Global Digital Transformation Partner

Supplemental Material for Q1 FY2023/3 Financial Results

(April 1, 2022 – June 30, 2022)

July29, 2022

transcosmos inc.

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1. Executive Summary

Achievements

- Sales increased by **13.7%** year over year, **retaining a high growth rate.**
- Gross profit margin increased by **0.5** points primarily due to higher profitability achieved by the Parent Company segment.
- Despite higher SG&A expenses incurred mainly in the Parent Company segment, SG&A ratio dropped by **1.1 points.**
- Operating income increased by **¥2.2 billion year over year.**

Key Initiatives

- Create transcosmos Group value and establish its competitive advantage.
- Respond to changing market conditions including hire resource prices, inflation, weaker yen, POST-COVID, etc.
- Address surging personnel expenses and IT talent shortage, and reinforce the Group's management base.

2. Consolidated Income Statement Summary

- Sales increased due to an order growth in all segments.
- Operating income increased due to higher profitability and lower SG&A ratio.
- Ordinary income increased due to growth in operating income.
- Quarterly net income attributable to owners of transcosmos inc. increased due to growth in operating income and ordinary income.

In ¥100M (rounded to the nearest 100M)	Q1 FY2022/3		Q1 FY2023/3		Difference	
	Amount	Mix	Amount	Mix	Amount	%Difference
Sales	820	100.0%	**933**	**100.0%**	112	13.7%
Cost of Sales	637	77.7%	**720**	**77.2%**	83	13.0%
Gross Profit	183	22.3%	**213**	**22.8%**	29	16.0%
SG&A	126	15.4%	**133**	**14.3%**	7	5.6%
Operating Income	57	6.9%	**79**	**8.5%**	22	39.2%
Non-operating Profit and Loss	-2	-0.2%	**5**	**0.6%**	7	-
Ordinary Income	55	6.8%	**85**	**9.1%**	29	52.8%
Extraordinary Profit and Loss	-1	-0.2%	**-1**	**-0.1%**	0	13.5%
Quarterly Net Income attributable to owners of transcosmos inc.	39	4.7%	**52**	**5.5%**	13	32.8%

3. Performance Summary per Segment

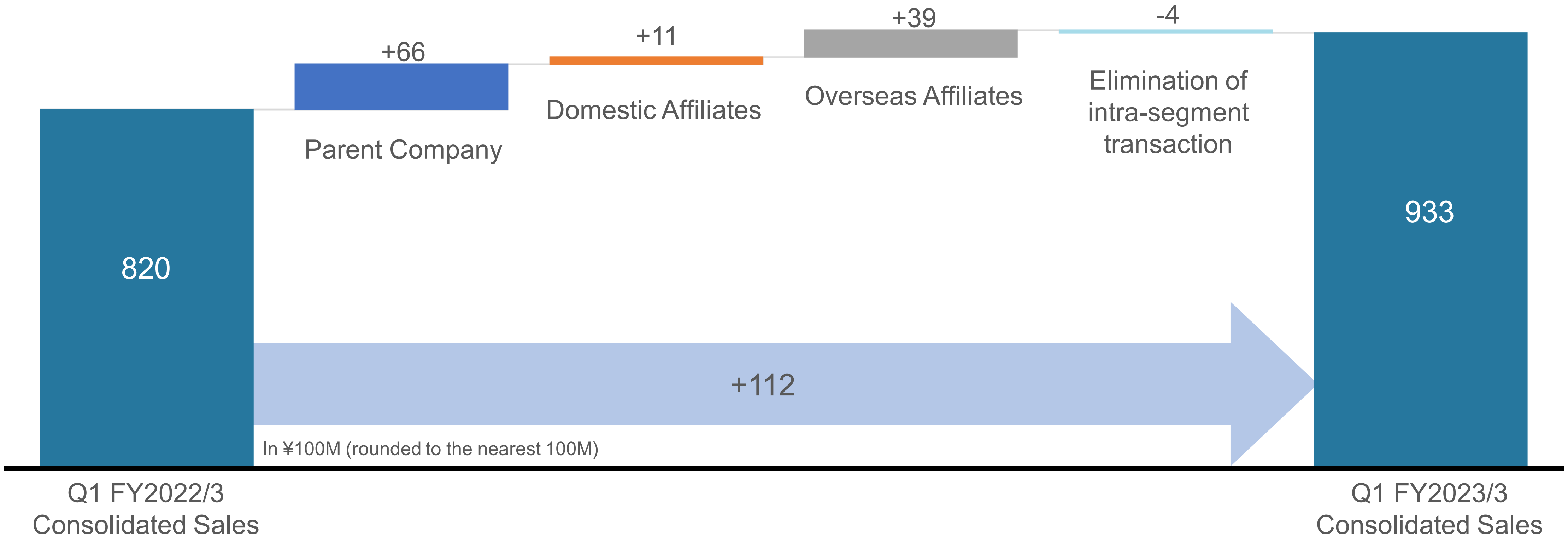
- Parent Company: Both sales and profit up. Strong demand from the public and private sectors under the pandemic increased orders, and profitability rose.
- Domestic Affiliates: Both sales and profit up. A BPO subsidiary hit higher sales, and some listed subsidiaries returned to profitability.
- Overseas Affiliates: Sales up but profit down. Subsidiaries in South Korea, Southeast Asia and China hit higher sales. Profit dropped due to lower profitability in some subsidiaries in China.

