

To Our Shareholders and Investors

# Business Report

Your Global IT Partner.



April 1, 2012 ➤ September 30, 2012

transcosmos inc. has been offering a higher level of value-added services by combining outstanding *human resources* and the latest *technologies* since its start of business in 1966. We are aspiring to become a *global IT partner* to our client companies by providing comprehensive IT outsourcing services on a worldwide scale, which achieve optimization and streamlining of marketing, expansion of sales and acquisition of new customers, and reduction of operational costs, among others, for our clients.

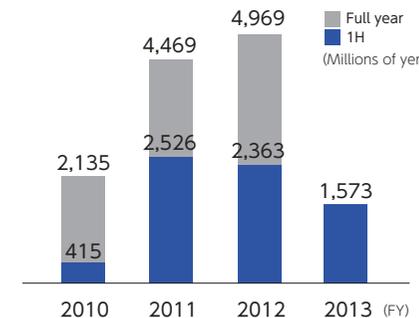
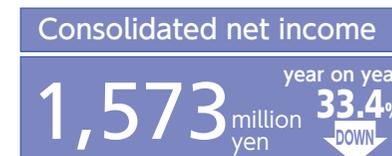
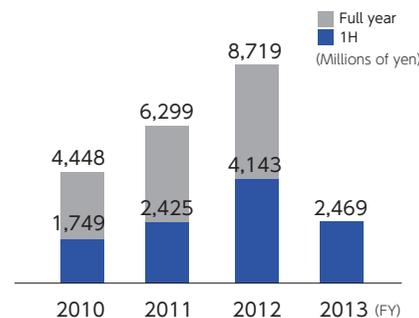
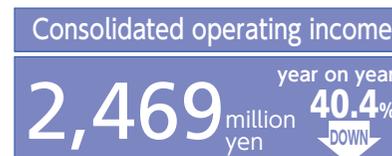
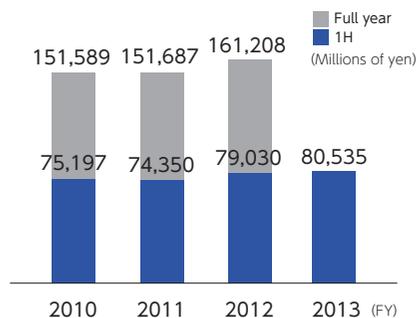
**trans  
cosmos**  
people & technology

transcosmos inc.

Securities Code: 9715

We would like to express sincere appreciation to our shareholders and investors for their continued exceptional support.

Along with greetings to our shareholders and investors, we hereby present a report on our performance in the first half of the fiscal year ending March 2013 (April 1, 2012 to September 30, 2012).



### Efforts in the First Half Ended September 2012

In the information service industry that our group is involved in, we are witnessing improvement in corporate sentiment toward IT investment, with expanding outsourcing demand especially in commissioned software development business. In addition, against the background of increased corporate need for more active global expansion and reinforcement of international competitiveness, demand has increased for business process outsourcing (BPO) which leads to cost reductions, digital

marketing that contributes to sales expansion, and others. Under these circumstances, our group has continued its efforts to strengthen the management and business bases for future strategies, including making our services higher value-added and accelerating overseas expansion, etc., despite the negative impacts of upfront investments, such as in new recruits, the reinforcement of new business development systems, and the start of new businesses ordered, as well as from ending several large time-limited businesses, among others.

### Specific Efforts

Specifically, for the CRM research and analysis market, in May 2012, we established transcocos analytics Inc., a subsidiary specializing in CRM research and analysis consulting, and launched its operations in August 2012 in order to reinforce our services to meet the demand for knowledge process outsourcing (KPO). Moreover, in the Internet advertisement area which has become more sophisticated and complex, with rapidly spreading smart devices, advancing ad technologies,

2012

**8** transcosmos analytics Inc., a wholly owned domestic subsidiary, launched its operations

transcosmos analytics Inc., established in May 2012 as a company specializing in CRM research and analysis consulting, launched its operations. It offers research and analysis services to resolve the issues faced by our client companies.



emerging social media, and the like, we have started operating an integrated advertisement management platform that makes possible more effective and efficient operation and management of advertisements. Overseas in South Korea, in addition to the existing call center services targeted to the South Korean market, we have launched full-scale digital marketing services, such as website creation, Internet advertising, and EC support services. At the same time, we have begun to support overseas sales operations of Gmarket (eBay Group) which is the largest online shopping site in South Korea.

