

transcosmos inc.
www.trans-cosmos.co.jp

**Your
Global**



Partner.

ANNUAL REPORT 2010
Year ended 31 March 2010



Your Global



Partner.

Global = Cost performance x Pinpoint precision
This is the transcocosmos IT partner equation.

transcocosmos is a comprehensive outsourcer company that combines highly experienced personnel, with the latest technology, to support client companies in their efforts to optimize and streamline their marketing operations, expand their sales, and obtain new customers.

People & Technology

The guiding idea for **transcocosmos**'s business is to create high value-added services by integrating People and Technology. "People" refers to our high-caliber staff members, who are able to provide precise, effective services. "Technology" refers to the optimal technologies that we are always seeking as we constantly scrutinize current trends.

We have also added "People & Technology" to our logo. This reflects our desire to constantly improve these foundations of our business, to conduct business on a global scale, and, ultimately, through our business, to link people and technology and make technology into something that is closer to people and easy to use.

In this report, FY2010 indicates the fiscal year ended 31 March 2010 (1 April 2009 to 31 March 2010).

Forward-looking Statements

This annual report contains statements regarding future performance including business plans, performance projections and strategic forecasts. Those statements are based on management's assessment of information currently available to transcocosmos. Therefore, changes in the operating environment may cause actual result and progress in management strategies to differ from the forecasts made in this report.

CONTENTS

At a Glance	1
Message from the Management	2
Main Activities in FY2010	4
Operating Results	6
Five-year Summary	9
Financial Statements	10
Investor Information	20
Network	21

transcocosmos At a Glance

Call Center Services

We conduct both "inbound services," in which, for client customers, we use multiple channels – telephone, email, websites, etc. – to deal with inquiries from consumers, and "outbound services," in which we make sales calls and provide, by telephone, various kinds of information about products, sales campaigns, and more.

Business Process Outsourcing (BPO) Services

We provide IT outsourcing (ITO) services, which include the introduction, development and operation of IT platforms for corporations; business process outsourcing (BPO) services, which support corporate operations and back-office tasks as taking product orders, accounting, personnel management, and general affairs; and engineering solutions (ES), which support design work, such as machine and architectural design and CAD system development, operation and maintenance.

Business Process Solution (BPS) Services

We diagnose, design, build and implement business processes for our client companies and provide consulting services to them on improving their operations. Using one of the largest data entry networks in Japan and a reliable traceability function, we are able to quickly and reliably process large volumes of customer data. To increase the efficiency of our operations, we integrated our BPS services with our call center services in April 2010, and will now provide both kinds of customer services and the related peripheral services (fulfillment) through a single system.

Digital Marketing (DM) Services

We provide services that support Internet-based corporate marketing activities. They primarily include "Internet Advertising," a service that plans, implements, operates, and analyzes the effectiveness of, listing ads, banner ads, affiliate advertising, and other online promotional activities, and "Web Integration," a service that plans, builds and operates corporate websites.

Marketing Chain Management (MCM) Solution Services

Begun in April 2010, these new services, which integrate the outsourcing services cultivated by our corporate group with the technological solution services of our consolidated subsidiary, Double Click, support the streamlining, optimization and automation of corporate marketing activities.

Overseas Services

We provide one of the largest offshore system-developing services in Japan. Centered in Asia, especially China and South Korea, these comprehensive services cover everything from the upstream design, to the development and maintenance, of all kinds of systems. In addition, we provide global services that support Japanese companies in their efforts to enter foreign markets. We have transplanted the various kinds of services and know-how that we offer in Japan to overseas, where we provide them with the same quality, and using the same technology, as in Japan.

BtoC Media Services

We plan, develop and operate Internet media geared to ordinary consumers. In a consortium with first-class Japanese companies, we also provide network services using technological advances gleaned from throughout the world. As an example, we operate "meet me," a 3D virtual community on the Internet (metaverse) that simulates the real Tokyo.

Message from the Management



Koji Funatsu
Chairman & CEO

Summary of Business Results from the Fiscal Year Under Review

During the fiscal year under review, the environment surrounding our company's business continued to be affected by economic stagnation grounded in the global financial crisis, leading to a worsening of corporate earnings. Together with this, willingness to invest in IT and other equipment decreased sharply, demand for IT services shrank, and severe conditions otherwise prevailed. Among our corporate group's businesses, the mainstay businesses – call center services and digital marketing services – remained comparatively robust, but the worsening business environment impacted certain of our business process outsourcing services and business process solution services, whose performance thus slumped.