In ¥100M (rounded to the nearest 100M)		Q1 FY2022/3		Q1 FY2023/3		Difference	
		Amount	Mix	Amount	Mix	Amount	%Difference
Sales	Parent Company	569	69.4%	**636**	**68.2%**	66	11.7%
	Domestic Affiliates	95	11.6%	**106**	**11.3%**	11	11.1%
	Overseas Affiliates	182	22.1%	**221**	**23.7%**	39	21.4%
	Elimination of intra segment transaction	-26	-3.1%	**-30**	**-3.2%**	-4	-14.6%
	(Total)	820	100.0%	**933**	**100.0%**	112	13.7%
Segment Income (Loss)	Parent Company	39	69.3%	**62**	**78.4%**	23	57.6%
	(%profit)	6.9%		**9.8%**			
	Domestic Affiliates	10	18.1%	**11**	**14.3%**	1	10.1%
	(%profit)	10.9%		**10.8%**			
	Overseas Affiliates	7	12.4%	**6**	**7.2%**	-1	-19.4%
	(%profit)	3.9%		**2.6%**			
	Elimination of intra segment transaction	0	0.2%	**0**	**0.1%**	-0	-62.1%
	(Total)	57	100.0%	**79**	**100.0%**	22	39.2%

4. Consolidated Sales Analysis

- Sales increased by ¥11.2 billion (+13.7%).

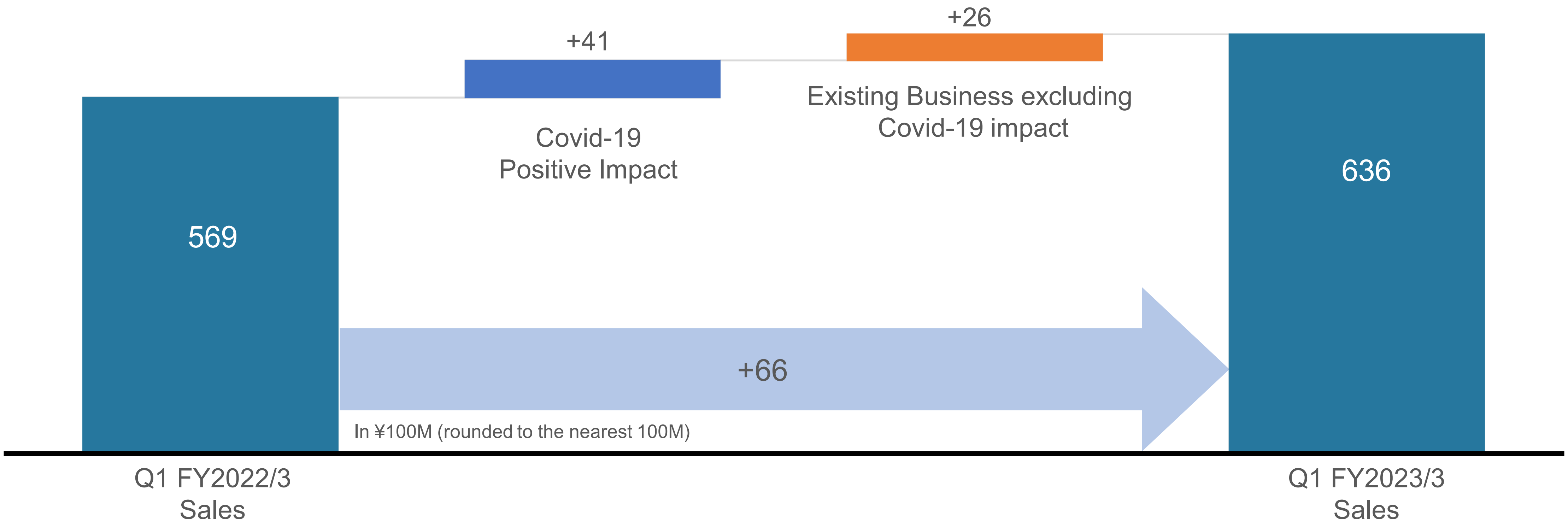
Parent Company	Sales grew primarily due to order increase from the public and private sectors under the pandemic.
Domestic Affiliates	Sales grew primarily due to order growth in a subsidiary in the BPO industry.
Overseas Affiliates	Sales grew primarily due to higher sales achieved by subsidiaries in South Korea, Southeast Asia and China.



