The 39th Annual General Meeting of Shareholders
(Matters Subject to Measures for Electronic Provision Omitted from the Document Sent to Shareholders)

Notes to the Consolidated Financial Statements

Notes to the Non-Consolidated Financial Statements

(from April 1, 2023 to March 31, 2024)

transcosmos inc.

The items above have not been included in the documents sent to shareholders who have requested the delivery of such documents in accordance with laws and regulations as well as the rules of Article 14 of the Articles of Incorporation of the Company.

Notes to the Consolidated Financial Statements

Basis of preparation of consolidated financial statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 66

The names of principal consolidated subsidiaries

J-Stream Inc., APPLIED TECHNOLOGY CO., LTD., transcosmos Korea Inc., transcosmos CC China

Changes in our consolidated subsidiaries during the fiscal year under review are as follows:

(Newly included)

VideoStep Inc. (newly acquired)

・Transcosmos Financial Holdings Pte. Ltd. (newly established)

・Shenzen Transcosmos Information Creative Co., Ltd. (newly established)

(Excluded)

・Ookbee Mall Asia Holdings Pte. Ltd. (liquidated)

・Transcosmos (UK) Limited (liquidated)

・Transcosmos Asia Pacific Pte. Ltd. (liquidated)

・Transcosmos Information Systems SRL (liquidated)

・Wonderleads Co., Ltd (liquidated)

・transcosmos research and development, Inc. (Liquidated)

・Transcosmos Investment Consulting (Beijing) Co., Ltd. (liquidated)

(2) Names of principal non-consolidated subsidiaries

Transcosmos Philippines inc. and others

(Reason for exclusion from the scope of consolidation)

All non-consolidated subsidiaries are small in size, and each item of their total assets, net sales, profit or loss (calculated according to our equity interest) and retained earnings (calculated according to our equity interest) is not substantial, and do not have a material impact on the consolidated financial statements.

2. Application of equity method

(1) Number of affiliates accounted for by the equity method: 11

Names of principal non-consolidated subsidiaries and affiliates accounted for by the equity method

UNQ HOLDINGS LIMITED

Changes to our non-consolidated subsidiaries and affiliates accounted for by the equity method during the fiscal year under review are as follows:

(Newly included)

・Tohoku Electric Power Transcosmos Management Partner Company, Incorporated (newly established)

(2) Unconsolidated subsidiaries and other companies to which the equity method is not applied (Transcosmos Philippines inc. and others) are excluded from the scope of application of the equity method as their impact on profit or loss (amount proportional to the ownership) and retained earnings (amount proportional to the ownership) is infinitesimal, and has low importance as a whole.

(3) For those subsidiaries accounted for by the equity method that have different account closing dates from the Company, financial statements are stated according to the fiscal year of the respective companies.

3. Fiscal year, etc. of the consolidated subsidiaries

Following are the consolidated subsidiaries with different account closing dates from the Company.

(Account closing date: December 31)

- APPLIED TECHNOLOGY CO., LTD.
- transcosmos Information Creative Japan Inc.
- caramo, Inc.
- transcosmos America, Inc.
- TRANSCOSMOS OMNICONNECT, LLC
- transcosmos Korea Inc.
- transcosmos Information Creative (China) Co., Ltd.
- transcosmos Design Development (Dalian) Co., Ltd.
- transcosmos Information System (Benxi) Co., Ltd.
- Daqing transcosmos design development Co., Ltd.
- transcosmos business service outsourcing Suzhou Co., Ltd.
- Suzhou transcosmos Information Creative Co., Ltd
- Shanghai transcosmos Interactive Services Co., Ltd.
- transcosmos CC China
- Hottech digital technology (Tianjin) Co., Ltd.
- Jinan transcosmos Information Creative Co., Ltd.
- Neijiang transcosmos Interactive Services Co., Ltd.
- Shenzen Transcosmos Information Creative Co., Ltd
- transcosmos Taiwan Inc.
- Transcosmos Digital Marketing Cayman Co., Ltd.
- Shine Harbour Ltd.
- Transcosmos Information Creative Holdings
- TRANSCOSMOS INTERNATIONAL PTE. LTD.
- TRANSCOSMOS (MALAYSIA) SDN. BHD.
- PT. transcosmos Commerce
- TRANSCOSMOS ZERO PTE. LTD.
- TRANSCOSMOS FINANCIAL HOLDINGS PTE. LTD.
- transcosmos(Thailand)Co., Ltd.
- TCT Holdings Co., Ltd.
- TCT Services Co., Ltd.
- transcosmos artus company limited
- Astropolis Inc.
- transcosmos Asia Philippines inc.
- Transcosmos Vietnam Co., Ltd.
- transcosmos technology Vietnam co., ltd.
- Transcosmos Information Systems Group Limited
- Transcosmos Information Systems Limited
- Transcosmos Information Systems Inc (Philippines)
- Transcosmos Information Systems Inc (USA)
- Transcosmos information Systems Kft
- transcosmos Poland sp. z.o.o.
- Helpmagic Ltd

