



transcosmos inc.
Consolidated Financial Report
For the Fiscal Year Ended March 31, 2016 [J-GAAP]

April 28, 2016

(Amounts less than ¥1M are rounded down.)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2016
 (April 1, 2015 – March 31, 2016)

(1) Consolidated results of operations (cumulative total)

(Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of transcosmos inc.	
	¥M	%	¥M	%	¥M	%	¥M	%
Mar. 2016 Period	224,605	12.8	9,725	6.1	8,870	(7.6)	7,587	3.2
Mar. 2015 Period	199,178	6.8	9,166	(3.9)	9,603	(4.7)	7,349	16.9

(Note) Comprehensive income (for the years ended March 31): 2016 ¥18,243 million 83.2% 2015 ¥9,958 million 2.7%

	Earnings per share	Earnings per share after adjustment for residual securities	Return on equity	Ordinary income to net assets	Operating income to net sales
	¥	¥	%	%	%
Mar. 2016 Period	184.45	-	10.4	7.3	4.3
Mar. 2015 Period	178.65	-	12.0	9.9	4.6

(Reference) Equity in net income of affiliated companies (for the years ended March 31): 2016 ¥121 million 2015 ¥246 million

(2) Consolidated financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Mar. 31, 2016	140,674	83,981	57.5	1,967.29
As of Mar. 31, 2015	101,551	67,396	64.0	1,580.91

(Reference) Shareholders' equity (as of March 31): 2016 ¥80,929 million 2015 ¥65,037 million

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	¥M	¥M	¥M	¥M
Mar. 2016 Period	3,197	(13,935)	12,832	33,339
Mar. 2015 Period	12,177	(8,062)	(3,769)	31,694

2. Dividend Status

	Annual dividends					Total Amount of Annual Dividends	Dividends Payout Ratio (Consolidated)	Ratio of Dividends to Equity (Consolidated)
	1Q End	2Q End	3Q End	Year End	Total			
	¥	¥	¥	¥	¥	¥M	%	%
Mar. 2015 Period	-	0.00	-	54.00	54.00	2,221	30.2	3.6
Mar. 2016 Period	-	0.00	-	56.00	56.00	2,303	30.4	3.2
Mar. 2017 Period (Forecast)	-	-	-	-	-	-	-	-

(Note) The dividend forecast for Fiscal Year ending March 31, 2016 is not yet to be determined.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2017
 (April 1, 2016 – March 31, 2017)

The consolidated financial forecast for Fiscal Year ending March 31, 2017 is not yet to be determined and presented because of the difficulties in making a reasonable forecast.

Unaudited Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of March 31, 2016, 2015 and 2014

ASSETS	Millions of yen			Thousands of U.S.
				dollars (Note 3)
	As of March 31, 2016	As of March 31, 2015	As of March 31, 2014	As of March 31, 2016
Current assets:				
Cash and deposits	¥ 33,776	¥ 31,880	¥ 30,521	\$ 299,730
Notes and accounts receivable – trade	35,908	31,690	31,694	318,650
Marketable securities	—	100	—	—
Merchandise and finished goods	981	182	79	8,707
Work in process	574	898	674	5,095
Supplies	42	32	33	381
Deferred tax assets	1,607	1,843	1,778	14,266
Others	3,202	2,984	2,445	28,421
Less - allowance for doubtful accounts	(307)	(342)	(300)	(2,724)
Total current assets	75,787	69,269	66,926	672,528
Non-current assets:				
Property, plant and equipment:				
Buildings and structures, net	3,973	3,727	3,388	35,260
Vehicles, net	5	5	10	46
Tools, furniture and fixtures, net	3,149	2,824	2,492	27,944
Land	836	844	1,181	7,423
Leased assets, net	476	373	285	4,231
Construction in progress	65	137	356	584
Total property, plant and equipment, net	8,507	7,914	7,714	75,491
Intangible assets:				
Goodwill	2,996	75	151	26,586
Software	1,952	1,448	1,178	17,324
Leased assets	14	13	31	131
Software in progress	62	55	145	555
Others	301	306	293	2,671
Total intangible assets	5,326	1,899	1,800	47,270
Investments and other assets:				
Investment securities	26,044	4,272	2,494	231,117
Shares of subsidiaries and affiliates	15,878	9,545	5,113	140,903
Other securities of subsidiaries and affiliates	—	—	76	—
Investments in capital of subsidiaries and affiliates	2,074	2,256	2,260	18,413
Long-term loans receivable	1,470	729	434	13,045
Deferred tax assets	86	62	133	771
Guarantee deposits	5,660	5,533	5,159	50,235
Others	434	401	314	3,859
Less - allowance for doubtful accounts	(597)	(332)	(256)	(5,300)
Total investments and other assets	51,053	22,468	15,731	453,045
Total non-current assets	64,887	32,282	25,246	575,807
Total assets	¥ 140,674	¥ 101,551	¥ 92,173	\$ 1,248,335

