



**Global Digital Transformation Partner**

# **FY2020/3 Business Report**

April 1, 2019 >>> March 31, 2020

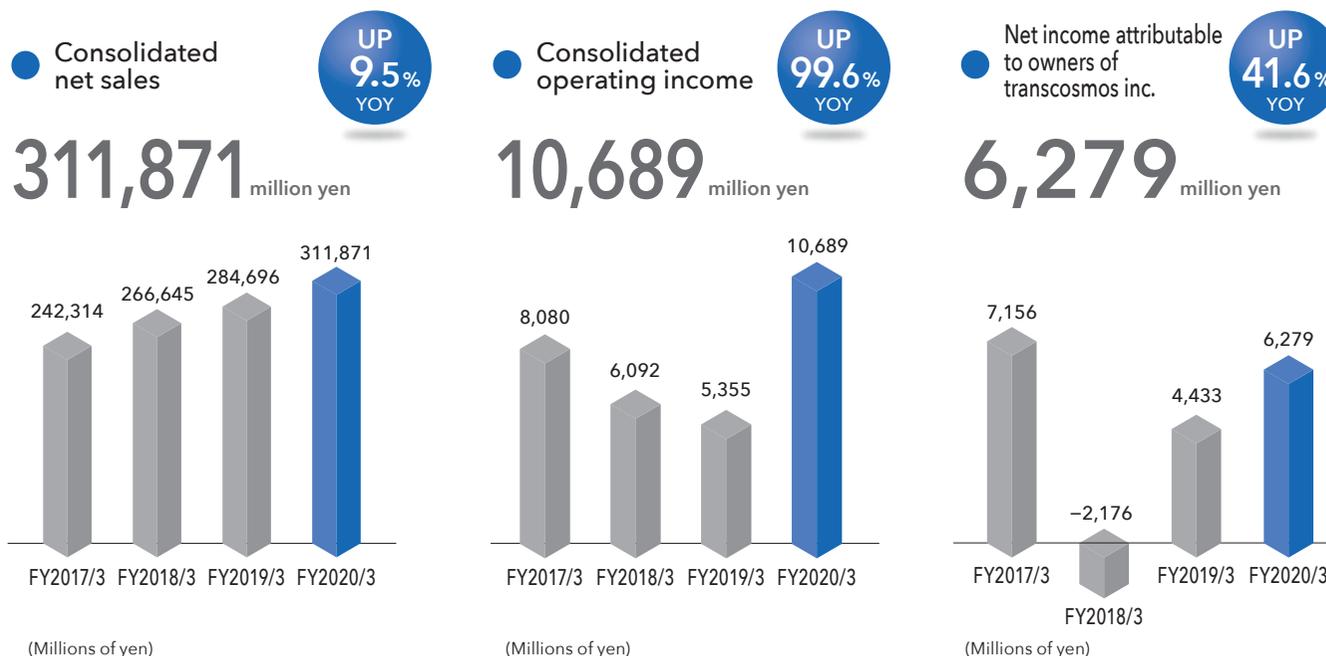
Note: This English translation is for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

**transcosmos inc.**  
Securities Code: 9715

# Dear Stockholders,

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

Along with greetings to our shareholders and investors, we hereby present a report on our performance in the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020).



## Overview of the Fiscal Year under Review

In the business environment where our Group operates, demands for outsourcing services that lead to higher productivity, stronger cost competitiveness, and higher sales continue to grow against the backdrop of a shrinking workforce, corporate globalization, and development of digital technologies including IoT and AI. Under such an environment, our Group aggressively delivered both Digital Marketing • E-Commerce • Contact Center (DEC) services and Business Process Outsourcing (BPO) services primarily in the Asian market such as Japan, China, and South Korea, and increased orders. In addition, as a result of achieving higher profitability in existing projects and receiving new high-profit service orders, profitability

improved. At the same time, with the aim of strengthening our service competitiveness in Japan and abroad, we continued to focus on initiatives for developing services, improving service quality, and enhancing the service framework.

## Efforts to Reinforce Competitiveness of Services

In the DEC services business sector, where we offer services that support all touchpoints between our clients and their customers including marketing, selling, and customer communication at one-stop, we focused on initiatives that help clients drive their digital transformation and expand sales through the development of new services that stay ahead of client needs. More specifically, we have focused on promoting the development and delivery of services that utilize LINE as a platform that

assists businesses in conducting marketing, sales, and customer communication seamlessly. Under such an initiative, we have assisted public sectors such as local authorities in utilizing LINE for their activities, released "transcosmos WHITE BASE," our proprietary performance prediction system powered by AI, and more. We also enhanced and developed services that stay ahead of client needs. More specifically, by combining call support and warehouse operations, we have enhanced "emergency contact center & logistics" services, which include customer call center, product collection, and the delivery of replacements and apology letters after the occurrence of corporate emergency cases like product recalls. With regard to new services, we have released "marketing materials management service," which manages an end-to-end process from receiving to shipping of point-of-purchase displays (POPs) and other marketing

materials. Furthermore, as for initiatives aimed at elevating the quality of our services, we have added a new evaluation feature that utilizes emotion analysis as well as “AI Defender,” a new AI-powered feature that automatically assesses call center agents’ service quality to our proprietary speech recognition solution “transpeech.”