The consolidated financial statements are prepared based on the financial statements of each of the consolidated subsidiaries as of its account closing date. In the case of significant transactions that took place between the account closing dates of the consolidated subsidiaries and the consolidated account closing date, necessary adjustments are made for consolidation purposes.

(Account closing date: September 30)

・ CAREER INCUBATION, INC.

The consolidated financial statements are prepared based on the financial statements of each of the consolidated subsidiaries prepared on the basis of the provisional closing of accounts as of the consolidated account closing date.

4. Significant accounting policies

(1) Standards and methods of valuation of securities

Shares of subsidiaries and affiliates

Shares of non-consolidated subsidiaries and affiliates without application of the equity method: Stated at cost using the moving-average method

Other available-for-sale securities

Securities other than shares without a market price, etc.

Market value method based on the market price as of the consolidated account closing date. (Differences in valuation are included directly in net assets and costs of securities sold are calculated using the moving-average method.)

Shares without a market price, etc.

Stated at cost using the moving-average method

Investments to limited liability partnership for investment, etc.

The evaluation is based on the Company's and its subsidiaries' holding ratio of the net asset of the limited liability partnership for investment, etc., in which the Company invests, in the most recent fiscal year.

(2) Standards and methods of valuation of inventories

The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Merchandise and finished goods ············ Mainly the gross average method
Work and software in progress··············· Specific cost method
Supplies ·· Mainly stated at cost using the last-purchase-price method

(3) Depreciation methods for fixed assets

Tangible fixed assets
(excluding lease assets) ······················ Buildings

a Buildings acquired on or before March 31, 1998
Depreciated using the old declining-balance method.
b Buildings acquired between April 1, 1998 and March 31, 2007
Depreciated using the old straight-line method.
c Buildings acquired on or after April 1, 2007
Depreciated using the straight-line method.

Facilities attached to buildings and structures

a Tangible fixed assets other than those in the above acquired on or before March 31, 2007
Depreciated using the old declining-balance method.
b Facilities attached to buildings and structures acquired between April 1, 2007 and March 31, 2016

Depreciated using the declining-balance method.

c Facilities attached to buildings and structures acquired on or after April 1, 2016
Depreciated using the straight-line method.

Tangible fixed assets other than those in the above

a Tangible fixed assets other than those in the above acquired on or before March 31, 2007
Depreciated using the old declining-balance method.

b Tangible fixed assets other than those in the above acquired on or after April 1, 2007
Depreciated using the declining-balance method.

Overseas consolidated subsidiaries mainly use the straight-line method.

In addition, items acquired on or before March 31, 2007, are depreciated using the straight-line method over five years starting the fiscal year following the fiscal year when the final depreciable limit is reached.

Intangible fixed assets (excluding lease assets) ······················· Depreciated mainly using the straight-line method.
As for software for in-house use, the straight-line method is used with a useful life of five years. Software for commercial sale is depreciated based on the quantity expected to be sold within three years after being put on the market. If the amount of depreciation is less than the amount of even installment based on the remaining life, it is depreciated with the amount not less than the even installment.

Lease assets ···································· Finance leases other than those for which the ownership of the lease assets is deemed to transfer to the lessee.
These lease transactions are accounted for by straight-line method based on lease period of useful lives with residual values of zero.

(4) Standards of accounting for significant allowances, accruals and reserves

Allowance for doubtful accounts ············ Allowance for estimated uncollectible is calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.

Accrued bonuses for employees ············· Accrued bonuses for employees of the Company and consolidated subsidiaries are calculated based on the estimates of bonus obligations for the current fiscal term.