5. Parent Company Sales Analysis

- Sales increased by ¥6.6 billion (+11.7%).

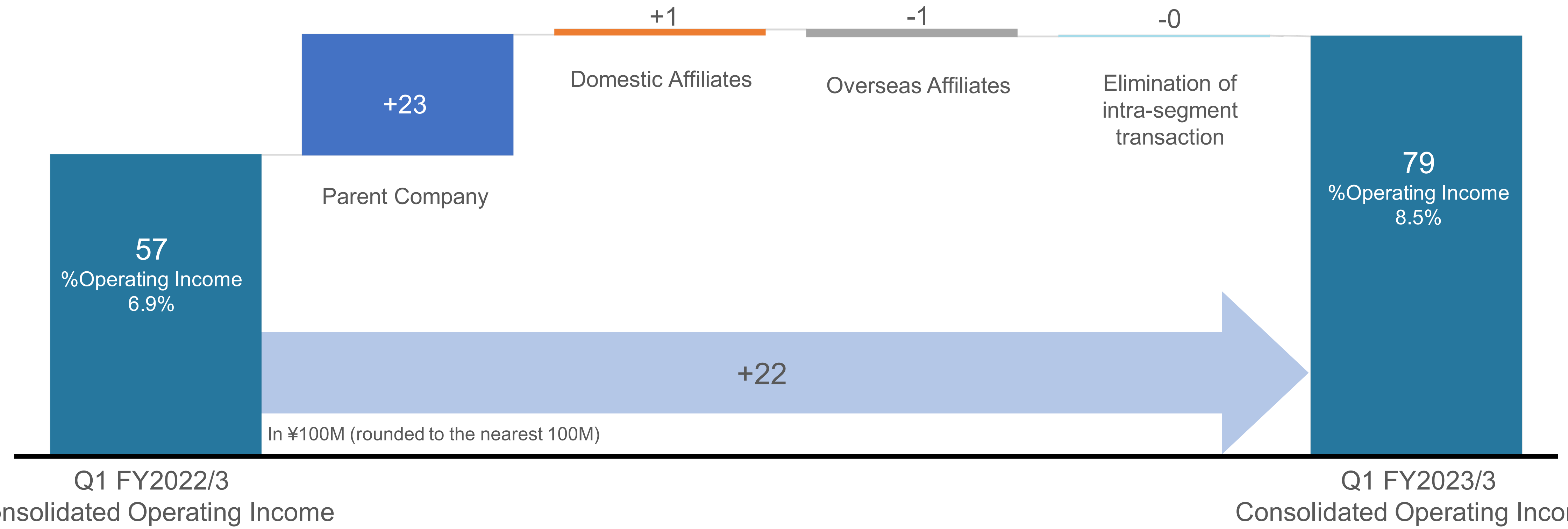
COVID-19 Positive Impact	Orders increased for back-office and call center services associated with COVID-19 infection control and economic measures carried by local governments, etc.
Excluding COVID-19 Existing Business	Orders increased for internet-related projects, chat support and home-based contact center services given the increasing demands for DX and a shift to contactless channels under the pandemic, in addition to solid demands for outsourcing services that lead to higher sales and cost competitiveness.



6. Consolidated Operating Income Analysis

- Operating income increased by ¥2.2 billion (+39.2%).

Parent Company	Operating income rose mainly due to higher project profitability in addition to order growth.
Domestic Affiliates	Operating income rose mainly due to some listed subsidiaries returning to profitability.
Overseas Affiliates	Operating income fell despite higher profits generated by subsidiaries in South Korea and Southeast Asia due to lower profitability in some Chinese subsidiaries.



