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October 31, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: transcosmos inc.
Listing: Tokyo Stock Exchange
Securities code: 9715
URL: <https://www.trans-cosmos.co.jp/english/>
Representative: Masaaki Muta, Representative Director, Co-president
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Scheduled date to file semi-annual securities report: November 5, 2024
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	185,545	3.1	7,132	22.1	7,196	(1.3)	4,153	(5.4)
September 30, 2023	180,047	(1.8)	5,841	(54.0)	7,290	(43.7)	4,388	(44.7)

Note: Comprehensive income For the six months ended September 30, 2024: ¥ 8,368 million [22.9%]
For the six months ended September 30, 2023: ¥ 6,809 million [4.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	110.85	103.81
September 30, 2023	117.12	109.70

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2024	199,718	123,170	56.7	3,022.73
March 31, 2024	199,446	118,065	54.3	2,892.32

Reference: Equity
As of September 30, 2024: ¥ 113,270 million
As of March 31, 2024: ¥ 108,383 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	81.00	81.00
Fiscal year ending March 31, 2025	-	0.00			
Fiscal year ending March 31, 2025 (Forecast)			-	-	-

Note: Revisions to the forecast of cash dividends most recently announced: None

Please note that the dividend forecast for the fiscal year ending March 31, 2025 has not been finalized.

3. Forecasts for consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

Please note that this document does not include the forecasts for consolidated financial results for the fiscal year ending March 31, 2025, due to the difficulty in making reasonably accurate projections for such period.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None Newly included: — Excluded: —
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	43,863,116 shares
As of March 31, 2024	48,794,046 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2024	6,390,145 shares
As of March 31, 2024	11,321,012 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	37,473,013 shares
Six months ended September 30, 2023	37,473,080 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Cautionary statement with respect to forward-looking statements, and other information)

Forward-looking statements contained in this document are based on the information currently available to transcosmos inc. (the Company) and estimates based on reasonable assumptions. Actual operating results may differ materially from these forecasts due to various factors.

(Access to supplemental material for the consolidated financial results)

The Company will post the supplemental material for the consolidated financial results for the six months ended September 30, 2024, on the Company's website on Thursday, October 31, 2024.

Unaudited Half-term Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of September 30, 2024 and March 31, 2024

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	As of September 30, 2024	As of March 31, 2024	As of September 30, 2024
Current assets:			
Cash and deposits	¥ 61,585	¥ 64,844	\$ 431,213
Notes and accounts receivable – trade, and contract assets	68,993	67,758	483,079
Merchandise and finished goods	4,771	3,938	33,406
Work in process	402	193	2,819
Supplies	82	73	576
Others	9,549	8,408	66,860
Less - allowance for doubtful accounts	(154)	(426)	(1,081)
Total current assets	145,230	144,790	1,016,875
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	6,981	6,864	48,880
Tools, furniture and fixtures, net	6,907	7,463	48,362
Land	716	853	5,017
Others, net	1,157	1,093	8,106
Total property, plant and equipment, net	15,762	16,275	110,366
Intangible assets:			
Goodwill	715	842	5,013
Software	3,869	3,607	27,095
Others	858	1,019	6,009
Total intangible assets	5,444	5,468	38,118
Investments and other assets:			
Investment securities	3,470	4,355	24,299
Shares of unconsolidated subsidiaries and affiliates	12,515	11,669	87,633
Investments of capital subsidiaries and affiliates	1,843	1,666	12,908
Deferred tax assets	3,596	3,526	25,184
Guarantee deposits	10,649	10,624	74,568
Others	1,973	1,405	13,819
Less - allowance for doubtful accounts	(768)	(335)	(5,382)
Total investments and other assets	33,281	32,912	233,031
Total non-current assets	54,488	54,656	381,515
Total assets	¥ 199,718	¥ 199,446	\$ 1,398,391

See accompanying notes to unaudited half-term consolidated financial statements.