(5) Other important issues which are bases for preparing consolidated financial statements

1) Translation of significant foreign-currency-denominated assets and liabilities into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rate as of the end of the fiscal term, and the resulting exchange differences are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate as of the account closing date of each company. The resulting exchange differences have been recorded as a component of “foreign currency translation adjustment” and “non-controlling interests” in the section of Net Assets.

2) Basis for recording significant revenues and expenses

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations and recognizes that revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The principal business of the Group is outsourcing business offered by the Company and outsourcing business provided by Group companies in Japan and abroad, and the Group recognizes revenues over time or at a point in time by the method of performance obligation satisfaction. A large majority of the Company's revenue is recognized over time.

For performance obligations satisfied over time, the Group estimates progress towards satisfaction of performance obligations and recognizes revenue based on the progress over time. The method for estimating progress towards satisfaction of performance obligations is as follows.

- For operations in which an acceptance certificate or the like indicating work performed is obtained each month from a customer who will then be billed in accordance therewith, since work performed indicated on the acceptance certificate or the like faithfully depicts the amount of services transferred, revenue is recognized on its basis (output method). Records of the quantity of services performed are based on the client's system and the Group's system, and the person in charge of the Group's system reports the quantity of services performed to the client monthly.
- For operations under contracts, if progress cannot be directly estimated but if performance made toward the satisfaction of performance obligations can be reasonably measured, then progress is calculated at the proportion of actual cost to estimated total cost (input method). If performance made toward the satisfaction of performance obligations cannot be reasonably measured, revenue is recognized only on the basis of actual cost.

  For the sale of merchandise and finished goods, revenue is recognized at the time when they are delivered to a customer since, at that point, performance obligations are satisfied as a result of the transfer of the control of merchandise and finished goods to the customer.

3) Method and period of amortization of goodwill and negative goodwill

Goodwill is amortized by straight-line method over five and ten years. If any circumstance arises which prevents the effect of amortization of goodwill, amount of amortization will be decreased accordingly.

5. Change in presentation

(Consolidated statement of income-related)

"Provision of allowance for doubtful accounts" (47 million yen in the previous fiscal year), which was included in "Other" in Non-operating expenses in the previous fiscal year, is presented separately in the current fiscal year because it has increased in significance in terms of amount.

"241 million yen in gain on change in equity" (82 million yen in the current fiscal year) under Extraordinary gains, which was presented separately in the previous fiscal year, is included in "Other" in Extraordinary gains in the current fiscal year because it has decreased in significance in terms of amount.

6. Notes concerning accounting estimates

1. Goodwill and goodwill included in Investment in stocks of unconsolidated subsidiaries and affiliates or Investment in unconsolidated subsidiaries and affiliates

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Account	Amount (Millions of yen)
Goodwill	842
Goodwill included in Investment in stocks of unconsolidated subsidiaries and affiliates or Investment in unconsolidated subsidiaries and affiliates	287

(2) Information relating to the contents of accounting estimates

Since the Company Group evaluates the excess earning power, etc. of unlisted investee companies based on its medium- to long-term business plan in consideration of the company's business potential at the time of investment, goodwill, which is the valuation of excess earning power, etc., is included in the acquisition cost.

Regarding such goodwill, in accordance with the "Accounting Standard for Impairment of Fixed Assets," the Company Group examines whether there is any indication that an asset may be impaired. When such an indication of impairment is identified, the Company Group compares the undiscounted future cash flows of the goodwill over the remaining amortization period calculated based on future business plans with its book value, and determines whether the impairment loss need to be recognized or not. If it is determined that an impairment loss needs to be recognized, the book value of the goodwill is reduced to its recoverable amount and the reduced amount is recognized as an impairment loss. In addition, if the goodwill is included in Investment in stocks of unconsolidated subsidiaries and affiliates or Investment in unconsolidated subsidiaries and affiliates, it is recognized as share of loss of entities accounted for using equity method.

In the case of goodwill included in Investment in stocks of unconsolidated subsidiaries and affiliates or Investment in unconsolidated subsidiaries and affiliates, in the evaluation of Investment in stocks of unconsolidated subsidiaries and affiliates and Investment in unconsolidated subsidiaries and affiliates on the financial statements, for the unconsolidated subsidiaries and affiliates which require recognition of an impairment loss due to damage to excess earning power, etc., if the book value after the impairment treatment on the financial statements is less than the investment value under the equity method, the investment value under the equity method will be reduced by the amount of the difference to the extent of reaching the unamortized amount of goodwill under the equity method.