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Balance Sheet
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
As of March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 3)
	As of March 31, 2016	As of March 31, 2015	As of March 31, 2014	As of March 31, 2016
LIABILITIES				
Current liabilities:				
Accounts payable - trade	¥ 9,975	¥ 7,706	¥ 7,846	\$ 88,525
Short-term borrowings	—	—	366	—
Current portion of bonds	—	—	20	—
Current portion of long-term debt	80	90	1,668	714
Accounts payable - other	4,710	4,631	3,909	41,801
Accrued expenses	8,059	7,668	7,106	71,518
Income taxes payable	2,711	2,631	2,258	24,064
Accrued consumption taxes	2,827	5,348	1,682	25,088
Advances received	654	706	765	5,806
Provision for bonuses	3,511	3,633	3,541	31,157
Others	900	776	1,345	7,993
Total current liabilities	33,431	33,194	30,511	296,670
Non-current liabilities:				
Convertible bond-type bonds with subscription rights to shares	10,047	—	—	89,158
Long-term debt	5,085	165	352	45,124
Deferred tax liabilities	4,415	382	—	39,184
Liability for retirement benefits	13	19	172	123
Long-term guarantee deposited	28	28	33	252
Derivatives liabilities	3,201	—	—	28,410
Others	470	365	294	4,170
Total non-current liabilities	23,261	961	851	206,424
Total liabilities	56,693	34,155	31,363	503,094
NET ASSETS				
Shareholders' equity:				
Capital stock	29,065	29,065	29,065	257,928
Capital surplus	20,510	20,510	20,510	182,008
Retained earnings	32,842	27,476	22,105	291,444
Treasury stock, at cost	(15,937)	(15,932)	(15,929)	(141,430)
Total shareholders' equity	66,481	61,120	55,753	589,951
Accumulated other comprehensive income :				
Unrealized holding gain on securities	15,479	1,199	611	137,362
Unrealized loss on hedging instruments	(2,401)	—	—	(21,307)
Foreign currency translation adjustments	1,369	2,716	989	12,152
Total accumulated other comprehensive income	14,447	3,916	1,600	128,207
Subscription rights to shares	0	—	—	6
Non-controlling interests	3,051	2,358	3,455	27,075
Total net assets	83,981	67,396	60,809	745,240
Total liabilities and net assets	¥ 140,674	¥ 101,551	¥ 92,173	\$ 1,248,335

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Income
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2016	2015	2014	2016
Net sales	¥ 224,605	¥ 199,178	¥ 186,503	\$ 1,993,123
Cost of sales	184,231	162,490	151,100	1,634,851
Gross profit	40,373	36,687	35,403	358,272
Selling, general and administrative expenses	30,648	27,521	25,861	271,972
Operating income	9,725	9,166	9,541	86,300
Non-operating income (expenses):				
Interest income	95	102	55	848
Interest expenses	(25)	(23)	(85)	(229)
Dividend income	70	23	31	621
Share of profit of entities accounted for using equity method	121	246	15	1,076
Foreign exchange gain (loss)	(419)	361	261	(3,720)
Subsidy income	72	115	167	639
Provision of allowance for doubtful accounts	(266)	(98)	(108)	(2,369)
Gain on sales of investment securities	2,843	330	—	25,230
Gain on sales of shares of subsidiaries and affiliates	1,297	1,841	33	11,514
Reversal of provision for loss on litigation	—	—	1,064	—
Impairment loss on fixed assets	(835)	(406)	(156)	(7,417)
Loss on valuation of shares of subsidiaries and affiliates	(745)	(999)	(115)	(6,615)
Loss on litigation	—	—	(406)	—
Other income (expenses), net	154	220	(523)	1,373
Total non-operating income (expenses)	2,361	1,714	234	20,953
Income before income taxes and non-controlling interests	12,086	10,881	9,776	107,253
Income taxes :				
Current	4,007	3,440	2,617	35,562
Deferred	342	(193)	285	3,037
	4,349	3,247	2,903	38,600
Net income	7,736	7,634	6,872	68,652
Net income attributable to non-controlling interests	148	284	583	1,318
Net income attributable to shareholders of transcosmos inc.	¥ 7,587	¥ 7,349	¥ 6,289	\$ 67,334

