

Business Report 2011

April 1, 2010 to March 31, 2011



Your Global IT Partner

**trans
cosmos**
people & technology

transcosmos inc.
Securities Code: 9715

Management Philosophy

The level of our customers' satisfaction is a measure of the value of our existence, and the professional development of all our employees creates that value and our future.

1 Our Commitment to Clients

- Keep abreast of world-wide technical trends, and continually provide high quality, value-added services by integrating people and technology.
- Build true partnerships that are trusted by customers.

2 Our Commitment to Employees

- Employees are our greatest asset having unlimited potential, and we will make every effort to support education necessary for individual development.
- Extend opportunities fairly, and provide appropriate compensation and new growth opportunities based on achievements and abilities.

3 Our Commitment to Society & Shareholders

- Increase shareholder value through the growth of our group, and also contribute to the progress of society.

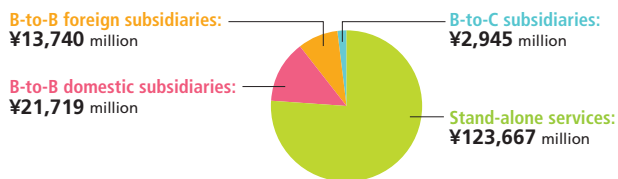
Consolidated Business Results

Net sales:

¥151,687 million

Although there was an impact from a downturn in orders in our group's core stand-alone services in the first half, there was an upswing in the second half, and foreign operations grew significantly with an expansion of orders in China and Korea. As a result, consolidated net sales grew by 0.1% compared with the prior period.

Net sales by segment



* Note: Does not include deleted transactions between segments of ¥10,384 million

● **Stand-alone services:** transcocosmos' main operations to develop business for domestic corporations. Offering one-stop outsourcing, including call center services.

● **B-to-B domestic subsidiaries:** Group operations to develop business for domestic corporations

● **B-to-B foreign subsidiaries:** Group operations to develop business for foreign corporations

● **B-to-C subsidiaries:** Group operations to develop Internet media business for domestic consumers

Operating income:

¥6,299 million

In addition to the impact of group business consolidation implemented in the prior period, the elimination of inactive personnel in stand-alone services, a business recovery in domestic subsidiaries and foreign operations on a growth trajectory led to significantly improved profitability for earnings growth of 41.6% compared with the prior period.

Net income:

¥4,469 million

In addition to the improvement of operating income and current earnings, consolidated current net income increased by 109.3% compared with the prior period due to posting of gains on the sale of investment securities.

“ To Our Stakeholders

We would like to express our condolences to all the victims of the recent eastern Japan earthquake disaster, and give our best wishes for your speedy recovery.

Review of the period ended March 2011

In the consolidated fiscal year under review, the environment in the information services industry, in which our group operates, showed caution toward business IT capital spending, but gains were made in the Asian market focusing on China with its continuing high rate of economic growth, and with a business recovery due to strong external demand, the turn toward growth acceleration has strengthened. Our group embraced the changing environment surrounding these business activities and actively promoted a global strategy. Furthermore, in order to increase our competitive strength in the domestic market, we made continuing efforts to create and provide services with high added-value.

Promotion of a global strategy

In our approach to global business, we began a China EC (e-commerce) support service that provides a total package, including chat/call centers, website construction & operation and Internet promotions, for companies aiming to develop EC business in the rapidly expanding Chinese EC market. We also began offering a Chinese VOC (voice of customer) analysis desk service to support collection, analysis and utilization of the “voice of customer” received from call centers and the Internet in the Chinese market.

Creating & providing high value-added services

We are enhancing a framework to provide high value-added services by improving each service, offering center

services for call centers, onsite + center services for digital marketing, and center + offshore services for business process outsourcing. In our approach to creating new services, we began work validation with home-based operators using a SaaS (Software as a Service) type CRM (Customer Relationship Management) system.

In terms of revenue, in addition to the impact of group business consolidation implemented in the prior period, the elimination of inactive personnel in stand-alone services, a business recovery in domestic subsidiaries and foreign operations on a growth trajectory led to significantly improved profitability.