In certain of our business process outsourcing services, such as the dispatching of CAD engineers, the operating rate declined, and non-operating personnel arose, due to the shrinking of the manufacturing industry as a whole and the automobile industry, a main recipient of our services, in particular. As a result, we endeavored to resolve the problem of non-operating personnel by, among other things, a broad-based redeployment of company personnel. Moreover, in our business process solution services, performance lagged due to, among other things, a decrease in the number of new orders received; however, we have started eliminating and consolidating centers and facilities and are otherwise endeavoring to increase the efficiency of this business.

On the other hand, in order to quickly rebuild our business results, which had fallen off in FY2009, we grappled with reorganizing and restructuring our corporate group.

Among our reorganization efforts, we sold or consolidated affiliated companies, as described in the table below. As a result, our consolidated operating income improved by ¥570 million from the previous fiscal year. Our withdrawal from the corporate venture capital business, completed in the previous fiscal year, also contributed to this large increase in consolidated operating income. Among our restructuring efforts, we implemented a thoroughgoing reduction of expenses, especially personnel expenses, and rearranged and simplified our organizational system. In particular, we consolidated our operations in the areas of personnel, general affairs and accounting, thereby reducing our back-office staff by 26% by the end of the fiscal year.

Moreover, as an effort linked to future growth, we sought to offer and expand new services. For example, we began offering "solutions for reducing indirect sales costs," a service aimed at improving work processes and optimizing costs, and "solutions for improving work efficiency," a service geared to the field of design work.

Future Actions

In FY2010, due to the effects of the slumping economy, there was a temporary increase in companies that insourced their outsourced operations. In the future, however, companies will require radical operational reforms in order to truly put their businesses on a recovery path, and in that connection, the use of outsourcing as a means of improving operational efficiency is likely to become more widespread. Thus, in order to raise the level of our outsourcing services, increase the accuracy of our forecasts of demand for those services, and be able to quickly respond to such demand when it occurs, we reorganized our corporate group's organizational system, effective as of April 2010, into operational organizations that are each specialized in a particular type of business or work and a comprehensive services organization that handles all services. This will enable us to strengthen our services that are specialized for particular types of businesses or work, as well as our comprehensive services that combine CC, BPO, DM and other services.

Moreover, as a strategic move for future growth, we will strengthen and promote our overseas business, especially in China and South Korea, and thereby build a system that is able to provide even higher quality and more price-competitive outsourcing services on a global basis. These efforts will also enable us to achieve greater differentiation and higher added value for our services and to bolster our preeminence in the industry.

Our company will carry out the measures mentioned above. However, given that the future direction of the economy is unclear, we have cautiously forecast our results for FY2011 as follows: net sales of ¥151,600 million, consolidated operating income of ¥6,500 million, and consolidated net income of ¥1,700 million.

Basic Policy Concerning Dividends

transcosmos has established the distribution of retained earnings to stockholders as one of its key objectives. Aimed at achieving that objective, our basic policy concerning dividends is to pay a dividend linked to business results with a higher payout ratio and thereby increase the market value of our company's stock.

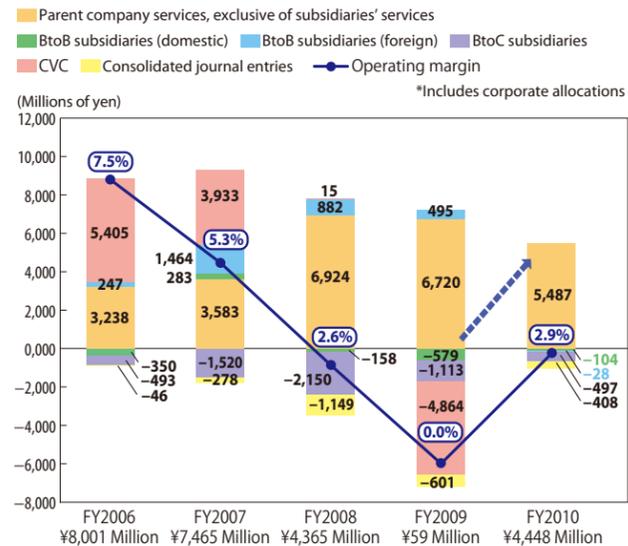
As regards the dividend for the fiscal year under review, we initially planned to forego a dividend payment, but our business results exceeded those forecast at the start of the year, so we have decided to pay a dividend of 10 yen per share. Moreover, we plan to pay a dividend of 10 yen per share in the coming fiscal year as well.

transcosmos intends to use its internal reserves to improve its financial structure and to continue making capital investments in new call centers, information systems, and other installations.

