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Securities Code: 9715

May 30, 2017

## To Our Shareholders

Masataka Okuda  
President and COO  
**transcosmos inc.**  
25-18, Shibuya 3-chome, Shibuya-ku,  
Tokyo, Japan

## NOTICE OF THE 32<sup>nd</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 32<sup>nd</sup> Annual General Meeting of Shareholders. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights either in writing or by electronic means (Internet, etc.). Please review the Reference Documents for the Annual General Meeting of Shareholders shown in the following pages and exercise your voting rights.

**1. Date and Time:** 10:00 a.m., Tuesday, June 20, 2017

**2. Place:** 9<sup>th</sup> Floor, Hikarie Hall B, Shibuya Hikarie  
21-1, Shibuya 2-chome, Shibuya-ku, Tokyo

**Please note that the meeting is being held in a different venue than that used last year.**

### 3. Agenda of the Meeting:

- Matters to be reported:**
1. Business Report, Consolidated Financial Statements and results of audits by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements for the 32<sup>nd</sup> Fiscal Term (from April 1, 2016 to March 31, 2017)
  2. Financial Statements for the 32<sup>nd</sup> Fiscal Term (from April 1, 2016 to March 31, 2017)

### Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus for the 32<sup>nd</sup> Fiscal Term  
**Proposal No. 2:** Partial Amendment to Articles of Incorporation  
**Proposal No. 3:** Election of Sixteen Directors (excluding Directors who are Audit and Supervisory Committee Members)

1. For those attending, please submit the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
2. Please note that, if it becomes necessary to amend any matters related to the contents described in the attached Reference Documents for the Annual General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Financial Statements before the day preceding the Annual General Meeting of Shareholders, the amended contents will be presented on the Company's website at: (<http://www.trans-cosmos.co.jp/e/ir/>).
3. The information in this Notice was posted on the Company's website before it was mailed to promptly provide the information.

## Procedures for the Exercise of Voting Rights

Voting rights can be exercised in the following three ways.

### 1. By attending the general meeting of shareholders

Submit the Voting Rights Exercise Form at the reception desk. (It is not necessary to attach your seal.)

Date and Time: 10:00 a.m., Tuesday, June 20, 2017 (Venue opens at 9:00 a.m.)

Place: 9<sup>th</sup> Floor, Hikarie Hall B, Shibuya Hikarie  
21-1, Shibuya 2-chome, Shibuya-ku, Tokyo

### 2. In writing

Please indicate whether you approve or disapprove of each proposal on the enclosed Voting Rights Exercise Form and then mail the Form without attaching a postage stamp.

If a Voting Rights Exercise Form is submitted without an indication of whether you approve or disapprove of the proposal, it will be treated as if you approve of the proposal.

Deadline to exercise rights: Must arrive by 5:50 p.m., Monday, June 19, 2017

### 3. Via the Internet, etc.

Please access the website for the exercise of voting rights (<http://www.web54.net>) from either a personal computer, a smartphone or mobile phone, enter the login ID and password provided on the enclosed Voting Rights Exercise Form, and follow the instructions on the screen to register whether you approve or disapprove each proposal.

Deadline to exercise rights: By 5:50 p.m., Monday, June 19, 2017

#### Exercise of voting rights via the Internet, etc.

- 1) If you have a mobile phone with barcode-reading capability, you can exercise your voting rights via the company-designated website by scanning the “QR code<sup>®</sup>” to the right. For further details on the procedure, please refer to the operation manual for your mobile phone.  
(QR Code is a trademark of DENSO WAVE INCORPORATED.)
- 2) If you exercise your voting rights redundantly both by mail and via the Internet, we will treat your Internet vote as the valid exercise of your voting rights, regardless of the time or date of arrival of your vote.
- 3) If you exercise your voting rights several times via the Internet, or if you exercise your voting rights more than once using the computer and mobile phone, we will treat the most recent vote as the valid exercise of your voting rights.
- 4) Connection fees payable to the providers and communication expenses payable to telecommunication carriers (including access charges) when accessing the website for the exercise of voting rights will be borne by the shareholders.

#### Inquiries about How to Operate Personal Computers, etc.

1. If you have any questions about how to operate PCs, mobile phones, etc., concerning the exercise of voting rights via the Internet on the site, please call the following number.  
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support  
Direct Line: (Toll free) 0120-652-031 (9:00 – 21:00; within Japan only)
2. For other inquiries, please call one of the following numbers.
  - 1) Shareholders who have accounts with securities companies:  
Shareholders who have accounts with securities companies are requested to make inquiries to the securities company where they respectively have accounts.
  - 2) Shareholders who do not have accounts with securities companies (Shareholders who have special accounts):  
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Administration Center  
(Toll free) 0120-782-031 (9:00 – 17:00, excluding the weekend and holidays; within Japan only)

#### TSE Platform for the Electronic Exercise of Voting Rights

Institutional investors may use the “Electronic Voting Platform for Institutional Investors” (the “TSE Platform”) managed by ICJ Inc. to exercise their voting rights by electronic manner.

## Reference Documents for the Annual General Meeting of Shareholders

### Proposals and references

#### **Proposal No. 1:** Appropriation of Surplus for the 32<sup>nd</sup> Fiscal Term

Matters related to year-end dividend

Having positioned redistribution of profits to shareholders as one of its most important management policies, the Company has adopted a policy to emphasize dividend propensity linked to business performance, and its policy is to improve the market value of the Company stock as a result of redistributing profits to shareholders.

Taking into the consideration the above policy, the Company proposes to pay the following dividends for the current fiscal year.

Type of dividend asset

Cash

Allotment of dividend assets to shareholders and total amount

52 yen per share of common stock of the Company

Total amount 2,156,767,184 yen

Effective date of dividend of surplus

Wednesday, June 21, 2017

**Proposal No. 2: Partial Amendment to Articles of Incorporation**

1. Reasons for Amendments

- (1) Article 2 (Purpose) of the current Articles of Incorporation will be partially amended so that the Company can respond to greater diversity in business activities in line with current business conditions.
- (2) In addition to the above, the subsequent numbering will be adjusted to reflect the changes.

2. Details of Amendments

The details of the amendments are as follows.

(Underlined sections are amendments.)

Current Version	Proposed Amendments
(Purpose) Article 2 The purpose of the Company shall be to engage in the following businesses: 1. - 23. (Omitted) (Newly established) <u>24.</u> - <u>30.</u> (Omitted)	(Purpose) Article 2 The purpose of the Company shall be to engage in the following businesses: 1. - 23. (Same as present) <u>24.</u> <u>Sale and wholesale of tobacco</u> <u>25.</u> - <u>31.</u> (Same as present)

**Proposal No. 3:** Election of Sixteen Directors (excluding Directors who are Audit and Supervisory Committee Members)

The term of office for all sixteen Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the conclusion of this Annual General Meeting of Shareholders.

Therefore, the Company proposes the election of 16 Directors.

With regard to this Proposal, the Audit and Supervisory Committee of the Company has determined that all of the Director candidates are well qualified for the position.

The Director candidates are as follows:

Candidate No.	Name	Position and Rank	Candidate Attribute		
1	Koki Okuda	Founder, Representative Director & Group CEO	Reelection		
2	Koji Funatsu	Chairman, Representative Director & CEO	Reelection		
3	Masataka Okuda	President, Representative Director & COO	Reelection		
4	Koichi Iwami	Executive Vice President	Reelection		
5	Masakatsu Moriyama	Senior Executive Managing Director	Reelection		
6	Shinichi Nagakura	Senior Executive Managing Director	Reelection		
7	Masaaki Muta	Senior Executive Managing Director	Reelection		
8	Masatoshi Kouno	Executive Managing Director	Reelection		
9	Hitoshi Honda	Executive Managing Director & CFO	Reelection		
10	Kiyoshi Shiraishi	Executive Managing Director & CTO	Reelection		
11	Shunsuke Sato	Director & CMO	Reelection		
12	Takeshi Kamiya	Corporate Executive Officer	New election		
13	Ralph Wunsch	Director	Reelection		
14	Owen Mahoney	Outside Director	Reelection	Outside	Independent executive
15	Rehito Hatoyama	Outside Director	Reelection	Outside	Independent executive
16	Toru Shimada	Outside Director	Reelection	Outside	Independent executive

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
1	Koki Okuda (January 9, 1937)  Reelection	<p>June 1966      Established Maruei Keisan Center Kabushiki Kaisha and became President, Representative Director</p> <p>June 1985      President, Representative Director of the Company</p> <p>June 1998      Chairman, Representative Director &amp; President of the Company</p> <p>September 2002    Chairman, Representative Director of the Company &amp; Group CEO</p> <p>June 2003      Founder, Representative Director &amp; Group CEO (present post)</p> <p>Reason for selecting him as a Director candidate As the founder of the Company, he has been Representative Director for a long time, and has shown strong leadership aimed at improving sustainable corporate value through his abundant experience and excellent knowledge as a manager. Accordingly, we have selected him as a candidate for Director.</p>	5,498,800 shares (– shares)
2	Koji Funatsu (March 18, 1952)  Reelection	<p>April 1981      Joined Recruit Co., Ltd.</p> <p>December 1995    Director of Recruit Hokkaido Jalan Co., Ltd.</p> <p>April 1998      Joined the Company, General Manager of Business Planning &amp; Development Division</p> <p>June 1998      Managing Director</p> <p>June 1999      Senior Managing Director, Assistance in Overseas Business Control</p> <p>April 2000      Vice President, Representative Director, In charge of Marketing and Consulting Divisions, in charge of each Business Divisions</p> <p>September 2002    President, Representative Director &amp; CEO</p> <p>June 2003      Chairman, Representative Director &amp; CEO (present post)</p> <p>(Significant concurrent positions outside the Company) Outside Director of KADOKAWA DWANGO CORPORATION (October 2014–)</p> <p>Reason for selecting him as a Director candidate Since assuming the position of Chairman, Representative Director &amp; CEO in 2003, he has shown strong leadership aimed at improving sustainable corporate value through his abundant experience and excellent knowledge as a manager. Accordingly, we have selected him as a candidate for Director.</p>	25,200 shares (6,437 shares)

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
3	Masataka Okuda (March 29, 1967)  Reelection	<p>April 1988      Joined the Company</p> <p>June 1996      Director, Deputy General Manager of Marketing Division</p> <p>September 2002      Vice President, Representative Director &amp; COO</p> <p>June 2003      President, Representative Director &amp; COO (present post)</p> <p>Reason for selecting him as a Director candidate Since assuming the position of President, Representative Director &amp; COO in 2003, he has shown strong leadership aimed at improving sustainable corporate value through his abundant experience and excellent knowledge as a manager. Accordingly, we have selected him as a candidate for Director.</p>	5,910,368 shares (19,711 shares)
4	Koichi Iwami (January 10, 1967)  Reelection	<p>April 1993      Joined Ajinomoto Co., Inc.</p> <p>March 2001      Joined the Company</p> <p>June 2002      Director, Deputy General Manager of Business Development Division</p> <p>June 2003      Managing Director, General Manager of Marketing Chain Management Services Business Division, Services Division</p> <p>June 2005      Senior Managing Director</p> <p>June 2006      Executive Vice President, Director</p> <p>April 2017      Executive Vice President, Chief of Global Business Sector, in charge of Digital Marketing/EC/Contact Center Headquarters and Services Promotion Division (present post)</p> <p>(Significant concurrent positions outside the Company) Chairman and Director of transcosmos Korea Inc. (March 2012–) Director of FineEx (December 2013–) Director of UNQ (Shanghai) Supply Chain Management Co., Ltd. (February 2015–)</p> <p>Reason for selecting him as a Director candidate Based on his abundant experience and excellent knowledge as a manager of the Company and Group companies in Japan and abroad, he is deemed to realize business strategies and global business promotion, etc., aimed at developing business and improving the performance of the Company, and to appropriately supervise the overall group and businesses of which he is in charge. Accordingly, we have selected him as a candidate for Director.</p>	11,600 shares (70 shares)

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
5	Masakatsu Moriyama (May 21, 1970) Reelection	<p>April 1993      Joined Pricewaterhouse Consultant Co., Ltd. (present IBM Japan, Ltd.)</p> <p>June 2000      Joined the Company</p> <p>June 2002      Director</p> <p>June 2003      Managing Director</p> <p>September 2005      Senior Managing Director, General Manager of BtoC Business Development Division</p> <p>April 2016      Senior Executive Managing Director, General Manager of Business Development Division (present post)</p> <p>Reason for selecting him as a Director candidate Based on his abundant experience and knowledge as a manager of the Company and Group companies in Japan and abroad, he is deemed to realize business development, etc., aimed at growing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge. Accordingly, we have selected him as a candidate for Director.</p>	2,000 shares (6,473 shares)
6	Shinichi Nagakura (January 7, 1964) Reelection	<p>March 1986      Joined Recruit Co., Ltd.</p> <p>June 1998      Joined the Company</p> <p>June 2006      Senior Managing Director</p> <p>April 2017      Senior Executive Managing Director and Deputy Chief of Global Business Sector, Manager of Global Business Headquarters, Silicon Valley Branch and President and CEO of transcocosmos America, Inc. (present post)</p> <p>(Significant concurrent positions outside the Company) Director of PFSweb, Inc. (May 2013–)</p> <p>Reason for selecting him as a Director candidate Based on his abundant experience and knowledge as a manager of the Company and Group companies abroad, he is deemed to realize global business promotion, etc., aimed at developing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge. Accordingly, we have selected him as a candidate for Director.</p>	1,000 shares (2,976 shares)



Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
7	Masaaki Muta (February 9, 1965)  Reelection	<p>April 1989      Joined Recruit Co., Ltd.</p> <p>November 2001      Director, Vice President of K.K. AskJeeves Japan</p> <p>June 2003      Joined the Company, Deputy Manager of Marketing Chain Management Services Business Division, Sales Division No. 1</p> <p>June 2012      Executive Managing Director, Chief of Sales Division and General Manager of Sales Headquarters, Global Business Sales Administration Department</p> <p>April 2017      Senior Executive Managing Director, Chief of Sales Headquarters, and in charge of Services Promotion Division, Digital Marketing/EC/Contact Center Headquarters, Account Executive (present post)</p> <p>Reason for selecting him as a Director candidate Based on his abundant experience and knowledge as a manager of the Company and Group companies in Japan, he is deemed to realize marketing strategies, etc., aimed at developing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge. Accordingly, we have selected him as a candidate for Director.</p>	108 shares (1,881 shares)
8	Masatoshi Kouno (August 22, 1965)  Reelection	<p>March 1986      Joined the Company</p> <p>June 2011      Corporate Senior Officer, General Manager of Services Promotion Division</p> <p>June 2013      Executive Managing Director, Chief of Business Process Outsourcing Services Headquarters and Deputy General Manager of Services Promotion Division</p> <p>April 2017      Executive Managing Director, Chief of Business Process Outsourcing Services Headquarters and General Manager of Service Promotion Division (present post)</p> <p>Reason for selecting him as a Director candidate Based on his abundant experience as a manager of the Company and wide knowledge in BPO and business management fields, etc., he is deemed to realize further growth of BPO services and global business promotion, etc., aimed at developing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge. Accordingly, we have selected him as a candidate for Director.</p>	4,800 shares (949 shares)

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
9	Hitoshi Honda (April 1, 1967)  Reelection	<p>April 1990      Joined TOSHIBA CORPORATION</p> <p>October 2005    Joined FAST RETAILING CO., LTD.</p> <p>August 2008    Joined the Company, Corporate Officer and Manager of Corporate Planning Division</p> <p>June 2014      Executive Managing Director, CFO, and in charge of Accounting &amp; Finance Division, Administration Division, Affiliated Companies Corporate Management Division, Portfolio Management Administration Department and Corporate Management Division</p> <p>April 2017      Executive Managing Director, CFO, and Chief of Corporate Management Sector (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Auditor of UNQ (Shanghai) Supply Chain Management Co., Ltd. (February, 2015–)</p> <p>Reason for selecting him as a Director candidate He has a track record of promoting the initiatives for financial and capital policies, etc. as CFO. Based on his abundant experience as a manager of the Company and Group companies in Japan and abroad, he is deemed to appropriately supervise the whole Group and business of which he is in charge from the position of CFO, aimed at developing business and improving the performance of the Company. Accordingly, we have selected him as a candidate for Director.</p>	– shares (625 shares)
10	Kiyoshi Shiraishi (September 26, 1956)  Reelection	<p>April 1981      Joined FUJITSU LIMITED</p> <p>July 1988        Joined Recruit Co., Ltd.</p> <p>November 1998    Joined the Company, Deputy General Manager of Business Planning &amp; Development Division, and President and Representative Director of J-Stream Inc.</p> <p>June 2014        Executive Managing Director, CTO and Services Promotion Division Deputy of the Company</p> <p>April 2017        Executive Managing Director, CTO, Deputy General Manager of Services Promotion Division (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Director and Chairman of J-Stream Inc. (April 2016–)</p> <p>Reason for selecting him as a Director candidate He has a track record of showing strong leadership as a Representative Director of a core Group company, J-Stream Inc., and after assuming the position of a Director of the Company, promoting research and development on new businesses, etc. He is deemed to appropriately supervise the whole Group and business of which he is in charge from the position of Chief Technology Officer, aimed at developing business and improving the performance of the Company. Accordingly, we have selected him as a candidate for Director.</p>	– shares (375 shares)

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
11	Shunsuke Sato (June 3, 1978)  Reelection	<p>April 2001      Joined Value Click Japan, Inc.</p> <p>November 2011    Representative Director &amp; Chairman of s1o interactive.inc</p> <p>April 2015        Managing Director of SOCIAL GEAR PTE LTD (present post)</p> <p>June 2016        Joined the Company, Director, CMO</p> <p>April 2017        Director, CMO and in charge of Digital Marketing/EC/Contact Center Headquarters, DEC Innovation (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Outside Director of Beagle Inc. (March 2015–)</p> <p>Reason for selecting him as a Director candidate Based on his experience in managing companies in Japan and abroad as well as wide knowledge about social media, etc., he is deemed to realize the promotion of global businesses and EC businesses, etc., aimed at developing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge from the position of Chief Marketing Officer after assuming the position of a Director of the Company. Accordingly, we have selected him as a candidate for Director.</p>	339,500 shares (– shares)
12	Takeshi Kamiya (August 30, 1973)  New election	<p>April 1998        Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>July 2005        Joined Bain &amp; Company Japan, Inc.</p> <p>October 2015     Joined the Company, Corporate Senior Officer, General Manager of Corporate Strategy Division</p> <p>June 2016        Corporate Executive Officer, General Manager of Corporate Strategy Division</p> <p>April 2017        Corporate Executive Officer, General Manager of Corporate Strategy Division, Deputy Chief of Digital Marketing/EC/Contact Center Headquarters, General Manager of Global E-Commerce/Direct Sales Promotion Division of Digital Marketing/EC/Contact Center Headquarters, and General Manager of Global End-to-End e-commerce/Direct Sales Division of Digital Marketing/EC/Contact Center Headquarters (present post)</p> <p>Reason for selecting him as a Director candidate Based on his abundant experience and knowledge in the consulting field and excellent capabilities to plan, propose and implement management strategies, he is deemed to take such measures as to promote management strategies and DEC Services aimed at growing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge. Accordingly, we have selected him as a candidate for Director.</p>	– shares (– shares)

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
13	Ralph Wunsch (June 3, 1986)  Reelection	March 2015      Authorized Director of MetroDeal Co., Ltd. (At present, Transcosmos Artus Company Limited) (present post)	– shares (– shares)
		June 2015      Joined the Company, Director in charge of global EC strategies (present post)	
		Reason for selecting him as a Director candidate Based on his experience and knowledge as a manager of the Company and Group companies abroad, he is deemed to realize the promotion of global businesses and EC businesses, etc., aimed at developing business and improving the performance of the Company, and to appropriately supervise the business of which he is in charge. Accordingly, we have selected him as a candidate for Director.	
14	Owen Mahoney (December 28, 1966)  Reelection Outside Independent	September 2009    Representative Director, Outspark Inc.	– shares (– shares)
		August 2010      CFO of Nexon Co., Ltd. September 2010    Director of Nexon Co., Ltd. March 2014        President & CEO of Nexon Co., Ltd. (present post) June 2015        Outside Director of the Company (present post)	
		Reason for selecting him as an Outside Director candidate Based on his abundant experience and wide knowledge in the B-to-C industry and the Internet services industry in Japan and abroad, he is deemed to be an appropriate person to supervise the execution of business when the Company promotes global business management aimed at improving sustainable corporate value. Accordingly, we have selected him as a candidate for Outside Director.	
15	Rehito Hatoyama (January 12, 1974)  Reelection Outside Independent	April 1997        Joined Mitsubishi Corporation	– shares (– shares)
		May 2008        Joined Sanrio Co., Ltd. June 2010        Director of Sanrio Co., Ltd. April 2013        Managing Director of Sanrio Co., Ltd. June 2013        Outside Director of DeNA Co., Ltd. June 2015        CEO of Sanrio Media & Pictures Entertainment, Inc. March 2016       Outside Director of LINE Corporation (present post) April 2016        Director of Sanrio Co., Ltd. Outside Director of Pigeon Corporation (present post) June 2016        Outside Director of the Company (present post) July 2016        Representative Director of Hatoyama Soken Corporation (present post)	
		Reason for selecting him as an Outside Director candidate Based on his abundant experience and wide knowledge in the B-to-C industry and the e-commerce industry as well as his brilliant insights into social communications, he is deemed to be an appropriate person to supervise the execution of business when the Company promotes global business management aimed at improving sustainable corporate value. Accordingly, we have selected him as a candidate for Outside Director.	

Candidate No.	Name (Date of Birth)	Career summary, position and areas of responsibility at the Company (Significant concurrent positions outside the Company)	No. of Company shares held
16	Toru Shimada (March 3, 1965)  Reelection Outside Independent	<p>April 1987      Joined Recruit Co., Ltd.</p> <p>June 1989      Founded Intelligence, Ltd.</p> <p>September 1989      Director of Intelligence, Ltd.</p> <p>December 2004      Representative Director &amp; President of Rakuten Baseball, Inc.</p> <p>March 2005      Director and Executive Officer of Rakuten, Inc.</p> <p>March 2006      Managing Executive Officer of Rakuten, Inc.</p> <p>January 2008      Representative Director &amp; President &amp; Owner of Rakuten Baseball, Inc.</p> <p>August 2014      Vice President &amp; Executive Officer of Rakuten, Inc.</p> <p>November 2014      Representative Director of Rakuten, Inc.</p> <p>April 2016      Outside Director of RERAKU Co., Ltd. (present MEDIROM Inc.) (present post)</p> <p>June 2016      Outside Director of the Company (present post)</p> <p>March 2017      Vice President, Director &amp; COO of U-NEXT Co., Ltd. (present post)</p> <p>Reason for selecting him as an Outside Director candidate Based on his abundant experience as a corporate manager and wide knowledge in the Internet services industry and the e-commerce industry, he is deemed to be an appropriate person to supervise the execution of business when the Company promotes global business management, aimed at improving sustainable corporate value. Accordingly, we have selected him as a candidate for Outside Director.</p>	– shares (– shares)

- Notes: 1. Figures in parentheses in the column of “No. of Company shares held” by candidates for Directors are equities in the Director’s shareholding society (Fractions smaller than one share are omitted).
2. Masakatsu Moriyama concurrently holds the position of Representative Director of TEAMLAB Business Development Inc. and President and Representative Director of Co-Core Inc., with which the Company has business relationship.  
Ralph Wunsch concurrently holds the position of Authorized Director of Transcosmos Artus Company Limited, with which the Company has a business relationship.  
Owen Mahoney concurrently holds the position of President & CEO of Nexon Co., Ltd., with which the Company has a business relationship.  
No special interests exist between the Company and other candidates for Directors.
3. Years for which the candidates for Outside Directors are to take office as Outside Directors:  
The term of office of Owen Mahoney, an Outside Director, shall be two years at the conclusion of this Annual General Meeting of Shareholders.  
The term of office of Rehito Hatoyama, an Outside Director, shall be one year at the conclusion of this Annual General Meeting of Shareholders.  
The term of office of Toru Shimada, an Outside Director, shall be one year at the conclusion of this Annual General Meeting of Shareholders.
4. Liability Limitation Agreement with candidates for Outside Director  
The Company has entered into, with Owen Mahoney, Rehito Hatoyama and Toru Shimada, the liability limitation agreements that limit liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provision of Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under such agreements is 1 million yen or the amount provided for in Article 425, Paragraph 1 of the Companies Act, whichever is higher. If the Reelection of each candidate is approved, the Company intends to continue the liability limitation agreement.

5. The Company has registered Owen Mahoney, Rehito Hatoyama and Toru Shimada as independent executives stipulated by the Tokyo Stock Exchange. If this proposal is approved and the candidates take the posts of Outside Director, they will continue to be independent executives.
6. In fiscal 2016, Nexon Co., Ltd., at which Owen Mahoney holds a concurrent position, outsourced certain businesses to the Company, but the total amount of the businesses accounts for an insignificant part of consolidated sales of the Company (less than 2%). Accordingly, the Company has determined that his independence is ensured adequately.  
In fiscal 2016, U-NEXT Co., Ltd., at which Toru Shimada holds a concurrent position, outsourced certain businesses to the Company, but the total amount of the businesses accounts for an insignificant part of consolidated sales of the Company (less than 2%). Accordingly, the Company has determined that his independence is ensured adequately.

(Reference) The criteria for judging independence of Outside Directors of the Company are as follows.

1. Outside Directors do not fall under any of the following items currently or during the past three years.
  - 1) An executive officer of a major customer of the Company\*1 or a business operator of which the Company is a major customer\*2
    - \*1. A customer whose total purchases from the Company account for more than 2% of consolidated sales of the Company for any of the past three fiscal years
    - \*2. A business operator whose total sales to the Company account for more than 2% of consolidated sales of said business operator for any of the past three fiscal years
  - 2) A consultant, accounting expert, tax expert, or legal expert who receives a large amount of money or other properties in addition to the remuneration for an officer from the Company\*3
    - \*3. Parties whose total remuneration from the Company exceeds 10.0 million yen for any of the past three fiscal years
  - 3) An executive officer of a nonprofit organization that receives large donations from the Company\*4
    - \*4. Organizations whose total donations from the Company exceed 10.0 million yen and 2% of the gross revenue for the said organization for any of the past three fiscal years
  - 4) Major shareholders of the Company\*5 or their executive officers
    - \*5. Party who holds 10% or more of total voting rights of the Company
2. A close relative within second degree of kinship of the Outside Director does not fall under any of the following items currently (excluding immaterial parties).
  - 1) Executive officer of the Company or its subsidiary
  - 2) A party who falls under 1) - 4) in 1. above.

