Global Digital Transformation Partner

Supplemental Material for Q3 FY2024/3 Financial Results

(November 1, 2023 – January 31, 2024)

January 31, 2024

transcosmos inc.

Table of Contents

1. Executive Summary

- Strong sales growth continued in existing business excluding COVID-related, as well as in overseas business. Order bookings expanded, riding the wave of social change, such as changing consumer behavior in a digital society, an aging and shrinking population, workstyle reform, global economic growth, etc.
  - CX services grew 5% YoY. Actively delivered unique platform services built on our patented TCI-DX model.
  - BPO services grew 2% YoY. Actively pushed platform services that combine our expertise and digital technology.
  - Overseas retained double digit growth, ASEAN continued to expand business with global companies.
- Although SG&A headwind hit operating income, operating margin saw a steady increase due to a higher and more stable operating ratio in existing business excluding COVID-related.
- On top of the above, higher profits in equity affiliates and a gain on sale of investment securities contributed to net income attributable to shareholders of transcosmos inc.

Consolidated Sales	Consolidated Operating Income	transcosmos inc. Net Income
¥271.4B	¥8.8B	¥8.2B

2. Consolidated Income Statement Summary

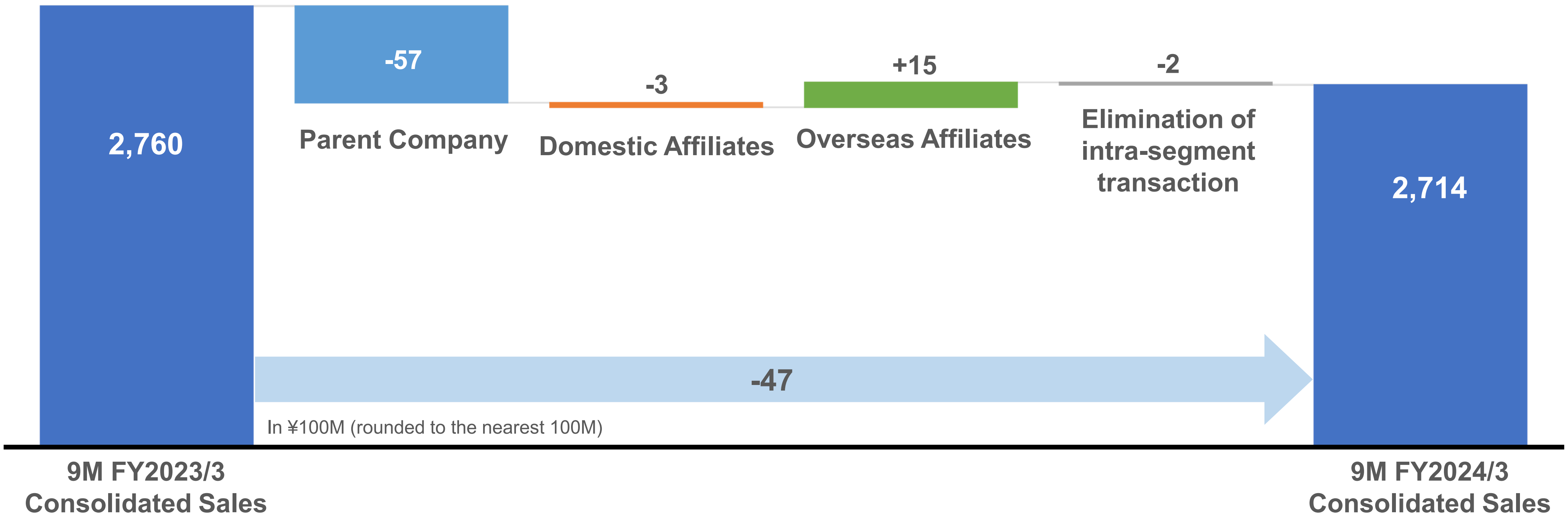
*For each segment income row, figures in the Mix columns are profit margins.

In ¥100M (rounded to the nearest 100M)		9M FY2023/3		9M FY2024/3		Change	
		Amount	Mix	Amount	Mix	Amount	%Change
Sales		2,760	100.0%	2,714	100.0%	-47	-1.7%
	Parent Company	1,834	66.4%	1,776	65.4%	-57	-3.1%
	Domestic Affiliates	320	11.6%	317	11.7%	-3	-0.8%
	Overseas Affiliates	698	25.3%	713	26.3%	15	2.1%
	Elimination of intra segment transaction	-91	-3.3%	-93	-3.4%	-2	-1.7%
Gross Profit		565	20.5%	505	18.6%	-60	-10.7%
SG&A Expenses		392	14.2%	417	15.4%	25	6.3%
Operating Income		172	6.2%	88	3.2%	-85	-49.2%
	Parent Company	123	6.7%	56	3.2%	-67	-54.4%
	Domestic Affiliates	31	9.6%	16	5.2%	-14	-46.4%
	Overseas Affiliates	18	2.7%	15	2.1%	-4	-20.4%
	Elimination of intra segment transaction	-0	-	0	-	0	-
Non-Operating Income (Loss)		-5	-0.2%	14	0.5%	18	-
Ordinary Income		168	6.1%	101	3.7%	-67	-39.6%
Extraordinary Income (Loss)		4	0.1%	30	1.1%	26	622.1%
Net Income Attributable to Shareholders of transcosmos inc.		100	3.6%	82	3.0%	-18	-18.0%

