

Global Digital Transformation Partner

Supplemental Material for Q1 FY2024/3

Financial Results

(April 1, 2023 – June 31, 2023)



July 31, 2023

transcosmos inc.

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1. Executive Summary

Consolidated Sales
¥88.9B
-4.6% YoY

**Consolidated
Operating Income**
¥2.2B
¥-5.7B YoY

- Sales growth momentum continued in all services except COVID-19 related services, yet consolidated sales declined due to a YoY drop in COVID-19 related business, etc.
- Segment: Parent Company, excluding COVID-19 business, and both Domestic and Overseas Affiliates segments saw strong orders.
- Service: Orders for both CX and BPO services were solid. Excluding COVID-19 business, achieved 5% and 7% YoY growth, respectively.
- Geographic Market: China sales down, yet South Korea grew sales and ASEAN achieved the highest sales growth rate among all due to an increase in business with global entities.
- Parent Company continued to manage SG&A expenses at appropriate levels, yet consolidated profits down due to lower sales in Parent Company and weaker profitability of each segment.

2. Consolidated Income Statement Summary

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

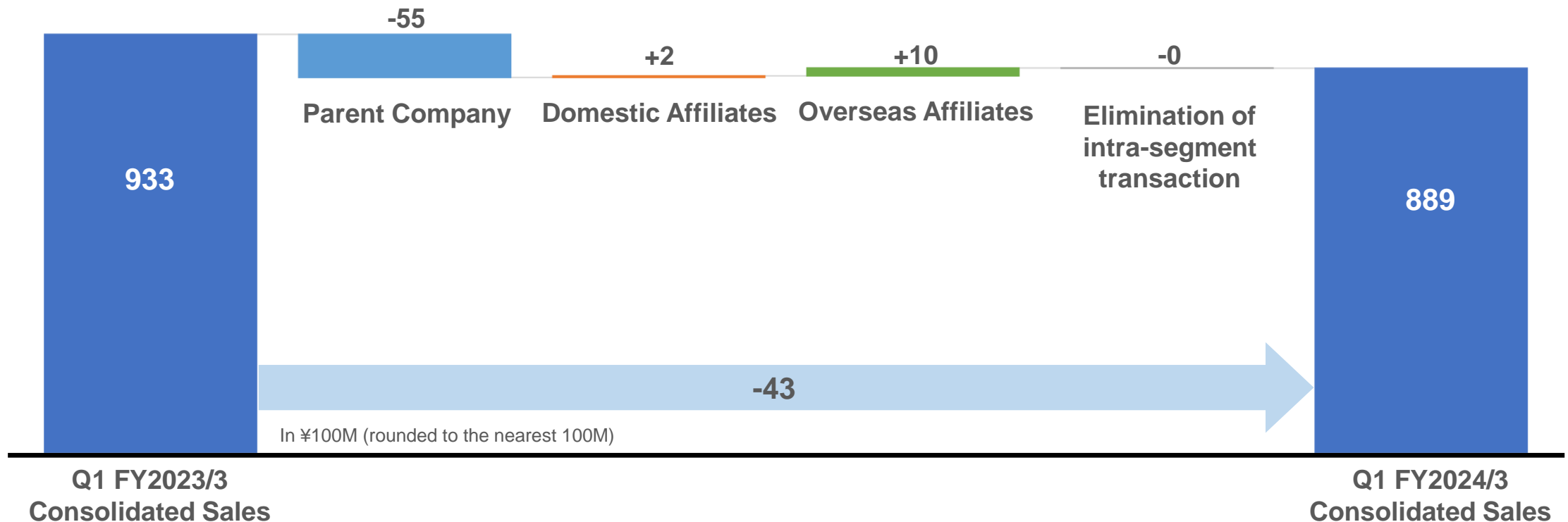


In ¥100M (rounded to the nearest 100M)	Q1 FY2023/3		Q1 FY2024/3		Change	
	Amount	Mix	Amount	Mix	Amount	%Change
Sales	933	100.0%	889	100.0%	-43	-4.6%
Parent Company	636	68.2%	581	65.3%	-55	-8.7%
Domestic Affiliates	106	11.3%	108	12.1%	2	2.0%
Overseas Affiliates	221	23.7%	231	26.0%	10	4.6%
Elimination of intra segment transaction	-30	-3.2%	-30	-3.4%	-0	-0.8%
Gross Profit	213	22.8%	160	18.0%	-53	-24.9%
SG&A Expenses	133	14.3%	137	15.5%	4	3.1%
Operating Income	79	8.5%	22	2.5%	-57	-72.0%
Parent Company	62	9.8%	11	1.9%	-51	-82.1%
Domestic Affiliates	11	10.8%	7	6.7%	-4	-36.4%
Overseas Affiliates	6	2.6%	4	1.7%	-2	-31.4%
Elimination of intra segment transaction	0	-	0	-	-0	-81.8%
Non-Operating Income (Loss)	5	0.6%	10	1.1%	5	88.4%
Ordinary Income	85	9.1%	32	3.6%	-52	-61.7%
Extraordinary Income (Loss)	-1	-0.1%	0	0.1%	2	-
Net Income Attributable to Shareholders of transcosmos inc.	52	5.5%	15	1.7%	-37	-71.5%

3. Consolidated Sales Analysis by Segment

- Sales decreased by ¥4.3B (-4.6%)

