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Securities Code: 9715

May 30, 2018

## To Our Shareholders

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

## NOTICE OF THE 33<sup>rd</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 33<sup>rd</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 by the deadline indicated in “Procedures for the Exercise of Voting Rights” on the next page.

- 1. Date and Time:** 10:00 a.m. Thursday, June 21, 2018  
**2. Place:** 9<sup>th</sup> Floor, Hikarie Hall B, Shibuya Hikarie  
21-1, Shibuya 2-chome, Shibuya-ku, Tokyo

### 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 33<sup>rd</sup> Fiscal Term (from April 1, 2017 to March 31, 2018)
  2. Financial Statements for the 33<sup>rd</sup> Fiscal Term (from April 1, 2017 to March 31, 2018)

### Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus for the 33<sup>rd</sup> Fiscal Term  
**Proposal No. 2:** Renewal of Countermeasures to Large-Scale Acquisitions of Shares in the Company (Takeover Defense Measures)  
**Proposal No. 3:** Election of Fifteen Directors (excluding Directors who are Audit and Supervisory Committee Members)  
**Proposal No. 4:** Election of Three Directors who are Audit and Supervisory Committee Members  
**Proposal No. 5:** Election of One Director who is a Substitute Audit and Supervisory Committee Member

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., Thursday, June 21, 2018 (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., Wednesday, June 20, 2018

### 3. Via the Internet, etc.

Please access the website for the exercise of voting rights (<https://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.

Shareholders who use a smartphone can access the website for the exercise of voting rights easily by having the smartphone read the QR code shown in the Voting Rights Exercise Form.

Deadline to exercise rights: By 5:50 p.m., Wednesday, June 20, 2018

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

- 1) 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.
- 2) 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.
- 3) 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 33<sup>rd</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.

The Group's consolidated operating results for the current fiscal year include a loss attributable to owners of parent. However, it includes temporary losses such as loss on valuation of stocks and other assets. After excluding such valuation losses and taking into 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

23 yen per share of common stock of the Company

Total amount 953,940,686 yen

Effective date of dividend of surplus

Friday, June 22, 2018

**Proposal No. 2:** Renewal of Countermeasures to Large-Scale Acquisitions of Shares in the Company (Takeover Defense Measures)

The Company renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (the “Former Plan”) in accordance with the resolution at the Board of Directors meeting held on May 15, 2015 subject to the approval of our shareholders, which was subsequently given at the 30<sup>th</sup> Annual General Meeting of Shareholders of the Company held on June 24, 2015, and the effective period of the Former Plan is until the conclusion of this Annual General Meeting of Shareholders.

Before the expiration of the effective period of the Former Plan, subject to the approval of our shareholders at this Annual General Meeting of Shareholders, the Board of Directors determined at its meeting held on May 15, 2018 to partially revise the contents of the Former Plan and introduce a renewed plan (the “Renewal”; and the plan after the Renewal is referred to as the “Plan”) as a measure to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b)(ii) of the Enforcement Regulations of the Companies Act) under a basic policy regarding the persons who control decisions on the Company’s financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the “Basic Policy”)

The Company, therefore, proposes that the shareholders approve the assignment to the Board of Directors of the authority to decide matters regarding gratis allotment of stock acquisition rights in the manner described in 2. ‘Details of Proposal’ below in order to use it for the Plan, in accordance with Article 35, Paragraph 2 of the Company’s Articles of Incorporation.

1. Reasons for Proposal

(1) Basic Policy Regarding Persons Who Control Decision on the Company’s Financial and Business Policies

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, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of the Company. Also, the Company would not reject a large-scale acquisition of the shares in the Company if it would contribute to ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders. Nonetheless, there are some types of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders including (i) those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, (ii) those with the potential to substantially coerce shareholders into selling their shares, (iii) those that do not provide sufficient time or information for the target company’s board of directors and shareholders to consider the details of the large-scale acquisition or for the target company’s board of directors to make an alternative proposal, and (iv) those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

The Company places value on client satisfaction and strives to ensure and enhance its corporate value. We believe the source of corporate value of the Company is found in (i) the comprehensive IT utilization capabilities that the Company has accumulated since its establishment as a pioneer in the outsourcing business of information processing, (ii) personnel who can promptly respond to changes in the environment and combine the latest technology, making use of originality and ingenuity, and (iii) “the stable and long-term relationships of trust with clients” established based on its strength as an independent corporation. Unless the acquirer of a proposed acquisition of the shares in the Company understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common

interests of its shareholders would be harmed. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against an inappropriate large-scale acquisition by such persons.

## (2) Purpose of the Plan

The Plan is renewed in line with the Basic Policy for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

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.

## 2. Details of Proposal

### (1) Plan Outline

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.

## (2) Procedures for Triggering the Plan

### (a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action (including a proposal (Note 1) for such action) (except for such action as the Board of Directors separately determines not to be subject to the Plan; the “Acquisition”) takes place.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*) (Note 2) of a holder (*hoyuusha*) (Note 3) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 4) issued by the Company; or
- (ii) A tender offer (*koukai kaitsuke*) (Note 5) that would result in the party conducting the tender offer’s ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*) (Note 6) and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*) (Note 7) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 8) issued by the Company.

The party intending to make the Acquisition (the “Acquirer”) shall follow the procedures set out in the Plan, and the Acquirer must not effect an Acquisition until and unless the Board of Directors passes a resolution not to implement the gratis allotment of stock acquisition rights (the “Stock Acquisition Rights;” see (4) below, ‘Outline of the Gratis Allotment of Stock Acquisition Rights,’ for an outline thereof) or other measures in accordance with the Plan.

### (b) Submission of Acquirer’s Statement

The Company will request an Acquirer to submit to the Company in the form separately prescribed by the Company a legally binding document which includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by, or affixed with the name and seal of, the representative of the Acquirer and to which no or conditions or reservations are attached) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, “Acquirer’s Statement”) before commencing or effecting the Acquisition. The Acquirer’s Statement must include the name, address or location of headquarters, location of offices, the governing law for establishment, name of the representative, contact information in Japan for the Acquirer and an outline of the intended Acquisition. The Acquirer’s Statement, Acquisition Document set out in (c) below and other reference materials that the Acquirer submits to the Company or the Independent Committee must be written in Japanese.

### (c) Request to the Acquirer for the Provision of Information

The Company will provide an Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days after receiving the Acquirer’s Statement. The Acquirer must provide the Board of Directors with the documents in the form provided by the Company (collectively, “Acquisition Document”), which includes the information described in each item of the list below (“Essential Information”).

If the Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Note 9 and business backgrounds and other matters of members of the Independent Committee at the time of the Renewal are as described in Attachment ‘Profiles of the Members of the Independent Committee’). If the Independent Committee determines that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request that the Acquirer provide additional information. In such case, the Acquirer should provide the additional information within the set time limit.

- (i) Details (including name, capital relationship, financial position, operation results, details of violation of laws or ordinances in the past (if any), and terms of previous transactions by the Acquirer similar to the Acquisition) of the Acquirer and its group (including joint holders (Note 10), persons having a special relationship and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation (Note 11)). (Note 12)
  - (ii) The purpose, method and specific terms of the Acquisition (including the amount and type of consideration, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).
  - (iii) The amount and basis for the calculation of the purchase price of the Acquisition.
  - (iv) Information relating to the details of any agreement between the Acquirer and a third party regarding the shares and other equity securities of the Company and any previous acquisition of shares and other equity securities of the Company by the Acquirer.
  - (v) Financial support for the Acquisition (specifically including the names of providers of funds for the Acquisition (including all indirect providers of funds), financing methods and the terms of any related transactions).
  - (vi) Post-Acquisition management policy, business plan, capital and dividend policies for the Company group.
  - (vii) Post-Acquisition policies for the Company's shareholders (other than the Acquirer), and any other stakeholders such as employees, business partners and customers of the Company group.
  - (viii) Specific measures to avoid any conflict of interest with other shareholders in the Company.
  - (ix) Information regarding any relationship with an anti-social force.
  - (x) Any other information that the Board of Directors or the Independent Committee reasonably considers necessary.
- (d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal
- (i) Request to the Board of Directors for the Provision of Information
 

If the Independent Committee reasonably determines that the Acquirer has submitted the Acquisition Document and any additional information that the Independent Committee requested (including information that the Independent Committee requested additionally; hereinafter the same), the Independent Committee may set a reply period as it deems appropriate and request that the Board of Directors presents an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information, etc., that the Independent Committee considers necessary.
  - (ii) Independent Committee Consideration
 

The Independent Committee should conduct its consideration of the Acquisition terms, collection of information such as the management plans and business plans of the Acquirer and the Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Board of Directors, and the like for 90 days from the receipt of such information if the Independent Committee reasonably determines that the Acquirer has sufficiently submitted the Acquisition Document and any additional information (the period for information collection and consideration by the Independent Committee is hereinafter referred to as the "Independent Committee Consideration Period").

In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and, in turn, the common interests of its shareholders, the Independent

Committee may at the cost of the Company obtain advice from financial advisers, certified public accountants, attorneys, tax accountants, consultants or any other experts.

Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer. If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

The Independent Committee may, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, consideration of an alternative proposal and negotiation with the Acquirer, extend the Independent Committee Consideration Period, in principle up to 30 days.

(e) Recommendation by the Independent Committee

In such cases as the Independent Committee determines that the Acquisition falls under one of the trigger events set out below in (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights, Etc.' (including Quasi Trigger Event set out in (3), collectively "Trigger Event"), the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights or any other reasonable measures that could be taken under the laws and ordinances and the Company's Articles of Incorporation (Note 13) (collectively, the "Gratis Allotment of Stock Acquisition Rights, Etc.") to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or negotiation or discussion and the like with the Acquirer is necessary. In cases such as where it is concerned that an Acquisition may fall under the second Trigger Event ("Trigger Event (2)"), the Independent Committee may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to obtaining approval at the shareholders meeting in advance.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events (A) or (B) below applies, it may make a new recommendation that (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Stock Acquisition Rights) the Company should suspend the gratis allotment of Stock Acquisition Rights, or (ii) (from the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) the Company should acquire the Stock Acquisition Rights for no consideration.

(A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.

(B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the recommendation decision was made.

On the other hand, if the Independent Committee determines there is no Trigger Event regarding the Acquisition, the Independent Committee will not recommend the implementation of the Gratis Allotment of Stock Acquisition Rights, etc., to the Board of Directors.

Notwithstanding the foregoing paragraph, subsequently, if there is a change in the facts or other matters on which the recommendation decision was made and a Trigger Event arises, the Independent Committee may make a new recommendation that the Company should implement the Gratis Allotment of Stock Acquisition Rights, Etc.