2012

**9** Call center subsidiary in South Korea launched full-scale digital marketing services

transcosmos Korea Inc., a subsidiary in South Korea, launched full-scale digital marketing services for the South Korean market. In addition to building its system for website creation, Internet advertising, and EC support services, the subsidiary also started to support overseas sales operations of South Korea's largest online shopping site, Gmarket (eBay Group).



**Efforts in the Future**

We will continue with efforts to create the most appropriate services to meet the needs of our client companies, such as sales expansion and cost reductions. Moreover, we will aspire to ensure better earnings than in the previous fiscal year by accelerating business operations in Asian markets, including China and South Korea.

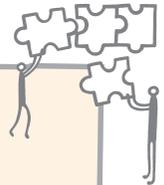
2012

**9** Specialized units for overseas businesses expanded

Specialized units meant to consolidate and integrate overseas services were established and launched their operations in October. We will strive to strengthen the quality and competitiveness of our overseas services and accelerate overseas operations by developing and reinforcing our global human resources—especially those for Asia, sharing service know-how of Japan, developing service structures adapted to the culture, market, and environment of the countries where we operate, among others.

**Global Business Sector**

- Business Strategy Division
- China Region Business Division
- Korea Region Business Division
- Europe/US Region Business Division
- ASEAN Region Business Division



**Message to Our Shareholders and Investors**

At the moment, our dividend forecast for the fiscal year ending March 2013 is yet to be determined, but as soon as that decision is reached, the exact amount will be immediately announced.

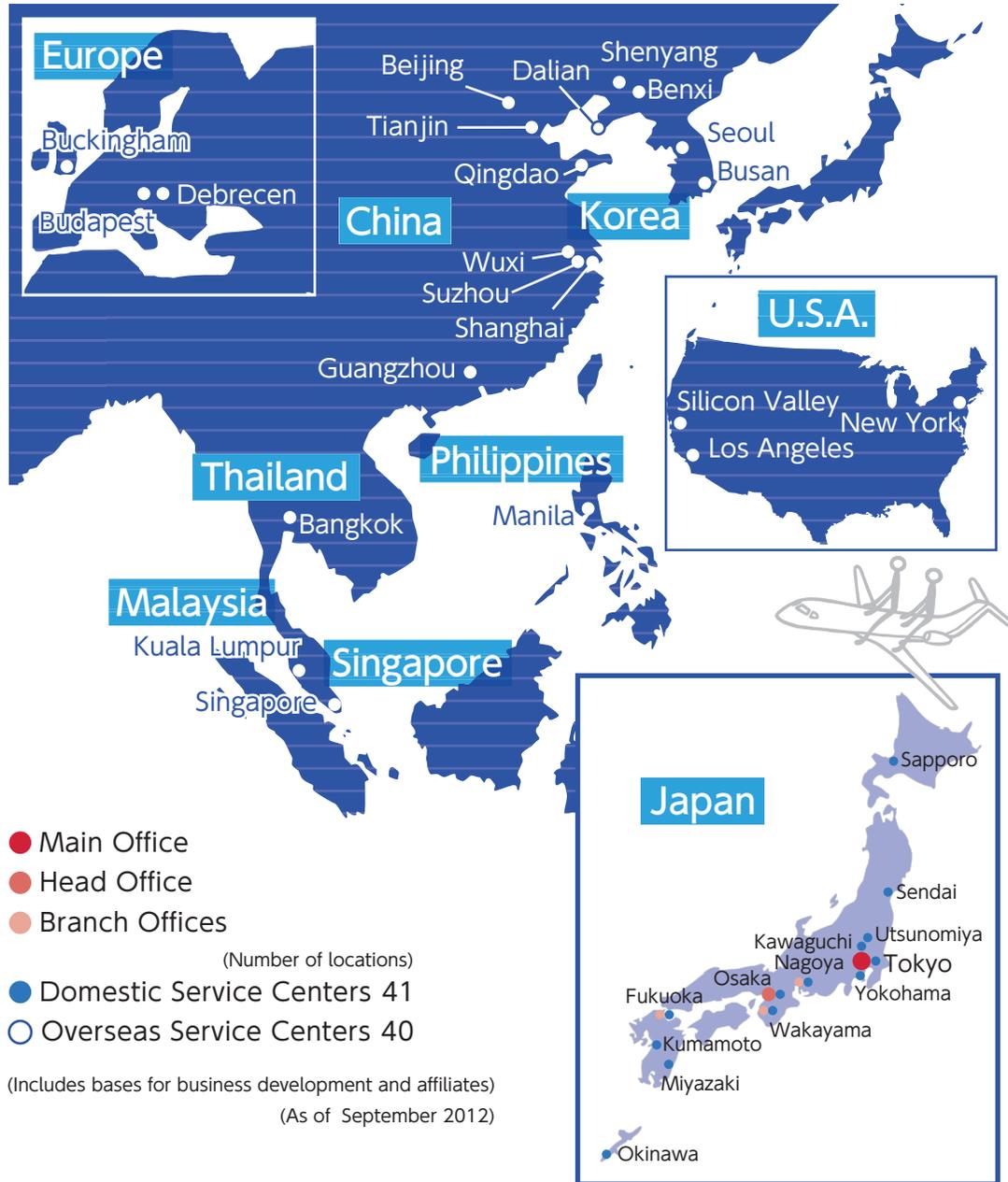
We would like to ask for the ongoing support and encouragement of our shareholders and investors.