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Comprehensive Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2016	2015	2014	2016
Net income	¥ 7,736	¥ 7,634	¥ 6,872	\$ 68,652
Other comprehensive income :				
Unrealized holding gain (loss) on securities	14,294	596	391	126,844
Unrealized loss on hedging instruments	(2,401)	—	—	(21,307)
Foreign currency translation adjustments	(875)	1,193	1,879	(7,768)
Share of other comprehensive income of entities accounted for using equity method	(510)	533	556	(4,527)
Total other comprehensive income	10,507	2,324	2,827	93,241
Comprehensive income	¥ 18,243	¥ 9,958	¥ 9,699	\$ 161,893
Total comprehensive income attributable to:				
Shareholders of transcosmos inc.	¥ 18,118	¥ 9,666	¥ 8,955	\$ 160,784
Non-controlling interests	124	292	744	1,108

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Changes in Net Assets

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016, 2015 and 2014

2016

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	¥ 29,065	¥ 20,510	¥ 27,476	¥ (15,932)	¥ 61,120
Changes during the year:					
Cash dividends paid	—	—	(2,221)	—	(2,221)
Net income for the period	—	—	7,587	—	7,587
Purchases of treasury stock	—	—	—	(5)	(5)
Purchase of shares of consolidated subsidiaries	—	0	—	—	0
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	0	5,366	(5)	5,360
Balance as of March 31, 2016	¥ 29,065	¥ 20,510	¥ 32,842	¥ (15,937)	¥ 66,481

Millions of yen

	Accumulated other comprehensive income						
	Unrealized holding gain (loss) on securities	Unrealized loss on hedging instruments	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 1,199	¥ —	¥ 2,716	¥ 3,916	¥ —	¥ 2,358	¥ 67,396
Changes during the year:							
Cash dividends paid	—	—	—	—	—	—	(2,221)
Net income for the period	—	—	—	—	—	—	7,587
Purchases of treasury stock	—	—	—	—	—	—	(5)
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	0
Net changes in items other than those in shareholders' equity	14,279	(2,401)	(1,347)	10,530	0	692	11,224
Total changes during the year	14,279	(2,401)	(1,347)	10,530	0	692	16,585
Balance as of March 31, 2016	¥ 15,479	¥ (2,401)	¥ 1,369	¥ 14,447	¥ 0	¥ 3,051	¥ 83,981

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Changes in Net Assets

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016, 2015 and 2014

2016

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	\$ 257,928	\$ 182,007	\$ 243,824	\$ (141,380)	\$ 542,379
Changes during the year:					
Cash dividends paid	—	—	(19,713)	—	(19,713)
Net income for the period	—	—	67,334	—	67,334
Purchases of treasury stock	—	—	—	(49)	(49)
Purchase of shares of consolidated subsidiaries	—	1	—	—	1
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	1	47,620	(49)	47,572
Balance as of March 31, 2016	\$ 257,928	\$ 182,008	\$ 291,444	\$ (141,430)	\$ 589,951

