



Business Report

April 1, 2015 >>> March 31, 2016

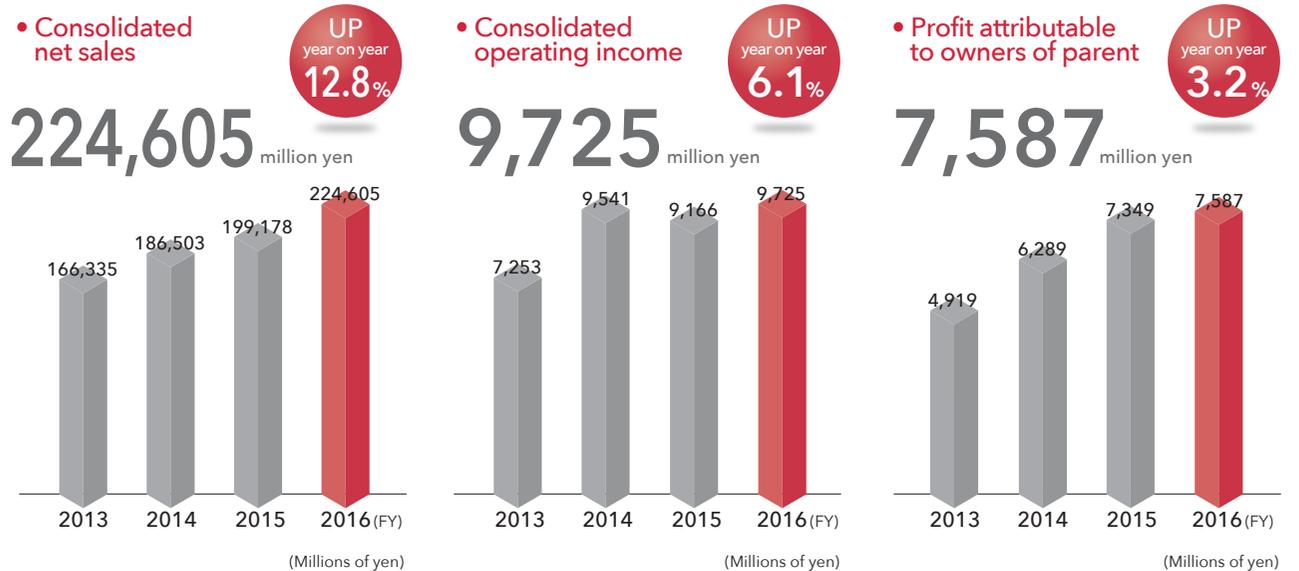
transcosmos launched its operations in 1966. Since then we have combined superior “people” with up-to-date “technology” to enhance the competitive strength of our client companies by providing them with superior and valuable services. transcosmos currently offers Business Process Outsourcing (BPO) services to support our client companies' cost reduction and sales expansion initiatives. transcosmos continues to pursue Operational Excellence by providing these services through our 159 locations in 28 countries with a focus in Asia. Furthermore, following the expansion of E-Commerce market on the global scale, transcosmos provides a comprehensive One-Stop Global E-Commerce Service to deliver our client companies' excellent products and services to consumers in 45 countries around the globe. transcosmos aims to be the “Global BPO Partner” of our client companies, providing them with high quality BPO services on a global scale.

To Our Stakeholders

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

Our corporate vision states that "Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future." Guided by this vision, we are targeting progressive growth as a global BPO services company in order to raise corporate value and thus improve the common interests of shareholders.

Thanks to your support, we celebrated the 50th anniversary of our foundation in June 2016. We will continue pursuing sustainable advancement by taking measures that will enable us to swiftly address changes in the business environment.



Summary of Financial Results for the Fiscal Year under Review

The business process outsourcing (BPO) service sector, which the transcosmos group operates, is experiencing increasing overall demand to meet the growing needs of client companies to enhance cost-competitiveness and respond flexibly to changing business conditions. These needs reflect a background of declining worker numbers and progressive globalization of corporations. Amid the proliferation and advancement of smartphones and tablet devices and the spread of social network services (SNS), meanwhile, companies are showing

increasing interest in digital marketing and expediting the rollout of e-commerce businesses. Demand for services arising from these factors is also expanding. We believe that demand for BPO services will also be boosted by the introduction of the Social Security and Tax Number System, or My Number System, as well as legislative revision to deregulate the electricity retail sector and a growing number of visitors from overseas.

Against this backdrop, the Group aggressively promoted its BPO offerings—centered mainly on contact center, back-office, design development, digital marketing, and e-commerce services—and posted increased orders as a result. We also worked

to strengthen our service system in order to address growing demand for BPO services in Japan and overseas, and promote partnerships with prominent overseas companies with the aim of reinforcing our global e-commerce one-stop services.

