

**Global Digital Transformation Partner**

# **Supplementary Materials for Q2 FY March 2019 Financial Results**



**October 31, 2018**

**transcosmos inc.**

Forward-looking statements included in this document are based on information available on the date of the announcement and estimates based on reasonable assumptions. Actual future results may differ materially from these forecasts depending on Japanese economic conditions, trends in the stock market and information services industry, evolution of new services or technologies, and other diverse other factors. The company assumes no obligation to update or revise any forward-looking statements. In this document, yen is rounded to the nearest hundred million and the percentage is rounded to the first decimal place.

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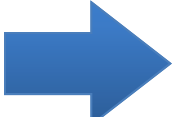
- **Mid-Term Key Initiatives** (excerpts from Financial Results Briefing for Fiscal Year Ended March 2018)

# 1. Executive Summary

## Achievements

- Consolidated sales increased by 8.7%, retaining high growth rate.
- The level of consolidated operating income recovered to a similar level to the same period of the previous fiscal year. The profit increased in this 2<sup>nd</sup> quarter.
- Overseas affiliates continue to achieve high growth whilst improving profitability.
- Controlling SG&A expenses based on sales and profit.
- Ordinary income achieved drastic growth.
  - Positive impact from portfolio review and reduction in equity losses.
- Quarterly Net Income attributable to owners of parent company increased drastically.
  - Increase in ordinary income, posted gain on sale of affiliate's shares.

## Challenge

- Lower profitability in Parent company.
  -  Aim to generate profits from new initiatives executed in the previous fiscal year as soon as possible.

## 2. Consolidated Income Statement Summary

- Sales: Increased mainly due to order increase for Parent company and overseas affiliates.
- Operating Income: Although profitability decreased in Parent company, the level of consolidated operating income recovered to a similar level to the same period of the previous fiscal year due to improved profitability in overseas affiliates.
- Ordinary Income: Increased due to declined non-operating losses as a result of an increase in capital gains from funds and a decrease in equity in losses.
- Quarterly Net Income: Increased due to the increase in ordinary income and improved extraordinary profits due to the posting of gain on sale of affiliate's shares.

In ¥Million	Q1-Q2 FY2017/3		Q1-Q2 FY2018/3		Difference	
		(Mix)		(Mix)	(Amount)	(Ratio)
Sales	126,640	100.0%	137,689	100.0%	11,048	8.7%
Cost of Sales	105,214	83.1%	114,894	83.4%	9,679	9.2%
Gross Profit	21,426	16.9%	22,795	16.6%	1,368	6.4%
SG&A	19,584	15.5%	21,195	15.4%	1,610	8.2%
Operating Income	1,841	1.5%	1,600	1.2%	-241	-13.1%
Non-operating Profit and Loss	-401	-0.3%	504	0.4%	905	-
Ordinary Income	1,440	1.1%	2,104	1.5%	664	46.1%
Extraordinary Profit and Loss	125	0.1%	6,892	5.0%	6,767	-
Quarterly Net Income attributable to owners of parent company	238	0.2%	5,232	3.8%	4,994	-

### 3. Segment Based Results Summary



- Parent Company: Sales increased whilst profits declined. Although receiving solid orders, profitability declined due to SG&A expenses that increased in the previous fiscal year.
- Domestic Affiliates: Both sales and profits increased. Profitability improved due to successful business restructuring made in some subsidiaries.
- Overseas Affiliates: Both sales and profits increased. Chinese/South Korean subsidiaries achieved solid performances and European/ASEAN subsidiaries improved their profitability.

In ¥Million		Q1-Q2 FY2018/3		Q1-Q2 FY2019/3		Difference	
			(Mix)		(Mix)	(Amount)	(Ratio)
Sales	Parent company	99,089	78.2%	101,854	74.0%	2,764	2.8%
	Domestic Affiliates	9,561	7.6%	10,098	7.3%	536	5.6%
	Overseas Affiliates	22,172	17.5%	29,554	21.5%	7,382	33.3%
	Elimination of intra-segment transaction	-4,182	-3.3%	3,818	-2.8%	364	8.7%
	<b>(Total)</b>	<b>126,640</b>	<b>100.0%</b>	<b>137,689</b>	<b>100.0%</b>	<b>11,048</b>	<b>8.7%</b>
Segment Income (Loss)	Parent company	1,952	106.0%	1,248	78.0%	-703	-36.0%
	(%profit)	2.0%		1.2%			
	Domestic Affiliates	220	12.0%	344	21.5%	124	56.4%
	(%profit)	2.3%		3.4%			
	Overseas Affiliates	-331	-18.0%	9	0.6%	341	-
(%profit)	-1.5%		0.0%				
Elimination of intra-segment transaction	0	0.0%	-2	-0.1%	-3	-	
<b>(Total)</b>	<b>1,841</b>	<b>100.0%</b>	<b>1,600</b>	<b>100.0%</b>	<b>-241</b>	<b>-13.1%</b>	

# 4. Consolidated Sales Analysis



- Sales increased by ¥11,048mn (+8.7%)

Parent Company

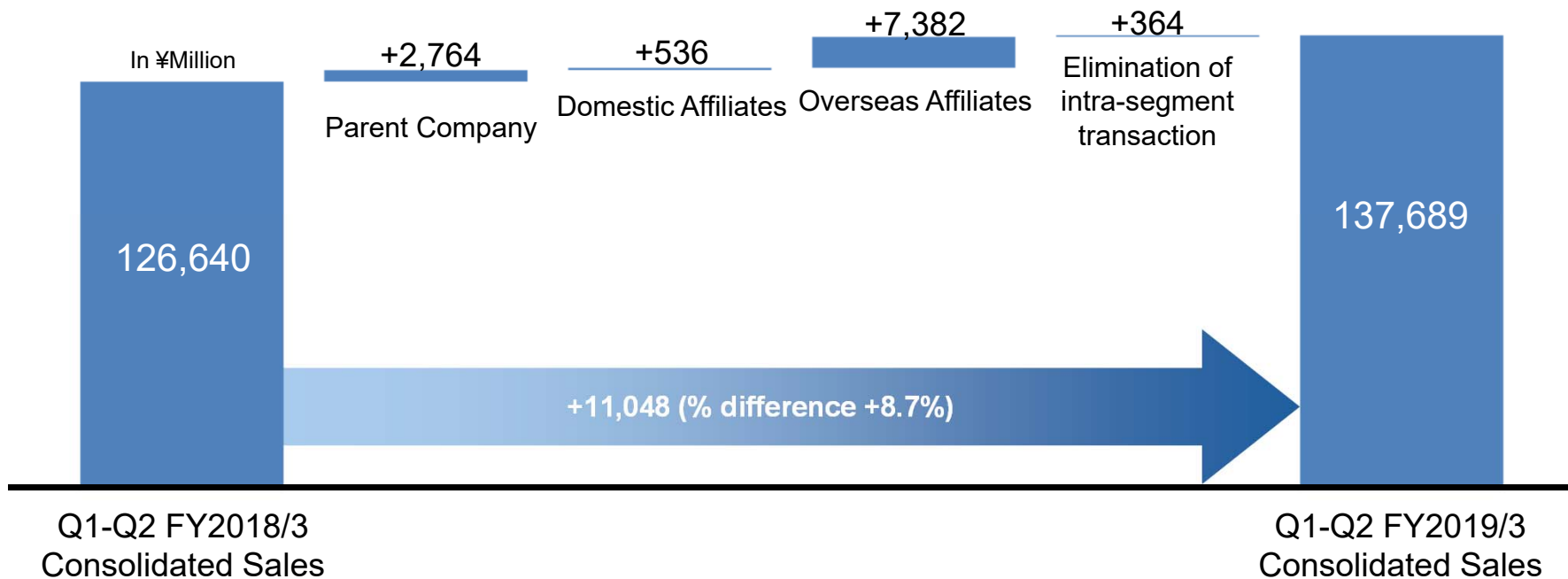
Sales increased due to order increase in BPO services.