Also, work at our group’s Sendai center was temporarily suspended due to the eastern Japan earthquake, but operations were quickly resumed.

Efforts for the period ending March 2012

Due to the extensive damage caused by the eastern Japan earthquake, it is expected that the Japanese economy will continue to face uncertain conditions, but within our group, which undertakes business for our clients, we will focus on creating more appropriate services to meet needs such as sales expansion and cost reduction, while improving the accuracy of BCP (Business Continuity Plans), enhancing business continuity measures, and assessing the trends of client business activities. Also, we will enhance sales in the Asian market focusing on China, and strive to strengthen operating bases in growth regions.

However, it is difficult to assess the impact of damage and power shortages from the eastern Japan earthquake on future business activity trends, and since it is not currently possible to reasonably assess the effect of these factors on our consolidated earnings, a forecast of consolidated earnings for the period ending March 2012

has not yet been determined. A forecast will be announced as soon as possible.

To our shareholders and investors

A cash dividend of ¥10 per share was originally planned for the period ended March 2011, but since profits exceeding the original forecast have been posted, a year-end dividend of ¥33 per share was approved at the 26th annual shareholders meeting, based on our basic profit allocation policy.

Since an earnings forecast is currently difficult, a dividend for the period ending March 2012 has not yet been determined. A forecast will be announced as soon as possible.

We will appreciate the continued support and cooperation of our shareholders and investors as we move into the future.



June 2011

Masataka Okuda
President and COO

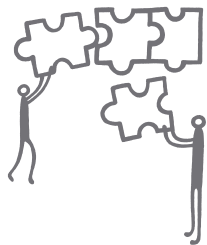
Began offering China EC Support Service

We began a "China EC support service" that provides a total package, including chat/call centers, website construction & operation, and Internet promotions for companies aiming to develop EC business in China.

October 2010

Expanded BPO Kumamoto Technical Center

With the expansion of BPO operations, the center was enlarged in October 2010 and new operations began in January 2011.



Concluded partnership agreement with Service Industry Productivity Council

We concluded a partnership agreement with the Service Industry Productivity Council, and on December 8, began selling the customer satisfaction cross-industrial guideline JCSI (Japanese Customer Satisfaction Index) developed by the council.

November 2010

Began cloud dedicated iPad app development service linked with cloud services

As part of an iPhone/iPad application development service, iPad dedicated applications are developed which allow contents and documents on the cloud to be displayed on an iPad. Since these applications envision usage at sales locations, a sales support application development service for businesses started on December 9, 2010.



Newly established and expanded two China centers as part of BPO business enhancement

In order to enhance BPO business, a new BPO center was set up in Suzhou, and transcocosmos Business Service Outsourcing (Suzhou) Co., Ltd. was established. Services and personnel were also upgraded at transcocosmos Design Development (Dalian) Co., Ltd. in Dalian.



December 2010

January 2011

Began proving tests for home-based call center services

As one of our telework operations, we began call center work validation with home-based operators using a SaaS type CRM system, with the aim of offering home-based call center services.

Selected for Global Outsourcing 100 two years in a row

We were selected for the 2011 Global Outsourcing100 announced by the International Association of Outsourcing Professionals (IAOP). This follows our selection in 2010.



February 2011

Partnered with GREE, Inc. on multi-terminal validation work

We partnered with GREE on multi-terminal validation work for social applications, providing terminal validation for development partners of GREE during development of social applications.

Began Chinese VOC analysis desk service to “visualize” the voice of Chinese consumers

We began a Chinese VOC analysis desk service to support collection, analysis and utilization of the “voice of customer” (VOC) received from call centers and the Internet in the Chinese market. The service is mainly provided to the headquarters and local corporations of Japanese consumer electronics and cosmetic products makers, with a goal of introduction to 10 companies in the period ending March 2012.

