

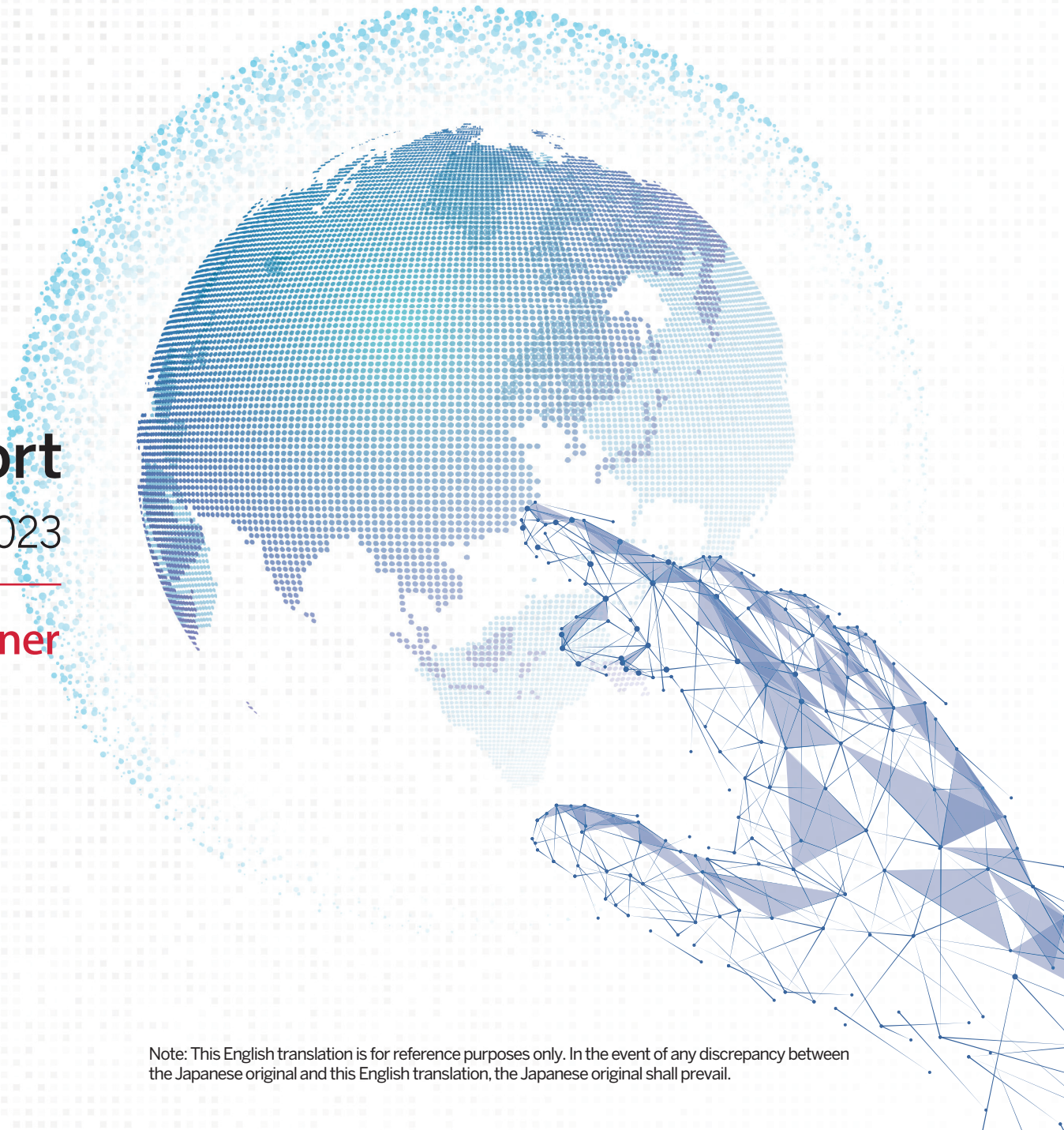
FY2024/3

# Interim Business Report

April 1, 2023 >>> September 30, 2023

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**Global** Digital Transformation **Partner**

