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**transcosmos inc.**  
**Consolidated Financial Report**  
**For the 2nd Quarter of the Fiscal Year Ended March 31, 2017 [J-GAAP]**

October 31, 2016

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

1. Consolidated Performance for the 2nd Quarter of the Fiscal Year Ended March 31, 2017  
 (April 1, 2016 – September 30, 2016)

(1) Consolidated results of operations (cumulative total)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥M	%	¥M	%	¥M	%	¥M	%
2Q Mar. 2017 Period	116,912	7.6	3,765	(7.0)	3,365	(8.4)	2,735	(48.9)
2Q Mar. 2016 Period	108,660	14.2	4,048	21.6	3,674	(1.4)	5,358	16.8

(Note) Comprehensive income: 2Q Mar. 2017 Period ¥(3,392) million (118.1)% 2Q Mar. 2016 Period ¥18,770 million 370.1%

	Earnings per share (Quarter)	Earnings per share after adjustment for residual securities (Quarter)
	¥	¥
2Q Mar. 2017 Period	66.24	-
2Q Mar. 2016 Period	130.25	-

(2) Consolidated financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Sep. 30, 2016	130,270	77,434	57.1	1,793.40
As of Mar. 31, 2016	140,674	83,981	57.5	1,967.29

(Reference) Shareholders' equity: As of September 30, 2016 ¥74,384 million As of March 31, 2016 ¥80,929 million

2. Dividend Status

	Annual dividends				
	1Q End	2Q End	3Q End	Year End	Total
	¥	¥	¥	¥	¥
Mar. 2016 Period	-	0.00	-	56.00	56.00
Mar. 2017 Period	-	0.00			
Mar. 2017 Period (Forecast)			-	-	-

(Note) Corrections to the consolidated performance forecast figures for this quarter: None  
 The dividend forecast for Fiscal Year ending March 31, 2017 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 Quarterly Consolidated Balance Sheet**  
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES  
As of September 30, 2016 and March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	As of September 30, 2016	As of March 31, 2016	As of September 30, 2016
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits	¥ 26,381	¥ 33,776	\$ 260,888
Notes and accounts receivable - trade	35,704	35,908	353,085
Merchandise and finished goods	953	981	9,427
Work in process	707	574	7,000
Supplies	43	42	433
Deferred tax assets	1,680	1,607	16,620
Others	3,968	3,202	39,244
Less - allowance for doubtful accounts	(267)	(307)	(2,648)
Total current assets	<u>69,171</u>	<u>75,787</u>	<u>684,051</u>
<b>Non-current assets:</b>			
Property, plant and equipment:			
Buildings and structures, net	3,977	3,973	39,337
Tools, furniture and fixtures, net	3,313	3,149	32,768
Land	819	836	8,103
Others, net	484	547	4,790
Total property, plant and equipment, net	<u>8,595</u>	<u>8,507</u>	<u>84,999</u>
Intangible assets:			
Goodwill	3,773	2,996	37,313
Software	1,955	1,952	19,341
Others	624	378	6,180
Total intangible assets	<u>6,353</u>	<u>5,326</u>	<u>62,834</u>
Investments and other assets:			
Investment securities	17,048	26,044	168,593
Shares of subsidiaries and affiliates	12,649	15,878	125,097
Investments in capital of subsidiaries and affiliates	6,401	2,074	63,305
Deferred tax assets	85	86	845
Derivatives receivable	2,582	—	25,542
Guarantee deposits	5,759	5,660	56,960
Others	1,836	1,905	18,158
Less - allowance for doubtful accounts	(213)	(597)	(2,110)
Total investments and other assets	<u>46,150</u>	<u>51,053</u>	<u>456,392</u>
Total non-current assets	<u>61,099</u>	<u>64,887</u>	<u>604,226</u>
<b>Total assets</b>	<u>¥ 130,270</u>	<u>¥ 140,674</u>	<u>\$ 1,288,277</u>

See accompanying notes to unaudited quarterly consolidated financial statements.

