

To Our Shareholders and Investors

transcosmos inc. Securities Code: 9715

April 1, 2013



September 30, 2013

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.

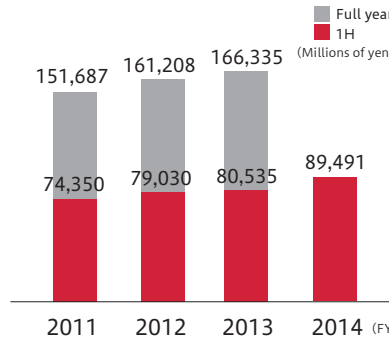
trans
cosmos
people & technology

 Your Global
IT Partner.

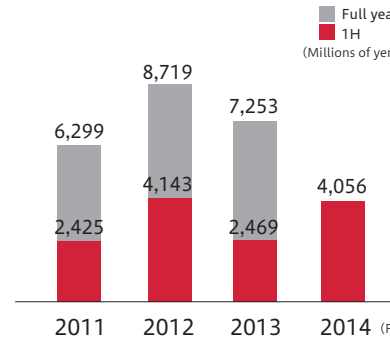
We would like to express our sincere appreciation to shareholders and investors for their continued exceptional support.

Along with greetings to our shareholders and investors, we hereby present a report on our performance in the first half of the fiscal year ending March 31, 2014 (April 1, 2013 to September 30, 2013).

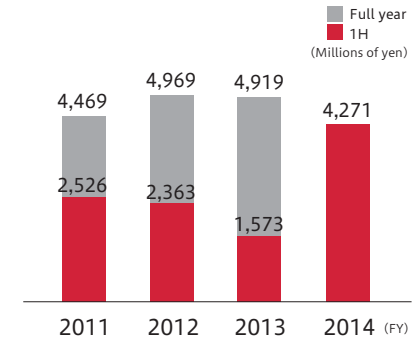
■ Consolidated net sales



■ Consolidated operating income



■ Consolidated net income



Summary of Financial Results for the First Half of FY2014

The information services industry in which our group operates is experiencing a gradual recovery in corporate IT investment, with an increasing number of companies looking to IT to improve their management efficiency by optimizing management resources, enhancing cost competitiveness, and restructuring operations. There is also an increasingly evident trend of

companies looking to boost sales of products and services through direct sales^① using electronic commerce (EC), and these needs are raising demand for outsourcing.

Against this backdrop, the group is emphasizing the provision of services that support improved management efficiency at client companies, and this has led to growth in orders from the expansion of existing operations and the acquisition of new operations. We have also maintained strong earnings as a result of improved

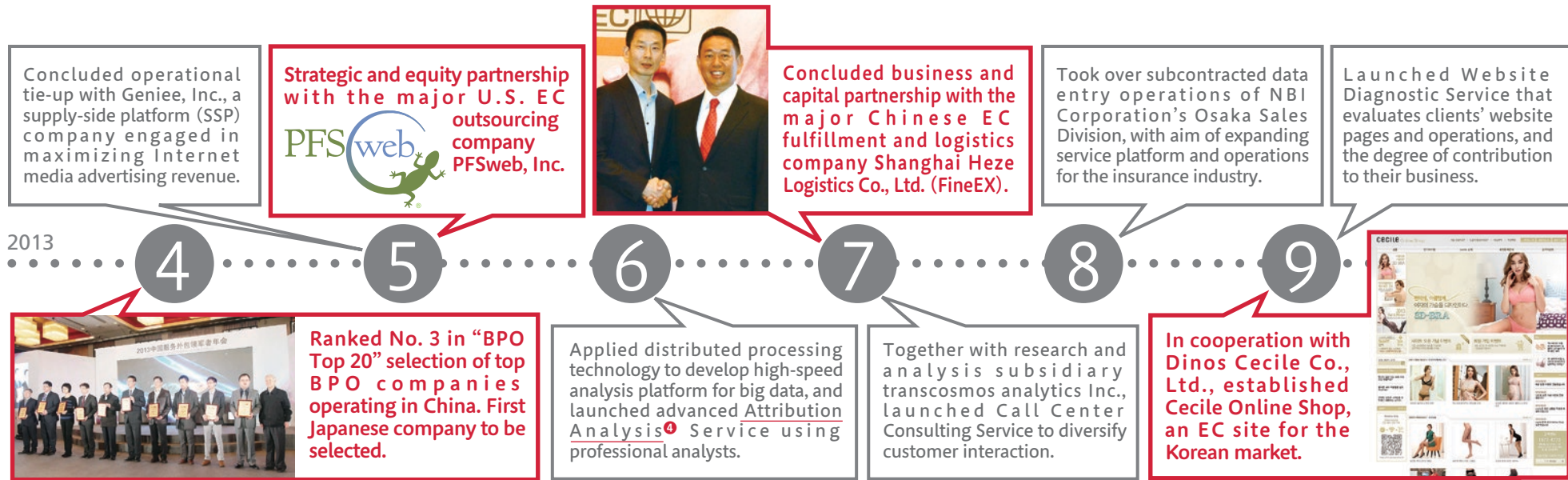
profit margins from ongoing efforts to enhance productivity and product quality.

