

First half of
FY2017

Interim Business Report

April 1, 2016 >>> September 30, 2016

To Our Stakeholders

Journey to Our 50th Anniversary



In June 2016, transcocosmos celebrated the 50th anniversary of its foundation. We would like to extend our deepest thanks to those who have helped us reach this milestone, including shareholders, client companies, business partners, collaborative partners, and employees.

The Company was founded in 1966 as a specialist in data entry services, a precursor to its BPO business. Since then, we have expanded our business in line with technological advancements and have grown into a corporate group with annual consolidated net sales of more than ¥200 billion.

Today, we serve as a global BPO service provider, helping numerous client companies in Japan and overseas cut costs and expand revenues.

Since our foundation, we have always placed top priority on client satisfaction. Based on this principle, we will integrate the core elements of our business—people, technologies, and frameworks—to consistently deliver high-value-added services and thus achieve renewed business growth.

We look forward to your continued support.

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

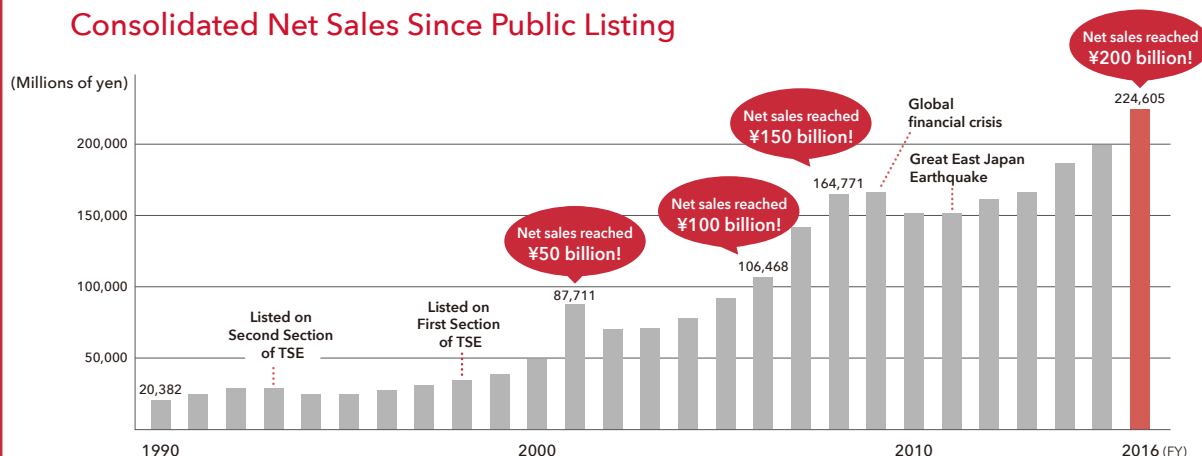
Along with greetings to our shareholders and investors, we hereby present a report on our performance in the first half of the fiscal year ending March 31, 2017 (April 1, 2016 to September 30, 2016).

Summary of Financial Results for the Fiscal Year under Review

The transcocosmos group operates in the business process outsourcing (BPO) service sector. Amid such factors as a declining workforce and globalization of corporations, the sector is experiencing growing demand for outsourcing services as client companies seek to enhance business efficiency and increase cost-competitiveness. Meanwhile, the proliferation of smartphones and the spread of social networking services (SNS) have added further impetus to the digitalization of consumer communications. In this context, companies are actively investing in digital technologies to expand their operations, leading to growing demand for relevant services.

Against this backdrop, the Group aggressively promoted its BPO offerings—centered mainly on contact center, back-office, design development, digital marketing,

Consolidated Net Sales Since Public Listing



• Consolidated net sales

UP
7.6%
YOY

116,912 million yen

• Consolidated operating income

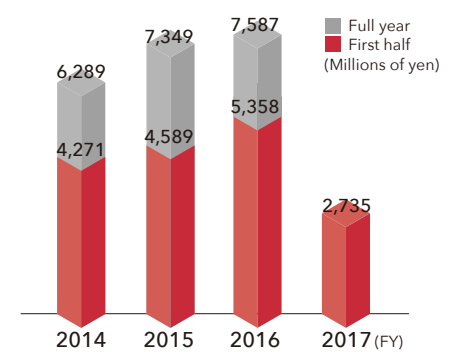
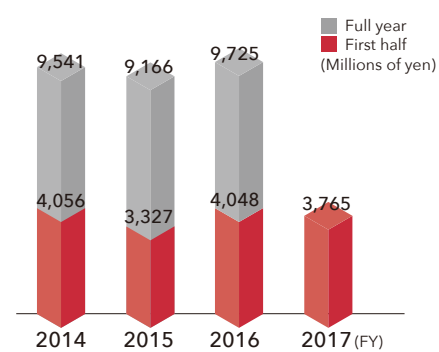
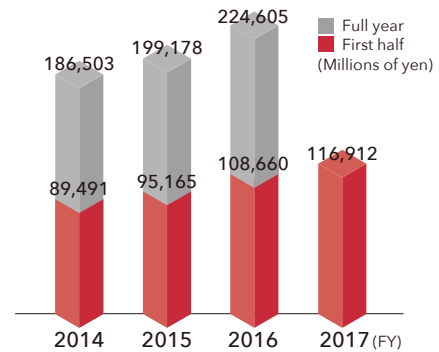
DOWN
7.0%
YOY

