



**transcosmos inc.**  
**Consolidated Financial Report**  
**For the Nine Months Ended December 31, 2016 [J-GAAP]**  
**(For the 3rd Quarter of the Fiscal Year Ended March 31, 2017)**

January 31, 2017

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

1. Consolidated Performance for the Nine Months Ended December 31, 2016  
 (April 1, 2016 - December 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	%
3Q Mar. 2017 Period	177,446	7.6	5,916	(11.8)	5,768	(8.5)	6,272	(14.0)
3Q Mar. 2016 Period	164,954	12.9	6,705	0.7	6,307	(12.8)	7,294	7.5

(Note) Comprehensive income: 3Q Mar. 2017 Period ¥1,643 million (91.4%) 3Q Mar. 2016 Period 19,061 million 142.2%

	Earnings per share	Earnings per share after adjustment for residual securities
	¥	¥
3Q Mar. 2017 Period	151.68	-
3Q Mar. 2016 Period	177.32	-

(2) Consolidated financial standing

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	¥M	¥M	%	¥
As of Dec. 31, 2016	135,985	82,465	58.0	1,902.90
As of Mar. 31, 2016	140,674	83,981	57.5	1,967.29

(Reference) Shareholders' equity: As of December 31, 2016 ¥78,925 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 December 31, 2016 and March 31, 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	As of December 31, 2016	As of March 31, 2016	As of December 31, 2016
<b>Current assets:</b>			
Cash and deposits	¥ 29,652	¥ 33,776	\$ 254,459
Notes and accounts receivable - trade	35,642	35,908	305,861
Merchandise and finished goods	1,325	981	11,373
Work in process	904	574	7,763
Supplies	35	42	308
Deferred tax assets	976	1,607	8,380
Others	5,488	3,202	47,097
Less - allowance for doubtful accounts	(265)	(307)	(2,281)
Total current assets	<u>73,759</u>	<u>75,787</u>	<u>632,963</u>
<b>Non-current assets:</b>			
Property, plant and equipment:			
Buildings and structures, net	3,923	3,973	33,669
Tools, furniture and fixtures, net	3,325	3,149	28,534
Land	822	836	7,055
Others, net	519	547	4,460
Total property, plant and equipment, net	<u>8,590</u>	<u>8,507</u>	<u>73,720</u>
Intangible assets:			
Goodwill	3,582	2,996	30,739
Software	1,951	1,952	16,746
Others	599	378	5,141
Total intangible assets	<u>6,132</u>	<u>5,326</u>	<u>52,626</u>
Investments and other assets:			
Investment securities	16,333	26,044	140,166
Shares of subsidiaries and affiliates	11,448	15,878	98,243
Investments in capital of subsidiaries and affiliates	6,390	2,074	54,836
Deferred tax assets	82	86	712
Derivatives receivable	6,030	—	51,750
Guarantee deposits	5,569	5,660	47,796
Others	1,858	1,905	15,944
Less - allowance for doubtful accounts	(209)	(597)	(1,800)
Total investments and other assets	<u>47,503</u>	<u>51,053</u>	<u>407,648</u>
Total non-current assets	<u>62,226</u>	<u>64,887</u>	<u>533,996</u>
<b>Total assets</b>	<u>¥ 135,985</u>	<u>¥ 140,674</u>	<u>\$ 1,166,959</u>

See accompanying notes to unaudited quarterly consolidated financial statements.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
<b>LIABILITIES</b>	<b>As of December 31, 2016</b>	As of March 31, 2016	<b>As of December 31, 2016</b>
<b>Current liabilities:</b>			
Accounts payable - trade	¥ 10,230	¥ 9,975	\$ 87,792
Short-term loans payable	40	—	344
Current portion of bonds	7	—	60
Current portion of long-term debt	1,694	80	14,538
Accounts payable – other	4,788	4,710	41,090
Accrued expenses	10,075	8,059	86,462
Income taxes payable	734	2,711	6,301
Accrued consumption taxes	3,557	2,827	30,531
Provision for bonuses	2,080	3,511	17,849
Others	2,111	1,555	18,122
Total current liabilities	<u>35,319</u>	<u>33,431</u>	<u>303,093</u>
<b>Non-current liabilities:</b>			
Bonds payable	43	—	369
Convertible bond-type bonds with subscription rights to shares	10,039	10,047	86,155
Long-term debt	3,442	5,085	29,545
Deferred tax liabilities	4,191	4,415	35,969
Liability for retirement benefits	14	13	125
Derivatives liabilities	—	3,201	—
Others	468	498	4,022
Total non-current liabilities	<u>18,200</u>	<u>23,261</u>	<u>156,187</u>
Total liabilities	<u>53,519</u>	<u>56,693</u>	<u>459,280</u>
<b>NET ASSETS</b>			
Shareholders' equity:			
Capital stock	29,065	29,065	249,429
Capital surplus	18,908	20,510	162,260
Retained earnings	36,853	32,842	316,258
Treasury stock	(15,232)	(15,937)	(130,715)
Total shareholders' equity	<u>69,595</u>	<u>66,481</u>	<u>597,232</u>
Accumulated other comprehensive income:			
Unrealized holding gain on securities	7,994	15,479	68,607
Unrealized loss on hedging instruments	4,522	(2,401)	38,812
Foreign currency translation adjustments	(3,187)	1,369	(27,356)
Total accumulated other comprehensive income	<u>9,329</u>	<u>14,447</u>	<u>80,063</u>
Subscription rights to shares	3	0	27
Non-controlling interests	3,537	3,051	30,354
Total net assets	<u>82,465</u>	<u>83,981</u>	<u>707,678</u>
<b>Total liabilities and net assets</b>	<u>¥ 135,985</u>	<u>¥ 140,674</u>	<u>\$ 1,166,959</u>

See accompanying notes to unaudited quarterly consolidated financial statements.