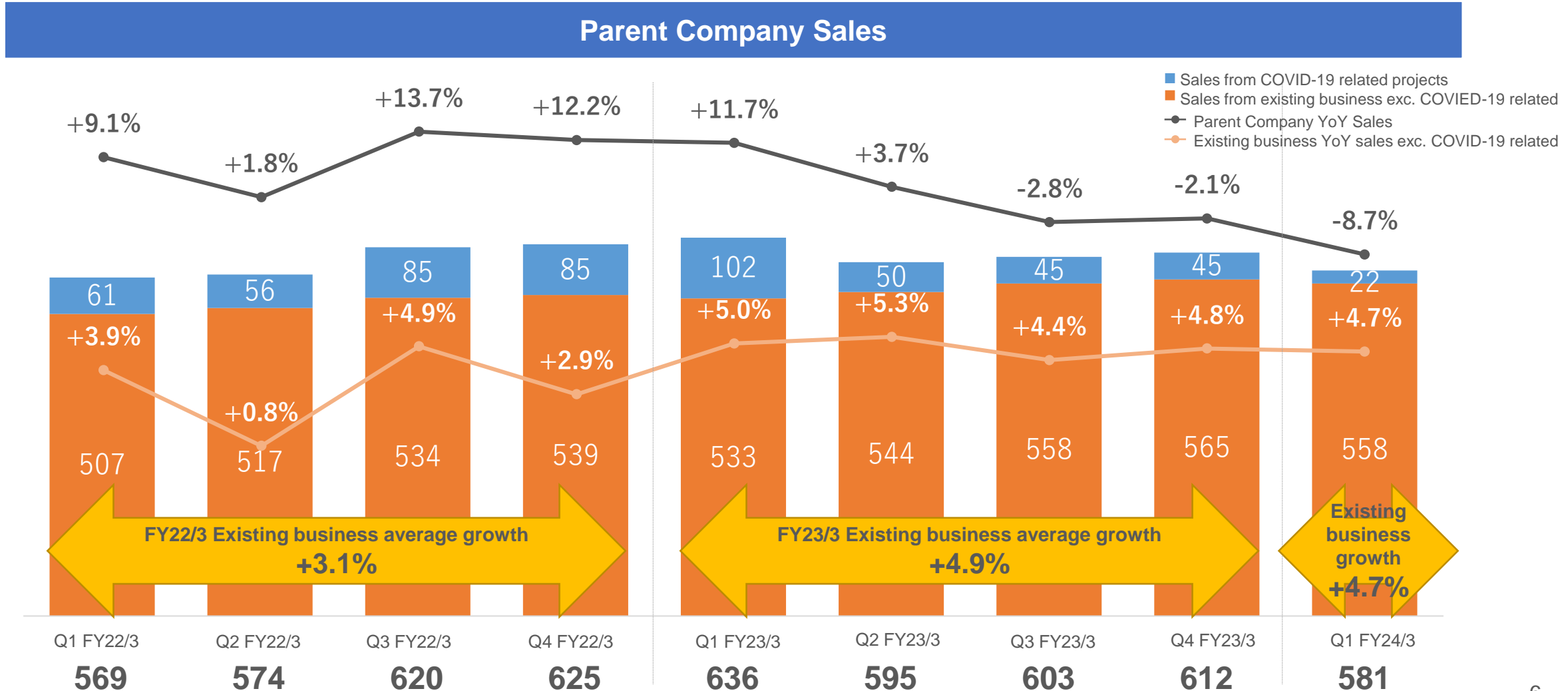
Parent Company	Sales down due to a YoY drop in COVID-19 business. Excluding COVID-19 projects, orders for existing business remained solid.
Domestic Affiliates	Sales grew as consulting and BPO related subsidiaries recorded higher sales, despite a drop in some listed subsidiaries.
Overseas Affiliates	Sales up due to strong sales performance achieved by subsidiaries in South Korea and ASEAN.



Reference: Parent Company Sales Trends

COVID-19 related business/Existing business

- COVID-19 related business is on a downward trend as social needs subside, while orders for existing business excluding COVID-19 related projects continued to grow as in the previous year.