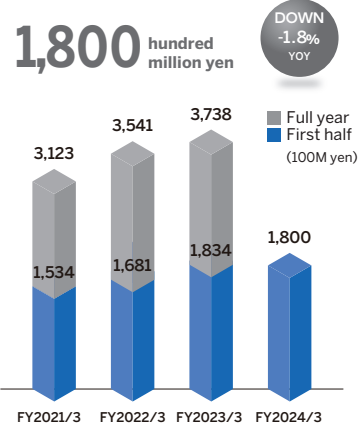


# Dear Stakeholders,

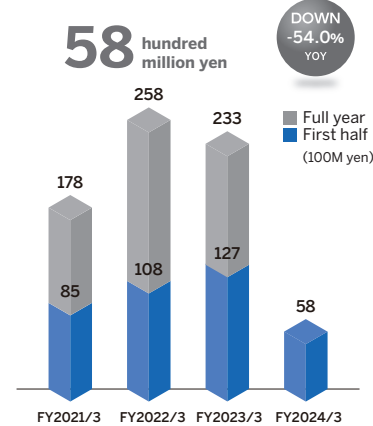
We would like to express our sincere appreciation to shareholders and investors for your continued exceptional support.

Along with greetings to our shareholders and investors, we hereby present a report on our performance in the first half of the fiscal year ending March 31, 2024 (April 1, 2023 to September 30, 2023).

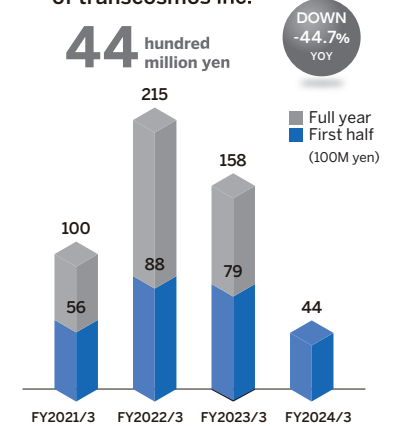
## Consolidated net sales\*



## Consolidated operating income



## Net income attributable to shareholders of transcosmos inc.



\* The Company has adopted the "Accounting Standard for Revenue Recognition" and the related guidance from FY2022/3. Accordingly, all sales generated from the transactions in which the Company is deemed to have acted as an agent (i.e. agency transactions) are presented on a net basis whereas, previously these were presented on a gross basis (total sales minus cost of sales). Note that the net sales for FY2021/3 generated from transactions that are deemed to be agency transactions are restated on a net basis from a gross basis.

## Summary of Business Results

In the business environment where our Group operates, demands for outsourcing services remain solid as digital technologies such as generative AI (GenAI) and the metaverse continue to evolve while labor shortages persist. Market needs are growing, in particular for services that help companies accelerate digital transformation (DX) and boost customer experience (CX), the two priorities that the COVID-19 pandemic has reaffirmed.

Against this backdrop, our Group continued to take an energetic approach to capture growing service needs, providing both CX and Business Process Outsourcing (BPO) services that assist clients in managing and transforming their businesses, despite a slowdown in COVID-19 related projects led by national and local governments as well as the

private sector that we have been delivering aggressively as a company that underpins social infrastructure. We also pushed forward initiatives set under our new medium-term business plan 2024/3-2026/3, which started this fiscal year (FY2024/3).

## Business Growth Initiative

As part of our initiative to pivot to a platform business model, we have been providing services for collecting, analyzing and utilizing customer data across diverse customer communication channels via TCI-DX for Support, our unique CX platform. Now, we have won a patent (patent number 7319478) for our proprietary developed technology used in the platform for utilizing data. More specifically, our unique technology enables customer data analysis across

various customer touchpoints throughout the customer journey comprehensively based on the voice of the customer (VoC) accumulated at contact centers, social media and chats. With this technology, we aim to drastically cut time for data analysis while offering an environment where users can solve their problems by themselves easily across communication channels, thereby reducing the total time for problem solving by 30%. By promoting self-service solutions, we not only help businesses reduce customer service costs but also contribute to sales growth by utilizing the identified user challenges for enhancing marketing activities.

We also released HCM Analytics Platform, a service which visualizes human capital information and helps listed companies meet the requirement to disclose human capital metrics in their securities report from the fiscal year ended March 31, 2023. By visualizing the current status against each metric and collecting and analyzing the data, we will assist our clients in enhancing their corporate value through their human capital information disclosure.