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income						
	Unrealized holding gain (loss) on securities	Unrealized loss on hedging instruments	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	\$ 10,648	\$ —	\$ 24,108	\$ 34,757	\$ —	\$ 20,930	\$ 598,067
Changes during the year:							
Cash dividends paid	—	—	—	—	—	—	(19,713)
Net income for the period	—	—	—	—	—	—	67,334
Purchases of treasury stock	—	—	—	—	—	—	(49)
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	1
Net changes in items other than those in shareholders' equity	126,714	(21,307)	(11,956)	93,450	6	6,144	99,601
Total changes during the year	126,714	(21,307)	(11,956)	93,450	6	6,144	147,173
Balance as of March 31, 2016	\$ 137,362	\$ (21,307)	\$ 12,152	\$ 128,207	\$ 6	\$ 27,075	\$ 745,240

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Changes in Net Assets

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016, 2015 and 2014

2015

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2014	¥ 29,065	¥ 20,510	¥ 22,105	¥ (15,929)	¥ 55,753
Changes during the year:					
Cash dividends paid	—	—	(1,892)	—	(1,892)
Net income for the period	—	—	7,349	—	7,349
Purchases of treasury stock	—	—	—	(3)	(3)
Disposal of treasury stock	—	(0)	—	0	0
Change in the scope of consolidation	—	—	(86)	—	(86)
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	(0)	5,370	(3)	5,367
Balance as of March 31, 2015	¥ 29,065	¥ 20,510	¥ 27,476	¥ (15,932)	¥ 61,120

Millions of yen

	Accumulated other comprehensive income				
	Unrealized holding gain (loss) on securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥ 611	¥ 989	¥ 1,600	¥ 3,455	¥ 60,809
Changes during the year:					
Cash dividends paid	—	—	—	—	(1,892)
Net income for the period	—	—	—	—	7,349
Purchases of treasury stock	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	0
Change in the scope of consolidation	—	—	—	—	(86)
Net changes in items other than those in shareholders' equity	588	1,727	2,316	(1,097)	1,219
Total changes during the year	588	1,727	2,316	(1,097)	6,586
Balance as of March 31, 2015	¥ 1,199	¥ 2,716	¥ 3,916	¥ 2,358	¥ 67,396

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Changes in Net Assets

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016, 2015 and 2014

	2014				
	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	¥ 29,065	¥ 20,510	¥ 17,297	¥ (15,924)	¥ 50,949
Changes during the year:					
Cash dividends paid	—	—	(1,481)	—	(1,481)
Net income for the period	—	—	6,289	—	6,289
Purchases of treasury stock	—	—	—	(4)	(4)
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	4,808	(4)	4,803
Balance as of March 31, 2014	¥ 29,065	¥ 20,510	¥ 22,105	¥ (15,929)	¥ 55,753

	Millions of yen				
	Accumulated other comprehensive income				
	Unrealized holding gain (loss) on securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2013	¥ 248	¥ (1,314)	¥ (1,065)	¥ 3,417	¥ 53,301
Changes during the year:					
Cash dividends paid	—	—	—	—	(1,481)
Net income for the period	—	—	—	—	6,289
Purchases of treasury stock	—	—	—	—	(4)
Net changes in items other than those in shareholders' equity	362	2,303	2,666	38	2,704
Total changes during the year	362	2,303	2,666	38	7,507
Balance as of March 31, 2014	¥ 611	¥ 989	¥ 1,600	¥ 3,455	¥ 60,809