In the BPO services sector where we perform operations on behalf of clients simply, speedily, and accurately in order to optimize their business operations with the power of digital technology, we enhanced our service framework through mergers and acquisitions, and the formation of alliances. More specifically, we have acquired 81.0% of shares of TT Human Asset Service Corporation, which was established to facilitate the split-off from Toshiba Human Asset Service Corporation (HAS) of business that is related to human resources and labor management conducted for Toshiba Group. HAS is a shared-service provider that supports Toshiba Group in areas that include human resources and labor management, international human resources operations, and promotion of occupational health and safety. Subsequently, TT Human Asset Service Corporation has launched its operations as our consolidated subsidiary. In addition, we have purchased 80.5% of shares of Toshiba Products Marketing Incorporated, a BPO services company that undertakes business operations outsourced from Toshiba Group companies as well as non-group companies. Subsequently, the company has been renamed TT Process Management Inc., and launched operations as our consolidated subsidiary. The company’s services include conversion of documents from text to digital data, data entry, annotation services, and other RPA (Robotic Process Automation) related services. Through such initiatives, we will offer a wider range of services with improved quality to Toshiba Group while further advancing our overall BPO services and the level of service quality. Furthermore, we have entered into an alliance agreement with Obayashi Corporation and our

consolidated subsidiary APPLIED TECHNOLOGY CO., LTD. for the purpose of conducting a joint study to develop an information infrastructure where Building Information Model (BIM) can be adapted to a comprehensive building construction process that includes design, production design, and construction management. Moreover, we also have expanded our service offerings that include IT helpdesk services that assist companies that implement a work-from-home policy to help their employees build and maintain the IT infrastructure needed for remote working.

Our Group continues to enhance our initiatives to become the digital transformation partner of our clients and assists them in digitalizing their operations with a customer-first mindset by seamlessly connecting our DEC and BPO services.

### Efforts to Accelerate Global Expansion

With regard to our global business, we have focused on expanding our service offerings and enhancing the service delivery framework in each local market with a focus on Asia. More specifically, our Chinese subsidiary has been certified as “Alibaba Databank Services Partner.” Being a certified partner, we will assist clients in executing their marketing activities by grasping and analyzing user behavior based on their data obtained through all sales and advertising channels on the Alibaba network as well as clients’ own data. In South Korea, we have opened “Marketing Communications Center Korea (MC Center Korea),” a new website development and operations center. With its Japanese-speaking members, the center offers high-quality website operations services equivalent to those in Japan. In Southeast Asia, we have opened a “Global Digital Marketing Center” in Malaysia that delivers “global multilingual advertising operations services” that include running and managing multilingual advertisements, producing creative content, and operating social media for the local market. In Vietnam, we have

opened “Ho Chi Minh Center No. 3” and expanded the “Hanoi Center.” As a result, we have expanded our overseas operations service network to 1,750 workstations, thereby enhancing our service delivery framework. Through the execution of such initiatives, we now have an established service network of 103 bases across 29 countries and regions outside Japan. We will continue to enhance our initiatives to accelerate our global expansion.

### Future Outlook

We will constantly strive to create services that best suit the needs of clients, more specifically, to expand revenues and optimize costs. At the same time, we will accelerate business development globally, especially in Asia, to achieve an improved year-on-year business performance, compared with that of the year under review.

### Message to Our Shareholders

We view the sharing of our profits with shareholders as one of the most important management policies and therefore adopt a dividend policy that focuses on a dividend payout ratio that is highly connected to our business performance. Our basic policy is to increase the market value of our shares through the returning of profits to shareholders. In light of this policy, we have decided to pay a year-end dividend of 46 yen per share for the fiscal year ended March 31, 2020.

We appreciate your continued support and cooperation as we work toward improving our business and increasing value for our stakeholders.

June 2020

Sincerely,

**Masataka Okuda**

President & COO

# Our Business

## Business Process Outsourcing Services

Our outsourcing services that support the non-core operations of companies cover the following: back-office operations for Accounting & Finance and HR; order management; IT system operations and maintenance; design work such as mechanical and architectural design.

### Our key features

- Established Japan's largest offshore service delivery network (China, Thailand, Vietnam, Indonesia, and the Philippines, 17 bases)
- Offering services in a wide range of areas: systems development & operations, order processing, architectural design, mechanical design, embedded systems development, data entry, back-office services for HR, accounting, and sales functions
- Established offshore development network in China in 1995, ahead of others in the industry
- Time-tested wealth of experience (53 years in business, one of the longest in the helpdesk industry)

## Contact Center Services

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

### Our key features

- Largest contact center service provider in Asia, focusing on Japan, China, and South Korea
- Offering the largest contact center service in Japan with 32 bases and 18,470 workstations as well as 45 bases and 15,570 workstations overseas
- Business experience in many industries, including financial, telecommunication, high-tech, medical, cosmetics, distribution, automobile, and airline fields, as well as in the public sector
- Established Shibuya Social Media Center, one of the first centers that specializes in providing customer support via social media channels