In addition to the foregoing paragraph, if the Acquisition may harm the corporate value of the Company and thus common interests of shareholders, the Independent Committee may hold the Annual Shareholders' Meeting on such grounds and confirm the intention of shareholders regarding the Acquisition by the Acquirer.



(f) Resolutions of the Board of Directors

The Board of Directors, in exercising its role under the Companies Act, will make a resolution relating to the implementation or non-implementation of the Gratis Allotment of Stock Acquisition Rights, Etc. respecting to the maximum extent any recommendation of the Independent Committee described above. However, if the Shareholders Meeting for Confirmation of the Intention of Shareholders is convened in accordance with (g) below, the Board of Directors, in exercising its role under the Companies Act, will make a resolution relating to the implementation or non-implementation of the Gratis Allotment of Stock Acquisition Rights, Etc. subject to any resolution at the Shareholders Meeting.

(g) Convocation of the Shareholders Meeting for Confirmation of the Intention of Shareholders

The Board of Directors may convene a meeting of shareholders (the “Shareholders Meeting for Confirmation of the Intention of Shareholders”) and confirm the intent of the Company’s shareholders regarding the implementation of the Gratis Allotment of the Stock Acquisition Rights, Etc., if (i) the Independent Committee recommends implementation of the Gratis Allotment of Stock Acquisition Rights, Etc. subject to confirming the intent of shareholders in advance in accordance with (e)(i) above, or if the Independent Committee recommends that the intention of shareholders regarding the Acquisition by the Acquirer be confirmed. or (ii) the applicability of Trigger Event (2) or any other matter becomes an issue and the Board of Directors determines it appropriate to confirm the shareholders’ intent taking into consideration the time required to convene a shareholders’ meeting or other matters pursuant to the duty of care of a good manager.

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on matters that the Independent Committee or the Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer’s Statement and Acquisition Document have been submitted, the fact the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended), an outline of recommendations made by the Independent Committee and an outline of resolutions by the Board of Directors in accordance with the applicable laws and ordinances or the regulations of the financial instruments exchange.

(3) Requirements for the Gratis Allotment of Stock Acquisition Rights, Etc.

The requirements to implement gratis allotment of Stock Acquisition Rights as the triggering of the Plan are as follows. As described above in (e) of (2), ‘Procedures for Triggering the Plan,’ the Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

- (a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions:
  - (i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company or the Company's affiliates at a high price.
  - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company group's material assets.
  - (iii) Diversion of the Company group's assets to secure or repay debts of the Acquirer or its group company.
  - (iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company group's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear).
- (c) Acquisitions whose terms (including amount and type of consideration, the timeframe, the legality of the Acquisition method, the feasibility of the Acquisition being effected, and post-Acquisition policies dealing with the Company's other shareholders, the Company group's employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.
- (d) Acquisitions that materially threaten to oppose the corporate value of the Company and, in turn, the common interests of shareholders, by destroying relationships with the Company group's employees, customers, business partners and the like, which are indispensable to the generation of the Company's corporate value.

In addition to the above, the Company may take reasonable measures that could be taken under the laws and ordinances and the Company's Articles of Incorporation as the triggering of the Plan if any requirement similar to any of the Trigger Events above is met and it is reasonable to trigger the Plan ("Quasi Trigger Event"). In this case, such decision is always made through the recommendation of the Independent Committee as set out in (e) of (2), 'Procedures for Triggering the Plan' above.

#### (4) Outline of the Gratis Allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights that may be implemented under the Plan is described below.

##### (a) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the same number as the most recent total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors or the general meeting of shareholders relating to the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution").

(b) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company, who are recorded in the Company's final register of shareholders on the Allotment Date (hereinafter referred to as the "Entitled Shareholders"), at a ratio of one Stock Acquisition Right for each share in the Company held.

(c) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") shall, in principle, be one share.

(e) Amount to be Contributed upon Exercise of Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means an amount equivalent to the average closing price (including quotations) for regular transactions of the common stock of the Company on the Tokyo Stock Exchange on each day during the past 90 day period prior to the Gratis Allotment Resolution (excluding the days on which trades are not made), with any fraction less than one yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution.

(g) Conditions for Exercise of Stock Acquisition Rights

Except where any exceptional event (Note 14) occurs, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as "Non-Qualified Parties"):

- (I) Specified Large Holders; (Note 15)
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers; (Note 16)
- (IV) Persons having a Special Relationship with Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Board of Directors; or
- (VI) Any Affiliated Party (Note 17) of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (B) of paragraph (i) below, 'Acquisition of the Stock Acquisition Rights by the Company,' subject to making confirmation that the acquisition does not breach applicable laws or

ordinances). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, may not exercise the Stock Acquisition Rights.

(h) Assignment of Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Board of Directors.

(i) Acquisition of Stock Acquisition Rights by the Company

(A) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Stock Acquisition Rights for no consideration.

(B) On a date separately determined by the Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date determined by the Board of Directors, that are held by parties other than Non-Qualified Parties (if any) and, in exchange, deliver shares in the Company in the number equivalent to the Applicable Number of Shares for each Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a date determined by the Board of Directors that falls after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Stock Acquisition Right. The same will apply thereafter.

(j) Delivery of Stock Acquisition Rights in Case of Merger, Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

(k) Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

(l) Other

In addition, the details of the Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(5) Effective Period and Abolition of the Plan

The effective period of the Plan (the “Effective Period”) will be the period until the conclusion of the General Meeting of Shareholders relating to the last fiscal year ending within three years after the conclusion of this Annual General Meeting of Shareholders.

However, if, before the expiration of the Effective Period, (i) a resolution is passed at the Company’s shareholders meeting to revoke its resolution to assign to the Board of Directors the authority set out in 3.4 above to decide matters relating to the gratis allotment of Stock Acquisition Rights, or (ii) the Board

of Directors passes a resolution to abolish the Plan, the Plan will be abolished in accordance with the resolution.

Further, the Board of Directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of a resolution of this General Meeting of Shareholders such as cases where any law, ordinance, or regulation of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, or cases where such revision or amendment is not detrimental to the Company's shareholders, and subject to the approval of the Independent Committee.

If the Plan is abolished, revised or amended, the Company will promptly disclose the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

#### (6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of May 15, 2018. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the formulation, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

#### (7) Other Matters

Matters regarding the content of the Plan, but that are not specified in this Proposal No. 2 or are not in conflict with this Proposal No. 2, may be decided by the Board of Directors.

(Note 1) "Proposal" includes solicitation of a third party.

(Note 2) Defined in Article 27-23(4) of the Financial Instruments and Exchange Act. The same is applied throughout this Proposal No. 2

(Note 3) Including persons described as a holder under Article 27-23(3) of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors). The same is applied throughout this Proposal No. 2.

(Note 4) Defined in Article 27-23(1) of the Financial Instruments and Exchange Act. This definition is applied throughout this Proposal No. 2, unless otherwise provided for.

(Note 5) Defined in Article 27-2(1) of the Financial Instruments and Exchange Act.

(Note 6) Defined in Article 27-2(6) of the Financial Instruments and Exchange Act. The same is applied throughout this Proposal No. 2.

(Note 7) Defined in Article 27-2(8) of the Financial Instruments and Exchange Act. The same is applied throughout this Proposal No. 2.

(Note 8) Defined in Article 27-2(7) of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Financial Instruments and Exchange Act. The same is applied throughout this Proposal No. 2.

(Note 9) The outline of the rules of the Independent Committee is as follows.

- There will be no less than three members of the Independent Committee, and the Board of Directors shall elect the members from (i) outside directors of the Company and (ii) other

experts, who are independent from the management that executes the business of the Company. However, such experts must be experienced corporate managers, former employees of government agencies, parties with knowledge of the investment banking industry or business areas of the Company, lawyers, certified public accountants, researchers whose research focuses on the Companies Act or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating them to exercise the duty of care of a good manager or similar provision.

- Unless otherwise determined in a resolution by the Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the General Meeting of Shareholders relating to the last fiscal year ending within three years of this Annual General Meeting of Shareholders. However, the term of office of any member of the Independent Committee who is an outside director of the Company will end at the same time they lose the status as an outside director (except in the case of their re-appointment).
- The Independent Committee will make decisions on the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or any other reasonable measures that could be taken under the laws and ordinances and the Company's Articles of Incorporation (collectively, "Gratis Allotment of Stock Acquisition Rights, etc."), the cancellation of the Gratis Allotment of Stock Acquisition Rights, etc., or the gratis acquisition of Stock Acquisition Rights, any other matters which the Board of Directors has consulted the Independent Committee, or which the Independent Committee has decided that they can be performed, or other prescribed matters.
- As a general rule, resolutions of meetings of the Independent Committee will pass with a majority when all the members of the Independent Committee are in attendance (including attendance via video conference or telephone conference; hereinafter the same). However, in unavoidable circumstances a resolution may be passed with a majority of voting rights when a majority of the members of the Independent Committee are in attendance.

(Note 10) Defined in Article 27-23(5) of the Financial Instruments and Exchange Act, including persons regarded as a joint holder under Article 27-23(6) of the Financial Instruments and Exchange Act (including persons who are deemed a joint holder by the Board of Directors). The same is applied throughout this Proposal No. 2.

(Note 11) Defined in Article 9(5) of Order for Enforcement of the Financial Instruments and Exchange Act.

(Note 12) If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.

(Note 13) Specifically, the Company intends to require the Acquirer to cancel an Acquisition subject to the approval at the shareholders meeting, or to take other measures.

(Note 14) "Specified Large Holder" means, in principle, a party who is a holder of share certificates, etc., issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this Proposal No. 2.

(Note 15) "Specified Large Purchaser" means, in principle, a person who makes a public announcement of purchase, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act; the same is applied throughout this Note 16) of share certificates, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act; the same is applied throughout this Note 16) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., owned by such person after such purchase, etc., (including similar ownership as prescribed in Article 7(1) of the Order for Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc., of a person having a special relationship

(including any party who is deemed to fall under the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same is applied throughout this Proposal No. 2.

(Note 16) An "Affiliated Party" of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3(3) of the Enforcement Regulations of the Companies Act) of other corporations or entities.

(Note 17) Specifically, the Company intends to set out that an "exceptional event" means when (x) an Acquirer cancels or revokes an Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so, and (y) the Acquirer's shareholding ratio determined by the Board of Directors (when calculating the shareholding ratio, Non-Qualified Parties other than the Acquirer and its Joint Holders are deemed to be Acquirer's Joint Holders, and Stock Acquisition Rights held by Non-Qualified Parties, the conditions of which have not been satisfied, are excluded) falls below 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Stock Acquisition Rights to the extent that the number of shares to be issued or delivered upon exercise of the Stock Acquisition Rights is up to the number of shares disposed of. Detailed conditions and procedures for exercise of Stock Acquisition Rights by Non-Qualified Parties will be determined separately by the Board of Directors.