3,765 million yen

• Profit attributable to owners of parent

DOWN
48.9%
YOY

2,735 million yen



and e-commerce services—and posted increased orders as a result. Our corporate mission is to deploy the latest innovations to consistently provide new levels of value and thus maximize client satisfaction. Our aim is to support the efforts of client companies using advanced digital technologies to diversify their operations while optimizing the communications channels of consumers in a seamless manner. To this end, we have integrated our digital marketing, e-commerce, and contact center functions to create “DEC services” (DEC: Digital marketing/ E-commerce/Contact center) while strengthening related frameworks.

Activities During the Fiscal Year under Review

With respect to creating DEC services, we are active in our customer support operations, which use LINE, Facebook

Messenger, and other messaging apps. Here, we have launched a “bot-based (automatic speech system)” service that uses a messaging app to automatically respond to customer inquiries and, as necessary, switches to manned correspondence with direct operator support. Meanwhile, at our contact centers, we launched a video chat service using WebRTC (Web Real Time Communication), which provides customer responses via web-based video, voice, and text chat services. Going forward, we will make customer communication more advanced and concierge-oriented by using screenshots to deliver bidirectional and visual customer support. For smartphone users, we developed and launched Contact-Link for V-IVR, a visual immersive virtual reality (IVR) service that provides existing automatic voice guidance functions in visual form via smartphone screens.

With respect to strengthening DEC service frameworks, in Japan we established Marketing Chain Management Center Kobe in Kobe City, Hyogo Prefecture. The new

facility seats up to 400 people and provides contact center services. For the apparel sector, we enhanced our e-commerce one-stop services by forming a capital and business alliance with Styler Inc., which develops and operates a smartphone app that supports chat-based “O2O” (online-to-offline) commerce. Overseas, we established transcosmos Taiwan Inc. and launched services for the Taiwanese market.

Future Outlook

We will continue striving to create services that are better-matched to the revenue expansion and cost reduction needs of our client companies. At the same time, we will accelerate business development globally, especially in Asia, in order to ensure an improvement in results from the first half of fiscal 2017. In the European market, earmarked for high-level growth, we will step up rollout of global e-commerce one-stop services to support the e-commerce businesses of client companies.

A Message to Our Shareholders

We have yet to determine this year’s dividend but will make an announcement as soon as a decision has been reached. We ask for the continued support and encouragement of our shareholders and investors.

December 2016
President and COO
Masataka Okuda

Topics of the First Half of Fiscal 2017

Expanded "BPO Center Nagasaki," one of our BPO service bases



Acquired naming rights for Nagasaki Athletic Stadium and facility was renamed as "transcosmos Stadium Nagasaki"



Increased our stake in UNQ, the leading E-Commerce distributor in China, to strengthen capital and business alliance



Launched video chat service, with WebRTC customer support solutions via video, voice and text chat

2016

April

May

June



European BPO/call center affiliate becomes subsidiary

Seeking to strengthen our service infrastructure in Europe, we transformed Merlin Information Systems Group Limited (Merlin)—a U.K.-based BPO company with which we formed a capital and business alliance in 2011—into a subsidiary.

With operations in the United Kingdom, the United States, Hungary, and the Philippines, Merlin provides BPO and call center services to global European and North American clients through multilingual support, covering countries speaking English and European languages.

By transforming Merlin into a subsidiary, we aim to provide and enhance services for Japanese and Asian client companies operating in the European region, while strengthening the account management of our European and North American client companies.



Name	Merlin Information Systems Group Limited (currently, transcosmos Information Systems Limited)
Representative	Richard Patterson, CEO
Location	Milton Keynes, United Kingdom
Number of employees	600 (approximate)



Singapore-based social media operational support company becomes wholly owned subsidiary

With the aim of reinforcing our social media-related business, we transformed Social Gear Pte Ltd—a Singapore-based social media operational support company with which we have had a capital and business alliance since 2015—into a wholly owned subsidiary.