Activities During the Fiscal Year under Review

A domestic highlight of the year was our conclusion of a basic agreement to establish a new company, transcosmos online communications inc., in a joint venture with LINE Corporation, with the intention of adding the LINE chat function to our contact

centers and otherwise embracing new styles of communication between companies and customers. Seeking to generate new contact center solutions, meanwhile, we formed an agreement to participate in IBM Watson Ecosystem, which uses the IBM Watson cognitive computing system to proliferate high-value-added services. Overseas, we set up five sales offices and one operational base in South Korea in conjunction with our expanding business in that nation. In China, we established Shanghai Center No. 3, a contact center, to provide technical support by telephone calls and chats to users of cellular, wearable, or home devices of Huawei Technologies Co., Ltd., an industry leader mainly in the area of communications and smartphones. As part of efforts to reinforce our global e-commerce one-stop services, meanwhile, we formed a capital and business partnership with an e-commerce one-stop service company, Emporio Commerce Inc., which supports stores opening on Latin America's No.1 e-commerce marketplace. Here, our aim is to strengthen our service infrastructure in the Latin American region.

Future Outlook

We will continue striving to create services that are better-matched to the revenue expansion and cost reduction needs of our client companies. At the same time, we will accelerate business development

globally, especially in Asia, in order to secure an improved year-on-year business performance, compared with fiscal 2016. In the European market, earmarked for high-level growth, we will step up rollout of global e-commerce one-stop services to support the e-commerce businesses of client companies.

Return of Profits to Shareholders

We consider the return of profits to our shareholders one of our most important management policies.

With respect to our dividend policy, we have adopted a dividend ratio oriented system directly linked to business results. Our basic policy is to return profits to shareholders and consequently increase the market value of our shares.

Reflecting this policy, we declared a year-end dividend of ¥56.00 per share for the year under review.

June 2016
President and COO

Masataka Okuda

Report on Kumamoto Earthquake

We express our heartfelt condolences to people affected by the Kumamoto Earthquake and pray for their safety and the restoration of the region as soon as possible.

On April 16, 2016, Kumamoto Prefecture was hit by an earthquake with a magnitude of 7.3, which caused some damage to BPO Center Kumamoto, our BPO facility in the region. Concerned about aftershocks, we temporarily suspended operation of the facility, but subsequently restarted operation after receiving huge support from client companies according to our business continuity plan (BCP) for each business process contracted to BPO Center Kumamoto.

We have also confirmed that all employees (550 people) are safe.

To address shortages of necessities, our centers in Nagasaki, Fukuoka, and Osaka sent food and other items to BPO Center Kumamoto.



- Safety of employees: All 550 confirmed to be safe
- Center equipment: Some damage incurred but now fully restored

Topics of the Second Half of Fiscal 2016

Agreed to form capital and business alliance with Singapore's E-Commerce fulfillment company Anchanto Pte Ltd, with sales channels to E-Commerce retailers in ASEAN countries and India



Agreed to form capital and business alliance with Malaysia's largest E-commerce company, INTERBASE



Participated in University of Tokyo's "Chair for Global Consumer Intelligence" for industry-university collaboration



Established and launched Ookbee Mall, a joint venture with Ookbee, ASEAN's largest e-book store

Ookbee Mall was established amid the rapid growth of E-Commerce market in Thailand, along with growing interests in Japanese culture and products. It is a joint venture between transcosmos and Ookbee, the largest e-book store in ASEAN. Ookbee Mall will take advantage of over 6.5 million user data held by Ookbee and transcosmos group's cross-border E-Commerce platform to sell magazines, books, and other products from Thailand, as well as products from Japan, including cosmetics and foods.

Starting with 90,000 items, including books, Ookbee Mall will expand its offerings to include unique Japanese products and drive book-related marketing initiatives. With a long-term vision to become a business partner of client companies who enter ASEAN E-Commerce market, Ookbee Mall will offer marketing services to its readers in addition to selling products.



Name	Ookbee Mall (Thailand) Co., Ltd.
Representative	Toshiya Matsuo, CEO (General Manager, ASEAN Business Division, Global Business Sector, transcosmos inc.)
Location	Bangkok, Thailand
Capital structure	transcosmos 70%, Ookbee 30%



<http://www.ookbeemall.com/>



Established Multilingual Contact Center to enhance services for foreign visitors to Japan

With the number of foreign visitors to Japan increasing, transcosmos launched Multilingual Contact Center service in addition to Hybrid Multilingual Contact Center Services, to address the associated rise in inquiries made in various languages.

