

Global Digital Transformation Partner

Supplementary Materials for Full Year Financial Results FY2020/3



April 30, 2020

transcosmos inc.

Our Response to Covid-19

Executive Summary

Income Statement for the Year Ended March 2020

- Consolidated Income Statement Summary
- Performance Summary per Segment
- Consolidated Sales Trend
- Consolidated Sales Analysis
- Consolidated Operating Income Trend
- Consolidated Operating Income Analysis
- Parent Company Operating Income Analysis
- Quarterly Performance Summary per Segment (Jan-Mar, 2020)
- Consolidated Quarterly Performance Trend
- transcosmos inc. Net Income Analysis

Balance Sheet, Cash Flow Statement, Dividend Policy for the Year Ended March 2020

- Consolidated Balance Sheet Summary
- (Reference) Listed Holdings Held by the Company
- Consolidated Cash Flow Statement
- Dividend Policy
- (Reference) CAPEX, Amortization/Depreciation, Employees, Service Bases

Mid-Term Key Initiatives

- Key Initiatives
- Our Vision
- DEC Services
- BPO Services
- Group Strategic Subsidiary Businesses
- Global Expansion

[Business Impact and Our Response]

- China
 - Although we have closed some operations centers adhering to the lockdown and stay-at-home orders imposed by cities from January through March, the centers are operating almost at regular capacity from April onwards.
- ASEAN member states
 - We have negotiated with clients proactively and are continuously offering services by shifting most of our operations to a work-from-home model upon clients' agreement despite the closing of some or all operations centers from March to adhere to the lockdown and stay-at-home orders imposed by each country.
- Japan
 - The novel coronavirus cases have been confirmed in some centers. With the utmost importance on the prevention of the spread of infection internally and externally, and the safety and health of employees, we have taken appropriate measures working closely with health care centers and other related parties.
 - Despite a decrease in new nonrecurring projects as companies refrain from taking active business operations, we are seeing an increase in service inquiries from the government and municipalities related to economic measures.

[Our Policy]

With the utmost importance on the prevention of the spread of infection internally and externally, and the safety and health of each employee, we will fulfil our corporate social responsibility to the fullest extent possible by offering services that assist administrative agencies and others in taking novel coronavirus measures, providing support for businesses to make a digital shift in their business processes that will drive remote working, offering services that ensure business continuity, and more.

Achievements

- All business segments achieved both sales and profit growth.
- Sales increased by **9.5%** year over year, hit new all-time high.
- Gross profit margin increased by **0.9 points** due to higher profitability in existing projects.
- **Controlling SG&A expenses** based on sales and profits.
- Operating income increased by **¥5.3 billion** year over year, a significant increase of **99.6%**.

Challenge

- Accelerate efforts to improve and increase profitability.

1	Income Statement for the Year Ended March 2020
2	Balance Sheet, Cash Flow Statement, Dividend Policy for the Year Ended March 2020
3	Mid-Term Key Initiatives

Consolidated Income Statement Summary

- Sales increased in all segments, primarily in Parent Company.
- Operating income increased due to improved profitability in all segments, primarily in Parent Company.
- Ordinary income increased due to operating income growth.
- Full year net income attributable to owners of transcosmos inc. increased due to the increase in operating income and other positive factors, despite the negative impact of a decrease in extraordinary profit.

In ¥Million	FY2019/3		FY2020/3		Difference	
		(Mix)		(Mix)	(Amount)	(Ratio)
Sales	284,696	100.0%	311,871	100.0%	27,174	9.5%
Cost of Sales	237,494	83.4%	257,262	82.5%	19,768	8.3%
Gross Profit	47,202	16.6%	54,608	17.5%	7,405	15.7%
SG&A	41,846	14.7%	43,918	14.1%	2,071	5.0%
Operating Income	5,355	1.9%	10,689	3.4%	5,333	99.6%
Non-operating Profit and Loss	38	0.0%	-1,735	-0.5%	-1,774	-
Ordinary Income	5,394	1.9%	8,954	2.9%	3,559	66.0%
Extraordinary Profit and Loss	3,875	1.4%	1,144	0.4%	-2,731	-70.5%
Net Income attributable to owners of transcosmos inc.	4,433	1.6%	6,279	2.0%	1,845	41.6%

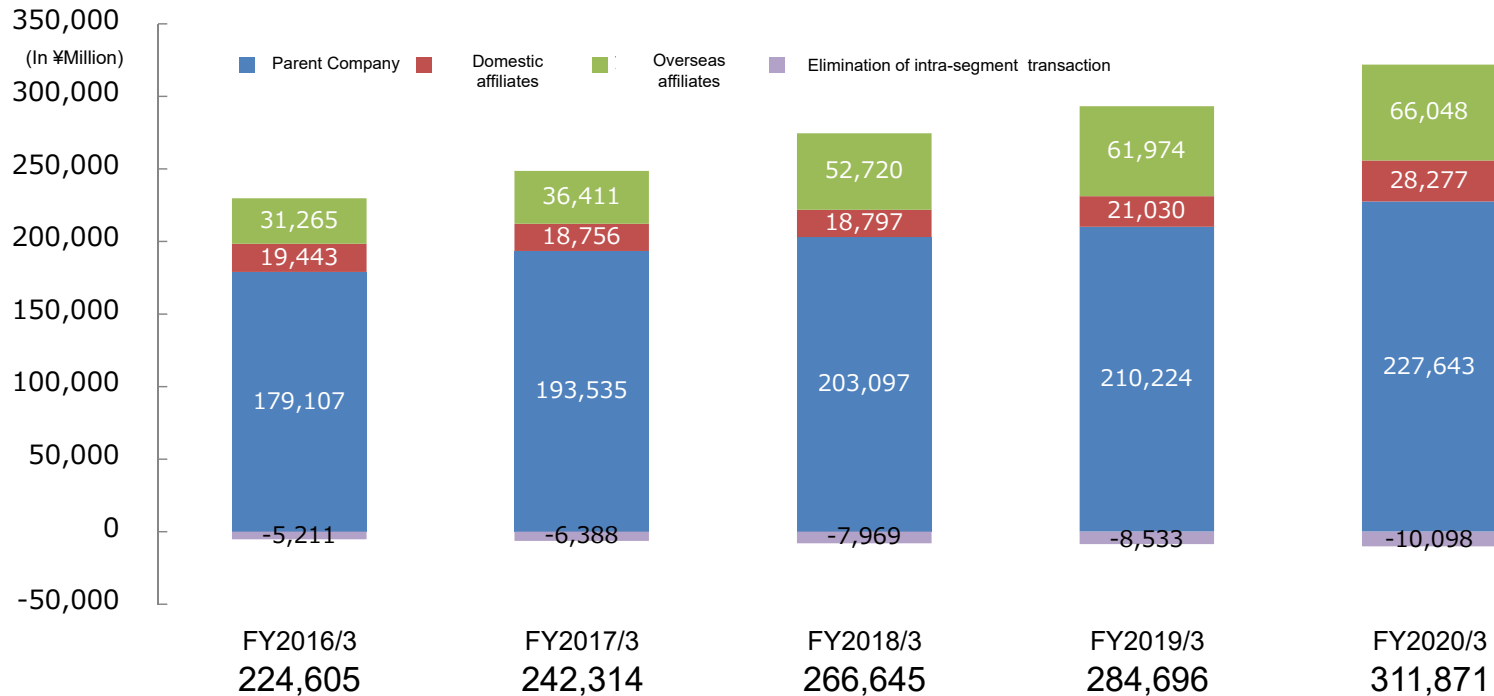
Performance Summary per Segment

- Parent Company: Both sales and profit increased. Profitability improved mainly due to strong orders in core services, higher profitability in existing projects, and a lower SG&A ratio, in addition to sales growth.
- Domestic Affiliates: Both sales and profit increased. Both sales and profit grew mainly due to solid performance achieved by listed subsidiaries and a positive impact from newly consolidated subsidiaries.
- Overseas Affiliates: Both sales and profit increased. Both sales and profit grew mainly due to solid performance achieved by Chinese, South Korean and ASEAN subsidiaries.