Social Gear was selected as an authorized partner in the "Community Management" and "Ad Technology" categories of Facebook Marketing Partners, the official Marketing Partner program of Facebook®. The company provides advertisement distribution/optimization services through Facebook's sophisticated operational support service and its "social gear Ads+" advertising operation system that utilize advertising insight data.

Aside from making Social Gear a wholly owned subsidiary, transcosmos, together with Social Gear, will drive efforts on developing services for Facebook while sharing technology, people and know-how.



Name	SOCIAL GEAR PTE LTD
Representative	Shunsuke Sato, CEO (concurrently holds the position of Director & CMO, transcosmos inc.)
Location	Singapore



Topics of the First Half of Fiscal 2017

Formed capital and business alliance with STYLER, a developer and operator of chat-based O2O commerce app, focusing on apparel industry

Launched "Store Support Service" in English & Chinese for all 18,860 Seven-Eleven stores across Japan

Held 10th anniversary ceremony of "transcosmos Design Development (Dalian) Co., Ltd."



Released "Contact-Link for V-IVR," a smartphone optimized visual IVR service

2016

July

August

September



Gotcha!mall smartphone omnichannel platform launched in Thailand

Gotcha!mall, a service provided by subsidiary Grand Design Co., Ltd., is rapidly gaining popularity in Japan as an omnichannel platform that uses smartphones to encourage visits and product purchases at brick-and-mortar stores. Seeking to expedite the spread of Gotcha!mall throughout Asia, we took the first step by launching it in Thailand.

Gotcha!mall is an omnichannel coupon platform that allows users to complete the entire shopping experience, from coupon acquisition to in-store redemption, from a single smartphone. It provides the optimum coupon for both users and stores—including convenience stores, supermarkets, drug stores, fast food outlets and restaurant chains. From the user's perspective, Gotcha!mall provides a more enjoyable shopping experience, and for the store, it facilitates increases in purchase unit prices and purchase frequencies.

In Thailand, we will provide the service via our local subsidiary, transcosmos Thailand Co., Ltd., which has a capital and business alliance with the SAHA GROUP, a major conglomerate in that nation. We will deploy the network of the SAHA GROUP, Thailand's largest consumer products retailer with numerous company members, to expedite the nationwide promotion of Gotcha!mall.

Name	transcosmos (Thailand) Co., Ltd.
Representative	Kiyonori Takechi, Managing Director
Location	Bangkok, Thailand
Number of employees	350 (approximate)



Gotcha!mall



Customer communication service using messaging app bot launched

We recently launched a bot-based (automatic speech system) service in our customer support operations, which uses LINE, Facebook Messenger, and other messaging apps.

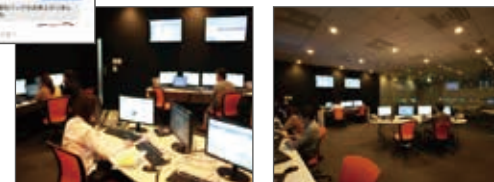
This service links "Reply.ai," a platform for building bots developed by U.S. company, Reply, Inc. to such messaging apps as LINE and Facebook Messenger. In addition to automatically replying to customer inquiries, it switches to manned correspondence with direct operator support as necessary.

Client companies that purchase this service can address customer inquiries without any waiting time. Moreover, by automating part of the process, it helps to reduce labor costs.



Case study: Customized purchases using Facebook Messenger bot for FUJIMAKI Hyakkaten e-commerce site

Social Media Center at Shibuya Headquarters: Specialized operations team for social media and chat



Our Business

Seeking to further strengthen our support for the business expansion efforts of client companies in the areas of marketing, sales, and customer care, in April 2016 we launched our "DEC services," which integrates digital marketing, e-commerce, and contact center functions.

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, Thailand, Vietnam, Indonesia and the Philippines, 18 bases)
- Offering services in a wide range of areas: systems development/operation, order processing, architectural design, mechanical design, embedded systems development, data input, human resources/accounting/sales/back-office
- Established off-shore development system in China in 1995, before the rest of the industry
- Time-tested wealth of experience (50 years in business, one of the longest in the ¹help-desk industry)

Digital Marketing Services

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

Features of our company

- Digital marketing service provider focusing on Japan, China and South Korea
- Established a one-stop support system which includes all services, from Internet promotion to website design and operation
- Created one of the largest websites and operating systems in Japan
- Actively introducing the latest ad technology² through our business development base in North America