Activities During the First Half of FY2014

During the first half, we strove to strengthen and enhance our outsourcing services structure to provide one-stop operational support for our client companies' EC businesses, from surveys and analysis to EC site construction and operation, Internet promotions, customer care^②, and

Glossary

- ① **Direct sales:** Generally refers to sales made directly between a sales representative at the manufacturer or manufacturer's affiliated sales company and the consumer.
- ② **Customer care:** A broad range of customer relations that includes responding to product-related inquiries and complaints, and maintaining contact with customers after purchases. Can also include general inquiries and technical support related to product use, repairs, and malfunctions.
- ③ **Fulfillment:** Administrative operations, such as packaging and shipment of products, related to the placement of orders by consumers, among others. In general, they include order placement, inventory management, shipment operations, invoicing, and management of client data.



fulfillment^④. Specifically, we entered into a strategic and equity partnership with the major U.S. EC outsourcing provider PFSweb, Inc., and also concluded a business and capital partnership with the major Chinese EC fulfillment and logistics company Shanghai Heze Logistics Co., Ltd. (FineEX). In addition, in cooperation with Dinos Cecile Co., Ltd., we have established the Cecile Online Shop, an EC site for the Cecile mail order brand, for the South Korean market. We are currently providing one-stop EC services in 31

④Attribution analysis: Research into consumer contact with media and advertising prior to purchasing a product online and calculation of indirect effects on product purchases, as a way to analyze and evaluate the contribution of media and advertising to product purchases.

countries around the world, spanning Asia, Europe, and North America.

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, South Korea, the rest of the Asian market, and in the European and North American markets, with the aim of maintaining year-on-year earnings growth. We will strengthen our development of global one-stop e-commerce services to support our clients' EC businesses in

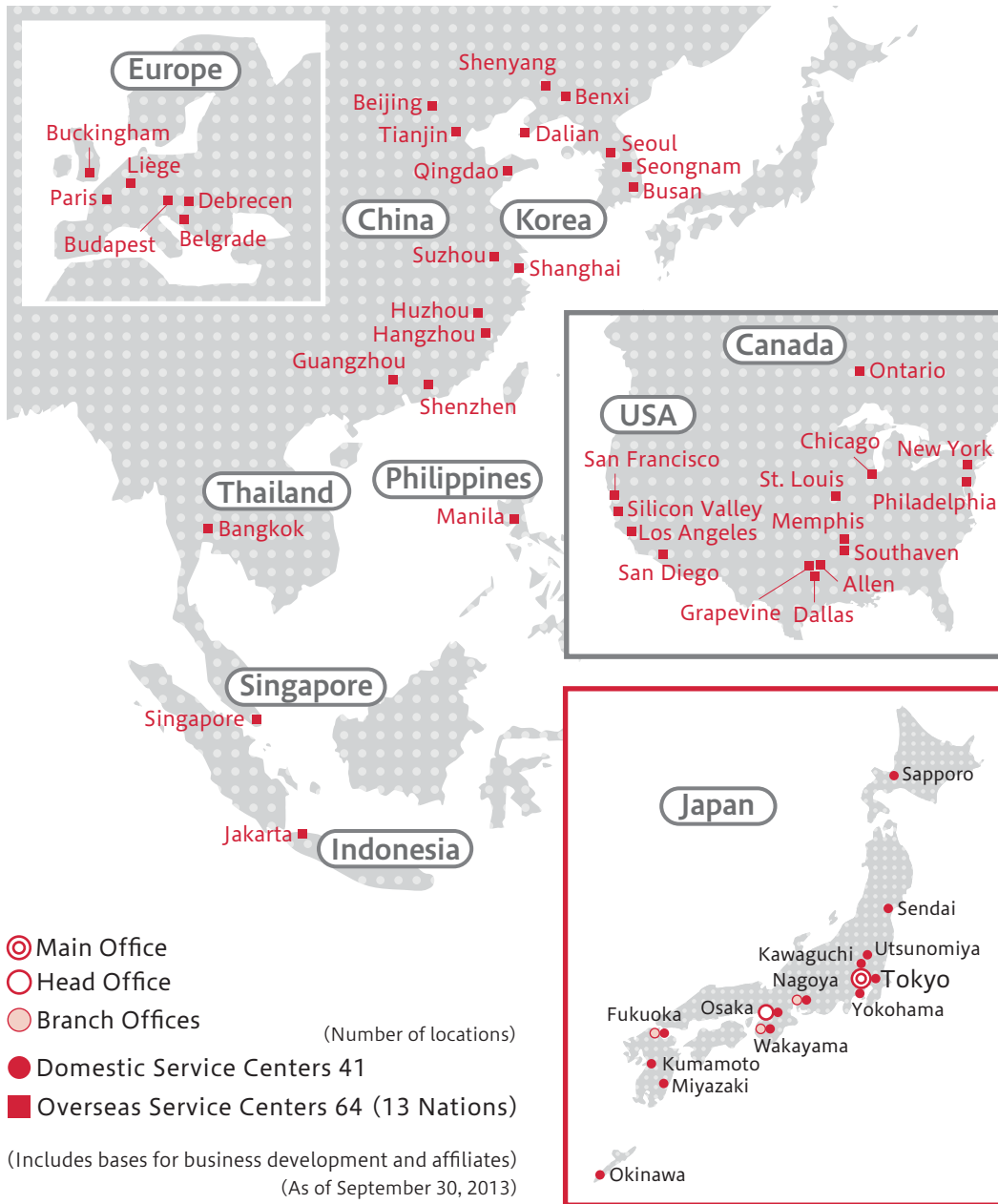
the ASEAN market, where high growth is forecast going forward.

