

To Our Shareholders and Investors

transcosmos inc. Securities Code: 9715

April 1, 2013



March 31, 2014

Business Report

transcosmos inc. has been offering a higher level of value-added services by combining outstanding *human resources* with the latest *technological advancements* since its start of business in 1966. We are aspiring to become a *global IT partner* to our client companies by providing comprehensive IT outsourcing services on a worldwide scale, which achieve optimization and streamlining of marketing, expansion of sales of EC (e-commerce) and mail order businesses, optimization of business operations, such as back-office and IT systems, and reduction of operational costs, among others, for our clients.

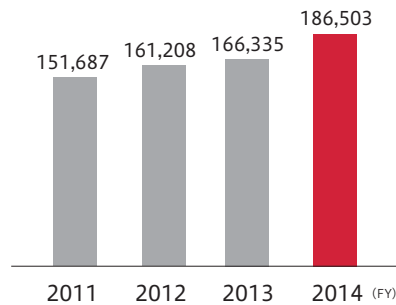
trans
cosmos
people & technology

 Your Global
IT Partner.

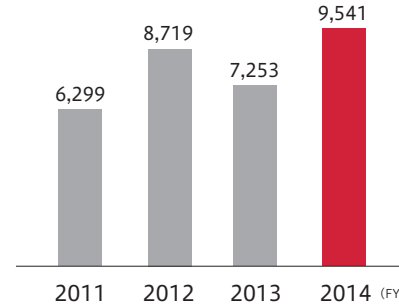
We would like to express our sincere appreciation to shareholders and investors for their continued exceptional support.

Along with greetings to our shareholders and investors, we hereby present a report on our performance in the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014).

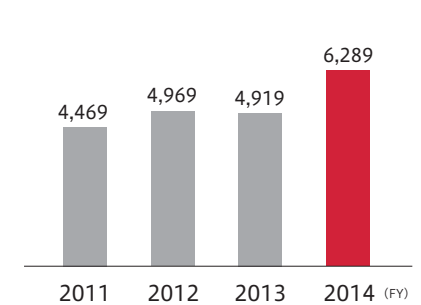
■ Consolidated net sales



■ Consolidated operating income



■ Consolidated net income



Summary of Financial Results for the Fiscal Year under Review

The information services industry, in which the transcocosmos group operates, is experiencing increasing demand for operational outsourcing services that use information technology to improve corporate management in areas including optimal marketing, enhanced cost competitiveness, and improved operations. Outsourcing demand is also growing in line with the active use of e-commerce (EC) to increase sales of products and services.

Against this backdrop, the group is focusing on creating and providing outsourcing services that support increased sales and reduced costs for

clients, including call center services, business process outsourcing services, and digital marketing services. This has led to steady growth in our outsourcing business, through both the expansion of existing operations and the acquisition of new operations. In addition, efforts to raise profitability through higher productivity and product quality have resulted in solid earnings.

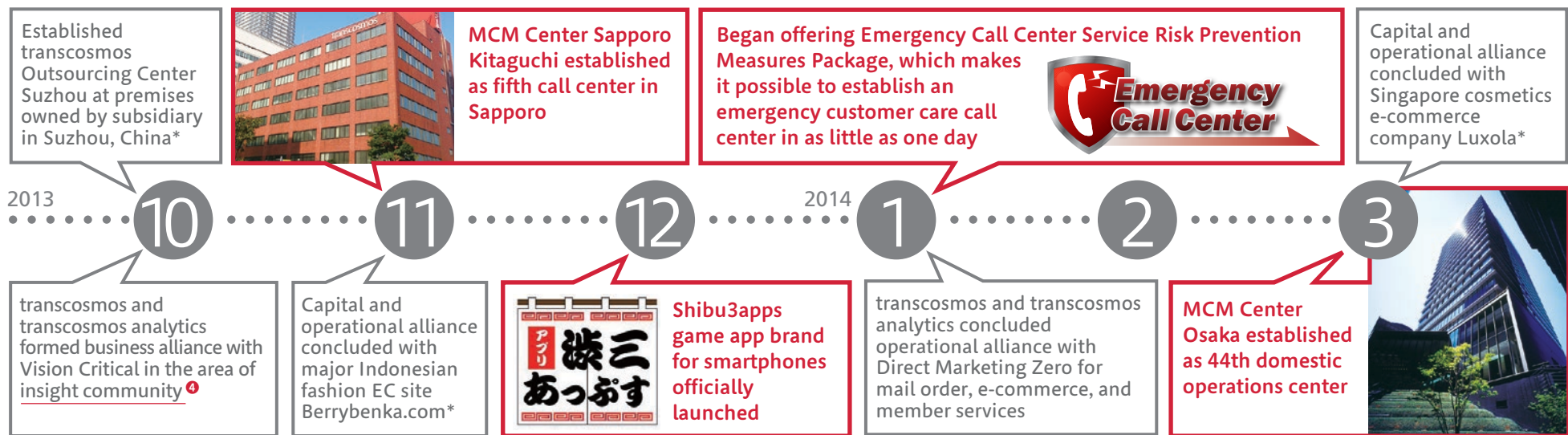
Activities During the Fiscal Year under Review