In ¥Million		FY2019/3		FY2020/3		Difference	
			(Mix)		(Mix)	(Amount)	(Ratio)
Sales	Parent Company	210,224	73.8%	227,643	73.0%	17,419	8.3%
	Domestic Affiliates	21,030	7.4%	28,277	9.1%	7,246	34.5%
	Overseas Affiliates	61,974	21.8%	66,048	21.2%	4,074	6.6%
	Elimination of intra segment transaction	-8,533	-3.0%	-10,098	-3.3%	-1,565	-18.4%
	(Total)	284,696	100.0%	311,871	100.0%	27,174	9.5%
Segment Income (Loss)	Parent Company	4,415	82.4%	7,912	74.0%	3,497	79.2%
	(%profit)	2.1%		3.5%			
	Domestic Affiliates	624	11.7%	1,362	12.7%	737	118.2%
	(%profit)	3.0%		4.8%			
	Overseas Affiliates	313	5.8%	1,413	13.2%	1,100	351.4%
	(%profit)	0.5%		2.1%			
Elimination of intra segment transaction	2	0.1%	1	0.1%	-1	-53.1%	
(Total)	5,355	100.0%	10,689	100.0%	5,333	99.6%	

Consolidated Sales Trend

- Achieved sales growth for the 10th straight year, hit all-time high sales.



Consolidated Sales Analysis

- Sales increased by ¥27,174 million (+9.5%)

Parent Company

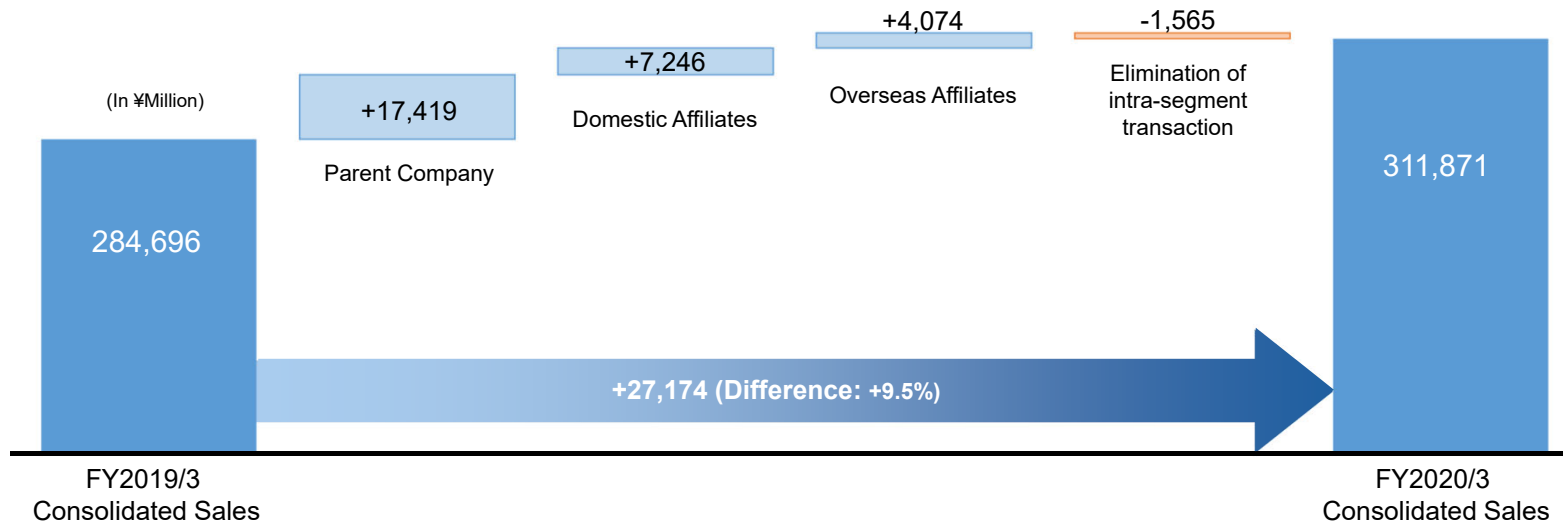
Sales increased due to an order increase in core services (DEC / BPO).

Domestic Affiliates

Sales increased mainly due to sales growth in listed subsidiaries and a positive impact from newly consolidated subsidiaries.

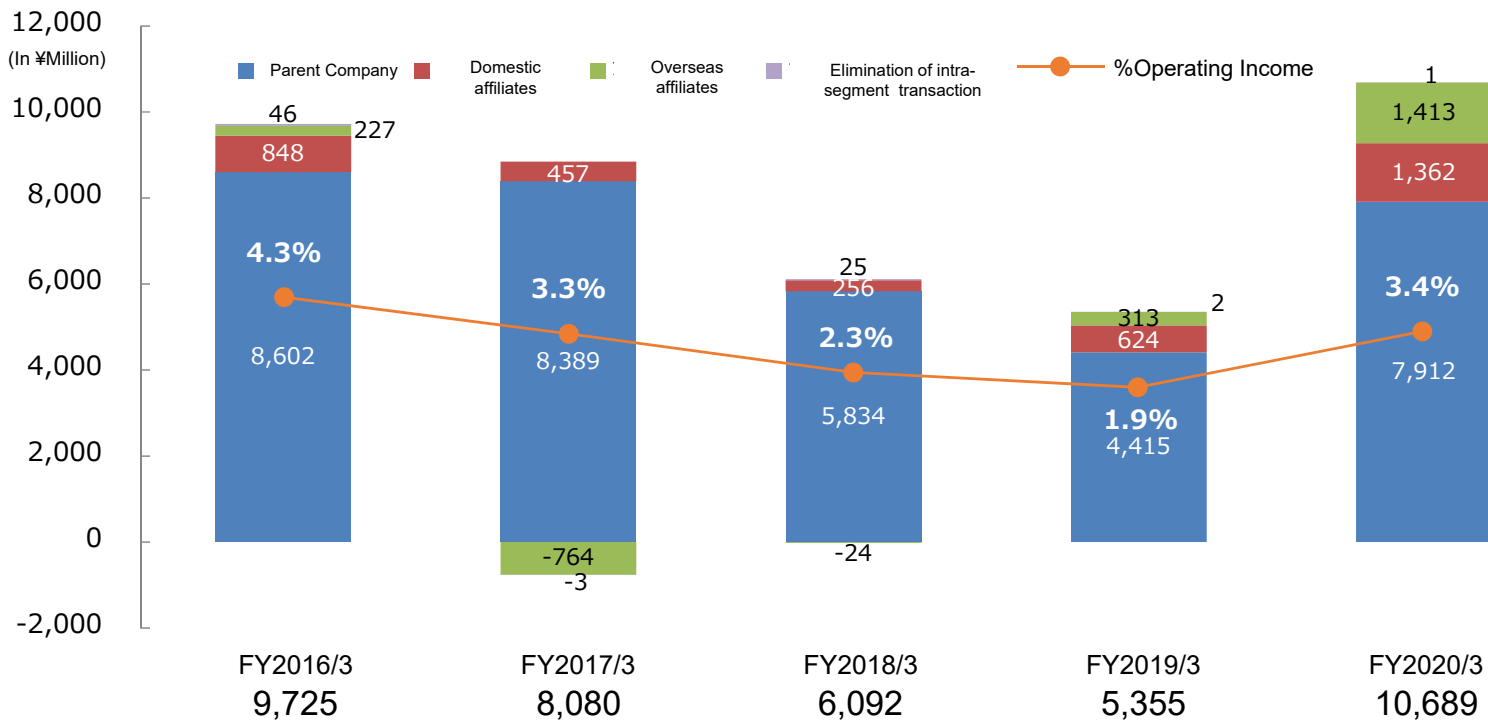
Overseas Affiliates

Sales increased in subsidiaries in China, South Korea and Southeast Asia.