**Profiles of the Members of the Independent Committee**

The following three persons are scheduled to be the members of the Independent Committee upon the Renewal.

Name:	Eiji Uda	
Date of birth:	August 3, 1956	
Career summary:	April 1981	Joined IBM Japan, Ltd.
	January 1999	Senior General Manager and Manager of Information Service Industry Business Division of IBM Japan, Ltd.
	January 2001	Representative Director & President of SOFTBANK COMMERCE CORP. (present SoftBank Corp.)
	March 2004	Senior Vice President of salesforce.com, Inc.
	April 2004	Representative Director and President of salesforce.com Co., Ltd.
	April 2012	Executive Vice President of salesforce.com, Inc.
	June 2014	Outside Director of the Company
	March 2016	Chairman and Representative Director of Unified Service Co., Ltd.
	April 2016	President and Representative Director of 4U Lifecare Inc.
	June 2016	Outside Director (Audit and Supervisory Committee Member) of the Company (present post)
	December 2017	President, Chairman and Representative Director of Unified Service Co., Ltd. (present post)
	April 2018	Chairman and Director of 4U Lifecare Inc. (present post)
		To present

Eiji Uda is an Outside Director (who is an Audit and Supervisory Committee Member) of the Company. He is scheduled to be reelected as an Outside Director (who is an Audit and Supervisory Committee Member) of the Company upon approval of the proposal regarding election of Directors at this Annual General Meeting of Shareholders.

He does not have any special interest in the Company. The Company has designated him as an independent executive stipulated by the Tokyo Stock Exchange, and registered them with the exchange as such.



Name: Rehito Hatoyama  
Date of birth: January 12, 1974

Career summary: April 1997 Joined Mitsubishi Corporation  
May 2008 Joined 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 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)  
To present

Rehito Hatoyama is an Outside Director of the Company. He is scheduled to be reappointed as an Outside Director of the Company upon approval of the proposal regarding appointment of Directors at this Annual General Meeting of Shareholders.

He does not have any special interest in the Company. The Company has designated him as an independent executive stipulated by the Tokyo Stock Exchange, and registered them with the exchange as such.

Name: Toru Shimada  
Date of birth: March 3, 1965

Career summary: April 1987 Joined Recruit Co., Ltd.  
June 1989 Founded Intelligence, Ltd. (present PERSOL CAREER CO., LTD.)  
September 1989 Director of Intelligence, Ltd.  
January 2008 Representative Director & President & Owner of Rakuten Baseball, Inc.  
November 2014 Representative Director of Rakuten, Inc.  
June 2016 Outside Director of the Company (present post)  
March 2017 Vice President, Director & COO of U-NEXT Co., Ltd.  
December 2017 Vice President, Director & COO of USEN-NEXT HOLDINGS Co., Ltd. (present post)  
President, Representative Director of USEN NETWORKS, Inc. (present post)  
To present

Toru Shimada is an Outside Director of the Company. He is scheduled to be reelected as an Outside Director of the Company upon approval of the proposal regarding election of Directors at this Annual General Meeting of Shareholders.

He does not have any special interest in the Company. The Company has designated him as an independent executive stipulated by the Tokyo Stock Exchange, and registered them with the exchange as such.

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

The term of office of 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 fifteen 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	Director, Executive Vice President	Reelection		
5	Masakatsu Moriyama	Director, Senior Corporate Executive Officer	Reelection		
6	Shinichi Nagakura	Director, Senior Corporate Executive Officer	Reelection		
7	Masaaki Muta	Director, Senior Corporate Executive Officer	Reelection		
8	Masatoshi Kouno	Director, Corporate Executive Officer	Reelection		
9	Hitoshi Honda	Director, Corporate Executive Officer & CFO	Reelection		
10	Kiyoshi Shiraishi	Director, Corporate Executive Officer & CTO	Reelection		
11	Shunsuke Sato	Director, Corporate Executive Officer & CMO	Reelection		
12	Takeshi Kamiya	Director, Corporate Executive Officer	Reelection		
13	Owen Mahoney	Outside Director	Reelection	Outside	Independent executive
14	Rehito Hatoyama	Outside Director	Reelection	Outside	Independent executive
15	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</p> <p>September 2002   Chairman, Representative Director &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 the sustainable corporate value of the Company and the Group. We have judged that we can expect him to make important business execution decisions at Board of Directors meetings and strengthen the functions to supervise executive departments, making the best use of 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>October 2014      Outside Director, Member of the Board of KADOKAWA DWANGO CORPORATION (present post)</p> <p>(Significant concurrent positions outside the Company) Outside Director, Member of the Board of KADOKAWA DWANGO CORPORATION</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 the sustainable corporate value of the Company and the Group. We have judged that we can expect him to make important business execution decisions at Board of Directors meetings and strengthen the functions to supervise executive departments, making the best use of his abundant experience and excellent knowledge as a manager. Accordingly, we have selected him as a candidate for Director.</p>	25,200 shares (6,980 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)	<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>	5,910,368 shares (24,413 shares)
	Reelection	<p>Reason for selecting him as a Director candidate</p> <p>Since assuming the position of President, Representative Director &amp; COO in 2003, he has shown strong leadership aimed at improving the sustainable corporate value of the Company and the Group. We have judged that we can expect him to make important business execution decisions at Board of Directors meetings and strengthen the functions to supervise executive departments, making the best use of his abundant experience and excellent knowledge as a manager. Accordingly, we have selected him as a candidate for Director.</p>	

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
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>March 2012     Chairman of transcosmos Korea Inc.</p> <p>February 2015   Director of UNQ (Shanghai) Supply Chain Management Co., Ltd. (present post)</p> <p>June 2017      Director, Executive Vice President, Chief of Global Business Sector, in charge of DEC Headquarters and Services Promotion Division of the Company</p> <p>February 2018   Director, Executive Vice President, Chief of Global Business Sector, in charge of DEC Headquarters and Services Promotion Division, Chief of Consulting Department II of Services Promotion Division</p> <p>March 2018     Chairman, Director &amp; CEO of transcosmos Korea Inc. (present post)</p> <p>April 2018      Director, Executive Vice President, Chief of Global Business Sector, in charge of DEC Headquarters and Services Promotion Division of the Company (present post)</p> <p>(Significant concurrent positions outside the Company) Chairman, Director &amp; CEO of transcosmos Korea Inc. Director of UNQ (Shanghai) Supply Chain Management Co., Ltd.</p> <p>Reason for selecting him as a Director candidate Given his abundant experience and excellent knowledge as a manager of the Company and Group companies in Japan and abroad, we have judged that he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth of the Company and the Group. Accordingly, we have selected him as a candidate for Director.</p>	11,600 shares (491 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>June 2017      Director, Senior Corporate Executive Officer, General Manager of Business Development Division (present post)</p> <p>Reason for selecting him as a Director candidate Given his abundant experience and knowledge in the fields of business strategy and development, we have judged that he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth of the Company and the Group. Accordingly, we have selected him as a candidate for Director.</p>	2,000 shares (7,239 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>May 2013      Director of PFSweb, Inc. (present post)</p> <p>June 2017      Director, Senior Corporate Executive Officer and Deputy Chief of Global Business Sector, Manager of Global Business Headquarters, Silicon Valley Branch and President and CEO of transcocosmos America, Inc. of the Company (present post)</p> <p>(Significant concurrent positions outside the Company) Director of PFSweb, Inc.</p> <p>Reason for selecting him as a Director candidate Given his abundant experience and knowledge in the field of overseas business, we have judged that he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth of the Company and the Group. Accordingly, we have selected him as a candidate for Director.</p>	1,000 shares (3,024 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 2015      Senior Executive Managing Director, Chief of Sales Headquarters, and in charge of Services Promotion Division, DEC Headquarters, Account Executive</p> <p>June 2017      Director, Senior Corporate Executive Officer, Chief of Sales Headquarters, and in charge of Services Promotion Division, DEC Headquarters, Account Executive</p> <p>April 2018      Director, Senior Corporate Executive Officer, Chief of Sales Headquarters, Deputy Chief of Global Business Sector, and in charge of Services Promotion Division and DEC Headquarters (present post)</p> <p>Reason for selecting him as a Director candidate Given his abundant experience and knowledge in the fields of sales strategy and business promotion, we have judged that he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth of the Company and the Group. Accordingly, we have selected him as a candidate for Director.</p>	108 shares (2,354 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>June 2017      Director, Corporate Executive Officer, 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 Given his abundant experience and knowledge in the fields of BPO and business promotion, we have judged that he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth of the Company and the Group. Accordingly, we have selected him as a candidate for Director.</p>	4,800 shares (1,186 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>February 2015   Auditor of UNQ (Shanghai) Supply Chain Management Co., Ltd. (present post)</p> <p>June 2017      Director, Corporate Executive Officer &amp; CFO, and Chief of Corporate Management Sector of the Company (present post)</p> <p>(Significant concurrent positions outside the Company) Auditor of UNQ (Shanghai) Supply Chain Management Co., Ltd.</p> <p>Reason for selecting him as a Director candidate With his abundant experience and knowledge in the field of financial strategy, he has promoted the strengthening of the financial structure and the capital policy of the Company and the Group. We have judged that, continuing to serve as the CFO, he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth. Accordingly, we have selected him as a candidate for Director.</p>	– shares (857 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 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 2016      Chairman and Representative Director of J-Stream Inc. (present post)</p> <p>June 2017      Director, Corporate Executive Officer &amp; CTO, Deputy General Manager of Services Promotion Division of the Company (present post)</p> <p>(Significant concurrent positions outside the Company) Chairman and Representative Director of J-Stream Inc.</p> <p>Reason for selecting him as a Director candidate With his abundant experience and knowledge in the technological field, he has promoted technological development in new businesses of the Company and the Group. We have judged that, continuing to serve as the CTO, he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth. Accordingly, we have selected him as a candidate for Director.</p>	– shares (579 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>March 2015      Outside Director of Beagle Inc. (present post)</p> <p>April 2015      Managing Director of SOCIAL GEAR PTE LTD (present post)</p> <p>June 2016      Joined the Company, Director, CMO</p> <p>June 2017      Director, Corporate Executive Officer &amp; CMO and in charge of DEC Headquarters, DEC Innovation</p> <p>April 2018      Director, Corporate Executive Officer &amp; CMO, in charge of Marketing Division and DEC Headquarters (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Outside Director of Beagle Inc.</p>	339,500 shares (– shares)
		Reason for selecting him as a Director candidate With his abundant experience and knowledge in the marketing field, he has promoted the branding/EC businesses of the Company and the Group. We have judged that, continuing to serve as the CMO, he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth. Accordingly, we have selected him as a candidate for Director.	
12	Takeshi Kamiya (August 30, 1973)  Reelection	<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>June 2017      Director, Corporate Executive Officer, General Manager of Corporate Strategy Division, Deputy Chief of DEC Headquarters, General Manager of Global E-Commerce/Direct Sales Promotion Division of DEC Headquarters, and General Manager of Global End-to-End e-commerce/DS Division of DEC Headquarters</p> <p>April 2018      Director, Corporate Executive Officer, General Manager of Corporate Strategy Division, General Manager of Global E-Commerce/DS Promotion Division, in charge of DEC Headquarters, General Manager of Global End-to-End e-commerce/DS Division of DEC Headquarters (present post)</p>	– shares (327 shares)
		Reason for selecting him as a Director candidate Given his abundant experience and knowledge in the fields of management strategy as well as in the consulting industry, we have judged that he can make important business execution decisions at Board of Directors meetings and appropriately supervise businesses of which he is in charge toward the realization of business growth of the Company and the Group. Accordingly, we have selected him as a candidate for 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
13	Owen Mahoney (December 28, 1966)  Reelection Outside Independent  Term of office: three years	<p>September 2009 Representative Director of Outspark Inc.</p> <p>August 2010 CFO of Nexon Co., Ltd.</p> <p>September 2010 Director of Nexon Co., Ltd.</p> <p>March 2014 President &amp; CEO of Nexon Co., Ltd. (present post)</p> <p>June 2015 Outside Director of the Company (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>President &amp; CEO of Nexon Co., Ltd.</p> <p>Reason for selecting him as an Outside Director candidate Based on his abundant experience and wide knowledge in the B-to-C business and the Internet services business in Japan and abroad, he is deemed to be an appropriate person to supervise the Company's management and 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)
14	Rehito Hatoyama (January 12, 1974)  Reelection Outside Independent  Term of office: two years	<p>April 1997 Joined Mitsubishi Corporation</p> <p>May 2008 Joined Sanrio Co., Ltd.</p> <p>April 2013 Managing Director of Sanrio Co., Ltd.</p> <p>June 2013 Outside Director of DeNA Co., Ltd.</p> <p>June 2015 CEO of Sanrio Media &amp; Pictures Entertainment, Inc.</p> <p>March 2016 Outside Director of LINE Corporation (present post)</p> <p>April 2016 Outside Director of Pigeon Corporation (present post)</p> <p>June 2016 Outside Director of the Company (present post)</p> <p>July 2016 Representative Director of Hatoyama Soken Corporation (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Outside Director of LINE Corporation</p> <p>Outside Director of Pigeon Corporation</p> <p>Representative Director of Hatoyama Soken Corporation</p> <p>Reason for selecting him as an Outside Director candidate Based on his abundant experience and wide knowledge in the B-to-C business and the e-commerce business as well as his brilliant insights into social communications, he is deemed to be an appropriate person to supervise the Company's management and 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)