4. Consolidated Sales Analysis by Service

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



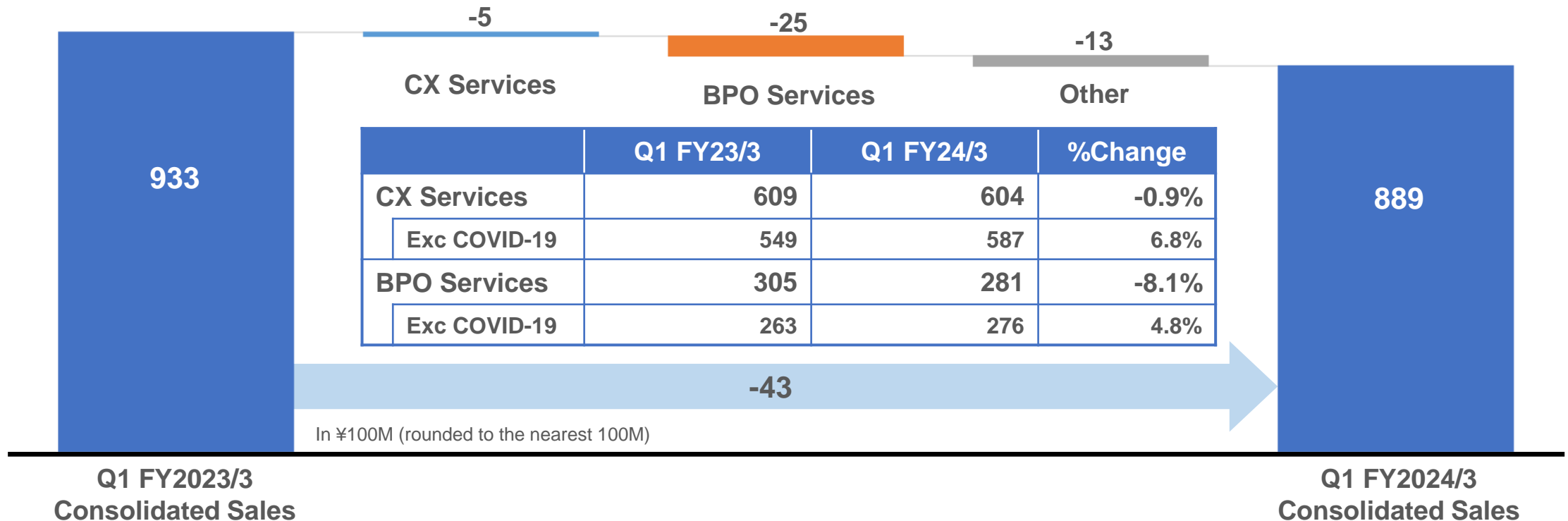
- Sales decreased by ¥4.3B (-4.6%)

CX Services

Sales down due to a YoY drop in COVID-19 related business. Excluding COVID-19 jobs, existing business grew +6.8% due to strong orders for contact center and digital marketing services.

BPO Services

Sales down due to a YoY drop in COVID-19 related business. Excluding COVID-19 jobs, existing business grew +4.8% due to strong orders for design development and IT outsourcing services.



5. Consolidated Sales Analysis by Geographic Market

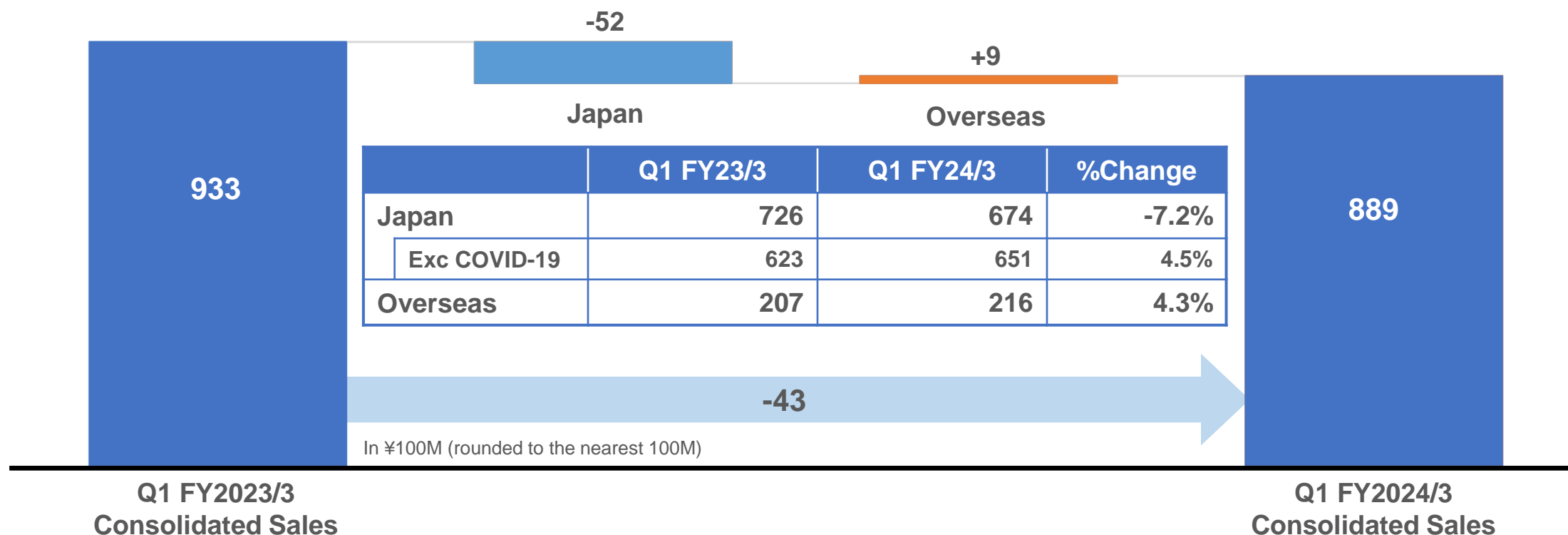
- Sales decreased by ¥4.3B (-4.6%)

Japan

Sales down due to a YoY drop in COVID-19 related business. Excluding COVID-19 jobs, existing business achieved +4.5% growth as both CX and BPO services increased orders.

