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transcosmos inc.
Consolidated Financial Report
For the Nine Months Ended December 31, 2018 [J-GAAP]
(For the 3rd Quarter of the Fiscal Year Ended March 31, 2019)

January 31, 2019

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

1. Consolidated Performance for the Nine Months Ended December 31, 2018

(April 1, 2018 - December 31, 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	%
3Q Mar. 2019 Period	208,646	7.1	2,892	(32.1)	3,176	(14.0)	5,994	321.3
3Q Mar. 2018 Period	194,848	9.8	4,256	(28.1)	3,694	(36.0)	1,422	(77.3)

(Note) Comprehensive income: 3Q Mar. 2019 Period ¥8,389 million -% 3Q Mar. 2018 Period ¥(8,448) million -%

	Earnings per share	Earnings per share after adjustment for residual securities
	¥	¥
3Q Mar. 2019 Period	144.52	-
3Q Mar. 2018 Period	34.30	-

(2) Consolidated financial standing

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Dec. 31, 2018	133,294	77,313	55.5	1,783.86
As of Mar. 31, 2018	129,067	71,199	52.4	1,630.39

(Reference) Shareholders' equity: As of December 31, 2018 ¥73,986 million As of March 31, 2018 ¥67,621 million

(Note) For the fiscal year ended March 31, 2019, the consolidated financial standing is retrospectively applied to changes in accounting policies according to the amendments to partial accounting standard and implementation guidance.

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	-	0.00	-		
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 December 31, 2018 and March 31, 2018

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	As of December 31, 2018	As of March 31, 2018	As of December 31, 2018
Current assets:			
Cash and deposits	¥ 33,244	¥ 31,937	\$ 299,741
Notes and accounts receivable - trade	40,844	42,238	368,266
Merchandise and finished goods	2,785	2,595	25,114
Work in process	1,243	914	11,216
Supplies	54	42	491
Others	6,664	5,566	60,090
Less - allowance for doubtful accounts	(312)	(304)	(2,820)
Total current assets	84,524	¥ 82,989	762,098
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	4,996	4,738	45,046
Tools, furniture and fixtures, net	3,946	4,035	35,580
Land	835	840	7,532
Others, net	890	662	8,030
Total property, plant and equipment, net	10,668	10,276	96,190
Intangible assets:			
Goodwill	3,170	3,570	28,586
Software	2,262	2,215	20,398
Others	654	453	5,904
Total intangible assets	6,087	6,238	54,889
Investments and other assets:			
Investment securities	9,291	4,654	83,778
Shares of subsidiaries and affiliates	7,618	9,482	68,686
Investments in capital of subsidiaries and affiliates	6,296	6,664	56,773
Deferred tax assets	423	1,385	3,821
Guarantee deposits	7,674	6,604	69,198
Others	1,145	1,268	10,326
Less - allowance for doubtful accounts	(436)	(499)	(3,935)
Total investments and other assets	32,014	29,561	288,649
Total non-current assets	48,770	46,077	439,729
Total assets	¥ 133,294	¥ 129,067	\$ 1,201,828

See accompanying notes to unaudited quarterly consolidated financial statements.

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

LIABILITIES	Millions of yen		Thousands of U.S.
	As of December	As of March 31,	dollars (Note 3)
	31, 2018	2018	As of December
			31, 2018
Current liabilities:			
Accounts payable - trade	¥ 10,764	¥ 11,474	\$ 97,054
Short-term loans payable	1,091	1,286	9,842
Current portion of bonds	7	7	63
Current portion of long-term debt	1,777	1,737	16,028
Accounts payable – other	4,343	5,202	39,159
Accrued expenses	14,202	13,404	128,056
Income taxes payable	2,568	2,352	23,161
Accrued consumption taxes	3,723	3,759	33,574
Provision for bonuses	2,148	3,639	19,373
Others	2,829	2,335	25,515
Total current liabilities	43,457	45,201	391,826
Non-current liabilities:			
Bonds payable	29	32	261
Convertible bond-type bonds with subscription rights to shares	10,019	10,027	90,340
Long-term debt	107	1,796	967
Deferred tax liabilities	1,519	111	13,702
Liability for retirement benefits	30	26	278
Others	816	672	7,364
Total non-current liabilities	12,523	12,666	112,917
Total liabilities	55,981	57,867	504,744
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	262,068
Capital surplus	17,755	18,263	160,091
Retained earnings	37,888	33,381	341,617
Treasury stock	(15,235)	(15,234)	(137,365)
Total shareholders' equity	69,475	65,477	626,411
Accumulated other comprehensive income:			
Unrealized holding gain on securities	4,528	1,265	40,830
Foreign currency translation adjustments	(17)	878	(156)
Total accumulated other comprehensive income	4,511	2,144	40,674
Subscription rights to shares	3	3	29
Non-controlling interests	3,323	3,574	29,969
Total net assets	77,313	71,199	697,084
Total liabilities and net assets	¥ 133,294	¥ 129,067	\$ 1,201,828