In line with increased demand for call center services, we established two new service centers — one each in Hokkaido and Osaka. As a new service, we began offering the Emergency Call Center Service Risk Prevention Measures Package, which

makes it possible to establish an emergency customer care call center in as little as one day, to respond to events like the leakage of information and product recalls. We also established PT. transcocosmos Indonesia, a joint venture with the major Indonesian conglomerate Salim Group, and began providing call center services for the local market. In the area of business process outsourcing services, we established the transcocosmos Outsourcing Center Suzhou in our own building in Suzhou, as a comprehensive outsourcing center in China providing offshore services. We also established a new offshore center in Daqing, China, to strengthen our global delivery structure to be able to meet the diverse needs of our clients. In the field of digital marketing, we developed and released game applications for

Glossary

① **Demand side platform:** An advertising management tool for advertisers to help maximize the effect of advertising. Enables the advertiser to centrally manage advertising from the purchase of inventory to targeting and distribution, with the special feature of distributing only the required advertising to the appropriate target. ② **Advertising technology:** Advertising that uses technology, primarily Internet technologies, across all areas of advertising. ③ **Fulfillment:** Administrative operations related to the placement of orders by customers, including packaging and the shipment of products. In general, this includes order placement, inventory management, shipment operations, invoicing, and client data management.



*Please also refer to the section, Close-Up: Front Lines of Global Business – Asia

smartphones, and launched a number of new services to keep pace with advances in demand side platform (DSP)¹ services and other ad technologies². In addition, in terms of analysis and big data, we worked to expand our survey and analysis services for operators of mail order, EC, and membership services businesses.

At the same time, with a view toward future growth, we strove to strengthen and enhance our outsourcing services structure to provide global one-stop support for client companies' EC businesses. Specifically, we concluded operational and capital alliances with PFSweb, Inc., a leading EC outsourcing company in the United States, Shanghai Heze Logistics Co., Ltd. (FineEX), a major EC fulfillment³ and logistics company in China, and PT. BERRYBENKA, operator of a major

EC fashion site in Indonesia. We also agreed to an operational and capital alliance with Singapore-based Luxola Pte. Ltd., which operates a cross-border cosmetics e-commerce site in eight Southeast Asian countries, as part of our proactive efforts to strengthen our structure in Southeast Asia.

Future Outlook

We will continue to focus on creating tailored services to meet our client companies' needs for sales growth and cost reductions, while at the same time accelerating our business development in China, Korea and other Asian markets, and in Europe and North America, with the aim of maintaining annual earnings growth. We will strengthen our development of global one-stop e-commerce services to support our clients' EC businesses in the ASEAN market, where high

future growth is forecast.

