

Global Digital Transformation **Partner**

Supplementary Materials for Q3 FY2021/3 Financial Results

(April 1 – December 31, 2020)



January 29, 2021

transcosmos inc.

Table of Contents

1. Executive Summary
2. Consolidated Income Statement Summary
3. Performance Summary per Segment
4. Consolidated Sales Analysis
5. Consolidated Operating Income Analysis
6. Parent Company Operating Income Analysis
7. Quarterly Performance per Segment (October – December, 2020)
8. Consolidated Quarterly Performance Trend
9. transcosmos inc. Quarterly Net Income Analysis
10. Consolidated Balance Sheet Summary
11. CAPEX, Amortization/Depreciation, Employees, Service Bases
12. Policies and Measures against Covid-19

1. Executive Summary

Achievements

- Sales increased by **7.3%** year over year, and maintained a high growth ratio.
- Gross profit margin increased by **2.1 points** due to a healthier profitability in existing projects.
- Despite extraordinary factors including additional expenses incurred to take measures against Covid-19, **continued to control SG&A expenses** in line with sales and profits.
- Operating income increased by **¥5.4 billion** year over year, as all segments secured positive profits.

Challenge

- Maintain and increase growth and profitability in the post COVID-19 era.

2. Consolidated Income Statement Summary

- Sales increased due to an order increase in all segments.
- Operating income increased due to a healthier profitability in all segments.
- Ordinary income increased due to growth in operating income.
- Quarterly net income attributable to owners of transcosmos inc. increased due to growth in both operating income and ordinary income.

In ¥Million	9M FY2020/3		9M FY2021/3		Difference	
		(Mix)		(Mix)	(Amount)	(Ratio)
Sales	230,092	100.0%	246,897	100.0%	16,804	7.3%
Cost of Sales	189,793	82.5%	198,497	80.4%	8,704	4.6%
Gross Profit	40,299	17.5%	48,399	19.6%	8,100	20.1%
SG&A	32,504	14.1%	35,176	14.2%	2,671	8.2%
Operating Income	7,794	3.4%	13,223	5.4%	5,428	69.6%
Non-operating Profit and Loss	-94	-0.0%	344	0.1%	439	-
Ordinary Income	7,700	3.3%	13,568	5.5%	5,868	76.2%
Extraordinary Profit and Loss	1,693	0.7%	231	0.1%	-1,461	-86.3%
Quarterly Net Income attributable to owners of transcosmos inc.	6,116	2.7%	8,625	3.5%	2,509	41.0%

3. Performance Summary per Segment

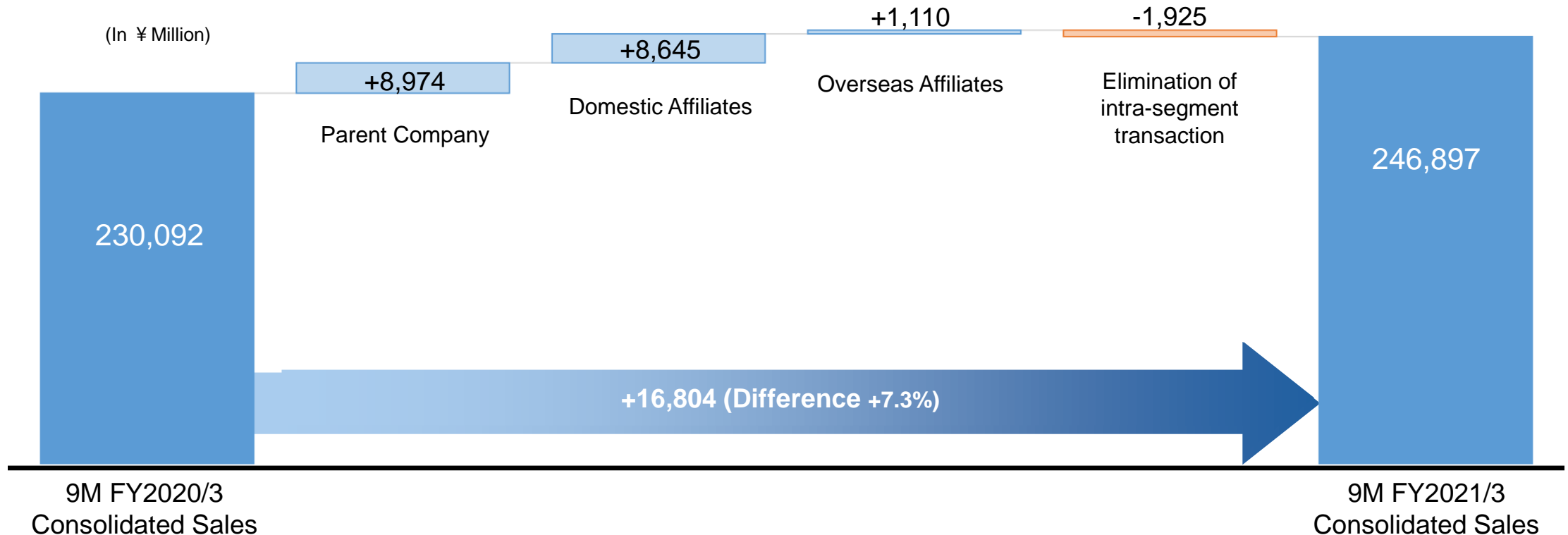
- Parent Company: Both sales and profit increased. Profitability increased as a result of order growth due primarily to the expansion of existing large-scale projects, and new large-scale non-recurring projects.
- Domestic Affiliates: Both sales and profit increased, due primarily to ongoing favorable results of listed subsidiaries, and a positive impact of subsidiaries consolidated last year.
- Overseas Affiliates: Both sales and profit increased. Subsidiaries in China, South Korea and South East Asia maintained a solid performance.