## Unaudited Quarterly Consolidated Statement of Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the nine months ended December 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Net sales</b>	¥ 177,446	¥ 164,954	\$ 1,522,757
<b>Cost of sales</b>	146,082	135,588	1,253,607
Gross profit	31,363	29,366	269,149
<b>Selling, general and administrative expenses</b>	25,447	22,660	218,378
Operating income	5,916	6,705	50,771
<b>Non-operating income (expenses):</b>			
Interest income	49	67	427
Interest expenses	(21)	(20)	(187)
Dividend income	95	69	821
Share of profit (loss) of entities accounted for using equity method	(474)	73	(4,073)
Foreign exchange gain (loss)	183	(217)	1,573
Gain on sales of investment securities	954	2,843	8,188
Gain on sales of shares of subsidiaries and affiliates	2,407	1,297	20,658
Loss on disposal of fixed assets	(33)	(17)	(283)
Impairment loss on fixed assets	(70)	(29)	(607)
Office transfer expenses	—	(16)	—
Other income net	166	89	1,427
Total non-operating income	3,256	4,138	27,945
Income before income taxes and non-controlling interests	9,172	10,844	78,717
<b>Income taxes:</b>			
Current	1,888	2,631	16,207
Deferred	518	775	4,451
	2,407	3,407	20,659
<b>Net income</b>	6,765	7,436	58,057
<b>Net income attributable to non-controlling interests</b>	492	142	4,227
<b>Net income attributable to shareholders of transcosmos inc.</b>	¥ 6,272	¥ 7,294	\$ 53,830

See accompanying notes to unaudited quarterly consolidated financial statements.

## Unaudited Quarterly Consolidated Statement of Comprehensive Income

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

For the nine months ended December 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Net income</b>	¥ 6,765	¥ 7,436	\$ 58,057
<b>Other comprehensive income:</b>			
Unrealized holding gain (loss) on securities	(7,436)	19,608	(63,812)
Unrealized gain (loss) on hedging instruments	6,924	(6,606)	59,418
Foreign currency translation adjustments	(2,778)	(958)	(23,847)
Share of other comprehensive income of entities accounted for using equity method	(1,830)	(418)	(15,709)
<b>Total other comprehensive income</b>	<b>(5,121)</b>	<b>11,624</b>	<b>(43,951)</b>
<b>Comprehensive income</b>	¥ <b>1,643</b>	¥ 19,061	\$ <b>14,106</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of transcosmos inc.	¥ 1,154	¥ 18,957	\$ 9,911
Non-controlling interests	488	103	4,195

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 nine months ended December 31, 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 ¥116.53=\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 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.

**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 nine months ended December 31, 2016 and 2015

Millions of yen						
2016						
Reportable segments						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 142,349	¥ 10,667	¥ 24,429	¥ 177,446	¥ —	¥ 177,446
Inter-segment sales and transfers	181	3,014	1,439	4,635	(4,635)	—
Total	¥ 142,531	¥ 13,682	¥ 25,868	¥ 182,082	¥ (4,635)	¥ 177,446
Segment profit (loss)	¥ 5,996	¥ 264	¥ (347)	¥ 5,912	¥ 3	¥ 5,916

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	\$ 1,221,571	\$ 91,547	\$ 209,639	\$ 1,522,757	\$ —	\$ 1,522,757
Inter-segment sales and transfers	1,556	25,872	12,353	39,781	(39,781)	—
Total	\$ 1,223,127	\$ 117,419	\$ 221,992	\$ 1,562,539	\$ (39,781)	\$ 1,522,757
Segment profit (loss)	\$ 51,456	\$ 2,266	\$ (2,985)	\$ 50,737	\$ 33	\$ 50,771

Note A: Segment profit of ¥3 million (\$33 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						
	Parent company	Domestic subsidiaries and affiliates	Overseas subsidiaries and affiliates	Total	Eliminations	Consolidated
Net sales						
Sales to third parties	¥ 131,221	¥ 12,093	¥ 21,639	¥ 164,954	¥ —	¥ 164,954
Inter-segment sales and transfers	154	2,859	741	3,754	(3,754)	—
Total	¥ 131,375	¥ 14,953	¥ 22,380	¥ 168,709	¥ (3,754)	¥ 164,954
Segment profit	¥ 5,950	¥ 705	¥ 37	¥ 6,693	¥ 12	¥ 6,705

Note A: Segment profit of ¥ 12 million in “Eliminations” consists of inter-segment elimination.

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