

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, 2020 [J-GAAP]

October 30, 2020

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 through September 30, 2020)

(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, 2020	163,734	7.8	8,485	85.7	8,677	99.0	5,569	66.2
Six months ended Sep. 30, 2019	151,945	10.4	4,569	185.6	4,359	107.1	3,351	(36.0)

(Note) Comprehensive income: Six months ended September 30, 2020: 7,073 million yen 347.7%. Six months ended September 30, 2019: 1,580 million yen (79.9)%

	Earnings per share - Basic		Earnings per share - Diluted	
	Yen		Yen	
Six months ended Sep. 30, 2020	134.27		-	
Six months ended Sep. 30, 2019	80.80		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2020	167,007	83,074	47.2	1,900.40
As of Mar. 31, 2020	143,985	77,969	51.5	1,788.95

(Reference) Equity ratio: As of September 30, 2020: 78,818 million yen. As of March 31, 2020: 74,196 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, 2020	-	0.00	-	46.00	46.00
Year ending Mar. 31, 2021	-	0.00			
Year ending Mar. 31, 2021 (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, 2021 has not been finalized.

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2021
(April 1, 2020 through March 31, 2021)

Please note that this document does not include the forecasts for consolidated financial results for the fiscal year ending March 31, 2021, 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, 2020 and March 31, 2020

ASSETS	Millions of yen		Thousands of U.S.
	As of September	As of March 31,	dollars (Note 1)
	30, 2020	2020	As of September
			30, 2020
Current assets:			
Cash and deposits	¥ 46,877	¥ 35,012	\$ 443,032
Notes and accounts receivable - trade	54,796	49,793	517,880
Merchandise and finished goods	4,302	4,420	40,664
Work in process	1,112	1,088	10,509
Supplies	176	56	1,666
Others	7,798	6,954	73,699
Less - allowance for doubtful accounts	(288)	(403)	(2,726)
Total current assets	114,774	¥ 96,922	1,084,726
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	5,675	5,486	53,637
Tools, furniture and fixtures, net	4,728	4,390	44,689
Land	820	825	7,751
Others, net	957	977	9,053
Total property, plant and equipment, net	12,182	11,679	115,131
Intangible assets:			
Goodwill	931	778	8,800
Software	2,866	2,806	27,092
Others	692	729	6,543
Total intangible assets	4,490	4,314	42,436
Investments and other assets:			
Investment securities	9,660	7,196	91,301
Shares of subsidiaries and affiliates	9,934	5,506	93,893
Investments in capital of subsidiaries and affiliates	1,057	6,092	9,994
Deferred tax assets	3,876	2,183	36,632
Guarantee deposits	10,136	9,289	95,796
Others	1,182	1,088	11,176
Less - allowance for doubtful accounts	(287)	(288)	(2,712)
Total investments and other assets	35,560	31,068	336,081
Total non-current assets	52,232	47,062	493,648
Total assets	¥ 167,007	¥ 143,985	\$ 1,578,374

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of September 30, 2020 and March 31, 2020

	Millions of yen		Thousands of U.S.
	As of September	As of March 31,	dollars (Note 1)
	30, 2020	2020	As of September
			30, 2020
LIABILITIES			
Current liabilities:			
Accounts payable - trade	¥ 11,885	¥ 12,808	\$ 112,329
Short-term loans payable	2,560	3,057	24,197
Current portion of bonds	28	28	264
Current portion of convertible bonds	10,002	10,007	94,530
Current portion of long-term debt	79	83	750
Accounts payable – other	6,104	6,809	57,690
Accrued expenses	14,763	14,512	139,529
Income taxes payable	4,858	3,151	45,919
Accrued consumption taxes	4,592	4,830	43,402
Provision for bonuses	5,448	4,766	51,493
Others	4,206	3,377	39,756
Total current liabilities	64,529	63,432	609,863
Non-current liabilities:			
Bonds payable	100	114	945
Long-term debt	16,292	142	153,976
Deferred tax liabilities	1,413	895	13,362
Liability for retirement benefits	308	295	2,918
Others	1,288	1,136	12,175
Total non-current liabilities	19,403	2,583	183,377
Total liabilities	83,932	66,015	793,241
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	274,699
Capital surplus	17,779	17,778	168,031
Retained earnings	44,707	41,061	422,527
Treasury stock	(15,236)	(15,236)	(144,002)
Total shareholders' equity	76,316	72,669	721,255
Accumulated other comprehensive income:			
Unrealized holding gain on securities	5,060	3,204	47,826
Foreign currency translation adjustments	(2,558)	(1,677)	(24,176)
Total accumulated other comprehensive income	2,502	1,527	23,649
Subscription rights to shares	3	3	30
Non-controlling interests	4,253	3,769	40,197
Total net assets	83,074	77,969	785,133
Total liabilities and net assets	¥ 167,007	¥ 143,985	\$ 1,578,374