In ¥Million		9M FY2020/3		9M FY2021/3		Difference	
			(Mix)		(Mix)	(Amount)	(Ratio)
Sales	Parent Company	169,577	73.7%	178,551	72.3%	8,974	5.3%
	Domestic Affiliates	20,330	8.8%	28,976	11.7%	8,645	42.5%
	Overseas Affiliates	47,551	20.7%	48,661	19.7%	1,110	2.3%
	Elimination of intra segment transaction	-7,366	-3.2%	-9,292	-3.7%	-1,925	-26.1%
	(Total)	230,092	100.0%	246,897	100.0%	16,804	7.3%
Segment Income (Loss)	Parent Company	5,916	75.9%	8,767	66.3%	2,850	48.2%
	(%profit)	3.5%		4.9%			
	Domestic Affiliates	1,134	14.6%	2,705	20.5%	1,571	138.5%
	(%profit)	5.6%		9.3%			
	Overseas Affiliates	757	9.7%	1,774	13.4%	1,017	134.4%
(%profit)	1.6%		3.6%				
Elimination of intra segment transaction	-13	-0.2%	-23	-0.2%	-10	-79.7%	
(Total)	7,794	100.0%	13,223	100.0%	5,428	69.6%	

4. Consolidated Sales Analysis

- Sales increased by ¥ 16,804 (+7.3%)

Parent Company	Sales increased as a result of an increase in orders due primarily to the expansion of existing large-scale projects, and new large-scale non-recurring projects.
Domestic Affiliates	Sales increased due primarily to sales growth in listed subsidiaries, and the positive impact of some subsidiaries consolidated in the third quarter of last year.
Overseas Affiliates	Absorbing the exchange rate fluctuations, sales increased primarily due to sales growth in Chinese, South Korean and South East Asian subsidiaries.



5. Consolidated Operating Income Analysis

- Operating Income increased by ¥ 5,428 million (+69.6%)