A Message to Our Shareholders

We have yet to make a decision regarding the dividend for the fiscal year ending March 31, 2014, but will make an announcement as soon as the dividend amount has been decided.

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

December 2013
Masataka Okuda
President and COO



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, 12 bases and 2,843 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 (47 years in business, one of the longest in the **help-desk** industry)



Glossary

⑤ Help desk: In-company operations to deal with inquiries about operating PCs and software as well as troubleshooting. Many companies outsource these tasks. **⑥ Ad technology:** Advertising activities that make full use of IT, taking advantage of Internet technology.

Digital Marketing Services

Supporting marketing activities, which make use of Internet infrastructures and offering Internet promotions, website design and 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

Call 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 call center service provider in Asia, focusing on Japan, China and South Korea
- Offering the largest call center services in Japan with 21 bases and 12,470* seats in Japan as well as 18 bases and 6,950* 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

*As of September 30, 2013

BANDAI (SHENZHEN) Co., Ltd.



Provided one point of contact to support everything from the design, development and promotion to delivery of an EC site for its launch on the largest Chinese EC shopping platform, Taobao

Successful, trouble-free launch of the EC site in China achieved 150% monthly sales growth in each of the three months following the site's launch

Purpose	EC site development and operation for launch on the largest Chinese EC shopping platform, Taobao	Introduced service	Global e-commerce one-stop service
Results	<ol style="list-style-type: none"> 1 Provided one point of contact to support everything from the design, development and promotion to delivery of an EC site 2 Achieved systems integration quickly through a strategic partnership with Taobao 3 Achieved 150% growth in monthly sales and 149% growth in site visits in the three months following launch 		

Testimonial

BANDAI (SHENZHEN) CO., LTD
Person in Charge

We received the same care and attention to detail in China as in Japan.

There are many vendors in China who support the development and operation of EC sites, however, it is rather standard that they only support one portion of these operations. However, in CC China's case, we were very relieved that they were able to support all aspects of our EC site development and operation. Furthermore, because CC China is a Japanese company, we were able to receive reports and proposals in Japanese. To be able to directly communicate without risk or worry, while in China, it certainly provided for quick decision making. Even though launching on Taobao was a new venture for us, with CC China's help we were able to have a smooth start.

We look forward to further proposals for sales growth based on transcosmos group's know-how.

CC China (official name: Shanghai transcosmos Marketing Service Co., Ltd.)
Established in April 2006 as a subsidiary of transcosmos in China. Provides customer support and other call center services, digital marketing services, and EC support services in the growing Chinese market.

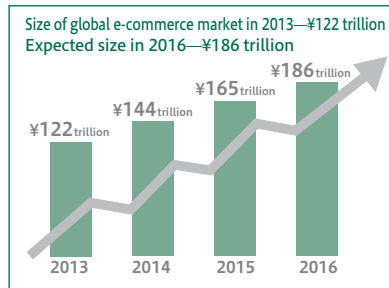
Our highest priority service

Global One-Stop E-Commerce Service

Q1 What is e-commerce?