3. Consolidated Sales Analysis

- **Sales decreased by 4.7B (-1.7%)**

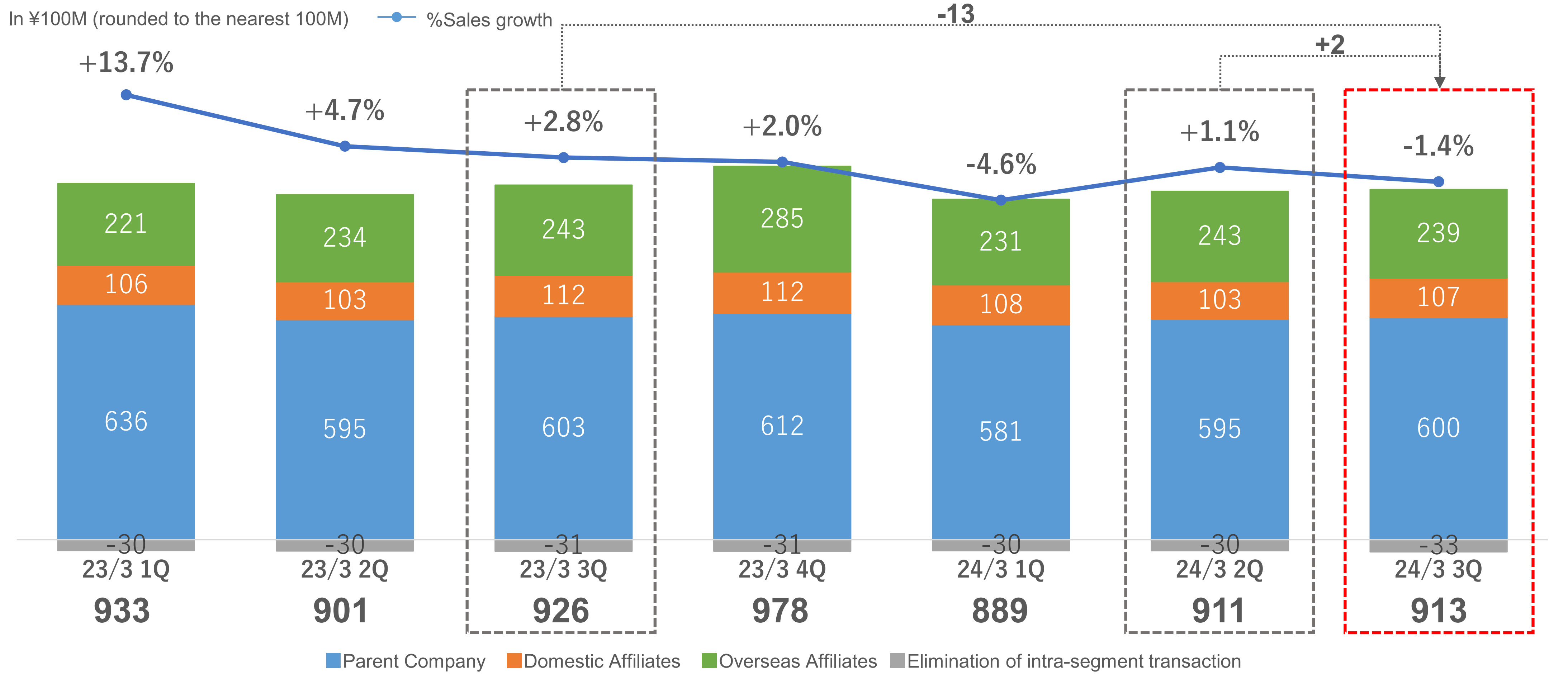
Parent Company	Despite a YoY drop in COVID job, actively pushed CX services built on patented TCI-DX model and BPO services that combine our expertise and digital technology, growing orders in existing business excluding COVID-related.
Domestic Affiliates	Sales down due to sales decline in a listed subsidiary and its group companies.
Overseas Affiliates	Sales up due to increased sales in ASEAN and South Korean subsidiaries.



4. Consolidated Sales Analysis (Quarterly Trend by Segment)

- QoQ: Up ¥2B mainly due to an order increase in CX services in the Parent Company and higher sales in domestic listed companies.
- YoY: Down ¥1.3B mainly due to a drop in COVID jobs in the Parent Company and lower sales in a domestic listed company and Chinese subsidiaries.

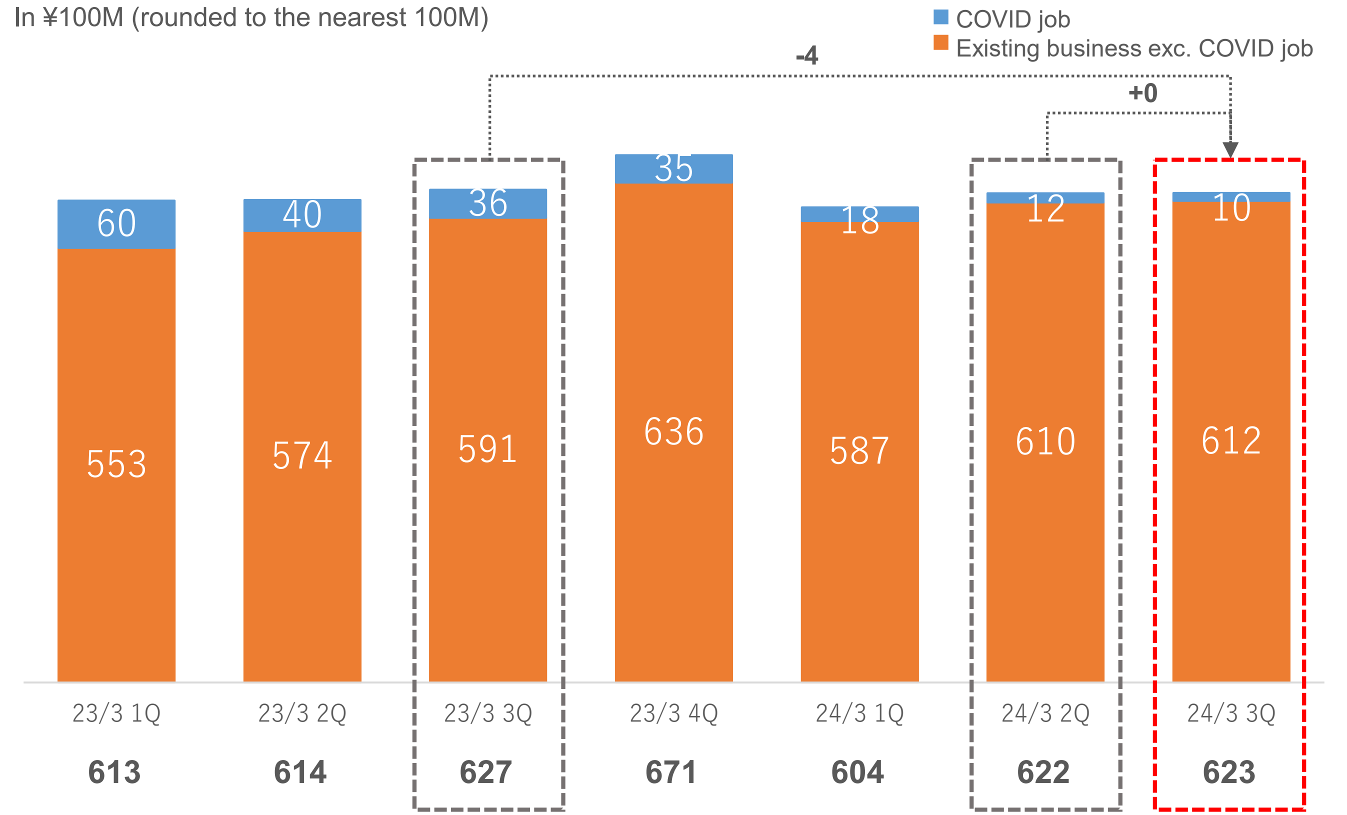
Quarterly Trend by Segment



5. Consolidated Sales Analysis (Quarterly Trend: CX Services)

- QoQ: Up +¥0M. Excluding COVID job, up ¥200M.
- YoY: Down ¥400M. Excluding COVID job, up ¥2.1B (9M growth rate +5.3%).