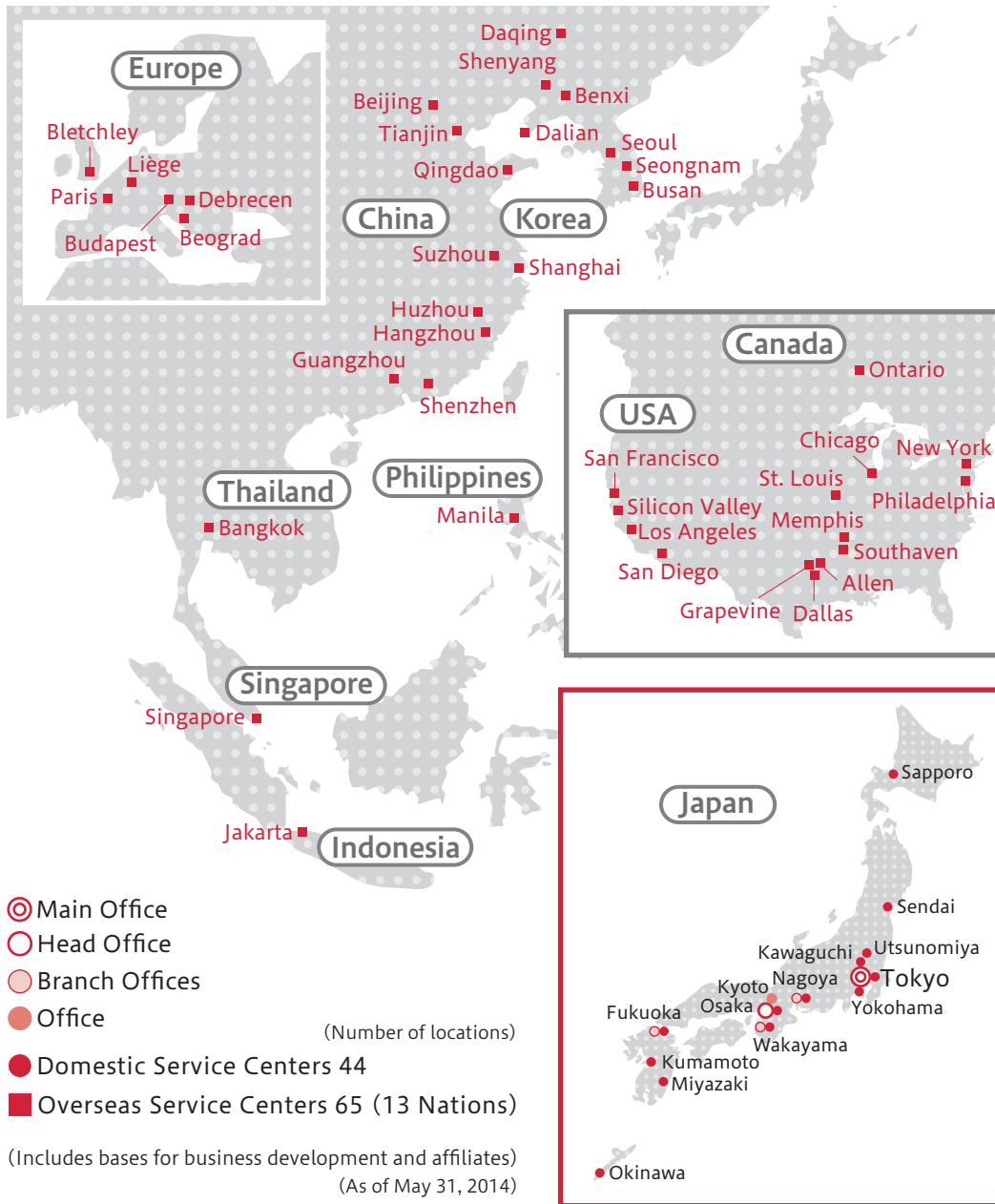
A Message to Our Shareholders

Based on our basic policy on profit distribution, we proposed the payment of a year-end dividend of ¥46 per share to the 29th Annual General Meeting of Shareholders, and the proposal was approved. We have yet to determine next year's dividend amount at this time, but will make an announcement as soon as a decision has been made.

We ask for the continued support and encouragement of our shareholders and investors.

June 2014
Masataka Okuda
 President and COO

⁴ **Insight community:** An online communication with solicited customers, who use a designated company's products and services, to collect information, including on the hidden motivations and behavior patterns of these customers.



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 and Thailand, 14 bases and 3,350 staff*)
- Offering services in a wide range of areas: systems development/operation, order processing, architectural design, mechanical design, embedded systems development, data input, human resources/general affairs/accounting/back-office
- Established off-shore development system in China in 1995 before the rest of the industry
- Time-tested wealth of experience (48 years in business, one of the longest in the **help-desk** industry)



Glossary

Help desk: In-company operations to deal with inquiries about operating PCs and software as well as troubleshooting. Many companies outsource these tasks.

Digital Marketing Services

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

Features of our company

- Digital marketing service provider focusing on Japan, China and South Korea
- Established one-stop support system which includes all services from Internet promotion to website design and operations
- Established system to provide the largest website design and operations in Japan (2,000 staff in Japan)
- Actively introducing the latest ad technology through our business development base in San Francisco

Contact Center Services

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

Features of our company

- Largest contact center service provider in Asia, focusing on Japan, China and South Korea
- Offering the largest contact center services in Japan with 22 bases and 13,470* seats in Japan as well as 23 bases and 6,730* 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

NIPPON TRAVEL AGENCY



Website operation speed improved with effective use of CMS (content management system) and recommended engine. Optimal information is displayed automatically for each website visitor, and the flow rate to the core content is increased 1.7 times.

Purpose	Provide information tailored to each individual user at the right time on the website	Introduced service	Website creation
Results	<ul style="list-style-type: none"> ① Website renewal that makes effective use of CMS and recommended engine ② Operation speed is improved and operational efficiency is achieved with additional feature development for CMS ③ Traffic is increased and the flow rate to core content grows by 170% with enhancement of the recommended function 		

Testimonial



Hikari Sudo

Information & Communication Technology Headquarters Assistant Manager
NIPPON TRAVEL AGENCY CO., LTD.

We are grateful for transcosmos's proposal capabilities that take advantage of their wide range of know-how and their very enthusiastic commitment.