7. Parent Company Operating Income Analysis

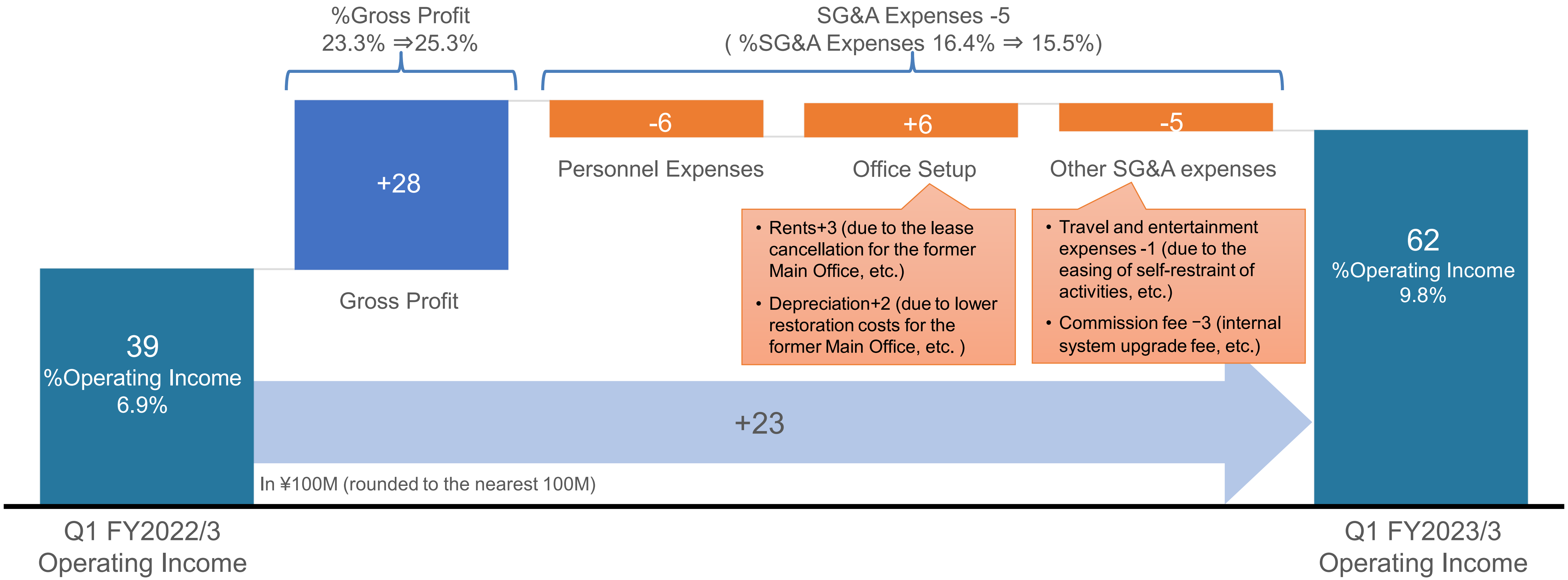
- Operating income increased by ¥2.3 billion (+57.6%).

Gross Profit

Gross profit rose with a 2.0 point increase in gross profit margin as public sector projects generated greater profitability due to effective operations built on previous experience, in addition to order growth.