**Unaudited Quarterly Consolidated Balance Sheet**  
transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES  
As of September 30, 2016 and March 31, 2016

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 3)
	As of September 30, 2016	As of March 31, 2016	As of September 30, 2016
<b>Current liabilities:</b>			
Accounts payable - trade	¥ 10,466	¥ 9,975	\$ 103,505
Short-term loans payable	24	—	242
Current portion of bonds	7	—	69
Current portion of long-term debt	1,745	80	17,262
Accounts payable – other	4,338	4,710	42,906
Accrued expenses	8,365	8,059	82,728
Income taxes payable	2,234	2,711	22,099
Accrued consumption taxes	2,462	2,827	24,355
Provision for bonuses	3,653	3,511	36,127
Others	1,904	1,555	18,837
Total current liabilities	35,203	33,431	348,133
<b>Non-current liabilities:</b>			
Bonds payable	43	—	425
Convertible bond-type bonds with subscription rights to shares	10,042	10,047	99,309
Long-term debt	3,448	5,085	34,098
Deferred tax liabilities	3,669	4,415	36,288
Liability for retirement benefits	14	13	142
Derivatives liabilities	—	3,201	—
Others	415	498	4,105
Total non-current liabilities	17,632	23,261	174,371
Total liabilities	52,835	56,693	522,504
<b>NET ASSETS</b>			
Shareholders' equity:			
Capital stock	29,065	29,065	287,440
Capital surplus	18,908	20,510	186,993
Retained earnings	33,316	32,842	329,472
Treasury stock	(15,231)	(15,937)	(150,631)
Total shareholders' equity	66,059	66,481	653,274
Accumulated other comprehensive income:			
Unrealized holding gain on securities	8,807	15,479	87,094
Unrealized loss on hedging instruments	1,937	(2,401)	19,156
Foreign currency translation adjustments	(2,419)	1,369	(23,922)
Total accumulated other comprehensive income	8,325	14,447	82,328
Subscription rights to shares	3	0	31
Non-controlling interests	3,047	3,051	30,137
Total net assets	77,434	83,981	765,773
<b>Total liabilities and net assets</b>	¥ 130,270	¥ 140,674	\$ 1,288,277

See accompanying notes to unaudited quarterly consolidated financial statements.

## Unaudited Quarterly Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Net sales</b>	¥ <b>116,912</b>	¥ 108,660	\$ <b>1,156,176</b>
<b>Cost of sales</b>	<b>96,355</b>	89,477	<b>952,885</b>
Gross profit	<b>20,556</b>	19,183	<b>203,290</b>
<b>Selling, general and administrative expenses</b>	<b>16,791</b>	15,134	<b>166,053</b>
Operating income	<b>3,765</b>	4,048	<b>37,237</b>
<b>Non-operating income (expenses):</b>			
Interest income	<b>38</b>	50	<b>378</b>
Interest expenses	<b>(14)</b>	(15)	<b>(143)</b>
Dividend income	<b>91</b>	60	<b>903</b>
Share of profit (loss) of entities accounted for using equity method	<b>(190)</b>	150	<b>(1,887)</b>
Foreign exchange loss	<b>(336)</b>	(369)	<b>(3,326)</b>
Gain on sales of investment securities	<b>694</b>	2,843	<b>6,864</b>
Gain on sales of shares of subsidiaries and affiliates	<b>121</b>	1,297	<b>1,196</b>
Loss on disposal of fixed assets	<b>(31)</b>	(15)	<b>(314)</b>
Impairment loss on fixed assets	<b>(34)</b>	(29)	<b>(344)</b>
Office transfer expenses	—	(16)	—
Other income (expenses), net	<b>149</b>	7	<b>1,474</b>
Total non-operating income (expenses)	<b>485</b>	3,963	<b>4,802</b>
Income before income taxes and non-controlling interests	<b>4,251</b>	8,012	<b>42,039</b>
<b>Income taxes:</b>			
Current	<b>1,668</b>	2,481	<b>16,499</b>
Deferred	<b>(154)</b>	42	<b>(1,528)</b>
	<b>1,513</b>	2,524	<b>14,970</b>
<b>Net income</b>	<b>2,737</b>	5,487	<b>27,069</b>
<b>Net income attributable to non-controlling interests</b>	<b>1</b>	129	<b>16</b>
<b>Net income attributable to shareholders of transcosmos inc.</b>	¥ <b>2,735</b>	¥ 5,358	\$ <b>27,052</b>

See accompanying notes to unaudited quarterly consolidated financial statements.