Quarterly Trend: CX Services



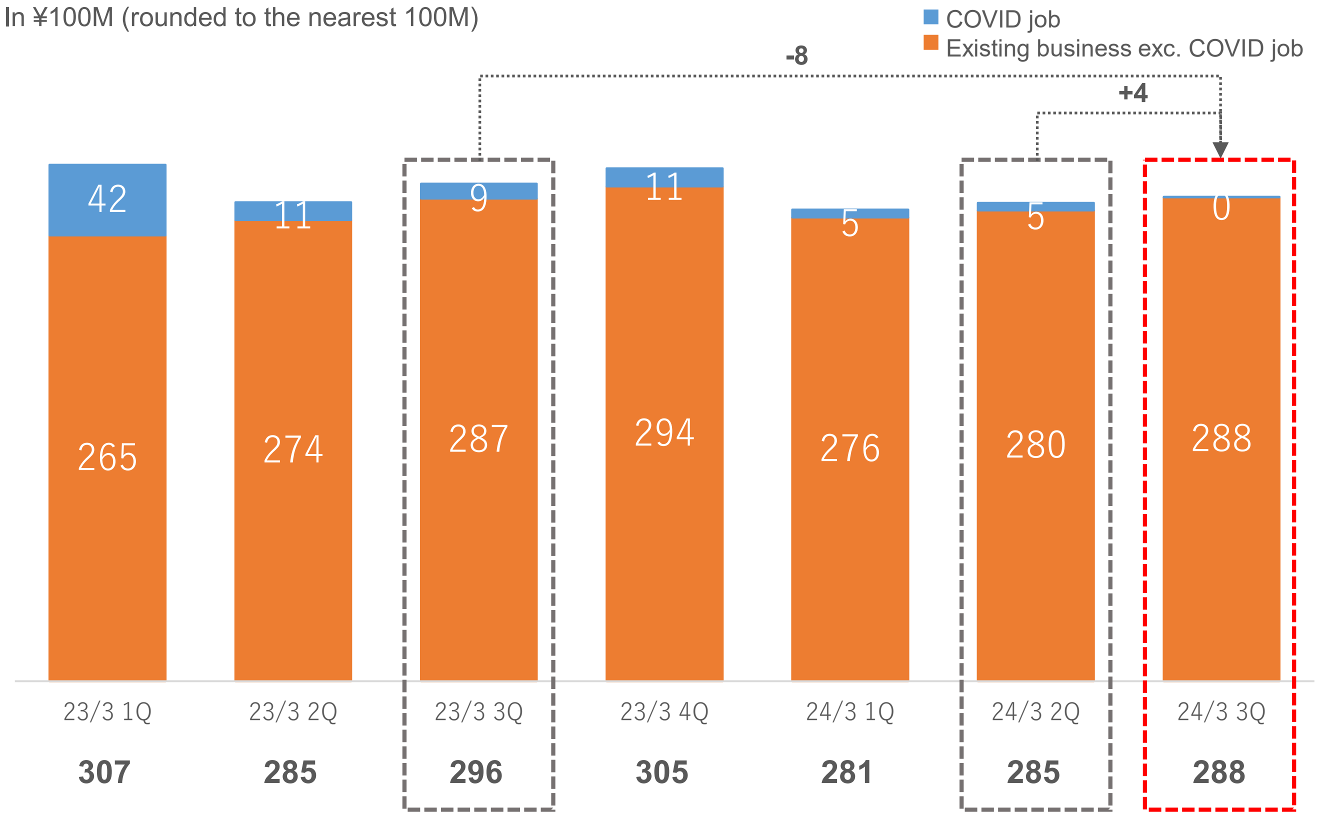
- Demand expanded for services that match the needs of changing consumer behavior in a digital society.
- Actively pushed unique platform services built on patented TCI-DX model that lead to greater CX.
- Grew orders with integrated services that combine the industry's leading contact center network and web development services.
- Made progress in developing generative AI powered services/processes. Aiming to expand the scope of operations to meet growing orders.

*Sales for each service are calculated based on the sales mix used for management accounting, and are not adjusted for intra-segment transactions.

6. Consolidated Sales Analysis (Quarterly Trend: BPO Services)

- QoQ: Up ¥400M. Excluding COVID job, up ¥800M.
- YoY: Down ¥800M. Excluding COVID job, up ¥100M (9M growth rate +2.1%)

Quarterly Trend: BPO Services



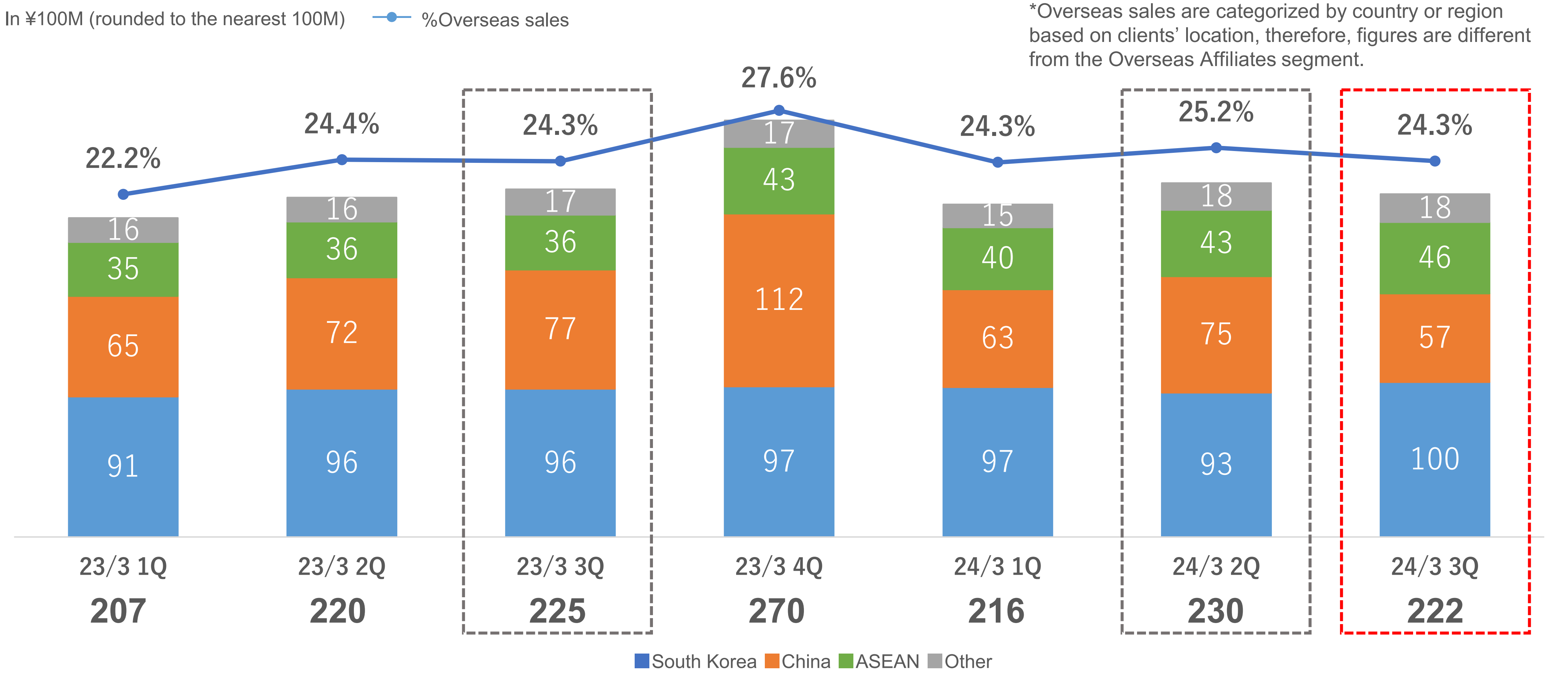
- Population aging and shrinking as well as workstyle reform accelerated, expanding service demand for business process and productivity enhancement.
- Grew orders by actively delivering platform services that combine our expertise and digital technology.
- Order momentum continued in DX services that meet the growing demands in the construction and manufacturing industries.
- Developed and delivered services that help clients working on SDGs, meeting emerging demands.