In terms of our initiative to develop new business and promote R&D, we have focused our efforts primarily on developing and promoting services built on generative AI and the metaverse. Specifically, to enhance our TCI-DX Service, a suite of services that covers all front-end digital customer touchpoints, we have actively developed services powered by ChatGPT, an AI chatbot offered by OpenAI which can summarize text accurately and interact with users in a conversational way. To help businesses use generative AI – ChatGPT being the most famous one - safely and securely, we will develop our unique tuning and training methods as well as operational technology, and ultimately deliver more advanced digital contact center and digital marketing services. In addition, we also released Quick Support Cloud with GAI, a service powered by generative AI to our Quick Support Cloud, a tool designed to assist support desk operations. With this new service, businesses can provide answers that support desk users want with the same quality standard at speed. What's more, the service saves man-hours for creating training data, standardizes the quality of answers, and reduces processing time, which ultimately helps clients optimize their operations. Furthermore, to create new communication channels between businesses and their customers, we carried out proof-of-concept tests on services built on the metaverse, and steadily increased client success cases.

Turning to our initiative towards reinforcing our systems to keep pace with the growing global market, we formed a capital and business alliance with TianJin Tinkers Computer Information Technology Co.,Ltd. (TINKERS). Merging our immense capabilities in development and operations with TINKERS' ability in leveraging cutting-edge technologies, we will offer software development services built on the latest technologies to clients. In addition, to strengthen our services in English and Spanish languages, we opened Mexico City Center, a new operations center in Mexico as a nearshore location for the U.S. market. Making the most of our Group's proven business base and offshore network in the Asian market, we will continue to build a business model specifically designed for the global market while growing our business in the Americas.

## A Message to our Shareholders

Returning profits to shareholders is one of our top management priorities. We have therefore adopted a dividend policy that focuses on the dividend payout ratio, which is closely related to the Company's business performance. Our fundamental policy is to increase the market value of shares by returning profits to shareholders.

At this point, we have yet to make a decision on the dividend for the fiscal year ending March 31, 2024. We will promptly disclose the specific amount once it is decided.

In the fiscal year ending March 31, 2024, our Group will continue to proactively deliver both CX and BPO services that assist our clients in managing and transforming their businesses as their digital transformation partner. At the same time, we will accelerate our initiatives for expanding our global business focusing on the Asian markets. By committing to these initiatives, we aim to achieve sustainable business growth.

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

Sincerely,

**Masaaki Muta**

Representative Director, Co-president

**Takeshi Kamiya**

Representative Director, Co-president

December 2023



# Our Business

Dear Stakeholders

H1 FY2024/3 Highlights  
Our Business

Consolidated Financial Results  
Client Success Story

## BPO Services

### Business Process Outsourcing Services

**Integrating operational excellence and various technologies, we transform our clients' business processes, enhance end-to-end business foundation, and help our clients bolster their competitive edge.**

- Highly competitive service framework with one of Japan's largest offshore service networks (18 bases in Asia) and domestic nearshore centers.
- Superior quality backed by operational excellence and a strong track record built over 56 years since our foundation.
- Highly specialized services in a wide range of areas – planning & development, manufacturing, logistics, corporate services including accounting and HR, as well as sales and aftersales services.

**Main Group companies**



### Contact Center Services

**We optimize communication between businesses and their customers, and digitize customer touchpoints with our operational network, one of the largest in Asia.**

- 34 bases in Japan and 45 bases overseas (41,530 workstations in total).  
\*Including bases of partners/associates.
- Superior quality underpinned by our people development programs and many years of center management operations as the No.1 contact center services player in Japan (\*1).
- Diverse CX solutions powered by various digital technologies including chat and speech recognition in 30 languages, with over 10,000 home-based contact center workstations.

**Main Group companies**



\*1 Source: 28th Call Center Sales Survey FY2020, Nihon Ryutsu Sangyo Shimbun

## CX Services

### Digital Marketing Services

**We offer total support services from digital marketing campaigns to website development, management and analytics with our 3,000 people, one of the largest service networks in Asia.**

- Blended delivery model using onsite, offshore bases across Asia, and nearshore.
- Optimum services tailored to each industry and business model built on our extensive experience and know-how gained from working with over 600 clients each year.
- Cutting-edge services, including ad tech and MA, services for LINE/other social media, and integrated marketing powered by CDP.