Since the business performance of the unconsolidated subsidiaries and affiliates is affected by the uncertain future economic conditions and business conditions of the company, if there is a large deviation from the business plan that is the basis for determining whether goodwill is impaired or not and calculating the recoverable amount, it may have a significant impact on the consolidated financial statements for the following fiscal years.

Notes to the Consolidated Balance Sheet

Accumulated depreciation of tangible fixed assets 29,844 million yen

Notes to the Consolidated Statement of Changes in Equity

1. Total number of shares issued

(shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	48,794,046	-	-	48,794,046

2. Treasury stock

(shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	11,320,911	101	-	11,321,012

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit: 101 shares

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2023	Common stock	4,384	117	March 31, 2023	June 22, 2023

(2) Dividends with an effective date falling in the following fiscal year, among distributions with record dates belonging to the current fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2024	Common stock	Retained earnings	3,035	81	March 31, 2024	June 26, 2024

Notes on financial instruments

1. Matters related to the status of financial instruments

(1) Policy on financial instruments

The Company Group makes investments in stocks based upon the request of business promotions including business or capital tie-up, or invests excess funds in financial instruments such as deposits whose principles are secured, as a basic policy. In order to obtain funding, the Company selects the most adequate financial instruments, including bank borrowings, bond issuance or stock issuance, depending on the situations. And derivatives are used in interest rate swap, currency swap and currency forward transactions to hedge against market risks and the Company has a policy not to use derivatives for speculation.

(2) Details, risks and risk management of financial instruments

Notes and accounts receivable-trade, which are operating receivables, are exposed to customers' credit risks. With regard to these risks, we manage maturities and balances for each business partner and strive to find out early and mitigate concerns for collection due to deteriorating financial circumstances. Investment in securities mainly consists of stocks related to operations and capital alliances. Although these are exposed to market fluctuation risk and issuers' credit risks, we grasp the market prices and obtain issuers' financial statements on a regular basis and we grasp the market prices and obtain issuers' financial statements on a regular basis. At the same time, we properly review the values of investment and make efforts to collect the investment values.

Most of accounts payable-trade and accrued expenses, which are operating payables, have payment due dates that are less than one year away. Short-term loans payable out of loans payable is mainly financing for operational transactions; long-term loans payable (less than five years as a general rule) is financing for long-term investments such as capital investments.

As to operational debts and loans, the Company Group manages them by having each company prepare monthly cash flow plans in order not to detract from the creditability of the Company Group.

The Company Group also has commitment-line contracts in place in order to ensure to fulfill all obligations.

2. Matters related to fair values of financial instruments

The recorded amounts on the consolidated financial statements, fair values, and the difference of these as of March 31, 2024 are as follows.

(Millions of yen)

	Recorded amount on consolidated balance sheet*	Fair value*	Difference
(1) Investment in securities			
Other available-for-sale securities	2,090	2,090	-
(2) Investment in stocks of unconsolidated subsidiaries and affiliates	7,566	3,659	(3,907)
(3) Bonds payable	(194)	(193)	0
(4) Convertible bond-type bonds with share acquisition rights	(10,054)	(10,205)	(150)
(5) Long-term loans payable	(8,276)	(8,256)	20

(*1) “Cash and deposits” are omitted because they are cash and because fair values of deposits approximate their book values since deposits are settled in the short term.

(*2) Notes receivable and accounts receivable—trade included in “Notes and accounts receivable—trade, and contract assets,” “Accounts payable—trade” “Short-term loans payable” and “Accrued expenses” are omitted because their fair values approximate their book values since they are settled in the short term.

(*3) Shares without a market price, etc. are included in neither “(1) Investment in securities” nor “(2) Investment in stocks of unconsolidated subsidiaries and affiliates.” The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

Category	Current fiscal year (Millions of yen)
Unlisted equity securities	5,765
Investments in partnership	602

(*4) “(3) Bonds payable” and “(5) Long-term loans payable” respectively include “current portion of bonds payable” and “current portion of long-term loans payable”

(*5) Items recorded in Liabilities are marked with ( ).