SG&A Expenses

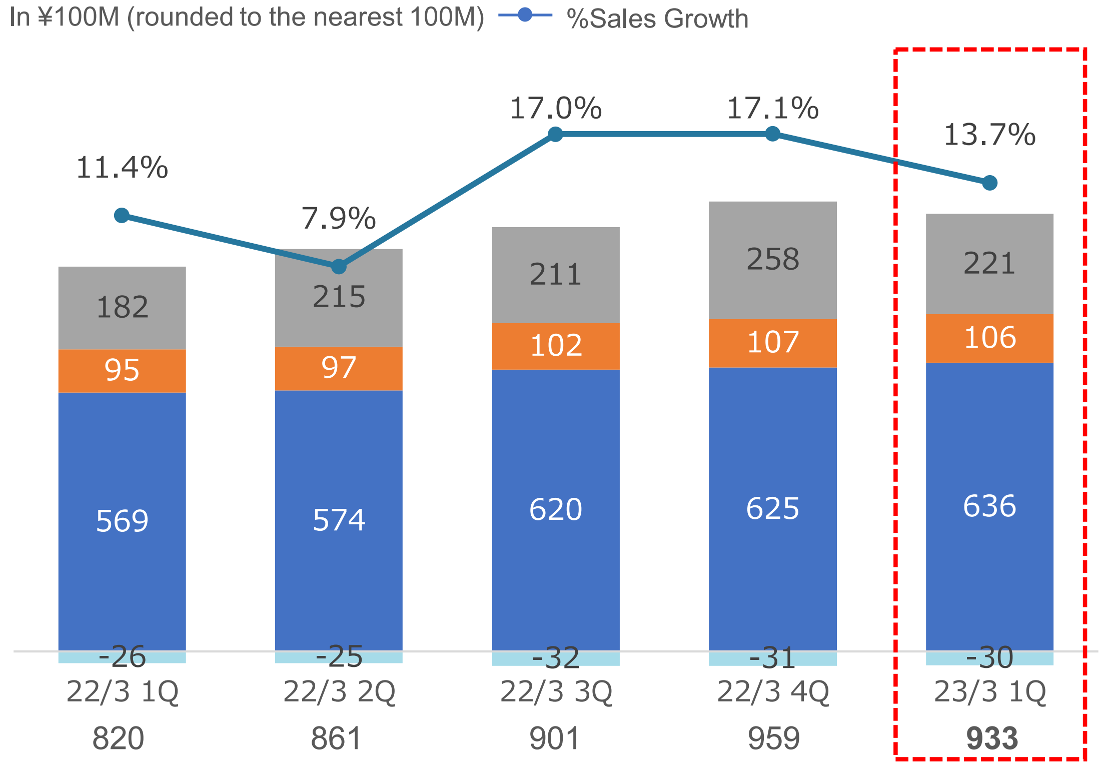
Personnel expenses rose due to new graduate hires and additional hires to accommodate business growth. Office setup expenses fell as one-time expenses and rents associated with the lease cancellation for the former Tokyo Main Office recorded in the same period last year decreased. Other expenses rose along with the easing of self-restraint of activities and system upgrades. As a result, although SG&A expenses rose by ¥500 million, SG&A ratio fell by 0.9 points.



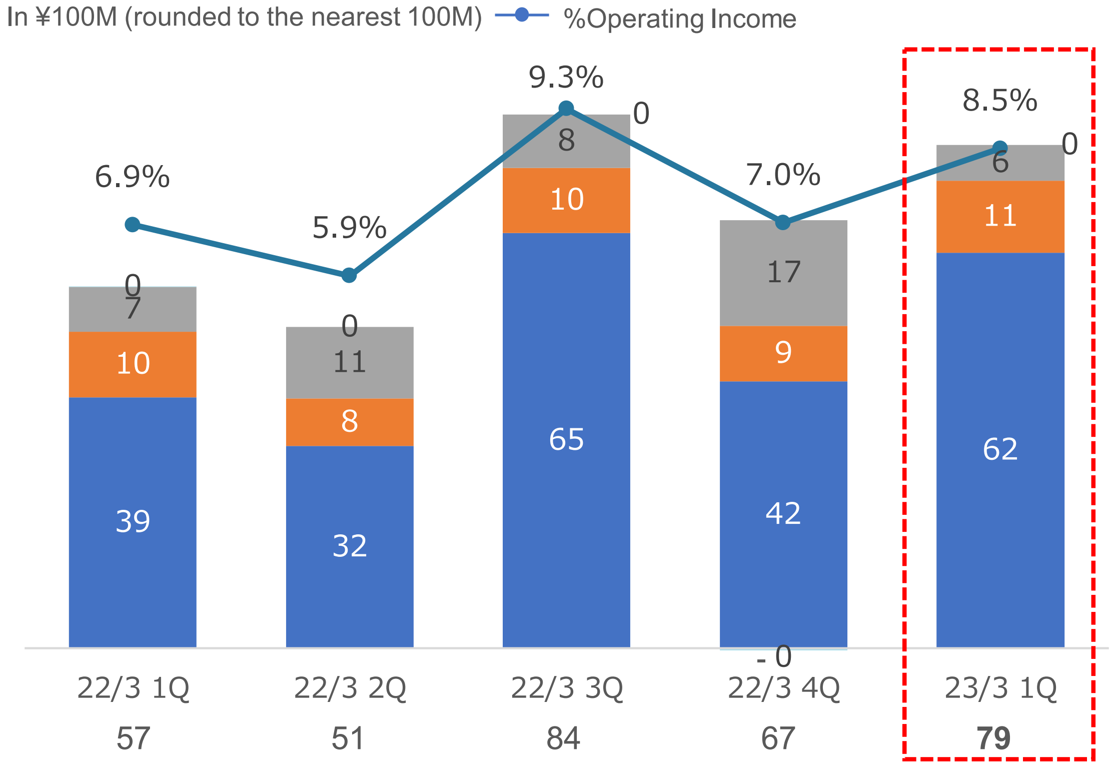
8. Consolidated Quarterly Performance Trend

- Sales: Although Q1 sales decreased from Q4 last year primarily due to seasonal factors in the Overseas Affiliates segment, Q1 sales achieved strong year-over-year growth and maintained strong double digit growth.
- Operating Income: Q1 operating income increased from Q4 last year due to profit growth in the Parent Company segment, and also saw year-over-year growth. Profit margin rose to over 8%.

