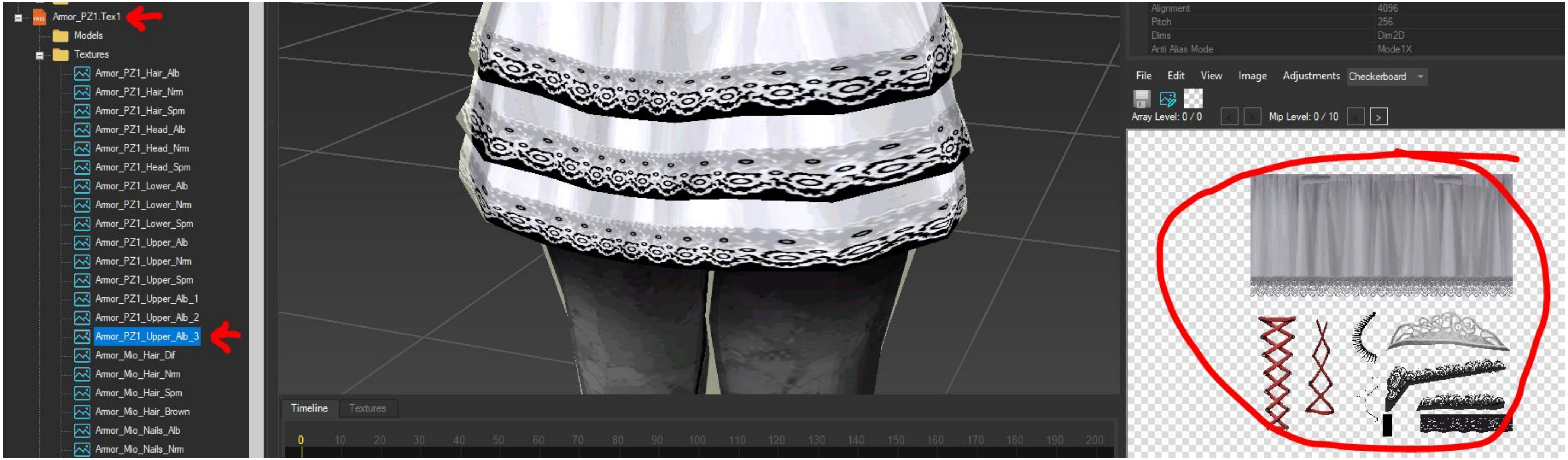
How to make a texture transparent:

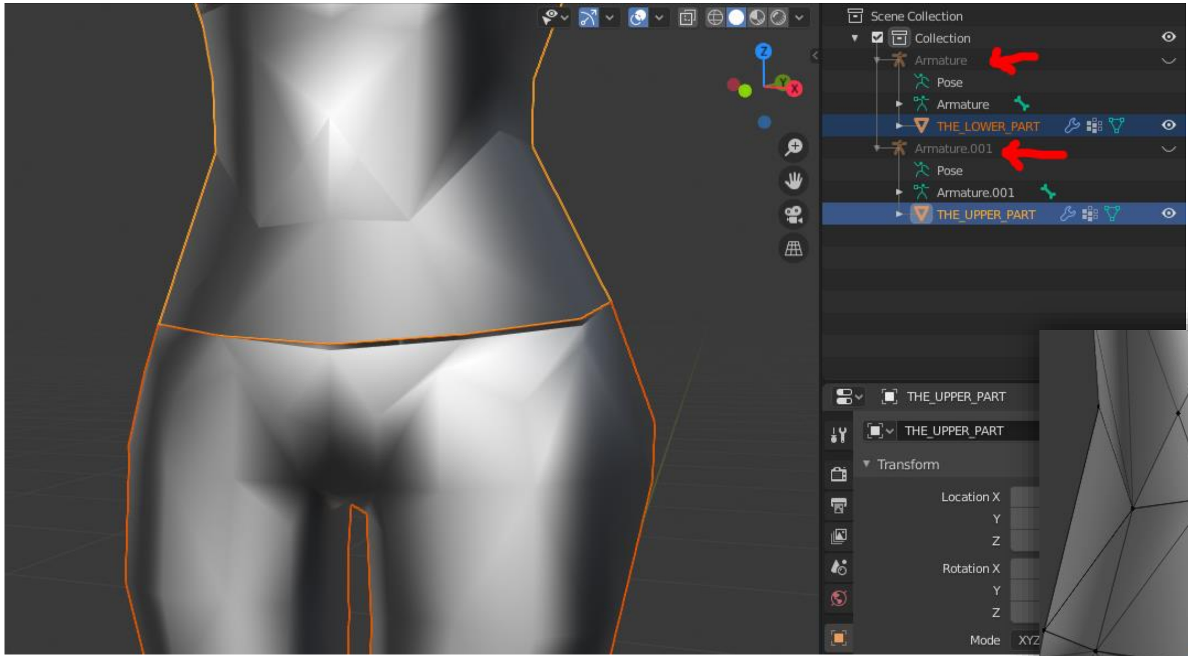
First please note there is no way to make a semi-transparent texture. 100% transparent or 100% solid, that's all.
First apply the transparency to the textures (edit the PNG to make transparent areas and import back to the sbfres files using Toolbox as usual):