March
2011

Subcontracted call center entry personnel development operations for Okinawa Prefecture

Our group subsidiary transcosmos CRM Okinawa, Inc. subcontracted call center entry personnel development, which is a personnel development program conducted by Okinawa Prefecture. With an employment track record of nearly 3,000 persons and the world’s No. 3 training program, we will contribute to employment generation and personnel development in Okinawa.

As assistance for affected areas and victims, free mobile transmission service has been provided for information needed due to the eastern Japan earthquake

The integrated mobile marketing tool MobileMK has been provided at no charge as mobile information transmission support to municipal educational institutions and groups performing relief work in affected areas where transmission of disaster-related information is still difficult due to the disruption of communication infrastructure.



As a good corporate citizen —Efforts in CSR activities—

We continue to conduct responsible business activities and contribute to the development of the economy and society. We believe that satisfying corporate social responsibility is indispensable for gaining the trust of our stakeholders and being a business of value to our customers. We would like to introduce here some of the social action programs being developed by our company based on this conviction.

Social Action Programs

Contributing to vitalization and development of local society through employment generation

- In August 2010 the MCM Center Miyazaki Eki-mae was enlarged due to business expansion, and we are planning to hire an additional 200 workers by 2012.
- In September 2010 we newly established our seventh center in Okinawa, the BPO Okinawa Technical Center.
- In October 2010 the BPO Kumamoto Technical Center was enlarged due to business expansion, and we started new operations in January 2011.

An employee of our special subsidiary, transcosmos assist, received the bronze medal at the national Abilympics

Kota Ohashi, an employee of our special subsidiary transcosmos assist inc., received an admirable Bronze Medal (3rd Place) for the PC data entry event at the National Abilympics held October 15–17, 2010, in Kanagawa Prefecture.

He also won the Tokyo Governor’s Award which goes to a representative of Tokyo who achieves high marks at the above competition.

Mr. Ohashi mainly performs various types of data entry and filing work at our company. Our company maintains a work environment that allows employees to continue active work by taking advantage of specialty areas, and we conduct personnel development that makes it possible for all employees to work together and contribute to operations.



Environmental Practices

Certified for the ISO 14001 environmental management system

In March 2011, we acquired certification for ISO 14001, which is the international standard for environmental management systems that aims to reduce environmental risks and balance contributions to the environment with business operations.

As global environmental protection efforts expand worldwide, the importance of environmental risk reduction efforts and environmental action programs within businesses and organizations is steadily increasing. In addition to compliance with environmental regulations, ISO 14001 provides for development of systems to continually improve the environmental impact generated by business activities, and requires reduction of environmental load and contributions to the environment through continual improvement of those systems. Efforts to proactively introduce environmental management systems aiming to balance the environment with business are expected by a broad range of stakeholders (interested parties) as a factor for increasing the value of organizations that demand sustainable development.

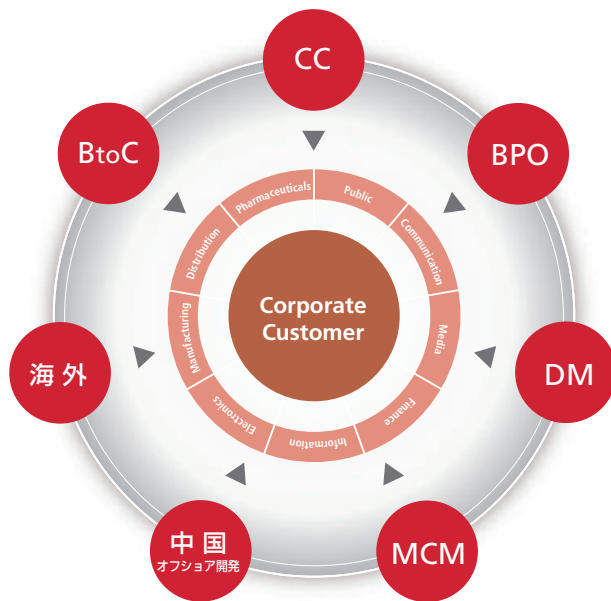
In order to accommodate our social responsibility and requests from client companies for green procurement, we have been working on environmental practices since obtaining Eco Action 21, a certification and registration system formulated by the Ministry of the Environment, in May 2006 at our corporate and Osaka headquarters. transcosmos has now acquired the international standard ISO 14001 as one of its efforts to continue development of scale, configuration and future globalization of international business focused on Asia, which it is currently developing.

