

Notification: This English translation is for reference purposes only; in the case of a discrepancy between the English and Japanese versions, the Japanese original shall prevail.



**transcosmos inc.**  
**Consolidated Financial Report**  
**For the First Quarter of the Fiscal Year Ended March 31, 2019 [J-GAAP]**

July 31, 2018

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

1. Consolidated Performance for the Three Months Ended March 31, 2019  
(April 1, 2018 – June 30, 2018)

(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. 2019 Period | 67,083    | 8.4 | (4)              | -      | 472             | 124.8  | 258   | 109.5  |
| 1Q Mar. 2018 Period | 61,898    | 9.3 | 440              | (67.4) | 210             | (78.6) | 123   | (71.7) |

(Note) Comprehensive income: 1Q Mar. 2019 Period ¥(716) million -% 1Q Mar. 2018 Period ¥(270) million -%

|                     | Earnings per share (Quarter) | Earnings per share after adjustment for residual securities (Quarter) |
|---------------------|------------------------------|---|
|                     | ¥                            | ¥   |
| 1Q Mar. 2019 Period | 6.24                         | -   |
| 1Q Mar. 2018 Period | 2.98                         | -   |

(2) Consolidated financial standing

|                     | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---------------------|--------------|------------|----------------------------|----------------------|
|                     | ¥M           | ¥M         | %                          | ¥                    |
| As of Jun. 30, 2018 | 125,813      | 69,484     | 52.5                       | 1,591.06             |
| As of Mar. 31, 2018 | 129,257      | 71,199     | 52.3                       | 1,630.39             |

(Reference) Shareholders' equity: As of June 30, 2018 ¥65,990 million As of March 31, 2018 ¥67,621 million

2. Dividend Status

|                             | Annual dividends |        |        |          |       |
|-----------------------------|------------------|--------|--------|----------|-------|
|                             | 1Q End           | 2Q End | 3Q End | Year End | Total |
|                             | ¥                | ¥      | ¥      | ¥        | ¥     |
| Mar. 2018 Period            | -                | 0.00   | -      | 23.00    | 23.00 |
| Mar. 2019 Period            | -                | -      | -      | -        | -     |
| Mar. 2019 Period (Forecast) | -                | -      | -      | -        | -     |

(Note) Corrections to the consolidated performance forecast figures for this quarter: None  
The dividend forecast for Fiscal Year ending March 31, 2019 is not yet to be determined.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2019

(April 1, 2018 – March 31, 2019)

The consolidated financial forecast for Fiscal Year ending March 31, 2019 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, 2018 and March 31, 2018

| ASSETS  | Millions of yen |                 | Thousands of U.S.      |
|---|-----------------|-----------------|------------------------|
|   | As of June 30,  | As of March 31, | dollars (Note 3)       |
|   | 2018            | 2018            | As of June 30,<br>2018 |
| <b>Current assets:</b>                                |                 |                 |                        |
| Cash and deposits                                     | ¥ 30,109        | ¥ 31,937        | \$ 272,389             |
| Notes and accounts receivable - trade                 | 39,863          | 42,238          | 360,624                |
| Merchandise and finished goods                        | 2,242           | 2,595           | 20,289                 |
| Work in process                                       | 1,151           | 914             | 10,412                 |
| Supplies  | 48              | 42              | 440                    |
| Others  | 6,569           | 5,566           | 59,426                 |
| Less - allowance for doubtful accounts                | (296)           | (304)           | (2,683)                |
| Total current assets                                  | 79,688          | 82,989          | 720,900                |
| <b>Non-current assets:</b>                            |                 |                 |                        |
| Property, plant and equipment:                        |                 |                 |                        |
| Buildings and structures, net                         | 4,724           | 4,738           | 42,743                 |
| Tools, furniture and fixtures, net                    | 3,905           | 4,035           | 35,330                 |
| Land  | 832             | 840             | 7,531                  |
| Others, net   | 608             | 662             | 5,505                  |
| Total property, plant and equipment, net              | 10,071          | 10,276          | 91,112                 |
| Intangible assets:                                    |                 |                 |                        |
| Goodwill  | 3,373           | 3,570           | 30,522                 |
| Software  | 2,302           | 2,215           | 20,826                 |
| Others  | 528             | 453             | 4,781                  |
| Total intangible assets                               | 6,204           | 6,238           | 56,130                 |
| Investments and other assets:                         |                 |                 |                        |
| Investment securities                                 | 4,740           | 4,654           | 42,888                 |
| Shares of subsidiaries and affiliates                 | 9,316           | 9,482           | 84,285                 |
| Investments in capital of subsidiaries and affiliates | 6,555           | 6,664           | 59,307                 |
| Deferred tax assets                                   | 1,761           | 1,385           | 15,938                 |
| Guarantee deposits                                    | 6,771           | 6,604           | 61,261                 |
| Others  | 1,148           | 1,268           | 10,387                 |
| Less - allowance for doubtful accounts                | (446)           | (499)           | (4,041)                |
| Total investments and other assets                    | 29,848          | 29,561          | 270,028                |
| Total non-current assets                              | 46,125          | 46,077          | 417,271                |
| <b>Total assets</b>                                   | ¥ 125,813       | ¥ 129,067       | \$ 1,138,171           |