The Multilingual Contact Center has been set up with 30 seats in our existing contact center "Marketing Chain Management Center Sapporo Kita-guchi." We aim to expand the scale of the service to 300 seats in centers in Japan and abroad by 2020.

transcosmos will further expand its multilingual contact center service, leveraging our global talents and 31 global bases as well as our personnel development and quality management capabilities acquired through long experience in contact center business operations.

Key Services

- Products and services helpdesk for foreigners
- Helpdesk for foreign tourists (tourism industry, hotels, railways, etc.)
- Three-way interpretation service for foreign customers (per industry)
- Helpdesk at government and municipal offices for foreign visitors
- Helpdesk for foreign employees and job applicants (per industry)

On-site scene personnel



Topics of the Second Half of Fiscal 2016

2016



Opened "transcosmos Global Flagship Store" on KJT.com, a Chinese Cross-Border E-Commerce Shopping Mall



Launched "Saketora," an E-commerce website selling distinctive and premium Japanese sake



Fujitsu Executes a Partial Stock Transfer of Shares in Fujitsu Human Resource Professionals to transcosmos

Participated in IBM Watson Ecosystem



Expanded bases in South Korea to 15 along with business expansion of the market

Agreed to form capital and business alliance with EmporioCommerce Inc., Latin American E-Commerce one-stop service company

EmporioCommerce provides one-stop E-Commerce services for brands selling on MercadoLibre (NASDAQ: MELI), the largest E-Commerce marketplace in terms of online revenue and distribution volume in Latin America, as well as other E-Commerce shopping malls and websites. The service includes E-Commerce store opening, website development, fulfillment, customer service, online marketing and payment.

By forming the capital and business alliance with EmporioCommerce, transcosmos has expanded its sales channels to include 40 countries, adding Latin America to existing channels in Asia, North America and Europe. In addition to providing store opening support on MercadoLibre, the No.1 E-Commerce marketplace in Latin America, transcosmos will offer comprehensive support for its client companies entering the E-Commerce sector in the region and Latin American companies entering Asia, as their business partner in Latin America.



Company name	Emporio Commerce Inc.
Representatives	Co-founder & Director Andres Lawson Jorge Lopez Gabriel Topola
Location	Buenos Aires, Argentine
Established	2013

Signed basic agreement to establish new joint venture company between transcosmos and LINE

Under the new company, transcosmos online communications inc., transcosmos and LINE will co-develop new service offerings using LINE Business Connect and provide consulting and planning services for businesses to further speed up business-to-customer communications over LINE.

As a first step, the company will promote wider usage of LINE Chat-based one-to-one customer support solutions to enable many more companies to use LINE Chat-based contact center service through which customers can receive answers to their inquiries over LINE. By responding to contact center users via LINE chat and message, instead of traditional call and email, businesses can provide faster and more thorough support than any other channel can achieve. The service also allows businesses to reach and build relationships with customers who have not made inquiries before.

transcosmos online communications strives to provide various solutions and services that build better relationship between businesses and their customers through capitalizing on LINE platform, its user base as well as sales and development capabilities that transcosmos owns. The company ultimately aims to make the company's communication services the new de facto standard.