3. Matters related to breakdown of fair values of financial instruments by levels

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value: Fair values measured at (unadjusted) quoted prices for identical assets or liabilities in active markets

Level 2 fair value: Fair values measured by using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair values measured by using significant unobservable inputs

If multiple inputs are used that significantly affect fair value measurement, a fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

(1) Financial assets and liabilities whose fair value is the amount recorded on the consolidated balance sheet

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment in securities				
Other available-for-sale securities				
Stocks	2,090	-	-	2,090

(2) Financial assets and liabilities whose fair value is not the amount recorded on the consolidated balance sheet

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment in stocks of unconsolidated subsidiaries and affiliates	3,659	-	-	3,659
Bonds payable	-	(193)	-	(193)
Convertible bond-type bonds with share acquisition rights	-	(10,205)	-	(10,205)
Long-term loans payable	-	(8,256)	-	(8,256)

Note: Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

Investment in securities and Investment in stocks of unconsolidated subsidiaries and affiliates

Listed stocks are evaluated by using their quoted price. Since listed stocks are traded in active markets, their fair values are categorized into Level 1.

Bonds payable

The fair values of bonds payable are measured based upon the present values obtained by discounting the total amount of principals and interests at a rate with term to maturity and credit risk taken into account, and classified as Level 2.

Convertible bond-type bonds with share acquisition rights

With regard to the fair values of bonds issued by the Company, prices provided by banks are used and classified as Level 2.

Long-term loans payable

The fair values of long-term loans payable are measured based upon the present values obtained by discounting the total amount of principals and interests at a rate with term to maturity and credit risk taken into account, and classified as Level 2.

Notes on revenue recognition

1. Information on disaggregation of revenue

Information on disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable segments			Total
	The Company's services	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	
Japan	232,262	35,490	5,129	272,882
South Korea	0	–	39,486	39,486
China	149	1	25,317	25,468
Southeast Asia	2,080	5	15,671	17,757
Other	1,120	5	5,480	6,606
Revenue from contracts with customers	235,612	35,502	91,085	362,201
Other revenue	–	–	–	–
Net sales to external customers	235,612	35,502	91,085	362,201

Note: Revenue from contracts with customers is disaggregated by countries or regions on the basis of locations of customers.

2. Basic information for understanding revenue

This information is omitted as information of the same content is indicated in "4. Significant accounting policies, (5) Other important issues which are bases for preparing consolidated financial statements, 2) Basis for recording significant revenues and expenses" in Notes to Consolidated Financial Statements.

3. Information for understanding the amount of revenue for the current fiscal year and fiscal years that follow

	Current fiscal year (Millions of yen)
Receivables from contracts with customers (Balance at the beginning of the fiscal year)	68,960
Receivables from contracts with customers (Balance at the end of the fiscal year)	65,834
Contract assets (Balance at the beginning of the fiscal year)	2,024
Contract assets (Balance at the end of the fiscal year)	1,923

A Contract asset is revenue recognized by the input method that pertains to the right of the Company and its consolidated subsidiaries to consideration for ongoing contract work, etc. at the end of the fiscal year. Contract liabilities are included in “Advances received” in the consolidated balance sheet and primarily pertain to advances received for performance obligations to deliver goods or services to clients. The opening balance of contract liabilities for this consolidated fiscal year is generally recognized as revenue within one year and is reversed.

Notes concerning per share data

1. Net assets per share 2,892.32 yen
2. Profit per share 269.46 yen
3. Diluted earnings per share 252.44 yen

Notes concerning significant subsequent events

(Cancellation of Treasury Stock)

At the Board of Directors meeting held on April 30, 2024, the Company resolved to cancel treasury stock pursuant to Article 178 of the Companies Act.

1. Reason for cancellation To mitigate concerns about the future dilution of shares through a reduction in the total number of shares issued
2. Class of shares cancelled Common stock of the Company
3. Total number of shares cancelled 4,930,930 shares (10.11% of the total number of issued shares before cancellation)
4. Scheduled date of cancellation May 24, 2024

(Reference)

Treasury stock holdings after cancellation

1. Total number of issued shares (including treasury stock) 43,863,116 shares
2. Number of treasury stock shares 6,390,082 shares

*Calculated based on the number of treasure stock shares as of March 31, 2024.

Notes to Non-Consolidated Financial Statements

Significant accounting policies

1. Standards and methods of valuation of securities

   Shares of subsidiaries and affiliates

   Stated at cost using the moving-average method

   Other available-for-sale securities

   Securities other than shares without a market price, etc.

   Market value method based on the market price as of the account closing date. (Differences in valuation are included directly in net assets and costs of securities sold are calculated using the moving-average method.)