A E-commerce refers to commercial transactions including contracts and settlement carried out electronically over the Internet or other networks. Leading examples include Rakuten Ichiba and Amazon, and companies' online shopping sites. The global e-commerce market in 2013 is a ¥122 trillion market, and is expected to grow to ¥186 trillion by 2016 (transcosmos estimate).

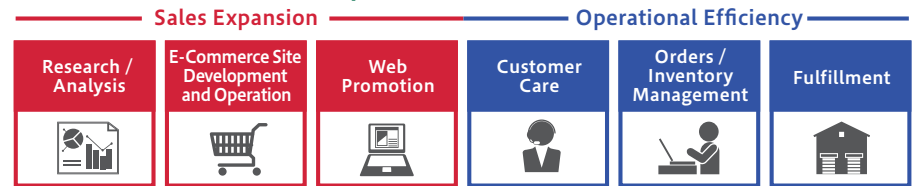
●Growth of e-commerce market



Q2 What is a “global one-stop e-commerce service”?

A This is an outsourcing service for all operations required by an e-commerce business, provided by transcocosmos in 31 countries around the world, including Japan.

●E-commerce business operations



Q3 What are transcocosmos's strengths in this area?

A (1) Partnerships with major companies in Europe, North America, and Asia; (2) a global service network covering 31 countries around the world; and (3) an extensive track record of providing services.

●Partnerships with major companies around the globe

USA / EUROPE <p>Major e-commerce outsourcing provider/ Strategic and equity partnership with “PFSweb”</p>	CHINA <p>Business partnership with China's largest e-commerce market “TMALL”</p>
KOREA <p>Business partnership with Korea's largest e-commerce market “eBay”</p>	CHINA <p>Business partnership with China's major e-commerce fulfillment and logistics Company “FineEX”</p>

●Support in 31 countries worldwide

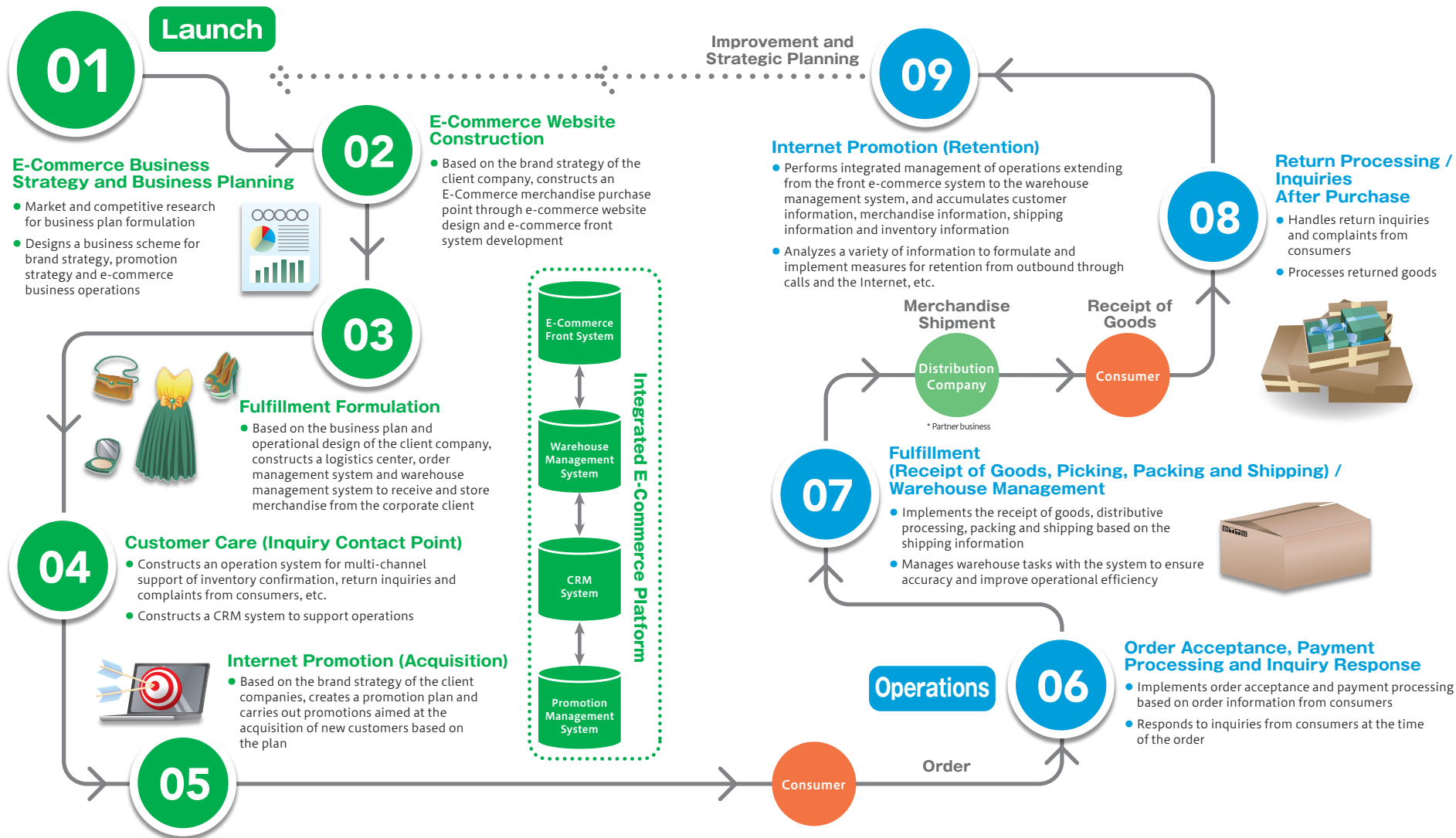
ASIA	Japan	China	Korea	Indonesia
NORTH AMERICA	USA	Canada		
EUROPE	UK	Germany	France	Spain
	Italy	Netherlands	Sweden	Denmark
	Finland	Norway	Switzerland	Poland
	Belgium	Austria	Greece	Portugal
	Ireland	Romania	Hungary	Luxembourg
	Bulgaria	Slovenia	Lithuania	Latvia
	Estonia			