**Main Group companies**

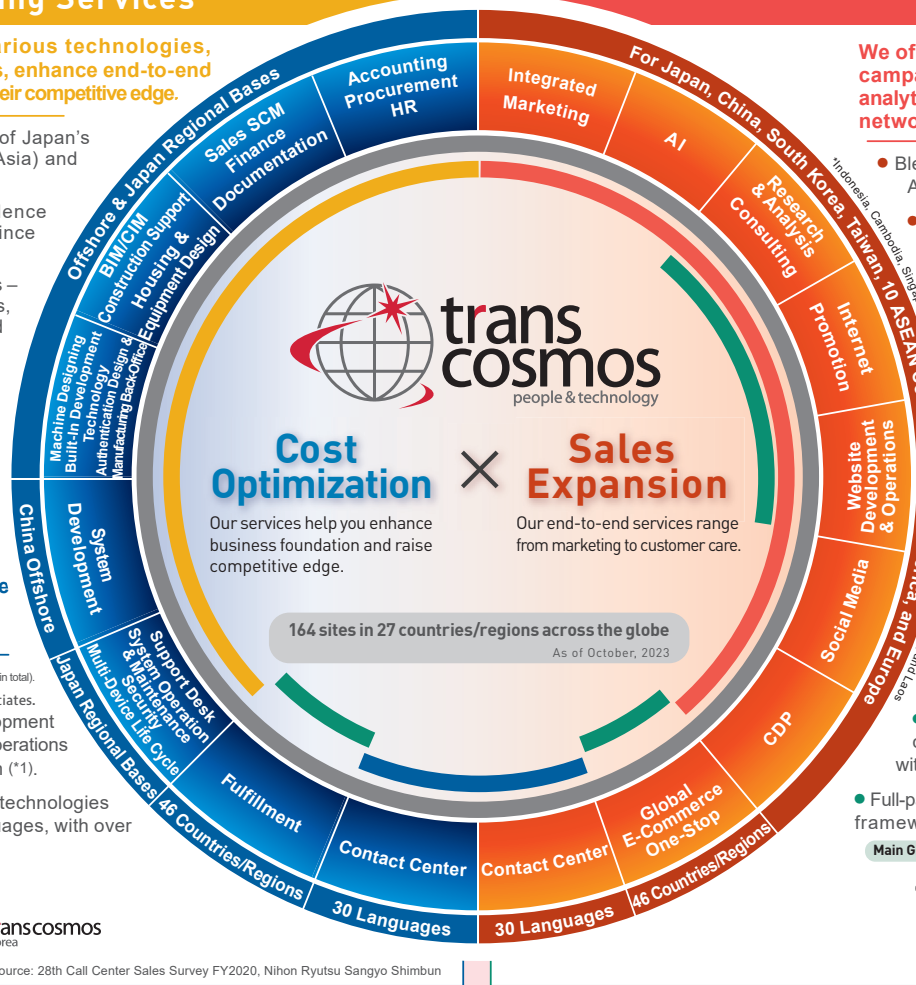


### E-Commerce One-Stop Services

**Our one-stop services provide all the required features for e-commerce, in line with e-commerce and brand strategies of each business.**

- 46 countries/regions, with a focus on e-commerce growth markets.
- Support services for e-commerce businesses tailored to characteristics & culture of each target market in partnership with leading firms in Europe, US, China and ASEAN.
- Full-packaged services for e-commerce, from developing business framework to operations.

**Main Group companies**



**Global Services** We help our clients go global. Localized services for our clients operating in Asia, Europe, North and South America.



Named a Leader in CXM service providers in the Asia Pacific region by Everest Group.

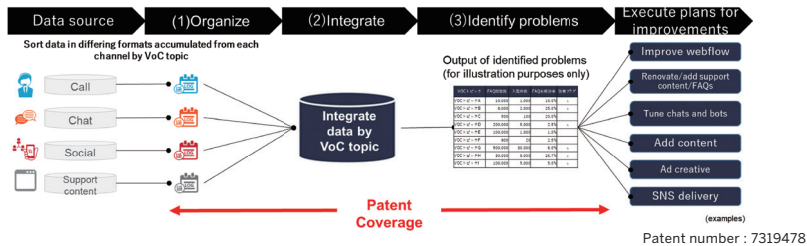


Won TMALL 5 Star rating for the 6th straight year.