December 2012

**Masataka Okuda**

President and COO

# Global Network



# Our Business

## Business Process Outsourcing Services

Outsourcing services to support the non-core operations of companies include the following: back-office operations, including accounting/finance, and human resources; fulfillment operations, including accepting and making orders; operation and maintenance of IT systems; mechanical, architectural, and other design operations.

### Features of our company .....

- Established the largest off-shore service system for Japan (China and Thailand, 11 bases and 2,260 staff)
- Offering services in a wide range of areas: systems development/operation, order processing, architectural design, mechanical design, embedded systems development, data input, human resources/general affairs/accounting/back-office
- Established off-shore development system in China in 1995 before the rest of the industry
- Time-tested wealth of experience (46 years in business, one of the longest in the help desk industry)





## Digital Marketing Services

Supporting marketing activities, which make use of Internet infrastructures and offering Internet promotions, website design and operations, EC and mail-order sales support, analysis and research services, among others.

### Features of our company

- Digital marketing service provider focusing on Japan, China and South Korea
- Established one-stop support system which includes all services from Internet promotion to website design and operations
- Established system to provide the largest website design and operations in Japan (1,800 staff in Japan)
- Actively introducing the latest ad technology through our business development base in San Francisco

## Call Center Services

Offering outsourcing services for customer support operations such as dealing with inquiries and complaints from customers, informing on products and services, and supporting marketing and sales.

### Features of our company

- Largest call center service provider in Asia, focusing on Japan, China and South Korea
- Offering the largest call center services in Japan with 22 bases and 12,080 seats in Japan as well as 17 bases and 5,370 seats overseas
- Business experience in many industries, including financial, telecommunication, high-tech, medical, cosmetics, distribution, automobile and airline, as well as in the public sector
- Established Shibuya Social Media Center, one of the first in the industry, which specializes in customer support for social media

## Fuji Dream Airlines Co., Ltd.

transcosmos established a call center in one month and a half. With our response rate improving dramatically, Fuji Dream Airlines has succeeded in raising customer satisfaction.

### Call Center Services

• Issues  
Inadequate response rate due to increased number of inquiries about flight information

• Services Introduced  
Call center services

### Results

- 1 Measures for improvement drawn up by utilizing the operational expertise of call centers and analyzing the number of incoming calls, and the time of incoming calls, etc.
- 2 Quality of responses improved due to the increased number of staff and implementation of re-trainings adapted to the requirements of each position
- 3 Higher level of customer satisfaction achieved due to the dramatically improved response rate



transcosmos is a reliable partner that responds to our needs with maximum effort



Mr. Jun Yamada  
Manager  
Web Sales and Marketing  
Department  
Fuji Dream Airlines Co., Ltd.

Our challenges were to improve the response rate and secure enough staff.