## Attached document (1)

# **BUSINESS REPORT** (from April 1, 2016 to March 31, 2017)

## **1. Business Overview of the Group**

### **(1) Progress and Results of Operations**

During the fiscal year ended March 31, 2017, Japan's economy was generally on a moderate recovery trend as the employment and income conditions continued to improve even though growth in consumer spending appeared stall. On the other hand, the economic outlook was clouded because of various concerns, including growing economic uncertainty overseas, such as England's exit from the European Union, the new administration in the U.S., and slowdown in the emerging nations and natural-resource-exporting nations in Asia and the impact on corporate profits due to fluctuations in exchange rates. In the environment surrounding services in which the Group is engaged, there is greater demand for outsourcing services that increase efficiency of business performance, strengthen cost competitiveness, and lead to greater sales because of various factors including the decrease in working population, globalization of companies, and spread of smart devices and SNSs. Given such a situation, the Group achieved an order increase by actively providing services centered on contact center services, back office services, design development, digital marketing, and EC. On the other hand, we worked to create new services and strengthen its service system and made upfront investments for future growth.

As for efforts to create new services, the Group has integrated its various services (digital marketing, e-commerce (EC), and contact center) to create services that support efforts to improve the customer experience and focused on developing the Group's unique services that make use of messenger applications, mainly LINE, and AI.

In particular, the Group started to provide Messenger App E-Commerce Service for Dynamic Talk, a service for sending messages regarding recommended products to each customer, and launched sales of communication platforms for entertainment events that link LINE chatbots, e-tickets, and EC. We have also begun to provide not only Robotics Marketing for Pepper, which makes use of customer service data obtained from robots for omni-channel marketing, but also DECode, an independent DMP service that makes use of AI and analyzes communication data, such as ads and chats. In addition, working with SmartNews, Inc., we have led the shift from advertising to chat and launched the chat advertising line of services DECAd, which aims to increase engagement with prospective users.

As one effort to reinforce its service system, the Group has expanded and increased operation bases both in Japan and overseas and actively moved forward with establishing alliances with leading companies. In particular, the BPO Center Kumamoto, which provides a service for placing and accepting orders in Japan's food industry and BPO services, centered sales back office operations, has added an additional 240 seats to increase the total number to 930 seats. Overseas, we established the Ho Chi Minh Center No.2, its fourth operational base in Vietnam, in order to reinforce and strengthen contact center and digital marketing services for customers in Vietnam. As for its alliance strategy, we have established a capital and business alliance with U.S.-based Reply, Inc., which provides a bot building, operation, and management platform, and is working with SECOM Trust Systems Co., Ltd. to strengthen document management operations for back office services that optimize diverse indirect operations in companies.

As a result, consolidated operating results for the fiscal year ended March 31, 2017 were as follows. Net sales were 242,314 million yen, up 7.9% from the previous year. As for income, operating income decreased 16.9% from the previous year to 8,080 million yen due to various reasons, including an increase in start-up costs for new businesses and projects, and ordinary income decreased 24.0% from the previous year to 6,742 million yen due to the effects of share of loss of entities accounted for using equity method, and profit attributable to owners of parent decreased 5.7% from the previous year to 7,156 million yen.

The operating results by segment are as follows.

#### **The Company's services**

Sales were 193,535 million yen, up 8.1% from the previous year as a result of greater demand for outsourcing services, etc., but segment profit was 8,389 million yen, down 2.5% from the previous year due to various reasons including an increase in start-up costs for new projects.

### **Domestic subsidiaries and affiliates**

In domestic subsidiaries and affiliates, sales were 18,756 million yen, down 3.5% from the previous year, because some subsidiaries were excluded from the scope of consolidation through the absorption-type merger in the second quarter of the current fiscal year. Furthermore, segment profit was 457 million yen, down 46.0% from the previous year. This is primarily because of an increase in start-up costs for new businesses at subsidiaries, which were included to the scope of consolidation.

### **Overseas subsidiaries and affiliates**

In overseas subsidiaries and affiliates, sales were 36,411 million yen, up 16.5% from the previous year, because orders received for services in China were favorable. On the other hand, segment loss was 764 million yen (compared to segment profit of 227 million yen for the previous year) because of a temporary increase in surplus labor costs due to the completion of some major projects in Korea and upfront investments in Europe.

Segment profits or losses are calculated based on operating income on the Consolidated Statement of Income.

## **(2) Issues to Be Addressed**

### **Medium-term management plan**

As digital technology develops, companies that excel in technology will generate innovation in traditional industries. To respond to the new competitive environment, it is necessary for client companies to move forward with reforms, including “responding to diversification and digitalization of the point of contact with customers” and “accelerating the digitalization of internal business processes.” Aware that providing new services that tap into digital technology to support client companies’ transformation is a key management issue, the Group has stated that it wants to become the Global Digital Transformation Partner and formulated a new medium-term management plan for the three years from fiscal 2017.

#### 1) Service innovation

The Group will promote innovation of two new suites of services that will form the core for supporting the digital transformation of client companies. The first is actively providing digital marketing, EC, and contact center (DEC) services that only the Group can provide by optimizing both real and digital points of contact with customers for individuals, which extends from marketing to sales and customer support, mainly for smartphones, and achieving a seamless customer experience. The second is to move forward with efforts to support digitalization of client companies’ internal business processes by leveraging the digital technology-based automation and the digital platform in order to respond to digitalized market and consumers. The Group will support client companies’ transformation for both increasing sales and cutting costs by seamlessly connecting those two suites of services.

#### 2) Global expansion of services

As for the Group’s overseas business, after the first office was opened in the U.S. in 1989, the business, mainly the offshore development operation business and call center business for local markets in China and South Korea, has grown. Since 2004, the Group has been expanding its business through efforts such as partnerships with local conglomerates in ASEAN markets, too. In addition to supporting the global expansion of client companies, particularly Japan-based companies, and introducing the benefits of service innovations throughout the world using the overseas business foundation built up over the years as a foothold, the Group is striving to capture growth opportunities by winning orders from local companies in countries through the world. The Group is also striving to grow its business in China, South Korea, and ASEAN member countries and take on the challenge of Europe and Taiwan, where subsidiaries were established in 2016.

#### 3) Becoming a strategic partner for client companies

By accelerating efforts to innovate services and expand globally and providing innovative proposals that meet the expectations of client companies, the Group will aim to become the one and only partner that grows with its clients and is indispensable for clients’ growth strategy. The Group will develop long-term partnerships with client companies, and in so doing, build a foundation for greater stability and growth for its business and achieve stronger profitability, growth, and corporate value, and meet the expectations



of stakeholders.

### **CSR Promotion Activities**

The Group believes that improvement of sustainable corporate value is attainable through growth of the Company and its continued contribution to the development of economy and society, which in turn are attainable by responsibly conducting its corporate activities. Thus, the Company has proactively engaged itself in the CSR activities. The Company will proactively work to resolve social and environmental issues by undertaking social contribution activities (support for human resource development, academic and educational advancement, job creation in the relevant regions, etc.) and environmental preservation activities (energy conservation/resource saving initiatives, support for Okinawa rail conservation activities, etc.) and by showing respect for compliance and diversity (provision of an environment in which employees with various backgrounds in terms of gender, nationality and disability can be motivated). The Company will also work to provide high quality service for clients and thereby to contribute to increased convenience of information-based society. In this way, the Company will remain an enterprise that gains trust from all stakeholders.

### **(3) Status of Raising Funds**

In the current fiscal year, the Company raised 999 million yen in total by the disposal of treasury stock through third-party allocation in July 2016.

### **(4) Status of Capital Investment**

There is nothing significant to be noted during the current fiscal year.

### **(5) Transfers, Absorption-type Splits, or Incorporation-type Splits of Business**

There is nothing significant to be noted during the current fiscal year.

### **(6) Acquisition of Businesses of Other Companies**

There is nothing significant to be noted during the current fiscal year.

### **(7) Succession of Rights and Duties of Other Institutions in Relation to Mergers or Absorption-type Splits**

There is nothing significant to be noted during the current fiscal year.

### **(8) Acquisition or Disposal of the Shares, Other Equities, or Stock Acquisition Rights of Other Companies**

There is nothing significant to be noted during the current fiscal year.

## (9) Trends of Business Results and Assets of the Group

Category	FY 2014 (29 <sup>th</sup> Fiscal Term)	FY 2015 (30 <sup>th</sup> Fiscal Term)	FY 2016 (31 <sup>st</sup> Fiscal Term)	FY 2017 (32 <sup>nd</sup> Fiscal Term)
Net sales (millions of yen)	186,503	199,178	224,605	242,314
Ordinary income (millions of yen)	10,082	9,603	8,870	6,742
Profit attributable to owners of parent (millions of yen)	6,289	7,349	7,587	7,156
Profit per share (yen)	152.87	178.65	184.45	172.92
Total assets (millions of yen)	92,173	101,551	140,674	143,802
Net assets (millions of yen)	60,809	67,396	83,981	85,188
Net assets per share (yen)	1,394.09	1,580.91	1,967.29	1,969.70

Note: Profit per share is calculated by deducting the average number of treasury stock in each fiscal term from the average total number of shares issued in each fiscal term. Net assets per share is calculated by deducting the number of treasury stock as of end of the term from the total number of issued shares as of end of the term.

## (10) Status of Parent Company and Major Subsidiaries

### 1) Relationship with the parent company

Not applicable.

### 2) Major subsidiaries

Name	Capital	Ratio of voting	Principal business
J-Stream Inc.	2,182 million yen	53.78%	Data distribution service business using the Internet
APPLIED TECHNOLOGY CO., LTD.	600 million yen	60.21%	System integration business for GIS/manufacturers
transcosmos Korea Inc.	KRW5,302 million	99.99%	DEC Services in Korea

## (11) Principal Business of the Group (As of March 31, 2017)

DEC Services
Comprehensive service comprising of digital marketing services, e-commerce one-stop services and contact center services that supports improving customer experience by removing the barrier between marketing, sales and support to centralize diversified consumer touchpoints. Integrating our long-standing, proven know-how on consumer communication and digital technology with our global service network, we support improvement of customer loyalty for clients as well as to expand their sales and profits.
Business Process Outsourcing (BPO) Services
This is a service that supports accounting/finance and human resources back office operations, order and purchase operations, information system operation and maintenance, machine and architectural design, etc. Leveraging the digital technology-based automation and the digital platform, the Group simplifies clients' business process and supports its operation.

**(12) Principal Business Offices of the Group (As of March 31, 2017)**

Office	Location
Main Office of the Company:	25-18, Shibuya 3-chome, Shibuya-ku, Tokyo
Head Office, Branch Offices and Business Offices:	Osaka, Nagoya, Kyoto, Wakayama, Fukuoka, Silicon Valley
Domestic Offices:	Sapporo, Hakodate, Sendai, Utsunomiya, Kawaguchi, Kitakashiwa, Tokyo, Yokohama, Nagoya, Osaka, Kobe, Wakayama, Fukuoka, Nagasaki, Kumamoto, Oita, Miyazaki, Okinawa
Overseas Offices:	U.S.A. (Sacramento, New York, Los Angeles), U.K. (London), China (Beijing, Shanghai, Hefei, Tianjin, Dalian, Guangzhou, Shenzhen, Suzhou, Daqing, Changzhou, Jinan, Shenyang, Benxi), South Korea (Seoul, Seongnam, Gyeonggi, Daegu, Daejeon, Gwangju, Busan), Taiwan (Taipei), Indonesia (Jakarta), Thailand (Bangkok), Vietnam (Hanoi, Ho Chi Minh), Philippines (Manila), Malaysia (Kuala Lumpur), Singapore (Singapore)

**(13) Employees (As of March 31, 2017)**

## 1) Employees of the Group

Segment	Number of employees	Number of temporary employees
Company's services	9,525	21,233
Domestic subsidiaries and affiliates	1,208	1,077
Overseas subsidiaries and affiliates	7,874	4,418
Total	18,607	26,728

## 2) Employees of the Company

Number of employees	Year-on-year change	Average age	Average length of service
9,525 (21,233)	+ 456 (+ 923)	36 years, 1 month	8 years, 11 months

## Notes:

- 1 "Number of employees" refers to the number of employees actually working at the Company. Number of temporary employees is separately indicated in parentheses, which shows the average number in the current fiscal year.
- 2 The following segments saw a significant increase or decrease from the end of the previous year:
  - Domestic subsidiaries and affiliates ..... Number of employees up by 192, Number of temporary employees up by 61
  - Overseas subsidiaries and affiliates ..... Number of employees up by 1,558, Number of temporary employees up by 1,545

This is mainly because new companies were added to the scope of consolidation in both "Domestic subsidiaries and affiliates" and "Overseas subsidiaries and affiliates," as well as new companies were added to the scope of consolidation and temporary employees were recruited due to new orders in "Overseas subsidiaries and affiliates."

