(5,193)	6,924	(45,942)
Foreign currency translation adjustments	35	(2,778)	311
Share of other comprehensive income of entities accounted for using equity method	177	(1,830)	1,567
Total other comprehensive income	(10,050)	(5,121)	(88,901)
Comprehensive income	¥ (8,448)	¥ 1,643	\$ (74,729)
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ (8,647)	¥ 1,154	\$ (76,491)
Non-controlling interests	199	488	1,762

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 ¥113.05=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 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 nine months ended December 31, 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	¥	151,173	¥	10,812	¥	32,861	¥	194,848	¥	—	¥	194,848
Inter-segment sales and transfers		174		2,953		2,887		6,016		(6,016)		—
Total	¥	151,348	¥	13,766	¥	35,749	¥	200,865	¥	(6,016)	¥	194,848
Segment profit (loss)	¥	4,146	¥	160	¥	(61)	¥	4,245	¥	10	¥	4,256

		Thousands of U.S. dollars (Note 1)										
		2017										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	\$	1,337,230	\$	95,645	\$	290,685	\$	1,723,560	\$	—	\$	1,723,560
Inter-segment sales and transfers		1,547		26,129		25,544		53,222		(53,222)		—
Total	\$	1,338,778	\$	121,774	\$	316,229	\$	1,776,782	\$	(53,222)	\$	1,723,560
Segment profit (loss)	\$	36,679	\$	1,417	\$	(540)	\$	37,557	\$	95	\$	37,652

Note A: Segment profit of ¥10 million (\$95 thousand) in “Eliminations” consists of inter-segment elimination.

Note B: Total consolidated segment profit 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	¥	142,349	¥	10,667	¥	24,429	¥	177,446	¥	—	¥	177,446
Inter-segment sales and transfers		181		3,014		1,439		4,635		(4,635)		—
Total	¥	142,531	¥	13,682	¥	25,868	¥	182,082	¥	(4,635)	¥	177,446
Segment profit	¥	5,996	¥	264	¥	(347)	¥	5,912	¥	3	¥	5,916

Note A: Segment profit of ¥3 million in “Eliminations” consists of inter-segment elimination.

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