Consolidated Operating Income Trend

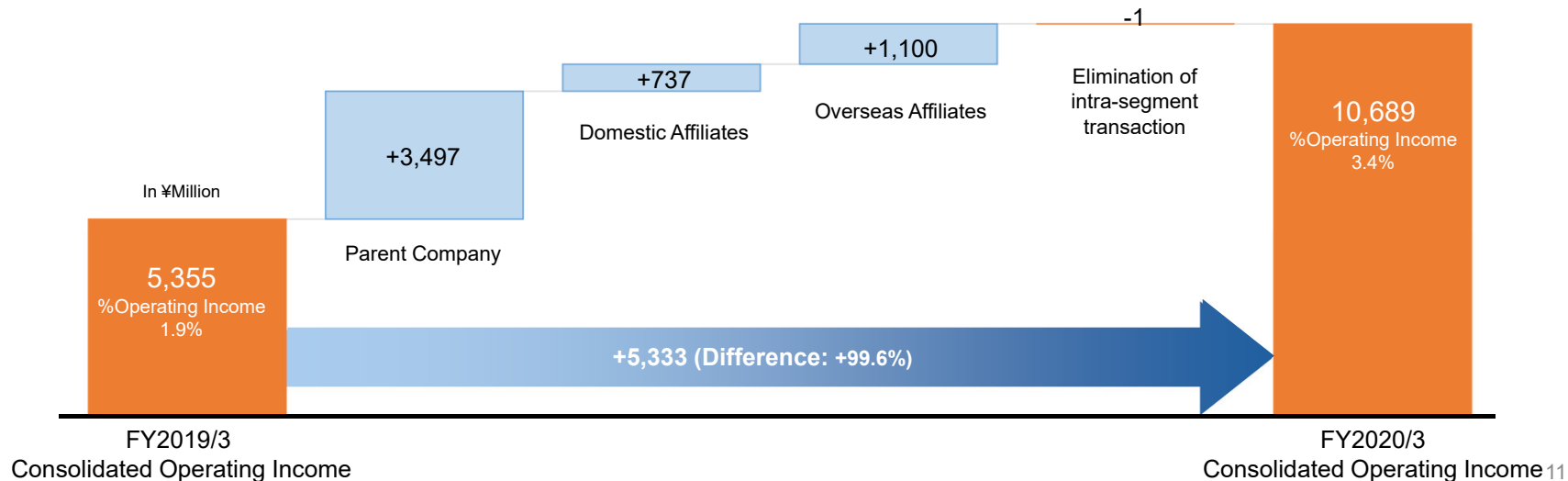
- Profitability increased in all segments, operating income ratio bounced back to a level of 3%.



Consolidated Operating Income Analysis

- Operating Income increased by ¥5,333 million (+99.6%)

Parent Company	Operating income increased mainly due to improved gross profit as a result of improved profitability in existing projects and a lower SG&A ratio achieved by cost control measures, in addition to sales growth.
Domestic Affiliates	Operating income increased mainly due to profit growth in listed subsidiaries and a positive impact from newly consolidated subsidiaries.
Overseas Affiliates	Operating income increased mainly due to higher profitability in subsidiaries in China and Southeast Asia.



Parent Company Operating Income Analysis

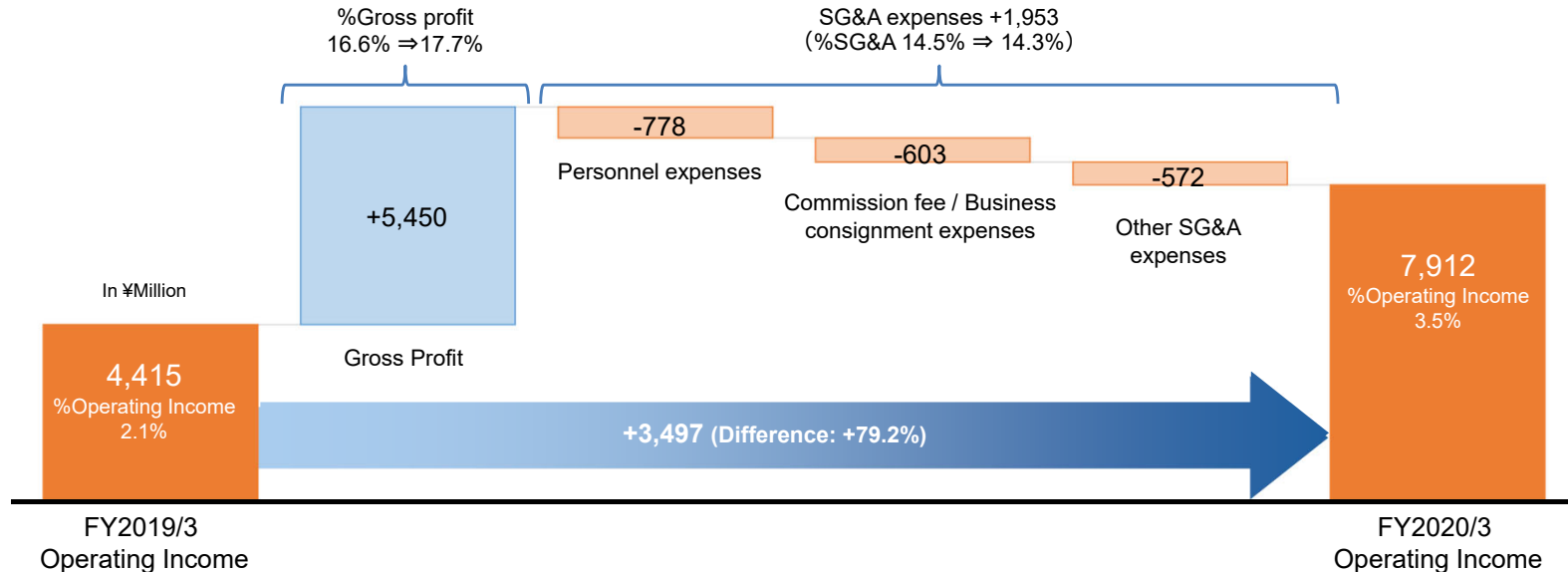
- Operating Income increased by ¥3,497 million (+79.2%)

Gross Profit

Gross profit ratio increased by 1.1 points mainly due to higher profitability achieved by increasing productivity in existing projects and receiving new high-profit orders, in addition to sales growth.

SG&A expenses

SG&A ratio decreased by 0.2 points due to good cost control practices despite ¥1,953 m increase in SG&A expenses along with the sales growth.



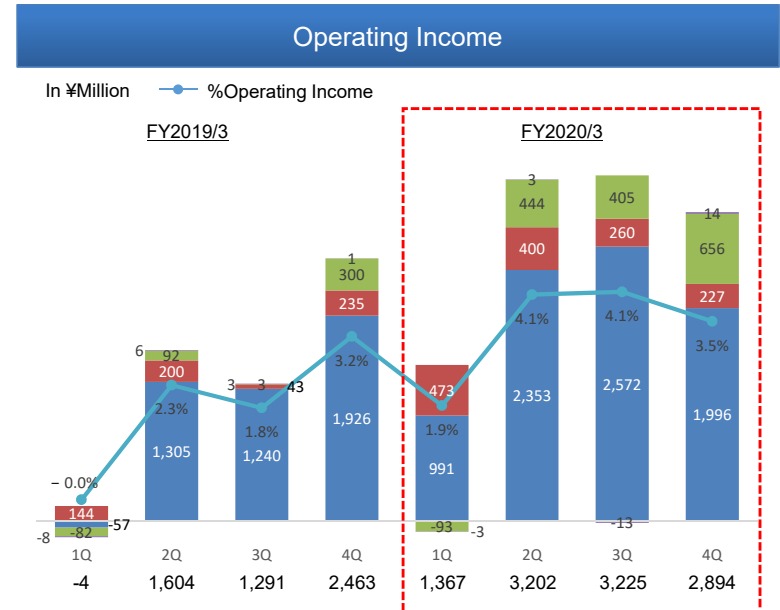
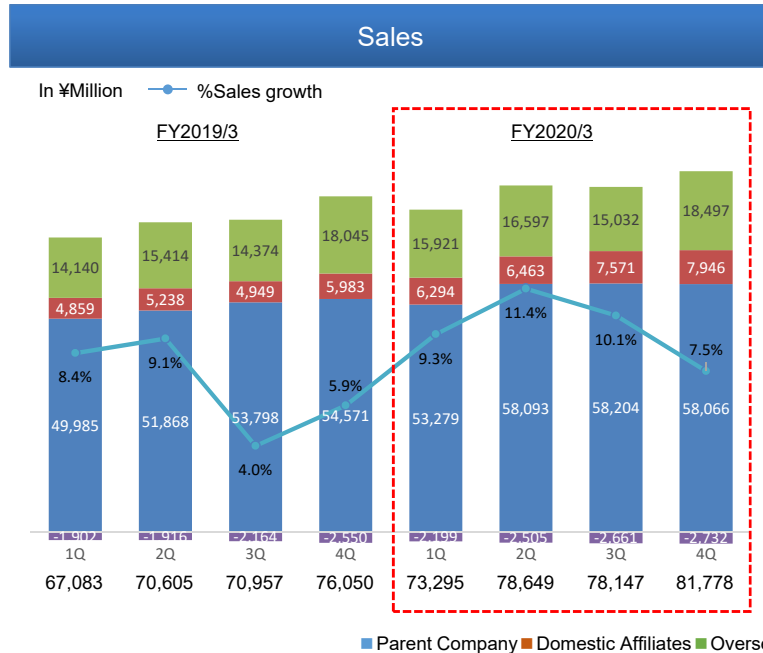
Quarterly Performance per Segment (Jan-Mar, 2020)