As a travel agency founded more than 100 years ago, our company would like to guide each customer to the best possible travel information on a Website in the same way that we have provided service to our customers in our stores.

As the first step toward achieving this objective through our homepage renewal in 2013, all of Japan from Hokkaido to Okinawa was divided into 11 areas for the classification of travel products, and we implemented measures such as optimizing the displayed content in accordance with the customers' browsing history. We are very grateful to transcosmos for their diligent work in areas ranging from the selection of tools from our own perspective to the ideal display method from our customer's perspective. Even when problems were encountered, it was possible to carry out the renewal on schedule thanks to having speedy proposals for solutions based on transcosmos's wide range of expertise, and as a result this also led to an improvement in the exit rate.

We expect that we will continue to have transcosmos provide us with new proposals from the customer's perspective as a trusted partner in the future.

To Our Stakeholders

Topics

Global Network Our Business

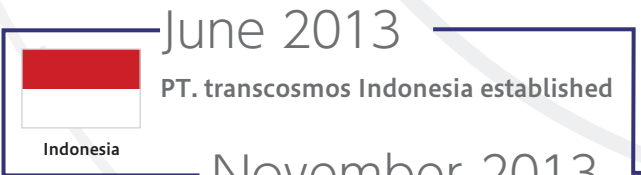
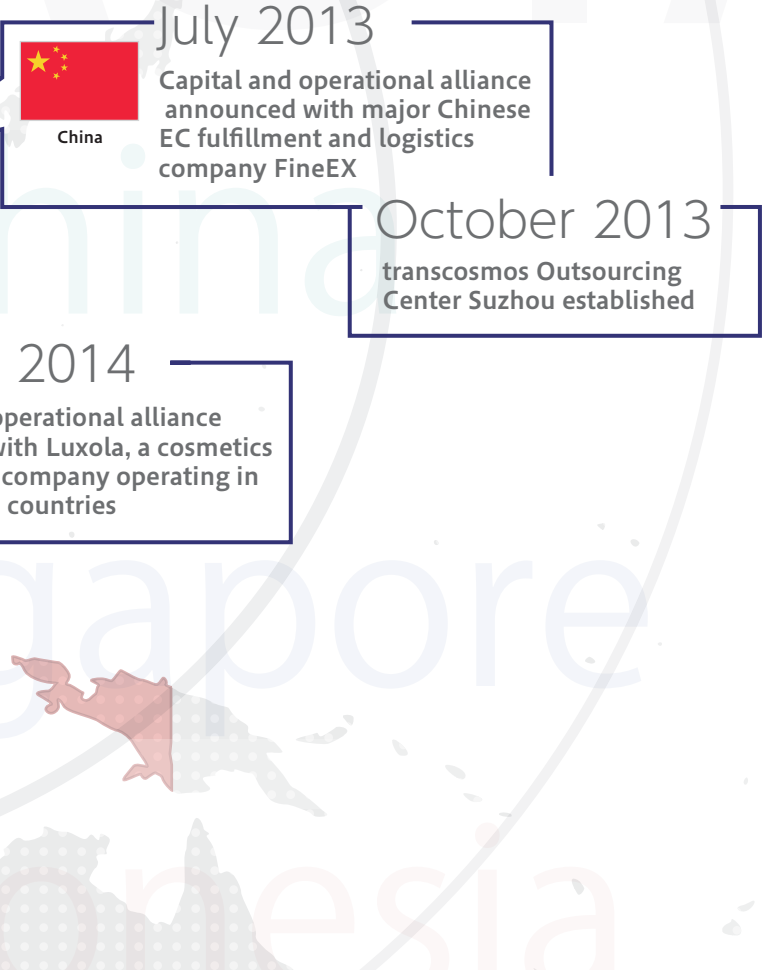
Feature: Case Study

Close-Up

Consolidated Financial Results

Corporate Data and Corporate Governance

transcosmos is accelerating its business development in Asia as part of our strategy for future growth. We are strengthening our global service structure to capture new outsourcing demand in the rapidly growing Asian market and support Japanese companies expanding in the region.



