

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 Results for the Six Months Ended September 30, 2019 [J-GAAP]

October 31, 2019

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020
(April 1, 2019 through September 30, 2019)

(1) Consolidated operating results (For the six months ended September 30)

(% of change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of transcosmos inc.	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2019	151,945	10.4	4,569	185.6	4,359	107.1	3,351	(36.0)
Six months ended Sep. 30, 2018	137,689	8.7	1,600	(13.1)	2,104	46.1	5,232	-

(Note) Comprehensive income: Six months ended September 30, 2019: 1,580 million yen (79.9)%. Six months ended September 30, 2018: 7,845 million yen -%

	Earnings per share - Basic		Earnings per share - Diluted	
	Yen		Yen	
Six months ended Sep. 30, 2019	80.80		-	
Six months ended Sep. 30, 2018	126.17		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	133,672	75,249	53.5	1,724.90
As of Mar. 31, 2019	135,268	74,915	52.9	1,725.27

(Reference) Equity ratio: As of September 30, 2019: 71,540 million yen. As of March 31, 2019: 71,555 million yen

2. Cash dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
Year ended Mar. 31, 2019	Yen -	Yen 0.00	Yen -	Yen 33.00	Yen 33.00
Year ending Mar. 31, 2020	-	0.00			
Year ending Mar. 31, 2020 (Forecast)			-	-	-

(Note) Revisions to the forecast of cash dividends since the latest announcement: None

Please note that the dividend forecast for the fiscal year ending March 31, 2020 has not been finalized.

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2020
(April 1, 2019 through March 31, 2020)

Please note that this document does not include the forecasts for consolidated financial results for the fiscal year ending March 31, 2020, due to the difficulty in making reasonably accurate projections for such period.

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

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	As of September	As of March 31,	As of September
	30, 2019	2019	30, 2019
Current assets:			
Cash and deposits	¥ 30,400	¥ 36,032	\$ 281,588
Notes and accounts receivable - trade	46,404	44,746	429,831
Merchandise and finished goods	3,054	2,850	28,291
Work in process	1,221	1,090	11,318
Supplies	57	48	536
Others	6,092	5,324	56,431
Less - allowance for doubtful accounts	(252)	(258)	(2,341)
Total current assets	86,978	¥ 89,835	805,657
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	4,948	4,851	45,833
Tools, furniture and fixtures, net	3,954	3,877	36,632
Land	824	831	7,634
Others, net	1,133	837	10,494
Total property, plant and equipment, net	10,860	10,398	100,594
Intangible assets:			
Goodwill	964	417	8,931
Software	2,608	2,538	24,165
Others	786	577	7,282
Total intangible assets	4,359	3,534	40,380
Investments and other assets:			
Investment securities	7,803	8,737	72,282
Shares of subsidiaries and affiliates	5,593	6,782	51,810
Investments in capital of subsidiaries and affiliates	7,085	5,948	65,631
Deferred tax assets	1,996	1,785	18,494
Guarantee deposits	8,339	7,638	77,244
Others	1,159	1,130	10,737
Less - allowance for doubtful accounts	(503)	(522)	(4,665)
Total investments and other assets	31,474	31,501	291,535
Total non-current assets	46,693	45,433	432,509
Total assets	¥ 133,672	¥ 135,268	\$ 1,238,167

See accompanying notes to unaudited quarterly consolidated financial statements.

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

LIABILITIES	Millions of yen		Thousands of U.S.
	As of September	As of March 31,	dollars (Note 1)
	30, 2019	2019	As of September
			30, 2019
Current liabilities:			
Accounts payable - trade	¥ 13,388	¥ 11,554	\$ 124,015
Short-term loans payable	1,298	1,763	12,028
Current portion of bonds	14	7	129
Current portion of long-term debt	94	1,758	876
Accounts payable – other	4,949	5,319	45,845
Accrued expenses	13,469	14,446	124,767
Income taxes payable	3,153	2,323	29,209
Accrued consumption taxes	2,778	4,031	25,739
Provision for bonuses	4,551	3,793	42,157
Others	2,658	3,124	24,622
Total current liabilities	46,357	48,121	429,391
Non-current liabilities:			
Bonds payable	65	25	602
Convertible bond-type bonds with subscription rights to shares	10,012	10,017	92,740
Long-term debt	124	96	1,148
Deferred tax liabilities	994	1,261	9,211
Liability for retirement benefits	73	26	683
Others	796	804	7,373
Total non-current liabilities	12,065	12,232	111,760
Total liabilities	58,422	60,353	541,151
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	269,229
Capital surplus	17,785	17,755	164,743
Retained earnings	38,243	36,261	354,238
Treasury stock	(15,235)	(15,235)	(141,124)
Total shareholders' equity	69,859	67,847	647,086
Accumulated other comprehensive income:			
Unrealized holding gain on securities	3,591	4,470	33,267
Foreign currency translation adjustments	(1,910)	(761)	(17,698)
Total accumulated other comprehensive income	1,680	3,708	15,569
Subscription rights to shares	3	3	29
Non-controlling interests	3,706	3,355	34,330
Total net assets	75,249	74,915	697,016
Total liabilities and net assets	¥ 133,672	¥ 135,268	\$ 1,238,167