Contact Center Services

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

Features of our company

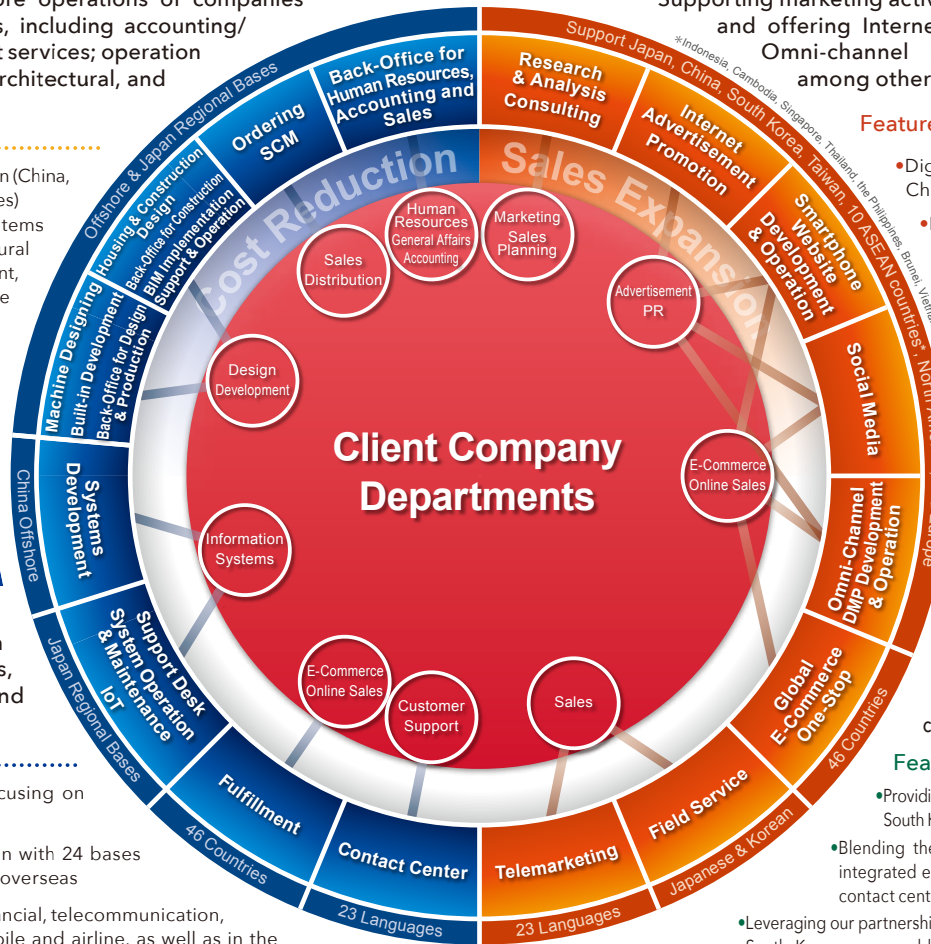
- Largest contact center service provider in Asia, focusing on Japan, China and South Korea
- Offering the largest contact center services in Japan with 24 bases and 15,000 seats as well as 32 bases and 9,600 seats overseas
- Business experience in many industries, including financial, telecommunication, 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 to specialize in customer support for social media

E-Commerce One-Stop Services

transcosmos bases its one-stop services on the business and brand strategies of client companies. We supply the various functions required for e-commerce, ranging from e-commerce site construction and operation to fulfillment, customer care, Internet promotions, and analytics.

Features of our company

- Providing services in 46 countries including Japan, the United States, China, South Korea, India and throughout Europe, Southeast Asia, and South America
- Blending the Company's extensive services and performance, the in-house integrated e-commerce platform known as the transcosmos eCommerce HUB, contact centers, BPO, and digital marketing
- Leveraging our partnerships with leading corporations in Europe, the United States, China, and South Korea, we are able to develop e-commerce businesses tailored to the culture and characteristics of each target market
- We support the development of e-commerce in Southeast Asia through alliances with top players in the apparel, e-book and other markets in Southeast Asia



