

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, 2021 [J-GAAP]

January 31, 2022

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022
(April 1, 2021 through December 31, 2021)

(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, 2021	258,232	-	19,156	-	18,905	-	13,978	-
Nine months ended Dec. 31, 2020	246,897	7.3	13,223	69.6	13,568	76.2	8,625	41.0

(Note) Comprehensive income: Nine months ended December 31, 2021: 23,946 million yen -%. Nine months ended December 31, 2020: 11,184 million yen 179.1%

	Earnings per share - Basic	Earnings per share - Diluted
	Yen	Yen
Nine months ended Dec. 31, 2021	337.04	-
Nine months ended Dec. 31, 2020	207.98	-

(Note) transcosmos has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the related guidance since the beginning of the current first quarterly consolidated accounting period. All figures for the third quarter of the fiscal year ending March 2022 are based on the standard and the guidance. In the table above, as such, we have not presented the percentage changes compared with the corresponding period of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2021	201,758	112,868	52.1	2,536.37
As of Mar. 31, 2021	175,883	92,516	48.8	2,069.01

(Reference) Equity ratio: As of December 31, 2021: 105,192 million yen. As of March 31, 2021: 85,811 million yen

(Note) transcosmos has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the related guidance since the beginning of the current first quarterly consolidated accounting period. All figures for the third quarter of the fiscal year ending March 2022 are based on the standard and the guidance.

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, 2021	-	0.00	-	93.00	93.00
Year ending Mar. 31, 2022	-	0.00	-		
Year ending Mar. 31, 2022 (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, 2022 has not been finalized.

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2022
(April 1, 2021 through March 31, 2022)

Please note that this document does not include the forecasts for consolidated financial results for the fiscal year ending March 31, 2022, 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, 2021 and March 31, 2021

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	As of December 31, 2021	As of March 31, 2021	As of December 31, 2021
Current assets:			
Cash and deposits	¥ 53,496	¥ 49,903	\$ 465,106
Notes and accounts receivable - trade	—	56,436	—
Notes and accounts receivable – trade, and contract assets	69,467	—	603,956
Merchandise and finished goods	7,450	5,723	64,771
Work in process	333	1,481	2,900
Supplies	103	150	900
Others	7,241	7,128	62,960
Less - allowance for doubtful accounts	(275)	(293)	(2,395)
Total current assets	137,817	120,530	1,198,200
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	6,198	6,669	53,890
Tools, furniture and fixtures, net	5,858	5,337	50,935
Land	825	826	7,179
Others, net	1,495	1,324	13,004
Total property, plant and equipment, net	14,378	14,157	125,010
Intangible assets:			
Goodwill	840	984	7,305
Software	3,109	3,036	27,035
Others	761	650	6,621
Total intangible assets	4,711	4,671	40,962
Investments and other assets:			
Investment securities	17,789	9,628	154,667
Shares of unconsolidated subsidiaries and affiliates	10,699	9,293	93,023
Investments of capital in unconsolidated subsidiaries and affiliates	1,267	1,147	11,021
Deferred tax assets	3,232	5,009	28,107
Guarantee deposits	10,626	10,433	92,389
Others	1,513	1,960	13,158
Less - allowance for doubtful accounts	(278)	(950)	(2,423)
Total investments and other assets	44,851	36,522	389,945
Total non-current assets	63,941	55,352	555,918
Total assets	¥ 201,758	¥ 175,883	\$ 1,754,119

See accompanying notes to unaudited quarterly consolidated financial statements.

Unaudited Quarterly Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of December 31, 2021 and March 31, 2021

	Millions of yen		Thousands of U.S.
	As of December	As of March 31,	dollars (Note 2)
	31, 2021	2021	As of December
			31, 2021
LIABILITIES			
Current liabilities:			
Accounts payable - trade	¥ 14,606	¥ 13,104	\$ 126,986
Short-term borrowings	1,531	2,548	13,311
Current portion of bonds payable	48	48	417
Current portion of long-term debt	12,070	87	104,941
Accounts payable – other	6,170	7,120	53,644
Accrued expenses	18,656	16,047	162,201
Income taxes payable	2,571	8,111	22,360
Accrued consumption taxes	6,278	6,270	54,589
Accrued compensation	3,384	5,462	29,423
Others	5,950	5,084	51,735
Total current liabilities	71,267	63,886	619,611
Non-current liabilities:			
Bonds payable	138	166	1,204
Convertible bond-type bonds with subscription rights to shares	10,099	—	87,802
Long-term debt	4,249	16,246	36,947
Deferred tax liabilities	1,215	1,191	10,571
Liability for retirement benefits	357	334	3,111
Others	1,561	1,540	13,578
Total non-current liabilities	17,622	19,480	153,214
Total liabilities	88,890	83,366	772,826
NET ASSETS			
Shareholders' equity:			
Capital stock	29,065	29,065	252,703
Capital surplus	19,331	19,361	168,067
Retained earnings	59,897	49,488	520,760
Treasury stock	(15,240)	(15,237)	(132,503)
Total shareholders' equity	93,054	82,678	809,028
Accumulated other comprehensive income:			
Unrealized holding gain on securities	12,056	4,624	104,817
Foreign currency translation gains (losses) adjustments	81	(1,492)	712
Total accumulated other comprehensive income	12,138	3,132	105,529
Stock acquisition rights	3	3	28
Non-controlling interests	7,672	6,702	66,706
Total net assets	112,868	92,516	981,292
Total liabilities and net assets	¥ 201,758	¥ 175,883	\$ 1,754,119