# H1 FY2024/3 Highlights

## [Patent] Won a patent for its proprietary developed digital platform that dramatically enhances CX across customer touchpoints

Via TCI-DX Support, a digital platform we have developed in-house, transcosmos has been offering data collection, analysis and utilization services across diverse customer touchpoints. Now, we have won a patent for our technology to utilize the VoC(voice of the customer)data used in TCI-DX for Support. Leveraging the patented technology, transcosmos will continue to reinforce TCI-DX for Support.



## Received Excellence in Disability Inclusion Company Award (The Tokyo Metropolitan Governor's Award)

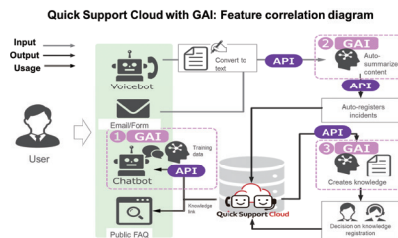
We won an Excellence in Disability Inclusion Company Award by the Tokyo Metropolitan Government as a company acting on exceptional programs to employ people with disabilities.

All employees, both with and without disabilities, work together unleashing their individual uniqueness and abilities. Committed to this philosophy, we are promoting the employment of people with disabilities.



## Released Quick Support Cloud with GAI, a service powered by generative AI

transcosmos released Quick Support Cloud with GAI(\*1), a service powered by generative AI to Quick Support Cloud, its support desk support tool. The new service not only enables businesses to provide answers that users want with the same quality standard at speed, but also creates training data automatically which saves man hours, standardizes the quality of answers, and reduces processing time. Ultimately, the service helps clients optimize their operations.



\*1: GAI=Generative AI

## Selected as an FTSE Blossom Japan Sector Relative Index constituent for the first time

transcosmos has been addressing diverse social challenges including human rights, corruption, and local communities while enhancing our corporate governance. Recognized for such actions, we became an FTSE Blossom Japan Sector Relative Index constituent for the first time. To create a sustainable society, we will continue our efforts to maximize the well-being of society.

FTSE Russell ESG score		2022	2023
E	Climate change	0	1
	Human rights and Community	2	3
	Labor standards	3	3
G	Anti-corruption	1	2
	Corporate governance	4	4
TOTAL		1.5	2.3

# Client Success Story

## Ajinomoto Group

We helped Ajinomoto Group launch AJI MALL, its shopping mall-style D2C e-commerce site powered by Shopify. From front- to back-office, contact centers to logistics, transcocosmos continues to assist Ajinomoto Group in managing AJI MALL at one-stop. By building a platform that enables to maximize the power of customer data by connecting customer information stored on AJINOMOTO ID - Ajinomoto Group's common ID platform - to Shopify, we are supporting the Group's D2C business from every aspect.