   Shares without a market price, etc.

   Stated at cost using the moving-average method

   Investments to limited liability partnership for investment, etc.

   The evaluation is based on the Company's holding ratio of the net asset of the limited liability partnership for investment, etc., in which the Company invests, in the most recent fiscal year.

2. Standards and methods of valuation of inventories

   The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Merchandise	Gross average method
Work and software in process	Specific cost method
Supplies	Cost using the last-purchase-price method

3. Depreciation methods for fixed assets

Tangible fixed assets (excluding lease assets)	Buildings a Buildings acquired on or before March 31, 1998 Depreciated using the old declining-balance method. b Buildings acquired between April 1, 1998 and March 31, 2007 Depreciated using the old straight-line method. c Buildings acquired on or after April 1, 2007 Depreciated using the straight-line method. Facilities attached to buildings and structures a Tangible fixed assets other than those in the above acquired on or before March 31, 2007 Depreciated using the old declining-balance method. b Facilities attached to buildings and structures acquired between April 1, 2007 and March 31, 2016 Depreciated using the declining-balance method. c Facilities attached to buildings and structures acquired on or after April 1, 2016 Depreciated using the straight-line method. Tangible fixed assets other than those in the above

a Tangible fixed assets other than those in the above acquired on or before March 31, 2007
Depreciated using the old declining-balance method.

b Tangible fixed assets other than those in the above acquired on or after April 1, 2007
Depreciated using the declining-balance method.
In addition, items acquired on or before March 31, 2007 are depreciated using the straight line method over five years starting the fiscal year following the fiscal year when the final depreciable limit is reached.

Intangible fixed assets (excluding lease assets)………………………… Depreciated using the straight-line method. As for software for in-house use, the straight-line method is used with a useful life of five years.

Lease assets …………………………………… Finance leases other than those for which the ownership of the lease assets is deemed to transfer to the lessee. These lease transactions are accounted for by straight-line method based on lease period of useful lives with residual values of zero.

4. Standards of accounting for allowances, accruals and provisions

Allowance for doubtful accounts …………… Allowance for estimated uncollectible is calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.

Accrued bonuses for employees ……………… Accrued bonuses for employees are calculated based on the estimates of bonus obligations for the current fiscal term.

Provisions for loss on guarantees ……………To prepare for losses arising from fulfilling guarantee obligations of affiliated companies, the Company appropriates the estimated cost of losses for guarantee obligations highly likely to be required for fulfilling such obligations, taking into consideration the recoverability by exercising right of indemnity.

Provision for loss on support to subsidiaries and affiliates
……………………………………………………To prepare for loss on support for affiliates, estimated losses are recorded in consideration of the financial state of the affiliate.

5. Basis for recording revenues and expenses

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations and recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The principal business of the Company is outsourcing business, and the Company recognizes revenues over time or at a point in time by the method of performance obligation satisfaction. A large majority of the Company’s revenue is recognized over time.
For performance obligations satisfied over time, the Company estimates progress towards satisfaction of performance obligations and recognizes revenue based on the progress over time. The method for estimating progress towards satisfaction of performance obligations is as follows.

・ For operations in which an acceptance certificate or the like indicating work performed is obtained each month from a customer who will then be billed in accordance therewith, since work performed indicated on the acceptance certificate or the like faithfully depicts the amount of services transferred, revenue is recognized on its basis (output method). Records of the quantity of services performed are based on the client's system and the Company's system, and the person in charge of the Company's system reports the quantity of services performed to the client monthly.

・ For operations under contracts, if progress cannot be directly estimated but if performance made toward the satisfaction of performance obligations can be reasonably measured, then progress is calculated at the proportion of actual cost to estimated total cost (input method). If performance made toward the satisfaction of performance obligations cannot be reasonably measured, revenue is recognized only on the basis of actual cost.

For the sale of merchandise, revenue is recognized at the time when they are delivered to a customer since, at that point, performance obligations are satisfied as a result of the transfer of the control of merchandise to the customer.

6. Other important issues which are bases for preparing non-consolidated financial statements

Standard for translation of assets and liabilities denominated in foreign currencies into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rate as of the end of the fiscal term, and the resulting exchange differences are credited or charged to income.