## DEC Services

### Digital Marketing Services

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

### Our key features

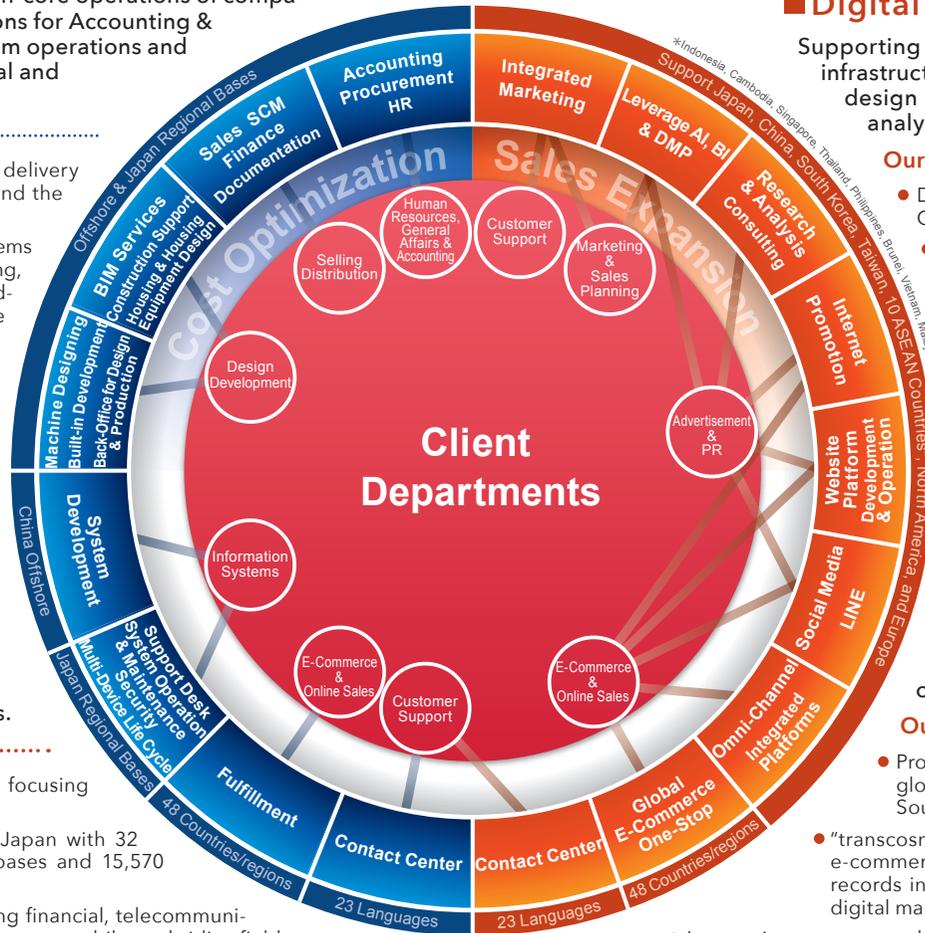
- Digital marketing service provider focusing on Japan, China, and South Korea
- Established a one-stop support framework that includes all services, from Internet promotion to website design and operation
- Created one of the largest website development and operations service networks in Japan
- Actively introducing the latest ad technology<sup>2</sup> through our business development base in North America

### E-Commerce One-Stop Services

In line with clients' e-commerce business and brand strategies, transcosmos offers all required features for e-commerce business including e-commerce website development and operations, fulfillment, customer care, online promotions, and analysis.

### Our key features

- Providing services in 48 countries/regions around the globe, including Japan, Europe, the United States, China, South Korea, Taiwan, ASEAN, India, and Latin America
- "transcosmos eCommerce HUB," our proprietary integrated e-commerce platform, is filled with our extensive proven records in contact center, business process outsourcing, and digital marketing services
- 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
- In partnership with top players in the apparel, cosmetics, e-book, and other markets in the ASEAN region, we help clients enter the ASEAN e-commerce market