*Sales for each service are calculated based on the sales mix used for management accounting, and are not adjusted for intra-segment transactions.

7. Consolidated Sales Analysis (Overseas Quarterly Trend by Geographic Market)

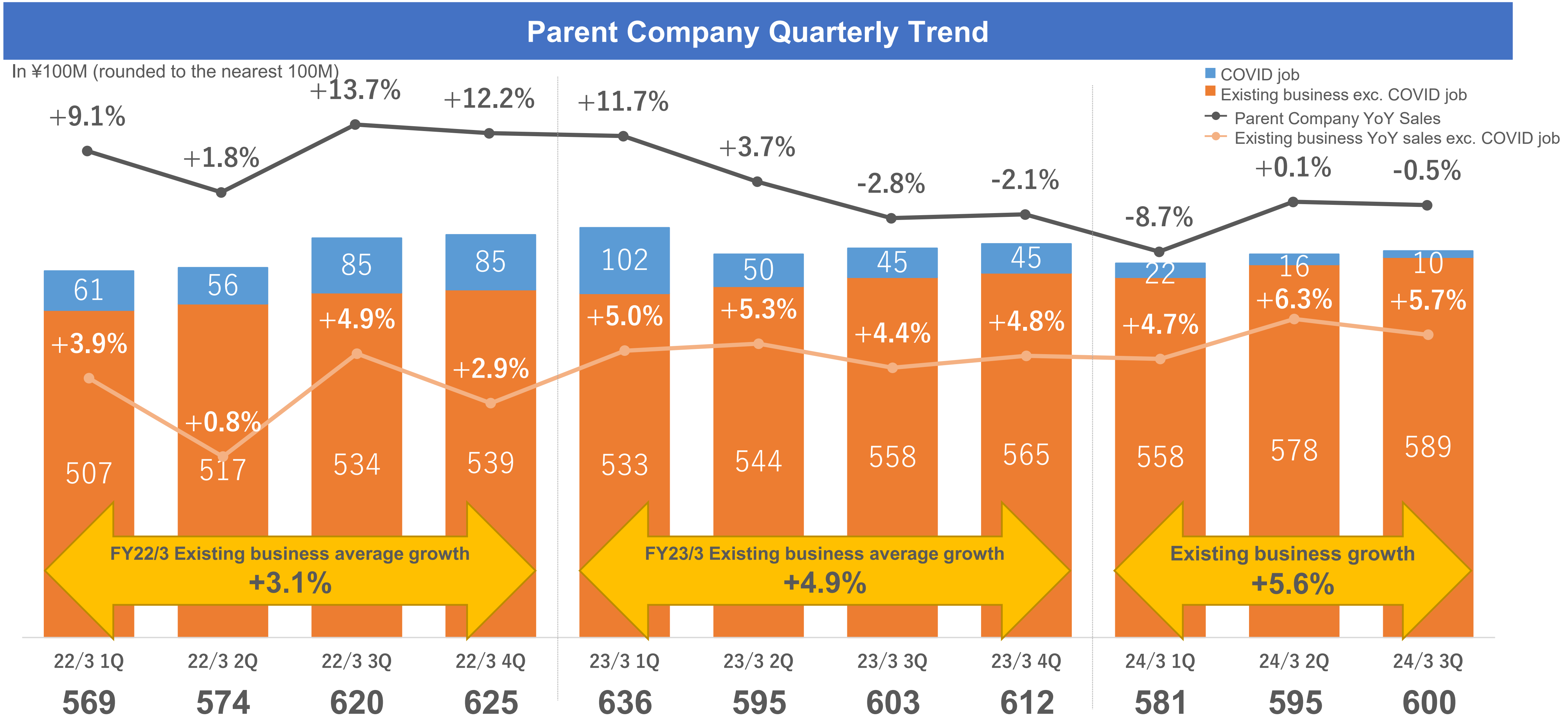
- South Korea: Up ¥700M QoQ, and ¥400M YoY. CX service orders expanded.
- China: Down ¥1.8B QoQ, and ¥2B YoY. Slowdown in Chinese economy hit order volume.
- ASEAN: Up ¥300M QoQ, and ¥1.1B YoY. Business with global companies expanded. Double digit growth continued with a 9 month growth rate of 21.1%.

