

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

**Your
Global**

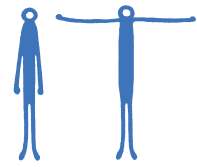


Partner.

ANNUAL REPORT 2009
Year ended 31 March 2009



Your Global



Partner.

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

transcocosmos inc. is a worldwide IT outsourcer providing the highest-quality IT technology in the global market and a labor force at optimal cost performance tailored for each client company.

People & Technology

transcocosmos provides high value-added services generated through the fusion of "People" and "Technology." "People" refers to high-caliber staff with outstanding skills that are the result of required education and training, and a personnel system that evaluates performance and abilities fairly. "Technology" refers to optimal technologies for client companies, which are achieved through always focusing on current trends. By continuing to enhance the quality of such "People" and "Technology," we provide client companies with optimal services featuring high quality and outstanding cost performance.

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In this report, FY2009 indicates the fiscal year ended 31 March 2009 (1 April 2008 to 31 March 2009).

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 results and progress in management strategies to differ from the forecasts made in this report.

transcocosmos

At a Glance

IT Services (BtoB)

Call Center Services

We conduct both "inbound services," in which we use multiple channels—telephone, email, websites and more—to obtain information in response to inquiries from consumers, and "outbound services," in which we make sales calls, and provide, by telephone, various kinds of information and guidance about products, sales campaigns and more.

Business Process Outsourcing Services

We are a one-stop supplier of outsourcing services for business processes, enabling client companies to concentrate on their core operations. We provide a wide range of services, including an IT outsourcing service that assists support desk operations and conducts employee education, a business process outsourcing service for accounting operations, order placing/receiving operations, etc., a support service for architectural design operations, and system developments.

Business Process Solution Services

Using one of the largest data entry networks in Japan and a reliable traceability function, we can quickly and reliably process large volumes of customer data. We also offer services for the diagnosis, design, construction, and performance of business processes.

Digital Marketing Services

We provide services for corporate marketing activities such as an Internet-based advertising service that supports the promotional activities of corporations, and a website integration service that supports the construction and operation of websites.

Offshore System Developing Services in China

At our bases in China, we provide comprehensive offshore services—from upstream design to development and maintenance—for all kinds of systems. In a short time we are able to achieve the same quality as in Japan, while keeping costs down.

Overseas Business

Overseas—mainly in Asia—we provide the various services that we provide in Japan, and with the same quality and technology as in Japan.

IT Services (BtoC)

BtoC Business

In our BtoC business, we plan, develop and operate Internet media geared to consumers, providing services in various fields, including the 3D virtual communities on the Internet (metaverses) and information-gathering sites related to products

Corporate Venture Capital Business (CVC)

To provide optimal services for our client companies on a continuing basis, and as part of our R&D activities to add higher value to services, we conduct Corporate Venture Capital (CVC) operations that include strategic investment, such as for business development to enable business synergies.

*Our CVC business was discontinued at the end of March 2009.

Message from the Management



Koji Funatsu
Chairman & CEO

Summary of Business Results from the Fiscal Year Under Review

The environment surrounding our company's business changed radically in the fiscal year under review. Due to the global financial crisis, the stock market plummeted and the foreign exchange market fell into disarray, while corporate earnings, especially in the manufacturing industry, rapidly worsened. On the other hand, a trend arose whereby companies whose earnings declined sought to expedite improvements to their profitability, which led to new outsourcing demand aimed at increasing business efficiency and reducing costs. Thus, orders received for our IT services remained relatively strong. As a result, consolidated net sales totaled ¥166,292 million, an increase of 0.9% from the previous fiscal year.

Moreover, in order to maintain our profitability, we promptly set about restructuring our operations. Among other things, we withdrew from unprofitable undertakings, reduced selling, general and administrative expenses (SGA), including personnel expenses, and otherwise cut costs company-wide, and reviewed our deployment of human resources. As a result, at the same time as our earnings increased from the previous fiscal year, the SGA ratio declined. Moreover, while our consolidated operating income decreased greatly from the previous fiscal year, to ¥59 million, we were still able to keep operations in the black.

However, in our corporate venture capital (CVC) business where capital gains are one of the goals, income decreased 70.1% from the previous fiscal year due to the limited sales of stock holdings, and the occurrence of impairment losses on stock holdings, that resulted from the slumping stock market. We thus decided to discontinue our CVC business at the end of this fiscal year and to concentrate our managerial resources on our main business, IT services.

In addition to the operating loss of our CVC business, we had R&D expenses for strengthening our competitiveness and also posted an appraisal loss on derivatives, a sales loss and appraisal loss on investment securities, and impairment losses on subsidiaries, as a result of which we recorded, for this fiscal year, a loss before income taxes and minority interests, of ¥2,950 million. However, as a result of the tax consequences from a tax loss that accompanied the liquidation of our US subsidiary, deferred income tax was minus ¥5,028 million, due to which we were able to post a consolidated net profit of ¥2,202 million for the fiscal year.