Glossary

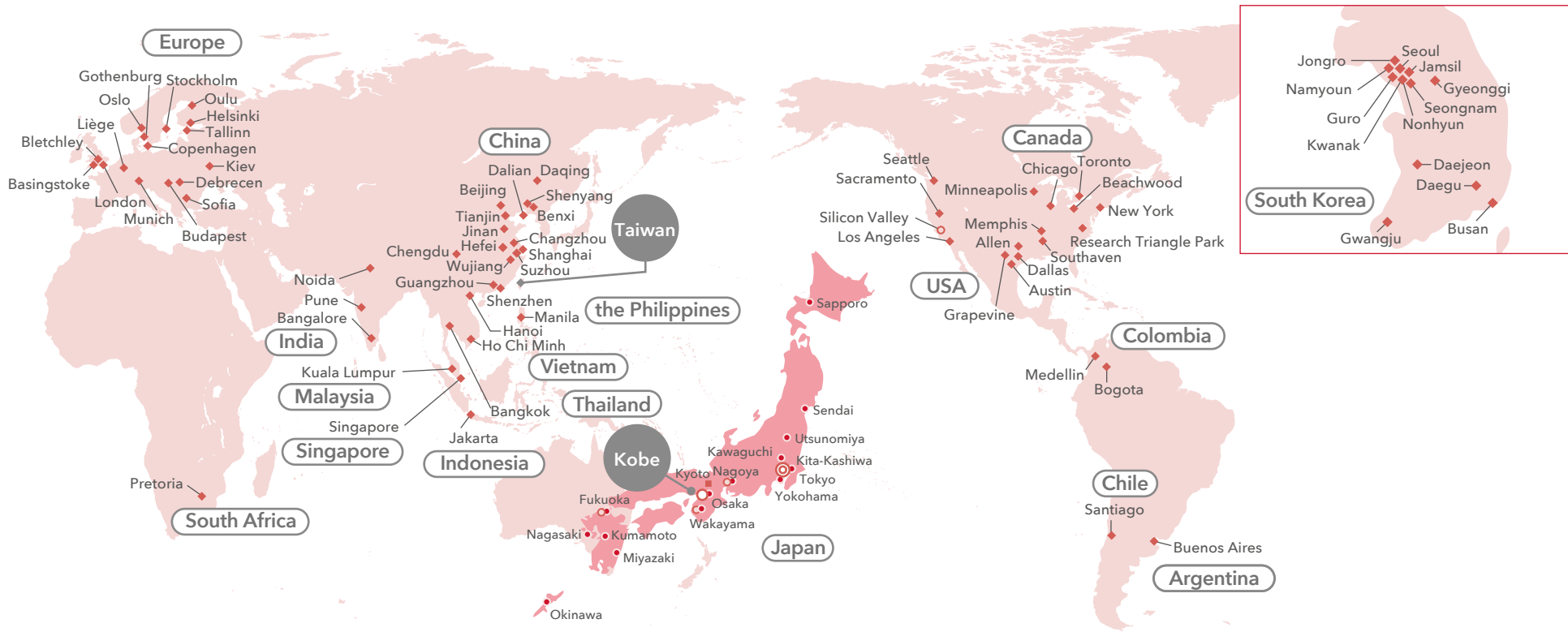
- ¹ Help desk: In-company operations to deal with inquiries about operating PCs and software as well as troubleshooting. Many companies outsource these tasks.
- ² Ad technology: Advertising activities that make full use of IT, taking advantage of internet technology.

Note: Figures for number of countries, bases, seats and people are as of September 30, 2016.

Global Network 162 Operating Bases across 29 Countries

⊙ Main office
 ○ Head office
 ◌ Branch offices
 ■ Office
 ● Service centers
 ● Domestic service centers: 50
 ◆ Overseas service centers: 112 (28 countries)

(Number of bases includes head office, branch offices, and business development and alliance partners.) (As of September 30, 2016)



New Operating Bases



Marketing Chain Management Center Kobe

400 workstations
Contact center services



transcosmos Taiwan Inc.

Digital marketing services, e-commerce one-stop services, contact center services, and inbound services for overseas visitors to Japan

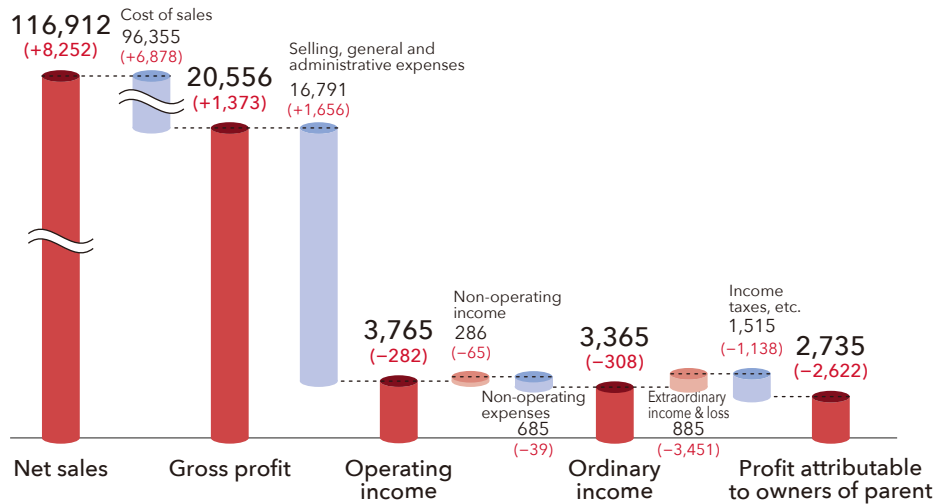


Consolidated Financial Results

Consolidated Statement of Income

(Millions of yen)

First half of FY2017 (Apr. 1, 2016 – Sep. 30, 2016)



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 increased 7.6% year on year. This reflected healthy demand for our DEC services (digital marketing, e-commerce, and contact center services), BPO services and other core businesses of the parent company, as well as firm orders received by overseas subsidiaries, especially China.