### Challenge

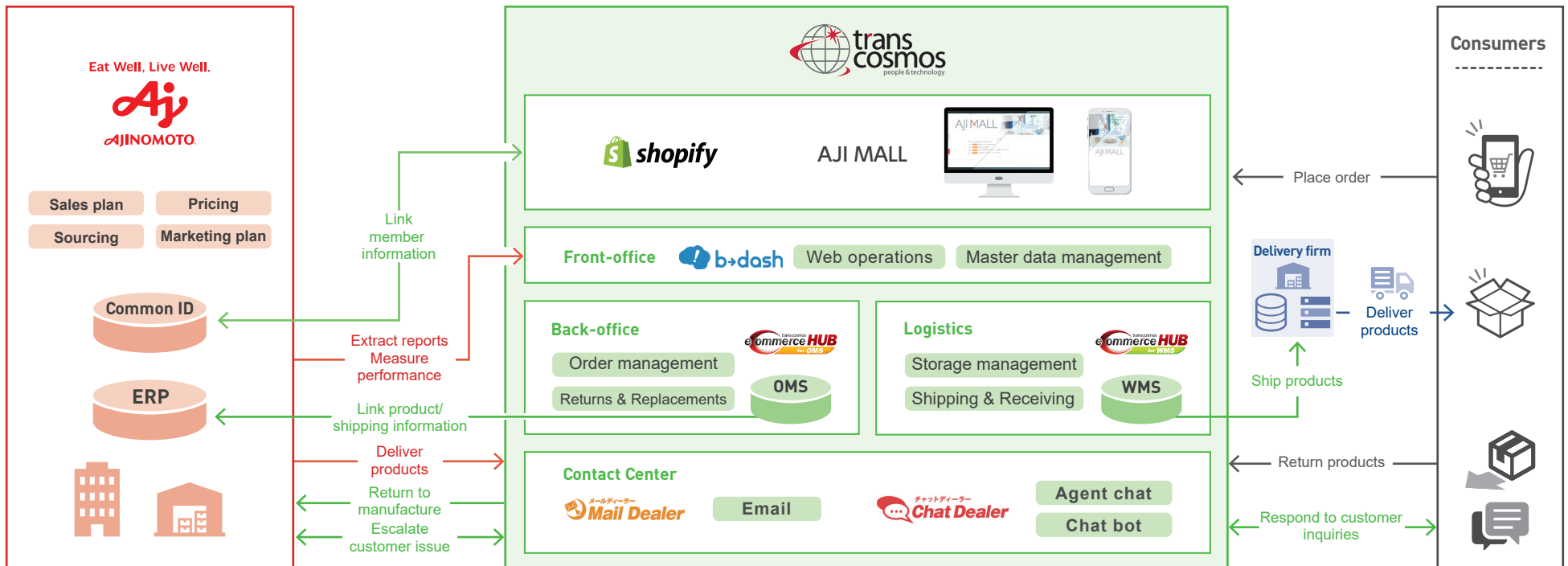
- Build and operate AJI MALL, a common e-commerce site for the entire Ajinomoto Group that will disseminate the worldview of the Group's diverse D2C brands.
- Link AJINOMOTO ID - a common ID platform for the entire Group - to Shopify, and make the most of customer data.

### Service

- Launched AJI MALL, a mall-style D2C e-commerce site powered by Shopify. Helped the Group link various systems including its common ID platform, ERP, CRM, etc.
- Offered end-to-end e-commerce operations services from front- to back-office, contact centers to logistics at one-stop.

### Benefits

- Launched AJI MALL in March 2023. In August 2023, evolved the website into a shopping-mall style, disseminating unique worldviews of the Group's diverse brands.
- Centralized customer information management by linking AJINOMOTO ID, a common ID platform to Shopify via a transcocosmos custom app.
- Offered an environment for visualizing reports as well as for advertising and marketing campaigns by deploying "b→dash," a CRM tool by dataX Inc.

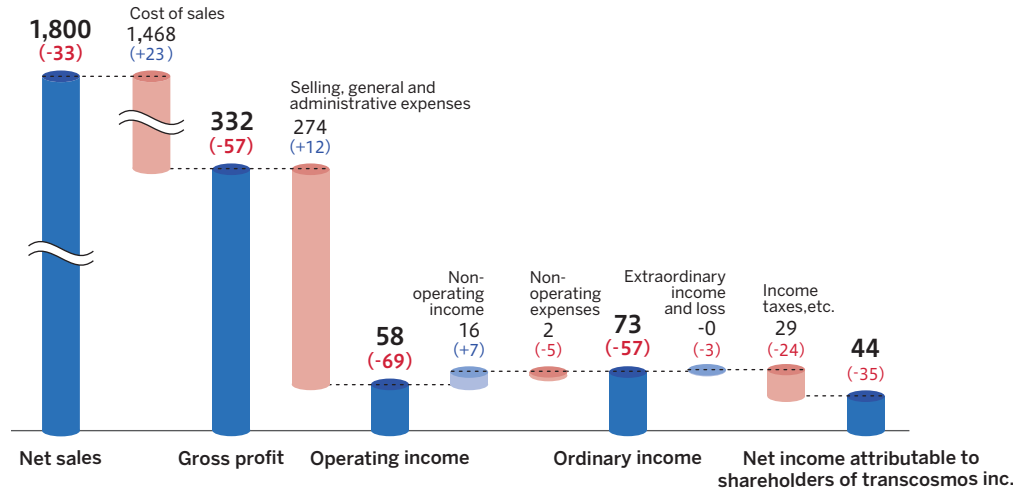


# Consolidated Financial Results

## Consolidated Statement of Income

100M yen (rounded to the nearest 100M yen)

First half of FY2024/3 (April 1, 2023 – September 30, 2023)



Notes: 1. Bar graphs are not proportionate to corresponding values for ease of understanding.