●Wealth of experience in providing services

JAPAN	70 companies
USA / EUROPE	60 companies
CHINA	35 companies

Q4 What specific services does transcocosmos provide?

A We provide a variety of services required by e-commerce businesses, from e-commerce website construction and operation to fulfillment, customer care, Internet promotional activities and analysis, with a single point of contact and based on the client company's e-commerce business strategy and brand strategy. With operations rooted in local experience, we support client companies' sales growth and operational efficiency as an e-commerce business partner.

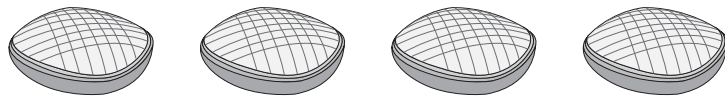


Q5 What do your operations centers look like?

A The diagram at the right shows operations at an E-Commerce One-Stop Center in the United States.

Advantages of the E-Commerce One-Stop Center

Aggregation of all e-commerce related operational functions into a One-Stop Center enables seamless communication across our operations to improve operational excellence⁷.

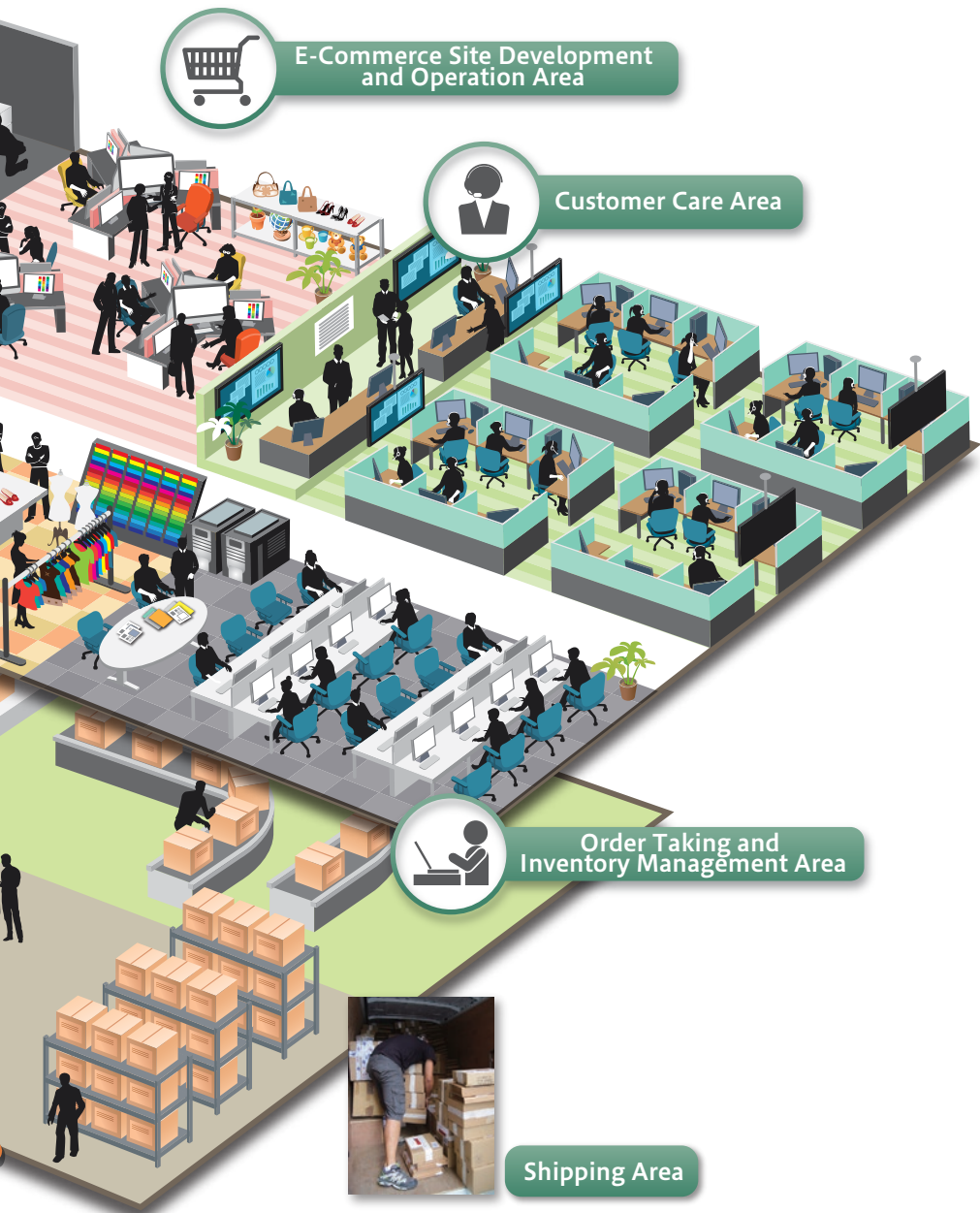


The total operation area of PFSweb, Inc., an affiliate and partner of the Company in the U.S.A., including warehouses and distribution centers is

about **4.1** times the size of the Tokyo Dome!