**(14) Major Creditors (As of March 31, 2017)**

Creditor	Outstanding loans
Sumitomo Mitsui Banking Corporation	2,100 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000 million yen
Mizuho Bank Ltd.	900 million yen

## 2. Matters Concerning Shares of the Company (As of March 31, 2017)

(1) Total number of shares authorized to be issued: 150,000,000 shares

(2) Total number of shares issued: 48,794,046 shares

(number of shares constituting one unit: 100 shares)

(3) Number of shareholders at end of the fiscal year: 13,617

(of which 10,890 shareholders hold unit shares)

### (4) Top ten major shareholders

Name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Masataka Okuda	5,910	14.2
Koki Okuda	5,498	13.3
Okuda Ikueikai, Public Interest Incorporated Foundation	3,753	9.0
GOLDMAN, SACHS & CO. REG	2,961	7.1
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,708	4.1
Mihoko Hirai	1,463	3.5
BBH FOR MATTHEWS ASIAN GROWTH AND INCOME FUND	1,140	2.7
Master Trust Bank of Japan, Ltd. (Account in Trust)	1,040	2.5
HM Kosan, Ltd.	722	1.7
Employee Shareholding Association of transcocosmos inc.	627	1.5

Notes:

1. Although the Company holds 7,317 thousand shares of treasury stock, it is excluded from the top ten major shareholders above. Shareholding ratio is calculated by excluding treasury stock.
2. Number of shares held less than one thousand is rounded down to the nearest thousand.
3. Shareholding ratio is rounded off to the nearest first decimal.

## 3. Matters Concerning the Stock Acquisition Rights, etc. of the Company

### (1) Stock Acquisition Rights, etc. Held by the Company's Officers (As of March 31, 2017)

Not applicable.

### (2) Stock Acquisition Rights Delivered to the Company's Employees during the Fiscal Year

Not applicable.

#### 4. Corporate Officers (As of March 31, 2017)

##### (1) Directors and Audit and Supervisory Committee Members

Position	Name	Assignment or principal responsibilities and significant concurrent positions
Founder, Representative Director & Group CEO	Koki Okuda	Group Chief Executive Officer
Chairman, Representative Director & CEO	Koji Funatsu	Chief Executive Officer Outside Director, Member of the Board of KADOKAWA DWANGO CORPORATION
President, Representative Director & COO	Masataka Okuda	Chief Operating Officer
Executive Vice President	Koichi Iwami	Chief of Global Business Sector, General Manager of Services Promotion Division, and in charge of Digital Marketing/EC/Contact Center Headquarters Chairman of transcocosmos Korea Inc. Director of FineEx Director of UNQ (Shanghai) Supply Chain Management Co., Ltd.
Executive Vice President	Hiroyuki Mukai	In charge of Sales Headquarters and Compliance Promotion Department
Senior Executive Managing Director	Masakatsu Moriyama	General Manager of Business Development Division
Senior Executive Managing Director	Shinichi Nagakura	Deputy Chief of Global Business Sector, Manager of Global Business Sector, Silicon Valley Branch and President and CEO of transcocosmos America, Inc., Director of PFSweb, Inc.
Senior Executive Managing Director	Masaaki Muta	Chief of Sales Headquarters and Deputy General Manager of Services Promotion Division
Executive Managing Director	Masatoshi Kouno	Chief of Business Process Outsourcing Services Headquarters and General Manager of Services Management Division
Executive Managing Director	Hitoshi Honda	CFO and in charge of Accounting & Finance Division, Administration Division, Affiliated Companies Corporate Management Division, Global Affiliated Companies Corporate Management Division, Portfolio Management Division and Corporate Management Division Auditor of UNQ (Shanghai) Supply Chain Management Co., Ltd.
Executive Managing Director	Kiyoshi Shiraishi	CTO, Deputy General Manager of Services Promotion Division, and Director of CTO Office of the Services Promotion Division Chairman and Representative Director of J-Stream Inc.
Director	Ralph Wunsch	In charge of global EC strategy
Director	Shunsuke Sato	CMO Outside Director of Beagle Inc.

Position	Name	Assignment or principal responsibilities and significant concurrent positions
Outside Director (Audit and Supervisory Committee Member)	Takeshi Natsuno	Guest Professor of Keio University, Graduate School of Media and Governance Outside Director of Sega Sammy Holdings Inc. Director of Pia Corporation Part-time Director of NTT Resonant Inc. Director of Dwango Co., Ltd. Outside Director of DLE Inc. Outside Director of GREE, Inc. Outside Director of U-NEXT Co., Ltd. Director, Member of the Board of KADOKAWA DWANGO CORPORATION Outside Director of Oracle Corporation Japan
Outside Director (Audit and Supervisory Committee Member)	Nozomu Yoshida	Representative Director of nozomu.net Part-time Director of Concent, Inc. Representative Director of Odayaka Living Co., Ltd. Outside Statutory Auditor of ASAHI Net, Inc.
Outside Director (Audit and Supervisory Committee Member)	Eiji Uda	Chairman and Representative Director of Unified Service Co., Ltd. Chairman and Representative Director of 4U Lifecare Inc.
Outside Director	Owen Mahoney	President and Representative Director of NEXON Co., Ltd.
Outside Director	Rehito Hatoyama	Outside Director of LINE Corporation Outside Director of Pigeon Corporation Representative Director of Hatoyama Soken Corporation
Outside Director	Toru Shimada	Outside Board Member of MEDIROM Inc. Vice President Director & COO of U-NEXT Co., Ltd.

Notes:

- Changes in Directors and Statutory Auditors during the fiscal year are as follows:
  - Standing Statutory Auditor Hideaki Ishioka: Retired due to the expiration of his term of office at the conclusion of the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016
  - Standing Statutory Auditor Kunio Shimofusa: Retired due to the expiration of his term of office at the conclusion of the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016
  - Outside Statutory Auditor Toshiaki Nakamura: Retired due to the expiration of his term of office at the conclusion of the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016
  - Outside Statutory Auditor Setsuo Yamane: Retired due to the expiration of his term of office at the conclusion of the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016
  - Director Shunsuke Sato: Elected at the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, and took office
  - Outside Director Rehito Hatoyama: Elected at the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, and took office
  - Outside Director Toru Shimada: Elected at the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, and took office
- Takeshi Natsuno, Nozomu Yoshida, Eiji Uda, Owen Mahoney, Rehito Hatoyama and Toru Shimada are Outside Directors.
- Directors (Audit and Supervisory Committee Members) Takeshi Natsuno, Nozomu Yoshida and Eiji Uda possess considerable expertise and experience in finance and accounting on account of their experience as managers.
- The Company establishes the Internal Audit Office that assists the duties of the Audit and Supervisory Committee. Since the Company considers that the Internal Audit Office exclusively engages in internal control operations and sufficiently supports the functions of the Audit and Supervisory Committee, it does not

appoint any full-time Audit and Supervisory Committee Member.

5. The Company has designated Outside Directors Takeshi Natsuno, Nozomu Yoshida, Eiji Uda, Owen Mahoney, Rehito Hatoyama and Toru Shimada as independent executives stipulated by the Tokyo Stock Exchange, and registered them with the exchange as such.

6. Liability Limitation Agreement with Outside Directors

The Company has entered into, with Outside Directors Takeshi Natsuno, Nozomu Yoshida, Eiji Uda, Owen Mahoney, Rehito Hatoyama, and Toru Shimada, the liability limitation agreement, which limits liability for damage under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act.

The maximum amount of liability for damage under such agreement is 1 million yen or the amount provided for in Article 425, Paragraph 1 of the Companies Act, whichever is higher.



## **(2) Outside Corporate Officers**

- 1) Status of significant concurrent positions as executive officer held outside the Company and relation of said other organizations with the Company

Outside Director Takeshi Natsuno concurrently holds the positions of Director of Pia Corporation, Director of Dwango Co., Ltd., and Director, Member of Board of KADOKAWA DWANGO CORPORATION. The Company has business relationships with Pia Corporation and Dwango Co., Ltd. There is no special relationship between KADOKAWA DWANGO CORPORATION and the Company.

Outside Director Nozomu Yoshida concurrently holds the positions of Representative Director of nozomu.net and Representative Director of Odayaka Living Co., Ltd. There is no special relationship between these companies and the Company.

Outside Director Eiji Uda concurrently holds the position of Representative Director of Unified Service Co., Ltd. and 4U Lifecare Inc. There is no special relationship between these companies and the Company.

Outside Director Owen Mahoney concurrently holds the position of Representative Director of NEXON Co., Ltd. The Company has business relationships with this company.

Outside Director Rehito Hatoyama concurrently holds the position of Representative Director of Hatoyama Soken Corporation. There is no special relationship between this company and the Company.

Outside Director Toru Shimada concurrently holds the position of Director of U-NEXT Co., Ltd. The Company has a business relationship with this company.

- 2) Status of significant concurrent positions as Outside Directors, etc. held outside the Company and relation of said other organizations with the Company

Outside Director Takeshi Natsuno concurrently holds the positions of Part-time Director of NTT Resonant Inc., Outside Director of Sega Sammy Holdings Inc., DLE Inc., GREE Inc., U-NEXT Co., Ltd., and Oracle Corporation Japan. The Company has business relationships with NTT Resonant Inc., DLE Inc., GREE Inc., U-NEXT Co., Ltd., and Oracle Corporation Japan.

Outside Director Nozomu Yoshida concurrently holds the position of Part-time Director of Concent, Inc. and the position of Outside Statutory Auditor of ASAHI Net, Inc. The Company has a business relationship with ASAHI Net, Inc.

Outside Director Rehito Hatoyama concurrently holds the position of Outside Director of LINE Corporation and Pigeon Corporation. The Company has a business relationship with LINE Corporation. There is no special relationship between the Company and Pigeon Corporation.

Outside Director Toru Shimada concurrently holds the position of Outside Board Member of MEDIROM Inc. There is no special relationship between the Company and MEDIROM Inc.

### (3) Principal Activities of Outside Corporate Officers

Principal Activities at Board of Directors' and Audit and Supervisory Committee Meetings during the current fiscal year

Name of Outside Corporate Officers	Position	Attendance at Board of Directors' Meetings and Audit and Supervisory Committee Meetings (Number of times)	Main comments
Takeshi Natsuno	Outside Director (Audit and Supervisory Committee Member)	13/13 10/10	At Board of Directors' Meetings, he has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on the viewpoint of former director of listed companies and his wide knowledge and experience in the media industry and the Internet services industry. At Audit and Supervisory Committee Meetings, he has made statements, as necessary, to ensure sound, rational decision-making by the Board of Directors using his rich experience and track record as a corporate manager and from an objective, neutral perspective independent of management.
Nozomu Yoshida	Outside Director (Audit and Supervisory Committee Member)	12/13 10/10	At Board of Directors' Meetings, he has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on the viewpoint of former corporate manager in other companies and his wide knowledge and experience in the advertising industry and the Internet services industry. At Audit and Supervisory Committee Meetings, he has made statements, as necessary, to ensure sound, rational decision-making by the Board of Directors using his rich experience and track record as a corporate manager and from an objective, neutral perspective independent of management.
Eiji Uda	Outside Director (Audit and Supervisory Committee Member)	13/13 9/10	At Board of Directors' Meetings, he has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on the viewpoint of former corporate manager in other companies and his wide knowledge and experience in the IT industry and the Internet services industry. At Audit and Supervisory Committee Meetings, he has made statements, as necessary, to ensure sound, rational decision-making by the Board of Directors using his rich experience and track record as a corporate manager and from an objective, neutral perspective independent of management.

Name of Outside Corporate Officers	Position	Attendance at Board of Directors' Meetings and Audit and Supervisory Committee Meetings (Number of times)	Main comments
Owen Mahoney	Outside Director	9/13 —	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on the viewpoint of former corporate manager in other companies and his wide knowledge and experience in the B-to-C industry and the Internet services industry. He has provided very useful opinions at the Board of Directors meetings he attends and sufficiently contributed to the enhancement of the Company's corporate value.
Rehito Hatoyama	Outside Director	10/10 —	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience in the B-to-C industry and the e-commerce industry as well as his insights into social communications.
Toru Shimada	Outside Director	10/10 —	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on the viewpoint of former corporate manager in other companies and his wide knowledge and experience in the Internet services industry and the e-commerce industry.

Notes:

1. Changes to Director during the fiscal year are as follows:

Outside Director Rehito Hatoyama: Elected at the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, and took office

Outside Director Toru Shimada: Elected at the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, and took office

2. In addition to the above number of meetings of Board of Directors, there were three written resolutions that were deemed to be made by the Board of Directors in accordance to provisions of Article 370 of the Companies Act and Article 22 of the Articles of Incorporation of the Company.

#### (4) Remuneration paid to Directors and Statutory Auditors

Category	Number of Persons paid	Amount paid
Directors (excluding Directors who are Audit and Supervisory Committee Members)	19	¥481 million
(Outside Directors who are among the above)	(6)	(¥54 million)
Directors (who are Audit and Supervisory Committee Members)	3	¥36 million
(Outside Directors who are among the above)	(3)	(¥36 million)
Statutory Auditors	4	¥9 million
(Outside Statutory Auditors among the above)	(2)	(¥3 million)
Total	26	¥526 million
(Outside Corporate Officers among the above)	(11)	(¥93 million)

Notes:

1. Since the Company changed its status from a “company with a board of statutory auditors” to a “company with an audit and supervisory committee” upon resolution by the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, the amount of remuneration to Statutory Auditors for the period between April 1, 2016 and June 22, 2016 is presented.

2. Amount paid includes Directors (excluding Directors who are Audit and Supervisory Committee Members)' bonuses of ¥48 million resolved at Board of Directors' Meeting held on April 28, 2017.