Sales



Operating Income



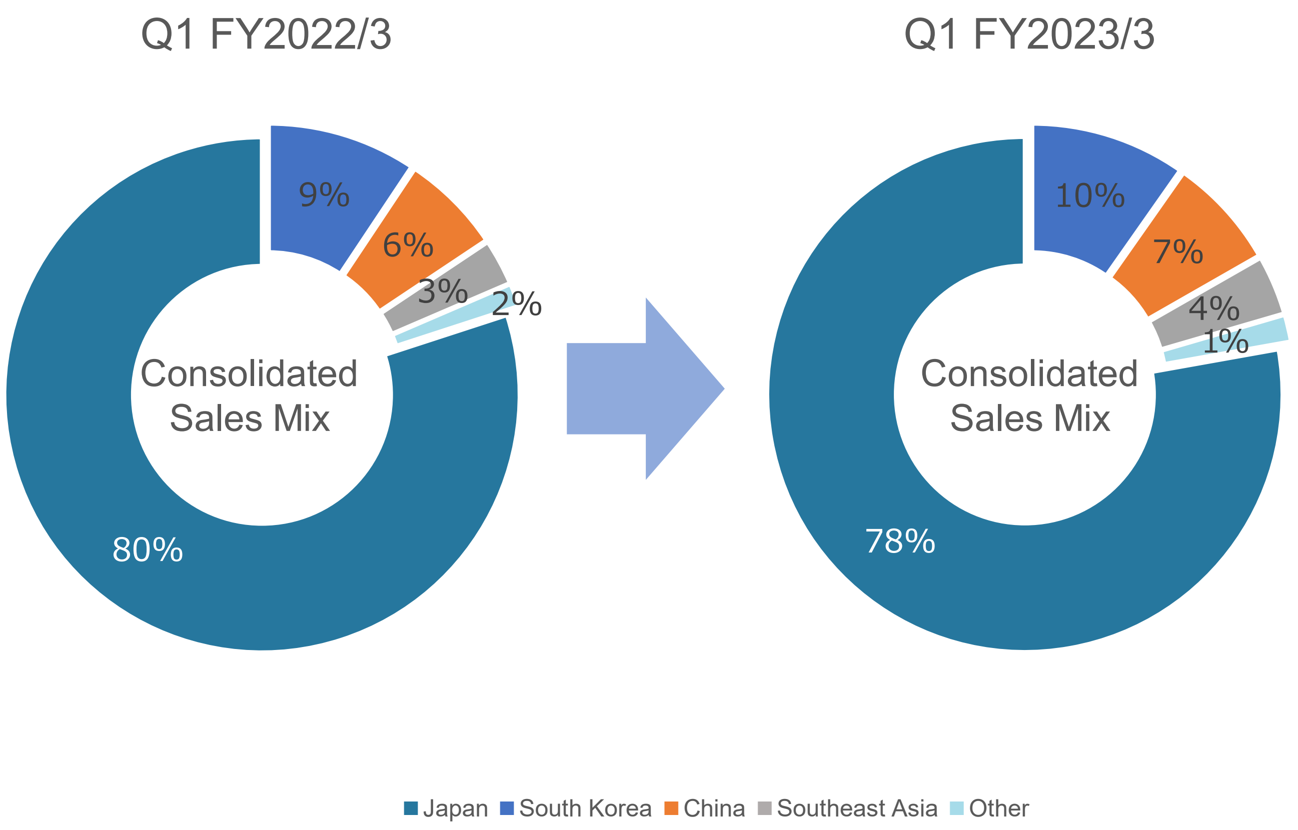
■ Parent Company ■ Domestic Affiliates ■ Overseas Affiliates ■ Elimination of intra-segment transaction