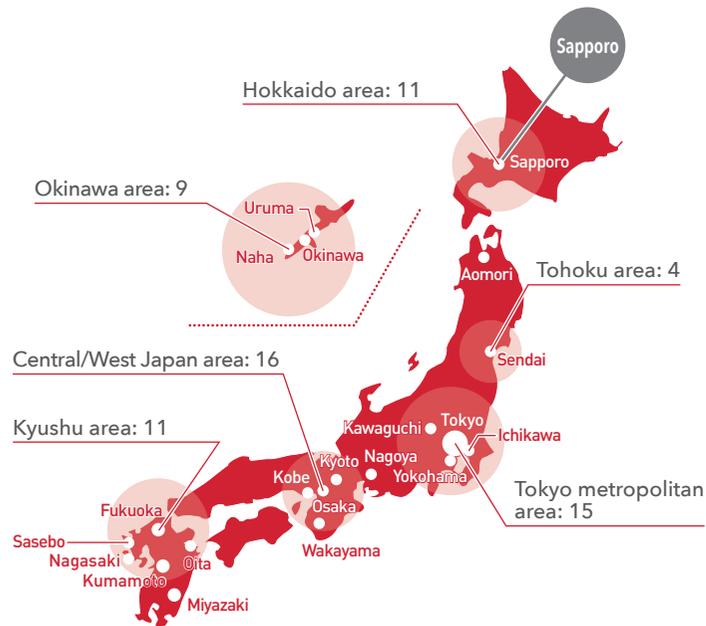
### Glossary

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

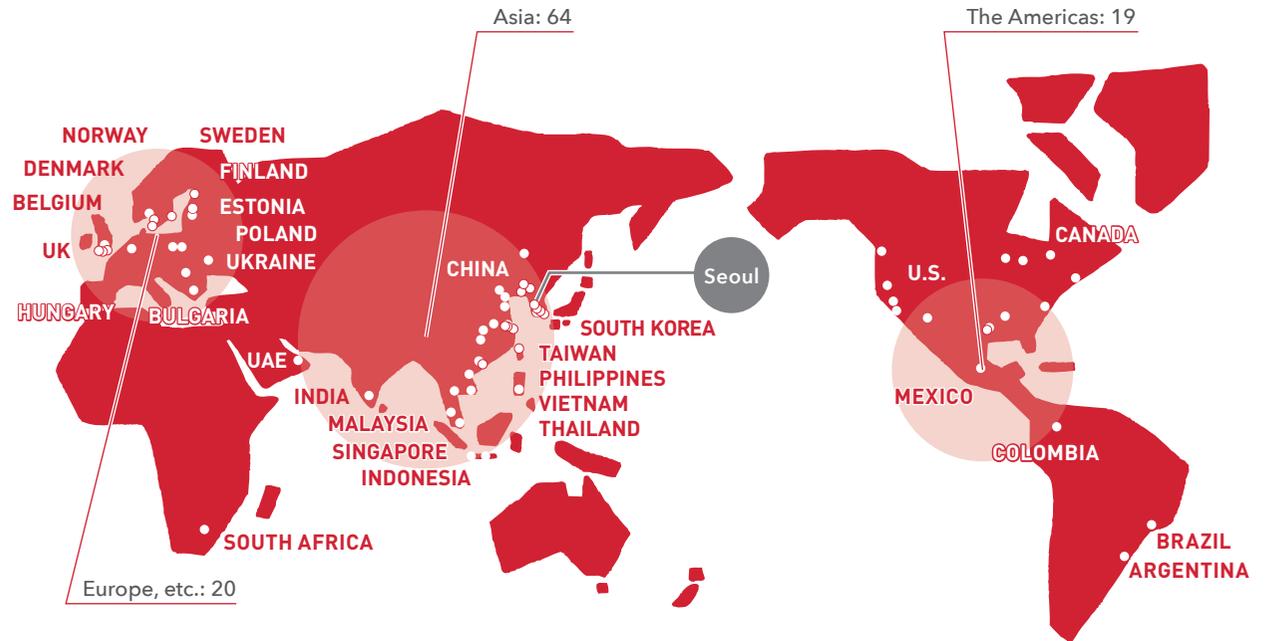
# Service Network 169 bases, 40,500 workstations

(Number of operating bases includes head offices, branch offices, development centers, and associates' and alliance partners' bases, as of March 31, 2020.)

## Japan: 66 bases



## Global: 103 bases; 29 countries/regions



## New Centers






**BPO Center Sapporo Tanukikoji**

**450** workstations

Provides BPO services






**Marketing Communications Center Korea (MC Center Korea)**

**40** workstations

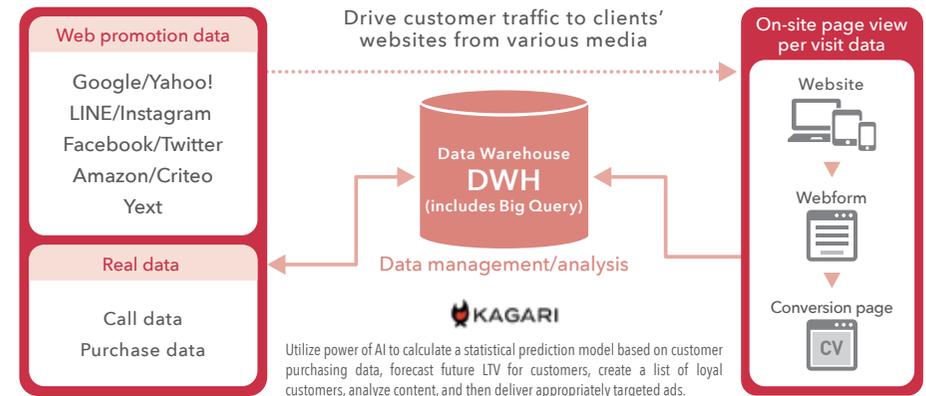
Provides digital marketing services

# Special Feature: Service Introduction—Digital Marketing Services

Our digital marketing business delivers digital agency services that utilize leading-edge technologies to help our clients attract customers, and digital experience services that assist our clients in building and operating their corporate websites, apps, and social network services (SNS), and in having one-to-one communication with their customers.

## Digital Agency Services

We plan and execute strategies that effectively attract customers through various channels, including diverse types of online ads, SEO/MEO, and offline ads.



## ● Search Ads/Display Ads

We identify the best solutions through media algorithm research and develop advertising strategies across different devices with a focus on customer touchpoints. Ultimately, we help our clients make the most of their marketing initiatives.



## ● Video/YouTube Production

With our YouTube dedicated team that merges both video production and planning expertise, we propose and execute the optimum operations and production strategies for our clients' branding and customer acquisition initiatives.



## ● Social Media Ads

Our expert team assists clients in their marketing campaigns from managing social media such as LINE, Instagram, Facebook, and Twitter, to running and managing ads.



## ● O2O Marketing

We help our clients drive users to their offline stores, offer customer support, drive purchase, and convert customers to loyal customers with the use of diverse customer touchpoints in the online segment such as ads, chat, SNS, and apps, and website development.



## ● Our Proprietary Services



A method for producing meaningful creative content based on the authentic voices of customers posted on SNS.



Comprehensively diagnose key items required to increase ad performance on major media channels.



An AI-powered service that enhances landing page (LP) to boost ad performance.



Invite users to offline stores from their smartphones. The platform that connects consumers with stores and products just like a shopping mall.