Parent Company

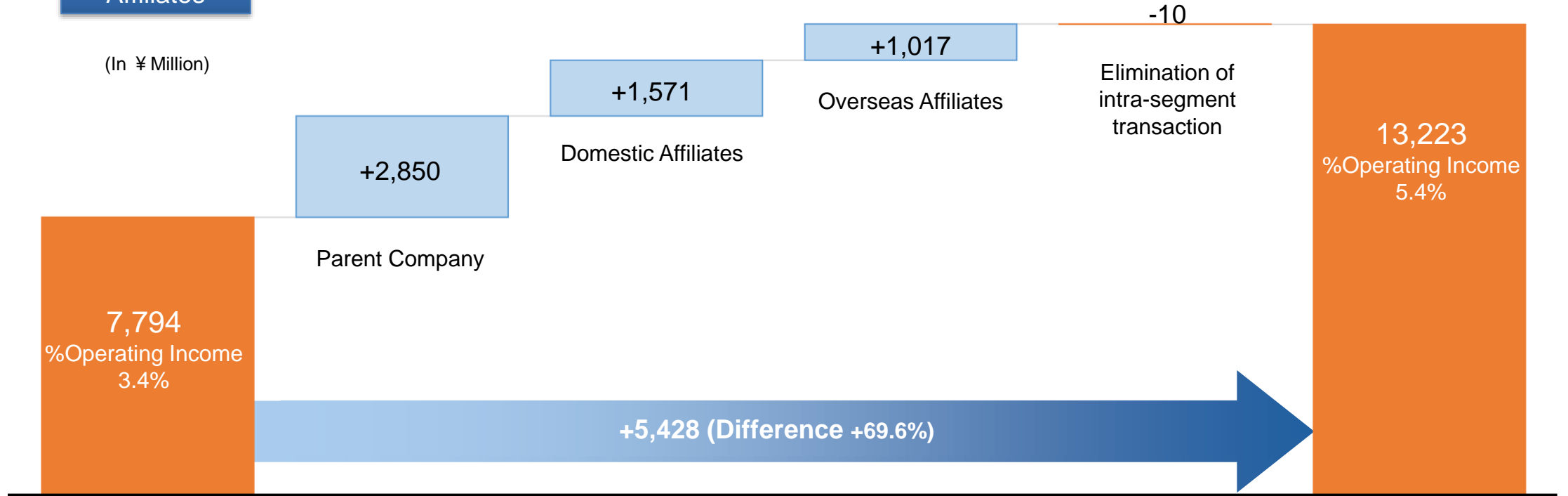
Operating income increased due primarily to a healthier profitability in existing large-scale projects, and new large-scale non-recurring projects.

Domestic Affiliates

Operating income increased due primarily to a higher profitability in some listed subsidiaries, and the positive impact of some subsidiaries consolidated in the third quarter of last year.

Overseas Affiliates

Operating income increased due primarily to a healthier profitability in Chinese, South Korean, and South East Asian subsidiaries.



(In ¥ Million)

7,794
%Operating Income
3.4%

+2,850

+1,571
Domestic Affiliates

+1,017
Overseas Affiliates

-10
Elimination of
intra-segment
transaction

13,223
%Operating Income
5.4%

+5,428 (Difference +69.6%)

6. Parent Company Operating Income Analysis

- Operating Income increased by ¥ 2,850 million (+48.2%)

Gross Profit

Gross profit ratio increased by 1.9 points primarily due to a higher profitability achieved by enhancement of profitability in existing large-scale projects, new large-scale non-recurring projects, and a lower employee turnover ratio.