Main Sales and Consolidations

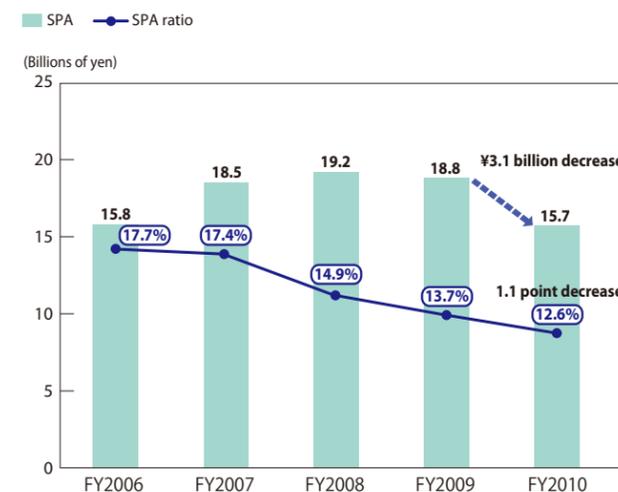
Category	Company	Business	Time and action
Overseas BtoB		China call center	June 2009: Sold
		China digital marketing	July 2009: Sold
BtoC		Shopping search engine	Sept. 2009: Sold
Domestic BtoB		Member database management service, etc.	March 2010: Business liquidated
		Video sharing, Internet advertising, etc.	March 2010: Main operations absorbed by the parent company
		Internet advertisement distribution, etc.	March 2010: Main operations absorbed by the parent company

Consolidated Operating Income (By company category)



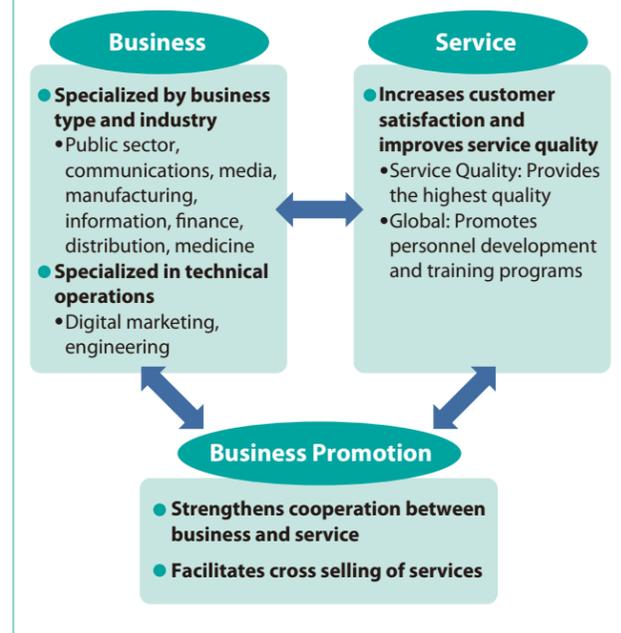
Changes in the Amount and ratio of SPA

"Sales expenses and general administrative expenses" in non-consolidated financial statements, and their proportion of the sales from parent company services



Promotion System

Newly establishes a business promotion headquarters to promote stronger cooperation between business and service and to facilitate the cross selling of services



Main Activities in FY2010

Highly Price-Competitive Call Center Services

In our call center services business, we have sought to provide high-quality, highly price-competitive services by regionalizing and enlarging our call centers. In addition, we have expanded our industry-specific services, including financial services, communication services and distribution services, as well as our inbound services, outbound sales services and other specialized services. In April 2010, moreover, we integrated our business process solution services – data entry, fulfillment, and other such services – with our call center services in order to increase the efficiency of our operations and further strengthen our service abilities.

BPO Solutions Based on Specialized Services Provided by BPO Centers

In our BPO services, we employ the know-how cultivated in our on-site services and have moved towards conducting operations at BPO centers. We have succeeded in reducing the indirect selling expenses of client companies by providing specialized solutions for operations such as placing and receiving orders, accounting, customer care, data management and integration, and more.

Digital Marketing Solutions that Link On-site and Center Services

In our digital marketing services business, we have sought to provide comprehensive services by linking website operation and other on-site services conducted at the customer's company, with center services effectively provided through sharing knowledge and work.

Our aim is to establish an outsourcer's position unique in the digital marketing industry – one in which our centers provide integrated services as solutions to issues and needs discovered on-site at the client company.

Strengthening of Global Services

We have been promoting a global strategy in Asia, especially China and South Korea.

<China>

June 2009 Opened a call center in Wuxi, our fourth in China.

Dec. 2009 Taobao, China's largest EC company, and transcosmos CC China signed a strategic partnership contract.

Recently, 22 companies, most of them Chinese, were chosen as Taobao partners. The companies provide such services as system development, customer service, market research, marketing, and distribution.