Domestic Affiliates

Sales increased due to solid orders mainly for listed subsidiaries and positive impact from newly consolidated subsidiaries.

Overseas Affiliates

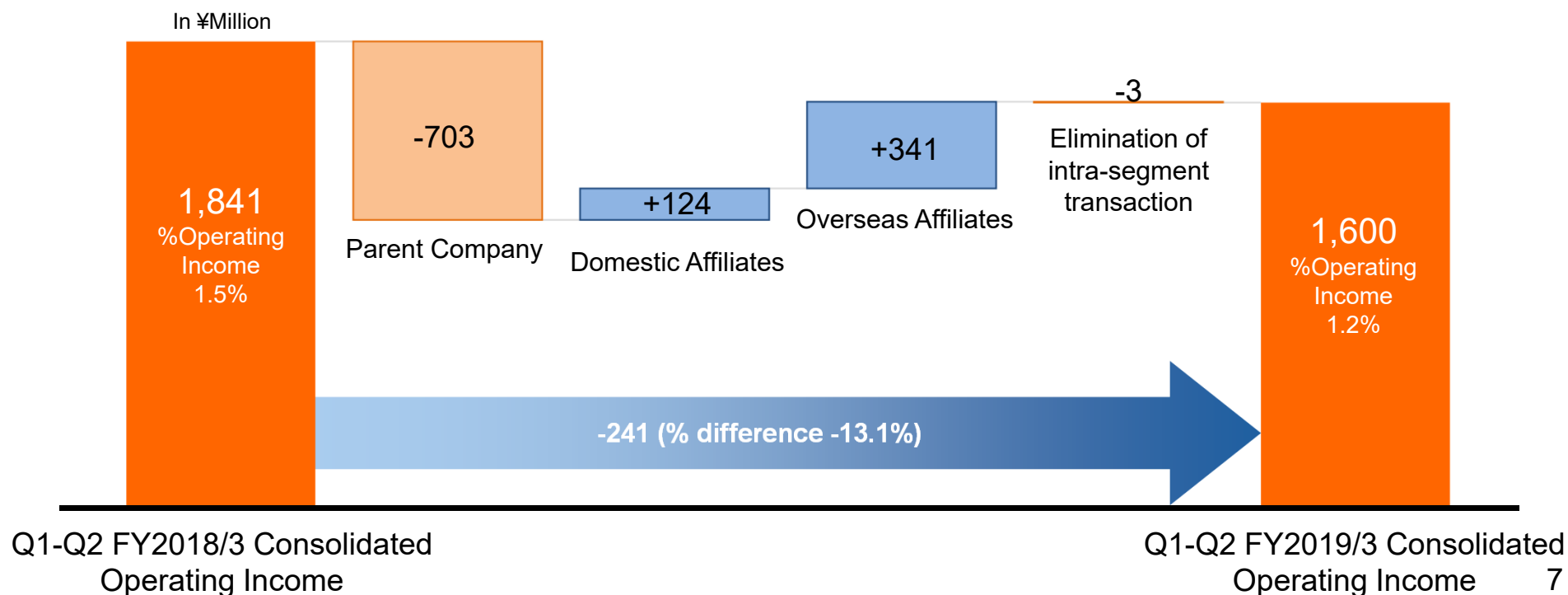
Sales increased due to increased sales in Chinese/South Korean subsidiaries.



# 5. Consolidated Operating Income Analysis

- Operating Income decreased by ¥241mn (-13.1%)

<b>Parent Company</b>	Operating income decreased due to increased SG&A expenses as a result of upfront investments made in the previous fiscal year.
<b>Domestic Affiliates</b>	Operating income increased due to successful business restructuring made in some subsidiaries.
<b>Overseas Affiliates</b>	Operating income increased as South Korean and ASEAN subsidiaries improved their profitability whilst European subsidiary successfully restructured its business.



# 6. Parent Company Operating Income Analysis



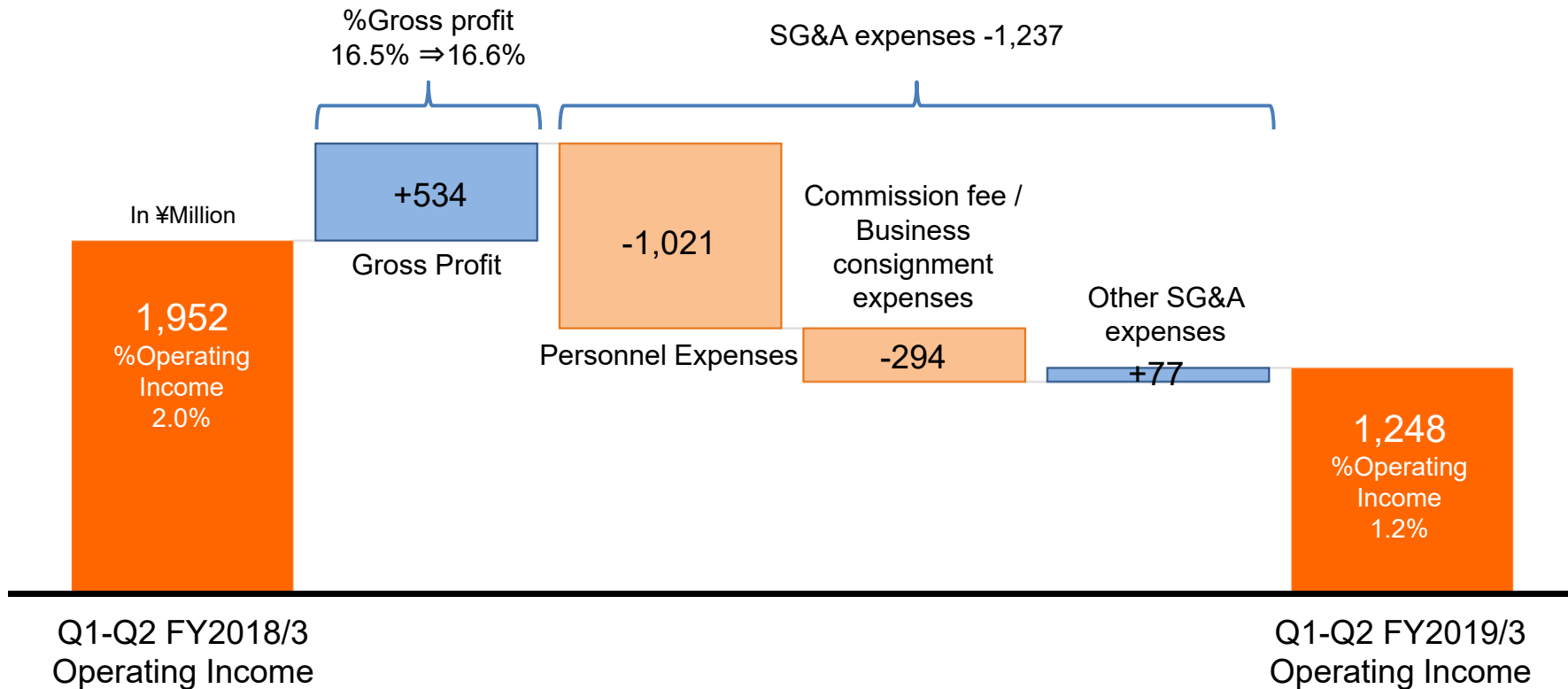
- Operating Income decreased by ¥703mn (-36.0%)