Overseas

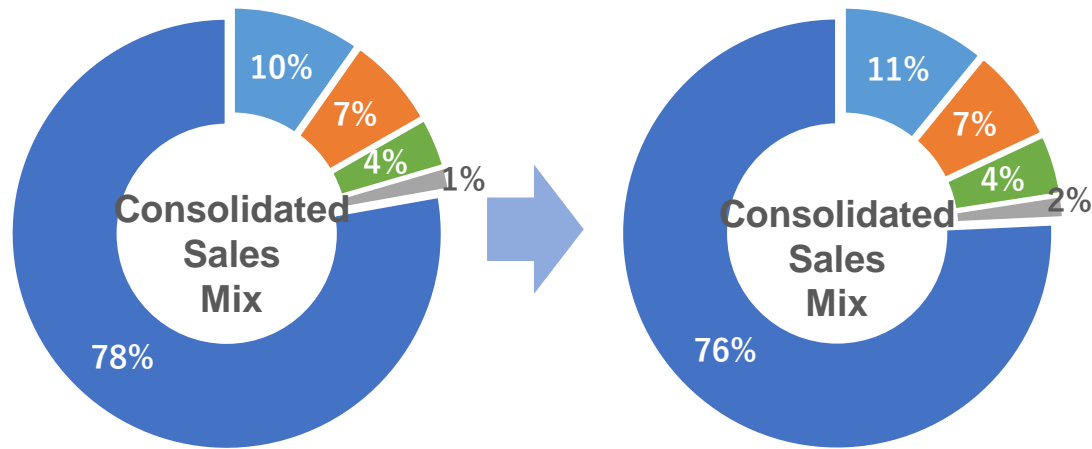
Sales up due to increased orders for CX services in South Korea and ASEAN.



5. Consolidated Sales Analysis by Geographic Market

- Overseas sales reached ¥21.6B (+¥0.9B, +4.3% YoY), bringing overseas sales ratio up to 24.3%.
- South Korea sales up to ¥9.7B, +6.7% growth due to increased orders for CX services.
- China sales were ¥6.3B, -2.7% drop due to a decrease in CX service orders.
- ASEAN sales reached ¥4B, +14.8% growth as business with global entities expanded in the CX service domain.