Operating income

Despite improved profitability of the parent company's core business, operating income declined 7.0% year on year. This was due to lower segment profits incurred by subsidiaries and affiliates both domestically and overseas, stemming from increased costs associated with getting new businesses running at newly consolidated subsidiaries, as well as higher costs for temporary surplus personnel associated with the partial completion of a major project by a South Korean subsidiary.

Profit attributable to owners of parent

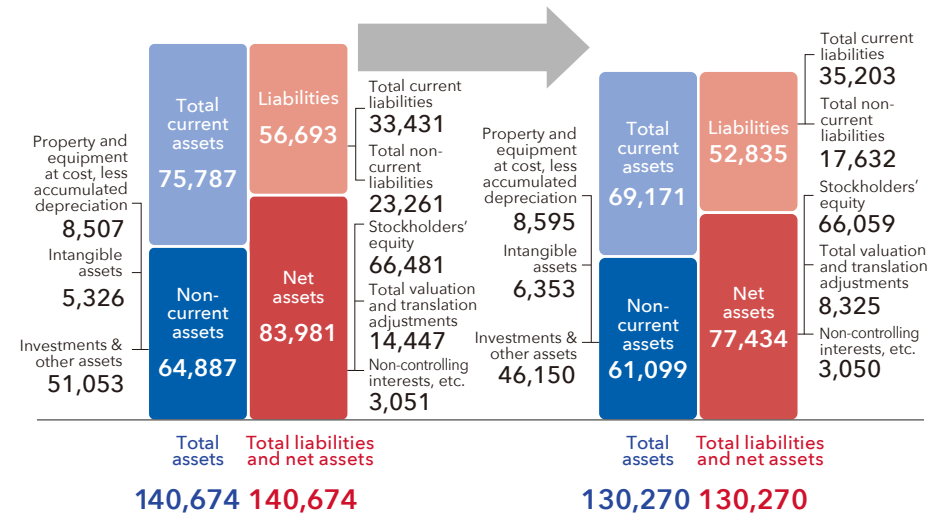
Profit attributable to owners of parent fell 48.9% year on year, due to the decline in extraordinary income, resulting from the recording of sales of investment securities in the previous corresponding period, in addition to declines in operating income and ordinary income.

Consolidated Balance Sheet

(Millions of yen)

As of March 31, 2016

As of September 30, 2016



Assets, Liabilities and Net assets

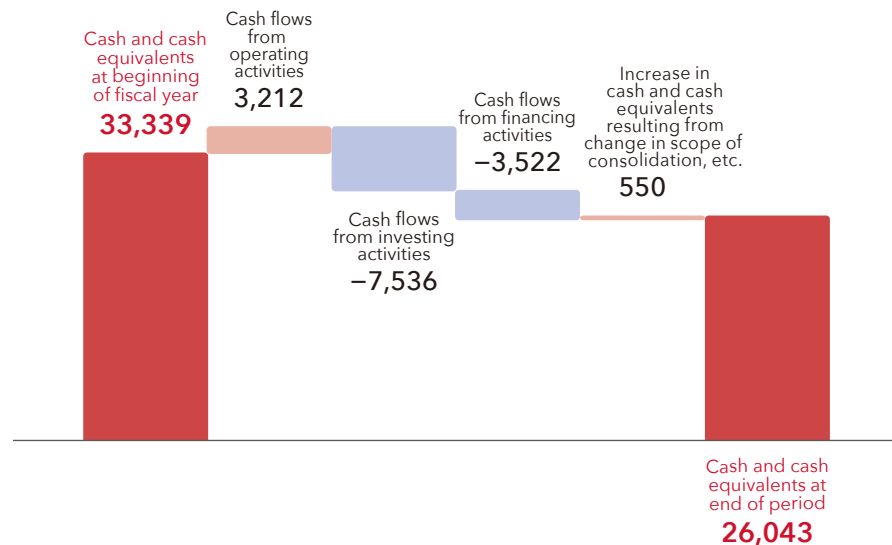
Total assets were down ¥10,404 million from the end of the previous fiscal year. This was due to declines in cash and deposits and investment securities stemming from a decrease in the market valuation difference. Total liabilities were down ¥3,858 million, due to a decrease in derivative liabilities. Total net assets were down ¥6,546 million, due mainly to a fall in the valuation difference on available-for-sale securities.

The shareholders' equity ratio as of September 30, 2016, was 57.1%.