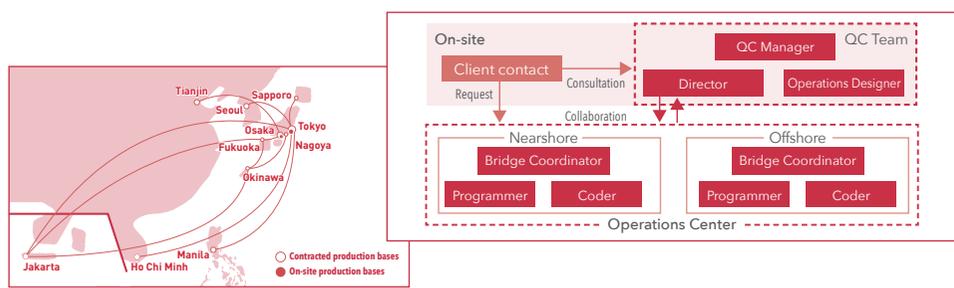
### Digital Experience Services

We assist our clients in developing and operating websites, apps, and SNS, and having one-to-one communication with their customers. With the aim of providing each one of our clients the optimum services that fit their needs, we conduct hearing sessions, business diagnoses, and various preliminary surveys. Building on the results of such preparations and our abundant digital marketing expertise accumulated at home and abroad, we present the best approach to implement and operate the services, and to analyze the performance.



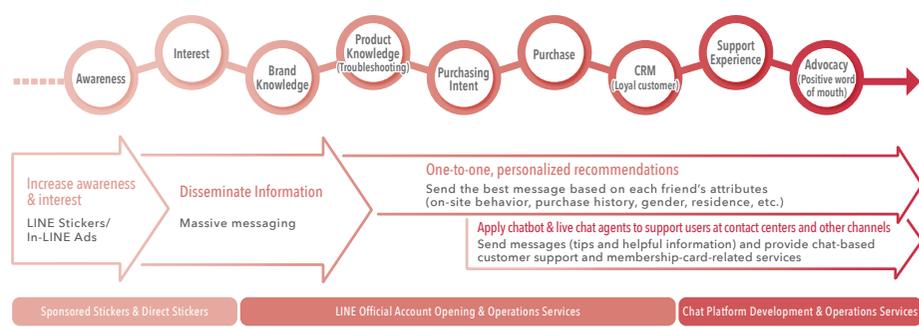
### Japan's Largest Framework of Web Designers and a Solid Track Record

Our team of 2,400 web designers—the largest in Japan—produces the most suitable page flow that best suits each client's business requirements, and plans and creates page content by leveraging its extensive track record and a wealth of expertise acquired through serving more than 600 clients every year. Combining our onsite, nearshore, and offshore bases (10), and outsourcing capabilities, we develop a service framework that best matches each of our clients, thereby helping them boost marketing performance while reducing costs.



### Communication Planning for LINE, SNS, and Chatbots

We provide one-stop services for LINE, from the opening and operation of LINE accounts to customer communication to CRM strategy. We assist our clients in supporting their customers seamlessly by connecting various databases, marketing tools, chat agents, and chatbots.



### Our Proprietary Digital Platform

Leveraging our platforms that combine cutting-edge technology and solutions, we help our clients make their websites more user friendly, thereby boosting the purchase probability of site visitors.

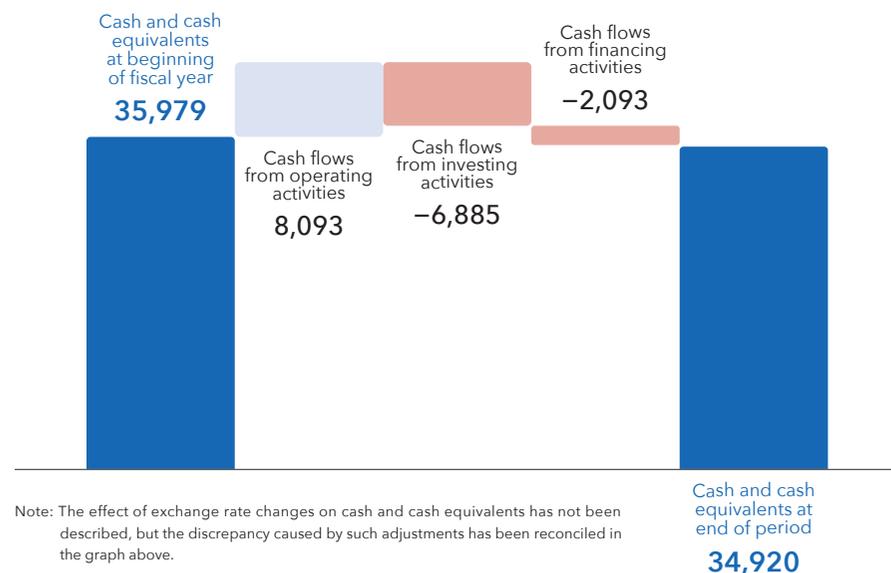




## Consolidated Statement of Cash Flows

(Millions of yen)

FY2020/3 (April 1, 2019–March 31, 2020)



### Cash flows

Net cash provided by operating activities amounted to ¥8,093 million, up ¥4,204 million from a year earlier. The main components of change were an increase in income before income taxes and non-controlling interests as well as a decrease in income taxes paid.

Net cash used in investing activities came to ¥6,885 million (while ¥4,344 million was provided for the corresponding period a year earlier). The main components of change were a decrease in gain on sales of shares of subsidiaries and affiliates and an increase in payments for investments in capital of subsidiaries and associates compared with the corresponding period a year earlier.

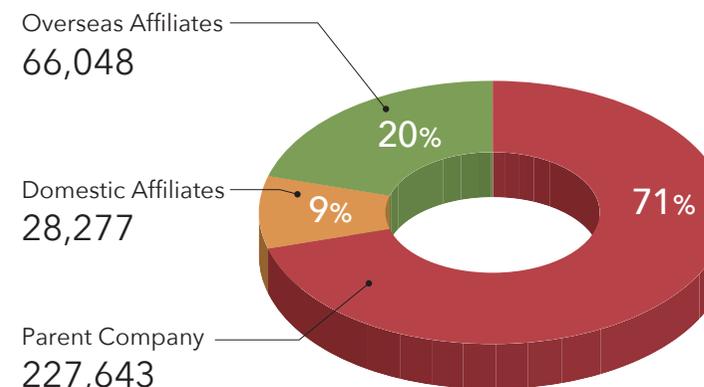
Net cash used in financing activities reached ¥2,093 million, down ¥1,072 million year on year. The main components of change were an increase in short-term borrowings and a decrease in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, which had been booked the previous fiscal year.