China



China

●Capital and Operational Alliance

- Capital and operational alliance with Chinese EC fulfillment and logistics company FineEX
- Developing one-stop EC service for China by strengthening logistics and fulfillment functions in China's e-commerce market



Company name:	Shanghai Heze Logistics Co., Ltd. (FineEX)
Location:	Shanghai, China
Established:	2008
Businesses:	E-commerce fulfillment and logistics to support shipping and other warehousing operations required by e-commerce businesses. Facilities comprise delivery centers with a total working area of 44,000 m ² , with delivery area covering nearly the entire region where Chinese e-commerce users reside.
Equity stake:	20% (equity-method affiliate)

●Network Enhancement

- Established transcocos Outsourcing Center Suzhou on our subsidiary's premises in Suzhou
- Aiming to expand to comprehensive outsourcing center with roughly 1,000 employees by 2017 (new second building being planned)

Company name:	transcocos Outsourcing Center Suzhou
Location:	Suzhou, China
Floor space:	Land: 7,997.96 m ² Building: approximately 5,400 m ² (first building only)
Staff capacity:	1,000 persons (after completion of second building)
Businesses:	Offshore services for the Japanese market (systems integration, business process outsourcing)



Indonesia

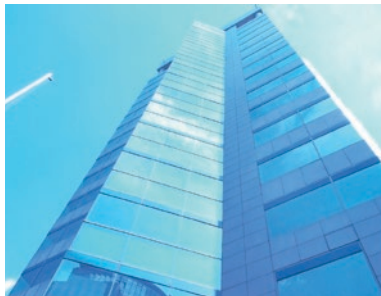
Indonesia

● New Company Established

- Established a joint venture with major Indonesian conglomerate Salim Group
- Business to focus on call center services for Indonesian market, Southeast Asia's largest market

transcosmos Indonesia

Company name:	PT. transcosmos Indonesia
Location:	Jakarta, Indonesia
Established:	June 2013
Capital:	Approximately US\$2 million
Businesses:	Call center, social media management, voice of customer (VoC) analysis
Size/language:	514 seats/Indonesian



● Capital and Operational Alliance

- Capital and operational alliance with major Indonesian fashion e-commerce site Berrybenka.com
- Using Berrybenka.com to support Japanese companies' e-commerce business development in Indonesian market

BERRYBENKA.com

FASHION IS JUST A CLICK AWAY

Company name:	PT. BERRYBENKA
Location:	Jakarta, Indonesia
Established:	2012
Businesses:	Operation of fashion e-commerce site Berrybenka.com, handling more than 500 brands
Equity stake:	At least 30%



Thailand Singapore

Singapore

● Capital and Operational Alliance

- Capital and operational alliance with cosmetics e-commerce company Luxola, which operates in eight ASEAN countries
- Using Luxola.com to support Japanese companies' e-commerce business development in ASEAN market



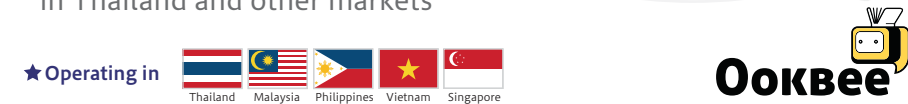
Company name:	Luxola Pte. Ltd.
Location:	Singapore
Established:	2011
Businesses:	Operation of cosmetics e-commerce site Luxola.com, operating in eight ASEAN countries (Singapore, Indonesia, Malaysia, Thailand, the Philippines, United Arab Emirates, Brunei, Hong Kong) and handling more than 100 brands
Equity stake:	At least 20%



Thailand

● Capital and Operational Alliance

- Capital and operational alliance with Ookbee, the largest e-bookstore in the ASEAN region, with more than 5.5 million members
- Using Ookbee's customer e-commerce sales and support services and website to support Japanese companies' business development in Thailand and other markets



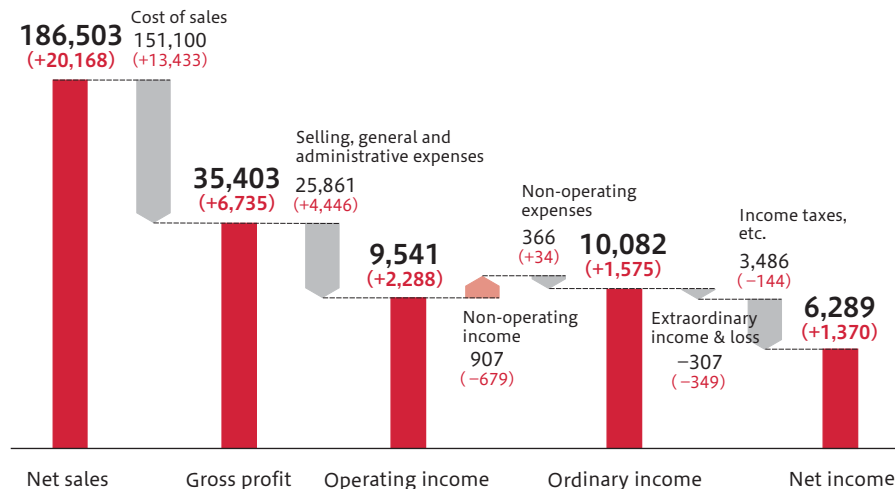
Company name:	Ookbee Company Limited
Location:	Bangkok, Thailand
Established:	2012
Businesses:	E-bookstore with more than 6.5 million downloads of its e-book application and more than 5.5 million members, jointly distributing digital books and magazines in partnership with Thailand's largest telecommunications carrier, AIS. Developing services in Malaysia, the Philippines, Vietnam, and Singapore, in addition to Thailand
Equity stake:	At least 10%