**Gross Profit**

Increased along with increased sales. Maintained gross profit ratio at the same level as the same period of previous fiscal year.

**SG&A expenses**

Increased by ¥1,237mn due to the impact from upfront investments made in the previous fiscal year.





## 7. Consolidated Quarterly Performance Summary



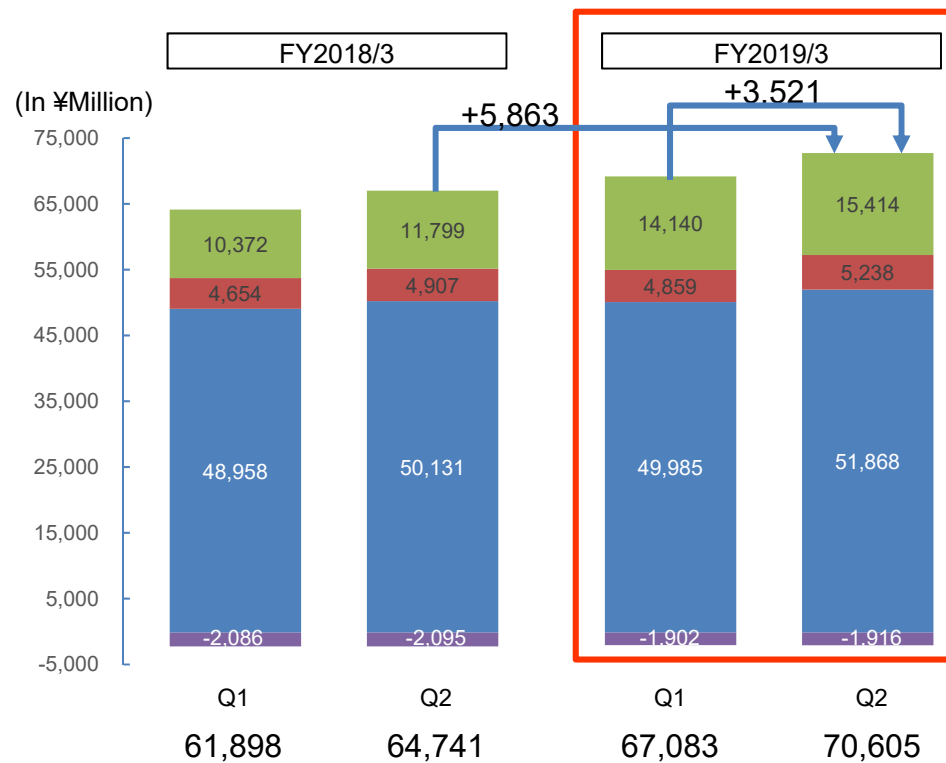
- Sales: Increased by ¥5,863mn, up 9.1%, mainly due to solid orders for Parent company and overseas affiliates.
- Operating Income: Increased by ¥203mn, up 14.6%, mainly due to improved profitability in overseas affiliates.

In ¥Million		Q2 FY2018/3		Q2 FY2019/3		Difference	
			(Mix)		(Mix)	(Amount)	(Ratio)
Sales	Parent company	50,131	77.4%	51,868	73.5%	1,737	3.5%
	Domestic Affiliates	4,907	7.6%	5,238	7.4%	331	6.8%
	Overseas Affiliates	11,799	18.2%	15,414	21.8%	3,615	30.6%
	Elimination of intra-segment transaction	-2,095	-3.2%	-1,916	-2.7%	179	8.6%
	<b>(Total)</b>	<b>64,741</b>	<b>100.0%</b>	<b>70,605</b>	<b>100.0%</b>	<b>5,863</b>	<b>9.1%</b>
Segment Income (Loss)	Parent company	1,313	93.8%	1,305	81.4%	-7	-0.6%
	(%profit)	2.6%		2.5%			
	Domestic Affiliates	177	12.7%	200	12.5%	22	12.6%
	(%profit)	3.6%		3.8%			
	Overseas Affiliates	-95	-6.8%	92	5.7%	187	-
(%profit)	-0.8%		0.6%				
Elimination of intra-segment transaction	5	0.4%	6	0.4%	1	32.4%	
<b>(Total)</b>	<b>1,400</b>	<b>100.0%</b>	<b>1,604</b>	<b>100.0%</b>	<b>203</b>	<b>14.6%</b>	

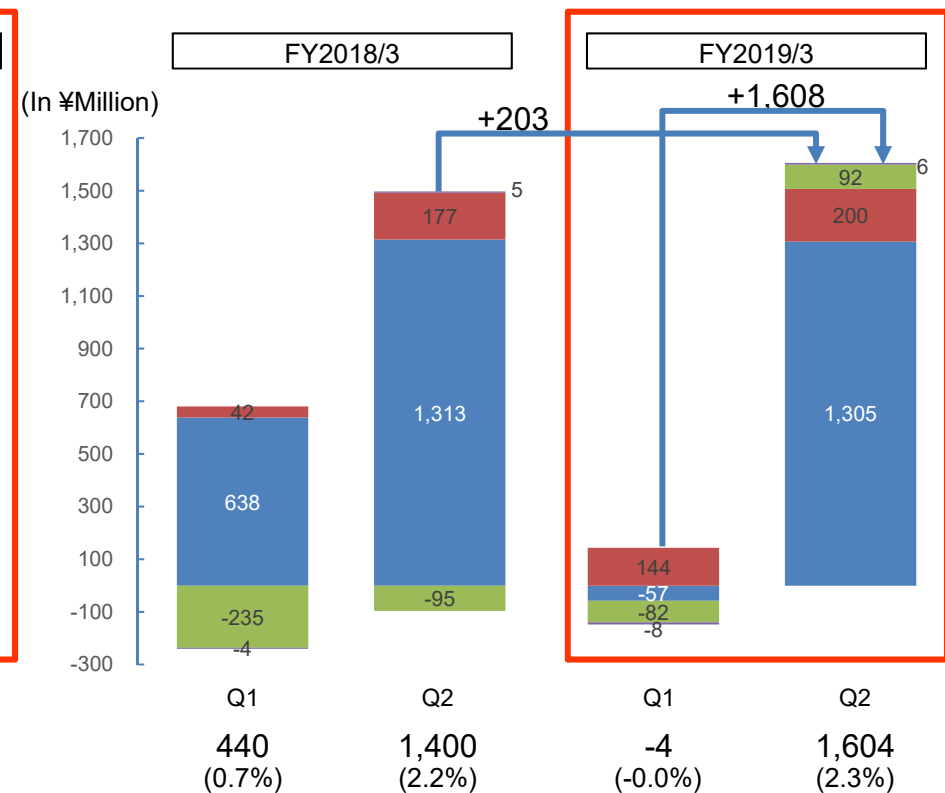
# 8. Consolidated Quarterly Performance Trend Analysis