Sales Mix by Geographic Market



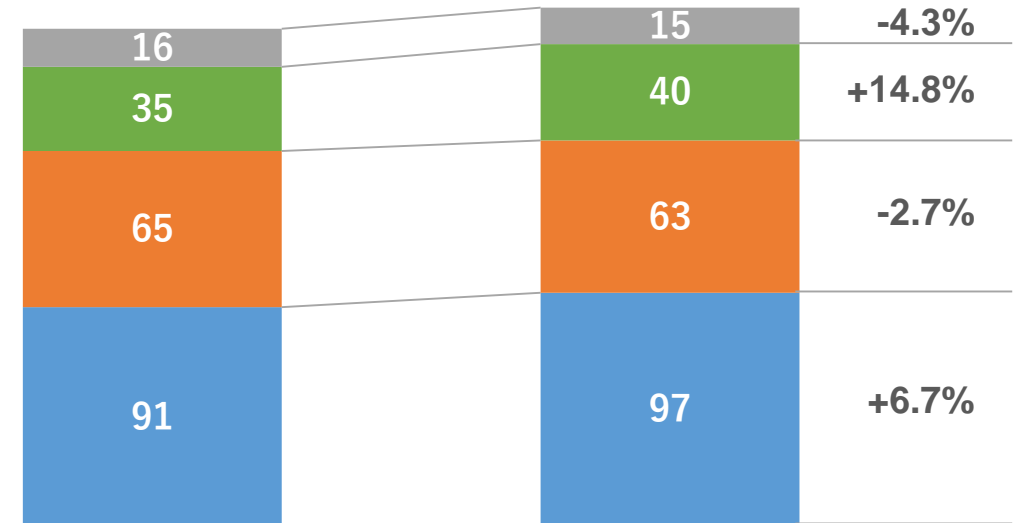
Q1 FY2023/3
%Overseas Sales
22.2%

Q1 FY2024/3
%Overseas Sales
24.3%

■ Japan ■ South Korea ■ China ■ ASEAN ■ Other

Overseas Sales by Country

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



Q1 FY2023/3
Overseas Sales
207

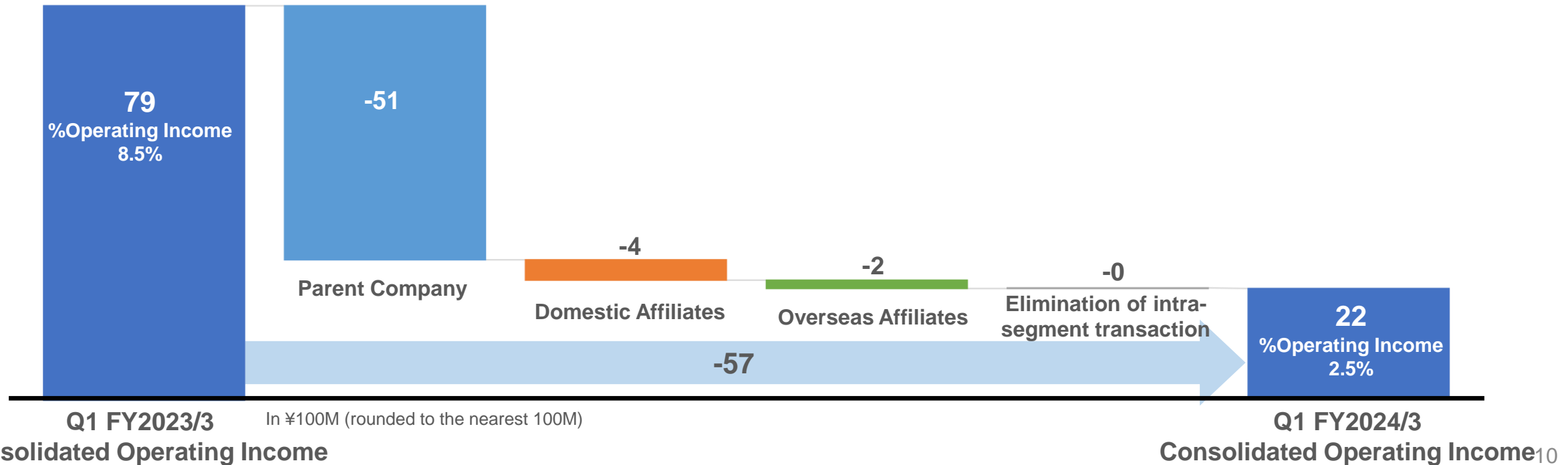
Q1 FY2024/3
Overseas Sales
216

■ South Korea ■ China ■ ASEAN ■ Other

6. Consolidated Operating Income Analysis

- Operating income decreased by ¥5.7B (-72.0%)

Parent Company	Operating income down due to lower sales and gross profit margin.
Domestic Affiliates	Operating income down due to lower profitability in listed subsidiaries and their group companies.
Overseas Affiliates	Operating income down due to the completion of some high-profit projects in the South Korean subsidiary and rising personnel expenses.

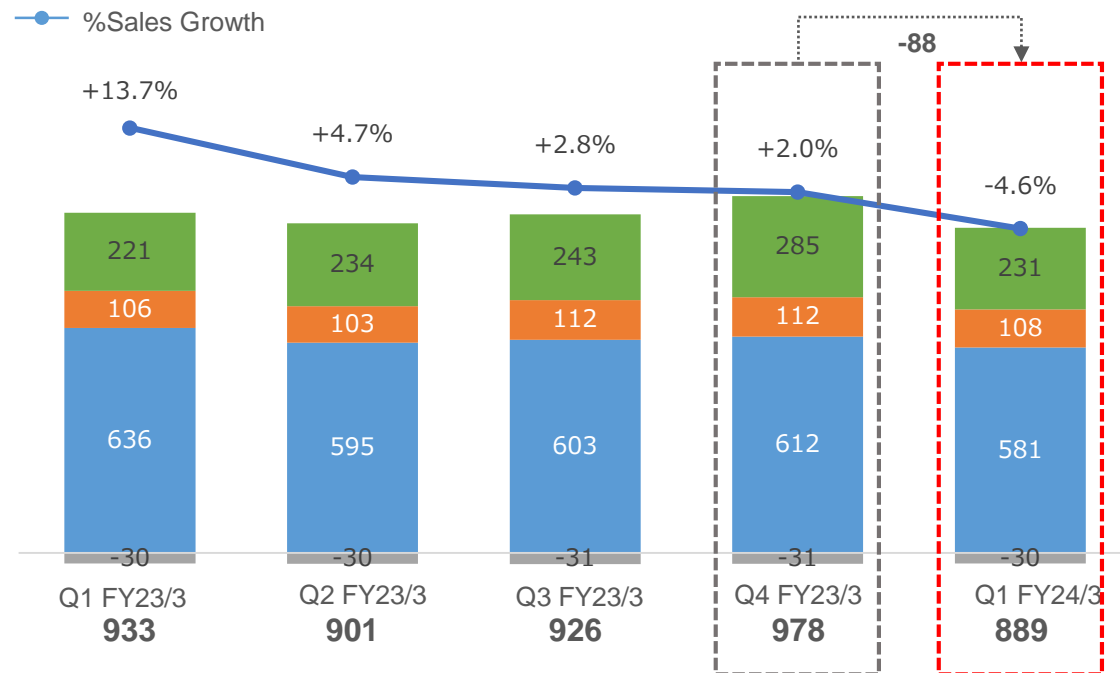


7. Consolidated Quarterly Performance Trend

- **[QoQ Sales]** Down by ¥8.8B due to a slowdown in COVID-19 related business in Parent Company and seasonality impact on the Overseas Affiliates segment.
- **[QoQ Operating Income]** Down by ¥3.8B due to deteriorated profits in Parent Company and seasonality impact on the Overseas Affiliates segment.