- Sales increased by ¥ 5,728 million, +7.5%, due to the sales growth in all segments.
- Operating income increased by ¥431 million, +17.5%, due to higher operating income in Parent Company and Overseas Affiliates.

In ¥Million		Q4 FY2019/3		Q4 FY2020/3		Difference	
			(Mix)		(Mix)	(Amount)	(Ratio)
Sales	Parent Company	54,571	71.8%	58,066	71.0%	3,494	6.4%
	Domestic Affiliates	5,983	7.9%	7,946	9.7%	1,963	32.8%
	Overseas Affiliates	18,045	23.7%	18,497	22.6%	451	2.5%
	Elimination of intra segment transaction	-2,550	-3.4%	-2,732	-3.3%	-181	-7.1%
	(Total)	76,050	100.0%	81,778	100.0%	5,728	7.5%
Segment Income (Loss)	Parent Company	1,926	78.2%	1,996	69.0%	69	3.6%
	(%profit)	3.5%		3.4%			
	Domestic Affiliates	235	9.6%	227	7.9%	-7	-3.3%
	(%profit)	3.9%		2.9%			
	Overseas Affiliates	300	12.2%	656	22.7%	356	118.7%
	(%profit)	1.7%		3.5%			
Elimination of intra segment transaction	1	0.0%	14	0.4%	13	-	
(Total)	2,463	100.0%	2,894	100.0%	431	17.5%	

Consolidated Quarterly Performance Trend

- Sales maintained an upward trend and a high growth rate despite a slight deceleration in growth rate in the first quarter.
- Operating income continued to increase at both profit level and margin compared to the previous fiscal year despite a slight slowdown in growth rate.



transcosmos inc. Full Year Net Income Analysis

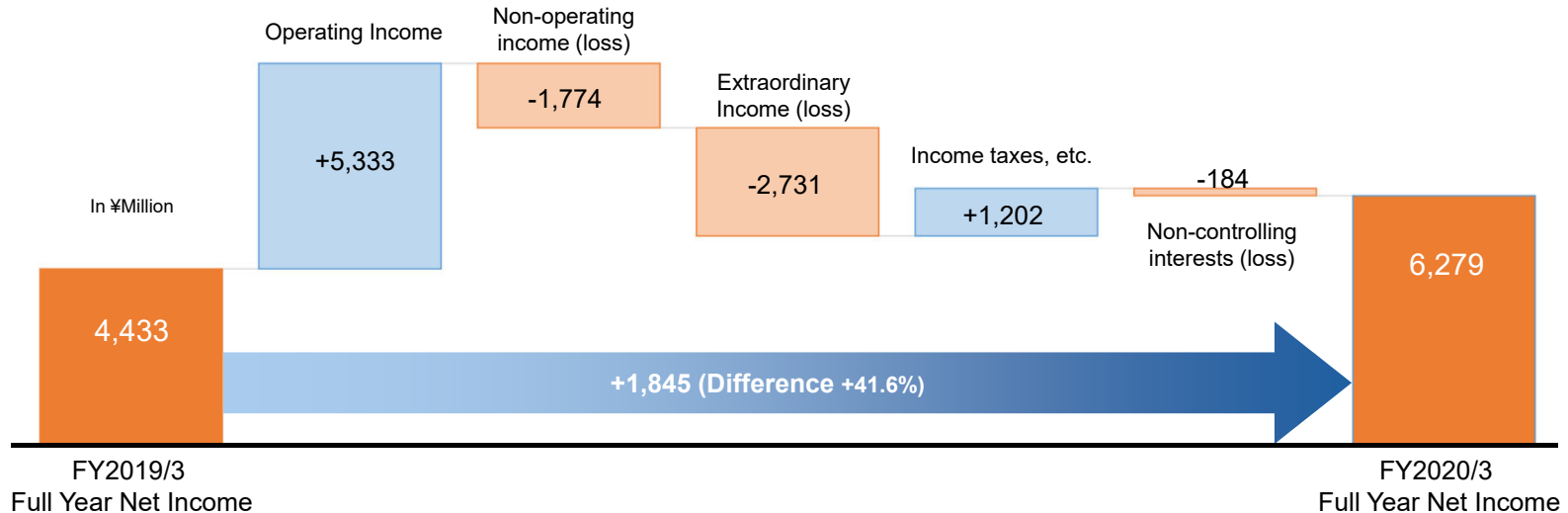
- Full year net income attributable to owners of transcosmos inc. increased by ¥1,845 million (+41.6%).

Non-operating
income (loss)

Non-operating income decreased by ¥1,1774 m mainly due to an increase in equity in losses of affiliates and a decrease in returns from fund management activities

Extraordinary
income (loss)

Extraordinary income decreased by ¥2,731 m mainly due to a lack in capital gains from the sale of shares in an affiliate as opposed to the same quarter of the previous fiscal year when the gains were recorded.



1	Income Statement for the Year Ended March 2020
2	Balance Sheet, Cash Flow Statement, Dividend Policy for the Year Ended March 2020
3	Mid-Term Key Initiatives

Consolidated Balance Sheet Summary

- Assets: Current Assets: “Notes and accounts receivable-trade” and “Merchandize and finished goods” increased.
Fixed Assets: “Property, plant and equipment,” “Intangible assets” and “Guarantee deposits” increased.
- Liabilities: “Accounts payable-trade,” “Accounts payable-other” and “Short-term debt” increased.
- Net Assets: “Retained earnings” increased.

In ¥Million	End of Mar. 2019	End of Mar. 2020	Difference	
Current Assets	89,835	96,922	7,087	<ul style="list-style-type: none"> • Cash and deposits: -1,020 • Notes and accounts receivable – trade: +5,047 • Merchandize and finished goods: +1,569
Fixed Assets	45,433	47,062	1,629	<ul style="list-style-type: none"> • Property, plant and equipment: +1,281 • Investment securities: -1,540 • Shares of affiliates: -1,276 • Guarantee deposits: +1,650
Total Assets	135,268	143,985	8,716	
Current Liabilities	48,121	63,432	15,310	<ul style="list-style-type: none"> • Accounts payable – trade: +1,253 • Short-term debt: +1,293 • Current portion of convertible bonds: +10,007 • Current portion of long-term debt: -1,674 • Accounts payable-other: +1,489
Fixed Liabilities	12,232	2,583	-9,648	
Total Liabilities	60,353	66,015	5,662	<ul style="list-style-type: none"> • Convertible bonds: -10,017
Net Assets	74,915	77,969	3,054	<ul style="list-style-type: none"> • Retained earnings: +4,800 • Valuation difference on available-for-sale securities: -1,266 • Foreign currency translation adjustments: -915
Liabilities/Net Assets Total	135,268	143,985	8,716	
Cash and deposits	36,032	35,012	-1,020	
Interest-bearing debt	13,668	13,432	-235	
Net Cash*	22,364	21,579	-784	

*Net Cash = Cash and deposits – Interest-bearing debt

(Reference) Listed Holdings Held by the Company

- The Company continues to enhance investment portfolio review through regular monitoring.