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, 2018 and 2017

	Millions of yen		Thousands of U.S.
	2018	2017	dollars (Note3)
Net sales	¥ 208,646	¥ 194,848	\$ 1,881,224
Cost of sales	174,477	160,566	1,573,144
Gross profit	34,169	34,282	308,079
Selling, general and administrative expenses	31,277	30,025	282,003
Operating income	2,892	4,256	26,076
Non-operating income (expenses):			
Interest income	58	44	529
Interest expenses	(25)	(20)	(229)
Dividend income	125	46	1,127
Share of loss of entities accounted for using equity method	(428)	(894)	(3,862)
Gain on investments in partnership	518	27	4,675
Foreign exchange gain (loss)	(31)	170	(288)
Gain on sales of investment securities	299	324	2,698
Gain on sales of shares of subsidiaries and affiliates	6,664	—	60,088
Loss on sales of shares of subsidiaries and affiliates	(48)	—	(436)
Loss on valuation of shares of subsidiaries and affiliates	(88)	(56)	(794)
Impairment loss on fixed assets	(35)	(17)	(318)
Other income net	253	(106)	2,281
Total non-operating income (expense)	7,261	(482)	65,473
Income before income taxes and non-controlling interests	10,153	3,774	91,549
Income taxes:			
Current	2,686	1,463	24,218
Deferred	1,365	707	12,308
	4,051	2,171	36,527
Net income	6,102	1,602	55,022
Net income attributable to non-controlling interests	108	179	977
Net income attributable to shareholders of transcosmos inc.	¥ 5,994	¥ 1,422	\$ 54,044

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, 2018 and 2017

	Millions of yen		Thousands of U.S.
	2018	2017	dollars (Note 3)
			2018
Net income	¥ 6,102	¥ 1,602	\$ 55,022
Other comprehensive income:			
Unrealized holding gain (loss) on securities	3,210	(5,068)	28,947
Unrealized gain (loss) on hedging instruments	—	(5,193)	—
Foreign currency translation adjustments	(525)	35	(4,739)
Share of other comprehensive income of entities accounted for using equity method	(397)	177	(3,585)
Total other comprehensive income	2,287	(10,050)	20,622
Comprehensive income	¥ 8,389	¥ (8,448)	\$ 75,644
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ 8,360	¥ (8,647)	\$ 75,383
Non-controlling interests	28	199	261

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 ¥110.91=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 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 nine months ended December 31, 2018 and 2017

Millions of yen						
2018						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 155,365	¥ 12,537	¥ 40,743	¥ 208,646	¥ —	¥ 208,646
Inter-segment sales and transfers	286	2,509	3,185	5,982	(5,982)	—
Total	¥ 155,652	¥ 15,047	¥ 43,928	¥ 214,628	¥ (5,982)	¥ 208,646
Segment profit (loss)	¥ 2,489	¥ 388	¥ 13	¥ 2,890	¥ 1	¥ 2,892

Thousands of U.S. dollars (Note 3)						
2018						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 1,400,826	\$ 113,043	\$ 367,354	\$ 1,881,224	\$ —	\$ 1,881,224
Inter-segment sales and transfers	2,586	22,628	28,723	53,938	(53,938)	—
Total	\$ 1,403,413	\$ 135,672	\$ 396,077	\$ 1,935,163	\$ (53,938)	\$ 1,881,224
Segment profit (loss)	\$ 22,441	\$ 3,502	\$ 117	\$ 26,062	\$ 14	\$ 26,076

Note A: Segment profit of ¥1 million (\$14 thousand) in “Eliminations” consists of inter-segment elimination.

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

Millions of yen						
2017						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
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	¥ 4,146	¥ 160	¥ (61)	¥ 4,245	¥ 10	¥ 4,256

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

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