2. Figures in parentheses are year-over-year changes.

### Net sales

Net sales decreased by 1.8% year-over-year. Looking into the results by segment, the Parent Company segment continued to see solid orders for both CX and BPO services excluding COVID-19 related jobs, yet, sales declined mainly due to a year-over-year drop in COVID-19 related projects. In the Domestic Affiliates segment, a system development subsidiary and some listed subsidiaries grew sales. In the Overseas Affiliates segment, ASEAN subsidiaries grew sales.

### Operating income

Operating income decreased 54.0% year-over-year. Looking closer by segment, the income dropped in the Parent Company segment due to a temporal profitability decline primarily due to upfront investments made amid declining COVID-19 related projects. The Domestic Affiliates segment also saw a decline due to weaker profitability in listed subsidiaries and their group companies. The Overseas Affiliates segment posted higher profitability, yet, reduced work volumes in some projects and rising personnel expenses in the South Korean subsidiary affected overall results.

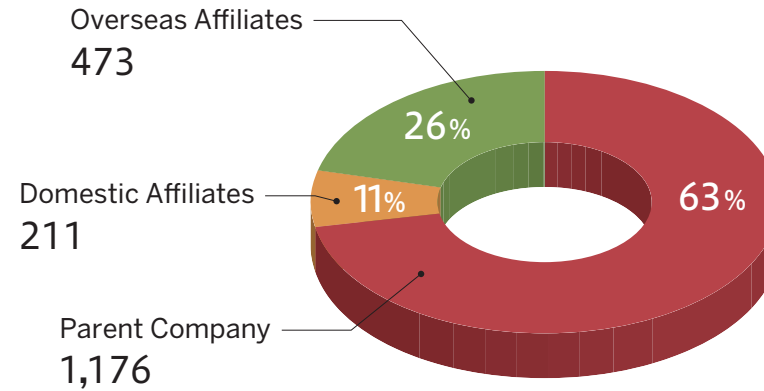
### Net income attributable to shareholders of transcosmos inc.

Net income attributable to shareholders of transcosmos inc. decreased 44.7% year-over-year primarily due to a decline in operating income.

## Net Sales by Segment

100M yen (rounded to the nearest 100M yen)

First half of FY2024/3 (April 1, 2023 – September 30, 2023)



Notes: Figures are not adjusted for -6 billion yen 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.

# Corporate & Stock Information

## Corporate Information (As of September 30, 2023)

Registered Name	transcosmos inc.
Date of Foundation	June 18, 1985
Paid-in Capital	¥29,065 million
Employees	Group : 70,218 (Japan: 44,102; Overseas: 26,116)
Major Banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Mizuho Bank, Ltd.
Headquarters	Sunshine 60 Bldg. 3-1-1, Higashi-Ikebukuro, Toshima-ku, Tokyo 170-6016 Japan Tel. +81-50-1751-7700 (Main phone number)
Main Office	Shibuya First Tower 1-2-20, Higashi, Shibuya-ku, Tokyo 150-0011 Japan

## Stock Information (As of September 30, 2023)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	9,975

## Principal Stockholders (As of September 30, 2023)

Name	Number of shares (thousand shares)	Ratio of shares (%)
transcosmos foundation	6,753	13.84
Masataka Okuda	6,404	13.13
The Master Trust Bank of Japan, Ltd. (Account in Trust)	3,161	6.48
Custody Bank of Japan, Ltd. (Account in Trust)	1,508	3.09
Mihoko Hirai	1,463	3.00
GOVERNMENT OF NORWAY	1,300	2.67
THE BANK OF NEW YORK MELLON 140042	1,079	2.21
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	703	1.44
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2	696	1.43

Notes: 1. Other than the above, the Company retains 11,321 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.