Overseas Quarterly Trend



8. Parent Company Quarterly Sales Trend

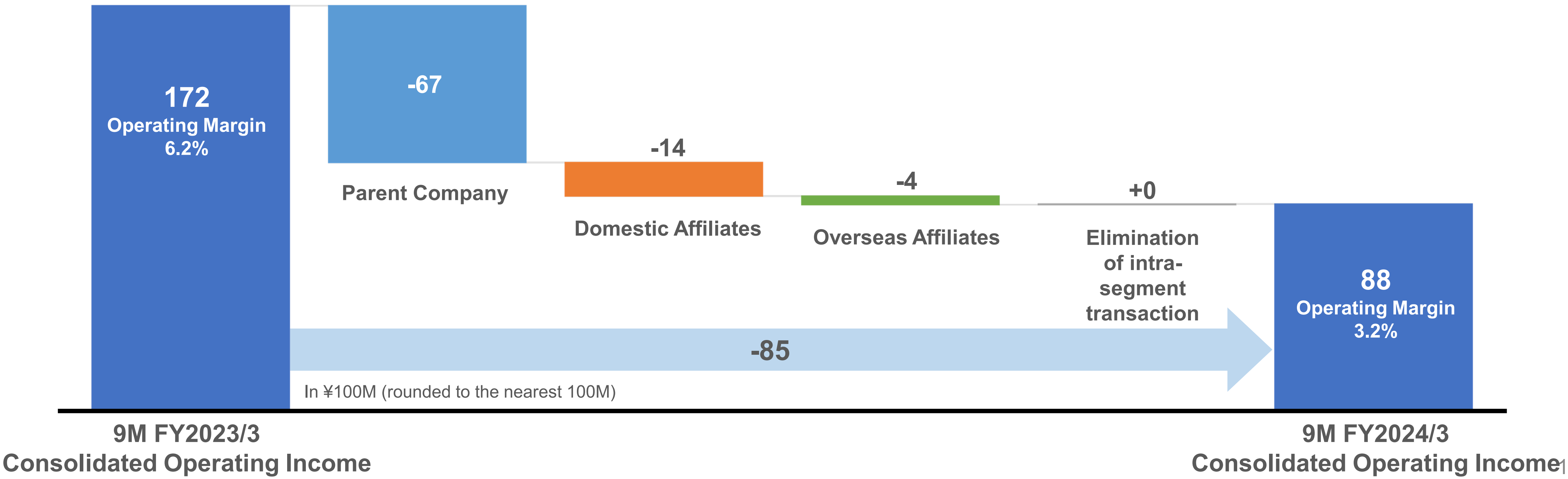
- Although COVID jobs were on a downward trend as social needs subsided, average growth rate of existing business excluding COVID-related reached 5.6%, with both CX and BPO services showing solid order increase.



9. Consolidated Operating Income Analysis

- Operating income decreased by ¥8.5B (-49.2%)

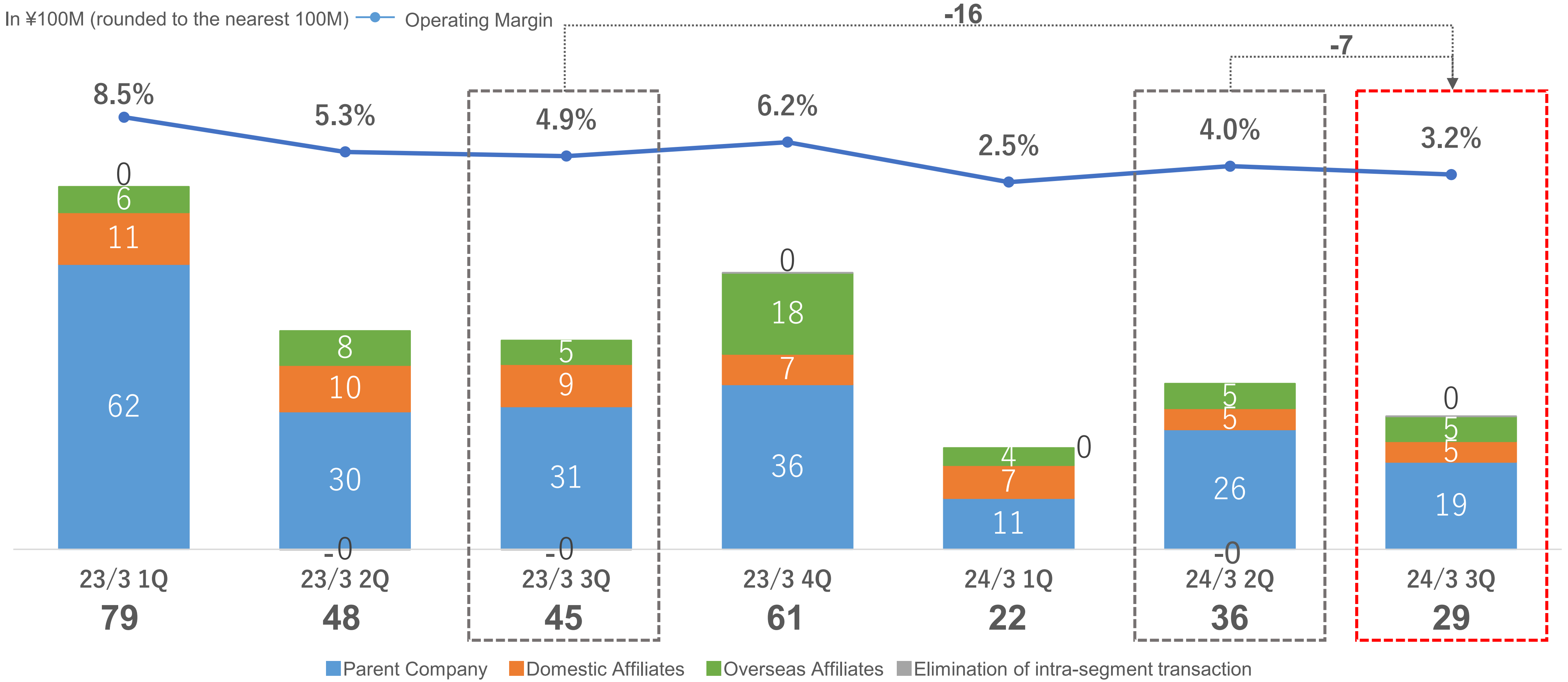
Parent Company	Down due to upfront investments made toward medium-term growth amid declining COVID-related business. Investment goals include service evolution, utilization of digital technology, and global expansion.
Domestic Affiliates	Down due to lower margin in a listed subsidiary and its group companies.
Overseas Affiliates	Down due to reduced work volume in some projects as well as surging personnel expenses in South Korean subsidiary and declined profit in Chinese subsidiaries. ASEAN subsidiaries continued to grow their margins.



10. Consolidated Operating Income Analysis (Quarterly Trend by Segment)

- QoQ: Down ¥700M mainly due to a drop in COVID jobs and an increase in SG&A expenses in the Parent Company.
- YoY: Down ¥1.6B mainly due to a drop in COVID jobs and an increase in SG&A expenses in the Parent Company, as well as declined profit in a domestic listed company.

