

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 Nine Months Ended December 31, 2019 [J-GAAP]

January 31, 2020

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

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

(1) Consolidated operating results (For the nine months ended December 31)

(% 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	%
Nine months ended Dec. 31, 2019	230,092	10.3	7,794	169.5	7,700	142.4	6,116	2.0
Nine months ended Dec. 31, 2018	208,646	7.1	2,892	(32.1)	3,176	(14.0)	5,994	321.3

(Note) Comprehensive income: Nine months ended December 31, 2019: 4,007 million yen (52.2)%. Nine months ended December 31, 2018: 8,389 million yen -%

	Earnings per share - Basic		Earnings per share - Diluted	
	Yen		Yen	
Nine months ended Dec. 31, 2019	147.48		-	
Nine months ended Dec. 31, 2018	144.52		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2019	138,690	77,731	53.3	1,781.78
As of Mar. 31, 2019	135,268	74,915	52.9	1,725.27

(Reference) Equity ratio: As of December 31, 2019: 73,899 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
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2019	-	0.00	-	33.00	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 December 31, 2019 and March 31, 2019

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	As of December 31, 2019	As of March 31, 2019	As of December 31, 2019
Current assets:			
Cash and deposits	¥ 30,893	¥ 36,032	\$ 282,000
Notes and accounts receivable - trade	46,270	44,746	422,365
Merchandise and finished goods	3,521	2,850	32,146
Work in process	1,431	1,090	13,065
Supplies	56	48	518
Others	8,939	5,324	81,601
Less - allowance for doubtful accounts	(254)	(258)	(2,321)
Total current assets	90,858	¥ 89,835	829,376
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	5,032	4,851	45,940
Tools, furniture and fixtures, net	4,036	3,877	36,846
Land	819	831	7,484
Others, net	1,261	837	11,518
Total property, plant and equipment, net	11,151	10,398	101,790
Intangible assets:			
Goodwill	1,096	417	10,010
Software	2,783	2,538	25,405
Others	956	577	8,729
Total intangible assets	4,836	3,534	44,145
Investments and other assets:			
Investment securities	8,205	8,737	74,901
Shares of subsidiaries and affiliates	5,904	6,782	53,901
Investments in capital of subsidiaries and affiliates	6,851	5,948	62,544
Deferred tax assets	1,692	1,785	15,453
Guarantee deposits	8,396	7,638	76,641
Others	1,134	1,130	10,355
Less - allowance for doubtful accounts	(340)	(522)	(3,108)
Total investments and other assets	31,845	31,501	290,690
Total non-current assets	47,832	45,433	436,626
Total assets	¥ 138,690	¥ 135,268	\$ 1,266,002

See accompanying notes to unaudited quarterly consolidated financial statements.

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

	Millions of yen		Thousands of U.S.
	As of December	As of March 31,	dollars (Note 1)
	31, 2019	2019	As of December 31, 2019
LIABILITIES			
Current liabilities:			
Accounts payable - trade	¥ 12,570	¥ 11,554	\$ 114,746
Short-term loans payable	894	1,763	8,163
Current portion of bonds	14	7	127
Current portion of convertible bond-type bonds with share acquisition rights	10,009	—	91,371
Current portion of long-term debt	115	1,758	1,057
Accounts payable – other	5,123	5,319	46,770
Accrued expenses	15,715	14,446	143,457
Income taxes payable	1,892	2,323	17,271
Accrued consumption taxes	4,831	4,031	44,101
Provision for bonuses	2,731	3,793	24,933
Others	3,311	3,124	30,229
Total current liabilities	57,210	48,121	522,230
Non-current liabilities:			
Bonds payable	61	25	561
Convertible bond-type bonds with subscription rights to shares	—	10,017	—
Long-term debt	1,320	96	12,056
Deferred tax liabilities	1,081	1,261	9,867
Liability for retirement benefits	296	26	2,705
Others	989	804	9,028
Total non-current liabilities	3,748	12,232	34,219
Total liabilities	60,959	60,353	556,450
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	265,321
Capital surplus	17,785	17,755	162,352
Retained earnings	41,009	36,261	374,341
Treasury stock	(15,236)	(15,235)	(139,078)
Total shareholders' equity	72,624	67,847	662,937
Accumulated other comprehensive income:			
Unrealized holding gain on securities	3,936	4,470	35,937
Foreign currency translation adjustments	(2,662)	(761)	(24,303)
Total accumulated other comprehensive income	1,274	3,708	11,634
Subscription rights to shares	3	3	29
Non-controlling interests	3,828	3,355	34,951
Total net assets	77,731	74,915	709,551
Total liabilities and net assets	¥ 138,690	¥ 135,268	\$ 1,266,002