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, 2021 and 2020

	Millions of yen		Thousands of U.S.
			dollars (Note 2)
	2021	2020	2021
Net sales	¥ 258,232	¥ 246,897	\$ 2,245,110
Cost of sales	201,154	198,497	1,748,867
Gross profit	57,077	48,399	496,242
Selling, general and administrative expenses	37,921	35,176	329,693
Operating income	19,156	13,223	166,548
Non-operating income (expenses):			
Interest income	57	85	503
Interest expenses	(103)	(84)	(901)
Dividend income	11	8	102
Share of profits (losses) of entities accounted for using equity method	229	(304)	1,998
Subsidy income	192	653	1,671
Foreign exchange gains (losses)	(166)	(15)	(1,446)
Head office relocation costs	(630)	—	(5,485)
Gains on sales of investment securities	520	107	4,525
Gains on changes in ownership interests in affiliates	789	318	6,868
Losses on changes in ownership interests in affiliates	—	(160)	—
Losses on retirement of non-current assets	(68)	(50)	(596)
Impairment losses on fixed assets	(60)	(106)	(523)
Penalty income	734	—	6,383
Other income (expenses) net	43	126	380
Total non-operating income	1,550	576	13,480
Income before income taxes and non-controlling interests	20,706	13,800	180,028
Income taxes:			
Current	4,450	4,939	38,689
Deferred	1,307	(633)	11,366
Total income taxes	5,757	4,306	50,056
Net income	14,949	9,494	129,971
Net income attributable to non-controlling interests	971	868	8,442
Net income attributable to shareholders of transcosmos inc.	¥ 13,978	¥ 8,625	\$ 121,529

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, 2021 and 2020

	Millions of yen		Thousands of U.S.
			dollars (Note 2)
	2021	2020	2021
Income before non-controlling interests	¥ 14,949	¥ 9,494	\$ 129,971
Other comprehensive income:			
Unrealized holding gains on securities	7,434	2,150	64,632
Foreign currency translation gains (losses) adjustments	1,044	(344)	9,080
Share of other comprehensive income (losses) from ownership in entities accounted for using the equity method	518	(116)	4,506
Total other comprehensive income	8,996	1,690	78,219
Comprehensive income	¥ 23,946	¥ 11,184	\$ 208,191
Total comprehensive income attributable to:			
Shareholders of transcosmos inc.	¥ 22,984	¥ 10,329	\$ 199,827
Non-controlling interests	962	855	8,363

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

Application of “Accounting Standard for Revenue Recognition,” and other applicable standards.

Effective from April 1, 2021, the Group has applied Accounting Standards Board of Japan (ASBJ) Statement No. 29 “Accounting Standard for Revenue Recognition, March 31, 2020” and other related accounting standards. Due to the application of these standards, revenue is recognized in the amount foreseeable to be received in exchange for goods or services at the time control of promised goods or services is transferred to the customer.

As a result, revenue from the transactions as an agent, which was previously recognized at the gross amounts received from the customers, is recognized at net of the amounts received from the customers and the amounts paid to outsourced companies. Previously, percentage-of-completion method had been applied for the contract works which certainty of the performance regarding the measurement of progress is identified and completion method had been applied for the other contract works. However, regarding the performance obligations satisfied over time, revenue recognition method is changed to recognize revenue over time based on the measured progress of the satisfaction of a performance obligation. The estimation regarding measuring a progress of the satisfaction of a performance obligation is calculated as a percentage of the total actual costs relative to the total expected costs (“Input method”), if the result of the performance obligation can be reasonably measured. In case where the result of the performance obligation cannot be reasonably measured, revenue is recognized only to the extent of that costs incurred.

In accordance with the proviso of Article 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application is adjusted to retained earnings as of the beginning of the first quarter of the year ending March 31, 2022. However, in accordance with Article 86 of the Accounting Standard for Revenue Recognition, the new accounting standard is not applied retroactively to contracts for which almost all revenue was recognized by the previous method prior to the beginning of the first quarter of the year ending March 31, 2022.

As a result, net sales decreased by ¥19,322 million (\$167,996 thousand), cost of sales decreased by ¥19,186 million (\$166,809 thousand), selling, general and administrative expenses decreased by ¥1 million (\$13 thousand), and operating income, ordinary income, and income before income taxes decreased by ¥134 million (\$1,173 thousand), respectively, for the nine months ended December 31, 2021. Retained earnings at the beginning of the period increased by ¥212 million (\$1,850 thousand).