ISO 14001 Acquisition Details

Designation: ISO 14001
Certification standards: ISO 14001: 2004/ JIS Q 14001: 2004
Registration number: JQA-EM6671
Registered business operator: transcosmos inc.
Registration date: March 11, 2011
Expiration date: March 10, 2014
Certification body: Japan Quality Assurance Organization (JQA)
Registered locations: Corporate Headquarters, Osaka Headquarters



Our company is also engaged in various other CSR activities in addition to those above.



CC Call Center Services

Call centers provide expert responses to inquiries and complaints from customers about products and services offered by companies. They are generally called customer centers or support centers. In the past, the focus was on telephone support, but with the advance of communication and media technology, customer communications have become multi-channel, including telephone, FAX, e-mail, Internet and mobile, and the structure of call centers has therefore also become more complex and sophisticated. Our company provides these call center operations on behalf of client companies as a contracted outsourcing service. We also provide fulfillment services including collection, input and issuance of business forms like applications and payment vouchers.

BPO Business Process Outsourcing Services

Business process outsourcing services support operations in the IT, operations and design departments of client companies. We offer outsourcing services to reduce costs and improve operational efficiency in three main areas: IT Outsourcing, which supports IT operations including installation, development, operation and maintenance of IT platforms; Business Process Outsourcing, which supports corporate and back office operations, including product ordering, administration, HR and accounting; and Engineering Solutions, which support design work including mechanical and architectural design, and CAD system development, operation and maintenance.

DM Digital Marketing Services

We offer services to support marketing activities for Internet-based companies. This includes services focused on two main areas: Internet Advertising, which ranges from search linked ads, banner ads and affiliate Web promotion planning to implementation, operation and effectiveness analysis; and Web Integration, which ranges from enterprise website planning to construction and operation.

MCM Marketing Chain Management Solution Services

This business started as a new operation in April 2010. By employing the technology solutions business of our DoubleClick subsidiary, which was acquired in March 2010, and integrating this with the operation capabilities cultivated by our company in the outsourcing business, we support streamlining, optimization and automation for the overall marketing activities of client companies as a comprehensive solutions provider.

中国 Offshore System Developing Services

Offshore development is the contracting of development and operations for domestic software and various systems to overseas providers. Our company provides offshore development services based in China. The greatest merit of these services is that significant cost reductions can be expected. Through the use of centers in China, we are achieving significant cost reductions in various areas, including system development, facilities, personnel and infrastructure, while providing quality and technology equivalent to that in Japan.

海外 Overseas Business

Focusing on Asia, including China and Korea, we provide call center services, business process outsourcing services and digital marketing services with off-shore operations (for local corporations) to support overseas market penetration by Japanese corporations, and off-shore operations (for corporations in Japan) to promote enhanced cost competitiveness.

BtoC Business to Consumer

We perform planning, development and operations for Internet media that target general consumers. As a 3D virtual community (metaverse) on the Internet, "meet-me," which reproduces the real Tokyo, is a highly visible next-generation medium. In addition, we have developed other sites, including the "IZA!" news site, which boasts 100 million PV's per month, and the "Watch me! TV" communication site, which focuses on videos.

CC Call Center Service Introduction Example

SAP Japan Co., Ltd.

Our company is contracted for telemarketing support services in the inside sales department of SAP Japan, which is a major software company. Our function is to contact companies by telephone and turn over leads for prospective customers to the inside sales department. As a result of efforts including many years of accumulated telecommunications skills, training of staff, and close cooperation with SAP Japan, we increased the number of new sales leads by 154%.