Consolidated Statement of Income

(Millions of yen)

FY2014 (Apr. 1, 2013 — Mar. 31, 2014)



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

Due to strong orders for the group's main business of stand-alone services in the major service areas of call center services, business processing outsourcing services, and digital marketing services, record net sales were recorded, with a 12.1% year-on-year increase that included the addition of certain B-to-C subsidiaries to the scope of consolidation.

Operating income

Profitability improved in the group's main business of stand-alone services, domestic B-to-B subsidiaries. Although selling, general, and administrative expenses increased, in part from the addition of certain subsidiaries to the scope of consolidation, the expanded scope of consolidation also contributed to profit growth. As a result, operating income rose 31.5% year on year, to its highest level since the global financial crisis.

Net income

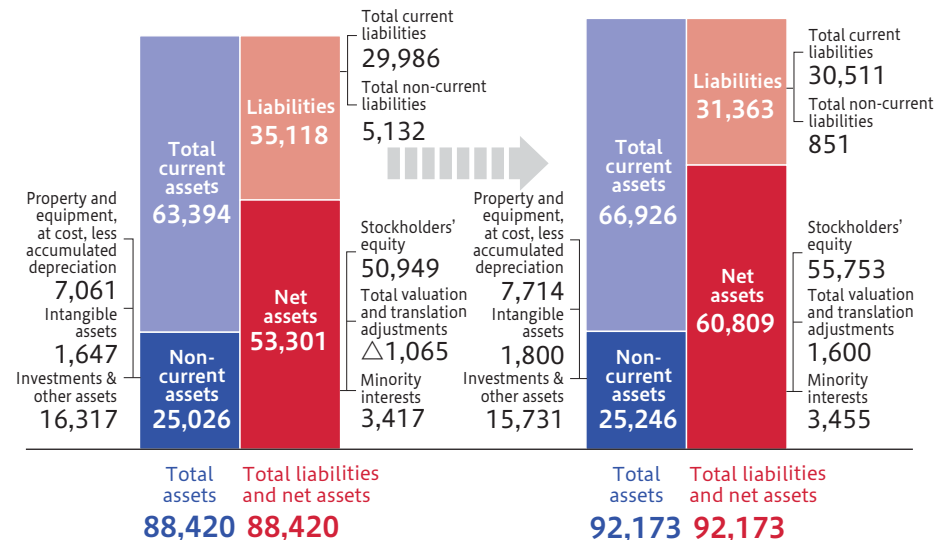
In addition to improved business profitability, tax expenses were reduced in connection with the settlement of a major litigation. As a result, net income rose 27.8% year on year.

Consolidated Balance Sheet

(Millions of yen)

As of March 31, 2013

As of March 31, 2014



Total assets

Total assets increased ¥3,752 million from the end of the previous fiscal year. Current assets increased ¥3,532 million, on an increase in notes and accounts receivable – trade. Non-current assets increased ¥220 million, from new acquisitions of shares of affiliated companies, and a reduction in suspense payments for litigation, recorded under investments and other assets.

Liabilities

Liabilities decreased ¥3,755 million from the end of the previous fiscal year, primarily from the repayment of loans payable and a reduction in the provision for loss on litigation.