List of listed holdings held by transcosmos inc.

In ¥Million

Type	Stock name	Market	Security code	Fair Value*
Stock of affiliated companies	J-Stream Inc.	TSE Mothers	4308	10,691
	APPLIED TECHNOLOGY CO.,LTD.	TSE JQS	4356	4,469
	eMnet Inc.	KOSDAQ	123570	1,608
	PFSweb Inc.	NASDAQ	PFSW	1,472
Investment securities	Menicon Co., Ltd.	First Section of TSE	7780	485
	Geniee, Inc.	TSE Mothers	6562	268
	Twilio	NYSE	TWLO	163
	Japan Airlines Co., Ltd.	First Section of TSE	9201	86
	MIZUNO Corporation	First Section of TSE	8022	18
	MTG Co., Ltd.	TSE Mothers	7806	11
	JACCS CO., LTD.	First Section of TSE	8584	8
	RealReal	NASDAQ	REAL	3
Total				19,288

Major listed holdings held by Group companies

Type	Stock name	Market	Security code	Fair Value*
Investment securities	北京騰信創新網絡營銷技術股份有限公司 (TensynPRC)	ChiNext	300392	3,526

* Fair values are calculated based on the closing price of April 28, 2020. Note that fair values of PFSWeb, Twilio and RealReal are calculated based on the closing price of April 27, 2020.

Consolidated Cash Flow Statement

- Cash flows from operating activities: “Net income before income taxes” increased, and “Income taxes paid” decreased.
- Cash flows from investing activities: “Proceeds from sale of stocks of affiliates” decreased, and “Payments for investments in capital of subsidiaries and associates” increased.
- Cash flows from financial activities: “Proceeds from short-term debt” increased, and “Payments from changes in ownership interests in subsidiaries that do not result in scope of consolidation” decreased.

In ¥Million	FY2019/3	FY2020/3	Difference
Cash flows from operating activities	3,889	8,093	4,204
Cash flows from investing activities	4,344	-6,885	-11,229
Cash flows from financing activities	-3,165	-2,093	1,072
Balance of cash and cash equivalents	35,979	34,920	-1,058
Free cash flow*	8,233	1,207	-7,025

*Free cash flow = Cash flows from operating activities + Cash flows from investing activities

Dividend Policy

- The Company's dividend policy focuses on dividend payout ratio in order to pay dividends that are linked to the Company's business performance.
- The Company pays year-end dividends based on a consolidated dividend payout ratio of around 30%.
- For the year that ended March 31, 2020, the Company plans to increase dividends along with considerable growth in Parent Company's net income.

	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3 (Plan)
Dividends per share (yen)	56	52	23	33	46
Consolidated dividends payout ratio (%)	30.4	30.1	-	30.9	30.4

(Reference) CAPEX, Depreciation/Amortization, Employees, Service Bases



● CAPEX / Depreciation and Amortization

In ¥Million	FY2019/3	FY2020/3	%Difference
Capital expenditures	4,514	5,544	22.8%
Depreciation and amortization	3,287	3,567	8.5%

● Number of Employees

	End of Mar. 2019	End of Mar. 2020	Difference
Consolidated bases	30,051	32,666	2,615
(Temporary employees)	24,866	25,850	984
Parent Company	14,106	15,173	1,067
(Temporary employees)	21,407	21,430	23

● Service bases

	End of Mar. 2019	End of Mar. 2020	Difference
Service bases*	171	171	0
(Japan)	62	66	4
(Overseas)	109	105	-4

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

● CAPEX

Investment amounts increased mainly due to opening/expansion of centers and business offices in Parent Company and overseas' affiliates.

● Depreciation and amortization

Depreciation and amortization increased mainly due to opening/expansion of centers and business offices in Parent Company and domestic affiliates in the previous fiscal year.

● Employees

Number of employees increased due to new hires in Parent Company and Chinese subsidiaries, and an impact from newly consolidated subsidiaries.

● Service bases

Japan: Opened MCM Center Sapporo Sosei Square and BPO Center Sapporo Tanukikoji. Overseas: Opened Ho Chi Minh Center No.3 in Vietnam. On the contrary, number of some Chinese and European affiliates' and partners' bases decreased.

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3	Mid-Term Key Initiatives

People & Technology

Achieve high productivity and solve clients' challenges with the combined power of cutting-edge digital technology and operational expertise.

Drill down the existing business areas

Build lasting relationships and expand businesses with clients based on their trust in us.

Expand into adjacent business areas

Expand into peripheral businesses building on our capabilities in the existing businesses.

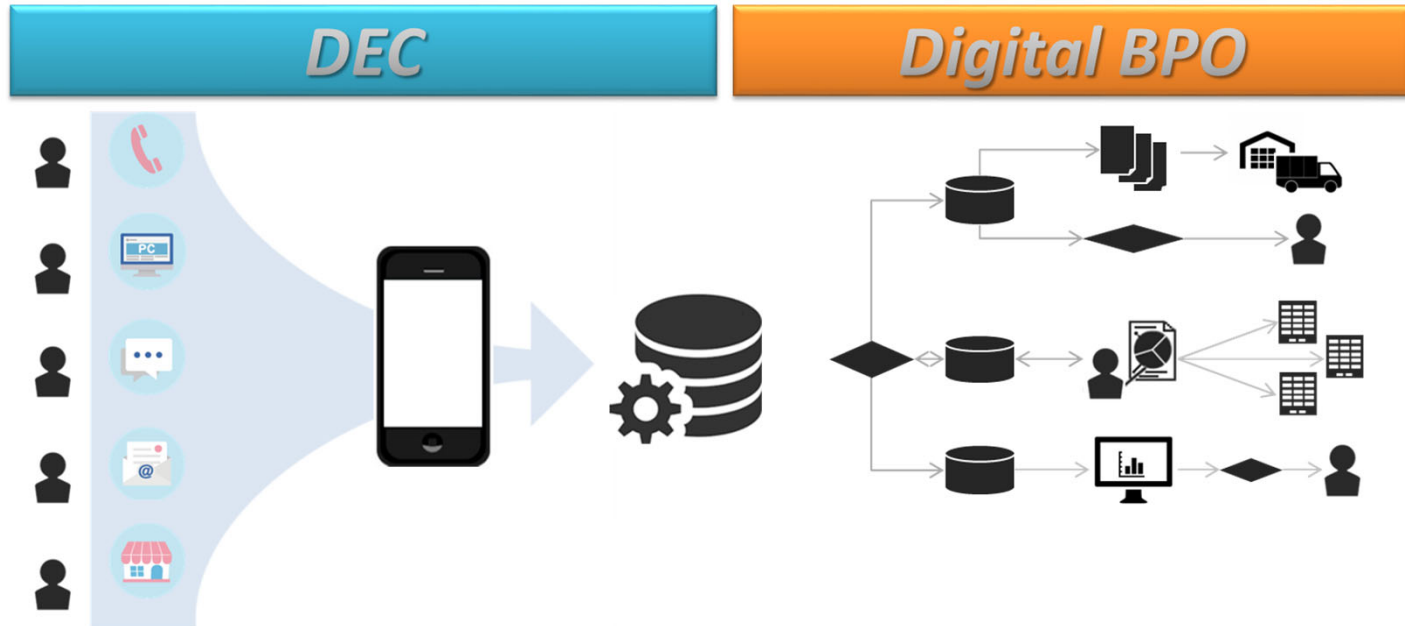
Deliver returns on investments in new business areas

Generate innovation by leveraging the collective strengths of our group including affiliates and joint ventures.

Achieve sustained growth and high earnings by driving services that help clients deliver digital transformation to keep up with this changing society due to various factors including the impact from the novel coronavirus.

- We aspire to be the one and only global outsourcing services player that serves for clients' topline growth.