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, 2020 and 2019

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2020	2019	2020
Net sales	¥ 163,734	¥ 151,945	\$ 1,547,439
Cost of sales	131,673	126,217	1,244,429
Gross profit	32,061	25,727	303,009
Selling, general and administrative expenses	23,575	21,157	222,811
Operating income	8,485	4,569	80,197
Non-operating income (expenses):			
Interest income	56	62	536
Interest expenses	(50)	(24)	(472)
Dividend income	7	13	70
Share of loss of entities accounted for using equity method	(55)	(211)	(521)
Foreign exchange gain(loss)	(16)	(34)	(158)
Subsidy income	273	62	2,584
Loss on retirement of non-current assets	—	(42)	—
Impairment loss	(77)	(21)	(736)
Gain on sales of investment securities	107	1,540	1,012
Loss on valuation of investment securities	—	(39)	—
Gain on change in equity	242	13	2,294
Loss on step acquisitions	—	(47)	—
Other income (expense), net	29	(14)	274
Total non-operating income (expenses)	516	1,257	4,882
Income before income taxes and non-controlling interests	9,002	5,827	85,079
Income taxes:			
Current	4,709	2,381	44,513
Deferred	(1,819)	(149)	(17,193)
	2,890	2,231	27,319
Net income	6,111	3,595	57,760
Net income attributable to non-controlling interests	542	244	5,127
Net income attributable to shareholders of transcosmos inc.	¥ 5,569	¥ 3,351	\$ 52,632

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, 2020 and 2019

	Millions of yen		Thousands of U.S.
	2020	2019	dollars (Note 1)
Net income	¥ 6,111	¥ 3,595	\$ 57,760
Other comprehensive income:			
Unrealized holding gain (loss) on securities	1,845	(866)	17,446
Foreign currency translation adjustments	(475)	(813)	(4,496)
Share of other comprehensive income of entities accounted for using equity method	(407)	(335)	(3,854)
Total other comprehensive income	962	(2,015)	9,095
Comprehensive income	¥ 7,073	¥ 1,580	\$ 66,855
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ 6,544	¥ 1,323	\$ 61,847
Non-controlling interests	529	256	5,008

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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2020	2019	2020	
Operating activities:				
Income before income taxes and non-controlling interests	¥ 9,002	¥ 5,827	\$ 85,079	
Depreciation of property, plant and equipment	1,432	1,197	13,533	
Impairment loss on fixed assets	77	21	736	
Amortization of goodwill	89	66	846	
Amortization of intangible assets	513	467	4,850	
Increase (decrease) in allowance for doubtful accounts	(107)	(10)	(1,019)	
Increase (decrease) in provision for bonuses	687	666	6,500	
Changes in liability for retirement benefits, nets	59	(16)	562	
Interest and dividend income	(64)	(76)	(606)	
Interest expenses	50	24	472	
Foreign exchange loss	16	34	158	
Share of loss of entities accounted for using equity method	55	211	521	
Gain on investments in partnership	6	12	63	
Loss on disposal of fixed assets	16	42	156	
Gain on sales of investment securities	(107)	(1,540)	(1,012)	
Loss on valuation of investment securities	1	39	13	
Gain on sales of shares of subsidiaries and affiliates	(72)	—	(684)	
Loss on valuation of shares of subsidiaries and affiliates	6	—	61	
Gain (loss) on changes in ownership interests of subsidiaries and affiliates	(220)	(13)	(2,082)	
Gain (loss) on the acquisition of stages	—	20	—	
Decrease (increase) in notes and accounts receivable - trade	(5,352)	(1,351)	(50,590)	
Decrease in inventories	(103)	(371)	(982)	
Increase (decrease) in notes and accounts payable – trade	(851)	1,734	(8,049)	
Increase (decrease) in accrued consumption taxes	(204)	(1,247)	(1,936)	
Others, net	563	(2,992)	5,330	
Subtotal	5,494	2,744	51,925	
Interest and dividends received	152	130	1,436	
Interest paid	(33)	(33)	(313)	
Income taxes paid	(3,082)	(1,656)	(29,136)	
Net cash provided by (used in) operating activities	¥ 2,530	¥ 1,185	\$ 23,912	