3. A resolution of the General Meeting of Shareholders limits the remuneration to Directors (excluding Directors who are Audit and Supervisory Committee Members) to 800 million yen per year. (Annual General Meeting of Shareholders held on June 22, 2016)
4. A resolution of the General Meeting of Shareholders limits the remuneration to Directors (Audit and Supervisory Committee Members) to 60 million yen per year. (Annual General Meeting of Shareholders held on June 22, 2016)
5. A resolution of the General Meeting of Shareholders limits the remuneration to Statutory Auditors to 60 million yen per year. (Annual General Meeting of Shareholders held on June 25, 2014)

**5. Status of the Accounting Auditor**

**(1) Name of the Accounting Auditor**

PricewaterhouseCoopers Aarata LLC

Notes:

- 1. The Company’s Accounting Auditor, Ernst & Young ShinNihon LLC has resigned from its position upon expiration of its term of office at the conclusion of the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016.
- 2. PricewaterhouseCoopers Aarata LLC has changed its name from “PricewaterhouseCoopers Aarata” on July 1, 2016 due to the change of its corporation type.

**(2) Remuneration paid to the Accounting Auditor during the current fiscal year**

Total remuneration to be paid during the current fiscal year of the Company (Note)	95 million yen
Total amount of money and other profits from properties to be paid by the Company and its subsidiaries to the Accounting Auditor	124 million yen

Notes:

- 1. The Audit agreement between the Company and the Accounting Auditor does not separate or is unable to effectively separate audit remunerations for audits under the Companies Act and audit remunerations for audits under the Financial Instruments and Exchange Act. Accordingly, the amount described above does not separate these two types of payment.
- 2. As a result of checking and examining the Accounting Auditor’s audit plan, execution of auditing duties, and grounds for calculating the estimate of remuneration, the Audit and Supervisory Committee gave its consent to the remuneration, etc., for the Accounting Auditor in accordance to Article 399, Paragraphs 1 and 3 of the Companies Act.

**(3) Matters concerning audits of subsidiaries**

Among the major subsidiaries of the Company, APPLIED TECHNOLOGY CO., LTD. and transcocosmos Korea Inc. underwent legal audits by certified public accountants or accounting auditor other than the Company’s Accounting Auditor (including overseas accountants with qualifications similar to those of these accountants).

**(4) Non-auditing service**

Not applicable.

**(5) Summary of the Liability Limitation Agreement**

Not applicable.

**(6) Policy on determining the dismissal or non-reappointment of the Accounting Auditor**

If any of the provisions of Article 340, Paragraph 1 of the Companies Act applies to the Accounting Auditor, the Audit and Supervisory Committee will dismiss the Accounting Auditor upon the unanimous approval of Audit and Supervisory Committee Members. If it is judged necessary to do so, such as if there are obstacles to the Accounting Auditor executing its duties, the Audit and Supervisory Committee will decide a proposal for dismissal or non-reappointment of the Accounting Auditor; and the Board of Directors will submit the said proposal to the General Meeting of Shareholders.

## **6. Corporate Structure and Policies**

### **(1) Basic Policy for Internal Control System**

The basic policy concerning the system to ensure the appropriateness of business (the so-called internal control system) approved by the Board of Directors of the Company is as follows:

- 1) Corporate structure to ensure legal compliance and compliance with the Articles of Incorporation in the execution of duties by Directors

In order to satisfy corporate social responsibility, compliance with laws and regulations, and compliance with the Articles of Incorporation, the Company ensures that Directors adhere to the Compliance Charter, the Code of Conduct, and the Compliance Rules in the execution of duties. The Company will further raise the awareness of all of the Directors on matters of compliance through training sessions on compliance and ensure the execution of duties based on these principles.

The Board of Directors' Meeting, which is to be held once a month in principle, will be operated in accordance to the Board of Directors Regulations. Communication among the Directors is encouraged, and the Directors will oversee the execution of one another's duties. The Directors who are Audit and Supervisory Committee Members will monitor the execution of the duties of the Directors.

Through the implementation of the laws and regulations related to internal control, the Company has once again drawn up a set of basic plans for the establishment of a stronger system for internal control, with the cooperation and support of attorneys, certified public accountants, and other external consultants.

- 2) System for the storage and management of information in relation to the execution of duties by the Directors

Important decision-making and reports are made in accordance with the Board of Directors Regulations.

Documents related to the execution of duties and other information shall be handled in compliance with the Document Approval Rules, Document Management Rules, Contract Handling Rules, Information Management Rules, and Information Security Management Rules. Inspections will be carried out to confirm whether these rules are applied properly, and each rule will be reviewed as necessary.

The administrative work related to these matters, including the inspections to confirm whether the rules are applied and the reviews of the procedures, will be managed under the control of the General Manager of the Administration Division for Document Approval Rules, Document Management Rules and Contract Handling Rules, as well as the General Manager of the Compliance Promotion Department for Information Management Rules and Information Security Management Rules, and reported to the Board of Directors in a timely manner.

To ensure efficient execution of business, the Company shall endeavor to further promote a system for the rationalization of business and implementation of the IT system.

- 3) Rules related to the management of the risk of loss and other systems

As stipulated under the Internal Audit Regulations, the Internal Audit Office will prepare an audit plan based on careful consideration of the items to be audited and the audit methods, conduct the audit in accordance with the plan, and report on the results of those audits in line with the instructions and orders of the President and Audit and Supervisory Committee.

If any breach of laws, regulations, or the Articles of Incorporation is found through an audit by the Internal Audit Office, or if any business act which may lead to a risk of loss due to other causes is found, the matter shall be reported immediately to the President and Audit and Supervisory Committee.

The Compliance Promotion Department will be in charge of risk management in accordance with the basic rules on risk management.

Each department will conduct risk management in relation to its respective sector and build a system to report matters promptly to the Compliance Promotion Department in case a risk of loss is discovered. To facilitate the collection of risk information, the Company will familiarize the employees with the importance of the existence of the Compliance Promotion Department and instruct them to promptly report any risk of loss they discover through the organization.

The Company will formulate rules for an internal reporting system by creating hotlines in order to establish an environment in which internal whistleblowers may easily provide information. The Company will implement appropriate reporting and consultation concerning organized or individual frauds and illegal activities, etc. through an internal reporting system in which Directors and employees can report directly to Audit and Supervisory Committee or take other actions. Through this measure, the Company will strive to discover and correct all irregularities promptly, while ensuring confidence of customers and stakeholders, etc., by preventing irregularities such as frauds and illegal activities related to business of the Company and maintaining a favorable working environment.

The information management system will be enhanced based on privacy marks and other personal information protection regulations.

#### 4) System to ensure the efficient execution of duties by the Directors

The Company will ensure the efficient performance of business and implement an assessment and remuneration linked to the performance results by drawing up an annual plan and medium-term management plan, etc., clarifying the objectives to be achieved by the Company, clarifying the organization and business targets with which each Director will be charged, and then by having the Board of Directors review the level of target achievements and feedback the results.

In accordance with the Board of Directors Regulations, the Rules on the Division of Authorities, and the Document Approval Rules, the Company will clarify the authoritative powers and the responsibilities of the Directors.

The Board of Directors will manage and oversee the execution of business by the Executive Officers.

Decisions on significant matters entrusted by the Board of Directors in accordance with the rules of management meetings shall be made promptly and with care at management meetings comprising the Representative Directors.

#### 5) System to ensure that the execution of duties by the employees complies with laws and regulations, and the Articles of Incorporation

The Company will see to it that all of employees follow the Compliance Charter, Code of Conduct, and Compliance Rules, to ensure that the employees fulfill their social responsibilities and comply with all relevant laws and regulations, and the Articles of Incorporation in the execution of their duties.

Anti-social elements threatening the order and safety of civil society will be approached with a resolute attitude by the organization as a whole and an internal system excluding business and all other relationships with these elements shall be developed based on the Code of Conduct.

The Compliance Promotion Department will name Corporate Officer in charge of the department as the responsible person, and plan for and implement compliance programs regularly. The Company will raise employees' knowledge of compliance and create a mindset that adheres to compliance by holding training sessions on compliance and preparing and distributing manuals.

#### 6) System for reporting to the Company matters concerning execution of duties by Directors and employees of subsidiaries

The Company will establish an internal system for regularly reporting to the Company about subsidiaries' performance, financial situation, and other important information in accordance with the management rules of the affiliated companies stipulated by the Company.

#### 7) Rules for managing subsidiaries' crisis of loss and other systems

In order to confirm if there is risk information on the Company group, made up of the Company and its subsidiaries (hereinafter referred to as the "Group"), the departments of the Company in charge of subsidiaries will conduct necessary risk management in accordance with the management rules of the affiliated companies, as called for by the situations of the subsidiaries.

If the departments of the Company, in charge of the subsidiaries discover any risk of loss at the subsidiaries, it will promptly notify the representative directors of the Company of the details of the risk of loss discovered,

the level of possible loss, and the influence on the Company.

8) System to ensure the efficient execution of duties by Directors and employees of subsidiaries

The Company will oblige its subsidiaries to prepare an annual plan for the said annual plan, and decide budget allocation, etc. It will oblige subsidiaries to clarify earnings targets, while developing an internal system to ensure operational efficiency.

9) System to ensure that execution of duties by Directors and employees of subsidiaries complies with laws and regulations, and the Articles of Incorporation

The Company will dispatch its personnel as Directors or Audit and Supervisory Committee Members to the subsidiaries, and the dispatched directors will attend the Board of Directors' Meetings of the subsidiaries and manage the operations of the subsidiaries. The departments of the Company in charge of affiliated companies will conduct audit in cooperation with the Internal Audit Office, based on the management rules of the affiliated companies, and give guidance to subsidiaries.

For subsidiaries that the Company considers significant, directors and employees of those subsidiaries will undergo compliance training equivalent to that of the Company.

10) Matters related to employees and Directors appointed for the support of the Audit and Supervisory Committee, and matters related to ensuring the independence of said employees and Directors from other Directors, and the effectiveness of instructions to the said Directors and employees

The Internal Audit Office assists the work of the Audit and Supervisory Committee. The Internal Audit Office supports the audit work of the Audit and Supervisory Committee in line with the instructions of and under the supervision of the Audit and Supervisory Committee. Transfers, evaluation, and disciplinary measures of the major employees of the Internal Audit Office shall be carried out with the prior consent of the Audit and Supervisory Committee.

The Company does not have Directors who are to assist the work of the Audit and Supervisory Committee.

11) System for reporting to the Audit and Supervisory Committee by Directors and employees, and other systems for reporting to the Audit and Supervisory Committee

Directors and employees shall report to the Audit and Supervisory Committee regularly on the following items, and Directors who are Audit and Supervisory Committee Members will attend the Board of Directors' Meetings and other important meetings for briefing.

- Matters to be resolved and matters to be reported at the Board of Directors' Meetings
- Monthly, quarterly, and annual business results, earnings forecasts, and financial conditions
- Details of significant disclosure materials
- Significant organizational and personnel changes
- Matters that may cause material loss to the Company
- The Company's significant accounting principles, accounting standards, and any changes thereto
- Activities of the Internal Audit Office and the Compliance Promotion Department
- Other significant matters for approval, or for resolution

There shall be established a system for promptly reporting if any other event determined by the Audit and Supervisory Committee to require reporting occurs.

12) System for the officers and employees of the Group to report to Audit and Supervisory Committee

The officers and employees of the Group will promptly make an appropriate report when requested by the Audit and Supervisory Committee to report on matters related to the execution of duties. Moreover, the Company will develop an internal system in which matters that may cause material loss to the Group, such as material breach of laws and regulations, etc., will be immediately reported to the Audit and Supervisory Committee as soon as they are found.



The section in charge of the internal reporting system of subsidiaries of the Company shall regularly report to the Audit and Supervisory Committee of the Company on the status of internal reporting by the officers and employees of subsidiaries of the Company.

13) System to ensure that those who made reporting to the Audit and Supervisory Committee shall not be given disadvantageous treatment

The Company prohibits giving disadvantageous treatment to those who have made the reporting in the preceding two paragraphs to the Audit and Supervisory Committee due to the said reporting.

14) Matters related to the policy for processing of expenses and liabilities arising from the execution of duties by Audit and Supervisory Committee Members

If Audit and Supervisory Committee Members request the Company for advance payment, etc. of expenses in accordance to Article 399-2, Paragraph 4 of the Companies Act concerning the execution of their duties, the Company shall promptly process the said expenses or liabilities, except for the cases where the expenses and liabilities by the said request are deemed not necessary for the execution of duties by Audit and Supervisory Committee Member.

15) Other system to ensure that audits by Audit and Supervisory Committee will be effectively conducted

The Directors and employees will work to deepen their understanding of the audits by Audit and Supervisory Committee and to improve the environment for the audits by Audit and Supervisory Committee.

The Representative Directors will exchange opinions regularly with the Audit and Supervisory Committee and establish a system to help Audit and Supervisory Committee communicate efficiently with the Internal Audit Office and perform effective auditing services.

16) System to conduct timely and appropriate disclosures

The Company will keep the officers and employees well informed in accordance with the Timely Disclosure Rules, and establish a reporting line of disclosure information within the Group. The propriety of the details will be secured, and timely and appropriate disclosures will be achieved at the management meetings.

**(2) Operational Status of the System to Ensure the Appropriateness of Business**

1) Compliance

The Company is making continuous efforts to spread the awareness of compliance and develop the willingness to ensure compliance by implementing training on compliance, as well as preparing and distributing manuals to Directors and employees. Moreover, the Company has developed a conducive environment for internal whistleblowers to provide information by establishing the internal reporting desk.