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
15	Toru Shimada (March 3, 1965)  Reelection Outside Independent  Term of office: two years	<p>April 1987      Joined Recruit Co., Ltd.</p> <p>June 1989      Founded Intelligence, Ltd. (present PERSOL CAREER CO., LTD.)</p> <p>September 1989      Director of Intelligence, Ltd.</p> <p>January 2008      Representative Director &amp; President &amp; Owner of Rakuten Baseball, Inc.</p> <p>November 2014      Representative Director of Rakuten, Inc.</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.</p> <p>December 2017      Vice President, Director &amp; COO of USEN-NEXT HOLDINGS Co., Ltd. (present post)</p> <p>President, Representative Director of USEN NETWORKS, Inc. (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Vice President, Director &amp; COO of USEN-NEXT HOLDINGS Co., Ltd.</p> <p>President, Representative Director of USEN NETWORKS, Inc.</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 business and the e-commerce business, he is deemed to be an appropriate person to supervise the Company's management and 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 President and Representative Director of TEAMLAB Business Development Inc., Co-Core Inc. and Machine Learning Solutions Inc., with which the Company has business relationship.  
Shunsuke Sato concurrently holds the position of President and Representative Director of me&stars.inc., with which the Company has business relationship.  
No special interests exist between the Company and other candidates for Directors.
3. The term of office of each candidate for Outside Director as Outside Director is the term of office 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 2017, 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%). Also, there is no business outsourced by the

Company to this company. Accordingly, the Company has determined that his independence is ensured adequately.

In fiscal 2017, USEN-NEXT HOLDINGS 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%). Also, there is no business outsourced by the Company to this company. Accordingly, the Company has determined that his independence is ensured adequately.

7. For the criteria for judging independence of Outside Directors of the Company, please refer to page 38.

8. “DEC,” “AE” and “DS” used in “Career summary, position and areas of responsibility at the Company” of each candidate for Director are abbreviations for “Digital Marketing/EC/Contact Center,” “Account Executive” and “Direct Sales,” respectively.

**Proposal No. 4:** Election of Three Directors who are Audit and Supervisory Committee Members

The term of office of all three 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 three Directors who are Audit and Supervisory Committee Members.

The proposal has been agreed to by the Audit and Supervisory Committee of the Company.

Candidates for Directors who are Audit and Supervisory Committee Members are as follows.

Candidate No.	Name	Position and Rank	Candidate Attribute		
			Reelection	Outside	Independent executive
1	Takeshi Natsuno	Outside Director (Audit and Supervisory Committee Member)	Reelection	Outside	Independent executive
2	Nozomu Yoshida	Outside Director (Audit and Supervisory Committee Member)	Reelection	Outside	Independent executive
3	Eiji Uda	Outside Director (Audit and Supervisory Committee Member)	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	<p>Takeshi Natsumo (March 17, 1965)</p> <p>Reelection Outside Independent executive</p> <p>Term of office: ten years</p>	<p>April 1988      Joined Tokyo Gas Co., Ltd.</p> <p>September 1997      Joined NTT Mobile Communications Network Inc. (present NTT DOCOMO INC.)</p> <p>June 2005      Executive Officer and Manager in charge of Multimedia Services of NTT DOCOMO INC.</p> <p>May 2008      Guest Professor of Keio University, Graduate School of Media and Governance (present post)</p> <p>June 2008      Outside Director of the Company (present post)</p> <p>                    Outside Director of Sega Sammy Holdings Inc. (present post)</p> <p>                    Part-time Director of NTT Resonant Inc. (present post)</p> <p>December 2008      Director of DWANGO Co., Ltd. (present post)</p> <p>June 2009      Outside Director of DLE Inc. (present post)</p> <p>September 2009      Outside Director of GREE, Inc. (present post)</p> <p>December 2010      Outside Director of U-NEXT Co., Ltd. (present USEN-NEXT HOLDINGS Co., Ltd.) (present post)</p> <p>June 2016      Outside Director (Audit and Supervisory Committee Member) of the Company (present post)</p> <p>August 2016      Outside Director of Oracle Corporation Japan (present post)</p> <p>June 2017      Independent Director of Ubicom Holdings Incorporated (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Guest Professor of Keio University, Graduate School of Media and Governance</p> <p>Outside Director of Sega Sammy Holdings Inc.</p> <p>Part-time Director of NTT Resonant Inc.</p> <p>Director of DWANGO Co., Ltd.</p> <p>Outside Director of DLE Inc.</p> <p>Outside Director of GREE, Inc.</p> <p>Outside Director of USEN-NEXT HOLDINGS Co., Ltd.</p> <p>Outside Director of Oracle Corporation Japan</p> <p>Independent Director of Ubicom Holdings Incorporated</p> <hr/> <p>Reason for selecting him as an Outside Director candidate Based on his abundant experience as a manager of companies and a member of the government's advisory boards, etc., as well as having a wide knowledge in media industry and Internet services business, etc., he is deemed to be an appropriate person to supervise the Company's management and 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>	60,000 shares (10,906 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
2	<p>Nozomu Yoshida (December 1, 1956)</p> <p>Reelection Outside Independent executive</p> <p>Term of office: eight years</p>	<p>April 1980      Joined Dentsu Inc.</p> <p>October 2000    Representative Director of nozomu.net (present post)</p> <p>January 2002    Part-time Director of Concent, Inc. (present post)</p> <p>June 2004      Representative Director of takibi, Inc.</p> <p>May 2008      Representative Director of Odayaka Living Co., Ltd. (present post)</p> <p>June 2010      Outside Director of the Company</p> <p>June 2011      Outside Corporate Auditor of Asahi Net, Inc. (present post)</p> <p>June 2016      Outside Director (Audit and Supervisory Committee Member) of the Company (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Representative Director of nozomu.net</p> <p>Part-time Director of Concent, Inc.</p> <p>Representative Director of Odayaka Living Co., Ltd.</p> <p>Outside Corporate Auditor of Asahi Net, Inc.</p> <hr/> <p>Reason for selecting him as an Outside Director candidate Based on his abundant experience as a manager of companies and wide knowledge in advertisement industry and Internet services business, etc., he is deemed to be an appropriate person to supervise the Company's management and 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>	<p>– shares (6,258 shares)</p>

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	Eiji Uda (August 3, 1956)  Reelection Outside Independent executive  Term of office: four years	<p>April 1981      Joined IBM Japan, Ltd.</p> <p>January 1999      Senior General Manager and Manager of Information Service Industry Business Division of IBM Japan, Ltd.</p> <p>January 2001      Representative Director &amp; President of SOFTBANK COMMERCE CORP. (present SoftBank Corp.)</p> <p>March 2004      Senior Vice President of salesforce.com, Inc.</p> <p>April 2004      Representative Director and President of salesforce.com, Co., Ltd.</p> <p>April 2012      Executive Vice President of salesforce.com, Inc.</p> <p>June 2014      Outside Director of the Company</p> <p>March 2016      Chairman and Representative Director of Unified Service Co., Ltd.</p> <p>April 2016      President and Representative Director of 4U Lifecare Inc.</p> <p>June 2016      Outside Director (Audit and Supervisory Committee Member) of the Company (present post)</p> <p>December 2017      President, Chairman and Representative Director of Unified Service Co., Ltd. (present post)</p> <p>April 2018      Chairman and Director of 4U Lifecare Inc. (present post)</p> <p>(Significant concurrent positions outside the Company)</p> <p>President, Chairman and Representative Director of Unified Service Co., Ltd.</p> <p>Chairman and Director of 4U Lifecare Inc.</p> <p>Reason for selecting him as an Outside Director candidate Based on his abundant experience as a manager of companies and wide knowledge in IT industry and Internet services business, etc., he is deemed to be an appropriate person to supervise the Company's management and 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 Outside Directors are equities in the Director’s shareholding society (Fractions smaller than one share are omitted).