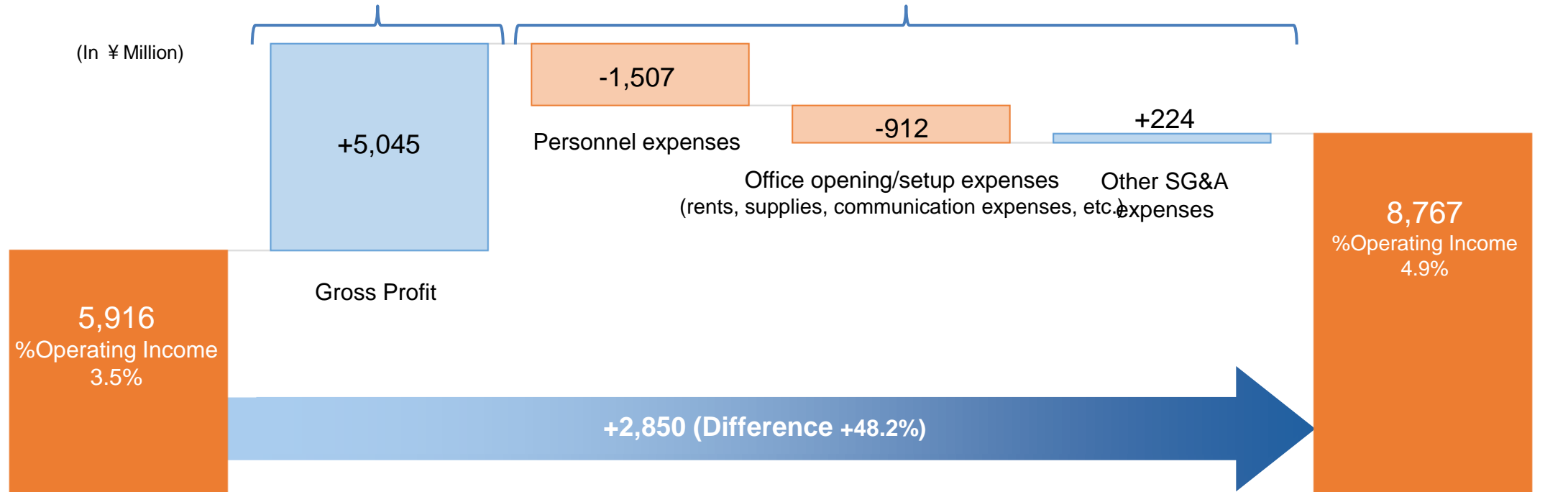
SG&A expenses

SG&A expenses increased by ¥2,194 million due primarily to additional expenses incurred for the opening of Tokyo Main Office 2 to accommodate growing business, and other extraordinary factors that include measures against Covid-19, resulting in a 0.5 point increase in SG&A ratio. Without these extraordinary factors, maintained effective cost management.

%Gross profit
17.7% ⇒ 19.6%

SG&A expenses -2,194 (%SG&A 14.2% ⇒ 14.7%)

(In ¥ Million)



9M FY2020/3
Operating Income

9M FY2021/3
Operating Income

7. Quarterly Performance per Segment (Oct - Dec, 2020)



- Sales increased by ¥5,015 million, +6.4%, due to the sales growth in all segments.
- Operating income increased by ¥1,512 million, +46.9%, due to a higher operating income in all segments.

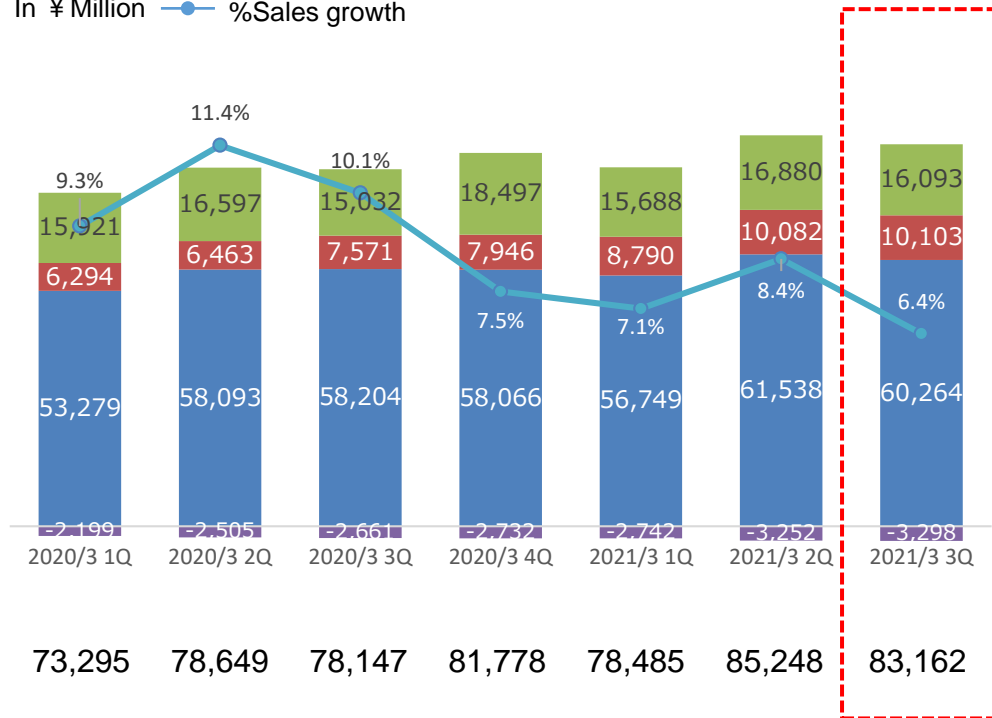
In ¥Million		Q3 FY2020/3		Q3 FY2021/3		Difference	
			(Mix)		(Mix)	(Amount)	(Ratio)
Sales	Parent Company	58,204	74.5%	60,264	72.5%	2,059	3.5%
	Domestic Affiliates	7,571	9.7%	10,103	12.1%	2,532	33.4%
	Overseas Affiliates	15,032	19.2%	16,093	19.4%	1,060	7.1%
	Elimination of intra segment transaction	-2,661	-3.4%	-3,298	-4.0%	-636	-23.9%
	(Total)	78,147	100.0%	83,162	100.0%	5,015	6.4%
Segment Income (Loss)	Parent Company	2,572	79.8%	3,067	64.7%	494	19.2%
	(%profit)	4.4%		5.1%			
	Domestic Affiliates	260	8.1%	1,004	21.2%	743	285.1%
	(%profit)	3.4%		9.9%			
	Overseas Affiliates	405	12.6%	695	14.7%	290	71.6%
(%profit)	2.7%		4.3%				
	Elimination of intra segment transaction	-13	-0.5%	-30	-0.6%	-16	-114.5%
	(Total)	3,225	100.0%	4,737	100.0%	1,512	46.9%