2) Risk management

Reports on business from the Company and its subsidiaries are not only regularly reported to the Board of Directors but also to important meetings in the Company so that we can give instructions to relevant sections and implement measures for issues and problems in need of improvement on each occasion.

Moreover, the Company is promoting the reinforcement of the risk management system by establishing the basic rules on risk management.

3) Internal control system for financial reporting

The Company implements the assessment of the effectiveness of internal control on financial reporting in accordance with the Financial Instruments and Exchange Act. The internal control system is appropriately administered, without any material deficiency to be disclosed found during the fiscal year under review.

4) Internal audit

The Company strives to conduct its business properly, by implementing operational audits in accordance with the internal audit plan.

### **(3) Basic Policy Regarding the Control of the Company**

Basic Policy regarding persons who control decision on the Company's financial and business policies

#### 1) Details of the Basic Policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who understand the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and the common interests of its shareholders.

If any party proposes a purchase involving a transfer of corporate control of the Company, the Company believes that the decision on the proposed purchase shall be ultimately made based on the intent of the shareholders as a whole. Also, the Company would not reject a large-scale purchase of the Company's shares if it would contribute to ensuring and enhancing the Company's corporate value and the common interests of its shareholders. Nonetheless, there are several forms of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders, such as the following: those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders.

If the sources of the corporate value are not understood and these elements are not secured and improved over the mid-to-long-term by the acquirer of a proposed large-scale purchase of the Company's shares, the Company's corporate value and the common interests of its shareholders will be harmed. The Company believes that it is necessary to ensure its corporate value and the common interests of its shareholders by taking necessary and reasonable countermeasures against such abusive purchases.

#### 2) Summary of specific measures to realize the Basic Policy

- (a) Special measures to realize the Basic Policy such as effective use of the Company's assets and proper formation of the Group

##### Medium-term management plan

As digital technology develops, companies that excel in technology will generate innovation in traditional industries. To respond to the new competitive environment, it is necessary for client companies to move forward with reforms, including "responding to diversification and digitalization of the point of contact with customers" and "accelerating the digitalization of internal business processes." Aware that providing new services that tap into digital technology to support client companies' transformation is a key management issue, the Group has stated that it wants to become the Global Digital Transformation Partner and formulated a new medium-term management plan for the three years from fiscal 2017.

Concrete efforts are given in the above "(2) Issues to Be Addressed" in "1. Business Overview of the Group."

To strengthen its corporate governance

In order to realize transparent and fair management, the Company's policy is to limit the tenure of Directors (excluding Directors who are Audit and Supervisory Committee Members) to one year, and the tenure of Directors who are Audit and Supervisory Committee Members to two years. In addition, it has strengthened the monitoring function on management by making six out of nineteen Directors be independent Outside Directors. In terms of operations, the independence of each Director, who is a member of the Board of Directors, is ensured to enable him/her give opinions at his/her discretion, and there are active discussions. For instance, in business development in DEC services business, etc., which the Company is currently promoting, Outside Directors make statements to ensure appropriate, rational decisions by the Board of Directors. Also, it has introduced an executive officer system in an attempt to enhance its responsiveness to changes in the business environment by expediting the decision-making process. The Audit and Supervisory Committee consists of three independent Outside Directors, and Audit and Supervisory Committee Members attend important meetings such as the Board of Directors Meetings and, in cooperation with the Internal Audit Office, which assists the duties of the Audit and Supervisory Committee, conduct audits on the Company and subsidiaries in and outside Japan, auditing the execution of duties by Directors.

- (b) Measures to prevent inappropriate persons from controlling the financial and business policy decisions of the Company in light of the basic policy

The Company has renewed a plan as a countermeasure to large-scale acquisition of the Company's shares (takeover defense measures) (the "Plan"). This was based on the resolution of the Board of Directors Meeting held on May 15, 2015 and the resolution of the 30<sup>th</sup> Annual General Meeting of Shareholders held on June 24, 2015. A summary of the Plan is shown below.

#### Summary of the Plan

The Board of Directors of the Company, as stipulated by the basic policy, thinks that persons who conduct a substantial acquisition of the Company shares which does not contribute to the corporate value of the Company or the common interest of shareholders are inappropriate as persons who control decisions relating to the Company's finance and businesses. The Plan is intended to make it possible to propose alternative plans to shareholders when a substantial acquisition of the Company shares is conducted, secure information and time necessary for shareholders to determine whether to respond to such substantial acquisition or negotiate for shareholders, and prevent any substantial acquisition that would impair the corporate value of the Company and the common interest of shareholders.

The Plan sets out procedures necessary to achieve the purposes stated above, including requirements for acquirers to provide information in advance in case the acquirer intends to acquire 20% or more of the Company's share certificates or other equity securities.

The acquirer must not effect a large-scale acquisition of the shares and other equity securities of the Company until and unless the Board of Directors determines not to trigger the Plan in accordance with the procedures for the Plan.

In the event that an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities of the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders, etc., and in cases such as where the acquisition satisfies the triggering requirements set out in the Plan, the Company will implement a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) for stock acquisition rights with (a) an exercise condition that does not allow the acquirer, etc., to exercise the rights as a general rule, and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer, etc., or implement any other reasonable measures that may be taken under laws and ordinances and the Company's Articles of Incorporation. If the gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the acquirer receive shares in the Company as a result of those shareholders exercising or the Company acquiring those stock acquisition rights, the ratio of voting rights in the Company held by the acquirer may be diluted by up to about a maximum of approximately 50%.

To eliminate arbitrary decisions by directors, the Company will establish the Independent Committee, which is solely composed of members who are independent of the management of the Company such as outside directors to make objective decisions with respect to matters such as implementation or non-implementation of the gratis allotment of stock acquisition rights or acquisition of stock acquisition rights under the Plan. In addition, the Board of Directors may, if prescribed in the Plan, hold a meeting of shareholders and confirm the intent of the Company's shareholders.

Transparency with respect to the course of those procedures will be ensured by timely disclosure to all of the Company's shareholders.

The effective period of the Plan is from June 24, 2015 to the conclusion of the Annual Shareholders Meeting associated with the last of the fiscal years that end within three years after the conclusion of the 30<sup>th</sup> Annual Shareholders Meeting.

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Note: Amounts shown in this Business Report are rounded down to the unit.

## Attached document (2)

**Consolidated Balance Sheet**

(As of March 31, 2017)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>82,283</b>	<b>Current liabilities</b>	<b>40,812</b>
Cash and deposits	33,866	Accounts payable—trade	12,452
Notes and accounts receivable—trade	39,967	Short-term loans payable	476
Merchandise and finished goods	2,047	Current portion of bonds	7
Work and software in progress	581	Current portion of long-term loans payable	1,692
Supplies	34	Accounts payable	6,167
Deferred tax assets	1,708	Accrued expenses	8,928
Other	4,370	Income taxes payable	2,352
Allowance for doubtful accounts	(292)	Accrued consumption tax	3,104
<b>Fixed assets</b>	<b>61,518</b>	Advances received	914
<b>Tangible fixed assets</b>	<b>9,069</b>	Accrued bonuses for employees	3,732
Buildings and structures	4,087	Other	982
Vehicles and transportation equipment	15	<b>Fixed liabilities</b>	<b>17,800</b>
Tools, furniture and fixtures	3,608	Bonds payable	39
Land	828	Convertible bond-type bonds with subscription rights to shares	10,037
Lease assets	480	Long-term loans payable	3,407
Construction in progress	49	Deferred tax liabilities	3,872
<b>Intangible fixed assets</b>	<b>6,294</b>	Net defined benefit liability	16
Goodwill	3,818	Long-term security deposits received	28
Software	1,857	Other	400
Lease assets	16	<b>Total liabilities</b>	<b>58,613</b>
Software in progress	77	<b>Net Assets</b>	
Other	525	<b>Shareholders' equity</b>	<b>70,478</b>
<b>Investments and other assets</b>	<b>46,154</b>	<b>Common stock</b>	<b>29,065</b>
Investment in securities	14,286	<b>Capital surplus</b>	<b>18,908</b>
Investment in stocks of unconsolidated subsidiaries and affiliates	10,457	<b>Retained earnings</b>	<b>37,737</b>
Investment in unconsolidated subsidiaries and affiliates	6,822	<b>Treasury stock</b>	<b>(15,232)</b>
Long-term loans receivable	1,370	<b>Accumulated other comprehensive income</b>	<b>11,217</b>
Deferred tax assets	149	<b>Valuation difference on available-for-sale securities</b>	<b>6,509</b>
Derivatives	6,925	<b>Deferred gains or losses on hedges</b>	<b>5,193</b>
Security deposits	5,861	<b>Foreign currency translation adjustment</b>	<b>(485)</b>
Other	490	<b>Subscription rights to shares</b>	<b>3</b>
Allowance for doubtful accounts	(208)	<b>Non-controlling interests</b>	<b>3,489</b>
<b>Total assets</b>	<b>143,802</b>	<b>Total net assets</b>	<b>85,188</b>
		<b>Total liabilities and net assets</b>	<b>143,802</b>

Note: Figures less than one million yen are rounded down to the nearest million.

**Consolidated Statement of Income**

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>242,314</b>
<b>Cost of sales</b>		<b>199,411</b>
<b>Gross Profit</b>		<b>42,902</b>
<b>Selling, general and administrative expenses</b>		<b>34,822</b>
<b>Operating income</b>		<b>8,080</b>
<b>Non-operating income:</b>		
Interest income	73	
Dividend income	95	
Employment development subsidy	305	
Other	186	661
<b>Non-operating expenses:</b>		
Interest expenses	27	
Share of loss of entities accounted for using equity method	1,583	
Foreign exchange losses	51	
Other	337	1,999
<b>Ordinary income</b>		<b>6,742</b>
<b>Extraordinary gains:</b>		
Gain on sales of investment securities	1,748	
Gain on sales of subsidiaries and affiliates' stocks	2,451	
Other	394	4,593
<b>Extraordinary losses:</b>		
Impairment loss	289	
Loss on valuation of stocks of subsidiaries and affiliates	368	
Other	82	740
<b>Profit before income taxes</b>		<b>10,595</b>
Income taxes—current	3,347	
Income taxes—deferred	(308)	3,039
Profit		7,556
Profit attributable to non-controlling interests		399
<b>Profit attributable to owners of parent</b>		<b>7,156</b>

Note: Figures less than one million yen are rounded down to the nearest million.

Attached document (4)

**Consolidated Statement of Changes in Equity**

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	29,065	20,510	32,842	(15,937)	66,481
Change during the fiscal year					
Dividend of surplus			(2,303)		(2,303)
Profit attributable to owners of parent			7,156		7,156
Acquisition of treasury stock				(1)	(1)
Disposal of treasury stock		293		706	999
Change of scope of consolidation			41		
Purchase of shares of consolidated subsidiaries		(1,895)			(1,895)
Net change in items other than shareholders' equity during the fiscal year					-
Total change during the fiscal year	-	(1,602)	4,894	705	3,996
Balance at the end of the fiscal year	29,065	18,908	37,737	(15,232)	70,478

Note: Figures less than one million yen are rounded down to the nearest million.

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the fiscal year	15,479	(2,401)	1,369	14,447	0	3,051	83,981
Change during the fiscal year							
Dividend of surplus				-			(2,303)
Income before income taxes and minority interests				-			7,156
Acquisition of treasury stock				-			(1)
Disposal of treasury stock							999
Change of scope of consolidation							7341
Purchase of shares of consolidated subsidiaries				-			(1,895)
Net change in items other than shareholders' equity during the fiscal year	(8,969)	7,594	(1,855)	(3,230)	2	438	(2,789)
Total change during the fiscal year	(8,969)	7,594	(1,855)	(3,230)	2	438	1,207
Balance at the end of the fiscal year	6,509	5,193	(485)	11,217	3	3,489	85,188

Note: Figures less than one million yen are rounded down to the nearest million.

## Notes to Consolidated Financial Statements

### Basis of preparation of consolidated financial statements

#### 1. Scope of Consolidation

##### (1) Number of consolidated subsidiaries: 59

The names of principal consolidated subsidiaries

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

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

(Newly included)

- transcosmos analytics Inc. (Because of greater materiality)
  - caramo, Inc. (Because of greater materiality)
  - transcosmos Asia Philippines inc. (Because of greater materiality)
  - Transcosmos Vietnam Co., Ltd. (Because of greater materiality)
  - TRANSCOSMOS (UK) LIMITED (Because of greater materiality)
  - Transcosmos Information Systems Group Limited (formerly Merlin Information Systems Group Ltd.) (Because of additional acquisition)
  - Helpmagic Ltd. (Because of additional acquisition of Transcosmos Information Systems Group Limited, the holding company)
  - Transcosmos Information Systems Limited (formerly Merlin Information Systems Ltd.) (Same as above)
  - Merlin-IT Hungary Information Technology Support Services kft (Same as above)
  - Transcosmos Information Systems Inc. (formerly Merlin Information Systems Philippine Inc.) (Same as above)
  - Merlin IT Support Inc. (Same as above)
  - Merlin Services Informatiques SARL (Same as above)
  - TRANSCOSMOS INFORMATION SYSTEMS SRL (Same as above)
  - SOCIAL GEAR PTE LTD. (Because of greater materiality due to additional acquisition)
- (Excluded)
- Ningbo Yifan Cross-Border Shopping E-Commerce Co., Ltd. (Liquidated July 12, 2016)

##### (2) Names of principal non-consolidated subsidiaries

transcosmos Design Development (Dalian) Co., Ltd. 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 (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: 13

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

UNQ (Shanghai) Supply Chain Management Co., Ltd, PFSweb Inc.