We very much appreciate that solutions to these challenges were proposed immediately. The main items that we decided to outsource included securing enough staff, which was relatively easy at the Nagoya center; and using it as our second base in addition to our own center, which could provide us with a risk hedge against power outages, etc. Moreover, it was an important point that it would be cheaper than operating by ourselves.

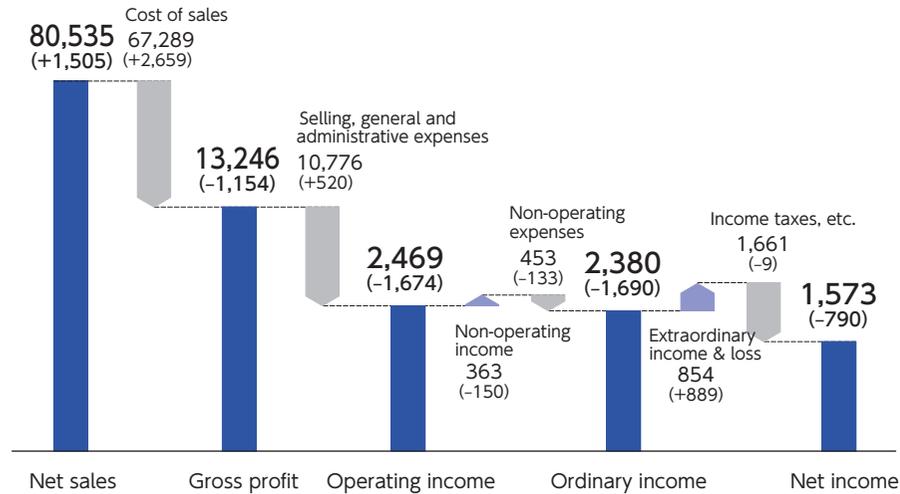
Outsourced call center operators must have had a hard time, as there are so many things to remember in the airline business, especially in the case of our company with new operations and company-specific responses. Having said that, I feel they are very diligent and have even come to like the airline industry. Personally, I think transcosmos inc. is more than just a partner company—it is on an equal footing with our company. Accordingly, we take a tough stance with transcosmos inc. from time to time. It derives from our wish not to leave the matter entirely to transcosmos inc. but to continue to think together, make improvements together, and make the relationship advance to a higher level.

# Consolidated Financial Results

## Consolidated Statements of Income

(Millions of yen)

1H FY2013 (Apr. 1, 2012 - Sep. 30, 2012)



Note 1. Bar graphs are not proportionate to their corresponding numbers for ease of understanding.  
 2. Figures in parentheses are year-on-year changes.

### Net sales

Net sales increased 1.9% year on year, due to steady orders for stand-alone services and overseas services—which are the primary businesses of our group—especially in the fields of digital marketing services and business process outsourcing services.

### Operating income

Operating income decreased 40.4% year on year. This was owing to a decrease in gross profit caused by the impact of upfront investments in, for example, the hiring of new recruits, reinforcement of new business development systems, the start of new businesses ordered, as well as due to ending some large time-limited businesses, the impact of the timing of product releases, and increased selling, general and administrative expenses.

### Net income

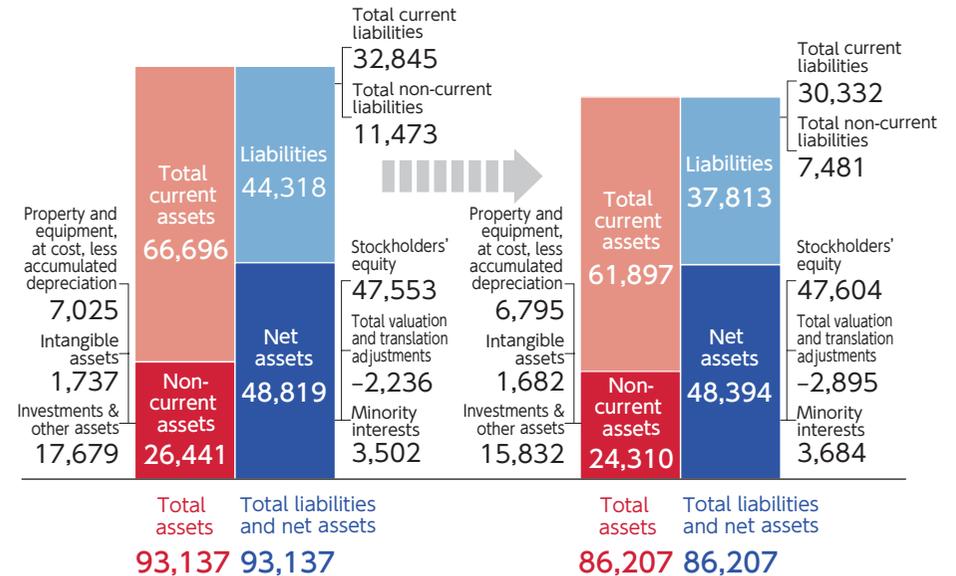
Net income decreased 33.4% year on year due to a drop in both operating income and ordinary income.