Consequently, cash and cash equivalents as of March 31, 2020, totaled ¥34,920 million, down ¥1,058 million from a year earlier.

## Net Sales by Segment

(Millions of yen)

FY2020/3 (April 1, 2019–March 31, 2020)



Note: Figures are not adjusted for -¥10,098 million of transactions between segments.

**Parent Company**

Outsourcing operations offered by the Company

**Domestic Affiliates**

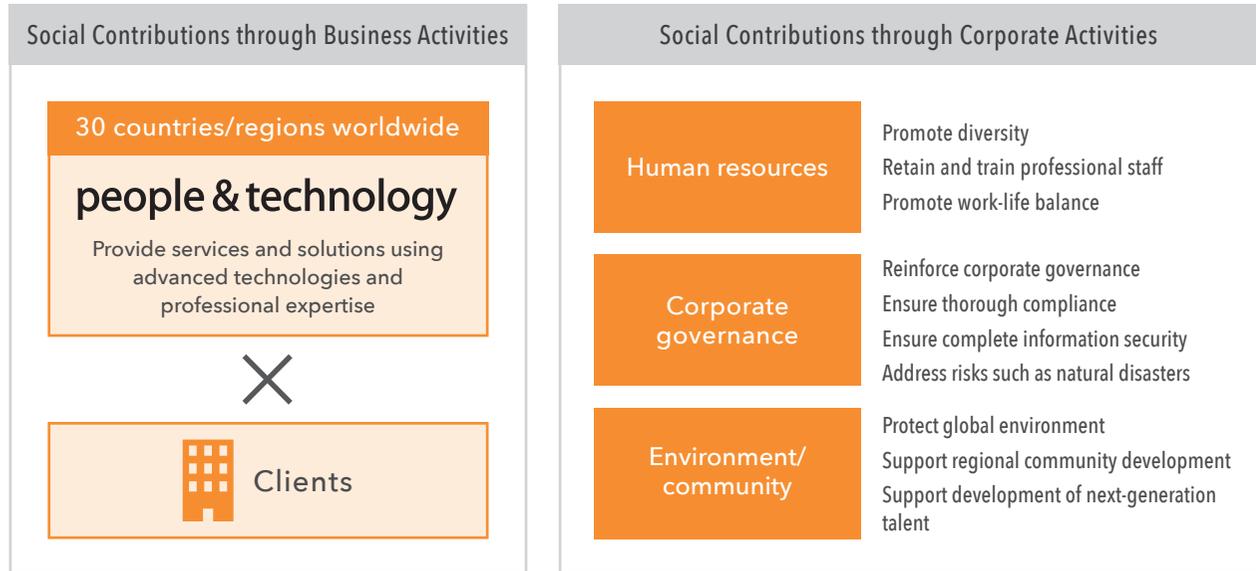
Outsourcing operations offered by domestic Group companies

**Overseas Affiliates**

Outsourcing operations offered by overseas Group companies

# Special Feature: Efforts to Achieve SDGs

Guided by our fundamental management philosophy that client satisfaction is the true value of our Company and that the growth of each of our employees creates the value that shapes our future, we at transcosmos strive to contribute to the achievement of SDGs through responsible corporate activities and businesses that hinge on people and technology.



### Toward Establishment of SDG Promotion Committee

transcosmos acknowledges the importance of analyzing and understanding the risks and opportunities inherent in the 17 SDGs and the management strategies related to each of these goals from the perspective of the sustainable growth of the Company. Toward this end, we are moving toward the establishment of a committee chaired by Masataka Okuda, our President & COO, to sift through business and management resources from an SDG perspective, set targets with a priority on social issues of particularly high materiality, and then regularly confirm achievement status. Through this committee, we will promote SDG-driven innovation internally and externally and deepen awareness of SDG activities and the commitment to maintain SDG-oriented practices.

## SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals (SDGs) are international goals under an agenda adopted at the UN Summit in September 2015. They run until 2030 with the purpose of putting the world on a sustainable path toward a better future for all. The agenda comprises 17 goals and 169 targets, and while the SDGs are universal in nature—meaning that developing and developed countries alike will strive to achieve them—each nation will address the process individually at a national level.



# Efforts to Enhance Services and Business Performance

Began global multilingual ad operations in Malaysia



Expanded operations center network in Ho Chi Minh to extend service range within Vietnam



Acquired Alibaba databank certification for transcosmos China



2019

April

May

June

July

August

September

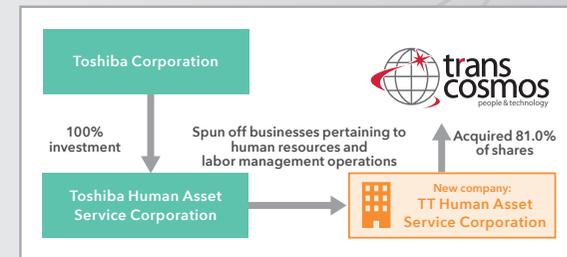
Developed "AI Defender" as add-on feature to "transpeech" speech recognition solution



Concluded agreement on transfer of shares in Toshiba Products Marketing Incorporated