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)

- Fujitsu Human Resource Professionals Limited (Because of greater materiality)
- PT transcosmos Indonesia (Because of greater materiality)
- Shandong Ya Nuoda E-Commerce Co., Ltd. (Newly acquired)

(Excluded)

- Nielsen Co., Ltd. (Sold off all holdings)
- SANKEI DIGITAL INC. (Sold off all holdings)
- Forecast Communications Inc. (Sold off all holdings)
- Navinet, Inc. (Because of a decline in materiality)
- Autoc one K.K. (Sold off all holdings)

- (2) Unconsolidated subsidiaries to which the equity method is not applied (transcosmos Design Development (Dalian) Co., Ltd. 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 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 Korea Inc.
- transcosmos Information Creative (China) Co., Ltd.
- transcosmos Information System (Shanghai) Co., Ltd.
- transcosmos MCM Shanghai Co., Ltd.
- transcosmos CC China
- Beijing transcosmos Interactive Services Co., Ltd.
- Shanghai transcosmos Interactive Services Co., Ltd.
- Suzhou transcosmos Information Creative Co., Ltd.
- transcosmos business service outsourcing suzhou Co., Ltd.
- Transcosmos Investment Consulting (Beijing) Co., Ltd. Investment Consulting
- Hottech digital technology (Tianjin) Co., Ltd.
- Jinan transcosmos Information Creative Co., Ltd.
- Transcosmos Digital Marketing Cayman Co., Ltd.
- Shine Harbour Ltd.
- Transcosmos Information Creative Holdings
- transcosmos Asia Pacific Pte. Ltd.
- SOCIAL GEAR 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 (UK) LIMITED
- Transcosmos Information Systems Group Limited (former Merlin Information Systems Group Ltd.)
- Transcosmos Information Systems Limited (former Merlin Information Systems Ltd.)
- Transcosmos Information Systems Inc. (former Merlin Information Systems Philippines Inc.)
- TRANSCOSMOS INFORMATION SYSTEMS SRL
- Merlin-IT Hungary Information Technology Support Services kft
- Merlin Services Informatiques SARL
- Merlin IT Support Inc
- 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 account 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 with market value ..... 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.)

Securities without market value ..... 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) Derivatives ..... Market value method

(3) Standards and method 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 ..... Gross average method

Work and software in progress ..... Specific cost method

Supplies ..... Cost using the last-purchase-price method

(4) 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 structure
- a) Facilities attached to buildings and structure acquired on or before March 31, 2007  
Depreciated using the old declining-balance method.
  - b) Facilities attached to buildings and structure acquired between April 1, 2007 and March 31, 2016  
Depreciated using the declining-balance method.
  - c) Facilities attached to buildings and structure 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 leased property 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.

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

Allowance for doubtful accounts ..... Allowance for estimated uncollectible amounts are  
 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  
 domestic consolidated subsidiaries is calculated based  
 on the estimates of bonus obligations for the current  
 fiscal term.  
 Accrued bonuses for directors ..... Accrued bonuses for directors are provided based on the  
 estimates of bonus obligations attributable to the current  
 fiscal term.

(6) 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 “minority  
 interests” in the section of Net Assets.

2) Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

3) Basis for recording significant revenues and expenses

Basis for recording revenues and expenses on software produced on orders

The percentage of completion method (the cost-to-cost method, etc. for the percentage of completion estimate) is applied for the portion completed by the end of the fiscal year under review, which is deemed to be certain to complete, and the completed contract method is applied otherwise.

4) 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) Standards of accounting for liabilities for retirement benefits

To calculate liabilities for retirement benefits and retirement benefit expenses, some consolidated subsidiaries use a simplified method that assumes that the retirement benefit obligation is equal to the amount of benefits that would be required to be paid if all eligible employees voluntarily retire at the fiscal year-end.

5. Change in accounting policy

Following 2016 Tax Law Changes, the Company is applying the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (Practical Solution No. 32 issued June 17, 2016) and will change the depreciation method used for facilities attached to buildings and structures acquired April 1, 2016, or after to the straight-line method from the declining-balance method.

There are minimal impacts on income for the fiscal year under review.

6. Additional Information

The Company has adopted the revised “Implementation Guidance on Recoverability of Deferred Tax Assets” (Guidance No.26 issued by the Accounting Standards Board of Japan on March 28, 2016) in the current fiscal year.

## Notes to the Consolidated Balance Sheet

Accumulated depreciation of tangible fixed assets

16,297 million yen

## Notes to the Consolidated Statement of Changes in Equity

### 1. Total number of shares issued

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 (shares)	48,794,046	-	-	48,794,046

### 2. Treasury stock

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 (shares)	7,656,653	601	339,500	7,317,754

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit:

601 shares

Details of the number of shares decreased are as follows.

Decrease due to disposal of treasury stock through third-party allotment:

339,500 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 22, 2016	Common stock	2,303	56	March 31, 2016	June 23, 2016

#### (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 20, 2017	Common stock	Retained earnings	2,156	52	March 31, 2017	June 21, 2017

### 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 out of loans payable are mainly financing for operational transactions; long-term loans (less than five years as a general rule) are 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 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, 2017 are as follows. Financial instruments whose fair values are extremely difficult to determine are not listed in the following table.

(Millions of yen)			
	Recorded amount on consolidated balance sheet*	Fair value*	Difference
(1) Cash and deposits	33,866	33,866	-
(2) Notes and accounts receivable- trade	39,967	39,967	-
(3) Securities and investment in securities			
Other available-for-sale securities	10,855	10,855	-
(4) Investment in stocks of unconsolidated subsidiaries and affiliates	3,495	18,914	15,418
(5) Accounts payable-trade	(12,452)	(12,452)	-
(6) Short-term loans-payable	(476)	(476)	(0)
(7) Accrued expenses	(8,928)	(8,928)	-
(8) Bonds payable	(46)	(46)	0
(9) Convertible bond-type bonds with subscription rights to shares	(10,037)	(10,237)	(200)
(10) Long-term loans-payable	(5,100)	(5,122)	(22)
(11) Derivative transactions			
Those under hedge accounting	6,925	6,925	-

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

### Note 1: Measurement of fair value of financial instrument and matters related to securities and derivative transactions

#### (1) Cash and deposits and (2) Notes and accounts receivable-trade

As these are settled in the short term, their fair values are almost equivalent to book values, and therefore their book values are used.

#### (3) Securities and investment in securities, and (4) Investment in stocks of unconsolidated subsidiaries and affiliates

With regard to the fair values of securities and investment in securities, market prices at stock exchanges are used for stocks and prices provided by banks are used for bonds.

#### (5) Accounts payable-trade, and (7) Accrued expenses

As these are settled in the short term, their fair values are almost equivalent to book values, and therefore their book values are used.

(6) Short-term loans

The fair values of short-term loans are measured based upon the present values obtained by discounting future cash flows at a rate with the length of the repayment period and credit risk taken into account, for liabilities that fall in a certain period.

(8) 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.

(9) Convertible bond-type bonds with subscription rights to shares

With regard to the fair values of bonds issued by the Company, prices provided by banks are used.

(10) Long-term loans

The fair values of long-term loans 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.

(11) Derivative transactions

Those under hedge accounting The fair values are calculated based on market prices at stock exchange.

Note 2: Unlisted equity securities (Consolidated balance sheet amount: 3,430 million yen) are not included in the above “(3) Securities and investment securities, Other available-for-sale securities” since their market price is not available, it is not possible to estimate future cash flows, and the assessment of their fair values is deemed extremely difficult.

**Notes regarding per share data**

1. Net assets per share	1,969.70 yen
2. Profit per share	172.92 yen

**Notes regarding significant subsequent events**

Not applicable.



## Attached document (5)

**Non-Consolidated Balance Sheet**

(As of March 31, 2017)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>56,188</b>	<b>Current liabilities</b>	<b>30,797</b>
Cash and deposits	20,772	Accounts payable—trade	10,384
Notes receivable	13	Current portion of bonds	1,666
Accounts receivable—trade	30,824	Accounts payable—other	3,113
Merchandise	197	Accrued expenses	6,796
Work and software in progress	127	Income taxes payable	2,001
Supplies	13	Accrued consumption tax	2,443
Advances	260	Advances received	491
Prepaid expenses	1,297	Deposits received	330
Accounts receivable—other	177	Accrued bonuses for employees	3,288
Deferred tax assets	1,458	Accrued bonuses for directors	48
Other	1,061	Other	234
Allowance for doubtful accounts	(16)	<b>Fixed liabilities</b>	<b>13,805</b>
<b>Fixed assets</b>	<b>53,627</b>	Convertible bond-type bonds with subscription rights to shares	10,037
<b>Tangible fixed assets</b>	<b>5,493</b>	Long-term loans payable	3,334
Buildings	2,643	Provision for loss on guarantees	237
Tools, furniture and fixtures	1,885	Other	196
Land	707		
Other	257	<b>Total liabilities</b>	<b>44,603</b>
<b>Intangible fixed assets</b>	<b>1,091</b>		
Software	960	<b>Net Assets</b>	
Telephone rights	95		
Other	96036	<b>Shareholders' equity</b>	<b>64,827</b>
<b>Investments and other assets</b>	<b>47,042</b>	<b>Common stock</b>	<b>29,065</b>
Investment in securities	4,567	<b>Capital surplus</b>	<b>20,803</b>
Investment in stocks of subsidiaries and affiliates	29,030	Other capital surplus	20,803
Investment in subsidiaries and affiliates	5,750	<b>Retained earnings</b>	<b>30,190</b>
Long-term loans receivable from subsidiaries and affiliates	4,925	Legal retained earnings	1,453
Deferred tax assets	72	Other retained earnings	28,737
Security deposits	3,532	Unappropriated retained earnings	28,737
Other	373	<b>Treasury stock</b>	<b>(15,232)</b>
Allowance for doubtful accounts	(1,210)	<b>Valuation and translation adjustments</b>	<b>384</b>
Allowance for doubtful accounts	(1,210)	<b>Net unrealized gain (loss) on securities</b>	<b>384</b>
<b>Total assets</b>	<b>109,815</b>	<b>Total net assets</b>	<b>65,212</b>
		<b>Total liabilities and net assets</b>	<b>109,815</b>

Note: Figures less than one million yen are rounded down to the nearest million.

## Attached document (6)

**Non-Consolidated Statement of Income**

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>193,535</b>
<b>Cost of sales</b>		<b>159,984</b>
<b>Gross Profit</b>		<b>33,550</b>
<b>Selling, general and administrative expenses</b>		<b>25,160</b>
<b>Operating income</b>		<b>8,389</b>
<b>Non-operating income:</b>		
Interest income	110	
Dividend income	108	
Provision for loss on guarantees	1,005	
Other	267	1,491
<b>Non-operating expenses:</b>		
Interest expenses	10	
Foreign exchange losses	17	
Reversal of allowance for doubtful accounts	126	
Other	301	455
<b>Ordinary income</b>		<b>9,425</b>
<b>Extraordinary gains:</b>		
Gain on sales of investment securities	1,717	
Gain on sales of subsidiaries and affiliates' stocks	784	
Other	136	2,638
<b>Extraordinary losses:</b>		
Loss on valuation of stocks of subsidiaries and affiliates	241	
Other	25	266
<b>Profit before income taxes</b>		<b>11,797</b>
Income taxes—current	2,904	
Income taxes—deferred	(138)	2,766
<b>Profit</b>		<b>9,031</b>

Note: Figures less than one million yen are rounded down to the nearest million.

## Attached document (7)

**Non-Consolidated Statement of Changes in Equity**

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity		
	Common stock	Capital surplus	
		Other capital surplus	Total capital surplus
Balance at the beginning of the fiscal year	29,065	20,510	20,510
Change during the fiscal year			
Dividend of surplus			–
Profit			–
Acquisition of treasury stock			–
Disposal of treasury stock		293	293
Net change in items other than shareholders' equity during the fiscal year			–
Total change during the fiscal year	–	293	293
Balance at the end of the fiscal year	29,065	20,803	20,803

Note: Figures less than one million yen are rounded down to the nearest million.

(Millions of yen)

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings	Total retained earnings		
		Unappropriated retained earnings			
Balance at the beginning of the fiscal year	1,223	22,240	23,463	(15,937)	57,102
Change during the fiscal year					
Dividend of surplus	230	(2,534)	(2,303)		(2,303)
Profit		9,031	9,031		9,031
Acquisition of treasury stock			–	(1)	(1)
Disposal of treasury stock				706	999
Net change in items other than shareholders' equity during the fiscal year			–		–
Total change during the fiscal year	230	6,497	6,727	705	7,725
Balance at the end of the fiscal year	1,453	28,737	30,190	(15,232)	64,827

Note: Figures less than one million yen are rounded down to the nearest million.

(Millions of yen)

	Valuation and translation adjustments		Total net assets
	Net unrealized gain (loss) on securities	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	1,076	1,076	58,178
Change during the fiscal year			
Dividend of surplus		–	(2,303)
Profit		–	9,031
Acquisition of treasury stock		–	(1)
Disposal of treasury stock			999
Net change in items other than shareholders' equity during the fiscal year	(691)	(691)	(691)
Total change during the fiscal year	(691)	(691)	7,033
Balance at the end of the fiscal year	384	384	65,212

Note: Figures less than one million yen are rounded down to the nearest million.