Global Digital Transformation Partner

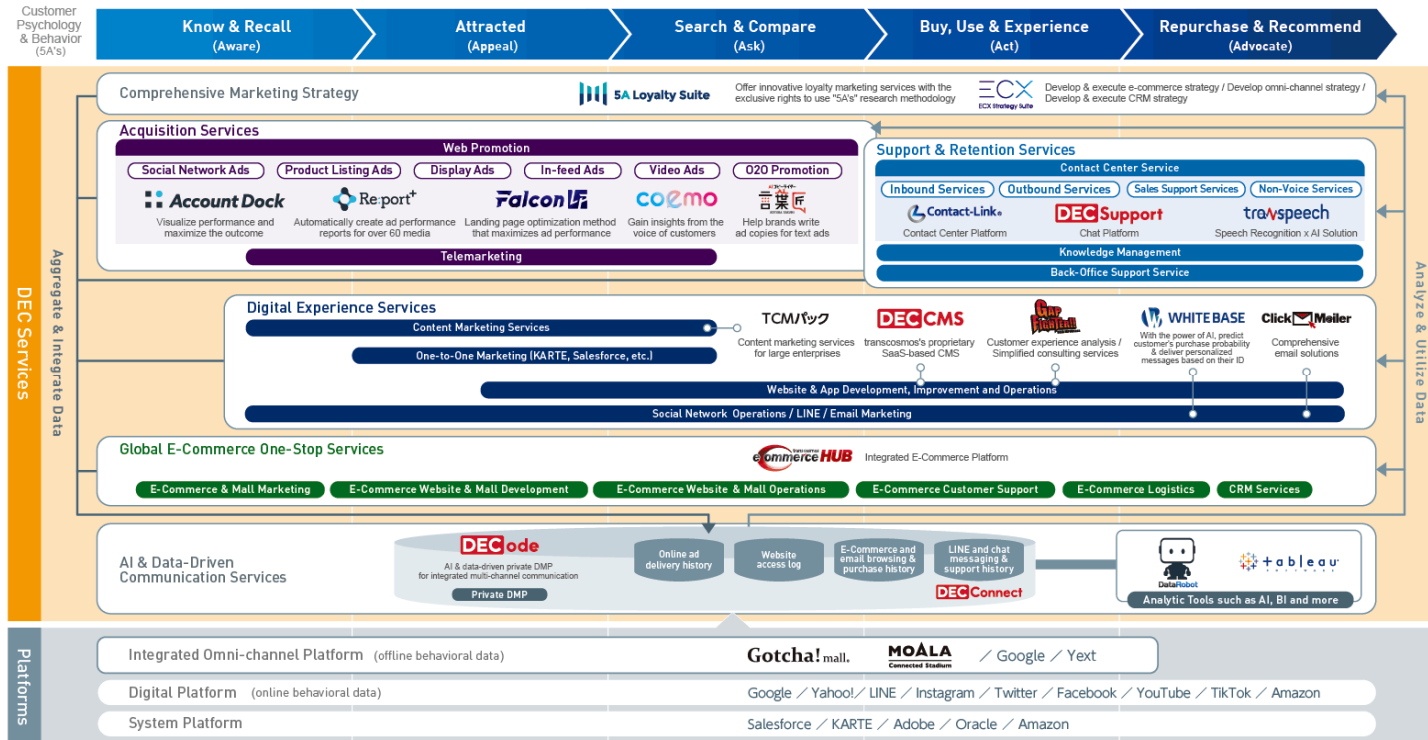


- Our DEC services offer end-to-end support services ranging from marketing, to sales, to customer communications.

DEC



- We blend the “Real” and the “Digital” world together and deliver various multi-dimensional customer communication services.

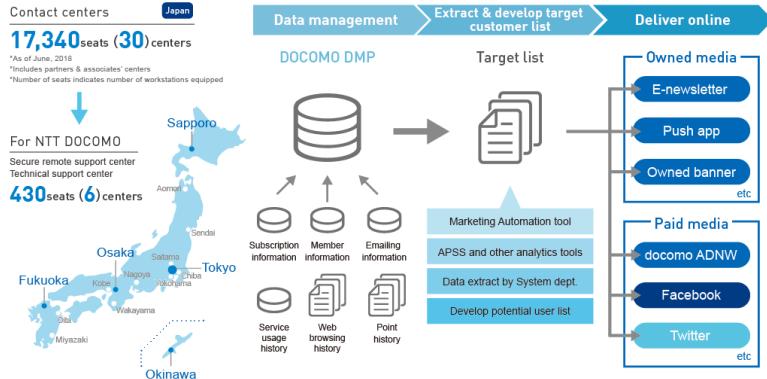


- By connecting contact center, advertising and website operations, we offer services that assist clients in executing their comprehensive website strategies.

E.g.

End-to-end services for the full-funnel marketing ranging from awareness building to CRM

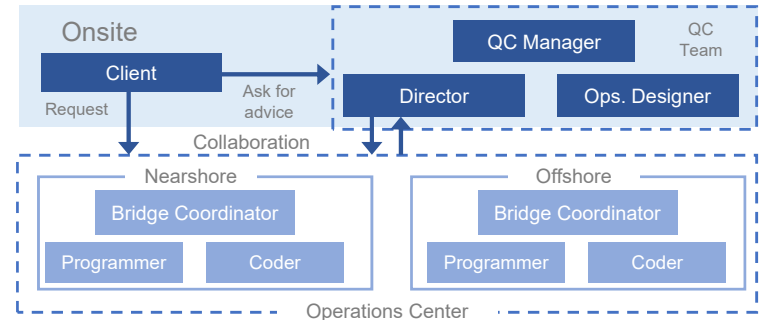
Client case study: NTT DOCOMO, INC.



E.g.

Onsite + Center operations

Leveraging onsite + center operations, we are proactively making proposals on services that develop and execute clients' comprehensive website strategies whilst streamlining operations.

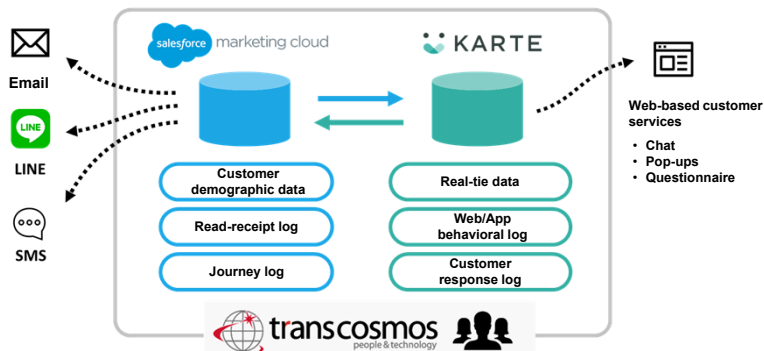


- We offer highly competitive services in the digital marketing area through forming partnerships, business alliances and joint ventures with companies that own cutting-edge technologies, solutions and expertise.

E.g.

One-to-one marketing services that integrate Salesforce marketing cloud and KARTE

Connect solutions



E.g.

M&A in the marketing planning area

Interest Design.

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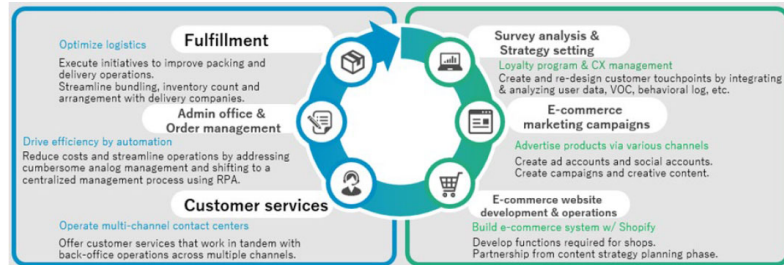
me&stars

- Turned Interest Design, a company specializes in the upper stream of marketing including consulting and communication design, into our subsidiary.
- Appointed both Tadayuki Togashi, President & CEO, and Yuzuru Mitsumoto, Director & COO of Interest Design as our corporate officers.
- Merged the company into our consolidated subsidiary me&stars as of April 1, 2020.
- By managing experts on cloud, the company offers marketing services fully powered by their expertise.

DEC Services: E-commerce one-stop

- Against the backdrop of increasing business interest in e-commerce as a distribution channel in the midst of the Covid-19 crisis and the recovery of the China market, we are enhancing partnerships with companies that own cutting-edge technologies and solutions in the e-commerce business whilst promoting services with a focus on cross-border e-commerce from Japan to China.

