

Note: This English translation is for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.



transcosmos inc.
Consolidated Financial Report
For the First Quarter of the Fiscal Year Ended March 31, 2020 [J-GAAP]

July 31, 2019

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

1. Consolidated Performance for the Three Months Ended March 31, 2020
(April 1, 2019 – June 30, 2019)

(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. 2020 Period	73,295	9.3	1,367	-	1,271	169.1	468	80.8
1Q Mar. 2019 Period	67,083	8.4	(4)	-	472	124.8	258	109.5

(Note) Comprehensive income: 1Q Mar. 2020 Period ¥108 million -% 1Q Mar. 2019 Period ¥(716) million -%

	Earnings per share (Quarter)	Earnings per share after adjustment for residual securities (Quarter)
	¥	¥
1Q Mar. 2020 Period	11.29	-
1Q Mar. 2019 Period	6.24	-

(2) Consolidated financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Jun. 30, 2019	134,610	73,778	52.1	1,691.89
As of Mar. 31, 2019	135,268	74,915	52.9	1,725.27

(Reference) Shareholders' equity: As of June 30, 2019 ¥70,171 million As of March 31, 2019 ¥71,555 million

2. Dividend Status

	Annual dividends				
	1Q End	2Q End	3Q End	Year End	Total
	¥	¥	¥	¥	¥
Mar. 2019 Period	-	0.00	-	33.00	33.00
Mar. 2020 Period	-	-	-	-	-
Mar. 2020 Period (Forecast)	-	-	-	-	-

(Note) Corrections to the consolidated performance forecast figures for this quarter: None
The dividend forecast for Fiscal Year ending March 31, 2020 is not yet to be determined.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2020

(April 1, 2019 – March 31, 2020)

The consolidated financial forecast for Fiscal Year ending March 31, 2020 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, 2019 and March 31, 2019

ASSETS	Millions of yen		Thousands of U.S.
	As of June 30,	As of March 31,	dollars (Note1)
	2019	2019	As of June 30, 2019
Current assets:			
Cash and deposits	¥ 34,689	¥ 36,032	\$ 321,943
Notes and accounts receivable - trade	43,366	44,746	402,475
Merchandise and finished goods	2,247	2,850	20,863
Work in process	1,123	1,090	10,430
Supplies	51	48	475
Others	6,837	5,324	63,461
Less - allowance for doubtful accounts	(258)	(258)	(2,394)
Total current assets	88,059	89,835	817,254
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	4,776	4,851	44,325
Tools, furniture and fixtures, net	3,920	3,877	36,383
Land	829	831	7,702
Others, net	871	837	8,090
Total property, plant and equipment, net	10,397	10,398	96,501
Intangible assets:			
Goodwill	780	417	7,242
Software	2,540	2,538	23,579
Others	653	577	6,060
Total intangible assets	3,974	3,534	36,882
Investments and other assets:			
Investment securities	8,164	8,737	75,774
Shares of subsidiaries and affiliates	6,228	6,782	57,802
Investments in capital of subsidiaries and affiliates	7,253	5,948	67,320
Deferred tax assets	2,240	1,785	20,791
Guarantee deposits	7,663	7,638	71,118
Others	1,156	1,130	10,728
Less - allowance for doubtful accounts	(526)	(522)	(4,888)
Total investments and other assets	32,179	31,501	298,647
Total non-current assets	46,551	45,433	432,030
Total assets	¥ 134,610	¥ 135,268	\$ 1,249,285

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of June 30, 2019 and March 31, 2019

LIABILITIES	Millions of yen		Thousands of U.S.
	As of June 31,	As of March 31,	dollars (Note 1)
	2019	2019	As of June 31, 2019
Current liabilities:			
Accounts payable - trade	¥ 11,836	¥ 11,554	\$ 109,851
Short-term loans payable	1,197	1,763	11,113
Current portion of bonds	14	7	129
Current portion of long-term debt	1,758	1,758	16,323
Accounts payable - other	4,381	5,319	40,667
Accrued expenses	14,748	14,446	136,878
Income taxes payable	1,597	2,323	14,826
Accrued consumption taxes	3,636	4,031	33,746
Provision for bonuses	5,584	3,793	51,830
Others	3,987	3,124	37,002
Total current liabilities	48,742	48,121	452,369
Non-current liabilities:			
Bonds payable	68	25	635
Convertible bond-type bonds with subscription rights to shares	10,014	10,017	92,944
Long-term debt	121	96	1,130
Deferred tax liabilities	1,085	1,261	10,073
Liability for retirement benefits	24	26	226
Others	773	804	7,182
Total non-current liabilities	12,088	12,232	112,193
Total liabilities	60,831	60,353	564,562
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	269,753
Capital surplus	17,785	17,755	165,064
Retained earnings	35,360	36,261	328,171
Treasury stock	(15,235)	(15,235)	(141,397)
Total shareholders' equity	66,976	67,847	621,591
Accumulated other comprehensive income:			
Unrealized holding gain on securities	3,852	4,470	35,750
Foreign currency translation adjustments	(657)	(761)	(6,098)
Total accumulated other comprehensive income	3,195	3,708	29,652
Subscription rights to shares	3	3	30
Non-controlling interests	3,603	3,355	33,447
Total net assets	73,778	74,915	684,722
Total liabilities and net assets	¥ 134,610	¥ 135,268	\$ 1,249,285