Assignment	To optimize sales resources and expand sales
Service introduced	Sales Support Service
Results	(1) New sales leads increased 154% (2) Market coverage increased 200% from startup (3) Succeeded in reducing cost per prospective customer, etc., with business improvement projects

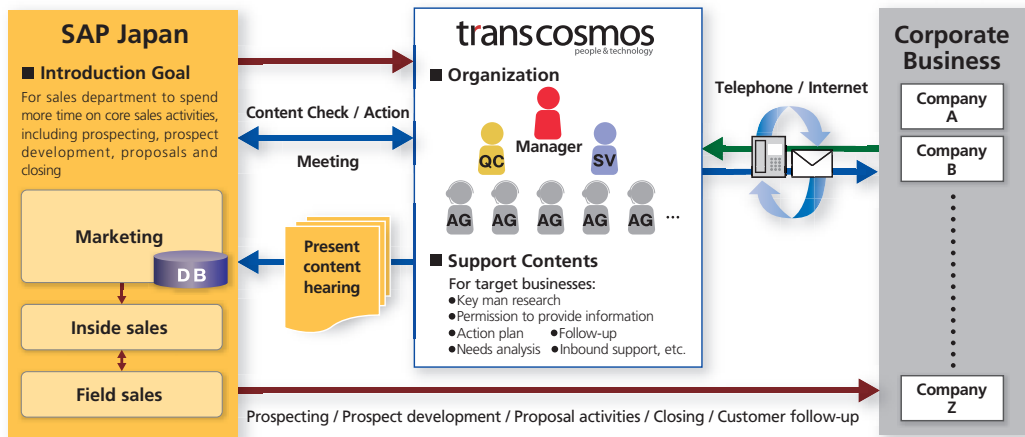
BPO Business Process Outsourcing Service Introduction Example

JAMCO Corporation

We contracted with JAMCO Corporation, which supports aircraft manufacturers worldwide, for a project to streamline their design work. A work improvement team led by engineers well versed in design work reviewed the existing design process, an IT team with extensive development experience developed automation tools needed to improve efficiency, and a design team introduced the completed tools into actual operations to achieve a major reduction of design man-hours.

Assignment	Streamlining of design work
Service introduced	Mechanical Design Support Service
Results	(1) Reconstructed the design DB, and reduced search, read and confirmation time 21% (2) Developed an automated search tool for the design DB, and reduced search time 38.5% (3) Reduced certificate search and preparation time 48.4% by upgrading the certificate preparation process and developing an automation tool

Services Provided



Comments from SAP Japan Co., Ltd

This model would not have been possible without transcosmos

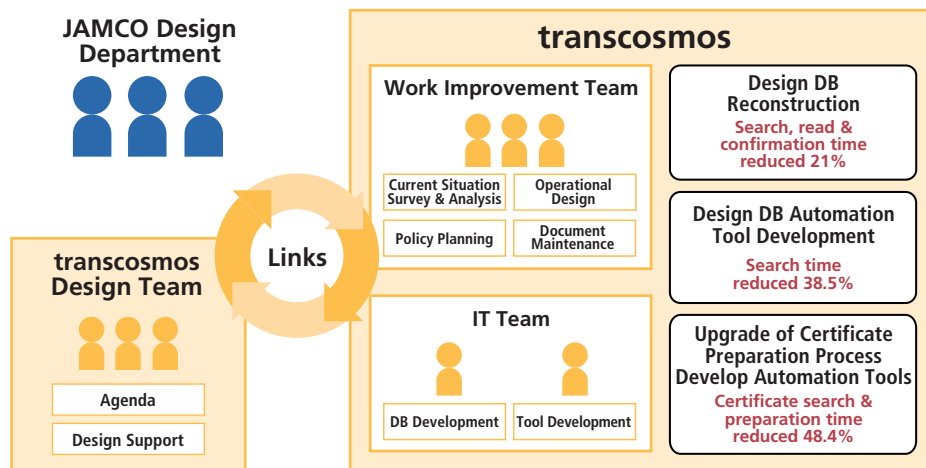
transcosmos has played an extremely important role from the startup of our inside sales department. It is no exaggeration to say that this business model would not have been possible without transcosmos.