Unaudited Half-term Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of September 30, 2024 and March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	As of September	As of March 31,	As of September	
	30, 2024	2024	30, 2024	
LIABILITIES				
Current liabilities:				
Accounts payable - trade	¥ 13,641	¥ 13,743	\$ 95,518	
Short-term borrowings	87	114	612	
Current portion of bonds payable	88	75	616	
Current portion of long-term debt	2,059	2,066	14,417	
Accounts payable – other	6,387	7,219	44,721	
Accrued expenses	19,078	20,784	133,585	
Income taxes payable	2,526	2,622	17,688	
Accrued consumption taxes	4,645	5,607	32,529	
Accrued compensation	6,418	6,039	44,938	
Others	5,148	4,740	36,049	
Total current liabilities	<u>60,081</u>	<u>63,014</u>	<u>420,678</u>	
Non-current liabilities:				
Bonds payable	169	119	1,183	
Convertible bond-type bonds with subscription rights to shares	10,044	10,054	70,326	
Long-term debt	4,181	6,210	29,279	
Liability for retirement benefits	417	413	2,925	
Others	1,654	1,569	11,581	
Total non-current liabilities	<u>16,466</u>	<u>18,367</u>	<u>115,295</u>	
Total liabilities	<u>76,547</u>	<u>81,381</u>	<u>535,973</u>	
NET ASSETS				
Shareholders' equity:				
Capital stock	29,065	29,065	203,514	
Capital surplus	6,889	19,332	48,236	
Retained earnings	84,571	83,452	592,152	
Treasury stock, at cost	(16,124)	(28,567)	(112,904)	
Total shareholders' equity	<u>104,401</u>	<u>103,283</u>	<u>730,998</u>	
Accumulated other comprehensive income:				
Unrealized holding gain on securities	276	495	1,935	
Foreign currency translation gains adjustments	8,592	4,605	60,166	
Total accumulated other comprehensive income	<u>8,869</u>	<u>5,100</u>	<u>62,101</u>	
Stock acquisition rights	0	0	4	
Non-controlling interests	9,899	9,680	69,312	
Total net assets	<u>123,170</u>	<u>118,065</u>	<u>862,418</u>	
Total liabilities and net assets	<u>¥ 199,718</u>	<u>¥ 199,446</u>	<u>\$ 1,398,391</u>	

See accompanying notes to unaudited half-term consolidated financial statements.

Unaudited Half-term Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2024 and 2023

	Millions of yen		Thousands of U.S.
			dollars (Note 1)
	2024	2023	2024
Net sales	¥ 185,545	¥ 180,047	\$ 1,299,154
Cost of sales	150,199	146,822	1,051,668
Gross profit	35,345	33,225	247,486
Selling, general and administrative expenses	28,213	27,383	197,547
Operating income	7,132	5,841	49,938
Non-operating income (expenses):			
Interest income	149	122	1,045
Interest expenses	(30)	(71)	(210)
Dividend income	52	17	370
Share of profits of entities accounted for using equity method	522	363	3,659
Foreign exchange gains (losses)	(364)	837	(2,549)
Provision of allowance for doubtful accounts	(371)	—	(2,599)
Gains on sale of non-current assets	93	—	653
Gains on liquidation of subsidiaries and affiliates	186	—	1,306
Gains on sale of investment securities	—	155	—
Losses on valuation of investment securities	(751)	(164)	(5,264)
Losses on valuation of shares of subsidiaries and affiliates	(328)	—	(2,298)
Impairment losses on fixed assets	—	(26)	—
Gains on change in equity	—	45	—
Other income (expenses), net	72	149	508
Total non-operating income (expenses)	(767)	1,429	(5,377)
Income before income taxes and non-controlling interests	6,364	7,270	44,561
Income taxes:			
Current	1,770	1,350	12,394
Deferred	44	1,014	310
Total income taxes	1,814	2,365	12,705
Profit	4,549	4,905	31,856
Profit attributable to non-controlling interests	395	516	2,772
Profit attributable to owners of parent	¥ 4,153	¥ 4,388	\$ 29,083

See accompanying notes to unaudited half-term consolidated financial statements.