Future Actions

transcosmos group, expecting the demand for outsourcing to increase moderately over the medium and long term, has established the following business strategies for the future.

- ① In order to deal closely with the changes in the environment, we will develop and expand services specific to each type of business and operation.
- ② In addition to the unique services offered by the **transcosmos inc.**, we will provide quality services of high added value by strengthening our ties with each of the highly specialized companies in our group.
- ③ To deal with the globalizing of customer needs and goals, we will strengthen our service system in the global market, especially in Asia.

For our strategy in FY2010, we have hammered out the following measures.

In our mainstay call center business, we will increase our cost competitiveness by promoting a shift from on-site operations to the more profitable method of operating at our own call centers, and by promoting the further regionalization of the call centers. Moreover, we will expand our highly specialized services, putting effort into developing existing fields and cultivating new fields. Regarding new fields, we will mainly concentrate on cultivating social and technical fields: the inbound and outbound services linked to the privatization of governmental-affiliated financial institutions and to restrictions on credit card limits, the emergency response services required when a recall occurs, the inbound services and technical services linked to the start of terrestrial digital broadcasting and to the spread of fourth-generation cell phones, etc.

Regarding BPO services, we will strengthen the one-stop system for services by which we provide, from inside our corporate group, through the ties between **transcosmos** and its group companies, everything from operations consulting to offshore development and system operation.

In our business process solution (BPS) services, the processing of large volumes of data has been made possible through expanding our network to include our Chinese bases, so that we will hereafter put effort into obtaining orders in fields—such as the digitalization of government information, and the personal information management arising from revision of the Installment Sales Act—where a demand for large projects can be expected in the future.

In our digital marketing services, we will use our personnel who conduct operations on-site at roughly 500 client companies as a basis for increasing our efforts to provide the dual services of Internet advertising and website

integration. Moreover, we will use our global service system centered on China and South Korea to try to obtain orders from Japanese corporations that have entered foreign markets.

In our BtoC business, we greatly improved our profitability through a liquidation of subsidiaries conducted in FY2009. In FY2010 we will continue to forge ahead with culling and concentrating our business operations and focusing resources on growth businesses, thereby aiming to make it into the black monthly, at an early date.

Our company will carry out the measures mentioned above. However, with the direction of the economy currently unclear, we have forecast our results for FY2010 conservatively. Thus, we anticipate consolidated net sales of ¥153,000 million, consolidated operating income of ¥4,500 million, and consolidated net income of ¥150 million.

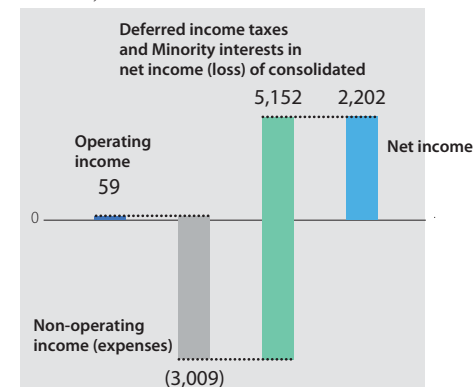
Basic Policy Concerning Dividends

transcosmos has established the distribution of retained earnings to stockholders as one of its key objectives. In fiscal 2005, we shifted from a policy of paying a stable dividend to one that emphasizes a payout ratio relative to business results. However, our business results during the fiscal year under review fell short of initial forecasts. Thus, it is with sincere regret that we will forgo a year-end dividend for this fiscal year. Moreover, based on the current economic environment and business situation, and in order to strengthen our financial structure, we plan to forgo an annual dividend in the coming 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.

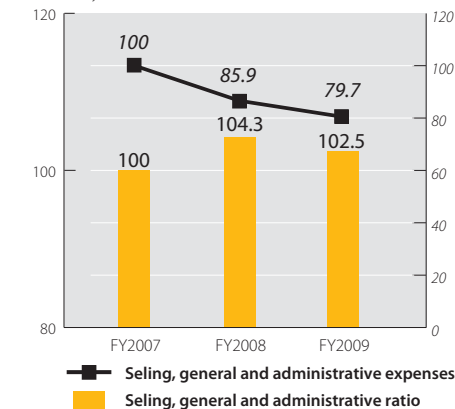
Breakdown of the Year's Consolidated Net Income

(Millions of yen)