Glossary ⁷**Operational excellence:** Occurs when a company achieves a leading competitive position by refining the skills and quality of its operations to achieve high efficiency and high productivity. This is an important source of a company's competitiveness, and is one of the core areas of corporate strategy.





Q6 What are your specific achievements?

A To name just a few, below are some of our major success stories in Europe, North America and China.

● Main achievements in the U.S.A. and Europe

Providing services to client companies including leading brands of the Fortune 500 and Global 1000 in the U.S.A. and Europe
 Boasting a large number of accomplishments focusing on areas such as apparel, health and beauty, consumer goods, food and everyday sundries



● Main achievements in China

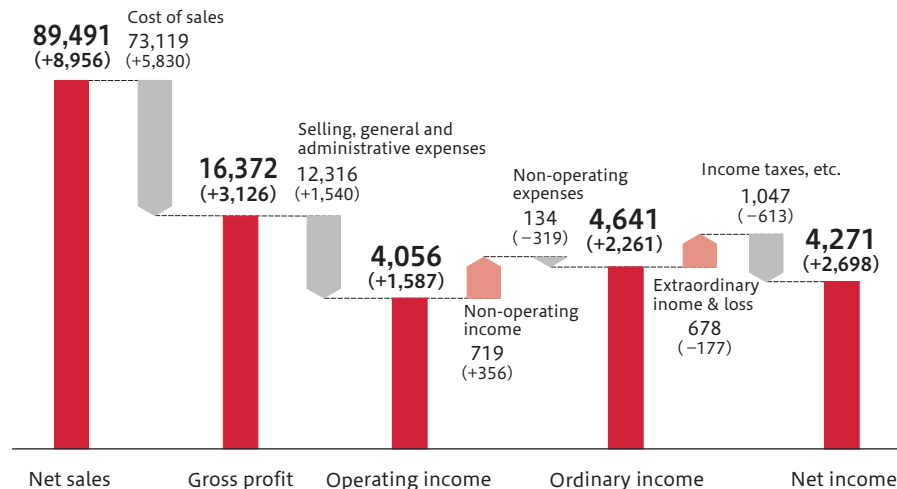
In addition to major Japanese brand companies, we are also providing services to European, American and Chinese brand companies
 Marking a large number of achievements in a range of industries with a focus on apparel, consumer goods and toys



Consolidated Statement of Income

(Millions of yen)

1H FY2014 (Apr. 1, 2013 — Sep. 30, 2013)



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

Net sales

Net sales rose 11.1% year on year on 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. The rise also includes the effect of having added certain B-to-C subsidiaries to the scope of consolidation.