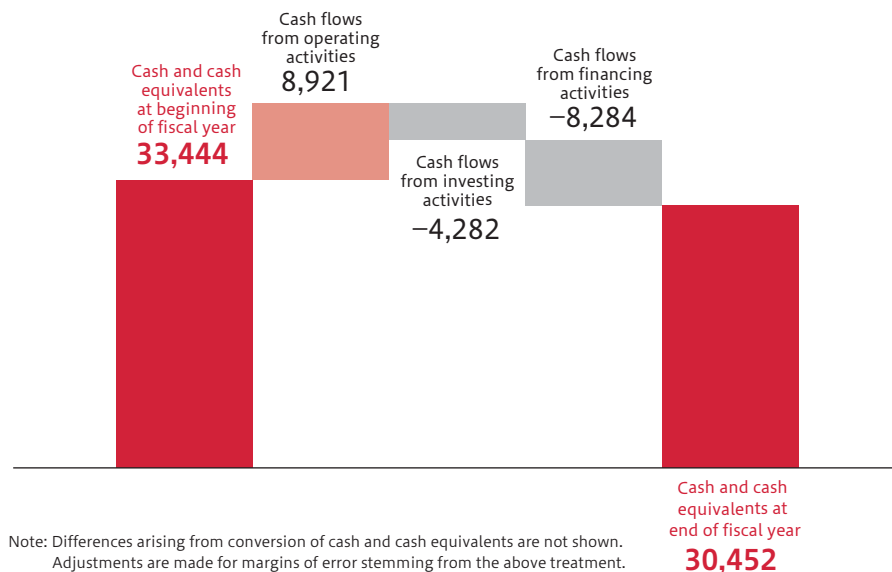
Net assets

Net assets increased ¥7,507 million from the end of the previous fiscal year, mainly reflecting an increase in retained earnings from the recording of net income for the period, and changes in foreign currency translation adjustments. As a result, the shareholders' equity ratio stood at 62.2%.

Consolidated Statement of Cash Flows

(Millions of yen)

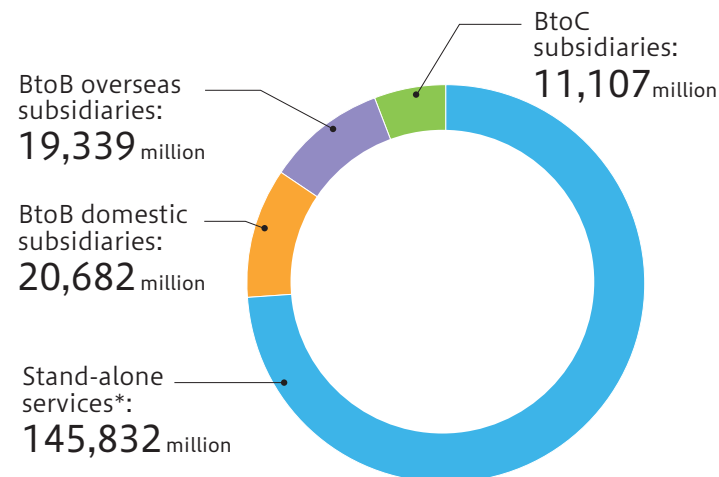
FY2014 (Apr. 1, 2013 — Mar. 31, 2014)



Cash flows

Net cash provided by operating activities increased ¥184 million from the end of the previous fiscal year, primarily due to an increase in income before income taxes. Net cash used in investing activities increased ¥4,030 million from the previous fiscal year, on an increase in outlays for the acquisition of shares of affiliated companies. Net cash used in financing activities decreased ¥3,692 million from the end of the previous fiscal year, reflecting a reduction in outlays for the repayment of long-term loans payable.

Net Sales by Segment for FY2014 (Consolidated)



Note: Figures are not adjusted for ¥10,458 million of transactions between segments.
*Refers to parent company services, exclusive of subsidiaries' services.