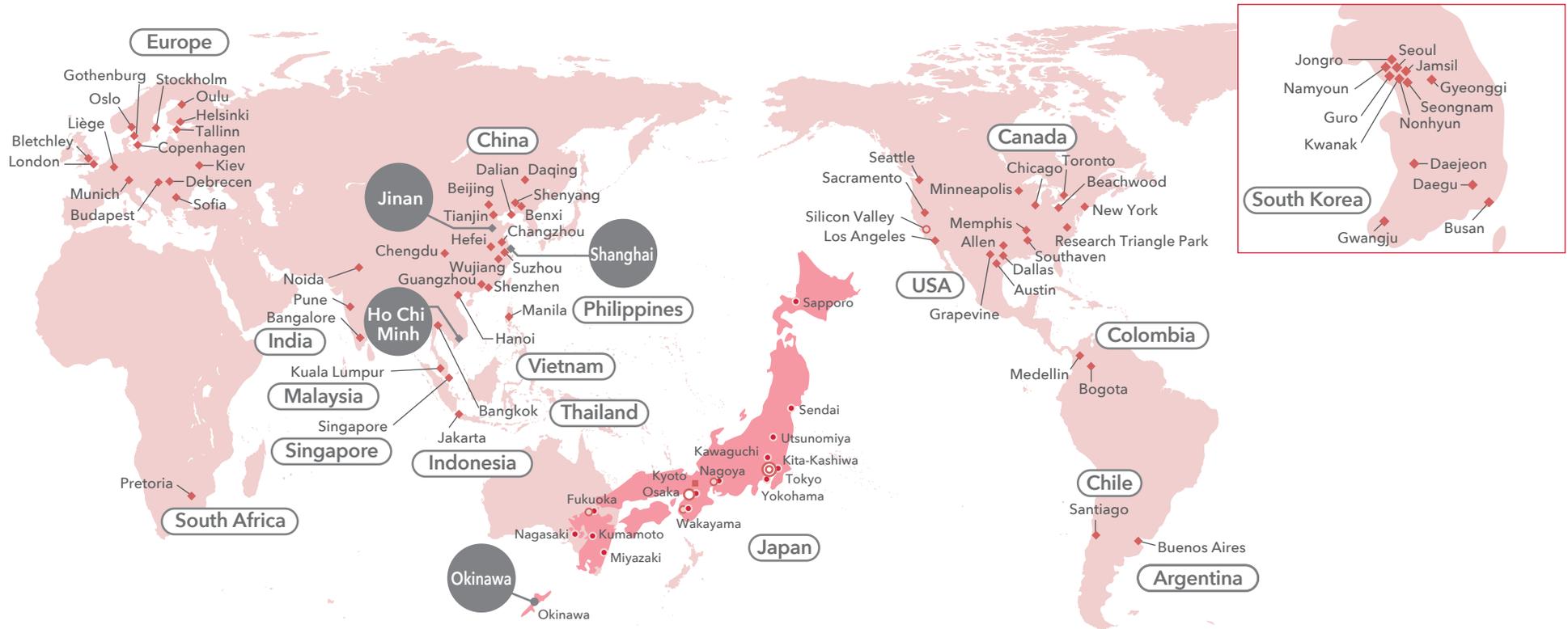


Company name	transcosmos online communications inc.
President	Hiroshi Kaizuka (Corporate Senior Officer, transcosmos inc.)
Company location	3-25-18 Shibuya, Shibuya-ku, Tokyo
Capital ratio	transcosmos 60%, LINE 40%

Global Network 159 Bases across 28 Countries

● Main Office
 ○ Head Office
 ◐ Branch Offices
 ■ Office
 ● Service Centers
 ● Domestic Service Centers 49
 ◆ Overseas Service Centers 110 (27 Countries)

(Number of bases includes head office, branch offices, and business development and alliance partners.) (As of March 31, 2016)



New Operations Bases

● Okinawa
 ● Japan

Marketing Chain Management Center, Naha Kencho-mae
 Contact center services

● Shanghai
 ■ China

Shanghai Center No. 3
 Technical support and customer support services

● Jinan
 ■ China

Jinan Center
 System development, system integration and IT technical support services

● Ho Chi Minh
 ● Vietnam

Ho Chi Minh Center
 Contact center services and website development and operation services, etc.

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; order placement services; 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, Thailand, Vietnam, Indonesia and Philippines, 18 bases)
- Offering services in a wide range of areas: systems development/operation, order processing, architectural design, mechanical design, embedded systems development, data input, human resources/accounting/sales/back-office
- Established off-shore development system in China in 1995, before the rest of the industry
- Time-tested wealth of experience (50 years in business, one of the longest in the help-desk¹ industry)

Contact Center Services

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

Features of our company

- Largest contact center service provider in Asia, focusing on Japan, China and South Korea
- Offering the largest contact center services in Japan with 23 bases and 14,500 seats as well as 31 bases and 9,560 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

Glossary
¹Help desk: In-company operations to deal with inquiries about operating PCs and software as well as troubleshooting. Many companies outsource these tasks.
²Ad technology: Advertising activities that make full use of IT, taking advantage of Internet technology.

Digital Marketing Services

Supporting marketing activities, which make use of Internet infrastructures, and offering Internet promotions, website design and operation, Omni-channel marketing, analysis and research services, among others.