2. No special interests exist between the Company and the candidates for Outside Directors.

3. The term of office of each candidate for Outside Director as Outside Director is the term of office at the conclusion of this Annual General Meeting of Shareholders.

4. Liability Limitation Agreement with Outside Directors

The Company has entered into, with Takeshi Natsuno, Nozomu Yoshida and Eiji Uda, 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 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 Takeshi Natsuno, Nozomu Yoshida and Eiji Uda is approved, the Company intends to continue the liability limitation agreement.



5. The Company has registered Takeshi Natsuno, Nozomu Yoshida and Eiji Uda as independent executives stipulated by the Tokyo Stock Exchange. If this proposal is approved and all candidates take the posts of Outside Director, they will continue to be independent executives.
6. In fiscal 2017, DWANGO Co., Ltd., at which Takeshi Natsuno 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%). Also, there is no business outsourced by the Company to this company. Accordingly, the Company has determined that his independence is ensured adequately.
7. For the criteria for judging independence of Outside Directors of the Company, please refer to page 35.



(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.

**BUSINESS REPORT**  
(from April 1, 2017 to March 31, 2018)

**1. Business Overview of the Group**

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

During the fiscal year ended March 31, 2018, Japan's economy was on a moderate recovery trend as corporate profits and the employment and personal income environment continued to improve, while business investment and private consumption showed signs of recovery. On the other hand, the economic outlook was clouded by concerns about an economic downturn associated with rising political and economic uncertainties overseas, such as the policy trend of the U.S. administration and economic trend and geopolitical risks in Asia.

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, expansion of online chats and other methods of digital communication, and the progress of digital technologies such as IoT and AI. Given such a situation, the Group achieved an order increase by actively providing BPO services centered on DEC services that integrate digital marketing, EC and contact center services, as well as back office services and design development. In terms of revenue, although profitability remained on an improving trend, showing reduced impact of investment costs that had preceded the second half of the year and an improved utilization rate for operation centers, there was an increase in selling, general and administrative expenses caused by upfront investment mainly on personnel expenses for future growth.

In the fiscal year under review, we worked to create new services and strengthen its service system and make upfront investments for future growth. As for efforts to create new services, within the DEC services field we have continued to expand the functions and service lineup for the "DEC (R)" Series, which we are focusing on as one of our main services. Specifically, we began providing "DECAdS for Emergency," which handle inquiry and support services through chats when emergency situations such as product recall or information leak occur. In addition, through cooperating the "Contact-Link" cloud-type contact center platform and the "DECode" DMP service, we have achieved unified management of customer conversation logs and marketing data, and strengthened ad delivery services utilizing contact center conversation logs. Furthermore, we have expanded services that link with the LINE messenger application. Specifically, we began offering hybrid telephone and chat support services that utilize "LINE to Call" and "Call to LINE" functions of LINE Customer Connect, customer communication services that link LINE and Salesforce Service Cloud, and marketing support services for LINE that are jointly operated with Dentsu Digital Inc. and Dentsu Digital Drive Inc. In collaboration with Line Corporation, we established the "Social Media Counseling Association" and started projects to support preventive measures for issues such as suicide and bullying through efforts that include creating social media-accessible helplines and providing information. In addition, we established playground Co., Ltd., a subsidiary that specializes in the entertainment industry, providing electronic ticketing and marketing support services, and which has also begun offering new communication services, starting with Quick Ticket, an electronic ticketing system. For Gotcha!mall, a platform that connects consumers to stores and brands, JEANS MATE, Inc., Kasumi Co., Ltd., and Seven & i Holdings Co., Ltd. have decided to introduce the platform and each started providing products on the platform. In addition, in the BPO services field, we have continued to focus on developing and providing Digital BPO (R) service that is a hybrid of latest digital technologies and the operational excellence that we have cultivated since our founding. We will also continue to contribute to improving productivity of client companies by simultaneously speeding up operations and reducing man-hours.

As one effort to reinforce our service system, we have focused mainly on areas such as expanding our offices and strengthening our organizational structure anticipating increase in demand. Specifically, we have established the Changsha Center contact center, which is our eighth base in China. In addition, we have established an ad management team in Sendai dedicated for Amazon, consisting of expert operations staff from the "Amazon Marketing Services" advertisement publishing service and the "Amazon Advertising Platform" provided by Amazon Japan G.K. and its affiliates. Furthermore, as an information security initiative, a Thai subsidiary has acquired ISO/IEC 27001: 2013 certification, which is an international standard for information security management systems (ISMS).

As a result, consolidated operating results for the fiscal year ended March 31, 2018 were as follows. Net

sales were 266,645 million yen, up 10.0% from the previous year. As for profit, operating profit decreased 24.6% from the previous year to 6,092 million yen mainly due to the effects of an increase in selling, general and administrative expenses caused by upfront investments for future growth. Ordinary profit decreased 73.3% to 1,802 million yen as “share of loss of entities accounted for using equity method” increased due to the amortization in full of goodwill of some affiliates. The Group also posted a loss attributable to owners of parent of 2,176 million yen (compared to profit attributable to owners of parent of 7,156 million yen for the previous fiscal year) due to decreases in “gain on sales of subsidiaries and affiliates’ stocks” and “gain on sales of investment securities” as well as the occurrence of non-recurring losses, including an increase in “loss on valuation of investment securities.”

The operating results by segment are as follows.

### **The Company’s services**

As a result of factors such as increased demand for outsourcing services of the Company, net sales were 203,097 million yen, up 4.9% from previous year. Segment profit was 5,834 million yen, down 30.5% from the previous year because of increased selling, general and administrative expenses caused by upfront investment for future growth.

#### **Domestic subsidiaries and affiliates**

In domestic subsidiaries and affiliates, sales were 18,797 million yen, up 0.2% from the previous year because of increased orders at some subsidiaries. However, segment profits were 256 million yen, down 43.9% from the previous year due to an increase in start-up costs for new businesses.

#### **Overseas subsidiaries and affiliates**

In overseas subsidiaries and affiliates, sales were 52,720 million yen, up 44.8% from the previous year, because orders received for services in China and Korea were favorable. Segment loss was 24 million yen (compared to segment loss of 764 million yen for the previous year), which was a significant improvement due to improved profitability of Chinese and Korean subsidiaries, despite the negative impact of business restructuring at some European subsidiaries and the inclusion of newly established subsidiaries in the consolidation scope.

Segment profits or losses are calculated based on operating profit 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.” The Company regards these changes in the environment as further opportunities for business growth. The Company has stated in the corporate message that it strives to become a Global Digital Transformation Partner, i.e., a provider of new services that tap into digital technology to support client companies’ transformation, and formulated a new medium-term management plan for the three years from fiscal 2017. Specifically, the Group is implementing various measures from the following three perspectives:

#### 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, South America 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**

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

### **(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 2015 (30 <sup>th</sup> Fiscal Term)	FY 2016 (31 <sup>st</sup> Fiscal Term)	FY 2017 (32 <sup>nd</sup> Fiscal Term)	FY 2018 (33 <sup>rd</sup> Fiscal Term)
Net sales (millions of yen)	199,178	224,605	242,314	266,645
Ordinary income (millions of yen)	9,603	8,870	6,742	1,802
Profit (loss) attributable to owners of parent (millions of yen)	7,349	7,587	7,156	(2,176)
Profit (loss) per share (yen)	178.65	184.45	172.92	(52.47)
Total assets (millions of yen)	101,551	140,674	143,802	129,506
Net assets (millions of yen)	67,396	83,981	85,188	71,199
Net assets per share (yen)	1,580.91	1,967.29	1,969.70	1,630.39

Note: Profit (loss) 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
transcosmos CC China	RMB153 million	100.00%	DEC Services in China

**(11) Principal Business of the Group (As of March 31, 2018)**

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, 2018)**

Office	Location
Main Office:	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, Aomori, Sendai, Utsunomiya, Kawaguchi, Kitakashiwa, Tokyo, Yokohama, Nagoya, Osaka, Kobe, Wakayama, Fukuoka, Nagasaki, Kumamoto, Oita, Miyazaki, Okinawa
Overseas Offices:	China, South Korea, Taiwan, Indonesia, Thailand, Vietnam, Philippines, Malaysia, Singapore, India, UAE, South Africa, Hungary, U.K., Sweden, Norway, Estonia, Denmark, Finland, Ukraine, Germany, Bulgaria, Belgium, Poland, Romania, Canada, U.S.A., Argentina, Chile, Colombia, Brazil, Mexico

Note: Offices of the Group companies are included in the above.

**(13) Employees (As of March 31, 2018)**

## 1) Employees of the Group

Segment	Number of employees	Number of temporary employees
The Company's services	10,609	22,573
Domestic subsidiaries and affiliates	1,093	965
Overseas subsidiaries and affiliates	13,173	1,882
Total	24,875	25,420

## 2) Employees of the Company

Number of employees	Year-on-year change	Average age	Average length of service
10,609 (22,573)	+ 1,084 (+ 1,340)	36 years, 2 months	8 years, 10 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:
  - The Company's services ..... Number of employees up by 1,084, Number of temporary employees up by 1,340
  - Domestic subsidiaries and affiliates ..... Number of employees down by 115, Number of temporary employees down by 112
  - Overseas subsidiaries and affiliates ..... Number of employees up by 5,299, Number of temporary employees down by 2,536

This is mainly because due to hiring of new graduates by "The Company's services" and an increase in seconded employees from "Domestic subsidiaries and affiliates" to the Company, resulting in movements between segments. In addition, in "Overseas subsidiaries and affiliates," the change is due to the inclusion of employees of newly consolidated subsidiaries and the reclassification of employees under labor contracts for an indefinite period, from temporary employees to employees, starting from the fiscal year ended March 31, 2018.