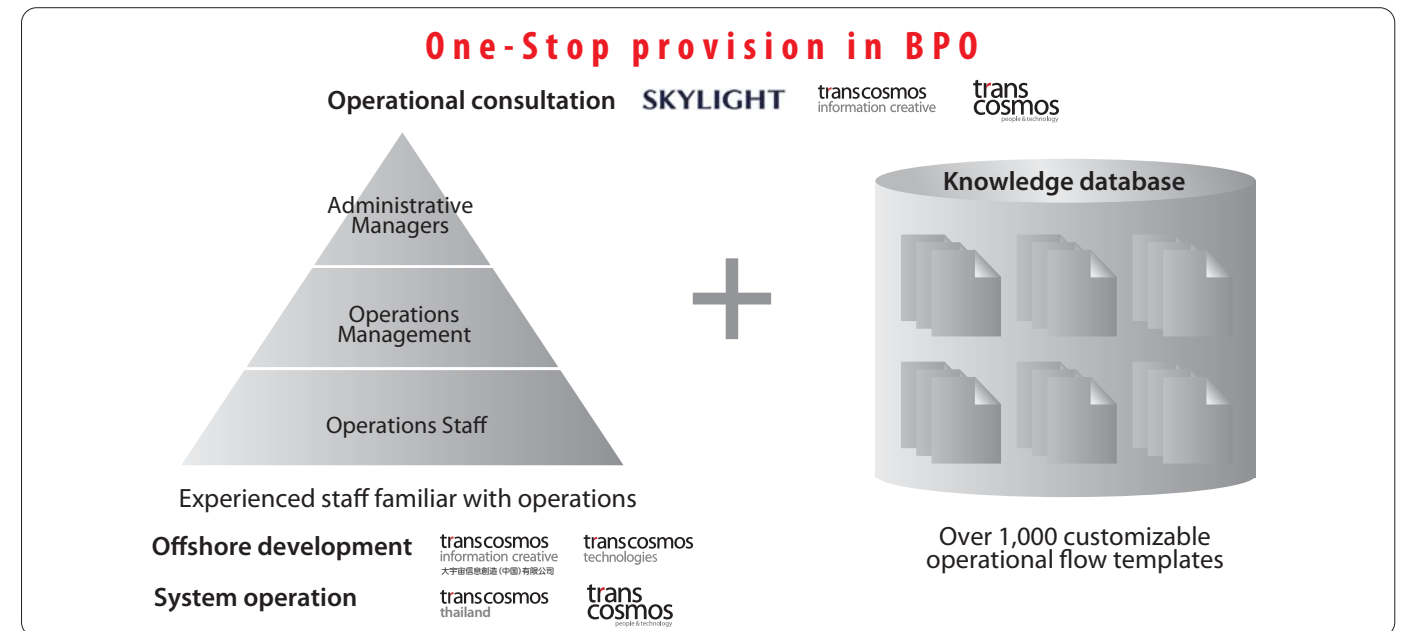


Changes in the Amount and ratio of SGA

(Millions of yen)

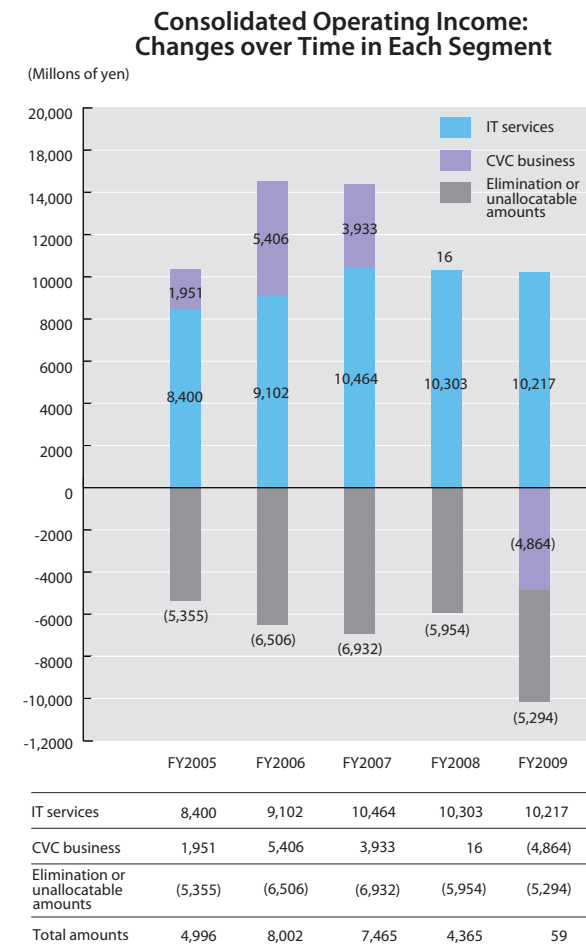


*Performance in FY2007 is represented as 100.



Main Activities in FY2009

To deal with the dramatic changes in the market environment, we have actively promoted the restructuring of our business.