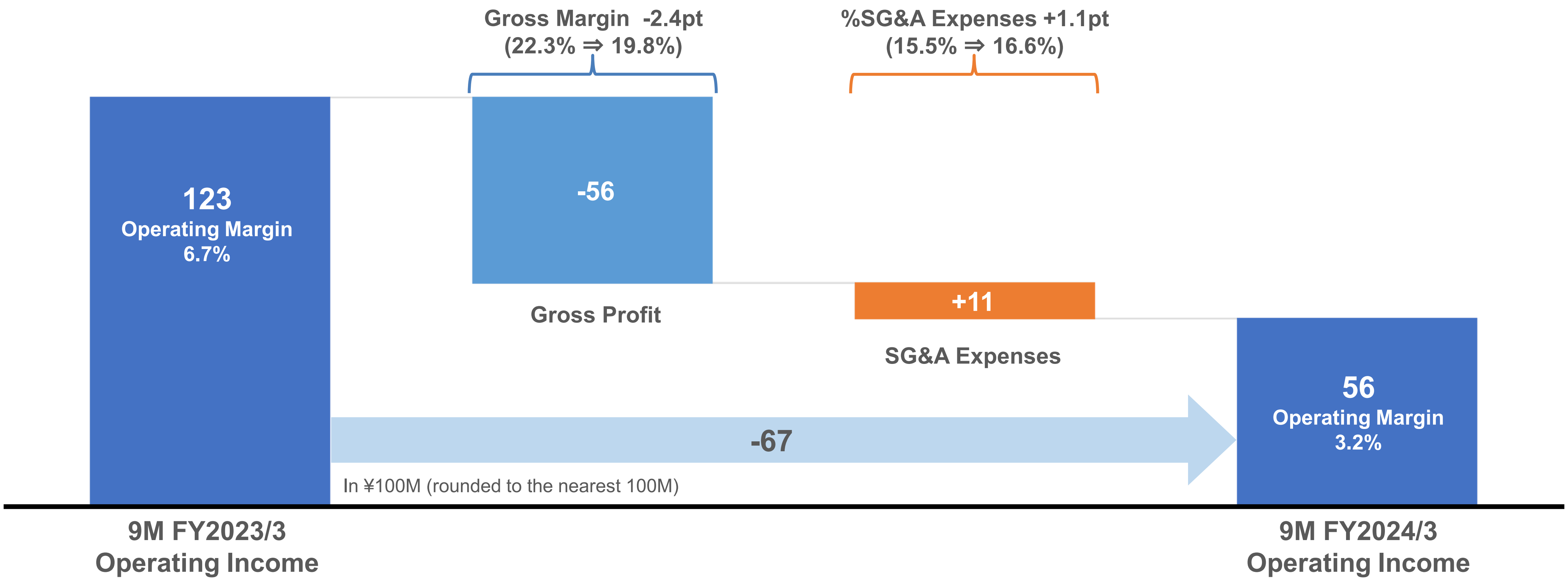
Quarterly Trend by Segment



11. Parent Company Operating Income Analysis

- Operating income decreased by ¥6.7B (-54.4%)

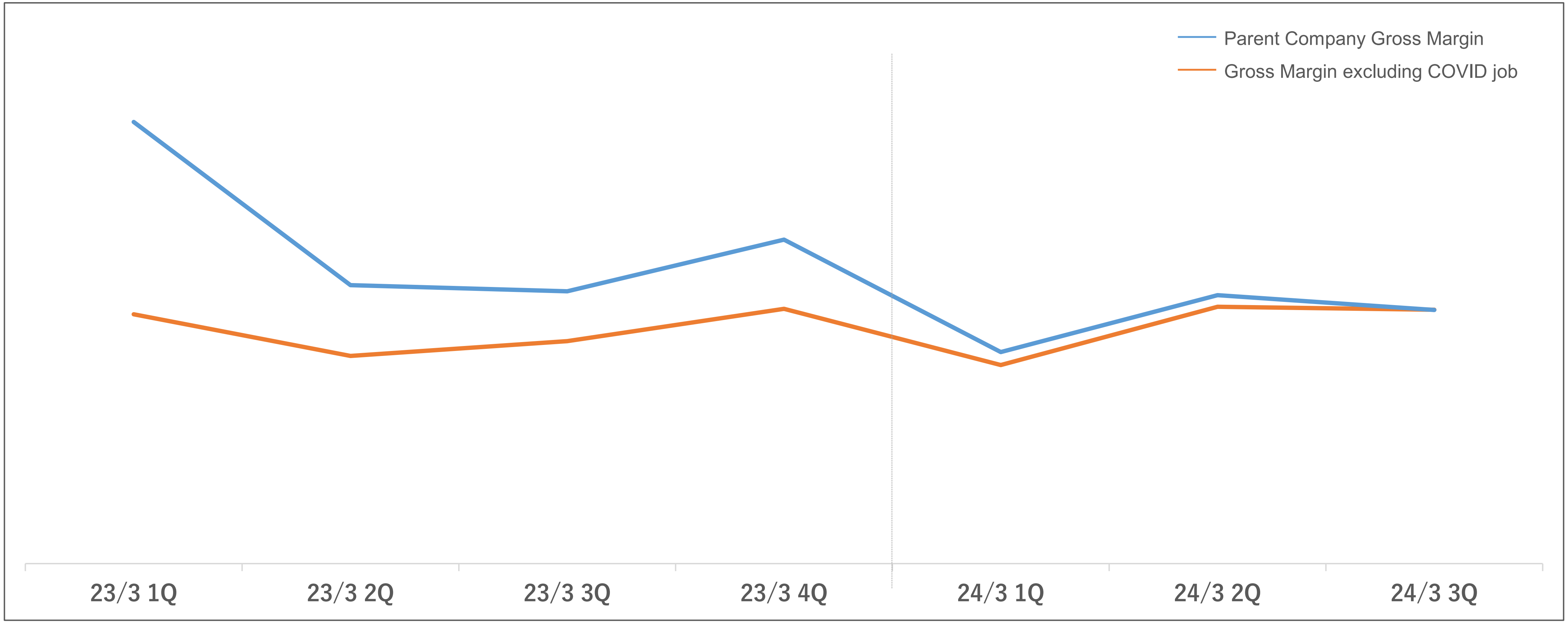
Gross Profit	Margin saw an upward trend despite a drop in gross profit due to upfront investments made toward medium-term growth and upfront expenses for project launches/operational stability amid declining COVID-related business.
SG&A Expenses	Up ¥1.1B due to increased cost spent for strengthening sales activities, service competitiveness and business foundation. SG&A expense ratio up 1.1 points due to lower sales in addition to the factors mentioned.