8. Consolidated Quarterly Performance Trend

- Sales: Despite a modest slowdown in growth rate compared to the second quarter of this year due to the impact of downsizing of some large-scale non-recurring projects, sales maintained an upward trend.
- Operating Income: Despite the impact of downsizing of some large-scale non-recurring projects compared to the second quarter of this year, profitability retained a positive trajectory.

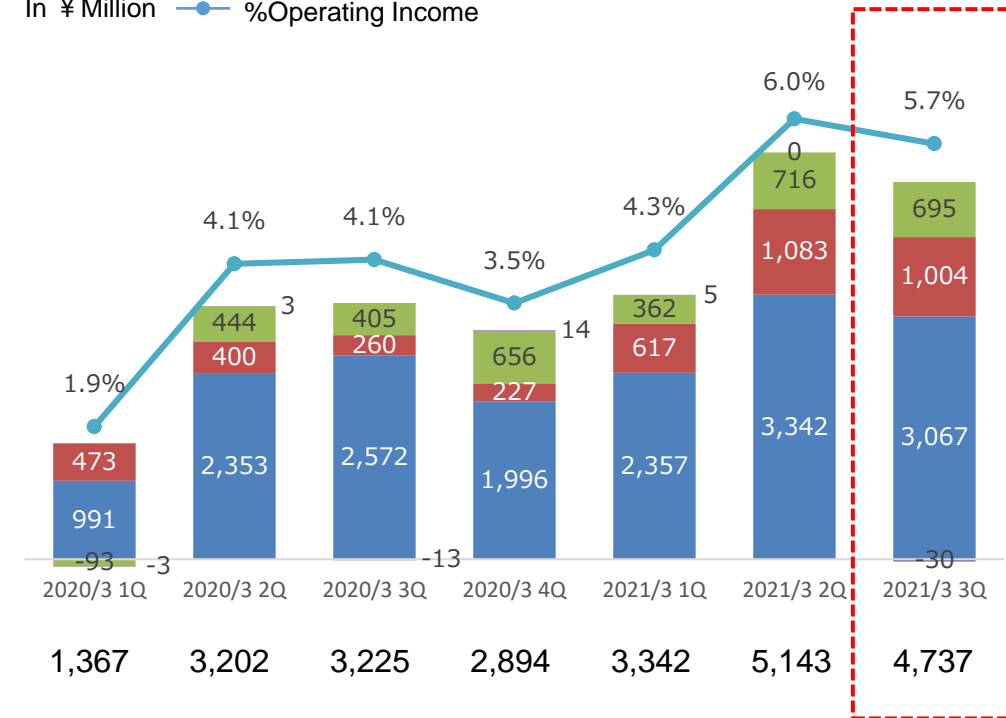
Sales

In ¥ Million — %Sales growth



Operating Income

In ¥ Million — %Operating Income



■ Parent Company ■ Domestic Affiliates ■ Overseas Affiliates ■ Elimination of intra-segment transaction