**(14) Major Creditors (As of March 31, 2018)**

Creditor	Outstanding loans
Sumitomo Mitsui Banking Corporation	1,500 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present MUFG Bank, Ltd.)	1,334 million yen
Mizuho Bank Ltd.	672 million yen



## 2. Matters Concerning Shares of the Company (As of March 31, 2018)

- (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: 12,727  
(of which 10,231 shareholders hold unit shares)
- (4) Top ten major shareholders

Name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Masataka Okuda	5,910	14.3
Koki Okuda	5,498	13.3
GOLDMAN, SACHS & CO. REG	3,916	9.4
transcosmos foundation, Public Interest Incorporated Foundation	3,753	9.0
Japan Trustee Services Bank, Ltd. (Account in Trust)	2,704	6.5
Mihoko Hirai	1,463	3.5
Government of Norway	985	2.4
Master Trust Bank of Japan, Ltd. (Account in Trust)	732	1.8
HM Kosan, Ltd.	722	1.7
Employee Shareholding Association of transcosmos inc.	628	1.5

Notes:

1. Although the Company holds 7,318 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, 2018)

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, 2018)

##### (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
Director, Executive Vice President	Koichi Iwami	Chief of Global Business Sector, in charge of DEC Headquarters and Services Promotion Division, Chief of Consulting Department II of Services Promotion Division Chairman, Director & CEO of transcosmos Korea Inc. Director of UNQ (Shanghai) Supply Chain Management Co., Ltd.
Director, Senior Corporate Executive Officer	Masakatsu Moriyama	General Manager of Business Development Division
Director, Senior Corporate Executive Officer	Shinichi Nagakura	Deputy Chief of Global Business Sector, Manager of Global Business Headquarters, Silicon Valley Branch and President and CEO of transcosmos America, Inc. Director of PFSweb, Inc.
Director, Senior Corporate Executive Officer	Masaaki Muta	Chief of Sales Headquarters, and in charge of Services Promotion Division, DEC Headquarters, Account Executive
Director, Corporate Executive Officer	Masatoshi Kouno	Chief of Business Process Outsourcing Services Headquarters and General Manager of Service Promotion Division
Director, Corporate Executive Officer & CFO	Hitoshi Honda	Chief of Corporate Management Sector Auditor of UNQ (Shanghai) Supply Chain Management Co., Ltd.
Director, Corporate Executive Officer & CTO	Kiyoshi Shiraishi	Deputy General Manager of Services Promotion Division Chairman and Representative Director of J-Stream Inc.
Director, Corporate Executive Officer & CMO	Shunsuke Sato	DEC Innovation Manager of DEC Headquarters and General Manager of Innovation Promotion Division of DEC Headquarters Outside Director of Beagle Inc.
Director, Corporate Executive Officer	Takeshi Kamiya	General Manager of Corporate Strategy Division, Deputy Chief of DEC Headquarters, General Manager of Global E-Commerce/Direct Sales Promotion Division of DEC Headquarters, and General Manager of Global End-to-End e-commerce/DS Division of DEC Headquarters
Director	Ralph Wunsch	In charge of global EC strategy

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 Director of DWANGO Co., Ltd. Outside Director of Sega Sammy Holdings Inc. Part-time Director of NTT Resonant Inc. Outside Director of DLE Inc. Outside Director of GREE, Inc. Outside Director of USEN-NEXT HOLDINGS Co., Ltd. Outside Director of Oracle Corporation Japan Independent Director of Ubicom Holdings Incorporated
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 Corporate Auditor of Asahi Net, Inc.
Outside Director (Audit and Supervisory Committee Member)	Eiji Uda	President, Chairman and Representative Director of Unified Service Co., Ltd. President and Representative Director of 4U Lifecare Inc.
Outside Director	Owen Mahoney	President & CEO 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	Vice President, Director & COO of USEN-NEXT HOLDINGS Co., Ltd. President, Representative Director of USEN NETWORKS, Inc.

Notes:

- Changes to Director during the fiscal year are as follows:
 

Director Hiroyuki Mukai	Retired due to the expiration of his term of office at the conclusion of the 32 <sup>nd</sup> Annual General Meeting of Shareholders held on June 20, 2017
Director Takeshi Kamiya	Elected at the 32 <sup>nd</sup> Annual General Meeting of Shareholders held on June 20, 2017, and took office
- 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.
- 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.
- Liability Limitation Agreement  
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 damages under such agreement is 1 million yen or the amount provided for in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

6. “DEC,” “AE” and “DS” used in “Assignment or principal responsibilities and significant concurrent positions” of each Director are abbreviations for “Digital Marketing/EC/Contact Center,” “Account Executive” and “Direct Sales,” respectively.

## (2) Outside Corporate Officers

Significant concurrent positions outside the Company and relationship with these companies

Category	Name	Companies with which concurrent positions are held	Concurrent position	Relationship between the Company and these companies
Director (Audit and Supervisory Committee Member)	Takeshi Natsuno	Graduate School of Keio University DWANGO Co., Ltd. NTT Resonant Inc. Sega Sammy Holdings Inc. DLE Inc. GREE, Inc. USEN-NEXT HOLDINGS Co., Ltd. Oracle Corporation Japan Ubicom Holdings, Inc.	Guest Professor Director Part-time Director Outside Director Outside Director Outside Director Outside Director Outside Director Outside Director	The Company has a business relationship with Graduate School of Keio University, DWANGO Co., Ltd., NTT Resonant Inc., GREE, Inc., USEN-NEXT HOLDINGS Co., Ltd., and Oracle Corporation Japan. There is no special relationship between the other companies and the Company.
	Nozomu Yoshida	nozomu.net Odayaka Living Co., Ltd. Concent, Inc. Asahi Net, Inc.	Representative Director Representative Director Part-time Director Outside Corporate Auditor	The Company has a business relationship with Asahi Net, Inc. There is no special relationship between the other companies and the Company.
	Eiji Uda	Unified Service Co., Ltd. 4U Lifecare Inc.	Representative Director Representative Director	There is no special relationship between Unified Service Co., Ltd. and 4U Lifecare Inc. and the Company.
Director	Owen Mahoney	Nexon Co., Ltd.	Representative Director	The Company has a business relationship with Nexon Co., Ltd.
	Rehito Hatoyama	Hatoyama Soken Corporation LINE Corporation Pigeon Corporation	Representative Director Outside Director Outside Director	The Company has a business relationship with LINE Corporation. There is no special relationship between the other companies and the Company.
	Toru Shimada	USEN-NEXT HOLDINGS Co., Ltd. USEN NETWORKS, Inc.	Director Representative Director	The Company has a business relationship with USEN-NEXT HOLDINGS Co., Ltd. There is no special relationship between USEN NETWORKS, Inc. and the Company.

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

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

#### Attendance at Board of Directors' Meetings

Outside Directors (who are Audit and Supervisory Committee Members)		Outside Director	
Takeshi Natsuno	Number of meetings attended 13/13	Owen Mahoney	Number of meetings attended 12/13
Nozomu Yoshida	Number of meetings attended 13/13	Rehito Hatoyama	Number of meetings attended 13/13
Eiji Uda	Number of meetings attended 13/13	Toru Shimada	Number of meetings attended 13/13

Note: In addition to the above number of meetings of the 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.

#### Attendance at Audit and Supervisory Committee meetings

Outside Directors (who are Audit and Supervisory Committee Members)	
Takeshi Natsuno	Number of meetings attended 10/12
Nozomu Yoshida	Number of meetings attended 12/12
Eiji Uda	Number of meetings attended 12/12

#### Comments at Board of Directors' Meetings

At Board of Directors' Meetings, each Outside Director asked questions and given opinions on matters to be resolved such as important investments and matters to be reported such as the status of business execution, from an objective and fair perspective based on wide knowledge and experience.

#### Comments at Audit and Supervisory Committee Meetings

At Audit and Supervisory Committee Meetings, each Outside Director (Audit and Supervisory Committee Member) asked questions and made statements on business operation and management status of the Company and Group companies, as necessary, to audit the execution of duties by Directors and employees.

### (4) Remuneration paid to Directors

Category	Number of Persons paid	Amount paid
Directors (excluding Directors who are Audit and Supervisory Committee Members) (Outside Directors who are among the above)	17 (3)	¥438 million (¥51 million)
Directors (who are Audit and Supervisory Committee Members) (Outside Directors who are among the above)	3 (3)	¥48 million (¥48 million)
Total (Outside Directors who are among the above)	20 (6)	¥486 million (¥99 million)

Notes:

1. 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)

2. 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. Status of the Accounting Auditor**

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

PricewaterhouseCoopers Aarata LLC

**(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)	98 million yen
Total amount of money and other profits from properties to be paid by the Company and its subsidiaries to the Accounting Auditor	143 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, transcosmos Korea Inc. and transcosmos CC China 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**

The Company pays accounting auditor’s compensation for the service relating to financial investigation procedures for affiliates of the Company, other than the service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Act.

**(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' risk 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, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of the Company. Also, the Company would not reject a large-scale acquisition of the shares in the Company if it would contribute to ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some types of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders including (i) those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, (ii) those with the potential to substantially coerce shareholders into selling their shares, (iii) those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition or for the target company's board of directors to make an alternative proposal, and (iv) those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

The Company places value on client satisfaction and strives to ensure and enhance its corporate value. We believe the source of corporate value of the Company is found in (i) the comprehensive IT utilization capabilities that the Company has accumulated since its establishment as a pioneer in the outsourcing business of information processing, (ii) personnel who can promptly respond to changes in the environment and combine the latest technology, making use of originality and ingenuity, and (iii) "the stable and long-term relationships of trust with clients" established based on its strength as an independent corporation. Unless the acquirer of a proposed acquisition of the shares in the Company understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against an inappropriate large-scale acquisition by such persons.

#### 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." The Company regards these changes in the environment as further opportunities for business growth. The Company has stated in the corporate message that it strives to become a Global Digital Transformation Partner, i.e., a provider of new services that tap into digital technology to support client companies' transformation, and formulated a new medium-term management plan for the three years from fiscal 2017 and is implementing various measures.

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

To strengthen its corporate governance

For the purpose of increasing corporate value by further strengthening corporate governance through the enhancement of the supervisory function of the Board of Directors, the Company made transition to a “Company with an Audit and Supervisory Committee” in June 2016 upon approval of our shareholders. Currently, six out of 19 Directors are appointed as independent Outside Directors, further strengthening the monitoring function on management.

In terms of the operations of Board of Directors’ Meetings, each Director, who is a member of the Board, gives his/her opinions at his/her discretion and there are active discussions. In addition, from an objective, neutral perspective independent of management, Outside Directors provide advice to ensure sound, rational decision-making by the Board of Directors. The Company has also introduced an executive officer system, under which the “decision-making and oversight functions” of the Board of Directors is separated from “executive functions.” As such, the Board of Directors performs “decision-making and oversight functions” while Executive Officers perform “executive functions.” This structure has enabled the Company to accelerate of decision-making and to respond flexibly to changes in the business environment that are characteristic of the industry in which the Company operates, and to implement detailed business execution. The Audit and Supervisory Committee consists of three Outside Directors. Audit and Supervisory Committee Members attend important meetings such as the Board of Directors’ Meetings and monitor the appropriateness of the design and operation of the internal control system through the internal control departments, and thereby conduct audits on the Company and its subsidiaries in and outside Japan, auditing the execution of duties by Directors. The Audit and Supervisory Committee also supervises the process for nominating for Directors who are not Audit and Supervisory Committee Members and determining their remunerations.