Features of our company

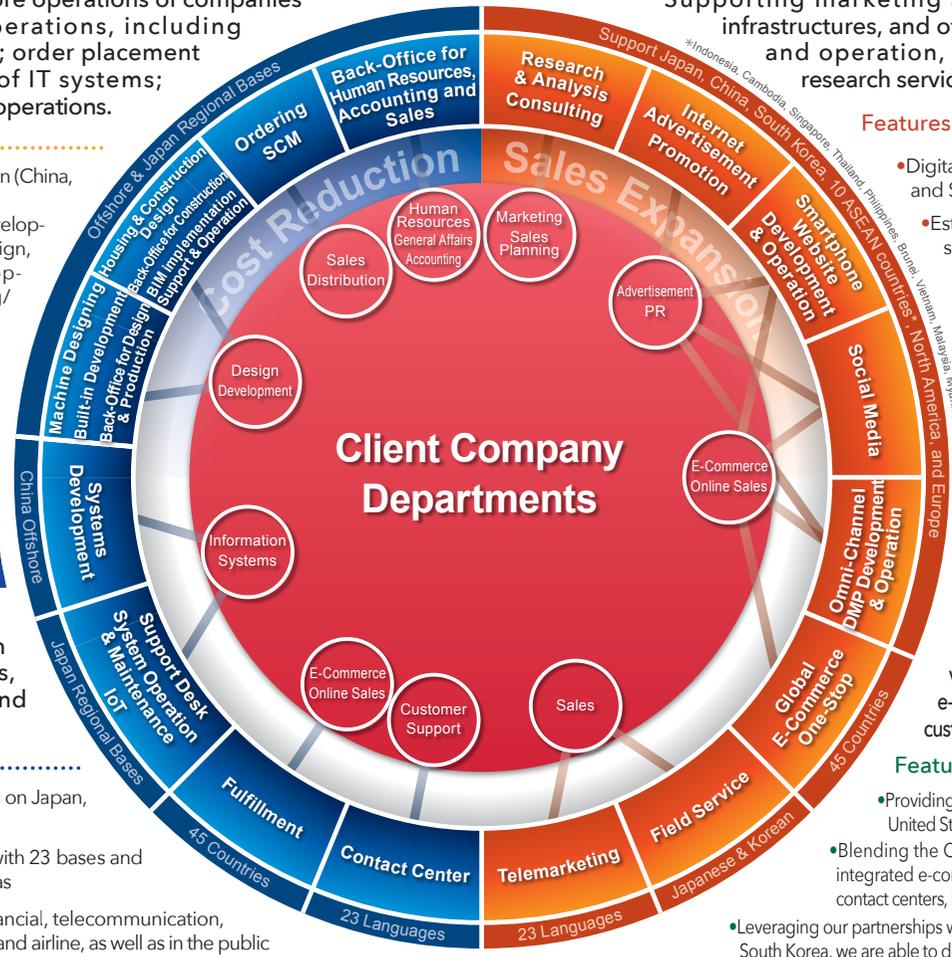
- Digital marketing service provider focusing on Japan, China and South Korea
- Established a one-stop support system which includes all services, from Internet promotion to website design and operation
- Created one of the largest websites and operating systems in Japan
- Actively introducing the latest ad technology² through our business development base in North America

E-Commerce One-Stop Services

transcosmos bases its one-stop services on the business and brand strategies of client companies. We supply the various functions required for e-commerce, ranging from e-commerce site construction and operation to fulfillment, customer care, Internet promotions, and analytics.

Features of our company

- Providing services in 45 countries worldwide, including Japan, Europe, the United States, China, South Korea, Southeast Asia, India and South America
- Blending the Company's extensive services and performance, the in-house integrated e-commerce platform known as the transcosmos eCommerce HUB, contact centers, BPO, and digital marketing
- Leveraging our partnerships with leading corporations in Europe, the United States, China, and South Korea, we are able to develop e-commerce businesses tailored to the culture and characteristics of each target market
- We support the development of e-commerce in Southeast Asia through alliances with top players in the apparel, e-book and other markets in Southeast Asia



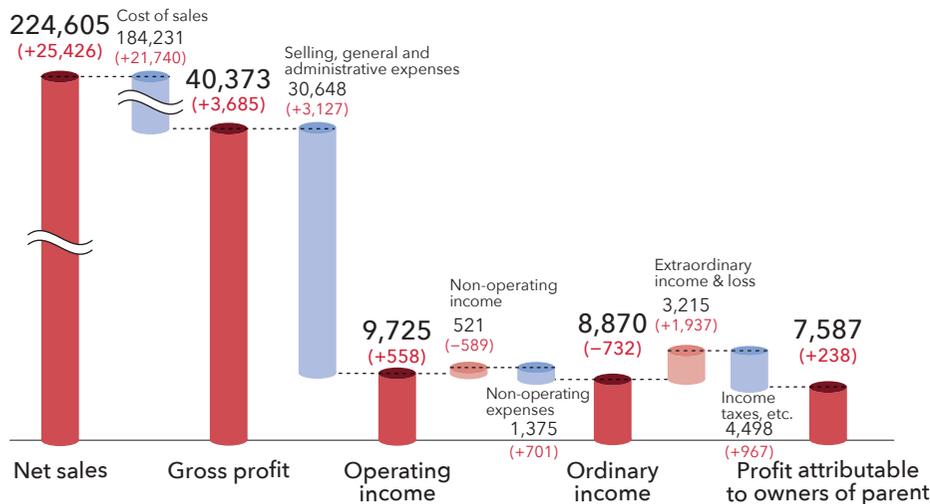
Note: Figures for number of countries, bases, seats and people are as of March 31, 2016.