Consolidated Statement of Cash Flows

(Millions of yen)

First half of FY2017 (Apr. 1, 2016 – Sep. 30, 2016)



Cash flows

Net cash provided by operating activities amounted to ¥3,212 million, compared with net cash used in operating activities of ¥1,423 million in the previous corresponding period. Main factors for this difference were a decrease in notes and accounts receivable–trade and a decrease in accrued consumption taxes.

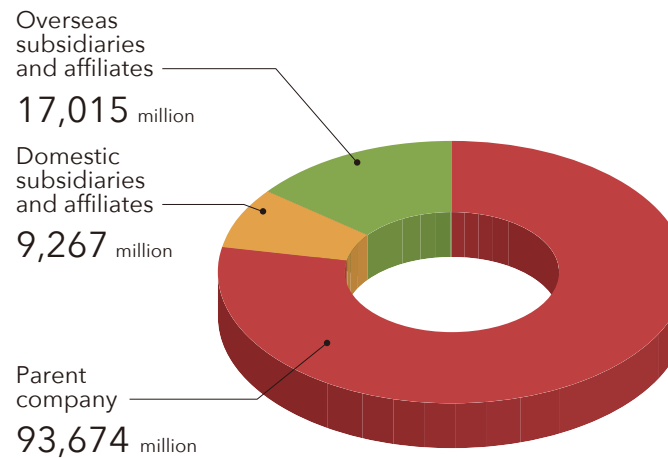
Net cash used in investing activities totaled ¥7,536 million, up ¥4,589 million from the previous corresponding period. The main factor was an increase in purchases of shares in subsidiaries and affiliates.

Net cash used in financing activities decreased ¥6,540 million from the previous corresponding period, to ¥3,522 million. This was primarily due to a lower increase in proceeds from long-term loans payable and an increase in payments from changes in ownership interests in subsidiaries that do not result in a change in scope of consolidation.

As a result, cash and cash equivalents as of September 30, 2016, amounted to ¥26,043 million, down ¥7,296 million from the end of the previous fiscal year.

Net Sales by Segment

First half of FY2017 (Apr. 1, 2016 – Sep. 30, 2016)



Note: Figures are not adjusted for ¥3,044 million of transactions between segments.

Parent company

Business process outsourcing operations offered by the Company

Domestic subsidiaries and affiliates

Business process outsourcing operations offered by domestic group companies

Overseas subsidiaries and affiliates

Business process outsourcing operations offered by overseas group companies

In 2015, we formulated criteria for judging the independence of outside directors, which we included in the Notice of Annual General Meeting of Shareholders and other documents. Going forward, we will continue to enhance sustainable corporate value, including strengthening the supervisory role of independent outside directors and deploying their specialized expertise in our business promotion.

Comments from an Outside Director



Nozomu Yoshida
Outside Director

Q1 What is your impression of transcosmos and how do you feel about the atmosphere of the Company?

In June 2016, transcosmos became a company with an audit and supervisory committee. By also appointing vibrant outside directors, we have increased the diversity of our executive system. All of our outside directors are well versed in the business and investment fields and are capable of engaging in real debate about the direction of our new management—attributes that we feel should be respected. One key phrase of our corporate vision is “people and technology,” which embodies the notion that “people” and “technology” not only complement each other but are steadily evolving into synergistic partners. This is the dawn of a great era of renewed corporate presence, and we feel further discussion on the direction of management will become increasingly necessary in the future.

Q2 What are your thoughts on your role as Outside Director?

Since its foundation, transcosmos has embraced the corporate culture of a serious and honest company, and I believe this DNA is entrenched in the organization. I feel the same way about the executives of the administrative divisions, the Board of Directors and transcosmos’ transition into a company

with an audit and supervisory committee. I also feel the intensity of management, whose eyes cover every detail of the Company’s operations. However, this is not the result of chance. Rather, employees, executives, and new managers experience and inherit this corporate culture as they move forward. I hope I can help pass on this corporate culture for 100 years.

Q3 How do you feel about transcosmos’ corporate governance initiatives?

Companies that deal with transcosmos are huge in number and operate across diverse sectors. Therefore, from the standpoint of businesspeople and investors, I think the situation is too complex and difficult to understand. With this in mind, we will seek to become a highly communicative company by closing the information gap between management and investors with respect to the thoughts, strategies, and approaches of transcosmos’ executives, as well as their medium- and long-term management policies and targets.

Q4 What do you expect from transcosmos going forward (including the role of Outside Director)?