## Unaudited Quarterly Consolidated Statement of Comprehensive Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S.
	2016	2015	dollars (Note 3)
<b>Net income</b>	<b>¥ 2,737</b>	<b>¥ 5,487</b>	<b>\$ 27,069</b>
<b>Other comprehensive income:</b>			
Unrealized holding gain (loss) on securities	(6,630)	15,938	(65,572)
Unrealized gain (loss) on hedging instruments	4,338	(2,775)	42,902
Foreign currency translation adjustments	(2,255)	212	(22,302)
Share of other comprehensive income of entities accounted for using equity method	(1,582)	(93)	(15,649)
<b>Total other comprehensive income</b>	<b>(6,130)</b>	<b>13,282</b>	<b>(60,622)</b>
<b>Comprehensive income</b>	<b>¥ (3,392)</b>	<b>¥ 18,770</b>	<b>\$ (33,553)</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of transcosmos inc.	¥ (3,387)	¥ 18,642	\$ (33,496)
Non-controlling interests	(5)	127	(57)

See accompanying notes to unaudited quarterly consolidated financial statements.

## Unaudited Quarterly Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S.
	2016	2015	dollars (Note 3)
<b>Operating activities:</b>			<b>2016</b>
Income before income taxes and non-controlling interests	¥ 4,251	¥ 8,012	\$ 42,039
Depreciation of property, plant and equipment	879	815	8,693
Impairment loss on fixed assets	34	29	344
Amortization of goodwill	240	49	2,381
Amortization of intangible assets	335	256	3,321
Increase (decrease) in allowance for doubtful accounts	(383)	67	(3,789)
Increase (decrease) in provision for bonuses	134	(39)	1,327
Changes in liability for retirement benefits, nets	0	(3)	4
Interest and dividend income	(129)	(110)	(1,282)
Interest expenses	14	15	143
Foreign exchange loss (gain)	336	369	3,326
Share of loss (profit) of entities accounted for using equity method	190	(150)	1,887
Loss on disposal of fixed assets	31	15	314
Gain on sales of investment securities	(694)	(2,843)	(6,864)
Loss on valuation of investment securities	0	22	4
Gain on sales of shares of subsidiaries and affiliates	(121)	(1,297)	(1,196)
Gain on changes in ownership interests of subsidiaries and affiliates	(44)	(54)	(436)
Gain on step acquisitions	(99)	—	(981)
Decrease in notes and accounts receivable - trade	(94)	(1,324)	(937)
Decrease in inventories	(198)	(175)	(1,964)
Increase in notes and accounts payable – trade	504	22	4,993
Decrease in accrued consumption taxes	(313)	(3,064)	(3,099)
Others, net	550	274	5,445
Subtotal	5,427	884	53,675
Interest and dividends received	132	163	1,313
Interest paid	(8)	(15)	(80)
Income taxes paid	(2,339)	(2,455)	(23,140)
Net cash provided by (used in) operating activities	¥ 3,212	¥ (1,423)	\$ 31,767