7. Change in presentation

(Non-consolidated statement of income-related)

The "Company establishment subsidies, etc.: 114 million yen" (71 million yen in the current fiscal year), which was presented separately as extraordinary gains in the previous fiscal year, is now included in "Other" under special gains due to their lack of material significance.

8. Notes concerning accounting estimates

1. Valuation of Investment in stocks of unconsolidated subsidiaries and affiliates or Investment in unconsolidated subsidiaries and affiliates acquired by investment in unlisted companies

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

Account	Amount (Millions of yen)
Investment in stocks of unconsolidated subsidiaries and affiliates (Investment in unlisted companies)	16,571
Investment in unconsolidated subsidiaries and affiliates (Investment in unlisted companies)	648

(2) Information relating to the contents of accounting estimates

Since the Company evaluates the excess earning power, etc. of unlisted investee companies based on its medium- to long-term business plan in consideration of the company's business potential at the time of investment, the valuation amount of the excess earning power, etc. is included in the acquisition cost.

Regarding the valuation of Investment in stocks of unconsolidated subsidiaries and affiliates and Investment in unconsolidated subsidiaries and affiliates, in accordance with the "Procedure for Impairment of Shares, etc.," which is an internal rules based on the "Accounting Standards for Financial Instruments," for the investee company whose financial condition has deteriorated to a certain extent compared to the book value, considering the risk of valuation loss of the stock or investment due to damage to the excess earning power, etc., the Company examines at the end of every fiscal year whether these unconsolidated subsidiaries and affiliates successfully achieved the business plan, whether their excess earning power, etc. is damaged, and whether the net asset value of the Investment in stocks or the Investment decreased significantly according to the risk. After considering these points in the valuation loss examination process, the Company determines whether the impairment loss need to be recognized or not. When the actual results have not achieved the business plan, and the factors for the failure are not temporary, or temporary but it is unlikely that, in its plan for the next fiscal years, the value of equity in the net assets will reach the book value within a certain period (generally 5 years), and the excess earning power of the investee company is judged as impaired, the Company recognizes valuation loss for the difference between the book value for these Investment in stocks or Investment and the value of equity in the net assets.

Since the business performance of the unconsolidated subsidiaries and affiliates is affected by the uncertain future economic conditions and financial conditions of the company, if there is a large deviation from the business plan that is the basis for calculating the value of the excess earning power, etc., it may have a significant impact on the financial statements for the following fiscal years.

Notes to the Non-Consolidated Balance Sheet

1. Liabilities for guarantees

Guarantee on deposit obligations from subsidiaries and affiliates

Tci-Business-Service Co., Ltd.	¥5,800 million
Total	¥5,800 million

In addition to the above, the Company has provided a joint guarantee on the store-opening contract of caramo, Inc., its affiliate.

2. Accumulated depreciation of tangible fixed assets ¥16,589 million

3. Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding separate line item)

Short-term monetary receivables from subsidiaries and affiliates	¥1,861 million
Short-term monetary payables to subsidiaries and affiliates	¥1,893 million

Notes to the Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates

Net sales	¥1,370 million
Net purchase	¥11,497 million
Transactions other than operating transactions	¥3,807 million

Notes to the Non-Consolidated Statement of Changes in Equity

Treasury stock

(shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	11,320,911	101	-	11,321,012

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit:	101 shares

Notes concerning tax effect accounting

Details by primary causes of deferred tax assets and deferred tax liabilities

Deferred tax assets:	
Allowance for doubtful accounts	¥3,382 million
Book value adjustment of investment in stocks of unconsolidated subsidiaries and affiliates for tax purposes	¥2,888 million
Loss on valuation of stocks of subsidiaries and affiliates	¥2,848 million
Book value adjustment of investment in securities for tax purposes	¥2,082 million
Accrued bonuses for employees	¥1,440 million
Loss on valuation of investment securities	¥673 million
Provision for loss on guarantees	¥359 million
Accrued enterprise tax	¥290 million
Accrued social insurance expenses	¥223 million
Provision for loss on support to subsidiaries and affiliates	¥213 million
Accounting depreciation in excess of tax depreciation	¥148 million
Impairment loss	¥76 million
Other	¥599 million
Sub-total	¥15,227 million
Provision for devaluation	¥(12,775) million
Total of deferred tax assets	¥2,452 million
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	¥(199) million
Other	¥(34) million
Total of deferred tax liabilities	¥(233) million
Net of deferred tax assets	¥2,218 million

Notes concerning transactions with related parties

1. Parent company and major corporate shareholders, etc.

   Not applicable.