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, 2019 and 2018

	Millions of yen		Thousands of U.S.
			dollars (Note1)
	2019	2018	2019
Net sales	¥ 230,092	¥ 208,646	\$ 2,100,343
Cost of sales	189,793	174,477	1,732,478
Gross profit	40,299	34,169	367,864
Selling, general and administrative expenses	32,504	31,277	296,710
Operating income	7,794	2,892	71,153
Non-operating income (expenses):			
Interest income	89	58	813
Interest expenses	(40)	(25)	(371)
Dividend income	18	125	169
Share of loss of entities accounted for using equity method	(228)	(428)	(2,087)
Gain on investments in partnership	—	518	—
Subsidy income	118	107	1,079
Foreign exchange gain (loss)	31	(31)	291
Gain on sales of investment securities	1,784	299	16,286
Gain on sales of shares of subsidiaries and affiliates	—	6,664	—
Loss on retirement of non-current assets	(53)	(14)	(488)
Impairment loss	(22)	(35)	(204)
Loss on sales of shares of subsidiaries and affiliates	—	(48)	—
Loss on step acquisitions	(47)	—	(429)
Other income (expense) net	(50)	71	(461)
Total non-operating income	1,599	7,261	14,597
Income before income taxes and non-controlling interests	9,394	10,153	85,751
Income taxes:			
Current	2,733	2,686	24,953
Deferred	175	1,365	1,599
	2,908	4,051	26,552
Net income	6,485	6,102	59,198
Net income attributable to non-controlling interests	368	108	3,363
Net income attributable to shareholders of transcosmos inc.	¥ 6,116	¥ 5,994	\$ 55,835

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, 2019 and 2018

	Millions of yen		Thousands of U.S.
			dollars (Note1)
	2019	2018	2019
Net income	¥ 6,485	¥ 6,102	\$ 59,198
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(576)	3,210	(5,266)
Foreign currency translation adjustments	(1,419)	(525)	(12,957)
Share of other comprehensive income of entities accounted for using equity method	(481)	(397)	(4,391)
Total other comprehensive income	(2,477)	2,287	(22,615)
Comprehensive income	¥ 4,007	¥ 8,389	\$ 36,583
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ 3,682	¥ 8,360	\$ 33,616
Non-controlling interests	324	28	2,966

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 ¥109.55=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 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 nine months ended December 31, 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	¥ 168,998	¥ 17,370	¥ 43,723	¥ 230,092	¥ —	¥ 230,092
Inter-segment sales and transfers	578	2,959	3,828	7,366	(7,366)	—
Total	¥ 169,577	¥ 20,330	¥ 47,551	¥ 237,459	¥ (7,366)	¥ 230,092
Segment profit	¥ 5,916	¥ 1,134	¥ 757	¥ 7,808	¥ (13)	¥ 7,794

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	\$ 1,542,665	\$ 158,562	\$ 399,115	\$ 2,100,343	\$ —	\$ 2,100,343
Inter-segment sales and transfers	5,281	27,017	34,943	67,243	(67,243)	—
Total	\$ 1,547,946	\$ 185,580	\$ 434,058	\$ 2,167,586	\$ (67,243)	\$ 2,100,343
Segment profit	\$ 54,009	\$ 10,353	\$ 6,911	\$ 71,274	\$ (121)	\$ 71,153

Note A: Segment loss of ¥(13) million (\$ (121) 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	¥ 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	¥ 2,489	¥ 388	¥ 13	¥ 2,890	¥ 1	¥ 2,892

Note A: Segment profit of ¥ 1 million in “Eliminations” consists of inter-segment elimination.

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