- Sales: Increased by ¥3,521mn, up 5.3% compared to Q1 of this fiscal year mainly due to solid orders for Parent company and overseas affiliates.
- Operating Income: Increased by ¥1,608mn compared to Q1 of this fiscal year as Parent company successfully improved profitability.

## Sales



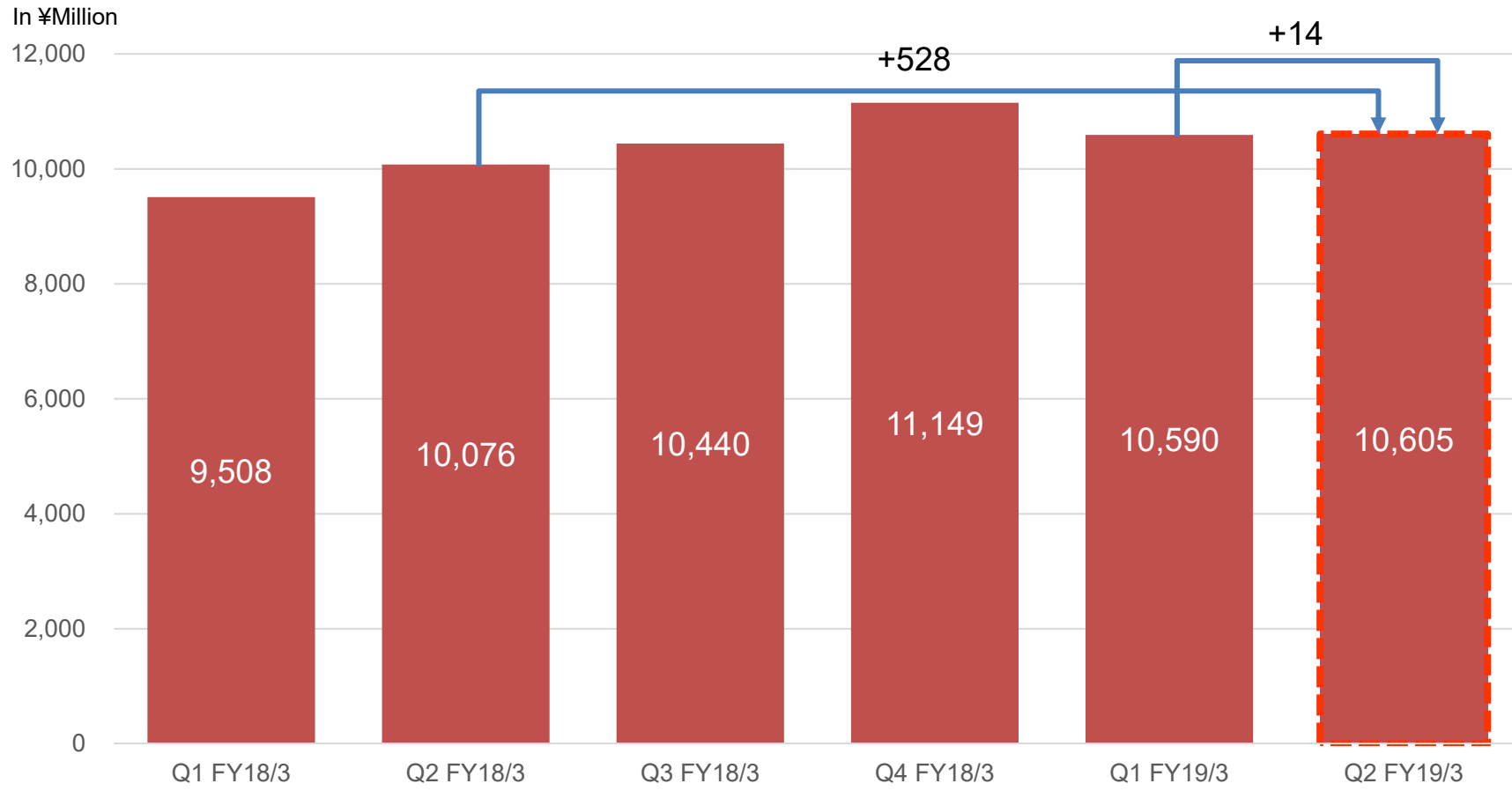
## Operating Income



■ Parent company ■ Domestic affiliates ■ Overseas affiliates ■ Elimination of intra-segment transaction \* Figures in (): Operating income ratio