Next, locate the material used by the texture, and change it as pictured. Save changes, close and open again Toolbox just to confirm: you will see the material has a different icon: now this material will make the transparent areas on the textures (note Toolbox won't understand transparency and will display it as black):

How to avoid gaps between upper and lower armor parts:

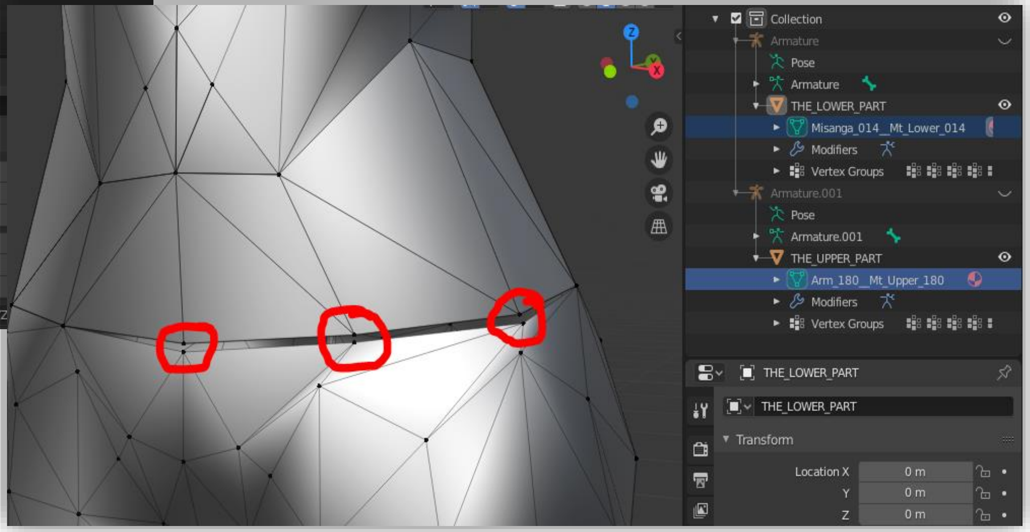
Find the problem first: is the upper or the lower part the one having the gap? Try to mix your armor with other armors. In my edits, I wanted to get rid of the belt everywhere, and usually the lower part was the problematic one. So, let's open it with Blender. And also, we will open too the upper part. Just import one FBX after the other (left picture):



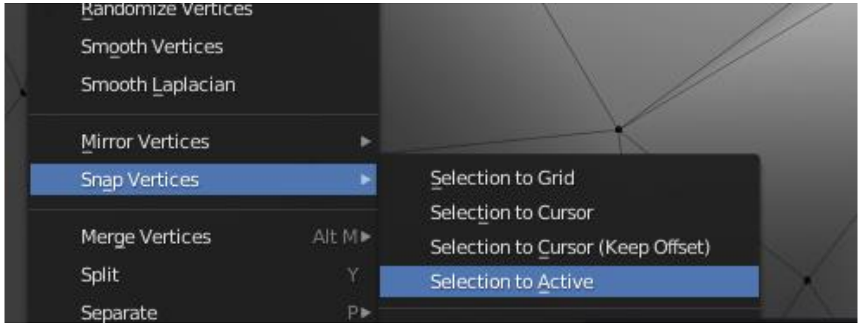
There is a visible gap in the waist. I made it in purpose for this example, it may be almost no noticeable for you, so zoom really in. Even it's possible you can't notice it at all, anyway we will do this step just in case.