Unaudited Half-term Consolidated Statement of Comprehensive Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Profit	¥ 4,549	¥ 4,905	\$ 31,856
Other comprehensive income:			
Unrealized holding (losses) on securities	(221)	(13)	(1,553)
Foreign currency translation gains adjustments	3,012	1,151	21,093
Share of other comprehensive income from ownership in entities accounted for using equity method	1,027	767	7,196
Total other comprehensive income	3,818	1,904	26,737
Comprehensive income	¥ 8,368	¥ 6,809	\$ 58,593
Total comprehensive income attributable to:			
Owners of patent	¥ 7,922	¥ 6,264	\$ 55,474
Non-controlling interests	445	544	3,118

See accompanying notes to unaudited half-term consolidated financial statements.

Unaudited Half-term Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Operating activities:			
Income before income taxes and non-controlling interests	¥ 6,364	¥ 7,270	\$ 44,561
Depreciation of property, plant and equipment	2,067	1,974	14,477
Impairment losses on fixed assets	51	26	363
Amortization of goodwill	126	91	882
Amortization of intangible assets	776	752	5,434
Increase (decrease) in allowance for doubtful accounts	119	60	835
Increase (decrease) in accrued compensation	332	(219)	2,330
Changes in liability for retirement benefits, nets	16	(1)	116
Interest and dividend income	(202)	(139)	(1,416)
Interest expenses	30	71	210
Foreign exchange losses (gains)	364	(837)	2,549
Share of losses (profits) of entities accounted for using equity method	(522)	(363)	(3,659)
Losses (gains) on investments in investment partnerships	15	12	111
Losses on disposal of fixed assets	14	12	98
Losses (gains) on sales of investment securities	(40)	(155)	(280)
Losses on valuation of investment securities	751	164	5,264
Losses on valuation of shares of subsidiaries and affiliates	328	—	2,298
Losses (gains) on changes in ownership interests in subsidiaries and affiliates	0	(45)	2
Decrease (increase) in notes and accounts receivable - trade	555	6,255	3,890
Decrease (increase) in inventories	(786)	(194)	(5,504)
Increase (decrease) in trade payables	(379)	(1,957)	(2,658)
Increase (decrease) in accrued consumption taxes	(1,031)	982	(7,221)
Others, net	(4,187)	1,352	(29,322)
Subtotal	4,764	15,113	33,363
Interest and dividends received	226	194	1,582
Interest paid	(59)	(80)	(419)
Income taxes paid	(1,850)	(4,471)	(12,955)
Income taxes refund	—	586	—
Net cash provided by operating activities	¥ 3,080	¥ 11,342	\$ 21,570

Unaudited Half-term Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2024 and 2023

	2024	2023	2024
Investing activities:			
Payments into time deposits	¥ (146)	¥ (330)	\$ (1,029)
Proceeds from withdrawal of time deposits	287	819	2,010
Purchases of property, plant and equipment	(1,419)	(1,359)	(9,941)
Purchases of intangible assets	(796)	(705)	(5,577)
Purchases of investment securities	(50)	(128)	(354)
Proceeds from sales of investment securities	2	171	15
Purchase of shares of subsidiaries and affiliates	(285)	(137)	(2,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(453)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	71	—	500
Payments for guarantee deposits	(698)	(245)	(4,889)
Proceeds from collection of guarantee deposits	905	122	6,337
Payments of loans receivable	(75)	(75)	(529)
Collection of loans receivable	235	92	1,650
Other payments	(466)	(316)	(3,266)
Other proceeds	561	189	3,929
Net cash used in investing activities	<u>(1,877)</u>	<u>(2,356)</u>	<u>(13,143)</u>
Financing activities:			
Proceeds from short-term borrowings	18	11	126
Repayment of short-term borrowings	(44)	(111)	(314)
Proceeds from long-term borrowings	—	6,050	—
Repayment of long-term borrowings	(2,035)	(2,029)	(14,255)
Proceeds from issuance of bonds	100	—	700
Cash dividends paid	(3,034)	(4,378)	(21,247)
Cash dividends paid to non-controlling interests	(226)	(221)	(1,587)
Others, net	(346)	(328)	(2,425)
Net cash used in financing activities	<u>(5,570)</u>	<u>(1,007)</u>	<u>(39,005)</u>
Effect of exchange rate changes on cash and cash equivalents	1,294	954	9,060
Increase (decrease) in cash and cash equivalents	<u>(3,073)</u>	<u>8,932</u>	<u>(21,518)</u>
Cash and cash equivalents at the beginning of the period	<u>64,421</u>	<u>49,366</u>	<u>451,065</u>
Cash and cash equivalents at the end of the period	<u>¥ 61,347</u>	<u>¥ 58,299</u>	<u>\$ 429,547</u>