See accompanying notes to unaudited quarterly consolidated financial statements.

**Unaudited Quarterly Consolidated Balance Sheet**  
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES  
As of June 30, 2018 and March 31, 2018

| LIABILITIES   | Millions of yen        |                         | Thousands of U.S.<br>dollars (Note 3) |
|---|------------------------|-------------------------|---------------------------------------|
|   | As of June 30,<br>2018 | As of March 31,<br>2018 | As of June 30,<br>2018                |
|   |                        |                         |                                       |
| <b>Current liabilities:</b>                                       |                        |                         |                                       |
| Accounts payable - trade  | ¥ 10,988               | ¥ 11,474                | \$ 99,405                             |
| Short-term loans payable  | 753                    | 1,286                   | 6,812                                 |
| Current portion of bonds  | 7                      | 7                       | 63                                    |
| Current portion of long-term debt                                 | 1,737                  | 1,737                   | 15,721                                |
| Accounts payable - other  | 4,394                  | 5,202                   | 39,759                                |
| Accrued expenses  | 13,509                 | 13,404                  | 122,211                               |
| Income taxes payable  | 1,216                  | 2,352                   | 11,005                                |
| Accrued consumption taxes   | 3,374                  | 3,759                   | 30,530                                |
| Provision for bonuses   | 5,024                  | 3,639                   | 45,456                                |
| Others  | 2,628                  | 2,335                   | 23,781                                |
| Total current liabilities   | 43,635                 | 45,201                  | 394,746                               |
| <b>Non-current liabilities:</b>                                   |                        |                         |                                       |
| Bonds payable   | 32                     | 32                      | 294                                   |
| Convertible bond-type bonds with subscription rights<br>to shares | 10,024                 | 10,027                  | 90,688                                |
| Long-term debt  | 1,806                  | 1,796                   | 16,343                                |
| Deferred tax liabilities  | 139                    | 111                     | 1,263                                 |
| Liability for retirement benefits                                 | 25                     | 26                      | 234                                   |
| Others  | 664                    | 672                     | 6,007                                 |
| Total non-current liabilities                                     | 12,693                 | 12,666                  | 114,832                               |
| Total liabilities   | 56,328                 | 57,867                  | 509,579                               |
| <b>NET ASSETS</b>   |                        |                         |                                       |
| Shareholders' equity:   |                        |                         |                                       |
| Capital stock   | 29,065                 | 29,065                  | 262,945                               |
| Capital surplus   | 18,263                 | 18,263                  | 165,223                               |
| Retained earnings   | 32,694                 | 33,381                  | 295,766                               |
| Treasury stock  | (15,234)               | (15,234)                | (137,820)                             |
| Total shareholders' equity  | 64,789                 | 65,477                  | 586,115                               |
| Accumulated other comprehensive income:                           |                        |                         |                                       |
| Unrealized holding gain on securities                             | 1,321                  | 1,265                   | 11,956                                |
| Foreign currency translation adjustments                          | (120)                  | 878                     | (1,092)                               |
| Total accumulated other comprehensive income                      | 1,200                  | 2,144                   | 10,864                                |
| Subscription rights to shares                                     | 3                      | 3                       | 29                                    |
| Non-controlling interests   | 3,491                  | 3,574                   | 31,583                                |
| Total net assets  | 69,484                 | 71,199                  | 628,592                               |
| <b>Total liabilities and net assets</b>                           | ¥ 125,813              | ¥ 129,067               | \$ 1,138,171                          |