We believe that the reason our Chinese subsidiary **transcosmos CC China** was chosen is that the results from the customer support services and marketing services that it has provided to Uniqlo China and other Japanese companies that have entered China, and to companies that have opened a Taobao store, were favorably assessed. Based on this partnership contract, **transcosmos CC China** linked the Taobao system with an Application Program Interface, enabling services to be directly provided to Taobao chain store companies. In the future, by 2012, it aims to have 800 seats and sales of one billion yen in its EC-related services.

In China, in 2008, there were 80 million people with EC experience and the EC market was about 1.8 trillion yen (128 billion yuan). By 2012, these figures are expected to grow to approximately 260 million people and 10 trillion yen (800 billion yuan). Taobao has roughly an 80% share of the EC market and 145 million users. (Source: iResearch China Online Shopping Report 2008-2009)

<South Korea>

Jan. 2010 transcosmos Korea Inc. established a business alliance with KT Corporation, South Korea's largest telecommunications company.

KT Corporation (KT) is South Korea's largest telecommunications company. It operates, among other things, a broadband service (QOOK), a cell phone service (SHOW), an ISP service (Paran), and a public Wifi service (Nespot). The KT Group also includes the industry's largest call center operating company. (**transcosmos Korea Inc.** is the largest independent company.) South Korea's call center market totaled 1.6 trillion won in 2008, when it grew at a rate of 107.4%. It is the second largest market in Asia, after Japan's.

Through this business alliance, **transcosmos Korea Inc.** took charge of part of the call center services provided by the KT Group. Thus, in January 2010, it began operations at two centers with a total of about 900 seats. It expects approximately 25 billion won in sales from these operations in 2010.

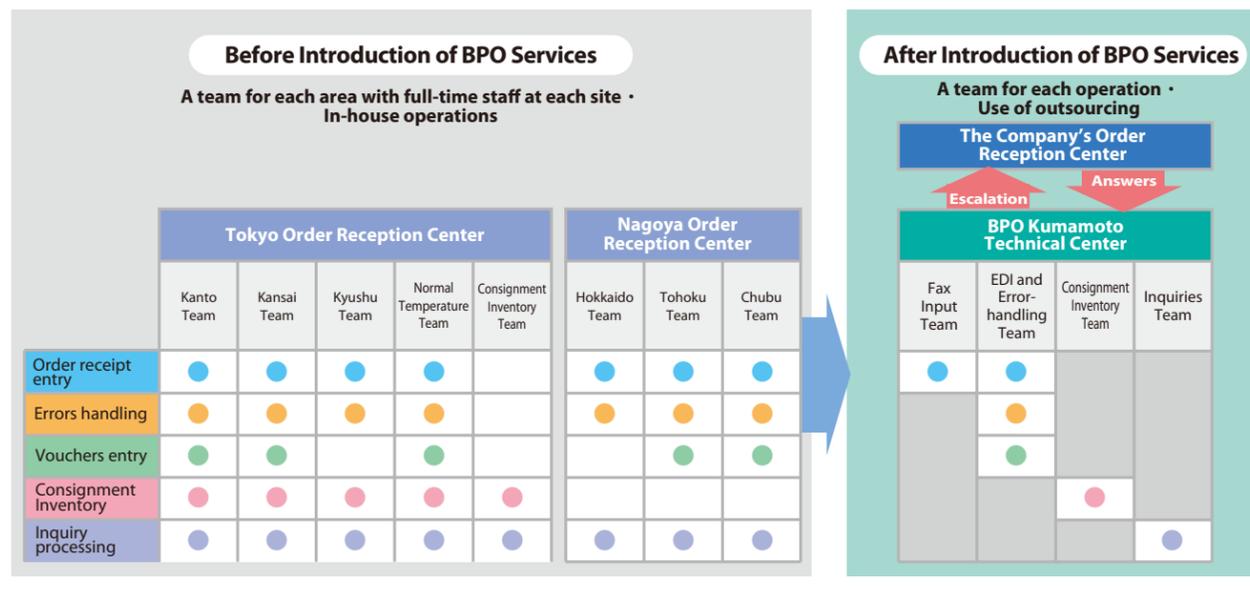
BPO Example 15% Reduction in Operating Costs of Japan's Largest Frozen Food Company's Order Reception Centers

[The Customer's Issues]

- Hiring and training temporary employees required numerous manhours.
- There was variability in how employees handled customers.
- The order reception centers were decentralized.
- The customer wanted to reduce operating costs and improve the quality of operations.

[Our Solution]

- We established an order reception center for this company inside our BPO Kumamoto Technical Center.
- We reduced the company's facility costs by using this regional center.
 - We reduced the company's personnel expenses by providing an operations system ideal for dealing with work whose volume varies with circumstances.
 - We improved and standardized work quality by regularizing and streamlining operations and thus preventing their performance from becoming dependent on any particular individual.



DM Solutions that Link On-site and Center Services