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2016	2015	2014	2016
Operating activities:				
Income before income taxes and non-controlling interests	¥ 12,086	¥ 10,881	¥ 9,776	\$ 107,253
Depreciation of property, plant and equipment	1,750	1,488	1,419	15,534
Impairment loss on fixed assets	835	406	156	7,417
Amortization of goodwill	271	81	74	2405
Amortization of intangible assets	559	459	532	4,965
Increase (decrease) in allowance for doubtful accounts	237	104	77	2,104
Increase (decrease) in provision for bonuses	(116)	127	451	(1,034)
Changes in liability for retirement benefits, net	(5)	1	13	(47)
Interest and dividend income	(165)	(126)	(87)	(1,470)
Interest expenses	25	23	85	229
Foreign exchange gain(loss)	419	(361)	(258)	3,720
Share of profit of entities accounted for using equity method	(121)	(246)	(15)	(1,076)
Loss on disposal of fixed assets	26	27	58	231
Gain on sales of investment securities	(2,843)	(330)	(234)	(25,230)
Loss on valuation of investment securities	87	740	1,123	778
Gain on sales of shares of subsidiaries and affiliates	(1,297)	(1,831)	(33)	(11,514)
Loss on valuation of shares of subsidiaries and affiliates	745	999	115	6,615
Loss (gain) on changes in ownership interests in subsidiaries and affiliates	(241)	(1,331)	(36)	(2,145)
Loss (gain) on step acquisitions	(308)	—	—	(2,733)
Increase in notes and accounts receivable - trade	(4,352)	(1,647)	(5,522)	(38,624)
Decrease (increase) in inventories	(512)	(330)	(288)	(4,546)
Increase in notes and accounts payable - trade	1,683	624	2,653	14,936
Increase (decrease) in accrued consumption taxes	(2,493)	3,678	—	(22,124)
Others, net	763	1,262	(163)	6,772
Subtotal	7,033	14,700	9,897	62,417
Interest and dividends received	245	212	136	2,182
Interest paid	(24)	(28)	(97)	(215)
Legal settlement received	—	—	1,150	—
Legal settlement paid	—	—	(403)	—
Income taxes paid	(4,058)	(2,706)	(1,761)	(36,012)
Net cash provided by operating activities	¥ 3,197	¥ 12,177	¥ 8,921	\$ 28,371

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2016	2015	2014	2016
Investing activities:				
Payments into time deposits	¥ (769)	¥ (452)	¥ (195)	\$ (6,829)
Proceeds from withdrawal of time deposit accounts	484	380	818	4,303
Purchases of property, plant and equipment	(2,410)	(1,566)	(1,339)	(21,390)
Purchases of intangible assets	(998)	(783)	(784)	(8,859)
Purchases of investment securities	(1,904)	(1,443)	(94)	(16,903)
Proceeds from sales of investment securities	3,086	175	1,243	27,386
Purchases of shares of subsidiaries and affiliates	(8,484)	(3,662)	(3,271)	(75,294)
Proceeds from sales of shares of subsidiaries and affiliates	1,277	39	481	11,335
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(385)	—	—	(3,423)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	895	35	—
Payments for transfer of business	(2,853)	—	—	(25,324)
Payments for guarantee deposits	(908)	(773)	(503)	(8,060)
Proceeds from collection of guarantee deposits	648	244	150	5,752
Payments of loans receivable	(2,602)	(887)	(314)	(23,096)
Collection of loans receivable	2,033	200	59	18,049
Others, net	(146)	(428)	(567)	(1,303)
Net cash used in investing activities	(13,935)	(8,062)	(4,282)	(123,659)
Financing activities:				
Increase in short-term borrowings	633	—	1,700	5,619
Repayment of short-term borrowings	(633)	—	(1,908)	(5,619)
Increase in long-term borrowings	5,000	30	20	44,369
Repayment of long-term borrowings	(164)	(1,759)	(5,879)	(1,458)
Proceeds from issuance of bonds	10,050	—	—	89,182
Redemption of bonds	—	—	(570)	—
Proceeds from share issuance to non-controlling interests	358	83	—	3,184
Cash dividends paid	(2,224)	(1,894)	(1,478)	(19,735)
Cash dividends paid to non-controlling interests	(21)	(17)	(0)	(190)
Others, net	(166)	(211)	(167)	(1,481)
Net cash provided by(used in) financing activities	12,832	(3,769)	(8,284)	113,870
Effect of exchange rate changes on cash and cash equivalents	(449)	896	653	(3,986)
Increase (decrease) in cash and cash equivalents	1,644	1,242	(2,991)	14,596
Cash and cash equivalents at the beginning of the year	31,694	30,452	33,444	281,255
Cash and cash equivalents at the end of the year	¥ 33,339	¥ 31,694	¥ 30,452	\$ 295,852

See accompanying notes to unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

1. Summary of Significant Accounting Policies

(a) *Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates*

As of March 31, 2016, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 46 and 15 (47 and 14 as of March 31, 2015 and 44 and 14 as of March 31, 2014), respectively. The names of major subsidiaries and affiliates as of March 31, 2016 are as follows:

Subsidiaries and affiliates

(Subsidiaries)

J-Stream Inc.
APPLIED TECHNOLOGY CO., LTD.
transcosmos Information Creative (China) Co., Ltd.
transcosmos Korea Inc.