The Internet was born around 25 years ago. There was a time when using the Internet made people feel emboldened, but gradually the Internet has come to provide users with wonderful experiences. transcosmos’ evolution is somewhat similar. To date, we have worked on a wide range of projects, and sometimes that appeared to be inefficient. However, with changing times, we have witnessed the progressive transformation of new industries. The wide-ranging experience and know-how transcosmos has amassed through these times have become the Company’s strengths, enabling it to create the most wonderful user experiences with an opportunity to become the “best partner” for its client companies. I feel we are at a milestone in this important era.

Basic Approach

We aim to contribute to the development of the economy and society by being a responsible corporate citizen. In other words, we believe that fulfilling our corporate social responsibilities is essential to be worthy of the trust of our stakeholders and to be able to continue to provide valuable services to our clients and to society at large. With that in mind, we endeavor to engage in environmental and community service activities.

transcosmos BPO Center Kumamoto certified as Kumamoto Bright Company

Kumamoto Prefecture’s “Bright Company” business campaign aims to improve the prefecture’s labor environment and worker treatment. It also serves as a measure to secure employment for residents and the labor force within the prefecture by creating means for companies to attract employees and job seekers. A “Bright Company” is one in which the workers can distinguish themselves and work with peace of mind, and also fulfills four basic requirements: “Gives employees and their families a high level of satisfaction,” “Values local employment,” “Contributes significantly to the local community/economy,” and “Promotes strong leadership.” transcosmos was certified as a Bright Company through satisfying these criteria.



transcosmos awarded three-star L-boshi certification

The Ministry of Health, Labour and Welfare (MHLW) grants L-boshi certification to companies that show superior efforts in promoting women in the workplace among those that developed and submitted action plans based on the “Act on Promotion of Women’s Participation and Advancement in the Workplace.” The certification has three levels, and the companies are evaluated on five items, all of which have set standards for certification. After the evaluation process, qualified companies receive certification according to the number of standards they meet. This time, transcosmos has earned three stars, the highest level of certification.

In 2007, transcosmos launched a project called “Promotion of Women’s Activities” and has been actively engaged in women’s skill and career development while supporting their work-parenting balance. Positioning the promotion of diversity in the workplace as one of our management strategies, we will make Companywide efforts to nurture a corporate culture in which our diverse human resources, including women, can unleash their full potential.



3 star (highest level)
L-boshi certification mark

Corporate Information (As of September 30, 2016)

Registered Name	transcosmos inc.
Date of Incorporation	June 18, 1985
Capital	¥29,065 million
Employees	Parent: 9,474 Group: 17,994
Major Banks	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd.
Main Office	3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530, Japan Tel. +81-3-4363-1111 Fax +81-3-4363-0111
Osaka Head Office	Tosabori Daibiru Bldg., 2-2-4, Tosabori, Nishi-ku, Osaka-shi, Osaka 550-0001, Japan Tel. +81-6-4803-9500 Fax +81-6-4803-9590

Principal Stockholders (As of September 30, 2016)

Name	Number of shares (thousand shares)	Ratio of shares (%)
Koki Okuda	7,498	15.37
Masataka Okuda	5,910	12.11
GOLDMAN, SACHS & CO. REG	2,175	4.46
Okuda Ikueikai Foundation	1,753	3.59
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,593	3.27
BBH FOR MATTHEWS ASIAN GROWTH AND INCOME FUND	1,516	3.11
Mihoko Hirai	1,463	3.00
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,015	2.08
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	623	1.28

Notes: 1. Other than the above, our company retains 7,317 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, 2016)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	13,779

Directors, Auditors and Corporate Officers (As of September 30, 2016)

Founder & Group CEO Chairman & CEO President & COO	Koki Okuda Koji Funatsu Masataka Okuda
Executive Vice Presidents	Koichi Iwami Hiroyuki Mukai
Senior Executive Managing Directors	Masakatsu Moriyama Shinichi Nagakura Masaaki Muta
Executive Managing Directors	Masatoshi Kouno Hitoshi Honda Kiyoshi Shiraishi
Directors	Ralph Wunsch Shunsuke Sato
Outside Directors (Audit and Supervisory Committee Members)	Takeshi Natsuno* Nozomu Yoshida* Eiji Uda*
Outside Directors	Owen Mahoney* Rehito Hatoyama* Toru Shimada*
Corporate Executive Officers	Hiroshi Kaizuka Kenshi Matsubara Kentaro Ogata Atsushi Ono Takeshi Kamiya
Corporate Senior Officers	Kazuhiko Yamaki Kokkei Nakayama Eijiro Yamashita Yoichi Kawano Mikio Yanashita Hiroyuki Uchimura Tutomu Hasegawa Hirofumi Inoue Norimitsu Miyazawa Hiroki Tanigawa Hiroyuki Morita
Corporate Officers	Yoshihiro Uematsu Takashi Sube Yuichiro Kubo Shinji Kanezawa Masato Ogino Kenta Kusano

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

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