E.g. E-commerce one-stop services based on Shopify



E.g. Cross-border pharmaceutical e-commerce from Japan to China

Client case study: Lion Corporation

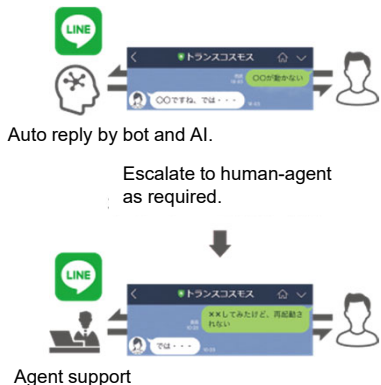


- transcosmos acts as a distributor and operates cross-border e-commerce from Japan to China.
- In addition to B2C in Lion Healthcare Global Flagship store on Tmall Global, wholesales to AliHealth, a healthcare company under Alibaba Group.
- During 2019 Tmall W11 event, "PAIR," LION's acne cream, received "New SKU Awards" by Tmall Global.

- We are driving services designed to digitalize customer support services and to enhance operational stability. With such services, we satisfy client needs such as encouraging work-from-home, achieving business continuity, and more.

E.g.

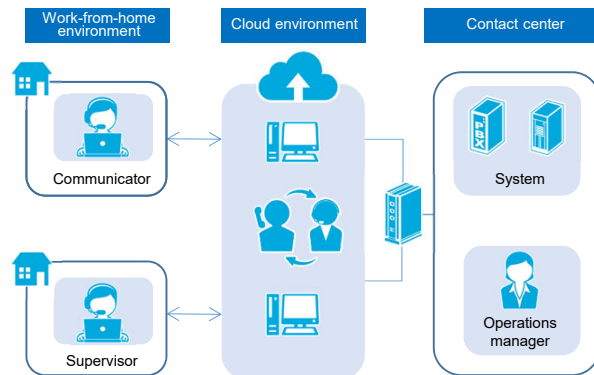
Bot/AI powered chat support



E.g.


Work-from-home contact center services

Through teleworking, we offer high quality services with stable and diverse agents whilst ensuring secure working environment as same as our centers.

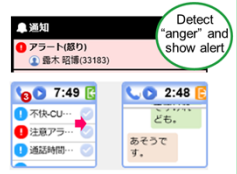


- We are promoting the use of technologies to boost service quality and productivity as well as Digital Marketing x Contact Center combined solutions that elevate Customer Experience.

E.g. Comprehensive quality assurance solution




Emotion
"Emotion analysis feature" alerts signs of trouble
Detect "anger" and show alert



AI
Check "must-have scripts" at high-speed and high accuracy
AI defender
Time spent for call transcription
Down to 15 min
from 700min

Human
Human knowhow & network ensures service quality
Implementation support
Operations support

E.g. Highly sophisticated communication powered by website behavioral data



Contact Center

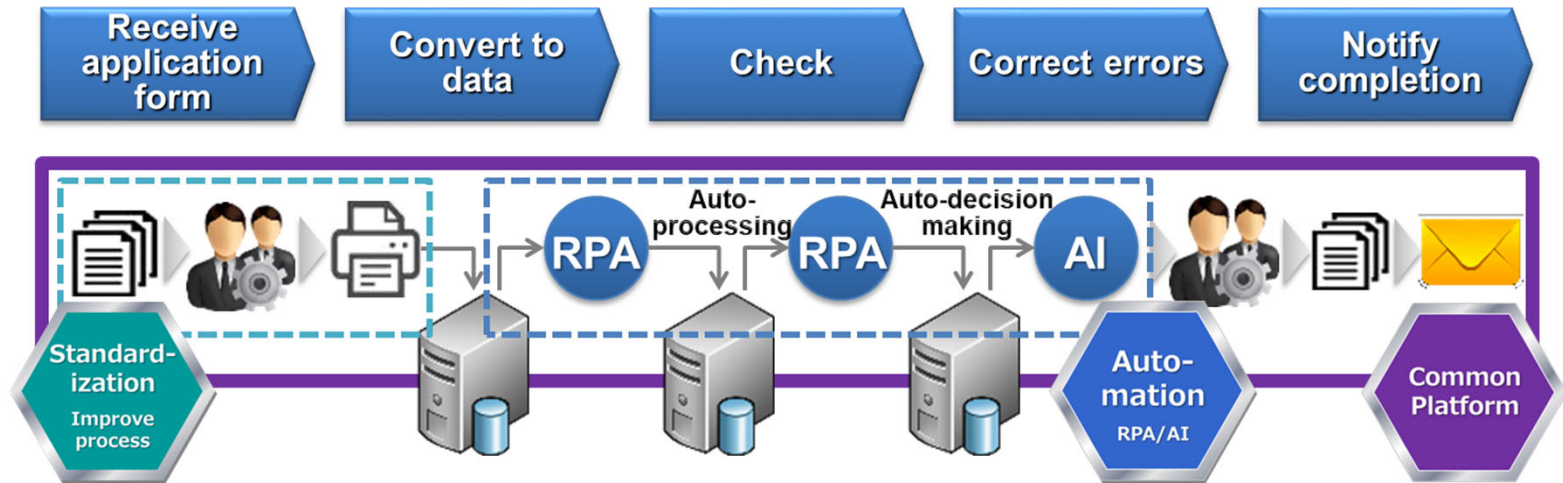
Inquiry starts
1 Shorter problem solving time & higher service speed
Visualize pre-call web behavioral history Offer proactive service
"I'm looking for a coffee maker."
"Thank you for calling. You are looking for one from maker XX, am I right?"

During inquiry
2 Higher sales generated during call
Cross-selling/up-selling based on consumer's behavioral & purchase history
ContactTrack Customer Support
"Show the app the customer was browsing"

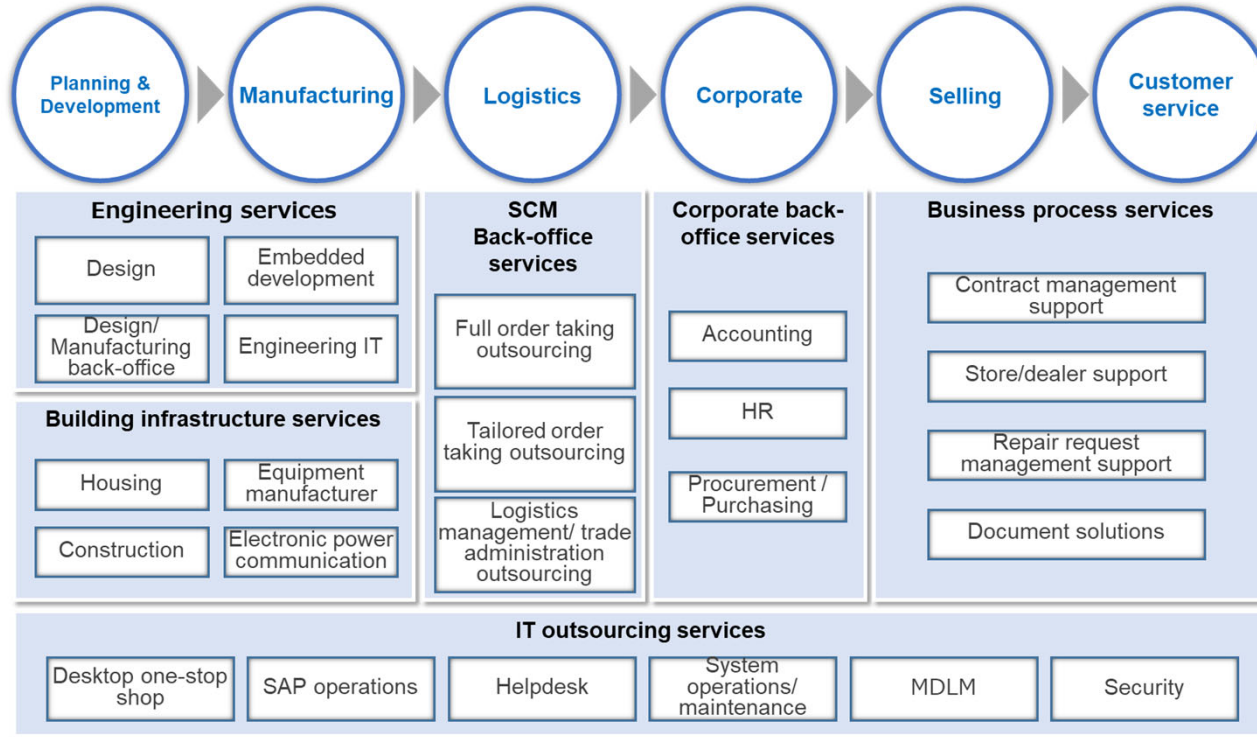
After inquiry
3 Enhance service by analyzing pre & post call history
Enhance services by analyzing call and web behavioral history after the call
Inquiry history Purchase history
Web behavioral history Process history
Analysis

- Our BPO services help clients achieve their digital business transformation. With simple, speedy and accurate services, we optimize their business operations.