They are providing us with a very high level of service, not only as high quality telecommunication professionals with valuable experience, but also in areas such as analytical capabilities, personnel assignment and training. They also voluntarily examine points for improvement and make revisions, which is reassuring. Generally, collaboration with another company in this kind of business process poses risks in areas such as security, but they have been successful in keeping risks to a minimum through efforts such as thoroughgoing data management.

In the future, we would like to achieve an even more sophisticated strategic collaboration, sharing goals and motivation by defining the central efforts of both parties, in order to further develop this model in areas including improvement of business closing ratios and shortening of processes.

SAP Japan Co., Ltd.
Hiroyuki Kaneda, Sales Planning General Manager

Services Provided



Comments from JAMCO Corporation



The speed with which improved efficiency results are achieved is very different when working with transcosmos

In the case of typical consulting companies, many business improvement proposals are not accompanied by actual operations, and furthermore, the question of who will implement specific improvement measures has been an additional problem.

With transcosmos, on the other hand, engineers involved in actual operations present realistic business improvement proposals, and they receive very high marks for providing consistent support until the automation tools are developed, installed and well established at the design site. In particular, since the automation tools are developed concurrently as business improvements are carried forward, it is possible to quickly introduce them to the design site. Since visibly improved efficiency begins as soon as the tools are first used, we achieve advantages above and beyond the reduction in man-hours.

In addition, it was a great help to receive flexible support tailored to conditions at the design site, rather than support according to a predetermined schedule. We had an unexpected ledger sheet preparation project, which could never have been finished on time with manual procedures, but since we were able to have automation tools developed within three days at very short notice, the fact that we were actually able to finish on time stands out in our memory.

In the future, we would like to achieve greater efficiency with the cooperation of transcosmos by also applying business streamlining to other design and production departments.

JAMCO Corporation, Aircraft Interiors Company, Interior Trim Factory, Development Office 787
Sadoyuki Ueda, Assistant Manager

Corporate Information (As of March 31, 2011)

Registered Name:	transcosmos inc.
Date of Incorporation:	June 18, 1985
Capital:	¥29,065 million
Employees:	Parent: 8,494 Group: 15,052
Major Banks:	Sumitomo Mitsui Banking, Mizuho Corporate Bank, Tokyo-Mitsubishi UFJ Bank, Sumitomo Trust & Banking, Resona Bank, Bank of Yokohama

Officers (As of June 28, 2011)

Founder & Group CEO	Koki Okuda
Chairman & CEO	Koji Funatsu
President & COO	Masataka Okuda
Senior Executive Managing Director	Koichi Iwami
Executive Managing Director	Hiroyuki Mukai Masakatsu Moriyama Shinichi Nagakura
Member, Board of Director	Takeshi Natsuno Jutaro Takinami Nozomu Yoshida
Standing Auditor	Hideaki Ishioka
Auditor	Kichiro Takao Kazushi Watanabe Toshiaki Nakamura
Corporate Senior Officer	Kunio Shimofusa Hiroshi Kaizuka Masaaki Muta Kokkei Nakayama Yoichi Kawano Masatoshi Kouno Hitoshi Honda
Corporate Officer	Masahito Nonomura Masayuki Tada Yasuhiro Hayami Kazuhiko Yamaki Kazuhiro Umemura Kazuhiro Shimizu

Stock Information (As of March 31, 2011)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	24,838

Principal Stockholders (As of March 31, 2011)

Name	Number of shares (thousand shares)	Ratio of shares (%)
Koki Okuda	7,498	15.37
Masataka Okuda	5,910	12.11
Mihoko Hirai	2,185	4.48
Okuda Ikueikai, Foundation	1,753	3.59
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,571	3.22
The Master Trust Bank of Japan, Ltd. (Account in Trust)	734	1.51
Employee Shareholding Association of transcosmos inc.	528	1.08
STATE STREET BANK AND TRUST COMPANY 505103	440	0.90
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	411	0.84
Japan Trustee Services Bank, Ltd. (Account in Trust 4)	288	0.59

- Notes: 1. Other than the above, our company retains 7,648 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.



transcosmos inc.

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