9. Overseas Sales Trend per Country

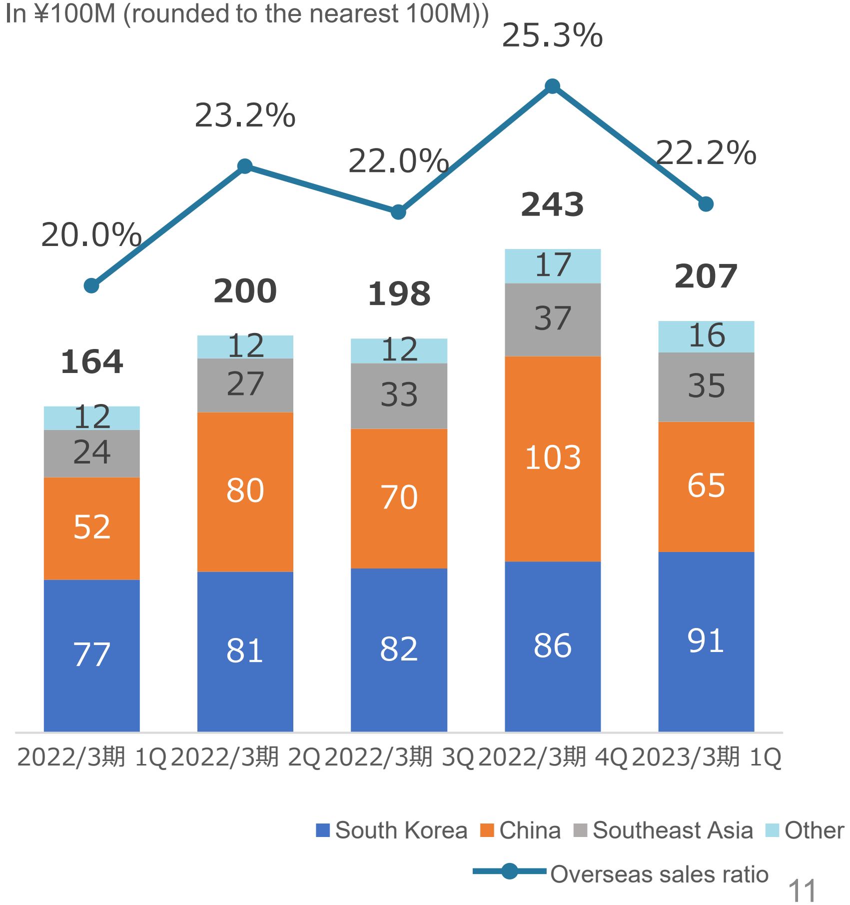
※ Overseas sales are categorized by country or region based on clients' location, therefore, figures are different from the Overseas Affiliates segment.

- Overseas Sales: ¥20.7 billion (YoY: +¥4.3 billion, +26.2%)
- Sales increased in South Korea, China and Southeast Asia, overseas sales ratio also rose.

Overseas Sales as a percentage of Consolidated Sales



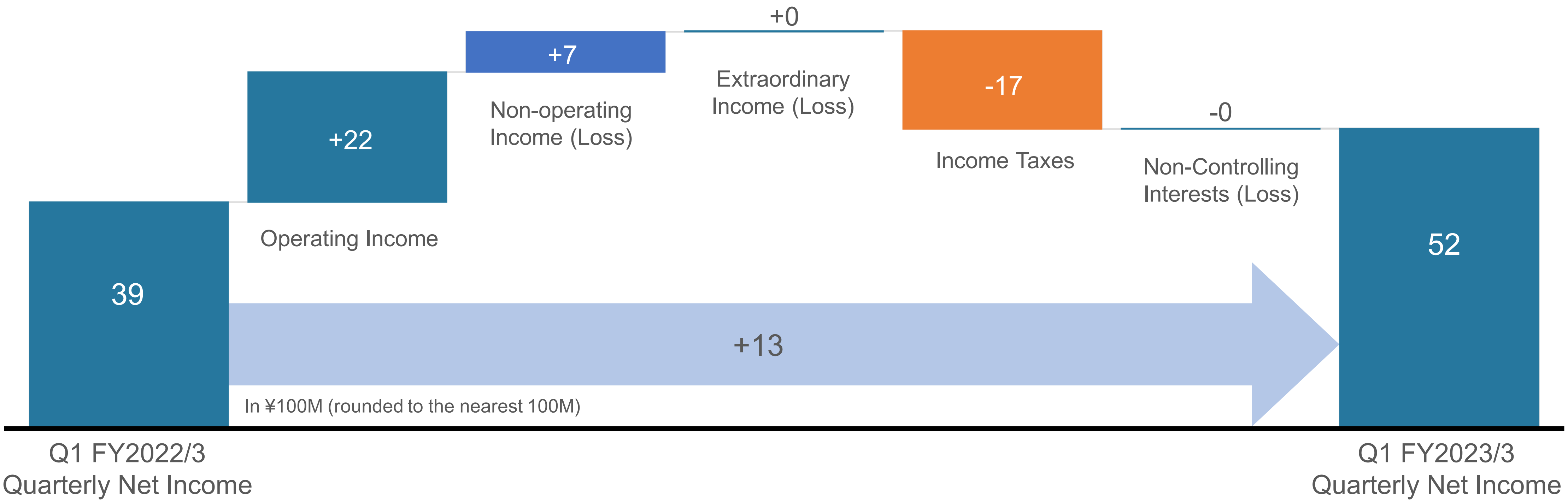
Quarterly Trend Overseas Sales per Country



10. transcosmos inc. Quarterly Net Income Analysis

- transcosmos inc. quarterly net income increased by ¥1.3 billion (+32.8%).