Digital BPO

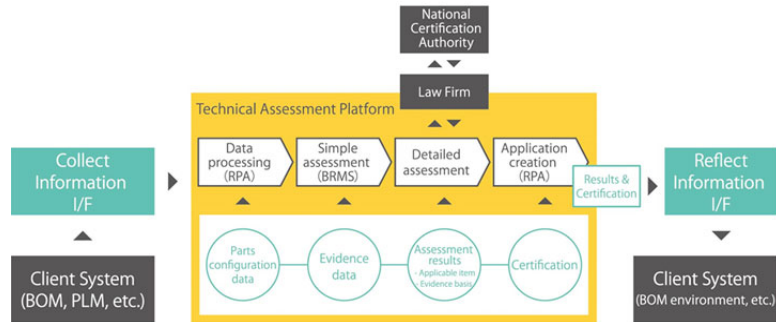


- With the power of Digital BPO services, we help clients bolster competitive edge by strengthening their business foundation including planning, development and sales activities.

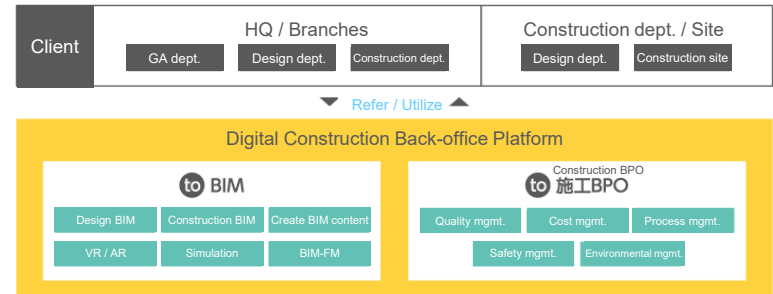


- We continue to evolve our service models that are designed for design development and specific industries, and offer the services across the industries.

E.g. Technical assessment services powered by expertise in technical knowledge and legal requirements & processes



E.g. Digital BPO designed for the construction industry



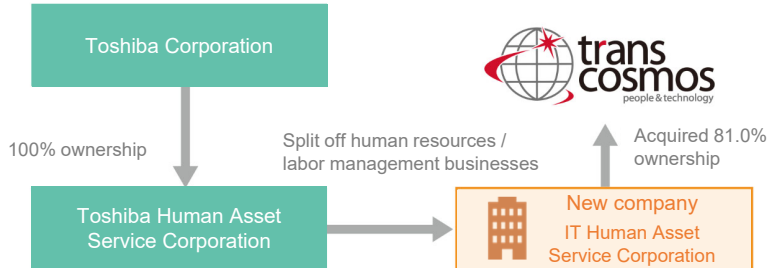
to in the service names indicates transcosmos and APPLIED TECHNOLOGY. The *to* services are offered by the two companies.

- We are driving initiatives to enhance our expertise and expand market share in the existing business areas.

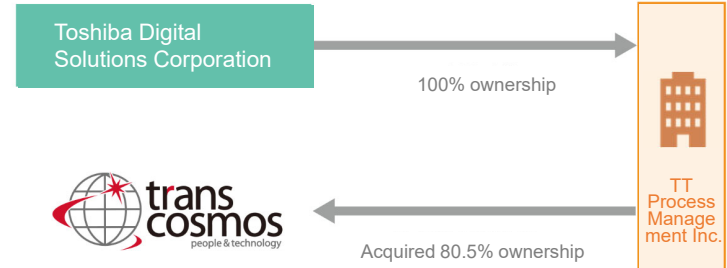
E.g.

JV / M&A in the corporate back-office area

transcosmos has acquired shares in a company (IT Human Asset Service Corporation) which was established as a result of business split of Toshiba Human Asset Service Corporation, a shared-service provider that supports Toshiba Group in areas that include human resources and labor management, international staff support operations, and promotion of occupational health and safety.

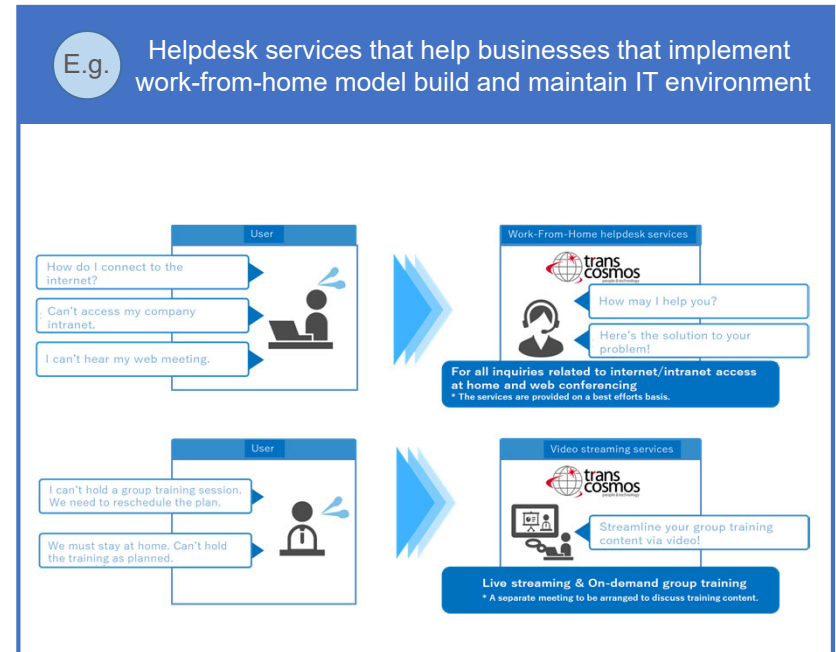


transcosmos has acquired shares in Toshiba Products Marketing Incorporated, a BPO services company which undertakes business operations outsourced from Toshiba Group companies and non-group companies. Their services include conversion of documents from text to digital data, data entry, annotation services and other RPA related services.



BPO Services: Back-office & IT outsourcing

- With digital business transformation and packaged solutions, we are promoting volume based pricing and subscription model services.



- We will continue to bring businesses run by our Group’s strategic subsidiaries onto a steady growth path.

Gotcha!mall, the platform that assists shopping

Gotcha! mall.



- Number of unique visitors 10M/year
- “Gotcha!mall” LINE Official Account: Number of friends: 12.7 M
- Registered stores: 40,000
- Total shopping spent ¥20B /year

“MOALA,” the platform for sports & entertainment

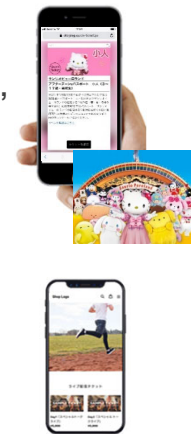
MOALA

これはもう、ライブ以上。



- “Quick Ticket by MOALA”, the e-ticketing system

- “MOALA Live Store,” the online streaming website launched in April, 2020



Global Expansion

- We continue to increase service lineups for overseas' local markets whilst enhancing our services network.



Global expansion

- We offer services that support clients' businesses through our 171 bases across 30 countries/regions.
- We continue to increase market shares in countries where we operate by strengthening partnerships with local partners and expanding both DEC and BPO services across the globe.