Due to the application of the Accounting Standard for Revenue Recognition, “notes and accounts receivable–trade” which were include in current assets in the consolidated balance sheets of the year ended March 31, 2021, have been included in “notes, accounts receivable–trade, and contract assets” from the first quarter of the year ending March 31, 2022. In accordance with Article 89-2 of the Accounting Standard for Revenue Recognition regarding transitional treatment, results for the year ended March 31, 2021 are not reclassified in accordance with the new presentation method. In addition, “Information of disaggregated revenue from customers contracts” for the nine months ended December 31, 2020 is not disclosed in accordance with the transitional treatment prescribed in Article 28-15 of ASBJ Statement No.12 “Accounting Standard for Quarterly Financial Statements, March 31, 2020”.

Application of “Accounting Standard for Fair Value Measurement,” and other applicable standards.

Effective from April 1, 2021, the Group has applied ASBJ Statement No. 30 “Accounting Standard for Fair Value Measurement, July 4, 2019” and other related accounting standards. In accordance with Article 19 of the Accounting Standard for Fair Value Measurement and transitional treatment prescribed in Article 44-2 of ASBJ Statement No. 10 “Accounting Standard for Financial Instruments, July 4, 2019”, the new accounting policy is to be applied in the future. There is no impact on the quarterly consolidated financial statements.

2. 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 ¥115.02=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 2021. 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

3. Segment Information

(1) Information on net sales and profit or loss for each reportable segment for the nine months ended December 31, 2021 and 2020

Millions of yen						
2021						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 175,518	¥ 24,966	¥ 57,748	¥ 258,232	¥ —	¥ 258,232
Inter-segment sales and transfers	817	4,438	2,991	8,247	(8,247)	—
Total	¥ 176,335	¥ 29,404	¥ 60,739	¥ 266,479	¥ (8,247)	¥ 258,232
Segment profit	¥ 13,644	¥ 2,811	¥ 2,677	¥ 19,133	¥ 23	¥ 19,156

Thousands of U.S. dollars (Note 2)						
2021						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 1,525,980	\$ 217,058	\$ 502,071	\$ 2,245,110	\$ —	\$ 2,245,110
Inter-segment sales and transfers	7,103	38,591	26,010	71,704	(71,704)	—
Total	\$ 1,533,083	\$ 255,649	\$ 528,081	\$ 2,316,814	\$ (71,704)	\$ 2,245,110
Segment profit	\$ 118,626	\$ 24,445	\$ 23,275	\$ 166,346	\$ 201	\$ 166,548

Note A: Segment profit of ¥ 23 million (\$201 thousand) in “Eliminations” consists of inter-segment elimination.

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

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	¥ 177,613	¥ 24,196	¥ 45,086	¥ 246,897	¥ —	¥ 246,897
Inter-segment sales and transfers	937	4,779	3,575	9,292	(9,292)	—
Total	¥ 178,551	¥ 28,976	¥ 48,661	¥ 256,189	¥ (9,292)	¥ 246,897
Segment profit	¥ 8,767	¥ 2,705	¥ 1,774	¥ 13,247	¥ (23)	¥ 13,223

Note A: Segment profit of ¥ (23) million in “Eliminations” consists of inter-segment elimination.

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

Notes to Unaudited Quarterly Consolidated Financial Statements

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

(2) Change in measurement of segment profit

As described in “1. Accounting Changes”, effective from April 1, 2021, the Group has applied the Accounting Standard for Revenue Recognition and changed the accounting treatment for revenue recognition. Due to the application of these standards, measurement method of segment profit has been changed as well.

As a result, net sales of Parent company, Domestic subsidiaries and affiliates decreased by ¥16,370 million (\$142,331 thousand), ¥2,963 million (\$25,768 thousand) and Overseas subsidiaries and affiliates increased by ¥11 million (\$103 thousand), respectively, segment profit of Parent company and Domestic subsidiaries and affiliates decreased by ¥34 million (\$300 thousand) and ¥100 million (\$872 thousand) for the nine months ended December 31, 2021.

4. Revenue recognition

Information of disaggregated revenue from contracts with customers for the nine months ended December 31, 2021

Millions of yen

	2021			
	Reportable segments			
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total
Japan	¥ 173,975	¥ 24,961	¥ 3,134	¥ 202,071
Korea	—	—	23,978	23,978
China	80	—	20,124	20,204
Southeast Asia	1,093	1	7,289	8,384
Other	368	3	3,222	3,593
Revenue from contracts with customers	175,518	24,966	57,748	258,232
Other revenue	—	—	—	—
Sales to third parties	¥ 175,518	¥ 24,966	¥ 57,748	¥ 258,232

Thousands of U.S. dollars (Note 2)

	2021			
	Reportable segments			
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total
Japan	\$ 1,512,571	\$ 217,016	\$ 27,247	\$ 1,756,835
Korea	—	—	208,473	208,473
China	697	—	174,963	175,661
Southeast Asia	9,506	15	63,372	72,893
Other	3,204	26	28,014	31,246
Revenue from contracts with customers	1,525,980	217,058	502,071	2,245,110
Other revenue	—	—	—	—
Sales to third parties	\$ 1,525,980	\$ 217,058	\$ 502,071	\$ 2,245,110

Note: Revenue from contracts with customers above is disaggregated based on customers' locations into countries or areas.