Consolidated Financial Results

Consolidated Statement of Income

(Millions of yen)

FY2016 (Apr. 1, 2015 – Mar. 31, 2016)



Notes: 1. Bar graphs are not proportionate to corresponding values for ease of understanding.
2. Figures in parentheses are year-on-year changes.

Net sales

Net sales increased 12.8% year on year thanks to solid performance of core stand-alone business offerings, such as contact center services, BPO services, digital marketing services and e-commerce one-stop services, as well as healthy orders generated by our overseas affiliates and others.

Operating income

Operating income rose 6.1% year on year thanks to increased orders and improved profitability of core stand-alone offerings.

Profit attributable to owners of parent

An increase in non-operating expenses led to a decline in ordinary income.

However, profit (loss) attributable to owners of parent climbed 16.8% year on year thanks to posting of extraordinary income, including a gain on sales of investment securities.

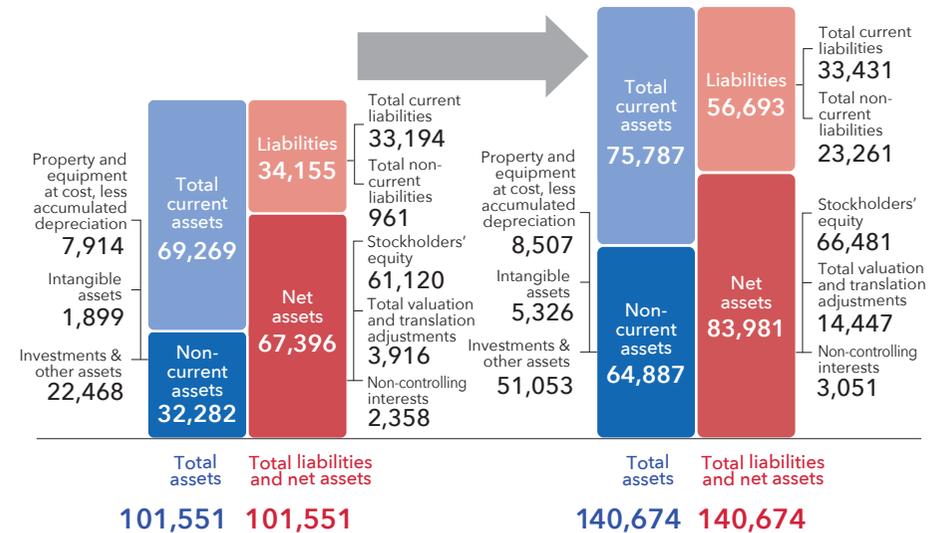
* Pursuant to an amendment to the Accounting Standard for Business Combinations, net income has been reclassified as profit (loss) attributable to owners of parent, effective the fiscal year ended March 31, 2016.

Consolidated Balance Sheet

(Millions of yen)

As of March 31, 2015

As of March 31, 2016



Assets, Liabilities and Net assets

Total assets increased ¥39,123 million from the end of the previous fiscal year. Liabilities increased ¥22,537 million, and net assets rose ¥16,585 million.

These increases occurred mainly as a result of the accounting treatment which relates to the company's share transfer agreement. The agreement was completed in the first quarter of the current fiscal year, relating to some shares in our equity-method affiliate, with the transfer to take place in September 2017. The accounting treatment of the agreement resulted in the following.

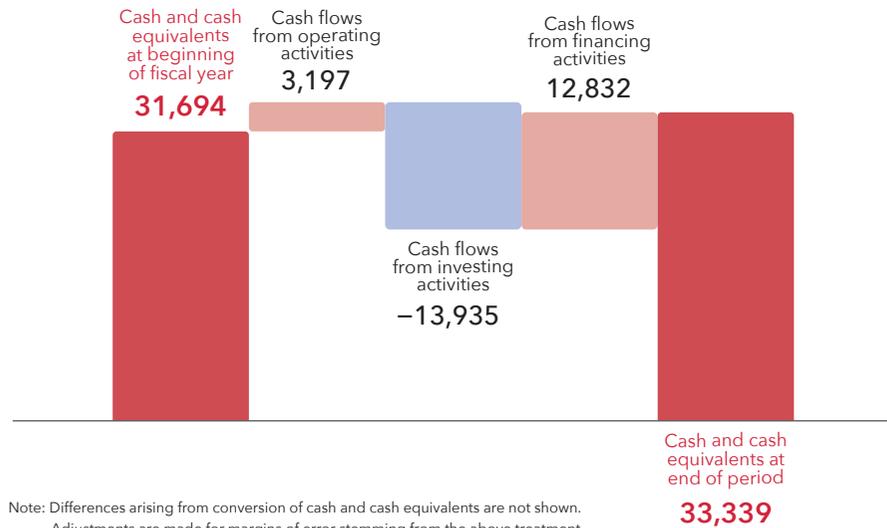
• Assets	Increase in investment securities due to change in holding category of shares subject to the agreement, which resulted in affiliated company shares being reclassified as investment securities, and due to market valuation
• Liabilities	Incurrence of derivatives; increase in deferred tax liabilities
• Net assets	Increase in valuation difference on available-for-sale securities; incurrence of deferred losses on hedges