(Affiliates)

Nielsen Co., Ltd.
Forecast Communications Inc.

The changes in the scope of consolidation during the year ended March 31, 2016 were as follows:

(Companies newly included in scope of consolidation)

Subsidiaries and affiliates

Reason for inclusion

(Subsidiaries)

Grand Design Co.,Ltd.

Reclassified as Subsidiaries from Affiliates by additional share acquisition

(Affiliates)

INTERBASE RESOURCES SDN. BHD.

Newly acquired

Grand Design Co.,Ltd.

Newly acquired

(Companies excluded from scope of consolidation)

Subsidiaries and affiliates

Reason for exclusion

(Subsidiaries)

transcosmos CRM Okinawa, Inc.

absorption-type merged into the Company

NIHONCHOKUHAN Inc.

absorption-type merged into the Company

(Affiliates)

Grand Design Co.,Ltd.

Reclassified as Subsidiaries by additional share acquisition

Transcosmos Design Development Co., Ltd. and other companies are not consolidated because their aggregated assets, net sales, net income (amounts proportionate to ownership interest) and retained earnings (amounts proportionate to ownership interest) are not significant compared with those of the consolidated financial statements of the Company. Investments in unconsolidated subsidiaries are not accounted for by the equity method because their aggregated net income (amounts proportionate to ownership interest) and retained earnings (amounts proportionate to ownership interest) are immaterial to the consolidated financial statements.

APPLIED TECHNOLOGY CO., LTD. and the following 25 other subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

transcosmos Information Creative Japan Inc.
NIHONCHOKUHAN Inc.
transcosmos America, Inc.
transcosmos Information Creative (China) Co., Ltd.
transcosmos information system (Shanghai) Co., Ltd.
transcosmos MCM Shanghai Co., Ltd.
transcosmos Korea Inc.

Shine Harbour Ltd.
Transcosmos Information Creative Holdings
Shanghai transcosmos Marketing Service Co., Ltd.
transcosmos (Thailand) Co., Ltd.
Shanghai transcosmos Interactive Services Co., Ltd.
Beijing transcosmos Interactive Services Co., Ltd.
Suzhou transcosmos Information Creative Co., Ltd.
transcosmos business service outsourcing Suzhou Co., Ltd.
Transcosmos Digital Marketing Cayman Co., Ltd.
transcosmos Investment Consulting (Beijing) Co., Ltd.
Hot Digital Technology (TianJin) Co., Ltd.
transcosmos Asia Pacific Pte. Ltd.
Ningbo Yifan Cross-Border Shopping E-Commerce Co., Ltd.
TCT Holdings Co., Ltd.
TCT Services Co., Ltd.
Jinan transcosmos Information Creative Co., Ltd.
Astropolis Inc.
transcosmos artus company limited (Old company name : METRODEAL Co., Ltd.)

Affiliates whose fiscal year end is different from the consolidated fiscal year end are consolidated using their financial statements as of their respective fiscal year end. The financial statements of CAREER INCUBATION, INC., whose fiscal year end falls on September 30, is consolidated by using its financial statements as of the consolidated fiscal year end, which are prepared solely for consolidation purposes. All significant intercompany balances and transactions have been eliminated in consolidation.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method (goodwill) have been amortized by the straight-line method over five or ten years. However, immaterial amounts of goodwill are charged or credited to income in the year of acquisition. Impairment loss on goodwill is recognized if future benefits are not expected to flow to the Company.

(b) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rates in effect at the respective balance sheet dates, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the exchange rate in effect at the respective balance sheet dates, except for the components of net assets excluding minority interests which are translated at their historical exchange rate. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

(c) Cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(d) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined by the periodic-average method for merchandise and finished goods, the individual cost method for work in process and the last purchase price method for supplies.