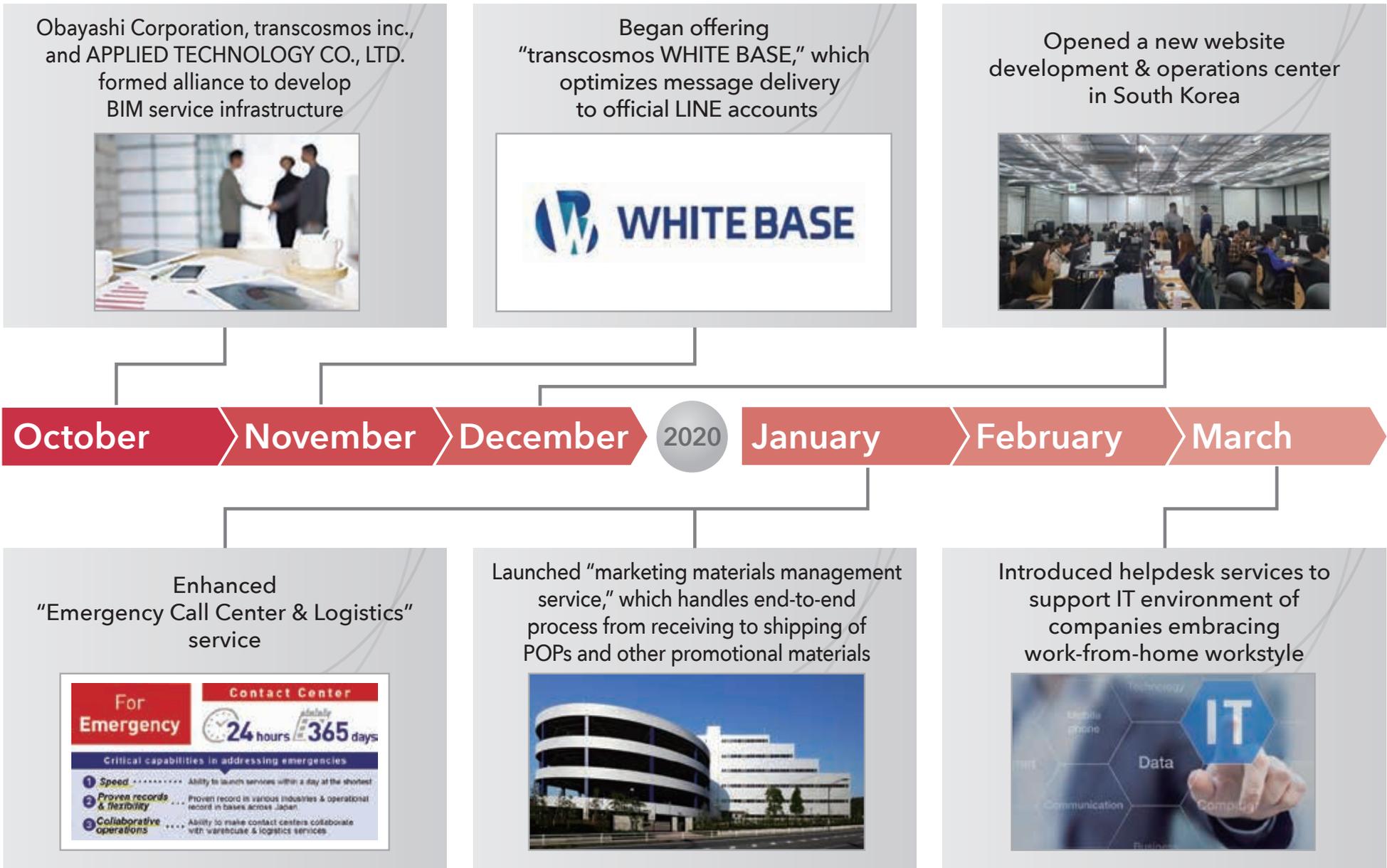


Agreed on transfer of shares in new company established to facilitate business spin-off from Toshiba Human Asset Service Corporation



Dear Stockholders  
Our Business  
Service Network  
Special Feature: Service Introduction  
Consolidated Financial Results  
Special Feature: Efforts to Achieve SDGs  
Efforts to Enhance Services and Business Performance  
Special Feature: Disaster and Crisis Management  
News & Topics

# Efforts to Enhance Services and Business Performance



Dear Stockholders  
Our Business  
Service Network  
Special Feature: Service Introduction  
Consolidated Financial Results  
Special Feature: Efforts to Achieve SDGs  
Efforts to Enhance Services and Business Performance  
Special Feature: Disaster and Crisis Management  
News & Topics

# Special Feature: Disaster and Crisis Management Including Infectious Disease Outbreaks

We have appropriate measures in place to address all types of emergencies according to our risk management and control manual and guidelines. Our manual and guidelines cover specific action items, procedures to be followed, and response plans for emergencies. In addition, with regard to COVID-19, the infectious disease caused by the most recently discovered coronavirus that has been spreading rampantly worldwide, we are continuously taking flexible and appropriate measures according to the current situation, putting the highest priority on preventing the spread of infection, and ensuring the safety of our employees.

## Basic Policy

### ● Human life is our top priority

Our top priority is to protect the lives of our employees, their families, and their local communities, as well as all members of our clients and related parties.

### ● Prevent the spread of infection

As a socially responsible company, we are committed to preventing the spread of infection throughout the Company as well as to all related parties and clients by taking preventive measures and securing protective gear. In addition, if any of our employees tests positive for COVID-19, we will make an effort to prevent further transmission through information disclosure internally and externally, following government guidance.