See accompanying notes to unaudited half-term consolidated financial statement

Notes to Unaudited Half-term Consolidated Financial Statements

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

1. U.S. Dollar Amounts

The accompanying half-term 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 ¥142.82=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2024. This translation should not be construed as a representation that the amounts shown could be converted to U.S. dollars at such rate.

2. Uncertainties of entity's ability to continue as going concern

None.

3. Accounting Changes

Application of "Accounting Standard for Current Income Taxes," and other applicable standards.

Effective from 1 April 2024, the Group has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Standard No.27, 28 October 2022).

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the ASBJ Standard No.27 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, 28 October 2022). This accounting changes have no impact on the half-term consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, ASBJ Guidance No.28 has been applied from 1 April 2024. This accounting changes was applied retrospectively. Hence, the half-term consolidated financial statements for the same half of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This accounting changes does not affect on the half-term consolidated financial statements for both the same half of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

4. When there are significant changes in amounts of equity

Based on a board of directors resolution on 30 April 2024, treasury stocks (4,930,930shares) was cancelled on 24 May 2024. As a result of that, Capital surplus and Treasury stock have decreased each ¥ 12,442 million (\$79,157 thousand*). Furthermore, the amounts of Capital surplus is ¥ 6,889 million (\$42,755 thousand), Treasury stock is ¥ (16,124) million (\$100,067) thousand) on balance sheet as of 30 September 2024.

*That translated into U.S. dollars at the rate of ¥157.19 = \$1.

Notes to Unaudited Half-term Consolidated Financial Statements
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

5. Segment Information

Information on net sales and profit or loss for each reportable segment for the six months ended September 30, 2024 and 2023

Millions of yen						
2024						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 120,078	¥ 17,582	¥ 47,884	¥ 185,545	¥ —	¥ 185,545
Inter-segment sales and transfers	566	3,461	2,681	6,709	(6,709)	—
Total	¥ 120,645	¥ 21,043	¥ 50,565	¥ 192,254	¥ (6,709)	¥ 185,545
Segment profit	¥ 3,354	¥ 1,489	¥ 2,344	¥ 7,188	¥ (56)	¥ 7,132

Thousands of U.S. dollars (Note 1)						
2024						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 840,767	\$ 123,108	\$ 335,278	\$ 1,299,154	\$ —	\$ 1,299,154
Inter-segment sales and transfers	3,966	24,235	18,773	46,976	(46,976)	—
Total	\$ 844,734	\$ 147,343	\$ 354,052	\$ 1,346,130	\$ (46,976)	\$ 1,299,154
Segment profit	\$ 23,490	\$ 10,427	\$ 16,415	\$ 50,333	\$ (395)	\$ 49,938

Note A: Segment profit of ¥(56) million (\$395) thousand in “Eliminations” consists of inter-segment elimination.

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

Millions of yen						
2023						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 117,085	¥ 17,756	¥ 45,205	¥ 180,047	¥ —	¥ 180,047
Inter-segment sales and transfers	518	3,306	2,141	5,966	(5,966)	—
Total	¥ 117,604	¥ 21,062	¥ 47,346	¥ 186,013	¥ (5,966)	¥ 180,047
Segment profit	¥ 3,726	¥ 1,191	¥ 932	¥ 5,850	¥ (8)	¥ 5,841

Note A: Segment profit of ¥(8) million in “Eliminations” consists of inter-segment elimination.

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