(e) Short-term investments and investment securities

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving-average method. Investments in limited partnerships are valued at the Company's proportionate ownership interest in the net assets of the investments.

(f) Property, plant and equipment other than leased assets

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives and the residual value determined by the Company and its domestic consolidated subsidiaries, except for certain buildings (excluding building facilities) of the Company acquired on or after April 1, 1998, which are depreciated by the straight-line method. Depreciation of property, plant and equipment of the foreign consolidated subsidiaries is calculated principally by the straight-line method. Normal depreciation of property, plant and equipment acquired before April 1, 2007 is calculated based on a residual value set at 5% of the acquisition cost while normal depreciation of property, plant and equipment acquired on or after April 1, 2007 is calculated based on a residual value set at ¥1. The residual value of property, plant and equipment acquired before April 1, 2007 is subsequently depreciated by the straight-line-method over five years from the year after the completion of normal depreciation.

(g) *Intangible assets other than leased assets*

Intangible assets are amortized principally by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful lives within a period of five years. Software for sale is amortized based on the estimated volume of sales within three years after the commencement of sales. If the amortization expense calculated based on the estimated volume of sales is less than the allocated amortization cost calculated based on the remaining useful lives, the allocated cost is recognized as the minimum amortization expense.

(h) *Leased assets*

Non-cancellable lease transactions without transfer of ownership rights that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. Depreciation of such leased assets is calculated by the straight-line method over the lease term with no residual value.

(i) *Allowance for doubtful accounts*

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(j) *Provision for bonuses*

Provision for bonuses of the Company and its domestic consolidated subsidiaries is stated at the estimated amount of the bonuses to be paid to employees based on their services provided during the year.

(k) *Provision for directors' bonuses*

Provision for directors' bonuses is stated at the estimated amount of the bonuses to be paid to directors based on their services provided during the year.

(l) *Retirement benefits*

Certain domestic consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption the benefits payable, which would be paid assuming all eligible employees voluntarily terminated their employment at fiscal year-end, approximates the retirement benefit obligation at year-end.

Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) *Recognition of revenues and costs of build-to-order software*

Revenues and costs of the contracts whose outcome at the balance sheet date is deemed reliable are recognized by the percentage-of-completion method. The percentage-of-completion is calculated based on the cost incurred as a percentage of the estimated total cost. The completed-contract method is applied to the other contracts.

(n) *Consumption taxes*

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of the taxes.

(o) *Impairment loss on fixed assets*

The Group bases its asset grouping for assessing impairment loss on fixed assets on the business segments. Idle assets and those assets to be disposed of are separately evaluated for impairment.

2. Accounting Changes

Application of "Accounting Standard for Business Combinations," and other applicable standards.

Effective from April 1, 2015, the Company has applied "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No.21 of September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013) and other related accounting standards. Due to the application of these standards, the presentation method of net income was amended and the reference to "minority interests" was changed to "non-controlling interests." To reflect these changes in presentation, the quarterly consolidated financial statements for the nine-month period ended December 31, 2014 and consolidated financial statements for the year ended March 31, 2015 have been reclassified.

3. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥112.69 = \$1, the approximate exchange rate of the Tokyo Foreign Exchange Market as of March 31, 2016. This translation should not be construed as a representation that the amounts shown could be converted to U.S. dollars at such rate.

4. Segment Information

(1) Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess performance.

The Group's operation consists of the following three reportable segments: "Parent company," as the business process outsourcing service operations provided by the Company, and "Domestic subsidiaries and affiliates," "Overseas subsidiaries and affiliates," which are business provided by the consolidated subsidiaries divided by domestic and overseas.

Parent company:	The Company's business process outsourcing service operations
Domestic subsidiaries and affiliates:	Business process outsourcing service operations provided by domestic subsidiaries
Overseas subsidiaries and affiliates:	Business process outsourcing service operations provided by overseas subsidiaries

(2) Basis of measurement of net sales, segment income or losses, and segment assets for each reportable segment

The accounting policies of the reported business segments are substantially the same as those described in "1. Summary of Significant Accounting Policies."