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, 2019 and 2018

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2019	2018	2019
Net sales	¥ 73,295	¥ 67,083	\$ 680,241
Cost of sales	61,217	56,497	568,144
Gross profit	12,078	10,585	112,096
Selling, general and administrative expenses	10,710	10,590	99,404
Operating income (loss)	1,367	(4)	12,692
Non-operating income (expenses):			
Interest income	42	16	391
Interest expenses	(12)	(24)	(117)
Dividend income	11	114	108
Share of loss of entities accounted for using equity method	—	(45)	—
Foreign exchange gain (loss)	(122)	(121)	(1,132)
Subsidy income	34	24	316
Subsidies for companies located	37	42	349
Gain on step acquisitions	26	—	246
Gain on investments in partnership	—	482	—
Gain on sales of investment securities	24	158	224
Loss on retirement of noncurrent assets	(38)	(8)	(353)
Impairment loss on fixed assets	(5)	(3)	(49)
Loss on valuation of investment securities	(15)	—	(148)
Loss on sales of shares of subsidiaries and affiliates	—	(48)	—
Other income (expenses), net	(35)	36	(333)
Total non-operating income (expenses)	(53)	623	(499)
Income before income taxes and non-controlling interests	1,313	619	12,193
Income taxes:			
Current	1,090	721	10,116
Deferred	(400)	(343)	(3,716)
	689	377	6,400
Net income	624	241	5,792
Net income (loss) attributable to non-controlling interests	156	(16)	1,448
Net income attributable to shareholders of transcosmos inc.	¥ 468	¥ 258	\$ 4,343

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, 2019 and 2018

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2019	2018	2019
Net income	¥ 624	¥ 241	\$ 5,792
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(620)	61	(5,755)
Foreign currency translation adjustments	102	(624)	950
Share of other comprehensive income of entities accounted for using equity method	2	(395)	23
Total other comprehensive income	(515)	(958)	(4,781)
Comprehensive income	¥ 108	¥ (716)	\$ 1,011
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ (45)	¥ (684)	\$ (421)
Non-controlling interests	154	(32)	1,432

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 ¥107.75=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2019. 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, 2019 and 2018

		Millions of yen										
		2019										
		Reportable segments										
		Domestic	Overseas									
		Parent	subsidaries and	subsidaries	Total	Eliminations	Consolidated					
		company	affiliates	and affiliates								
Net sales												
Sales to third parties	¥	53,095	¥	5,454	¥	14,745	¥	73,295	¥	—	¥	73,295
Inter-segment sales and transfers		184		839		1,175		2,199		(2,199)		—
Total	¥	53,279	¥	6,294	¥	15,921	¥	75,495	¥	(2,199)	¥	73,295
Segment profit (loss)	¥	991	¥	473	¥	(93)	¥	1,370	¥	(3)	¥	1,367

		Thousands of U.S. dollars (Note 1)										
		2019										
		Reportable segments										
		Domestic	Overseas									
		Parent	subsidaries and	subsidaries	Total	Eliminations	Consolidated					
		company	affiliates	and affiliates								
Net sales												
Sales to third parties	\$	492,762	\$	50,625	\$	136,852	\$	680,241	\$	—	\$	680,241
Inter-segment sales and transfers		1,707		7,794		10,909		20,411		(20,411)		—
Total	\$	494,470	\$	58,419	\$	147,762	\$	700,652	\$	(20,411)	\$	680,241
Segment profit (loss)	\$	9,197	\$	4,392	\$	(867)	\$	12,722	\$	(30)	\$	12,692

Note A: Segment profit (loss) of ¥(3) million (\$30 thousand) in “Eliminations” consists of inter-segment elimination.

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

		Millions of yen										
		2018										
		Reportable segments										
		Domestic	Overseas									
		Parent	subsidaries and	subsidaries	Total	Eliminations	Consolidated					
		company	affiliates	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)

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

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