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, 2018 and 2017

|  | Millions of yen |          | Thousands of U.S.<br>dollars (Note 3) |
|--|-----------------|----------|---------------------------------------|
|  | 2018            | 2017     | 2018                                  |
| <b>Net sales</b>   | ¥ 67,083        | ¥ 61,898 | \$ 606,873                            |
| <b>Cost of sales</b>   | 56,497          | 51,949   | 511,108                               |
| Gross profit   | 10,585          | 9,949    | 95,765                                |
| <b>Selling, general and administrative expenses</b>                | 10,590          | 9,508    | 95,803                                |
| Operating income (loss)  | (4)             | 440      | (38)                                  |
| <b>Non-operating income (expenses):</b>                            |                 |          |                                       |
| Interest income  | 16              | 14       | 153                                   |
| Interest expenses  | (24)            | (10)     | (217)                                 |
| Dividend income  | 114             | 29       | 1,038                                 |
| Share of loss of entities accounted for using equity method        | (45)            | (408)    | (412)                                 |
| Foreign exchange gain (loss)                                       | (121)           | 133      | (1,098)                               |
| Gain on investments in partnership                                 | 482             | 30       | 4,361                                 |
| Gain on sales of investment securities                             | 158             | 303      | 1,436                                 |
| Loss on sales of shares of subsidiaries and affiliates             | (48)            | —        | (437)                                 |
| Other income (expenses), net                                       | 90              | 65       | 820                                   |
| Total non-operating income (expenses)                              | 623             | 157      | 5,644                                 |
| Income before income taxes and non-controlling interests           | 619             | 598      | 5,606                                 |
| <b>Income taxes:</b>   |                 |          |                                       |
| Current  | 721             | 880      | 6,523                                 |
| Deferred   | (343)           | (465)    | (3,106)                               |
|  | 377             | 414      | 3,416                                 |
| <b>Net income</b>  | 241             | 183      | 2,189                                 |
| <b>Net income (loss) attributable to non-controlling interests</b> | (16)            | 60       | (152)                                 |
| <b>Net income attributable to shareholders of transcosmos inc.</b> | ¥ 258           | ¥ 123    | \$ 2,341                              |

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, 2018 and 2017

|  | Millions of yen |              | Thousands of U.S.<br>dollars (Note 3) |
|--|-----------------|--------------|---------------------------------------|
|  | 2018            | 2017         | 2018                                  |
| <b>Net income</b>  | ¥ 241           | ¥ 183        | \$ 2,189                              |
| <b>Other comprehensive income:</b>   |                 |              |                                       |
| Unrealized holding gain (loss) on securities   | 61              | (4)          | 557                                   |
| Unrealized loss on hedging instruments   | —               | (17)         | —                                     |
| Foreign currency translation adjustments   | (624)           | (153)        | (5,653)                               |
| Share of other comprehensive income of entities<br>accounted for using equity method | (395)           | (278)        | (3,577)                               |
| <b>Total other comprehensive income</b>  | <b>(958)</b>    | <b>(454)</b> | <b>(8,673)</b>                        |
| <b>Comprehensive income</b>  | ¥ <b>(716)</b>  | ¥ (270)      | \$ <b>(6,484)</b>                     |
| <b>Total comprehensive income attributable to:</b>                                   |                 |              |                                       |
| Shareholders of transcosmos inc.   | ¥ (684)         | ¥ (330)      | \$ (6,194)                            |
| Non-controlling interests  | (32)            | 60           | (290)                                 |

See accompanying notes to unaudited quarterly consolidated financial statements.