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2019 and 2018

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2019	2018	2019
Net sales	¥ 151,945	¥ 137,689	\$ 1,407,421
Cost of sales	126,217	114,894	1,169,112
Gross profit	25,727	22,795	238,308
Selling, general and administrative expenses	21,157	21,195	195,979
Operating income	4,569	1,600	42,329
Non-operating income (expenses):			
Interest income	62	40	582
Interest expenses	(24)	(17)	(228)
Dividend income	13	116	128
Share of loss of entities accounted for using equity method	(211)	(316)	(1,956)
Foreign exchange gain(loss)	(34)	103	(321)
Gain on investments in partnership	—	519	—
Subsidy income	62	34	579
Loss on retirement of non-current assets	(42)	(12)	(390)
Impairment loss	(21)	(17)	(198)
Gain on sales of investment securities	1,540	299	14,267
Loss on valuation of investment securities	(39)	—	(364)
Gain on sales of shares of subsidiaries and associates	—	6,664	—
Loss on sales of shares of subsidiaries and associates	—	(48)	—
Loss on valuation of shares of subsidiaries and associates	—	(88)	—
Loss on step acquisitions	(47)	—	(436)
Other income (expense), net	(1)	118	(13)
Total non-operating income (expenses)	1,257	7,397	11,648
Income before income taxes and non-controlling interests	5,827	8,997	53,977
Income taxes:			
Current	2,381	2,985	22,057
Deferred	(149)	689	(1,387)
	2,231	3,674	20,669
Net income	3,595	5,322	33,308
Net income attributable to non-controlling interests	244	89	2,267
Net income attributable to shareholders of transcosmos inc.	¥ 3,351	¥ 5,232	\$ 31,040

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Comprehensive Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2019 and 2018

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2019	2018	2019
Net income	¥ 3,595	¥ 5,322	\$ 33,308
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(866)	3,987	(8,030)
Foreign currency translation adjustments	(813)	(1,000)	(7,537)
Share of other comprehensive income of entities accounted for using equity method	(335)	(464)	(3,104)
Total other comprehensive income	(2,015)	2,522	(18,671)
Comprehensive income	¥ 1,580	¥ 7,845	\$ 14,636
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ 1,323	¥ 7,796	\$ 12,258
Non-controlling interests	256	48	2,377

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
Operating activities:				
Income before income taxes and non-controlling interests	¥ 5,827	¥ 8,997	\$ 53,977	
Depreciation of property, plant and equipment	1,197	1,129	11,088	
Impairment loss on fixed assets	21	17	198	
Amortization of goodwill	66	267	613	
Amortization of intangible assets	467	430	4,328	
Increase (decrease) in allowance for doubtful accounts	(10)	(36)	(101)	
Increase (decrease) in provision for bonuses	666	101	6,177	
Changes in liability for retirement benefits, nets	(16)	2	(157)	
Interest and dividend income	(76)	(156)	(710)	
Interest expenses	24	17	228	
Foreign exchange gain	34	(103)	321	
Share of loss of entities accounted for using equity method	211	316	1,956	
Gain on investments in partnership	12	(519)	112	
Loss on disposal of fixed assets	42	12	390	
Gain on sales of investment securities	(1,540)	(299)	(14,267)	
Loss on valuation of investment securities	39	—	364	
Gain on sales of shares of subsidiaries and affiliates	—	(6,616)	—	
Loss on valuation of shares of subsidiaries and affiliates	—	88	—	
Gain (loss) on changes in ownership interests of subsidiaries and affiliates	(13)	(52)	(121)	
Gain (loss) on the acquisition of stages	20	—	190	
Decrease (increase) in notes and accounts receivable - trade	(1,351)	(1,157)	(12,517)	
Decrease in inventories	(371)	(198)	(3,441)	
Increase (decrease) in notes and accounts payable – trade	1,734	2,749	16,070	
Increase (decrease) in accrued consumption taxes	(1,247)	(178)	(11,559)	
Others, net	(2,992)	(1,098)	(27,716)	
Subtotal	2,744	3,713	25,426	
Interest and dividends received	130	206	1,205	
Interest paid	(33)	(16)	(309)	
Income taxes paid	(1,656)	(1,633)	(15,341)	
Net cash provided by (used in) operating activities	¥ 1,185	¥ 2,270	\$ 10,980	