9. transcosmos inc. Quarterly Net Income Analysis

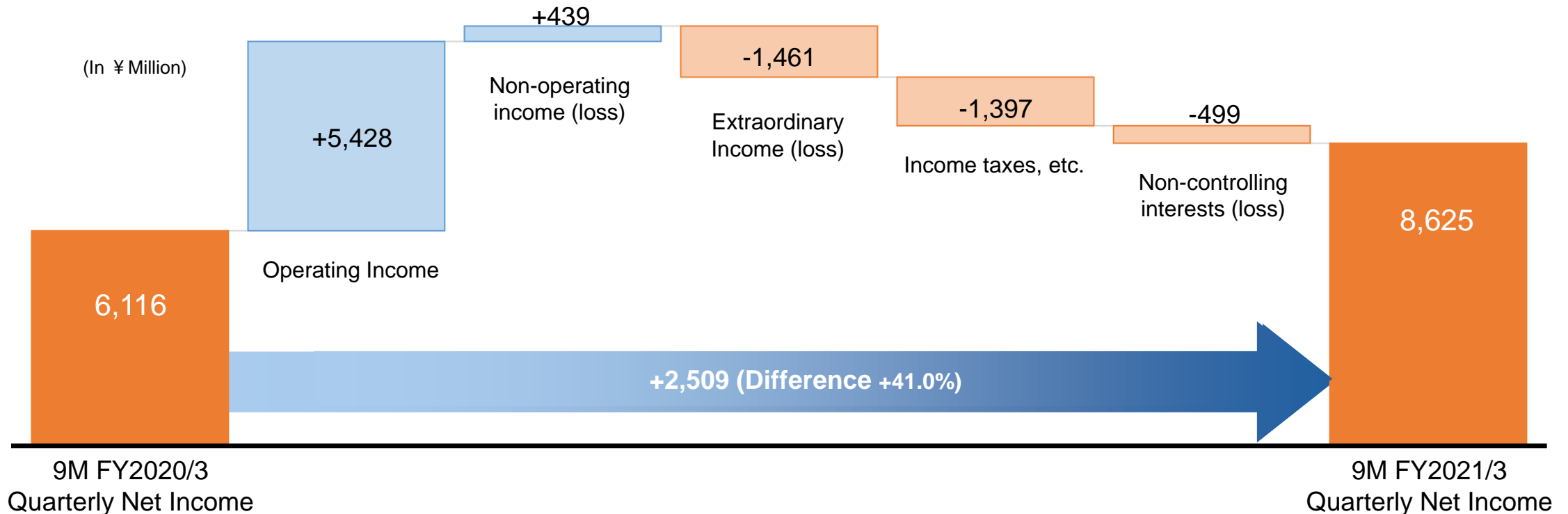
- Quarterly net income attributable to owners of transcosmos inc. increased by ¥2,509 million (+41.0%)

Non-operating income (loss)

Non-operating income increased by ¥439 million primarily due to an increase in a subsidy income.

Extraordinary income (loss)

Extraordinary income decreased by 1,461 million primarily due to a lack of gain on sale of investment securities as opposed to the same quarter last year when the gain was recorded.



10. Consolidated Balance Sheet Summary

- Assets: “Cash and deposits” increased due to an increase of loans payable in transcosmos inc. “Notes and accounts receivables – trade” increased.
- Liabilities: “Current portion of convertible bonds” decreased due to redemption of the bonds. “Long-term loans payable” increased due to new loans payable in transcosmos inc.
- Net Assets: “Retained earnings” increased.

In ¥Million	End of Mar. 2020	End of Dec. 2020	Difference
Current Assets	96,922	112,113	15,190
Fixed Assets	47,062	53,006	5,943
Total Assets	143,985	165,119	21,134
Current Liabilities	63,432	54,598	-8,833
Fixed Liabilities	2,583	19,594	17,010
Total Liabilities	66,015	74,192	8,177
Net Assets	77,969	90,927	12,957
Liabilities/Net Assets Total	143,985	165,119	21,134
Cash and deposits	35,012	42,417	7,405
Interest-bearing debt	13,432	18,617	5,185
Net Cash*	21,579	23,799	2,219

- Cash and deposits: +7,405
- Notes and accounts receivable – trade: +4,043
- Investment securities: +3,763
- Shares of affiliates: +3,878
- Investments in capital of affiliates : -5,022
- Current portion of convertible bonds: -10,007
- Accrued expenses: +2,153
- Long-term loans payable: +16,135
- Retained earnings: +7,018
- Valuation difference on available-for-sale securities: +2,161

*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	39,351
	APPLIED TECHNOLOGY CO.,LTD.	TSE JQS	4356	4,949
	PFSweb Inc.	NASDAQ	PFSW	2,612
	eMnet Inc.	KOSDAQ	123570	2,049
Investment securities	Menicon Co., Ltd.	First Section of TSE	7780	634
	Twilio Inc.	NYSE	TWLO	487
	Geniee, Inc.	TSE Mothers	6562	413
	Japan Airlines Co., Ltd.	First Section of TSE	9201	86
	MTG Co., Ltd.	TSE Mothers	7806	25
	MIZUNO Corporation	First Section of TSE	8022	21
	JACCS CO., LTD.	First Section of TSE	8584	11
	The RealReal, Inc.	NASDAQ	REAL	5
Total				50,648

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	5,239

* Fair values are calculated based on the closing price of January 28, 2021. Note that fair values of PFSWeb, Twilio and The RealReal are calculated based on the closing price of January 27, 2021.