In addition to the above, there were increases in goodwill (intangible assets), and in long-term loans payable and convertible bond-type bonds with subscription rights to shares (total non-current liabilities). The shareholders' equity ratio as of March 31, 2016, was 57.5%.

Consolidated Statement of Cash Flows

(Millions of yen)

FY2016 (Apr. 1, 2015 – Mar. 31, 2016)



Cash flows

Net cash provided by operating activities amounted to ¥3,197 million, down ¥8,980 million from the previous fiscal year. Main reasons were an increase in notes and accounts receivable–trade and one-time factors, such as a decrease in accrued consumption taxes.

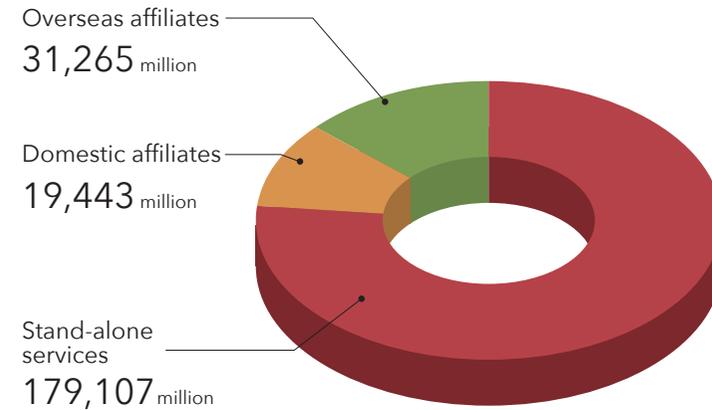
Net cash used in investing activities totaled ¥13,935 million, up ¥5,872 million from the previous fiscal year. Main factors were increases in purchases of shares in subsidiaries and affiliates and payments for transfer of business.

Net cash provided by financing activities was ¥12,832 million, compared with net cash used in financing activities of ¥3,769 million in the previous fiscal year. Main factors were proceeds from issuance of bonds and increase in proceeds from long-term loans payable.

As a result, cash and cash equivalents as of March 31, 2016, amounted to ¥33,339 million, up ¥1,644 million from the end of the previous fiscal year.

Net Sales by Segment

FY2016 (Apr. 1, 2015 – Mar. 31, 2016)



Stand-alone services

Business process outsourcing operations offered by the Company

Domestic affiliates

Business process outsourcing operations offered by domestic group companies

Overseas affiliates

Business process outsourcing operations offered by overseas group companies

Corporate Governance

Basic Approach Our corporate vision states that “Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future.” To realize this vision, we at transcosmos recognize that improving corporate governance is a top priority management issue. We therefore strive to maximize our corporate value while building excellent relationships with all of our stakeholders, including shareholders and customers, as well as business partners, local communities and our employees. We are dedicated to providing services that satisfy our customers, maintaining clear management responsibilities and accountability, establishing a highly transparent administrative structure, and improving our supervisory and oversight functions.

In 2015, we formulated criteria for judging the independence of outside directors, which we included in Notice of Annual General Meeting of Shareholders and other documents. Going forward, we will continue to enhance sustainable corporate value, including strengthening the supervisory role of independent outside directors and deploying their specialized expertise in our business promotion.

Comments from an Outside Director



Owen Mahoney,
Outside Director

Q1 What is your impression of transcosmos and how do you feel about the atmosphere of the Company?

Since becoming an Outside Director one year ago, I have been impressed with the thoroughness and professionalism of everyone I have met at transcosmos. transcosmos provides services in a wide variety of areas, which naturally creates enormous complexity in execution as the Company grows; this kind of complexity is managed by disciplined and thorough execution. At the same time, advances in technology have changed the underlying nature of transcosmos’ business areas, but the Board of Directors and the management talk frequently and thoughtfully about those technological and competitive developments, and how to embrace (rather than hide from) those developments, for the good of the Company’s customers and its overall business.

Q2 What are the points you keep in mind while acting as an Outside Director?