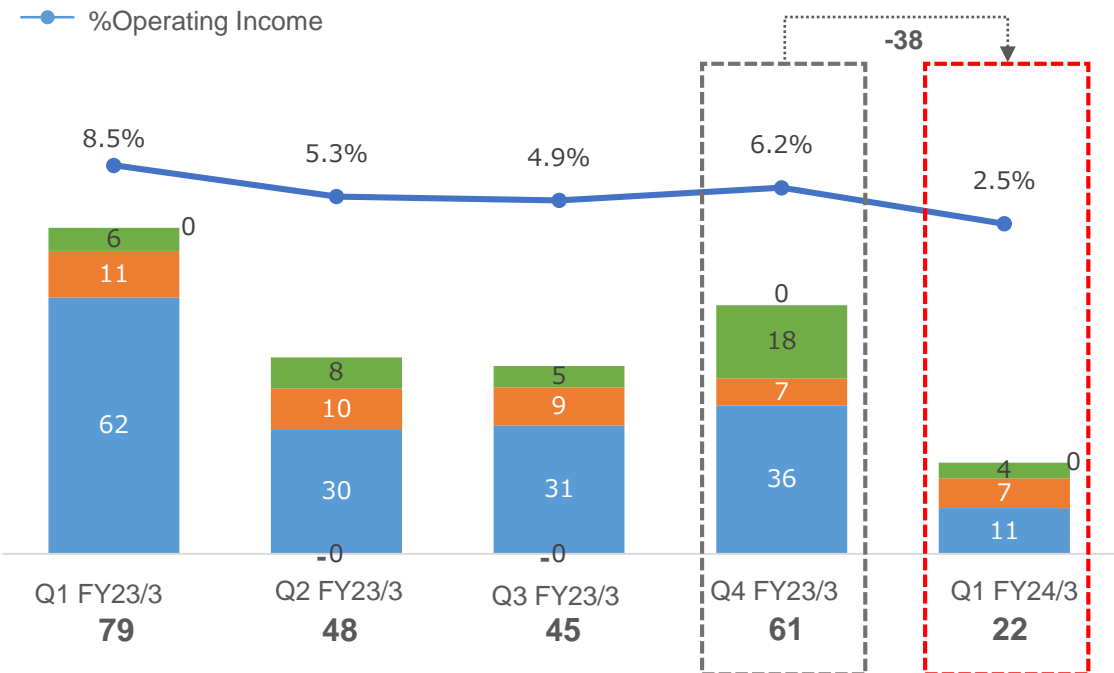
Consolidated Sales

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



Consolidated Operating Income

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



8. Parent Company Operating Income Analysis

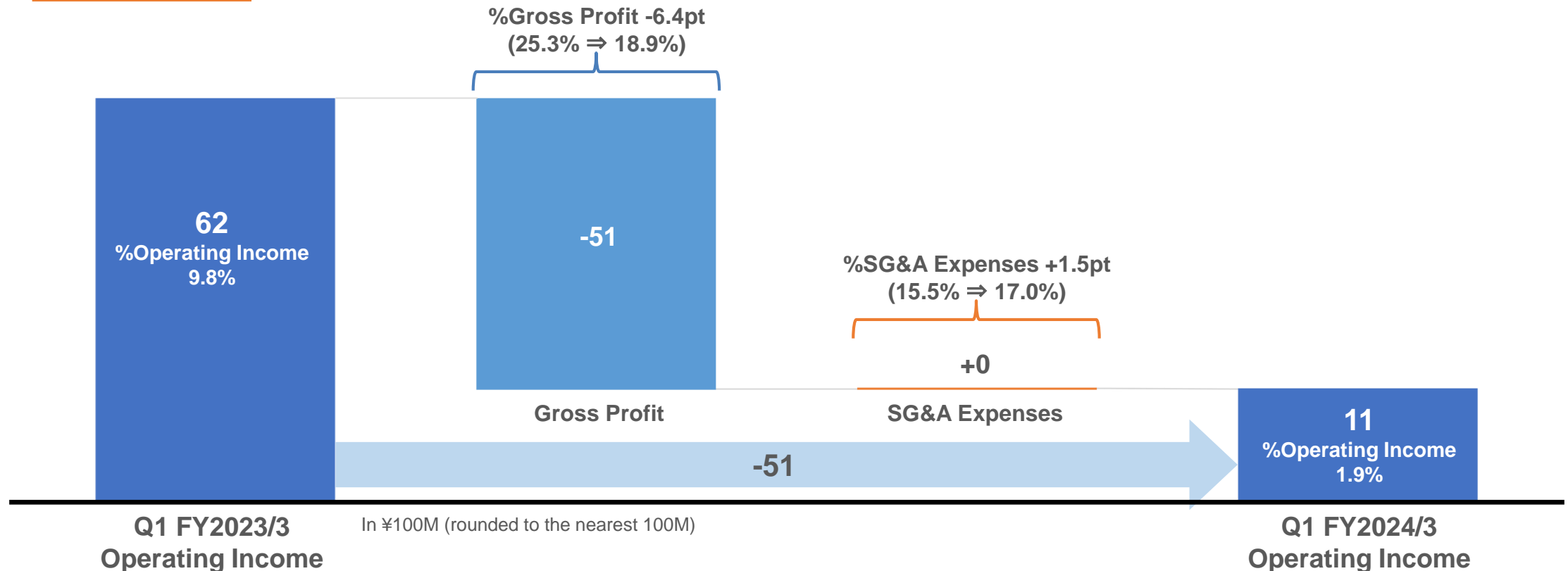
- Operating income decreased by ¥5.1B (-82.1%)

Gross Profit

Gross profit down by ¥5.1B due to lower sales as a result of a YoY drop in COVID-19 business, and upfront expenses incurred for launching and stabilizing CX service projects, resulting in a 6.4 point drop in margin.

SG&A Expenses

Expenses were managed properly, controlled at the same level as the same period last year. SG&A expense ratio up 1.5 points due to lower sales.