12. Parent Company Quarterly Gross Profit Trend

- **Despite a surge in personnel expenses, profit margin of existing business, excluding COVID-related, enhanced steadily due to a higher and more stable operating ratio, underpinning the Parent Company's overall gross profit margin.**

Parent Company Quarterly Gross Profit Trend

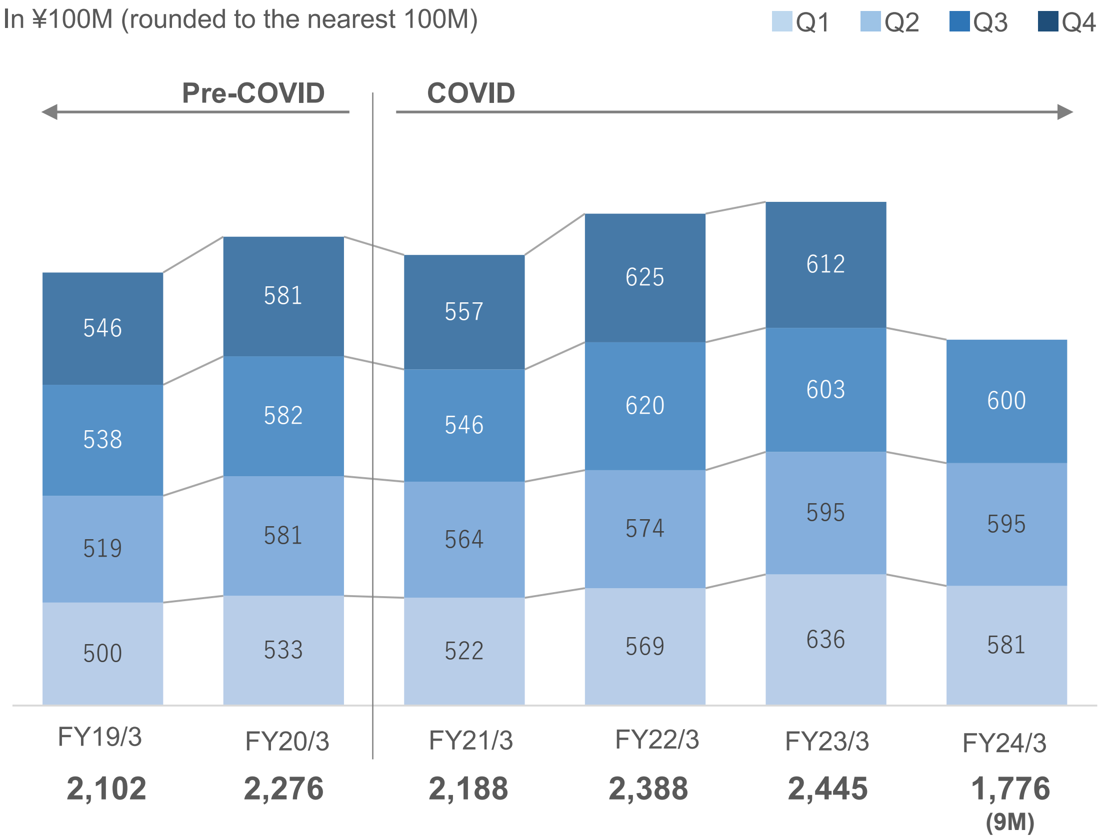


13. Parent Company Six-Year Sales/Operating Income Trend

- **Compared to pre-COVID years, sales grew steadily. Operating income was slightly below pre-COVID levels mainly due to an increase in personnel expenses along with project upsizing and in administrative expenses associated with the expansion and reinforcement of overseas business.**

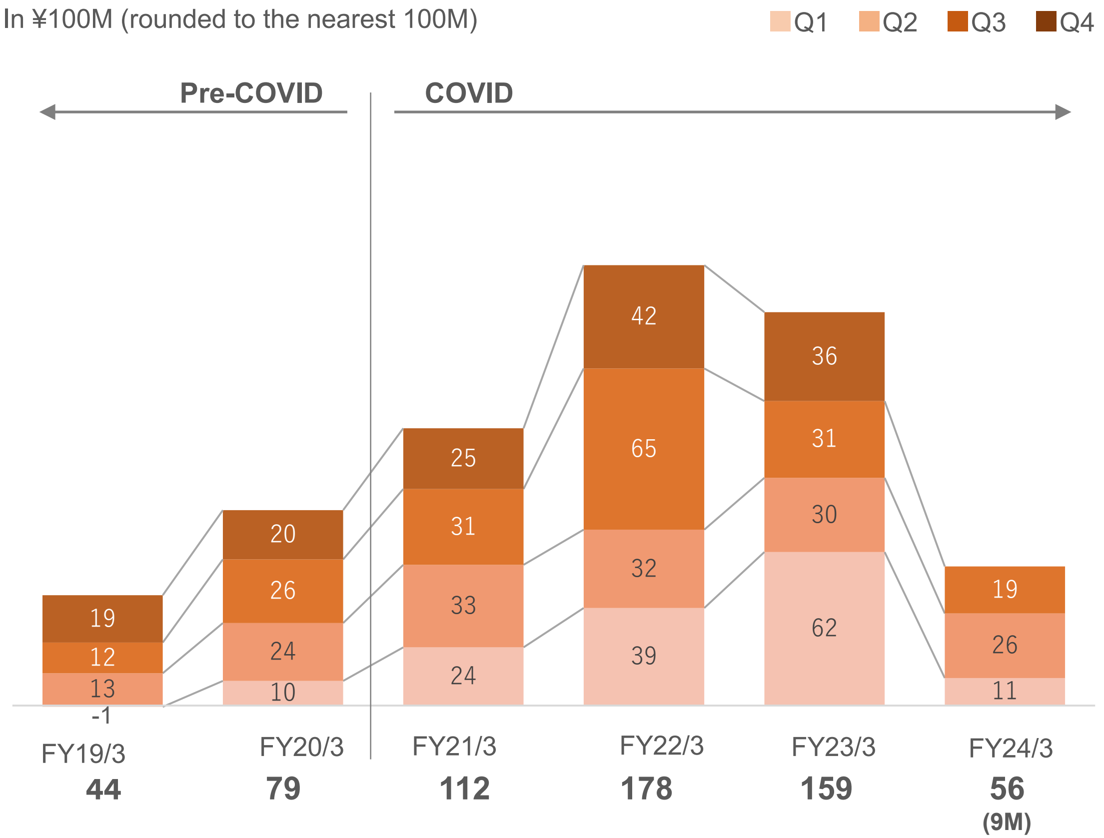
Parent Company Sales Trend

In ¥100M (rounded to the nearest 100M)



Parent Company Operating Income Trend

In ¥100M (rounded to the nearest 100M)