Operating income

Although selling, general, and administrative expenses increased with the addition of certain B-to-C subsidiaries to the scope of consolidation, operating income grew 64.3% year on year on improved profitability from mainline stand-alone services and at overseas subsidiaries that are primarily engaged in off-shore development.

Net income

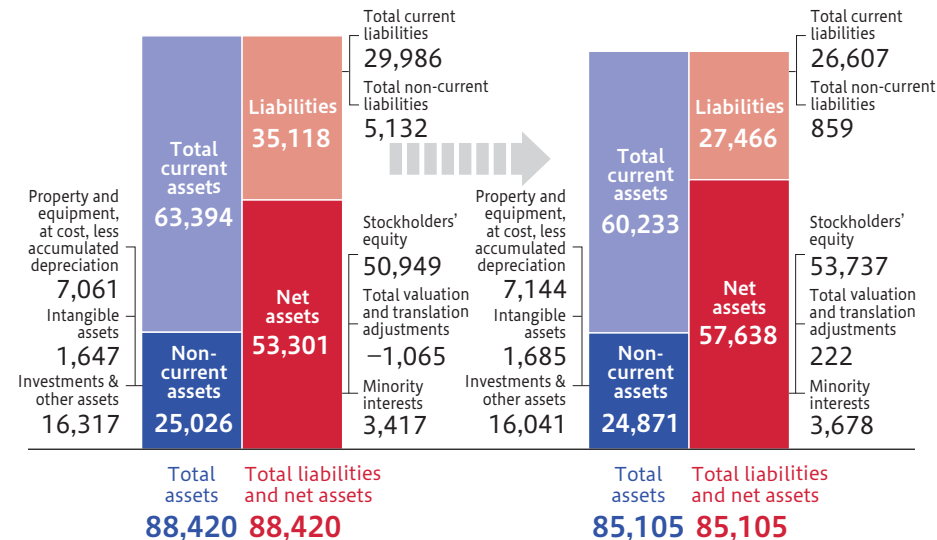
In addition to improved business profitability, non-operating income was boosted by foreign exchange gains and tax expenses were reduced in connection with the settlement of a major litigation. As a result, net income rose 171.4% year on year.

Consolidated Balance Sheet

(Millions of yen)

As of March 31, 2013

As of September 30, 2013



Total assets

Total assets decreased ¥3,315 million from the end of the previous fiscal year. Current assets decreased ¥3,160 million due to a reduction in cash and deposits reflecting repayment of loans payable. Non-current assets decreased ¥154 million owing to a decrease in other investments and other assets, including a reduction in suspense payments for litigation, partially offset by an increase in acquisitions of stocks of affiliated companies.

Liabilities

Liabilities decreased ¥7,652 million from the end of the previous fiscal year, mainly due to a reduction in the provision for loss on litigation and the repayment of loans payable.

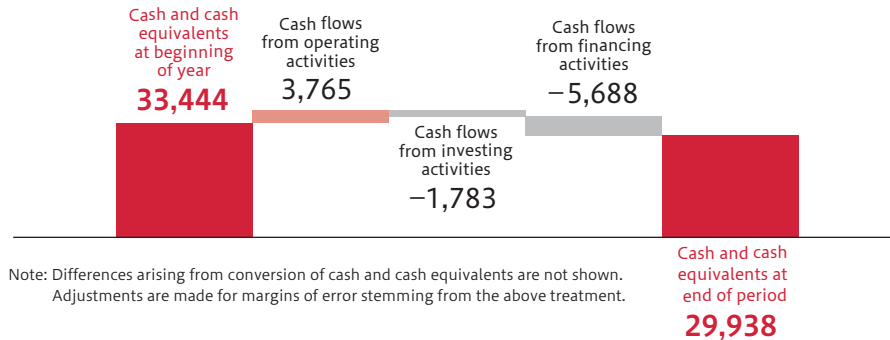
Net assets

Net assets increased ¥4,336 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 63.4%.

■ Consolidated Statement of Cash Flows

(Millions of yen)

1H FY2014 (Apr. 1, 2013 — Sep. 30, 2013)

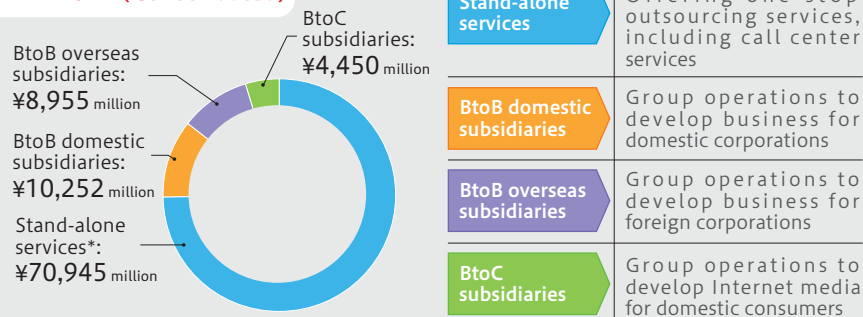


Note: Differences arising from conversion of cash and cash equivalents are not shown. Adjustments are made for margins of error stemming from the above treatment.