The objective is to put all the vertices from the upper and lower waists, in the same exact spot. As the upper part is the good one, we will use it as a target for the vertices from the lower part.

Let's go to edit mode, selecting both upper and lower parts:



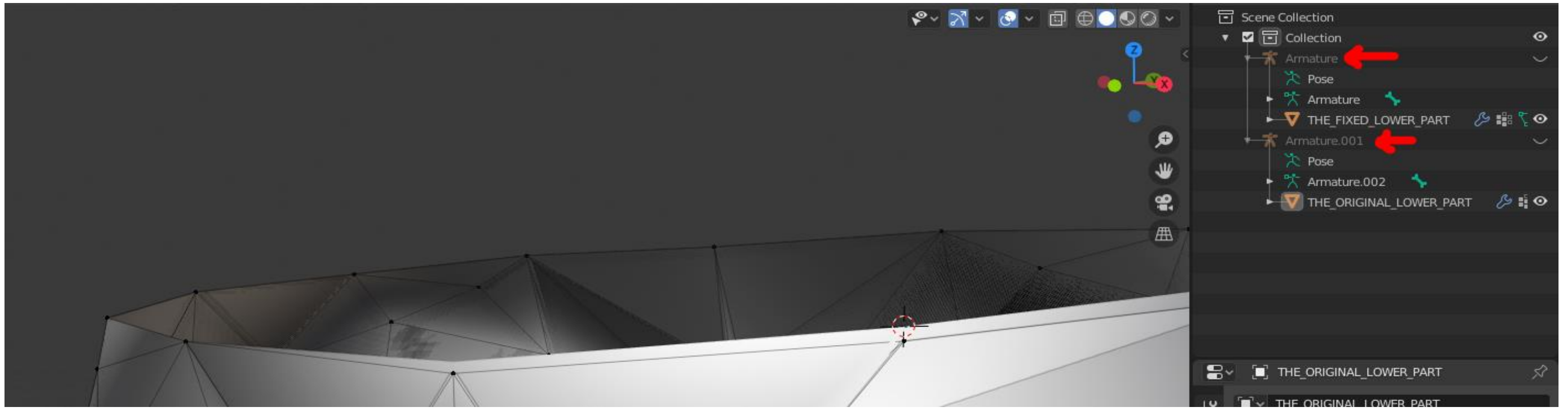
1. Now select the lower vertex with the left button mouse (right picture →).
2. Press and keep Control key pressed, and left mouse click to select the upper vertex. If the upper vertex is so close to the first one you can't click it, don't worry, just move the mouse slightly up and do the click, Blender will select the other vertex.
3. Now you have both vertices selected, release Control key.
4. Finally right mouse click and select Snap to Vertices -> Selection to Active from the menu and the lower vertex will move to the position of the upper vertex:



→

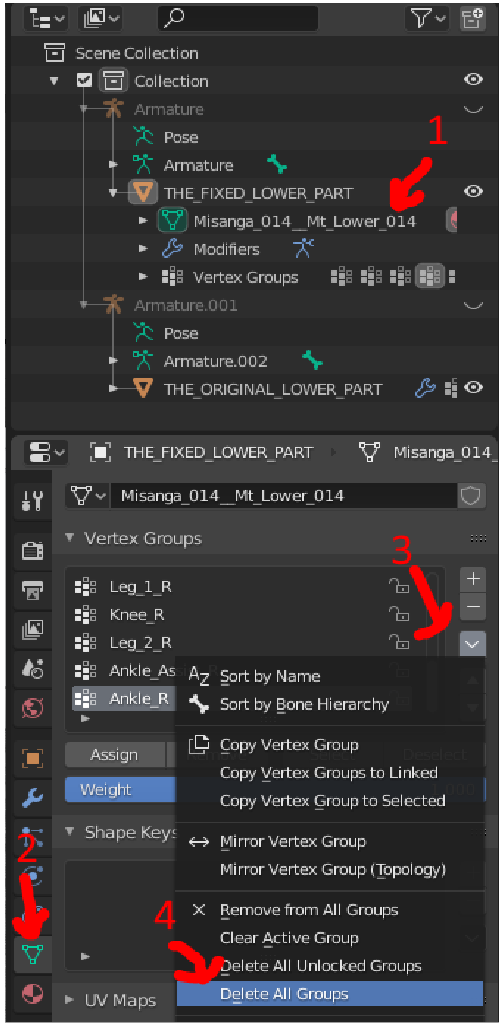
First one done! Repeat with all the other vertices until the upper and lower waists are perfectly aligned. You may need to create or even delete vertex, do at your will.