## **Notes to Unaudited Quarterly Consolidated Financial Statements**

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

### **1. Accounting Changes**

“Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018) was applied from the beginning of the first quarter of the year ended 31 March, 2019. This change effects an accounting treatment of tax effect accounting for retained earnings of subsidiaries and affiliates when investing in shares of subsidiaries and affiliates. We adopted this change in the beginning of the first quarter of the year ended 31 March, 2019 with no material impact to our consolidated financial statements.

### **2. Additional Information**

As “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018; hereinafter the “Partial Amendments”) became applicable to the financial statements from this fiscal year-end, the Company has applied the Partial Amendments from this fiscal year. Accordingly, changes have been made to the classification, whereby deferred tax assets are presented in investments and other assets and deferred tax liabilities are presented in noncurrent liabilities.

### **3. 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 ¥110.54=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2018. 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

**1. Segment Information**

(1) Information on net sales and profit or loss for each reportable segment for the three months ended June 30, 2018 and 2017

|                                   |   | Millions of yen     |                             |                             |   |        |              |              |   |         |   |        |
|-----------------------------------|---|---------------------|-----------------------------|-----------------------------|---|--------|--------------|--------------|---|---------|---|--------|
|                                   |   | 2018                |                             |                             |   |        |              |              |   |         |   |        |
|                                   |   | Reportable segments |                             |                             |   |        |              |              |   |         |   |        |
|                                   |   | Domestic            |                             | Overseas                    |   | Total  | Eliminations | Consolidated |   |         |   |        |
|                                   |   | Parent company      | subsidiaries and affiliates | subsidiaries and affiliates |   |        |              |              |   |         |   |        |
| Net sales                         |   |                     |                             |                             |   |        |              |              |   |         |   |        |
| Sales to third parties            | ¥ | 49,894              | ¥                           | 4,065                       | ¥ | 13,123 | ¥            | 67,083       | ¥ | —       | ¥ | 67,083 |
| Inter-segment sales and transfers |   | 91                  |                             | 793                         |   | 1,017  |              | 1,902        |   | (1,902) |   | —      |
| Total                             | ¥ | 49,985              | ¥                           | 4,859                       | ¥ | 14,140 | ¥            | 68,985       | ¥ | (1,902) | ¥ | 67,083 |
| Segment profit (loss)             | ¥ | (57)                | ¥                           | 144                         | ¥ | (82)   | ¥            | 4            | ¥ | (8)     | ¥ | (4)    |

|                                   |    | Thousands of U.S. dollars (Note 3) |                             |                             |    |         |              |              |    |          |    |         |
|-----------------------------------|----|------------------------------------|-----------------------------|-----------------------------|----|---------|--------------|--------------|----|----------|----|---------|
|                                   |    | 2018                               |                             |                             |    |         |              |              |    |          |    |         |
|                                   |    | Reportable segments                |                             |                             |    |         |              |              |    |          |    |         |
|                                   |    | Domestic                           |                             | Overseas                    |    | Total   | Eliminations | Consolidated |    |          |    |         |
|                                   |    | Parent company                     | subsidiaries and affiliates | subsidiaries and affiliates |    |         |              |              |    |          |    |         |
| Net sales                         |    |                                    |                             |                             |    |         |              |              |    |          |    |         |
| Sales to third parties            | \$ | 451,369                            | \$                          | 36,783                      | \$ | 118,720 | \$           | 606,873      | \$ | —        | \$ | 606,873 |
| Inter-segment sales and transfers |    | 828                                |                             | 7,176                       |    | 9,201   |              | 17,206       |    | (17,206) |    | —       |
| Total                             | \$ | 452,197                            | \$                          | 43,959                      | \$ | 127,922 | \$           | 624,079      | \$ | (17,206) | \$ | 606,873 |
| Segment profit (loss)             | \$ | (515)                              | \$                          | 1,305                       | \$ | (747)   | \$           | 42           | \$ | (80)     | \$ | (38)    |

Note A: Segment profit (loss) of ¥(8) million (\$80 thousand) in “Eliminations” consists of inter-segment elimination.

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

|                                   |   | 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    |

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

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