I focus on two main areas while acting as an Outside Director: First, is the management team sufficiently focused on how to grow the Company? Does it have a clear strategy for growth? Does it have a plan for executing against that strategy? Second (and just as important), is the Company managed tightly enough to ensure sound corporate governance? Is there sufficiently deep analysis of the investments the Company makes (whether that be in M&A, marketing, product development, new office openings or any other investment)? Is the Company fully considering the risks as well as the opportunities? What systems are in place to catch mistakes or issues if and when they arise in the large and growing organization?

Q3 What do you expect from transcosmos going forward (including the role of Outside Director)?

transcosmos is in a unique position to help its clients given its expertise, its size, and its international capabilities. As the world around us becomes more interconnected by IT, my desire for transcosmos is to leverage its unique strengths to become a trusted business partner for an even more diverse set of customers.

CSR Activities

Basic Approach We aim to contribute to the development of the economy and society by being a responsible corporate citizen. In other words, we believe that fulfilling our corporate social responsibilities is essential to be worthy of the trust of our stakeholders and to be able to continue to provide valuable services to our clients and to society at large. With that in mind, we endeavor to engage in environmental and community service activities.

Medals Received at 14th Tokyo Abilympics

Employees from transcosmos and its special subsidiary competed in the 14th Tokyo Abilympics, a skills competition for people with special needs. Five of those employees won medals. transcosmos will continue efforts to improve the skills of employees with special needs.

<Medals Received> •DTP competition: 1 silver, 1 bronze •Website: 1 bronze, 1 effort medal
•PC data inputting: 1 bronze



Competitors at 14th Tokyo Abilympics



Received silver, bronze, and effort medals

Welfare Experience Program Held at Uehara Junior High School

We held a Welfare Experience Program for students of Uehara Junior High School in Shibuya Ward, where transcosmos is headquartered. Two transcosmos employees—a sign language interpreter and a special needs person—lectured on diversity-related matters, and the students experienced how to make a self-introduction using sign language.



Welfare Experience Program



Sign language interpretation by transcosmos employee

Corporate Information (As of March 31, 2016)

Registered Name	transcosmos inc.
Date of Incorporation	June 18, 1985
Capital	¥29,065 million
Employees	Parent: 9,069 Group: 16,401
Major Banks	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd.
Main Office	3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530, Japan Tel. +81-3-4363-1111 Fax +81-3-4363-0111
Osaka Head Office	Tosabori Daibiru Bldg., 2-2-4, Tosabori, Nishi-ku, Osaka-shi, Osaka 550-0001, Japan Tel. +81-6-4803-9500 Fax +81-6-4803-9590

Principal Stockholders (As of March 31, 2016)

Name	Number of shares (thousand shares)	Ratio of shares(%)
Koki Okuda	7,498	15.37
Masataka Okuda	5,910	12.11
GOLDMAN, SACHS & CO. REG	1,832	3.76
Okuda Ikueikai Foundation	1,753	3.59
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,679	3.44
Mihoko Hirai	1,463	3.00
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,069	2.19
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	618	1.27
STATE STREET BANK AND TRUST COMPANY	617	1.26

Notes: 1. Other than the above, our company retains 7,656 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 March 31, 2016)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	14,366

Directors, Auditors and Corporate Officers (As of June 22, 2016)

Founder, Representative Director & Group CEO	Koki Okuda
Chairman, Representative Director & CEO	Koji Funatsu
President, Representative Director & COO	Masataka Okuda
Executive Vice Presidents	Koichi Iwami Hiroyuki Mukai
Senior Executive Managing Directors	Masakatsu Moriyama Shinichi Nagakura Masaaki Muta
Executive Managing Directors	Masatoshi Kouno Hitoshi Honda Kiyoshi Shiraishi
Directors	Ralph Wunsch Shunsuke Sato
Outside Directors (Audit and Supervisory Committee Members)	Takeshi Natsuno* Nozomu Yoshida* Eiji Uda*
Outside Directors	Owen Mahoney* Rehito Hatoyama* Toru Shimada*
Corporate Executive Officers	Hiroshi Kaizuka Kenshi Matsubara Kentaro Ogata Atsushi Ono Takeshi Kamiya
Corporate Senior Officers	Kazuhiko Yamaki Kokkei Nakayama Eijiro Yanashita Yoichi Kawano Mikio Yamashita Hiroyuki Uchimura Tsutomu Hasegawa Hirofumi Inoue Norimitsu Miyazawa Hiroki Tanigawa
Corporate Officers	Yoshihiro Uematsu Hiroyuki Morita Takashi Sube Yuichiro Kubo Shinji Kanezawa Masato Ogino

*We have designated six outside directors as independent directors with no conflict of interest with general shareholders and have submitted written notification of these matters to Tokyo Stock Exchange, Inc.



transcosmos inc.

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