Maintenance of Profitability

- A cost review unbound by conventional standards
- Withdrawal from unprofitable undertakings
- Selecting and focusing on operations that contribute to increasing profit

Withdrawal from the Corporate Venture Capital Business

The business activities of transcosmos group have until recently been divided into two segments: an IT services business and a corporate venture capital (CVC) business. In FY2009, however, we discontinued our CVC business. This investment business aimed to understand the latest domestic and overseas trends in technology and services and to incorporate them into our services, while seeking to achieve capital gains as well.

Reasons for Withdrawal

There are three main reasons for our withdrawal from the CVC business. First, we had already achieved sufficient benefits from our investments as a result of incorporating the new technologies and services of our mainly US investment recipients into our business. Second, the focus of our IT services business is shifting more and more to Asia. And third, due to the recent slump in the stock market, it became impossible to expect capital gains from operating investment securities.

In the future we intend to concentrate our managerial resources on our IT services business.

Steps to Be Taken

- Dissolve Transcosmos Investments & Business Development, Inc.
- Liquidate and distribute their company's securities holdings to transcosmos, inc.
- Withdraw from the CVC business segment in FY2010.

Accounting Adjustments

- "Investment securities for operating purpose," which until FY2009 have been included in both consolidated and non-consolidated financial statements, will be transferred as of FY2010 to the "Investment in securities" and "Investments in securities of subsidiaries and affiliates" accounts.
- Profit and loss has been recorded under "Net Sales" and "Cost of sales," but beginning in FY2010 it will be handled in a "Non-operating income(expenses)" account.

Withdrawal from Subsidiaries and Focusing on Priority Business

Aiming to streamline and otherwise optimize our group's management and consolidate our managerial resources, we liquidated or reorganized certain of our subsidiaries. Sales from these companies in FY2009 totaled ¥3.05 billion, while total operating income was minus ¥1.29 billion.

Main Companies Withdrawn From

Category of business	Name of company	Business activities	Time of withdrawal
DM	arekao	Operation of portal site and blog that provide beauty information, etc., for women	Feb. 2009: Business sold
BtoB subsidiaries	Abacus Japan K. K.	Managing customers of mail order companies and other direct marketing support	March 2009: Company dissolved
	Organic Trend International Co., Ltd.	Development, manufacture and sale of organic materials and products	Dec. 2008: Business discontinued June 2009: Company dissolved
	Digit Co., Ltd.	An online service supporting the hiring of college students and young adults	April 2009: Business sold
BtoC subsidiaries	Askjp Co., Ltd.	Online promotion conducted by distributing animated images using search technology and CGM	June 2009: Withdrawal from the BtoC business. (The part of the BtoB business in the black was continued)
	Shockwave Entertainment, Inc.	Advertising and licensing business conducted by operating a portal specialized in games and animation	March 2009: Company dissolved
	amimo LLP	Operation of a blog where visitors communicate with original characters	March 2009: Company liquidated

Incorporating Main Priority Businesses

Category of business	Name of company	Business activities	Time of withdrawal
DM	Business Process Service co., LTD	IT services such as data entry	April 2009: Company dissolved

Business Process Service co., LTD completed development and began operation of a system for our BPS business, so the activities of the company were transferred to transcosmos' BPS Department.

Development of Business in Growing Fields

- Strengthening of IT services, a growing field
- Improving the quality of services in global IT outsourcing

Strengthening the Earning Power of the Call Centers

Promoting a shift from onsite operations to call center operations

By shifting the business model from offering our services at our client companies (on site) to offering our services at our call centers, we will be able to use our operators, facilities and other resources with greater efficiency, which in turn will serve to increase profitability and prevent opportunity loss.

Promoting the regionalization of call centers

By establishing call centers in regional locations, we will be able to tap new pools of talented workers, reduce personnel expenses, and strengthen our cost competitiveness.

Strengthening of BPO Services

Our BPO services include the development, design, operation and maintenance, of corporate systems; help desk support and other IT services; and services for handling general affairs, accounting, purchasing, ordering, and other business processes. Our two BPO centers were put into full operation in FY2009.

- **BPO Kumamoto Technical Center (Kumamoto)**
We built a new corporate business outsourcing center.
- **BPO Ariake Technical Center (Ariake)**
We remodeled our Ariake center, creating a total business support base that includes IT management and order placing/receiving operations.

Construction of Global Service System

- We provide a call center service that can handle the languages of the 10 major Asian countries. It holds 4,760 seats, the most of any such service in Japan, and can effectively deal with today's globalizing corporate needs, especially in Asia.
- We operate the largest digital marketing service in China and South Korea.
- We have built an offshoring system centered in China. We also have the largest staff in Japan: 2,130 people