Unaudited Quarterly Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2019 and 2018

	2019	2018	2019
Investing activities:			
Payments into time deposits	¥ (35)	¥ (80)	\$ (332)
Proceeds from withdrawal of time deposit accounts	14	138	132
Purchases of property, plant and equipment	(1,352)	(1,142)	(12,523)
Purchases of intangible assets	(814)	(688)	(7,541)
Purchases of investment securities	(320)	(131)	(2,973)
Proceeds from sales of investment securities	1,557	841	14,424
Proceeds from sales of shares of subsidiaries and affiliates	—	7,898	—
Purchase of shares of subsidiaries and associates	(55)	(531)	(514)
Payments for investments in capital of subsidiaries and associates	(1,288)	—	(11,933)
Payments for guarantee deposits	(1,268)	(865)	(11,752)
Proceeds from collection of guarantee deposits	415	176	3,845
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	209	—	1,944
Payments of loans receivable	(52)	(141)	(488)
Collection of loans receivable	77	89	721
Others, net	(11)	(72)	(107)
Net cash used in investing activities	(2,925)	5,490	(27,097)
Financing activities:			
Increase in short-term borrowings	360	148	3,336
Repayment of short-term borrowings	(803)	(511)	(7,439)
Increase in long-term borrowings	60	30	555
Repayment of long-term borrowings	(1,733)	(1,706)	(16,058)
Proceeds from issuance of bonds	48	—	447
Cash dividends paid	(1,373)	(956)	(12,726)
Proceeds from non-controlling equity shareholders	30	—	277
Cash dividends paid to non-controlling interests	(50)	(50)	(446)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(558)	—
Others, net	(157)	(125)	(1,458)
Net cash provided by (used in) financing activities	(3,620)	(3,729)	(33,531)
Effect of exchange rate changes on cash and cash equivalents	(297)	(673)	(2,753)
Decrease in cash and cash equivalents	(5,657)	3,357	(52,401)
Cash and cash equivalents at the beginning of the period	35,979	31,772	333,266
Cash and cash equivalents at the end of the period	¥ 30,322	¥ 35,130	\$ 280,864

See accompanying notes to unaudited quarterly consolidated financial statement

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 ¥107.96=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 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 six months ended September 30, 2019 and 2018

Millions of yen						
2019						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 110,994	¥ 10,904	¥ 30,046	¥ 151,945	¥ —	¥ 151,945
Inter-segment sales and transfers	378	1,854	2,472	4,705	(4,705)	—
Total	¥ 111,372	¥ 12,758	¥ 32,518	¥ 156,650	¥ (4,705)	¥ 151,945
Segment profit	¥ 3,344	¥ 873	¥ 351	¥ 4,569	¥ 0	¥ 4,569

Thousands of U.S. dollars (Note 1)						
2019						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 1,028,108	\$ 101,002	\$ 278,309	\$ 1,407,421	\$ —	\$ 1,407,421
Inter-segment sales and transfers	3,502	17,177	22,902	43,581	(43,581)	—
Total	\$ 1,031,611	\$ 118,180	\$ 301,211	\$ 1,451,003	\$ (43,581)	\$ 1,407,421
Segment profit	\$ 30,976	\$ 8,090	\$ 3,255	\$ 42,322	\$ 6	\$ 42,329

Note A: Segment profit of ¥0 million (\$6 thousand) in “Eliminations” consists of inter-segment elimination.

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

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	¥ 101,662	¥ 8,484	¥ 27,542	¥ 137,689	¥ —	¥ 137,689
Inter-segment sales and transfers	192	1,613	2,012	3,818	(3,818)	—
Total	¥ 101,854	¥ 10,098	¥ 29,554	¥ 141,507	¥ (3,818)	¥ 137,689
Segment profit	¥ 1,248	¥ 344	¥ 9	¥ 1,602	¥ (2)	¥ 1,600

Note A: Segment profit of ¥ (2) million in “Eliminations” consists of inter-segment elimination.

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