Non-Operating Income (Loss)	Operating income increased by ¥700 million primarily due to the recording of a foreign exchange gain of ¥500 million (in the same period last year, a foreign exchange loss of ¥200 million was recorded.)
Income Taxes	Income taxes increased by ¥1.7 billion primarily due to higher income tax expenses incurred by the Parent Company segment.



11. Consolidated Balance Sheet Summary

- Current Assets: Notes and accounts receivables-trade and contract assets decreased after collecting the accounts receivables at the end of the previous fiscal year, etc. Cash and deposits decreased due to loan repayments, income tax and dividends payments according to the financial results of the previous fiscal year.
- Fixed Assets: Investment securities decreased reflecting the fair market valuation of listed shares that the Company owns.
- Liabilities: Current portion of long-term loans payable decreased after the repayment of loans.
- Net Assets: Valuation difference on available-for-sale securities decreased.

In ¥100M (rounded to the nearest 100M)	End of Mar. 2022	End of Jun. 2022	Difference
Current Assets	1,510	1,365	-145
Fixed Assets	675	610	-65
Total Assets	2,185	1,975	-209
Current Liabilities	802	685	-117
Fixed Liabilities	174	149	-25
Total Liabilities	976	834	-142
Net Assets	1,209	1,142	-67
Liabilities/Net Assets Total	2,185	1,975	-209
Cash and deposits	648	579	-69
Interest-bearing debt	282	162	-120
Net Cash*	366	417	50

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

- Cash and deposits -69
- Notes and accounts receivables – trade -94

- Investment securities -84
- Differed tax assets +11

- Accounts payables – trade -27
- Current portion of long-term loans payable -100
- Provision for bonuses +24

- Long-term loans payable -20

- Valuation difference on available-for-sale securities -74

(Reference) Listed Shares Held by the Company

● List of listed shares held by transcosmos inc.

In ¥100M

Type	Stock name	Market	Securities code	Fair value*
Shares of affiliates	J-Stream Inc.	TSE Growth	4308	92
	APPLIED TECHNOLOGY CO.,LTD.	TSE Standard	4356	65
	PFSweb Inc.	NASDAQ	PFSW	55
	eMnet Inc.	KOSDAQ	123570	36
	UNQ HOLDINGS LIMITED	HKEX	2177	26
Investment securities	Infracommerce CXAAS S.A	Bovespa	IFCM3	31
	Other			16
Total				322

● List of listed shares held by Group companies

Type	Stock name	Market	Securities code	Fair value*
Investment securities	北京騰信創新網絡営銷技術股份有限公司（TensynPRC）	ChiNext	300392	23

*Fair values are calculated based on the closing price of July 28, 2022. Note that fair values of PFSweb and Infracommerce are calculated based on the closing price of July 27, 2022.

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

- Capital expenditures/Depreciation expenses

In ¥100M (rounded to the nearest 100M)	Q1 FY2022/3	Q1 FY2023/3	% Difference
Capital expenditures	10	**11**	8.9%
Depreciation expenses	14	**12**	-12.3%

- CAPEX

Capital expenditures on operations centers increased primarily in the Parent Company segment.

- Depreciation and Amortization

Restoration expenses recorded under the Parent Company segment in the same period last year decreased (expenses associated with the Tokyo Main Office lease cancellation).

- Number of Employees

	End of Mar. 2022	End of Jun. 2022	Difference
Consolidated basis	39,870	**40,019**	149
(Temporary employees)	29,642	**29,669**	27
Parent Company	16,462	**17,038**	576
(Temporary employees)	22,844	**22,321**	-523

- Consolidated basis/Parent Company

Number of employees increased primarily due to new graduate hires and additional hires to accommodate order growth in the Parent Company segment.

- Service Bases

	End of Mar. 2022	End of Jun. 2022	Difference
Service bases	169	**170**	1
(Japan)	67	**67**	0
(Overseas)	102	**103**	1

- Overseas

Opened a new contact center in South Korea.

*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.

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