(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.

As a renewal of the efforts mentioned above, the Company will submit a proposal for the "Renewal of Countermeasures to Large-Scale Acquisition of Shares in the Company (Takeover Defense Measures)" to the 33<sup>rd</sup> Annual General Meeting of Shareholders to be held on June 21, 2018. For the details of the proposal, please refer to the Reference Documents for the Annual General Meeting of Shareholders attached to this Notice.

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

**Consolidated Balance Sheet**  
(As of March 31, 2018)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>84,733</b>	<b>Current liabilities</b>	<b>45,203</b>
Cash and deposits	31,937	Accounts payable—trade	11,474
Notes and accounts receivable—trade	42,238	Short-term loans payable	1,286
Merchandise and finished goods	2,595	Current portion of bonds	7
Work and software in progress	914	Current portion of long-term loans payable	1,737
Supplies	42	Accounts payable	5,202
Deferred tax assets	1,744	Accrued expenses	13,404
Other	5,566	Income taxes payable	2,352
Allowance for doubtful accounts	(304)	Accrued consumption tax	3,759
<b>Fixed assets</b>	<b>44,772</b>	Advances received	1,197
<b>Tangible fixed assets</b>	<b>10,276</b>	Accrued bonuses for employees	3,639
Buildings and structures	4,738	Other	1,140
Vehicles and transportation equipment	37	<b>Fixed liabilities</b>	<b>13,103</b>
Tools, furniture and fixtures	4,035	Bonds payable	32
Land	840	Convertible bond-type bonds with subscription rights to shares	10,027
Lease assets	566	Long-term loans payable	1,796
Construction in progress	58	Deferred tax liabilities	549
<b>Intangible fixed assets</b>	<b>6,238</b>	Net defined benefit liability	26
Goodwill	3,570	Long-term security deposits received	29
Software	2,215	Other	643
Lease assets	16	<b>Total liabilities</b>	<b>58,307</b>
Software in progress	104		
Other	332	<b>Net Assets</b>	
<b>Investments and other assets</b>	<b>28,257</b>	<b>Shareholders' equity</b>	<b>65,477</b>
Investment in securities	4,654	<b>Common stock</b>	<b>29,065</b>
Investment in stocks of unconsolidated subsidiaries and affiliates	9,482	<b>Capital surplus</b>	<b>18,263</b>
Investment in unconsolidated subsidiaries and affiliates	6,664	<b>Retained earnings</b>	<b>33,381</b>
Long-term loans receivable	388	<b>Treasury stock</b>	<b>(15,234)</b>
Deferred tax assets	80	<b>Accumulated other comprehensive income</b>	<b>2,144</b>
Security deposits	6,604	<b>Valuation difference on available-for-sale   securities</b>	<b>1,265</b>
Other	880	<b>Foreign currency translation adjustment</b>	<b>878</b>
Allowance for doubtful accounts	(499)	<b>Subscription rights to shares</b>	<b>3</b>
		<b>Non-controlling interests</b>	<b>3,574</b>
		<b>Total net assets</b>	<b>71,199</b>
<b>Total assets</b>	<b>129,506</b>	<b>Total liabilities and net assets</b>	<b>129,506</b>

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

## Consolidated Statement of Income

(from April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>266,645</b>
<b>Cost of sales</b>		<b>219,377</b>
<b>Gross Profit</b>		<b>47,267</b>
<b>Selling, general and administrative expenses</b>		<b>41,175</b>
<b>Operating profit</b>		<b>6,092</b>
<b>Non-operating income:</b>		
Interest income	69	
Dividend income	31	
Gain on investments in partnership	49	
Employment development subsidy	134	
Other	152	437
<b>Non-operating expenses:</b>		
Interest expenses	39	
Share of loss of entities accounted for using equity method	4,448	
Other	238	4,727
<b>Ordinary profit</b>		<b>1,802</b>
<b>Extraordinary gains:</b>		
Gain on sales of investment securities	328	
Gain on sales of subsidiaries and affiliates' stocks	1,009	
Gain on change in equity	153	
Other	71	1,563
<b>Extraordinary losses:</b>		
Impairment loss	213	
Loss on valuation of investment securities	1,216	
Loss on valuation of stocks of subsidiaries and affiliates	623	
Loss on change in equity	241	
Other	26	2,321
<b>Profit before income taxes</b>		<b>1,044</b>
Income taxes—current	2,845	
Income taxes—deferred	207	3,052
Loss		2,008
Profit attributable to non-controlling interests		168
<b>Loss attributable to owners of parent</b>		<b>2,176</b>

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



## Consolidated Statement of Changes in Equity

(from April 1, 2017 to March 31, 2018)

(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	18,908	37,737	(15,232)	70,478
Change during the fiscal year					
Dividend of surplus			(2,156)		(2,156)
Loss attributable to owners of parent			(2,176)		(2,176)
Acquisition of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Change of scope of consolidation			158		158
Purchase of shares of consolidated subsidiaries		(644)			(644)
Change of scope of equity method			(180)		(180)
Net change in items other than shareholders' equity during the fiscal year					-
Total change during the fiscal year	-	(644)	(4,355)	(1)	(5,001)
Balance at the end of the fiscal year	29,065	18,263	33,381	(15,234)	65,477

(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	6,509	5,193	(485)	11,217	3	3,489	85,188
Change during the fiscal year							
Dividend of surplus				-			(2,156)
Income before income taxes and minority interests				-			(2,176)
Acquisition of treasury stock				-			(1)
Disposal of treasury stock							0
Change of scope of consolidation							158
Purchase of shares of consolidated subsidiaries				-			(644)
Change of scope of equity method				-			(180)
Net change in items other than shareholders' equity during the fiscal year	(5,243)	(5,193)	1,364	(9,072)	-	84	(8,987)
Total change during the fiscal year	(5,243)	(5,193)	1,364	(9,072)	-	84	(13,989)
Balance at the end of the fiscal year	1,265	-	878	2,144	3	3,574	71,199

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: 70

The names of principal consolidated subsidiaries

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

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

(Newly included)

- transcosmos online communications inc. (Because of greater materiality)
- transcosmos Design Development (Dalian) Co., Ltd. (Because of greater materiality)
- transcosmos Information System (Benxi) Co., Ltd. (Because of greater materiality)
- Daqing transcosmos design development Co., Ltd. (Because of greater materiality)
- TRANSCOSMOS (MALAYSIA) SDN.BHD. (Because of greater materiality)
- transcosmos Technologic Arts Co., Ltd. (Because of greater materiality)
- InnoQos Corporation (Newly acquired)
- transcosmos Poland sp. z.o.o. (Established April 2017)
- Ookbee Mall Asia Holdings Pte. Ltd. (Because of greater materiality)
- Ookbee Mall (Thailand) Co., Ltd. (Because of greater materiality)
- transcosmos Taiwan Inc. (Because of greater materiality)
- playground Co., Ltd. (Because of greater materiality)

(Excluded)

- Up Arrows Inc. (Liquidated June 29, 2017)

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

Shanghai Oe Culture Communication 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: 14

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)

- Vaimo AB (Because of greater materiality)
- Anchanto Pte. Ltd. (Because of greater materiality)

(Excluded)

- Shanghai Hao Network Supply Chain Management Co., Ltd. (Sold off all holdings)

- (2) Unconsolidated subsidiaries to which the equity method is not applied (Shanghai Oe Culture Communication 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 Design Development (Dalian) Co., Ltd.
- transcosmos Information System (Benxi) Co., Ltd.
- Daqing transcosmos design development Co., Ltd.
- transcosmos business service outsourcing Suzhou Co., Ltd.
- Suzhou transcosmos Information Creative Co., Ltd
- Beijing transcosmos Interactive Services Co., Ltd
- Transcosmos Investment Consulting (Beijing) Co., Ltd.
- Shanghai transcosmos Interactive Services Co., Ltd.
- transcosmos CC China
- Hottech digital technology (Tianjin) Co., Ltd.
- Jinan transcosmos Information Creative Co., Ltd.
- transcosmos Taiwan Inc.
- Transcosmos Digital Marketing Cayman Co., Ltd.
- Shine Harbour Ltd.
- Transcosmos Information Creative Holdings
- TRANSCOSMOS (MALAYSIA) SDN. BHD.
- transcosmos Asia Pacific Pte. Ltd.
- SOCIAL GEAR PTE LTD
- Ookbee Mall Asia Holdings Pte. Ltd.
- Ookbee Mall (Thailand) Co., 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 Technologic Arts Co., Ltd.
- TRANSCOSMOS (UK) LIMITED
- Transcosmos Information Systems Group Limited
- Transcosmos Information Systems Limited
- Transcosmos Information Systems Inc (Philippines)
- Transcosmos Information Systems Inc. (U.S.) (former Merlin IT Support Inc.)
- TRANSCOSMOS INFORMATION SYSTEMS SRL
- transcosmos Information Systems Kft (former Merlin-IT Hungary Information Technology Support Services Kft)
- transcosmos Poland sp. z.o.o.
- Merlin Services Informatiques SARL
- 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 in process ..... 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 is calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.

Accrued bonuses for employees ..... Accrued bonuses for employees of the Company and consolidated subsidiaries is calculated based on the estimates of bonus obligations for 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. Change in presentation

(Consolidated statement of income-related)

“Foreign exchange losses” (1 million yen in the current fiscal year), which was presented separately in Non-operating expenses in the previous fiscal year, is included in “Other” in Non-operating expenses in the current fiscal year because it has decreased in significance in terms of amount.

“Gain on change in equity” (157 million yen in the previous fiscal year), which was included in “Other” in Extraordinary gains in the previous fiscal year, is presented separately in Extraordinary gains in the current fiscal year because it has increased in significance in terms of amount.

“Loss on valuation of investment securities” (29 million yen in the previous fiscal year), which was included in “Other” in Extraordinary losses in the previous fiscal year, is presented separately in Extraordinary losses in the current fiscal year because it has increased in significance in terms of amount.



## Notes to the Consolidated Balance Sheet

Accumulated depreciation of tangible fixed assets 18,208 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)	7,317,754	683	73	7,318,364

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit: 683 shares

Details of the number of shares decreased are as follows.