## Unaudited Quarterly Consolidated Statement of Cash Flows

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2016 and 2015

	2016	2015	2016
<b>Investing activities:</b>			
Payments into time deposits	¥ (373)	¥ (405)	\$ (3,691)
Proceeds from withdrawal of time deposit accounts	417	232	4,132
Purchases of property, plant and equipment	(1,196)	(1,400)	(11,834)
Purchases of intangible assets	(690)	(516)	(6,833)
Purchases of investment securities	(104)	(169)	(1,037)
Proceeds from sales of investment securities	935	3,082	9,255
Purchases of shares of subsidiaries and affiliates	(4,949)	(1,467)	(48,950)
Proceeds from sales of shares of subsidiaries and affiliates	402	1,228	3,985
Payments for transfer of business	—	(2,921)	—
Payments for guarantee deposits	(461)	(527)	(4,561)
Proceeds from collection of guarantee deposits	131	330	1,305
Payments of loans receivable	(774)	(1,603)	(7,659)
Collection of loans receivable	50	1,247	503
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(882)	—	(8,731)
Others, net	(41)	(55)	(411)
Net cash used in investing activities	(7,536)	(2,946)	(74,528)
<b>Financing activities:</b>			
Increase in short-term borrowings	28	633	276
Repayment of short-term borrowings	(89)	(633)	(882)
Increase in long-term borrowings	45	5,000	445
Repayment of long-term borrowings	(186)	(18)	(1,845)
Proceeds from issuance of bonds	48	—	482
Proceeds from sales of treasury stock	999	—	9,887
Cash dividends paid	(2,301)	(2,221)	(22,763)
Cash dividends paid to non-controlling interests	(20)	(21)	(205)
Proceeds from share issuance to non-controlling interests	—	358	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,957)	(0)	(19,353)
Others, net	(88)	(79)	(879)
Net cash provided by (used in) financing activities	(3,522)	3,017	(34,837)
Effect of exchange rate changes on cash and cash equivalents	(1,102)	(107)	(10,900)
Decrease in cash and cash equivalents	(8,948)	(1,459)	(88,498)
Cash and cash equivalents at the beginning of the period	33,339	31,694	329,702
Increase in cash and cash equivalents resulting from change of scope of consolidation	1,607	—	15,892
Increase in cash and cash equivalents from merger of subsidiaries	45	—	448
Cash and cash equivalents at the end of the period	¥ 26,043	¥ 30,235	\$ 257,545

See accompanying notes to unaudited quarterly consolidated financial statements

## **Notes to Unaudited Quarterly Consolidated Financial Statements**

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

### **1. Accounting Changes**

With application of Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No.32, June 17, 2016), depreciation method of building facilities which the Company acquired on or after April 1, 2016 was changed to straight-line method from declining balance method. This change has a slight affect on profits for the six months ended September 30, 2016.

### **2. Additional Information**

Recoverability of Deferred Tax Assets (ASBJ Revised Implementation Guidance No.26, March 28, 2016) was applied from the beginning of the first quarter.

### **3. U.S. Dollar Amounts**

The accompanying quarterly 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 ¥101.12=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2016. This translation should not be construed as a representation that the amounts shown could be converted to U.S. dollars at such rate.

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

**4. Segment Information**

(1) Information on net sales and profit or loss for each reportable segment for the six months ended September 30, 2016 and 2015

		Millions of yen										
		2016										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	¥	93,554	¥	7,276	¥	16,081	¥	116,912	¥	—	¥	116,912
Inter-segment sales and transfers		119		1,990		933		3,044		(3,044)		—
Total	¥	93,674	¥	9,267	¥	17,015	¥	119,956	¥	(3,044)	¥	116,912
Segment profit	¥	3,942	¥	212	¥	(406)	¥	3,748	¥	16	¥	3,765

		Thousands of U.S. dollars (Note 3)										
		2016										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	\$	925,181	\$	71,959	\$	159,036	\$	1,156,176	\$	—	\$	1,156,176
Inter-segment sales and transfers		1,184		19,685		9,234		30,103		(30,103)		—
Total	\$	926,365	\$	91,644	\$	168,270	\$	1,186,280	\$	(30,103)	\$	1,156,176
Segment profit	\$	38,986	\$	2,103	\$	(4,020)	\$	37,069	\$	167	\$	37,237

Note A: Segment profit of ¥16 million (\$167 thousand) in “Eliminations” consists of inter-segment elimination.

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

		Millions of yen										
		2015										
		Reportable segments										
		Domestic		Overseas		Total	Eliminations	Consolidated				
		Parent company	subsidiaries and affiliates	subsidiaries and affiliates								
Net sales												
Sales to third parties	¥	85,299	¥	9,192	¥	14,167	¥	108,660	¥	—	¥	108,660
Inter-segment sales and transfers		106		1,832		460		2,399		(2,399)		—
Total	¥	85,406	¥	11,024	¥	14,628	¥	111,059	¥	(2,399)	¥	108,660
Segment profit	¥	3,363	¥	617	¥	44	¥	4,026	¥	22	¥	4,048

Note A: Segment profit of ¥22 million in “Eliminations” consists of inter-segment elimination.

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