Once it's done, delete the whole upper Armature. Now we need to do one last thing: transfer again weights to the lower waist. It may not be necessary in some cases, but it's a good thing to do after moving vertices to ensure we will not get gaps while crouching, jumping, fighting… To do that, import again the lower part (the one with the gap, the left



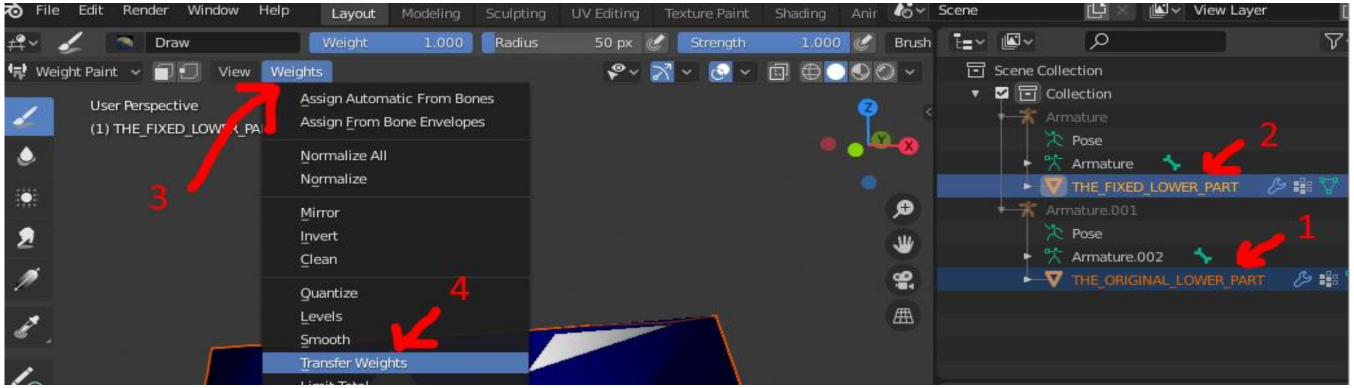
← picture) and then transfer weights from this one to the one we fixed, in the usual way. I assume you know how to do it, but if not, very shortly:

1. Clean vertex groups on the fixed part:

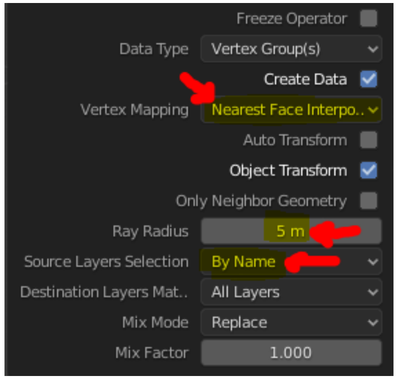


2. In object mode, select FIRST the ORIGINAL part, then NEXT select the FIXED part.

3. Press CTRL+TAB and select WEIGHT PAINT. The fixed part will change to a blue color:



4. Open the small window in the lower part called "Transfer Mesh Data" and choose these options exactly:



5. Finally Ctrl+Tab again and go back to object mode. Weight transfer complete!

Now delete the original lower part, to end having only one armor in the scene, the fixed one. Export it as FBX as usual, import it back with Toolbox, and you should have fixed the gap.

Do it with all the armors with gaps. After 2 or 3, this whole process will be almost automatic!

PS: Keep in mind the texture may display a line on the separation while playing. This is normal, because the upper and in the lower are in fact two objects and light may reflect it differently. That's why the game uses usually a belt to cover it, or why the tunics are on the upper part but their skirt ends using the lower space zone. For the body, you could think on the waist line for the underwear, so upper part is skin, lower part for the underwear, that way you won't notice any line on the skin.