Decrease due to sales of shares less than one unit 73 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 20, 2017	Common stock	2,156	52	March 31, 2017	June 21, 2017

#### (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 21, 2018	Common stock	Retained earnings	953	23	March 31, 2018	June 22, 2018

## 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, 2018 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	31,937	31,937	-
(2) Notes and accounts receivable- trade	42,238	42,238	-
(3) Securities and investment in securities			
Other available-for-sale securities	2,481	2,481	-
(4) Investment in stocks of unconsolidated subsidiaries and affiliates	3,685	28,585	24,900
(5) Accounts payable-trade	(11,474)	(11,474)	-
(6) Short-term loans	(1,286)	(1,289)	(3)
(7) Accrued expenses	(13,404)	(13,404)	-
(8) Bonds payable	(39)	(39)	(0)
(9) Convertible bond-type bonds with subscription rights to shares	(10,027)	(10,100)	(72)
(10) Long-term loans	(3,534)	(3,542)	(8)

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

Note 1: Measurement of fair value of financial instruments and matters related to securities

(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.

Note 2: Unlisted equity securities (Consolidated balance sheet amount: 14,635 million yen) are not included in the above “(3) Securities and investment securities, Other available-for-sale securities” and “(4) Investment in stocks of unconsolidated subsidiaries and affiliates” 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 concerning per share data**

1. Net assets per share	1,630.39 yen
2. Loss per share	52.47 yen

**Notes concerning significant subsequent events**

Not applicable.

## Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>53,532</b>	<b>Current liabilities</b>	<b>32,120</b>
Cash and deposits	15,727	Accounts payable—trade	9,728
Notes receivable	35	Current portion of bonds	1,666
Accounts receivable—trade	32,080	Accounts payable—other	2,988
Merchandise	508	Accrued expenses	8,489
Work and software in progress	262	Income taxes payable	1,842
Supplies	13	Accrued consumption tax	2,987
Advances	305	Advances received	753
Prepaid expenses	1,429	Deposits received	350
Accounts receivable—other	245	Accrued bonuses for employees	3,148
Deferred tax assets	1,433	Other	165
Other	1,601	<b>Fixed liabilities</b>	<b>12,574</b>
Allowance for doubtful accounts	(111)	Convertible bond-type bonds with subscription rights to shares	10,027
<b>Fixed assets</b>	<b>52,936</b>	Long-term loans payable	1,668
<b>Tangible fixed assets</b>	<b>5,853</b>	Provision for loss on guarantees	319
Buildings	2,933	Deferred tax liabilities	219
Tools, furniture and fixtures	1,895	Other	339
Land	707		
Other	317		
<b>Intangible fixed assets</b>	<b>1,167</b>	<b>Total liabilities</b>	<b>44,694</b>
Software	1,040		
Telephone rights	95	<b>Net Assets</b>	
Other	31	<b>Shareholders' equity</b>	<b>60,738</b>
<b>Investments and other assets</b>	<b>45,915</b>	<b>Common stock</b>	<b>29,065</b>
Investment in securities	4,021	<b>Capital surplus</b>	<b>20,803</b>
Investment in stocks of subsidiaries and affiliates	27,908	Other capital surplus	20,803
Investment in subsidiaries and affiliates	6,315	<b>Retained earnings</b>	<b>26,103</b>
Long-term loans receivable from subsidiaries and affiliates	4,973	Legal retained earnings	1,669
Security deposits	3,926	Other retained earnings	24,433
Other	418	Unappropriated retained earnings	24,433
Allowance for doubtful accounts	(1,648)	<b>Treasury stock</b>	<b>(15,234)</b>
		<b>Valuation and translation adjustments</b>	<b>1,036</b>
		<b>Net unrealized gain (loss) on securities</b>	<b>1,036</b>
<b>Total assets</b>	<b>106,469</b>	<b>Total net assets</b>	<b>61,774</b>
		<b>Total liabilities and net assets</b>	<b>106,469</b>

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

## Non-Consolidated Statement of Income

(from April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount	
<b>Net sales</b>		<b>203,097</b>
<b>Cost of sales</b>		<b>167,422</b>
<b>Gross Profit</b>		<b>35,675</b>
<b>Selling, general and administrative expenses</b>		<b>29,840</b>
<b>Operating profit</b>		<b>5,834</b>
<b>Non-operating income:</b>		
Interest income	140	
Dividend income	764	
Foreign exchange gains	135	
Other	193	1,234
<b>Non-operating expenses:</b>		
Interest expenses	9	
Provision of allowance for doubtful accounts	527	
Provision for loss on guarantees	82	
Other	192	811
<b>Ordinary profit</b>		<b>6,257</b>
<b>Extraordinary gains:</b>		
Gain on sales of investment securities	280	
Gain on sales of subsidiaries and affiliates' stocks	138	
Company establishment subsidies, etc.	68	488
<b>Extraordinary losses:</b>		
Loss on valuation of investment securities	1,176	
Loss on valuation of stocks of subsidiaries and affiliates	5,300	
Other	8	6,485
<b>Profit before income taxes</b>		<b>260</b>
Income taxes—current	2,131	
Income taxes—deferred	60	2,191
<b>Loss</b>		<b>1,931</b>

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

## Non-Consolidated Statement of Changes in Equity

(from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus		Legal retained earnings	Retained earnings	
		Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings
Balance at the beginning of the fiscal year	29,065	20,803	20,803	1,453	28,737	30,190
Change during the fiscal year						
Dividend of surplus			–	215	(2,372)	(2,156)
Loss			–		(1,931)	(1,931)
Acquisition of treasury stock			–			–
Disposal of treasury stock		0	0			–
Net change in items other than shareholders' equity during the fiscal year			–			–
Total change during the fiscal year	–	0	0	215	(4,303)	(4,087)
Balance at the end of the fiscal year	29,065	20,803	20,803	1,669	24,433	26,103

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on securities	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	(15,232)	64,827	384	384	65,212
Change during the fiscal year					
Dividend of surplus		(2,156)		–	(2,156)
Loss		(1,931)		–	(1,931)
Acquisition of treasury stock	(1)	(1)		–	(1)
Disposal of treasury stock	0	0		–	0
Net change in items other than shareholders' equity during the fiscal year		–	651	651	651
Total change during the fiscal year	(1)	(4,089)	651	651	(3,437)
Balance at the end of the fiscal year	(15,234)	60,738	1,036	1,036	61,774

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 in process ..... Specific cost method

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

#### 3. Depreciation methods for fixed assets

Tangible fixed assets

(excluding lease assets) ..... Buildings

a. Buildings acquired on or before March 31, 1998

Depreciated using the old declining-balance method.

b. Buildings acquired between April 1, 1998 and March 31, 2007

Depreciated using the old straight-line method.

c. Buildings acquired on or after April 1, 2007

Depreciated using the straight-line method.

Facilities attached to buildings and 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.

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.

## 7. Change in presentation

(Non-consolidated statement of income-related)

“Company establishment subsidies, etc.” (136 million yen in the previous fiscal year), which was included in “Other” in Extraordinary gains in the previous fiscal year, is presented separately in Extraordinary gains in the current fiscal year because it has increased in significance in terms of amount.

## Notes to the Non-Consolidated Balance Sheet

1.	Liabilities for guarantees:	
	Guarantee for debt obligations to financial institutions	
	Transcosmos Information Systems Group Limited	¥297 million
	transcosmos CC China	¥355 million
	Guarantee on deposit obligations from subsidiaries and affiliates	
	Tci-Business-Service Co., Ltd.	¥1,189 million
	Guarantee for obligations under lease contract	
	Ookbee Mall (Thailand) Co.,Ltd.	¥81 million
	<hr/>	
	Total	¥1,923 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	¥11,696 million
3.	Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding separate line item)	
	Short-term monetary receivables from subsidiaries and affiliates	¥1,019 million
	Short-term monetary payables to subsidiaries and affiliates	¥1,191 million

## Notes to the Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates	
Net sales	¥312 million
Net purchase	¥8,346 million
Transactions other than operating transactions	¥880 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)	7,317,754	683	73	7,318,364

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit: 683 shares

Details of the number of shares decreased are as follows.

Decrease due to sales of shares less than one unit 73 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	¥964 million
Accrued enterprise tax	¥242 million
Accrued social insurance expenses	¥142 million
Loss on valuation of investment in unconsolidated subsidiaries and affiliates	¥3,273 million
Loss on valuation of investment securities	¥1,146 million
Allowance for doubtful accounts	¥538 million
Accounting depreciation in excess of tax depreciation	¥103 million
Provisions for loss on guarantees	¥97 million
Impairment loss	¥92 million
Other	¥269 million
<b>Sub-total</b>	<b>¥6,871 million</b>
Provision for devaluation	¥5,187 million
<b>Total of deferred tax assets</b>	<b>¥1,684 million</b>
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	¥464 million
Other	¥6 million
<b>Total of deferred tax liabilities</b>	<b>¥470 million</b>
<b>Net of deferred tax assets</b>	<b>¥1,213 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%	Liabilities for guarantees:	Guarantee of obligations (Note 1)	1,189	-	-
Subsidiary	TCT Services Co., Ltd.	1 million Thai baht	Overseas subsidiaries and affiliates	Owning Indirect 100.0%	Loan of funds	Loan of funds (Note 2)	184	Short-term loans receivable from subsidiaries and affiliates	184
						Collection of loan	115	Long-term loans receivable from subsidiaries and affiliates	1,753
Subsidiary	TRANSCOSMOS (UK) LIMITED	GBP6 million	Overseas subsidiaries and affiliates	Owning Direct 100.0%	Loan of funds	Loan of funds (Note 2)	-	Short-term loans receivable from subsidiaries and affiliates	223
							-	Long-term loans receivable from subsidiaries and affiliates (Note 3)	1,357

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

1. This is guarantee obligations from the subsidiaries and affiliates.
2. The interest rate of the loan was determined reasonably based on the market interest rate and fund raising rate.
3. During the current fiscal year, provision of allowance for doubtful accounts of 349 million yen was provided for long-term loans receivable from subsidiaries and affiliates. At the end of the current fiscal year, the balance of the same provision stood at the same amount.
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

Not applicable.

**Notes concerning per share data**

1. Net assets per share	1,489.42 yen
2. Loss per share	46.56 yen

**Notes concerning significant subsequent events**

Not applicable.

**REPORT OF INDEPENDENT AUDITORS**

May 14, 2018

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

Designated and Engagement Partner  
Certified Public Accountant  
Naoyuki Suzuki

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, 2017 to March 31, 2018.

**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.

REPORT OF INDEPENDENT AUDITORS

May 14, 2018

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

Designated and Engagement Partner  
Certified Public Accountant  
Naoyuki Suzuki

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 33<sup>rd</sup> business year from April 1, 2017 to March 31, 2018.

**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.

## 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 33<sup>rd</sup> fiscal year between April 1, 2017 and March 31, 2018. 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, etc. 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, 2018

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

Note: All Audit and Supervisory Committee Members are outside directors stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.