Cash flows

Net cash provided by operating activities increased ¥1,224 million year on year, primarily due to an increase in income before income taxes. Net cash used in investing activities was ¥1,783 million (compared with ¥890 million of net cash provided in the same period a year earlier), mainly attributable to an increase in outlays for acquisitions of stocks of affiliated companies. Net cash used in financing activities decreased ¥1,206 million year on year, reflecting a reduction in outlays for the repayment of long-term loans payable.

Net Sales by Segment for 1H FY2014 (Consolidated)



Note: Figures are not adjusted for ¥5,112 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

transcosmos Enhances Industry–University Collaboration with Rikkyo University
 –Launching cooperative efforts for human resource development in the big data era

transcosmos and the College of Business at Rikkyo University have been implementing a joint effort for industry–university collaboration since September 2011. In fiscal 2013, transcosmos offered a guest lecture in the E-Business class in the first half of the year, and provided seminar students with a research project to analyze real transaction data in the second half. In fiscal 2014, a professional employee of transcosmos has been appointed as a part-time lecturer, thus contributing to human resource development in the big data era to meet the needs of the business community through efforts including practical training with new marketing research technologies and tools.

Details of Marketing Research Course
 (Fundamentals of Marketing Research & Data Mining)

transcosmos Principal Consultant Naohiro Yamaura joined the Marketing Research class taught by Hiroshi Sasaki, Professor of Marketing Research at Rikkyo University, as a part-time lecturer, and together they created a new course. Mr. Yamaura covers a broad spectrum of topics, including marketing strategy, consumer behavior, social media research, and web log analysis. He also offers practical training in the field of big data marketing. (Classes are held from April to July during the spring semester, attended by 200 second-year to fourth-year students).

In addition, Masayuki Hagiwara, Executive Vice President of transcosmos analytics Inc., gave instruction as a guest lecturer on marketing research trends in Japan and overseas with the theme of “next-generation marketing research.”

Class lecture by transcosmos analytics Inc.'s Executive Vice President Masayuki Hagiwara



Comments from Professor Hiroshi Sasaki

Since marketing research tools and techniques are dramatically changing, we need to provide students with new courses. Mr. Yamaura offered a practical training project last year to help my seminar students develop analytical skills essential in the big data era. We expanded the learning content to a regular class this year. In the Marketing Research class, 200 students not only learn a wide range of marketing research topics, but also experience cutting-edge data mining tools. The classroom is always full of enthusiastic students. I would like to express my sincere gratitude to Mr. Yamaura and transcosmos for giving us a chance to build this new industry–university collaboration.

Corporate Information (As of September 30, 2013)

Registered Name	transcosmos inc.
Date of Incorporation	June 18, 1985
Capital	¥29,065 million
Employees	Parent: 8,101 Group: 14,815
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 September 30, 2013)

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
Mihoko Hirai	1,463	3.00
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,434	2.94
THE BANK OF NEW YORK-JASDEC TREATY ACCOUNT	736	1.51
The Master Trust Bank of Japan, Ltd. (Account in Trust)	722	1.48
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	615	1.26
STATE STREET BANK AND TRUST COMPANY 505103	549	1.13

Notes: 1. Other than the above, our company retains 7,652 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 September 30, 2013)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	19,540

Directors, Auditors and Corporate Officers (As of September 30, 2013)

Founder & Group CEO	Koki Okuda
Chairman & CEO	Koji Funatsu
President & COO	Masataka Okuda
Executive Vice President	Koichi Iwami
Senior Executive Managing Director	Hiroyuki Mukai
Executive Managing Directors	Masakatsu Moriyama Shinichi Nagakura Masaaki Muta Masatoshi Kouno
Members, Board of Directors	Takeshi Natsuno* Jutaro Takinami* Nozomu Yoshida
Standing Auditor	Hideaki Ishioka
Auditors	Toshiaki Nakamura* Setsuo Yamane*
Corporate Senior Officers	Hiroshi Kaizuka Yoichi Kawano Kokkei Nakayama Takashi Shimizu Hitoshi Honda Kazuhiko Yamaki
Corporate Officers	Tsutomu Hasegawa Hirofumi Inoue Kunio Shimofusa Hiroyuki Uchimura

*We have designated two 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 the Tokyo Stock Exchange.