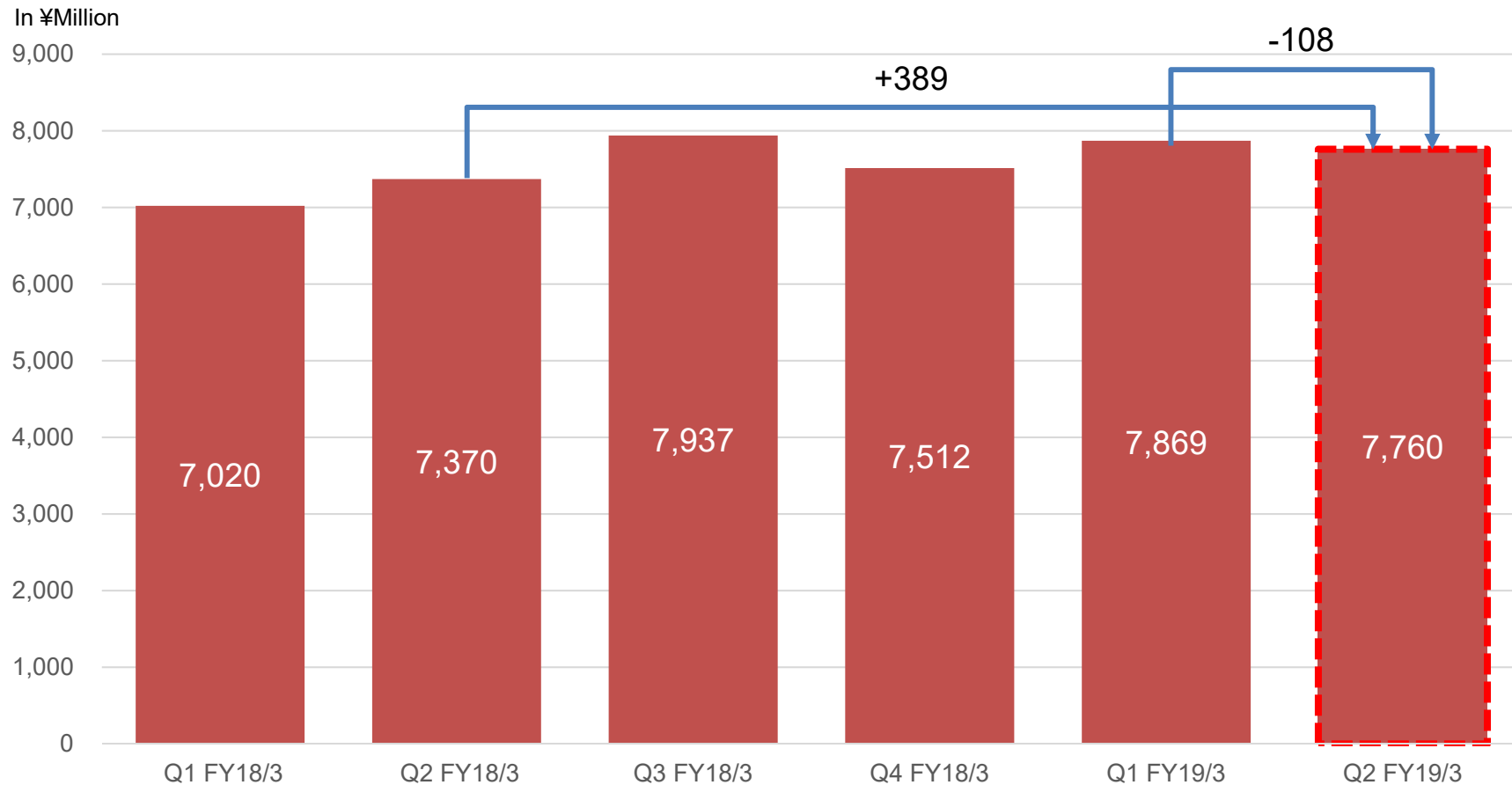
# 9. Consolidated SG&A Expense Trend

- SG&A expenses rose in the previous fiscal year due to factors that include upfront investments made in Parent company and impact from new consolidation.
- In this fiscal year, the Company is focusing on cost control based on sales and profits.
- As a result, the expenses increased by ¥528mn compared to Q2 of the previous fiscal year and increased only slightly from Q1 of this fiscal year by ¥14mn.



# 10. Parent Company SG&A Expense Trend

- SG&A expenses rose in the previous fiscal year due to upfront investment made mainly in personnel expenses.
- In this fiscal year, the Company is focusing on cost control based on sales and profits.
- As a result, although the expenses increased by ¥389mn from Q2 of the previous fiscal year, the expenses decreased from Q1 of this fiscal year by ¥108mn.



# 11. Quarterly Net Income Analysis

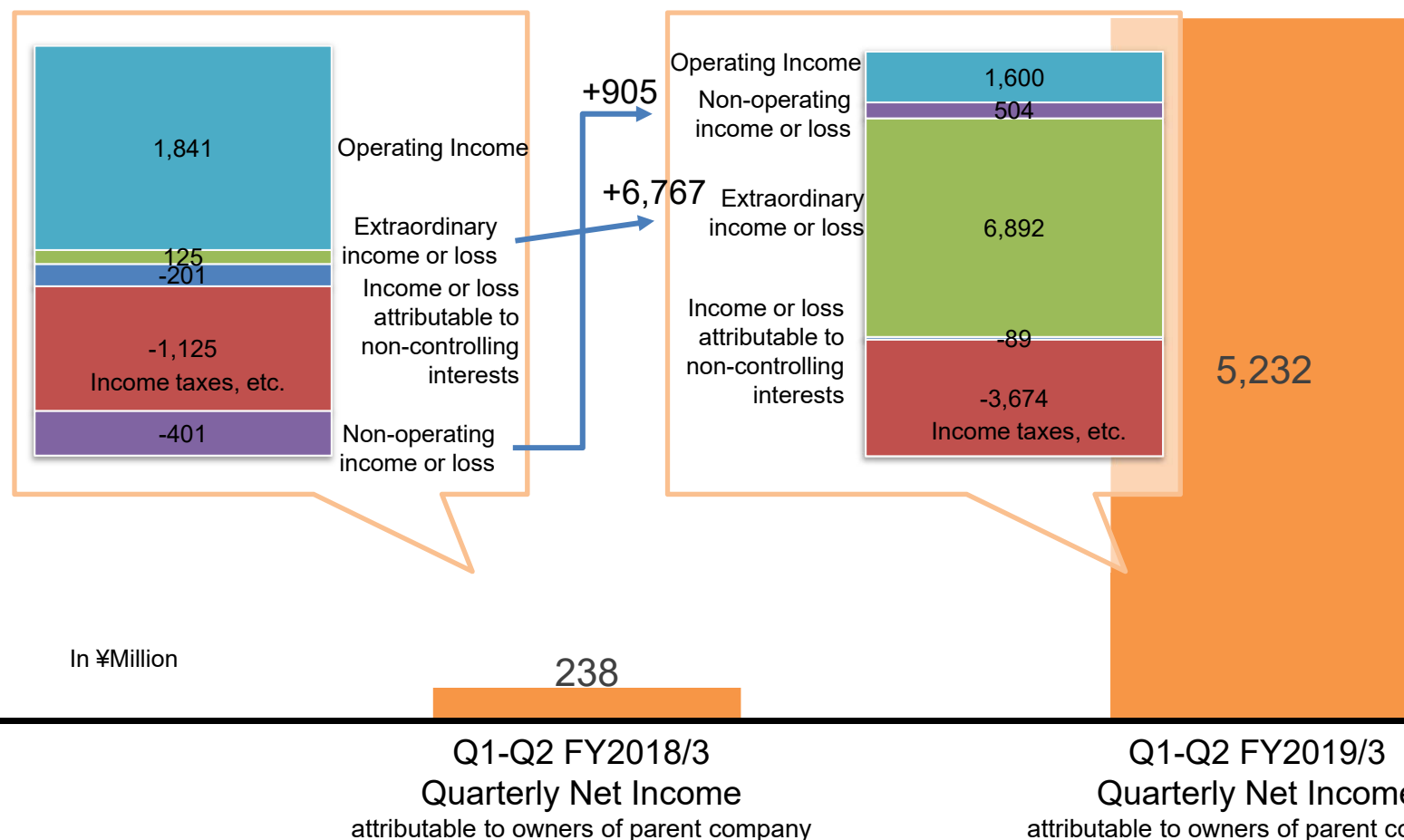
- Quarterly Net Income attributable to owners of parent company increased by ¥4,994mn (-%)

**Non-operating income**

Increased by ¥905mn mainly due to increase in capital gains from funds and a decrease in equity in losses.

**Extraordinary income**

Increased by ¥6,767mn mainly due to the posting of gain on sale of affiliate's shares.