### ● Business continuity

We are committed to continuing our business operations by developing a structure that is required for our business continuity in compliance with respective laws and regulations, and government directives. In particular, we will respect our clients' policies and meet their expectations by taking all necessary measures to ensure uninterrupted provision of our products and services.

## Measures in place

### Measures to prevent infection at our centers

- Ensure our employees check their health condition, including taking their temperature before leaving for work
- Ensure our employees stay home if they present symptoms such as coughing, a fever, or a loss of smell and taste
- Ensure our employees take basic preventive measures (wearing masks, handwashing, using hand sanitizers, practicing coughing etiquette, disinfecting shared items and areas)
- Prevent group infections (encourage teleworking, ventilation, and social distancing)

### Response to COVID-19 outbreak among our employees

Putting a top priority on securing our employees' safety, alleviating their anxiety, and preventing the spread of infection internally and externally, we will take necessary steps immediately. Specifically, we will make an infected person self-isolate, identify and give stay-at-home orders to others who might have come into close contact with that person, disinfect the facility, inform all related parties, and disclose relevant information.

### Work-from-home arrangement for back-office employees

We have, in principle, implemented a work-from-home arrangement for our back-office employees, and prepared the necessary working environment for such an arrangement. The new arrangement does not apply to employees who cannot work from home due to the nature of their tasks and days on which they must be in the office to fulfill their responsibilities.



# News & Topics

## transcosmos Korea donated computers to the "Incheon Differently Abled Federation" of South Korea

- transcosmos Korea, Inc., our subsidiary in South Korea that provides BPO services, donated 150 computers for office and educational use to 22 organizations, including the Incheon Differently Abled Federation, to support the activities of organizations for the disabled in South Korea.
- We will continue to contribute to local communities by supporting IT activity with donations of computers.



## transcosmos held "BPO Best Operation Contest"

- transcosmos held the BPO Best Operation Contest to share best practices across business offices and reinforce overall service capabilities.
- The BPO Best Operation Contest is an annual event to acknowledge the best BPO office in our BPO Services Headquarters network. The 2019 event marked the eighth anniversary since the contest began in 2011.



## 20th anniversary event in Okinawa

- At nine locations across Okinawa Prefecture, 4,500 transcosmos employees provide contact center, digital marketing, and BPO services. In 2019, the Company held a ceremony to celebrate its 20th year in Okinawa.
- Going forward, transcosmos will continue to create employment opportunities for Okinawa and fuel industry development while evolving further as a community-respected company that contributes to and grows with communities.



## Extended the Nagasaki Athletic Stadium naming-rights agreement

- Extended the naming-rights agreement for five additional years to strengthen community engagement. transcosmos continues to contribute to the revitalization and development of local communities by creating jobs.



## transcosmos China held social welfare event

- Shanghai transcosmos Marketing Service Co., Ltd. (transcosmos China), a wholly owned subsidiary of transcosmos, is engaged in local community welfare programs and regularly holds social welfare events to encourage people with disabilities to be active in the community.



## Participated in social contribution event "Yokohama Santa Project 2019"

- transcosmos was involved in the Yokohama Santa Project, sponsored by the NPO Action Port. Employees who work at MCM Center Yokohama, in the Minato Mirai district, and family members—a total of 46 people—participated in cleanup activities while dressed in Santa-inspired attire.

### 横浜サンタプロジェクト サンタが街に、やってきた。



## transcosmos sponsored "Halloween in Tama Center 2019"

- transcosmos sponsored Halloween in Tama Center on October 26 and 27, 2019. The event utilized MCM Center Tama, a 1,120-seat contact center, with some employees participating. Planned primarily to spur activity in the Tama area and boost the transcosmos profile, the party atmosphere provided an opportunity to deepen communication among local businesses, organizations, and citizens.



## transcosmos China recognized as one of the Top 10 "2019 Shanghai Most Aspiring Employers"

- Employee voting results showed that transcosmos China is highly rated by its employees in terms of "good working environment," "friendly relations at the workplace," "positive atmosphere," "excellent employee benefits package," and "overwhelming brand power."
- The company will continue to execute measures to further increase employee satisfaction while creating jobs by expanding its businesses and promoting innovation. Ultimately, transcosmos China aims to become the best company to work for.



### Corporate Information (As of March 31, 2020)

Registered Name transcosmos inc.

Date of Foundation June 18, 1985

Paid-in Capital ¥29,065 million

Employees Group: 58,516  
(Japan: 40,002; Overseas: 18,514)

Major Banks Sumitomo Mitsui Banking Corporation  
MUFG Bank, Ltd.  
Mizuho Bank, Ltd.

Main Office 3-25-18, Shibuya, Shibuya-ku,  
Tokyo 150-8530, Japan  
Tel. +81-3-4363-1111

### Stock Information (As of March 31, 2020)

Shares Authorized for Issue 150,000,000

Shares Issued 48,794,046

Stockholders 10,912

### Principal Stockholders (As of March 31, 2020)

Name	Number of shares (thousand shares)	Ratio of shares (%)
Masataka Okuda	5,910	12.11
Koki Okuda	5,498	11.27
GOLDMAN, SACHS & CO. REG	4,258	8.73
transcosmos foundation	3,753	7.69
Japan Trustee Services Bank, Ltd. (Account in Trust)	3,349	6.86
Mihoko Hirai	1,463	3.00
Government of Norway	1,072	2.20
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,056	2.16
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	638	1.31

Notes: 1. Other than the above, the Company retains 7,319 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.

This Business Report is designed and produced by the Normalization Promotion Dept., which employs people with special needs.