## 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 with market value ..... 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.)

Securities without market value ..... 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 progress ..... 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 structure
- a. Facilities attached to buildings and structure acquired on or before March 31, 2007  
Depreciated using the old declining-balance method.
  - b. Facilities attached to buildings and structure acquired between April 1, 2007 and March 31, 2016  
Depreciated using the declining-balance method.
  - c. Facilities attached to buildings and structure 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 leased property 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.
Accrued bonuses for directors .....	Accrued bonuses for directors are provided based on the estimates of bonus obligations attributable to the current fiscal term.
Provisions for loss on guarantees .....	To prepare for losses arising from fulfilling guarantee obligations of affiliated companies, the Company appropriates a provision for the estimated cost of losses for guarantee obligation which are highly likely to be required for fulfilling such obligations, taking into consideration the recoverability by exercising right of indemnity.

## 5. Basis for recording revenues and expenses

Basis for recording revenues and expenses on software produced on orders

The percentage of completion method (the cost-to-cost method for the percentage of completion estimate) is applied for the portion completed by the end of the fiscal year under review, which is deemed to be certain to complete, and the completed contract method is applied otherwise.

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

(1) 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.

(2) Accounting for consumption taxes Consumption tax and local consumption tax are accounted for by the tax exclusion method.

## Change in accounting policy

Following 2016 Tax Law Changes, the Company is applying the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (Practical Solution No. 32 issued June 17, 2016) from the current fiscal year and will change the depreciation method used for facilities attached to buildings and structures acquired April 1, 2016, or after to the straight-line method from the declining-balance method.

There are minimal impacts on income for the current fiscal year.



## 8. Change in presentation

(Balance sheet-related)

“Structures” (8 million yen in the current fiscal year) and “Lease assets” (247 million yen in the current fiscal year), which have been separately recorded under Tangible Fixed Assets in the previous fiscal year, are included in “Other” under Tangible Fixed Assets in the current fiscal year because they have decreased in significance in terms of amount.

“Goodwill” (3 million yen in the current fiscal year), “Lease assets” (3 million yen in the current fiscal year), and “Software in progress” (29 million yen in the current fiscal year) which have been separately recorded under Intangible Fixed Assets in the previous fiscal year, are included in “Other” under Intangible Fixed Assets in the current fiscal year because they have decreased in significance in terms of amount.

## 9. Additional Information

The Company has adopted the revised “Implementation Guidance on Recoverability of Deferred Tax Assets” (Guidance No.26 issued by the Accounting Standards Board of Japan on March 28, 2016) in the current fiscal year.

### Notes to the Non-Consolidated Balance Sheet

1.	Liabilities for guarantees:	
	Guarantee for debt obligations to financial institutions	
	Transcosmos Information Systems Group Limited.	¥139 million
	transcosmos CC China	¥146 million
	Guarantee on deposit obligations from subsidiaries and affiliates	
	Tci-Business-Service Co., Ltd.	¥2,189 million
	Total	¥2,475 million
	In addition to the above, the Company has provided a joint guarantee on the store-opening contract of caramo, Inc., its affiliate.	
	(Note) Guarantees of foreign currency-denominated obligations are converted into the Japanese yen using the exchange rate as of the account closing date.	
2.	Accumulated depreciation of tangible fixed assets	¥11,101 million
3.	Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding separate line item)	
	Short-term monetary receivables from subsidiaries and affiliates	¥832 million
	Short-term monetary payables to subsidiaries and affiliates	¥1,137 million

### Notes to the Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates	
Net sales	¥398 million
Net purchase	¥7,850 million
Transactions other than operating transactions	¥182 million

## Notes to the Non-Consolidated Statement of Changes in Equity

### Treasury stock

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 (shares)	7,656,653	601	339,500	7,317,754

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit: 601 shares

Details of the number of shares decreased are as follows.

Decrease due to disposal of treasury stock through third-party allotment: 339,500 shares

## Notes concerning tax effect accounting

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

Deferred tax assets:

Accrued bonuses for employees	¥1,014 million
Accrued enterprise tax	¥228 million
Loss on valuation of investment in unconsolidated subsidiaries and affiliates	¥1,731 million
Loss on valuation of investment securities	¥789 million
Allowance for doubtful accounts	¥375 million
Impairment loss	¥104 million
Loss on investments in partnership	¥24 million
Inventory based on the percent of completion method	¥19 million
Provision for loss on orders received	¥12 million
Other	¥577 million
<b>Sub-total</b>	<b>¥4,877 million</b>
<b>Provision for devaluation</b>	<b>¥3,106 million</b>
<b>Total of deferred tax assets</b>	<b>¥1,771 million</b>
Deferred tax liabilities:	
Sales under the percent of completion method	¥32 million
Valuation difference on available-for-sale securities	¥207 million
<b>Total of deferred tax liabilities</b>	<b>¥239 million</b>
<b>Net of deferred tax assets</b>	<b>¥1,531 million</b>

## 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%	Loan of funds	Loan of funds (Note 1)	696	-	-
						Collection of loan	1,186		
						Guarantee of obligations (Note 2)	2,189		
						Reversal of provisions for loss on guarantee (Note 2)	895		
Subsidiary	TCT Services Co., Ltd.	1 million Thai baht	Overseas subsidiaries and affiliates	Owning Indirect 100.0%	Loan of funds	Loan of funds (Note 1)	115	Short-term loans receivable from subsidiaries and affiliates	116
								Long-term loans receivable from subsidiaries and affiliates	1,681
Subsidiary	Shine Harbour Ltd.	HK\$304 million	Overseas subsidiaries and affiliates	Owning Direct 100.0%	Interlocking directors	Subscription to capital increase (Note 3)	1,350	-	-
Subsidiary	TRANSCOSMOS (UK) LIMITED	GBP6 million	Overseas subsidiaries and affiliates	Owning Direct 100.0%	Loan of funds	Loan of funds (Note 1)	1,477	Short-term loans receivable from subsidiaries and affiliates	209
								Long-term loans receivable from subsidiaries and affiliates	1,272
Subsidiary	Transcosmos Asia Pacific Pte. Ltd.	SG\$56 million	Overseas subsidiaries and affiliates	Owning Direct 100.0%	Interlocking directors	Subscription to capital increase (Note 3)	2,016	-	-
Affiliates	UNQ (Shanghai) Supply Chain Management Co., Ltd.	RMB1 million	Overseas subsidiaries and affiliates	Owning Direct 40.6%	Interlocking directors	Subscription to capital increase (Note 3)	1,544	-	-

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

1. The interest rate of the loan was determined reasonably based on the market interest rate and fund raising rate.
2. This is guarantee obligations from the subsidiaries and affiliates.
3. The Company subscribed to a capital increase undertaken by its affiliated company.
4. Transactional amounts and balances as of the end of the fiscal year are recorded exclusive of consumption taxes.
5. 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

Type	Name of company or individual	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)
Executive	Shunsuke Sato	Owned Direct 0.8%	Director of the Company	Disposal of treasury stock (Note 1)	999	-	-

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

1. The amount of disposal is determined based on the closing price of the Company's ordinary shares at Tokyo Stock Exchange, Inc. on the business day immediately before the day of resolution on the disposal of treasury stock at the Board of Directors meeting.
2. Transaction amount does not include consumption taxes.
3. Percentages of owning (owned) voting rights, etc. are rounded off to the nearest first decimal place.

**Notes concerning per share data**

1. Net assets per share 1,572.28 yen
2. Profit per share 218.22 yen

**Notes regarding significant subsequent events**

Not applicable.

**Attached document (8)**

Certified Copy of the Accounting Auditor's Report on Consolidated Financial Statements

**REPORT OF INDEPENDENT AUDITORS**

May 12, 2017

To the Board of Directors of transcosmos inc.

**PricewaterhouseCoopers Aarata LLC**

Designated and Engagement Partner  
Certified Public Accountant  
Masahiro Yamamoto

Designated and Engagement Partner  
Certified Public Accountant  
Yoshihisa Chiyoda

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to consolidated financial statements of the Company applicable to the fiscal year from April 1, 2016 to March 31, 2017.

**Management's responsibility for the consolidated financial statements**

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes the development, implementation, and maintenance of internal control deemed necessary by the management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Independent auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Audit opinion**

As a result of our audit, it is our opinion that the consolidated financial statements properly present in all material respects the Company's financial position and the results of operations of the corporate group comprising the Company and its consolidated subsidiaries in accordance with accounting standards generally accepted in Japan.

**Interest**

Our firm and engagement partners have no interest in the Company that must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

**Attached document (9)**

Certified Copy of the Accounting Auditor's Report

**REPORT OF INDEPENDENT AUDITORS**

May 12, 2017

To the Board of Directors of transcosmos inc.

**PricewaterhouseCoopers Aarata LLC**

Designated and Engagement Partner  
Certified Public Accountant  
Masahiro Yamamoto

Designated and Engagement Partner  
Certified Public Accountant  
Yoshihisa Chiyoda

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, that is, the balance sheet, the statement of income, the statement of changes in equity, the notes to financial statements, and the supplementary schedules of the Company applicable to the 32<sup>nd</sup> business year from April 1, 2016 to March 31, 2017.

**Management's responsibility for the financial statements**

The management is responsible for the preparation and fair presentation of these financial statements and the supplementary schedules in accordance with generally accepted accounting principles in Japan. This includes the development, implementation, and maintenance of internal control deemed necessary by the management for the preparation and fair presentation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

**Independent auditors' responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Audit opinion**

As a result of our audit, it is our opinion that the financial statements and the supplementary schedules properly present in all material respects the Company's financial position and the results of operations of the Company in accordance with accounting standards generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company that must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.



**Attached document (10)**

Certified Copy of the Audit Report of the Audit and Supervisory Committee

**AUDIT REPORT OF AUDIT AND SUPERVISORY COMMITTEE MEMBERS**

The Audit and Supervisory Committee has conducted audits on the execution status of duties of Directors during the 32<sup>nd</sup> fiscal year between April 1, 2016 and March 31, 2017. The auditing method and results are as follows:

1. Auditing methods and its details

The Audit and Supervisory Committee regularly received reports on the structure and operation status of the systems (internal control systems) established upon discussions and resolution by the Board of Directors meeting regarding matters prescribed in Article 399-13, Paragraph 1, Item 1 (b) and (c) from the Directors as well as from employees, etc. and requested them to provide explanations as necessary. Based on such activities, the Audit and Supervisory Committee provided its opinions and conducted audits by the following method.

- 1) Each Audit and Supervisory Committee Member attended important meetings to receive reports regarding the execution of duties from Directors, employees, etc. and requested them to provide explanations as necessary, inspected important approved documents etc., and examined the status of operations and assets at the Main Office and other major offices in accordance with the Audit and Supervisory Committee’s Audit Standards established by the Audit and Supervisory Committee as well as the audit policies and the allocation of audit operations in collaboration with the internal control departments. With respect to subsidiaries, each Audit and Supervisory Committee Member endeavored to facilitate communication and exchange information with Directors, Statutory Auditors and other employees of subsidiaries, and received business reports from subsidiaries as necessary.
- 2) With respect to the Basic Policies under Article 118, Item 3(a) of the Ordinance for Enforcement of the Companies Act and efforts under Item 3(b) of the same article that are prescribed in the business report, each Audit and Supervisory Committee Member examined the contents taking into account deliberations made in the Board of Directors meetings and other meetings.
- 3) Audit and Supervisory Committee Members monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Committee Member also received reports on the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, Audit and Supervisory Committee Members were informed of the arrangement of the “System for ensuring that the duties are executed appropriately” (matters stipulated in the items of Article 131 of the Corporate Accounting Rules) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, Audit and Supervisory Committee reviewed the business report and the supplementary schedules, and the financial statements (the balance sheet, statement of income, statement of changes in equity and notes to the financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements), for the fiscal year under review.

2. Results of Audit

(1) Results of audit of business report etc.

- 1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the performance of duties by Directors, there were no instances of misconduct or

material matters in violation of laws and regulations, nor the Articles of Incorporation of the Company;

3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable.

There is no matter requiring additional mention concerning the internal control system with respect to the contents of the Business Report and the execution of duties by Directors; and

4) The Basic Policy regarding persons who control decision on the company's financial and business policies prescribed in the business report is fair and reasonable. Efforts under Article 118, Item 3(b) of the Ordinance for Enforcement of the Companies Act prescribed in the business report are in conformity with the Basic Policy, do not impair the common interests of the Company's shareholders and are not intended to protect the positions of the corporate officers of the Company.

(2) Results of audit of financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, are fair and reasonable.

(3) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, are fair and reasonable.

May 15, 2017

Audit and Supervisory Committee of transcosmos inc.

Audit and Supervisory Committee Member

Eiji Uda

Audit and Supervisory Committee Member

Takeshi Natsuno

Audit and Supervisory Committee Member

Nozomu Yoshida

Notes:

1. All Audit and Supervisory Committee Members are outside directors stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.
2. Upon resolution by the 31<sup>st</sup> Annual General Meeting of Shareholders held on June 22, 2016, the Company has changed its status from a "company with a board of statutory auditors" to a "company with an audit and supervisory committee" as of the said date. The conditions between April 1, 2016 and June 21, 2016 were determined based on the content provided by the former Board of Statutory Auditors.