## 12. Consolidated Balance Sheet Summary

- Assets: “Cash equivalent” and “Investment securities\*\*” increased as a result of sale of affiliate’s shares.
- Liabilities: “Accounts payable-trade” and “Income taxes payable” increased.
- Net Assets: Retained earnings increased as quarterly net income increased. “Valuation difference on available-for-sale securities\*\*” increased as a result of sale of affiliate’s shares.

*\*The Company has sold some of its shares in TensynPRC, its equity-method affiliate, in September 2018. The remaining shares are recorded at fair value after reclassified to investment securities account.*

In ¥Million	End of Mar. 2018	End of Sep. 2018	Difference	
Current Assets	82,989	87,418	4,429	<ul style="list-style-type: none"> <li>• Cash equivalent +3,282</li> <li>• Notes and accounts receivable +699</li> </ul>
Fixed Assets	46,077	48,759	2,681	<ul style="list-style-type: none"> <li>• Investment securities +5,648</li> <li>• Affiliates’ stocks -2,050</li> <li>• Deferred tax assets -906</li> </ul>
Total Assets	129,067	136,178	7,111	
Current Liabilities	45,201	47,061	1,860	<ul style="list-style-type: none"> <li>• Accounts payable-trade +2,625</li> <li>• Accounts payable-other -1,556</li> <li>• Income taxes payable +1,306</li> </ul>
Fixed Liabilities	12,666	12,168	-497	
Total Liabilities	57,867	59,230	1,363	<ul style="list-style-type: none"> <li>• Long-term loans payable -1,685</li> <li>• Deferred tax liabilities +1,138</li> </ul>
Net Assets	71,199	76,947	5,748	
Liabilities/Net Assets Total	129,067	136,178	7,111	
Cash Equivalent	31,937	35,220	3,282	<ul style="list-style-type: none"> <li>• Retained earnings +3,745</li> <li>• Valuation difference on available-for-sale securities +3,998</li> <li>• Foreign currency translation adjustment -1,434</li> </ul>
Interest-bearing debt	14,887	12,799	-2,087	
Net Cash*	17,050	22,421	5,370	

\*Net Cash = Cash and Cash Equivalent – Interest-bearing debt

# (Reference) Listed Holdings Held by the Company



- The Company continues to enhance investment portfolio review through regular monitoring.

List of listed holdings held by transcosmos inc.

In ¥Million

Type	Stock name	Market	Security code	Fair Value
Stock of affiliated company	J-Stream Inc.	TSE Mothers	4308	3,059
	PFSweb Inc.	NASDAQ	PFSW	2,907
	APPLIED TECHNOLOGY CO.,LTD.	TSE JQS	4356	2,172
	eMnet Inc.	KOSDAQ	123570	1,203
Investment securities	MTG Co., Ltd.	TSE Mothers	7806	1,004
	Geniee, Inc.	TSE Mothers	6562	589
	Menicon Co., Ltd.	First Section of TSE	7780	484
	Japan Airlines Co., Ltd.	First Section of TSE	9201	178
	Daito Trust Construction Co., Ltd.	First Section of TSE	1878	157
	Twilio	NYSE	TWLO	79
	MIZUNO Corporation	First Section of TSE	8022	26
	SendGrid	NYSE	SEND	23
	JACCS CO., LTD.	First Section of TSE	8584	9
Total				11,895

Major listed holdings held by Group companies.

Type	Stock name	Market	Security code	Fair Value
Investment securities	TensynPRC	ChiNext	300392	4,025

\* Fair values are calculated closing price of October 30, 2018. Note that fair values of PFSWeb, Twilio and SendGrid are calculated closing price of October 29, 2018.

# 13. Consolidated Statements of Cash Flow (Summary)



- Cash flows from operating activities: Trade receivables increased and accrued expenses payable decreased.
- Cash flows from investing activities: “Proceeds from sales of stocks of affiliates” increased.
- Cash flows from financial activities: “Payment of dividends” decreased.

In ¥Million	Q1-Q2 FY2018/3	Q1-Q2 FY2019/3	Difference
Cash flows from operating activities	3,777	2,270	-1,507
Cash flows from investing activities	-4,333	5,490	9,824
Cash flows from financing activities	-4,268	-3,729	539
Balance of cash and cash equivalents	29,311	35,130	5,818
Free cash flow*	-555	7,761	8,316

\*Free cash flow = Cash flows from operating activities + Cash flows from investing activities



# 14. Parent Company Sales per Category

## ● Sales per Industry

In ¥Million	Q1-Q2 FY2018/3		Q1-Q2 FY2018/3		%Diff
		(Mix)		(Mix)	
Telecommunications	25,408	25.6%	25,471	25.0%	0.2%
Finance / Insurance	16,423	16.6%	17,605	17.3%	7.2%
Manufacturing	16,008	16.2%	16,982	16.7%	6.1%
Services	17,043	17.2%	16,139	15.8%	-5.3%
Wholesale / Retail	12,874	13.0%	13,650	13.4%	6.0%
Other	11,330	11.4%	12,003	11.8%	5.9%

Telecommunications: Telecom carrier-related businesses increased. Business with top clients' internet-related service affiliates and others declined.  
 Finance/Insurance: Business with insurance companies increased.  
 Manufacturing: Business with auto-manufacturers increased.  
 Services: Advertisement related business declined.  
 Wholesale/Retail: Business with food and beverage wholesalers increased.  
 Other: Business with electricity/gas-related companies increased.

## ● Sales per Client (top 5 clients in terms of sales)

In ¥Million	Q1-Q2 FY2018/3		Q1-Q2 FY2018/3		%Diff
		(Mix)		(Mix)	
A (PC/AV)	4,146	4.2%	4,240	4.2%	2.3%
B (Travel)	1,588	1.6%	1,732	1.7%	9.1%
C (Job advertisement)	2,010	2.0%	1,630	1.6%	-18.9%
D (Building material/equipment manufacturer)	1,260	1.3%	1,413	1.4%	12.1%
E (Auto manufacturer)	941	1.0%	1,305	1.3%	38.6%

A: Orders for DEC services, mainly CC, increased.  
 B: Orders for DEC services, mainly DM, increased.  
 C: Orders for DEC services, mainly DM, decreased.  
 D: Orders for BPO services including order processing increased.  
 E: Orders for CC and BPO services including design development increased.

# 15. CAPEX, Depreciation & amortization, Employees, Service Bases



## ● CAPEX / Depreciation and Amortization

In ¥Minllio	Q1-Q2 FY2018/3	Q1-Q2 FY2019/3	%Diff
Capital expenditures	2,322	1,880	-19.0%
Depreciation and amortization	1,413	1,560	10.3%

## ● Number of Employees

	End of Mar. 2018	End of Sep. 2018	Difference
Consolidated bases	24,875	27,199	2,324
(Temporary employees)	25,420	25,632	212
Parent company	10,609	12,889	2,280
(Temporary employees)	22,573	22,063	-510

## ● Service bases

	End of Mar. 2018	End of Sep. 2018	Difference
Service bases	170	172	2
Japan	58	60	2
Overseas	112	112	0

### ● CAPEX

Capital expenditures decreased mainly due to downsized investments in China.

### ● Depreciation and amortization

Depreciation and amortization increased due to the opening/expansion of centers and business offices in China and Parent company in the previous fiscal year.