Stand-alone services

Offering one-stop outsourcing services, including call center services

BtoB domestic subsidiaries

Group operations to develop business for domestic corporations

BtoB overseas subsidiaries

Group operations to develop business for foreign corporations

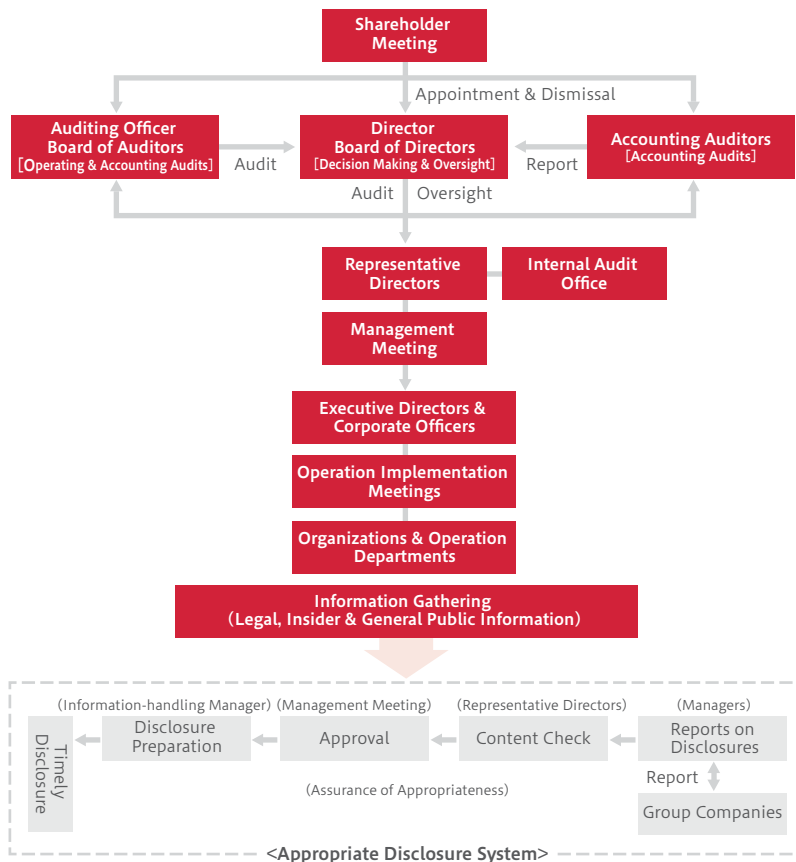
BtoC subsidiaries

Group operations to develop Internet media for domestic consumers

Corporate Governance

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

Corporate Governance Structure



Comments from an Outside Director



Jutaro Takinami, Outside Director

Corporate management at transcocosmos incorporates swift and flexible decision making at all businesses, both domestically and, in this global age, at overseas centers and businesses as well.

Ongoing marketing and the provision of services are carried out in close connection with the client’s own business, as transcocosmos strives to provide services that meet or exceed the client’s expectations, and further improve those services. This is achieved through consulting and systems construction that are carried out at individual businesses based on on-site experience, and transcocosmos takes on the responsibility to carry out subsequent operations together with or on behalf of the client.

The company constantly strives to raise the levels of service quality and client satisfaction by addressing new markets like

e-commerce, pursuing global development, developing expertise in and incorporating new technologies, and training human resources for global development.

To achieve this, the company uses a robust governance structure for a sound risk management function, and strives to raise the level of satisfaction for clients, investors, and all other stakeholders, to evolve as a company that is in even greater demand.

As an outside director at a company with these goals, I consider the foundation of corporate governance to be to provide frank advice and opinions to directors and corporate officers at meetings of the board of directors and on other occasions, based on a thorough understanding of the company’s decision-making process and the services that transcocosmos provides, as well as my own experience as a corporate manager, my knowledge of the market environment, and bearing in mind risk management and stakeholder relationships, to continuously facilitate corporate decision making and implementation, business development, and the enhancement of stakeholder satisfaction.

The operating environment, market environment, and client needs are constantly changing. Companies that cannot respond to these changes will not survive. I hope to help transcocosmos quickly identify these changes, and to continue to evolve and develop.

Corporate Information (As of March 31, 2014)

Registered Name	transcosmos inc.
Date of Incorporation	June 18, 1985
Capital	¥29,065 million
Employees	Parent: 8,045 Group: 15,189
Major Banks	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd.
Head Office	3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530, Japan TEL: 81-3-4363-1111 FAX: 81-3-4363-0111
Osaka Main Office	Meijiyasuda-Seimei Osaka Umeda Bldg, 3-3-20, Umeda, Kita-ku, Osaka-shi, Osaka 530-0001, Japan TEL: 81-6-6457-1600 FAX: 81-6-6457-1601

Principal Stockholders (As of March 31, 2014)

Name	Number of shares (thousand shares)	Ratio of shares (%)
Koki Okuda	7,498	15.37
Masataka Okuda	5,910	12.11
Okuda Ikueikai Foundation	1,753	3.59
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,629	3.34
Mihoko Hirai	1,463	3.00
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,153	2.36
Limited Company HM Kosan	722	1.48
THE BANK OF NEW YORK—JASDEC TREATY ACCOUNT	619	1.27
Employee Shareholding Association of transcosmos inc.	607	1.25
STATE STREET BANK AND TRUST COMPANY 505103	590	1.21

Notes: 1. Other than the above, our company retains 7,653 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, 2014)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	18,029

Directors, Auditors and Corporate Officers (As of March 31, 2014)

Founder & Group CEO	Koki Okuda
Chairman & CEO	Koji Funatsu
President & COO	Masataka Okuda
Executive Vice President	Koichi Iwami
Senior Executive Managing Directors	Hiroyuki Mukai Masakatsu Moriyama Shinichi Nagakura
Executive Managing Directors	Masaaki Muta Masatoshi Kouno Hitoshi Honda Kiyoshi Shiraishi
Members, Board of Directors	Takeshi Natsuno* Jutaro Takinami* Nozomu Yoshida Eiji Uda*
Standing Auditors	Hideaki Ishioka Kunio Shimofusa
Auditors	Toshiaki Nakamura* Setsuo Yamane*
Corporate Senior Officers	Hiroshi Kaizuka Kazuhiko Yamaki Kokkei Nakayama Yoichi Kawano Kentaro Ogata Atsushi Ono
Corporate Officers	Kenshi Matsubara Tsutomu Hasegawa Hiroyuki Uchimura Hirofumi Inoue Eiji Yamashita Hiroki Tanigawa Norimitsu Miyazawa

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



transcosmos inc.

3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530, Japan Tel. +81-3-4363-1111 Fax +81-3-4363-0111

<http://www.trans-cosmos.co.jp/english>