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

● CAPEX / Depreciation and Amortization

In ¥Million	9M FY2020//3	9M FY2021//3	%Difference
Capital expenditures	3,905	4,877	24.9%
Depreciation and amortization	2,542	3,029	19.2%

● Number of Employees

	End of Mar. 2020	End of Dec. 2020	Difference
Consolidated bases	32,666	35,557	2,891
(Temporary employees)	25,850	27,704	1,854
Parent Company	15,173	16,004	831
(Temporary employees)	21,430	22,854	1,424

● Service bases

	End of Mar. 2020	End of Dec. 2020	Difference
Service bases*	171	168	-3
(Japan)	66	67	+1
(Overseas)	105	101	-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 the opening/expansion of centers and business offices in parent company.

● Depreciation and amortization

Depreciation and amortization increased mainly due to the opening/expansion of centers and business offices in parent company in the previous fiscal year.

● Employees


Number of employees, including temporary employees increased mainly due to new hires in parent company, and an increase in overseas projects.

● Service bases

Japan: Opened BPO Center Fukuoka Gofukumachi.

Overseas: Opened Kuala Lumpur Center No.2 in Malaysia. On the contrary, number of bases in South Korea, North America, and Europe decreased.

12. Policies and Measures against Covid-19

Basic Policy	Measures in place
<ul style="list-style-type: none">● Human life is our top priority<p>Our top priority is to protect the lives of our employees, their families and their local communities, as well as all members of our clients and related parties.</p>● Prevent the spread of infection<p>As a socially responsible company, we are committed to preventing the spread of infection throughout the Company as well as to all related parties and clients as a socially responsible company by taking preventive measures and securing protective gear. In addition, if any of our employee tests positive for COVID-19, we will make an effort to prevent further transmission through information disclosure internally and externally, following the government guidance.</p>● Business continuity<p>We are committed to continuing our business operations by developing a structure that is required for our business continuity in compliance with respective laws and regulations, and government directives. In particular, we will respect our clients' policies and meet their expectations by taking all necessary measures to ensure uninterrupted provision of our products and services.</p>	<ul style="list-style-type: none">● Measures to prevent infection at our centers<ul style="list-style-type: none">● Ensure our employees check their health condition, including taking their temperature before leaving for work● Ensure our employees stay home if they present symptoms such as coughing, a fever, and a loss of smell and taste● Ensure our employees take basic preventive measures (wearing masks, handwashing, using hand sanitizers, practicing coughing etiquette, disinfecting shared items and areas)● Prevent group infections (encourage teleworking, ventilation, and social distancing)● Response to Covid-19 outbreak among our employees<p>Putting a top priority on securing our employees' safety, alleviating their anxiety, and preventing the spread of infection internally and externally, we will take necessary steps immediately. Specifically, we will make an infected person self-isolate, identify and give stay-at-home orders to others who might have come into close contact with that person, disinfect the facility, and inform all related parties, and disclose relevant information.</p>● Work-from-home arrangement for back-office employees<p>We have, in principle, implemented a work-from-home arrangement for our back-office employees, and prepared the necessary working environment for such an arrangement. The new arrangement does not apply to employees who cannot work from home due to the nature of their tasks and days on which they must be in the office to fulfill their responsibilities.</p>● Promoting business continuity planning with our clients<p>To avoid situations that are likely to create so-called three Cs— closed spaces, crowded places, and close-contact settings— we are vigorously encouraging our clients to take steps such as wider use of teleworking options and automated operations through the use of RPA and bots. We will also consider the possibility of scaling back operations, as the situation requires, after discussions with our clients.</p> 



IR Contact

IR Office, Administration Division, transcosmos inc.

E-Mail. ir_info@trans-cosmos.co.jp

- 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 and the percentage is rounded to the first decimal place.