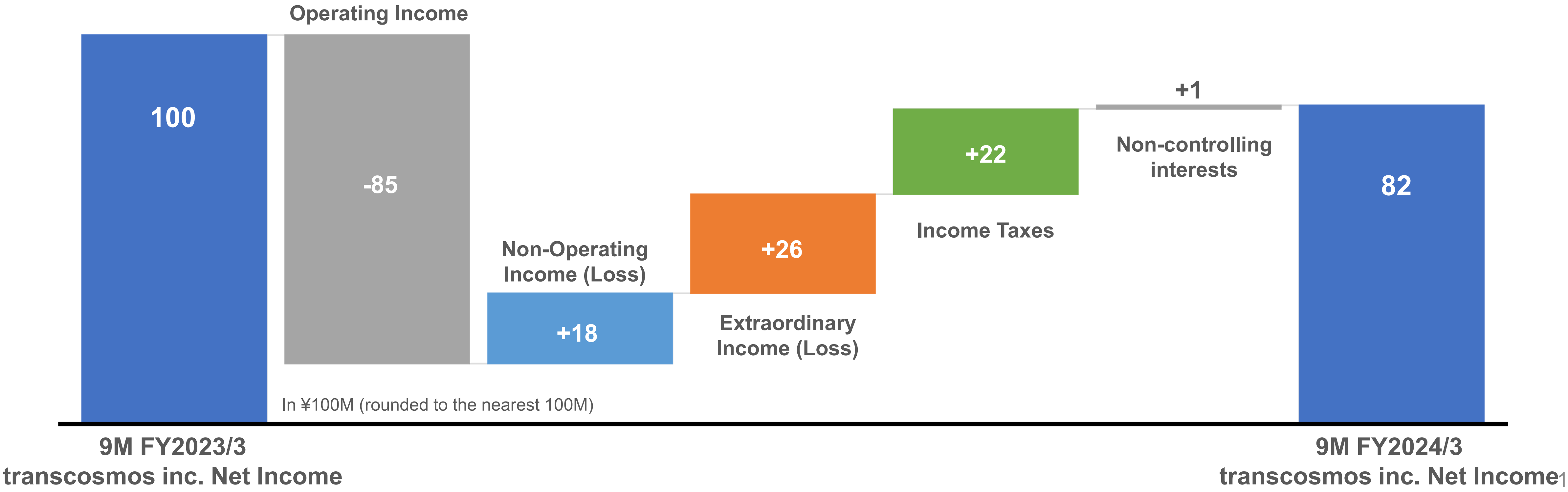


*Effective from the start of FY2022/3, the Company has adopted the “Accounting Standard for Revenue Recognition.”
- In FY21/3 sales, revenue from agent transactions has been restated using the net amount recognition method.
- In sales of FY20/3 and earlier years, revenues have not been restated with such a method.

14. transcosmos inc. Net Income Analysis

- **transcosmos inc. net income decreased by ¥1.8B (-18.0%)**

Non-Operating Income (Loss)	Increased by ¥1.8B mainly due to the recording of share of profit of entities accounted for using equity method (share of loss posted in the same period last year) and an increase in exchange gain.
Extraordinary Income (Loss)	Increased by ¥2.6B mainly due to the recording of gain on sale of investment securities.
Income Taxes	Decreased by ¥2.2B due to a decrease in income before income taxes.



15. Consolidated Balance Sheet Summary

- Current Assets: Cash and deposits increased due to previous year-end AR collections and an increase in loans payable.
- Fixed Assets: Investment securities decreased due to the mark-to-market valuation of shareholdings.
- Liabilities: The Company's long-term loans payable increased. Accrued income taxes decreased due to the payment of income taxes on the income earned in the previous fiscal year.
- Net Assets: Retained earnings increased.

In ¥100M (rounded to the nearest 100M)	End of Mar. 2023	End of Dec. 2023	Change
Current Assets	1,354	1,438	84
Fixed Assets	584	553	-31
Total Assets	1,938	1,991	53
Current Liabilities	664	630	-34
Fixed Liabilities	150	183	33
Total Liabilities	815	814	-1
Net Assets	1,124	1,178	54
Liabilities/Net Assets Total	1,938	1,991	53
Cash and deposits	512	605	93
Interest-bearing debt	163	187	24
Net cash*	349	418	69
Net cash* to monthly sales ratio	1.1	1.4	0.2

- Cash and deposits +93
- Notes and accounts receivables – trade -31

- Investment securities-30
- Shares of subsidiaries and associates +13
- Deferred tax assets -22

- Accrued expenses+26
- Accrued income taxes -40
- Provision for bonuses-24

- Long-term loans payable +40

- Retained earnings+38

*Net cash = Cash and deposits – interest-bearing debt

16. CAPEX, Amortization/Depreciation, Employees, Service Bases

- Capital expenditures/Depreciation expenses

In ¥100M (rounded to the nearest 100M)	9M 2023/3	9M 2024/3	%Change
Capital expenditures	47	33	-30.1%
Depreciation expenses	42	41	-1.3%

- CAPEX

Capital expenditures decreased mainly in the Parent Company.

- Depreciation and Amortization

Depreciable assets decreased in Osaka Head Office, Headquarters and Main Office.

- Number of Employees

	End of Mar. 2023	End of Dec. 2023	Change
Consolidated basis	40,582	41,116	534
(Temporary employees)	29,709	29,736	27
Parent Company	16,791	17,382	591
(Temporary employees)	22,179	21,769	-410

- Consolidated basis

On top of an increase in the Parent Company, headcount increased in ASEAN due to project launches and upscaling of existing jobs.

- Parent Company

Employees increased due to new graduate hires and increased projects. Temporary employees decreased due to COVID project completions.

- Service Bases

	End of Mar. 2023	End of Dec. 2023	Change
Service bases	170	165	-5
(Japan)	70	72	2
(Overseas)	100	93	-7

- Japan

Opened BPO center in Osaka and Sendai.

- Overseas

Opened Mexico City Center, Zhengzhou Center in China, and Chihlee Center in Taiwan. PFSWeb's location decreased.

*Service bases included the Company's own bases, head offices, branches, sales offices and bases of subsidiaries, associates, and partners.

Notes

- Forward-looking statements included in this document are based on information available on the date of the announcement and estimates based on reasonable assumptions. Actual future results may differ materially from these forecasts depending on Japanese economic conditions, trends in the stock market and information services industry, evolution of new services or technologies, and other diverse other factors. The company assumes no obligation to update or revise any forward-looking statements.
- In this document, yen is rounded to the nearest hundred million (figures shown in million yen is rounded to the nearest million) and the percentage is rounded to the first decimal place.

IR Contact

IR Department, Corporate Management Sector, transcosmos inc.
E-Mail. ir_info@trans-cosmos.co.jp