### ● Employees

Increased mainly in parent company after converting fixed-term contracts to indefinite-term contracts.

### ● Service bases

Japan: BPO Center Kameido started full-scale operations and opened MCM Center Chiba Ichikawa.

Overseas: Opened 2 contact center bases in China.

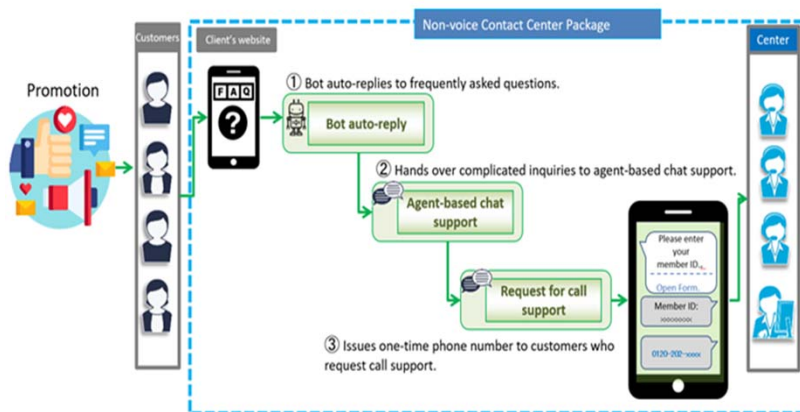
Other: Affiliates' and partners' bases decreased by 2.

\* Service bases include the Company's own service bases, head office, branches, sales offices, subsidiaries, associates and partners' bases.

# 16. Q1-Q2 FY2019/3 Topics

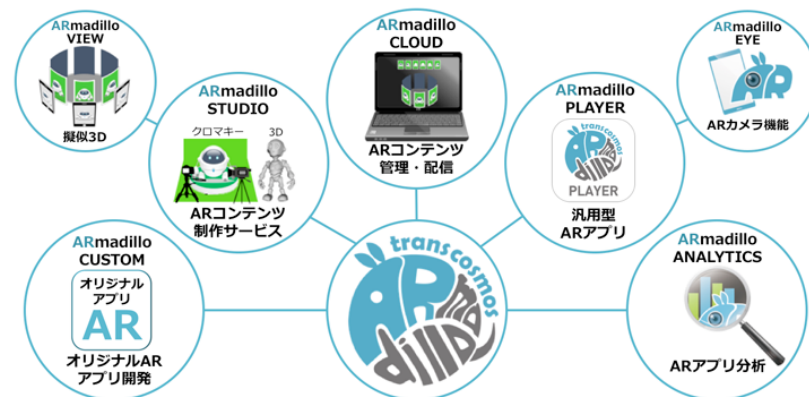
## Released “Non-voice Contact Center Package,” a dedicated customer inquiry service targeting the smartphone generation

- Specializes in offering effective customer support services via FAQ and bot/agent-based chat. Issues a one-time phone number to customers who request call support.
- Shifts the first customer service channel from call to chat in order to optimize costs.
- Relieves stress from users who prefer not to talk with an agent over the phone and ultimately maximizes customer satisfaction.



## Released “transcosmosARmadillo”, a new service which helps businesses easily implement and utilize practical AR

- Delivers comprehensive services ranging from AR app development, to AR content creation, to management, to analysis at one-stop.
- Equipped with “ARKit” and “ARCore™”, the official AR engines for iOS and Android.
- “ARmadillo VIEW”, a method to present 3D mockup saves costs for creating AR content. Connects to DMP and utilizes AR as new marketing data.



## 16. Q1-Q2 FY2019/3 Topics

### “Gotcha!mall” made inroads into South East Asia. Launched its services in Thailand

- Launched operations in Thailand as the first step towards expansion into the South Asian market.
- Formed partnerships with Thailand’s influential conglomerates. Over 1,500 stores including FamilyMart, Lawson, and TOPS joined “Gotcha!mall”.
- With the aim to win 3 million users by the end of March 2020, “Gotcha!mall” for Thailand supports ever-growing inbound shopping demands for Japan as well as connecting and attracting Asian users to stores across the borders.

**Gotcha!mall** Thailand



### Released “transpeech”, a voice recognition solution for contact centers

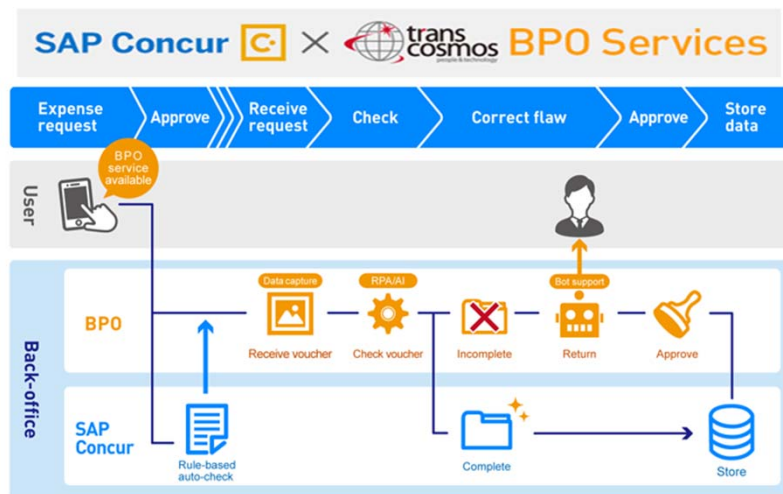
- The one-stop solution including the implementation of a voice recognition environment and operations services improves contact center service quality and operations efficiency.
- Leveraging a large-scale environment through “AmiVoice”, a voice recognition engine, cuts down initial development expenses whilst drastically reducing the time for implementation.
- Conducts call analysis and offers knowledge to prevent troubles and risks by detecting potential claims at an early phase and reminds agents to comply with talk scripts. Its proprietary KPIs and BI dashboard visualize the evaluation of all calls and agents’ performance to control service quality. Saves costs by optimizing after call work time by analyzing inquiries and utilizing talk scripts.



# 16. Q1-Q2 FY2019/3 Topics

## Reformed indirect expenses by offering corporate back office services

- Offers hyper care to implement and embed SAP Concur, a travel & expenses management solution, whilst providing outsourcing services related to expense processing.
- “SAP Concur” x BPO services drastically reduce finance & accounting workloads and improve productivity.
- A client that implemented the solution has seen an 80% drop in finance & accounting man-hours.



## Launched “KOTOBA Switch”, a tablet-based multilingual video interpreting service

- A tablet or smartphone-based three-way interpreting service app.
- Currently supports English, Chinese, and Korean languages.  
\*Portuguese, Spanish, Thai, and Vietnamese will be available soon.
- Accommodates various needs for interpreting services along with the growth in the number of international tourists to Japan and for upcoming Tokyo 2020 Summer Olympics.



# 16. Q1-Q2 FY2019/3 Topics

## Developed an AI which auto-judges service quality at contact centers

- Co-developed with Communication Science Lab, transcosmos’s own AI laboratory.
- transcosmos successfully developed an AI which auto-judges the quality of “massive customer services data at speed with human accuracy” after conducting proof-of-concept at its centers.
- Driving effort to make the AI an official service by the end of FY2018 in order to offer solutions for contact centers to tackle their real challenges.