Unaudited Quarterly Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2020 and 2019

	2020	2019	2020
Investing activities:			
Payments into time deposits	¥ (100)	¥ (35)	\$ (948)
Proceeds from withdrawal of time deposit accounts	—	14	—
Purchases of property, plant and equipment	(2,243)	(1,352)	(21,200)
Purchases of intangible assets	(518)	(814)	(4,895)
Purchases of investment securities	(11)	(320)	(107)
Proceeds from sales of investment securities	102	1,557	972
Purchase of shares of subsidiaries and associates	(85)	(55)	(807)
Payments for investments in capital of subsidiaries and associates	—	(1,288)	—
Payments for guarantee deposits	(1,000)	(1,268)	(9,451)
Proceeds from collection of guarantee deposits	92	415	869
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	209	—
Payments of loans receivable	(89)	(52)	(847)
Collection of loans receivable	45	77	430
Others, net	(215)	(11)	(2,034)
Net cash used in investing activities	<u>(4,023)</u>	<u>(2,925)</u>	<u>(38,022)</u>
Financing activities:			
Increase in short-term borrowings	1,359	360	12,844
Repayment of short-term borrowings	(1,741)	(803)	(16,456)
Increase in long-term borrowings	16,184	60	152,958
Repayment of long-term borrowings	(67)	(1,733)	(637)
Proceeds from issuance of bonds	—	48	—
Cash dividends paid	(1,907)	(1,373)	(18,028)
Proceeds from non-controlling equity shareholders	—	30	—
Cash dividends paid to non-controlling interests	(44)	(50)	(423)
Others, net	(216)	(157)	(2,050)
Net cash provided by (used in) financing activities	<u>13,565</u>	<u>(3,620)</u>	<u>128,205</u>
Effect of exchange rate changes on cash and cash equivalents	(413)	(297)	(3,911)
Increase in cash and cash equivalents	11,658	(5,657)	110,183
Cash and cash equivalents at the beginning of the period	34,920	35,979	330,030
Increase in cash and cash equivalents resulting from merger of subsidiaries and merger with unconsolidated subsidiaries	104	—	985
Cash and cash equivalents at the end of the period	<u>¥ 46,683</u>	<u>¥ 30,322</u>	<u>\$ 441,200</u>

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 ¥105.81=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2020. 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, 2020 and 2019

Millions of yen						
2020						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 117,735	¥ 15,765	¥ 30,232	¥ 163,734	¥ —	¥ 163,734
Inter-segment sales and transfers	551	3,106	2,335	5,994	(5,994)	—
Total	¥ 118,287	¥ 18,872	¥ 32,568	¥ 169,728	¥ (5,994)	¥ 163,734
Segment profit	¥ 5,699	¥ 1,700	¥ 1,078	¥ 8,479	¥ 6	¥ 8,485

Thousands of U.S. dollars (Note 1)						
2020						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 1,112,710	\$ 149,001	\$ 285,727	\$ 1,547,439	\$ —	\$ 1,547,439
Inter-segment sales and transfers	5,216	29,361	22,073	56,651	(56,651)	—
Total	\$ 1,117,926	\$ 178,363	\$ 307,801	\$ 1,604,090	\$ (56,651)	\$ 1,547,439
Segment profit	\$ 53,869	\$ 16,075	\$ 10,194	\$ 80,139	\$ 58	\$ 80,197

Note A: Segment profit of ¥6 million (\$58 thousand) in “Eliminations” consists of inter-segment elimination.

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

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

Note A: Segment profit of ¥0 million in “Eliminations” consists of inter-segment elimination.

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