2. Subsidiaries, affiliates, etc.

Attribution	Name of company, etc.	Capital stock or investments in capital	Description of business or occupation	Percentage of owning (owned) voting rights, etc. (%)	Relationship with related parties	Type of transaction	Transaction amount (millions of yen)	Account	Balance as of the end of the fiscal year (millions of yen)
Subsidiary	Tci-Business-Service Co., Ltd.	¥100 million	Domestic subsidiaries and affiliates	Owning Direct 100.0	Borrowing of funds	Borrowing of funds (Note 1)	1,000	Short-term loans payable to subsidiaries and affiliates	4,700
						Repayment of funds	700		
					Liabilities for guarantees	Guarantee of obligations (Note 2)	5,800	–	–
Subsidiary	transcosmos America, Inc.	$58 million	Overseas subsidiaries and affiliates	Owning Direct 100.0	Loan of funds	Loan of funds (Note 1)	437	Long-term loans receivable from subsidiaries and affiliates (Note 3)	2,089
Subsidiary	Transcosmos Information Creative Holdings	¥1 million	Overseas subsidiaries and affiliates	Owning Direct 100.0	Dividends received	Dividend income (Note 4)	2,144	–	–
Subsidiary	TCT Services Co., Ltd.	1 million Thai baht	Overseas subsidiaries and affiliates	Owning Direct 49.0 Indirect 51.0	Loan of funds	–	–	Long-term loans receivable from subsidiaries and affiliates (Note 5)	2,450
Subsidiary	transcosmos Asia Philippines inc.	45 million Philippine peso	Overseas subsidiaries and affiliates	Owning Direct 100.0	Loan of funds	Loan of funds (Note 1)	50	Long-term loans receivable from subsidiaries and affiliates (Note 6)	1,389
Subsidiary	Transcosmos Information Systems Group Limited.	GBP 220 thousand	Overseas subsidiaries and affiliates	Owning Direct 100.0	Loan of funds	Loan of funds (Note 1)	2,111	Long-term loans receivable from subsidiaries and affiliates (Note 7)	3,004

Terms and conditions of transactions and the policies on determination thereof:

Notes: 1 The interest rate is determined logically in consideration of market interest rates.

2 This is a guarantee on deposit obligations from the subsidiaries and affiliates.

3 During the current fiscal year, provision of allowance for doubtful accounts of 647 million yen was provided for long-term loans receivable from subsidiaries and affiliates. At the end of the current fiscal year, the balance of the same provision stood at 2,089 million yen.

4 Dividend income is determined based on the Group’s dividend policy.

5 During the current fiscal year, provision of allowance for doubtful accounts of 147 million yen was provided for long-term loans receivable from subsidiaries and affiliates. At the end of the current fiscal year, the balance of the same provision stood at 2,450 million yen.

6 During the current fiscal year, provision of allowance for doubtful accounts of 208 million yen was provided for long-term loans receivable from subsidiaries and affiliates. At the end of the current fiscal year, the balance of the same provision stood at 1,389 million yen.

7 During the current fiscal year, provision of allowance for doubtful accounts of 2,283 million yen was provided for long-term loans receivable from subsidiaries and affiliates. At the end of the current fiscal year, the balance of the same provision stood at 3,004 million yen.

For provision for loss on guarantees recorded at the end of the previous fiscal year, provision for gain on reversal of provision for loss on guarantees of 1,524 million yen was provided for loss on guarantees. At the end of the current fiscal year, there was no balance remaining.

8 Transactional amounts and balances as of the end of the fiscal year are recorded exclusive of consumption taxes.

9 Percentages of owning (owned) voting rights, etc. are rounded off to the nearest first decimal place.

3. Brother companies

Not applicable.

4. Directors and primary individual shareholders

Not applicable.

Notes on revenue recognition

This information that serves as the foundation for understanding earnings is omitted as information of the same content is indicated in “Notes on revenue recognition” in Notes to the Consolidated Financial Statements.

Notes concerning per share data

1. Net assets per share	1,782.82 yen
2. Profit per share	252.37 yen
3. Diluted earnings per share	236.41 yen

Notes concerning significant subsequent events

(Cancellation of Treasury Stock)

This information is omitted as information of the same content is indicated in “Notes concerning significant subsequent events” in Notes to Consolidated Financial Statements.