## Consolidated Balance Sheets

(Millions of yen)

As of Mar. 31, 2012

As of Sep. 30, 2012



### Total assets

Total assets decreased ¥6,929 million from the end of the previous fiscal year. By item, current assets decreased ¥4,798 million, owing to a decrease in cash and deposits caused by the repayment of loans payable as well as in deferred tax assets related to the deficit at our company. Non-current assets decreased ¥2,131 million, due to a decline in investment securities, as a result of mark-to-market evaluation of listed stocks and the sale of some stocks of affiliated companies.

### Liabilities

Liabilities decreased ¥6,504 million from the end of the previous fiscal year, mainly due to the repayment of loans payable.

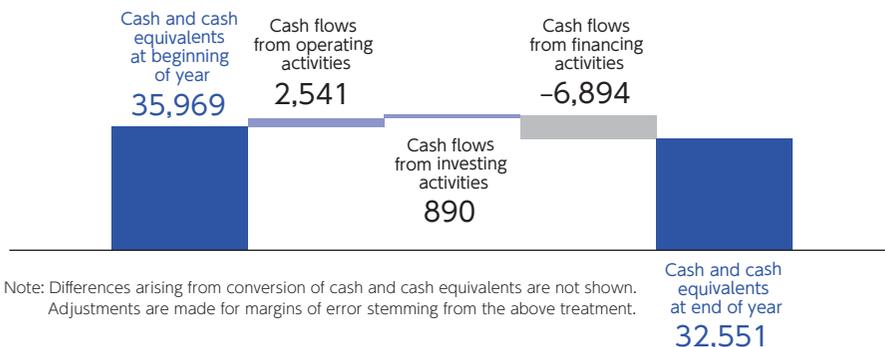
### Net assets

Net assets decreased ¥424 million from the end of the previous fiscal year, mainly due to the payment of dividends. As a result, shareholders' equity ratio came to 51.9%.

## Consolidated Statements of Cash Flows

(Millions of yen)

1H FY2013 (Apr. 1, 2012 - Sep. 30, 2012)

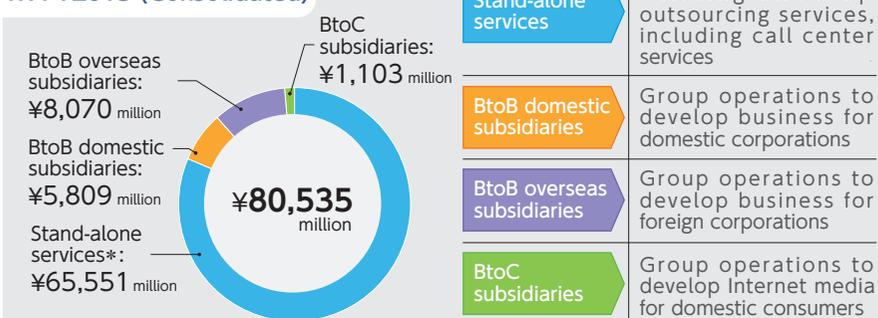


Note: Differences arising from conversion of cash and cash equivalents are not shown. Adjustments are made for margins of error stemming from the above treatment.

### Cash Flows

Cash flows provided by operating activities decreased ¥1,681 million year on year, due to a decrease in income before income taxes, etc. Cash flows from investing activities were ¥890 million, owing to an increase in income from sales of stocks of affiliated companies. Cash flows used in financing activities increased ¥5,003 million year on year, due to decreases in income from long-term loans payable, etc. As a result, cash and cash equivalents decreased ¥3,418 million from the end of the previous fiscal year.