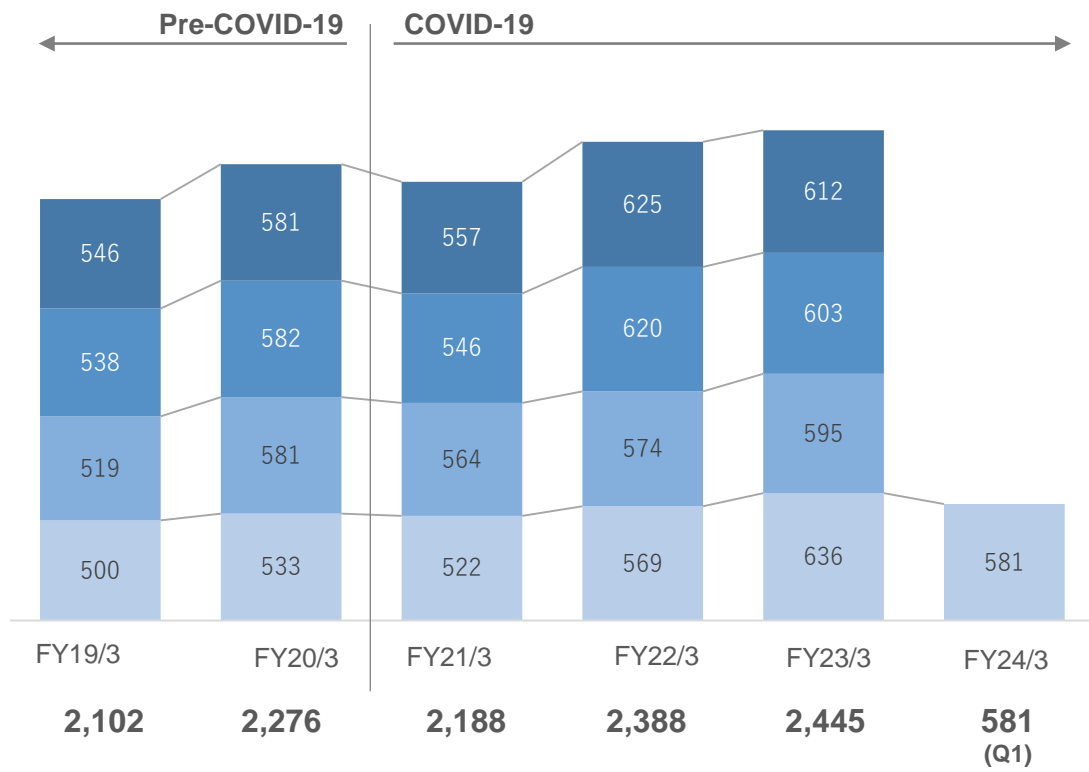
(Reference) Parent Company Six-Year Sales/Operating Income Trend



- Sales grew steadily compared to the pre-COVID-19 years. Although weak, operating income also increased.

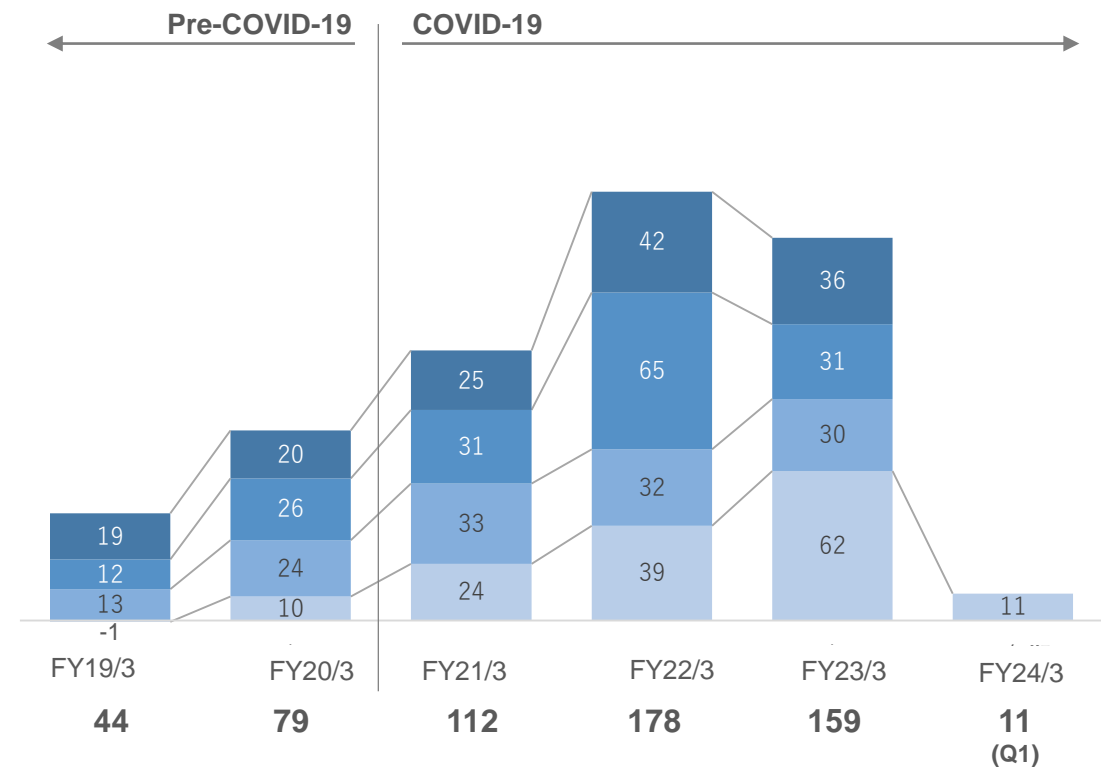
Parent Company Sales

In ¥100M (rounded to the nearest 100M) ■ Q1 ■ Q2 ■ Q3 ■ Q4



Parent Company Operating Income

In ¥100M (rounded to the nearest 100M) ■ Q1 ■ Q2 ■ Q3 ■ Q4



*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.