(Change in classification of reportable segments)

From the first quarter of the year ending March 31, 2016, the classification of the reportable segments has been changed from the four segments of "Parent company," "B to B domestic subsidiaries," "B to B overseas subsidiaries" and "B to C subsidiaries" to three segments of "Parent company," "Domestic subsidiaries and affiliates" and "Overseas subsidiaries and affiliates."

Segment information for the year ended March 31, 2015 has been reclassified reflecting the change in the reportable segments.

(3) Information on net sales, profit or loss and assets for each reportable segment

		Millions of yen										
		2016										
		Reportable segments										
		Domestic		Overseas								
		Parent	subsidiaries and	subsidiaries	Total	Eliminations	Consolidated					
		company	affiliates	and affiliates								
Net sales												
Sales to third parties	¥	178,896	¥	15,446	¥	30,261	¥	224,605	¥	—	¥	224,605
Inter-segment sales and transfers		210		3,996		1,004		5,211		(5,211)		—
Total	¥	179,107	¥	19,443	¥	31,265	¥	229,816	¥	(5,211)	¥	224,605
Segment profit	¥	8,602	¥	848	¥	227	¥	9,678	¥	46	¥	9,725
Segment assets		72,494		12,627		57,196		142,318		(1,643)		140,674

Thousands of U.S. dollars (Note 3)

2016						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	\$ 1,587,509	\$ 137,074	\$ 268,539	\$ 1,993,123	\$ —	\$ 1,993,123
Inter-segment sales and transfers	1,872	35,462	8,909	46,244	(46,244)	—
Total	\$ 1,589,381	\$ 172,537	\$ 277,449	\$ 2,039,368	\$ (46,244)	\$ 1,993,123
Segment profit	\$ 76,339	\$ 7,526	\$ 2,017	\$ 85,883	\$ 417	\$ 86,300
Segment assets	643,309	112,058	507,555	1,262,923	(14,587)	1,248,335

Note A: Details of “Eliminations” are as follows:

- (a) Segment profit of ¥46 million (\$417 thousand) in “Eliminations” consists of inter-segment elimination.
- (b) Segment assets of ¥1,643 million (\$14,587 thousand) in “Eliminations” consist of inter-segment eliminations.

Note B: Total consolidated segment profit agrees with consolidated operating income.

Millions of yen

2015						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 157,111	¥ 18,528	¥ 23,538	¥ 199,178	¥ —	¥ 199,178
Inter-segment sales and transfers	198	10,358	802	11,359	(11,359)	—
Total	¥ 157,310	¥ 28,886	¥ 24,340	¥ 210,537	¥ (11,359)	¥ 199,178
Segment profit	¥ 7,374	¥ 1,234	¥ 474	¥ 9,083	¥ 83	¥ 9,166
Segment assets	58,981	15,729	29,787	104,498	(2,946)	101,551

Note A: Details of “Eliminations” are as follows:

- (a) Segment profit of ¥83 million in “Eliminations” consists of inter-segment eliminations of ¥68 million and goodwill amortization of ¥15 million .
- (b) Segment assets of ¥2,946 million in “Eliminations” consist of inter-segment eliminations.

Note B: Total consolidated segment profit agrees with consolidated operating income.

5. Amounts Per Share

Net assets per share and net income per share as of March 31, 2016, 2015 and 2014, and for the years then ended are as follows:

	Yen			U.S. dollars (Note 3)
	2016	2015	2014	2016
Net assets per share:	¥ 1,967.29	¥ 1,580.91	¥ 1,394.09	\$ 17.45
Net income per share:				
Basic	¥ 184.45	¥ 178.65	¥ 152.87	\$ 1.63

Note: No diluted net income per share has been presented because there were no shares with dilutive effect.

The basis for the calculation of net income per share for the years ended March 31, 2016, 2015 and 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2016	2015	2014	2016
Net income per share:				
Net income attributable to shareholders of transcocosmos inc.	¥ 7,587	¥ 7,349	¥ 6,289	\$ 67,334
Net income not attributable to common shareholders	—	—	—	—
Net income of common stock attributable to shareholders of transcocosmos inc.	7,587	7,349	6,289	67,334
Weighted-average number of shares of common stock outstanding (shares)	41,137,914	41,140,190	41,141,857	