### Net Sales by Segment for 1H FY2013 (Consolidated)



Note: Does not include transactions between segments of ¥5,329 million  
\*Refers to parent company services, exclusive of subsidiaries' services

## CSR Activities

### As a good corporate citizen

We contribute to the development of the economy and society, conduct responsible business activities, and fulfill our corporate social responsibilities (CSR). These endeavors perfectly reflect our corporate activities, in which all employees are involved, and they win trust from our stakeholders as we continue to create social value. The following are CSR activities developed as a part of our business processes.

#### Activities promoting diversity

### transcosmos CRM Okinawa Receives Certification for Implementing the "Law for Measures to Support the Development of the Next Generation"

transcosmos CRM Okinawa, Inc. (hereinafter "CRM Okinawa"), a wholly owned subsidiary of transcosmos inc., and which mainly conducts call center services in Okinawa Prefecture, received certification (aka "kurumin mark") in relation to the Law for Measures to Support the Development of the Next Generation from the Okinawa Labour Bureau on May 29, 2012.

A kurumin mark is certification given by the Ministry of Health, Labour and Welfare, to companies that actively support parenting, among other support, as part of measures to combat the declining birth rate.



Kurumin Mark

#### Initiatives of CRM Okinawa as part of implementing the Law for Measures to Support the Development of the Next Generation

- ① Encouraging fathers to take child-care leave
- ② Providing substitutes/temporary employees as well as reviewing work situations and systems during child-care leave
- ③ Shorter working hour system
- ④ Establishing and operating in-house child care facilities which parenting employees can use
- ⑤ Implementing measures to reduce overtime work

Our group will continue to make efforts toward promoting diversity, aiming at providing a work environment that enables each employee to continue to work with a sense of joy and accomplishment.

## Corporate Information (As of September 30, 2012)

Registered Name	transcosmos inc.
Date of Incorporation	June 18, 1985
Capital	¥29,065 million
Employees	Parent: 8,028 Group: 15,854
Major Banks	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Head Office	3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530, Japan TEL: 81-3-4363-1111 FAX: 81-3-4363-0111
Osaka Main Office	Meijiyasuda-Seimei Osaka Umeda Bldg, 3-3-20, Umeda, Kita-ku, Osaka-shi, Osaka 530-0001 TEL: 81-6-6457-1600 FAX: 81-6-6457-1601

## Principal Stockholders (As of September 30, 2012)

Name	Number of shares (thousand shares)	Ratio of shares (%)
Koki Okuda	7,498	15.37
Masataka Okuda	5,910	12.11
Okuda Ikueikai Foundation	1,753	3.59
Mihoko Hirai	1,463	3.00
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,434	2.94
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT	843	1.73
The Master Trust Bank of Japan, Ltd. (Account in Trust)	749	1.54
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	594	1.22
STATE STREET BANK AND TRUST COMPANY 505103	476	0.98

Notes: 1. Other than the above, our company retains 7,649 thousand shares of its own stock.  
2. Number of shares less than one thousand is rounded down to the nearest thousand.  
3. Shareholding ratio is rounded off to two decimal places.

## Stock Information (As of September 30, 2012)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	22,102

## Directors, Auditors and Corporate Officers (As of September 30, 2012)

Founder & Group CEO	Koki Okuda
Chairman & CEO	Koji Funatsu
President & COO	Masataka Okuda
Executive Vice President	Koichi Iwami
Senior Executive Managing Director	Hiroyuki Mukai
Executive Managing Directors	Masakatsu Moriyama Shinichi Nagakura Masaaki Muta
Members, Board of Directors	Takeshi Natsuno* Jutaro Takinami* Nozomu Yoshida
Standing Auditor	Hideaki Ishioka
Auditors	Kichiro Takao Kazushi Watanabe* Toshiaki Nakamura*
Corporate Senior Officers	Hiroshi Kaizuka Masatoshi Kouno Takashi Shimizu Kokkei Nakayama Yoichi Kawano Hitoshi Honda
Corporate Officers	Yasuhiro Hayami Masayuki Tada Kazuhiko Yamaki Hirofumi Inoue Tsutomu Hasegawa Kunio Shimofusa

\*We have designated three outside board members and two auditors as independent directors with no conflict of interest with general shareholders and have submitted written notification of these matters to the Tokyo Stock Exchange.