9. transcosmos inc. Net Income Analysis

- transcosmos inc. quarterly net income decreased by ¥3.7B (-71.5%)

Non-Operating Income (Loss)

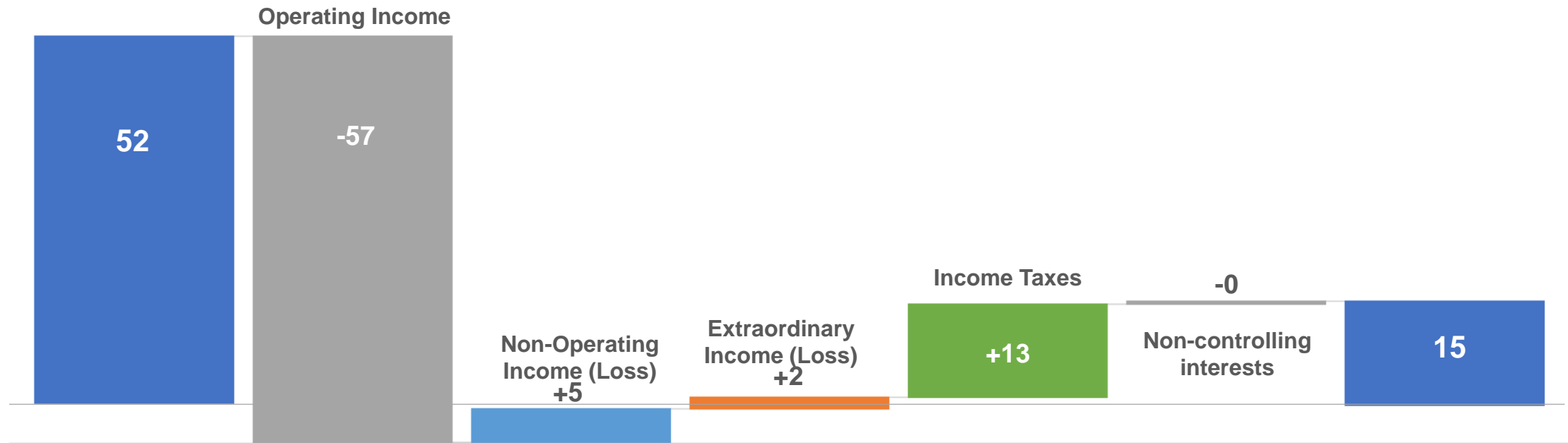
Increased by ¥0.5B due to an increase in exchange gain and the recording of share of profit of entities accounted for using equity method (share of loss posted in the same period last year).

Extraordinary Income (Loss)

Increased by ¥0.2B due to the posting of gain on sale of investment securities.

Income Taxes

Decreased by ¥1.3B due to a decrease in income before income taxes.



Q1 FY2023/3

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

transcosmos inc. Net Income

Q1 FY2024/3

transcosmos inc. Net Income¹⁴

10. Consolidated Balance Sheet Summary

- **Current Assets:** Cash and deposits rose due to previous year-end AR collections and an increase in loans payable.
- **Fixed Assets:** Investment securities decreased reflecting the fair market valuation of listed shares that the Company owns.
- **Liabilities:** The Company's long-term loans payable increased.
- **Net Assets:** Retained earnings decreased.

In ¥100M (rounded to the nearest 100M)	End of Mar. 2023	End of Jun. 2023	Change	
Current Assets	1,354	1,387	33	<ul style="list-style-type: none"> • Cash and deposits +72 • Notes and accounts receivables – trade -77
Fixed Assets	584	572	-13	<ul style="list-style-type: none"> • Investment securities -11
Total Assets	1,938	1,959	21	
Current Liabilities	664	689	24	<ul style="list-style-type: none"> • Accrued income taxes -23 • Accrued consumption taxes+11 • Provision for bonuses+21
Fixed Liabilities	150	186	35	
Total Liabilities	815	874	60	<ul style="list-style-type: none"> • Long-term loans payable +40
Net Assets	1,124	1,085	-39	<ul style="list-style-type: none"> • Retained earnings -29 • Accumulated other comprehensive income-10
Liabilities/Net Assets Total	1,938	1,959	21	
Cash and deposits	512	584	72	
Interest-bearing debt	163	202	40	
Net Cash*	349	381	32	

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

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

● Capital expenditures/Depreciation expenses

In ¥100M (rounded to the nearest 100M)	Q1 FY2023/3	Q1 FY2024/3	%Change
Capital expenditures	11	7	-36.4%
Depreciation expenses	12	13	8.9%

● CAPEX

Capital expenditures decreased mainly in Parent Company.

● Depreciation and Amortization

Expenses increased mainly due to the openings and expansions of the Parent Company's centers in the previous year.

● Number of Employees

	End of Mar. 2023	End of Jun. 2023	Change
Consolidated basis	40,582	40,531	-51
(Temporary employees)	29,709	29,665	-44
Parent Company	16,791	17,387	596
(Temporary employees)	22,179	21,864	-315

● Consolidated basis

At some domestic and overseas subsidiaries, employees including temporary employees decreased due to project completions.

● Parent Company

Employees increased due to new graduate hires. Temporary employees decreased due to COVID-19 related project completions.

● Service Bases

	End of Mar. 2023	End of Jun. 2023	Change
Service bases	170	171	1
(Japan)	70	71	1
(Overseas)	100	100	0

● Japan

Opened a BPO center in Osaka.

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

- 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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