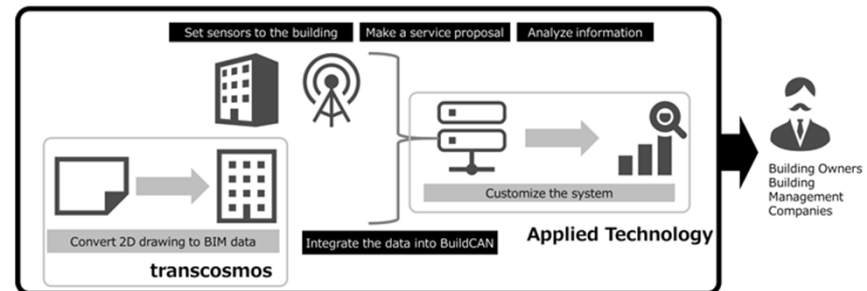
1) Customer service manners	Serving customers with the basic manner and polite behavior that include greetings at opening and closing, softening phrases, and always using the right choice of words.
2) Information provided to customers	Communicating with customers with necessary information such as contract clauses and important notices.
3) Plus something extra	Being considerate and thoughtful, and offering appropriate suggestions according to each customer’s situation.

\*Succeeded in proof-of-concept of ① customer service manners and etiquette.

## Launched ICT-based facility management one-stop service for building owners and building management companies

- Yasui Architects & Engineers, transcosmos and Applied Technology collaborated to deliver the service.
- The service is based on “BuildCAN”, the first building management system in Japan that links IoT environment sensors with 3-D building model.
- The three companies aim to develop “Building Digital Twin Services” in order to forecast the future of the buildings in the virtual world.

Management / Consulting services: Yasui Architects & Engineers, Inc.



# 16. Q1-Q2 FY2019/3 Topics

## Released “Nihon Chokuhan AR app” that enables customers to view AR videos by holding their smartphones over Nihon Chokuhan catalogue

- Released the app on April 2, 2018 on its catalogue.
- Showcases the products in a whole new light using AR.
- Offers an innovative shopping experience by utilizing its proven knowledge in the field of TV shopping to the max.

### 2D becomes 3D!

Nihon Chokuhan official AR app

AI AR camera makes catalogue shopping more fun



## Began the operations of “transcosmos research and development”

- Conducts R&D and offers various services that aim to boost operations productivity, reduce costs and maximize profits with the power of technology.
- The company will beef-up its sales scheme in order to drive development and implementation of their proprietary solutions.
- Strengthens the technological capabilities of the whole transcosmos group, whilst developing new technologies on platforms that are open to many users.

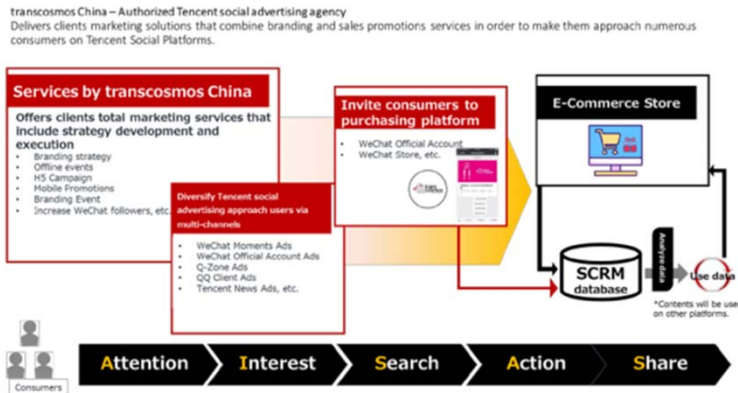


- Create POC for technologies/businesses that will become next-gen pillars of transcosmos
- Build quality management and project management schemes for R&D
- Carry out pre-sales activities for “DECAdS”
- Research, develop and operate new technologies that fit the market

# 16. Q1-Q2 FY2019/3 Topics

## transcosmos Chinese subsidiary authorized as a social advertising agency of “Tencent”, a leading internet services provider in China

- Offers ad delivery services to Chinese clients on Tencent service platforms that include “WeChat” and “QQ”.
- transcosmos provides highly effective marketing services to clients more than ever before.
- transcosmos offers sophisticated services to clients in order to help them boost sales and their brand value by strengthening the link with services that are offered in the Tencent ecosystem.



## DMM, STVV, Candee and transcosmos launch Connected Stadium business in Belgium

- Offer new sport experience with the power of Japanese IT.
- Connected Stadium lets stadium visitors enjoy various game experiences that include buying game tickets, booking parking, and purchasing foods and beverages as well as stadium limited items via their smartphones.
- Starting from the stadium, the companies aim to activate neighboring areas and communities, and ultimately grow together with the communities.





## 16. Q1-Q2 FY2019/3 Topics (topic list)

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### ▶ New service releases

- Delivered ads by integrating “Adobe Advertising Cloud DSP” with “Adobe Analytics” for the first time in Japan
- Opened “trans +”, a website which offers information on digital transformation
- Launched sampling services for seniors by leveraging Nihon Chokuhan network
- Launched support services for “Flex Message”, a new feature of LINE ahead of others
- Rolled out “Addressable Advertising” using an ad link tool offered by Synergy Marketing

## 16. Q1-Q2 FY2019/3 Topics (topic list)

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### ▶ Subsidiary & Center openings/expansions

- Opened a new contact center in Wuhan, Hubei province in China
- Opened a new service center, “BPO Center Sasebo” in Sasebo City, Nagasaki Prefecture
- Opened an annotation center which creates teacher data for AI and machine learning in Vietnam
- Held an opening ceremony for “BPO Center Okinawa Uruma”, its engineering services base
- Machine Learning Solutions Inc., a transcosmos subsidiary, established a subsidiary “Langsmith Inc.” which develops AI-powered writing support system with the use of natural language processing and deep learning.
- Opened a new operations center “Marketing Chain Management Center Chiba Ichikawa”
- Expanded its contact center “MCM Center Tama”
- Opened a new contact center in Xi’an, Shaanxi province, China
- Machine Learning Solutions established its subsidiary “Edge Intelligence Systems Inc.”
- Opened its new operations center “BPO Center Kameido” in Tokyo

## 16. Q1-Q2 FY2019/3 Topics (topic list)

### ▶ Service records

- Helped LAVA, a hot yoga studio, through delivering “Checking Lesson Schedule & Canceling Appointments via LINE” services
- transcosmos’s radio app, “SEITARO’s KAIZOKU Radio” became Alexa compatible
- Offered “LINE WORKS” to Taisei Corporation
- “Omni 7”, an online shopping website by Seven & i launched AI-powered customer support services
- Implemented SMS to Misato city, Saitama prefecture in partnership with Accrete
- Launched a customer support service for “JUREN – BATTERY RENTAL SERVICE”, a new service by TEPCO Energy Partner
- Offered LINE-based counselling service for the victims of Osaka Earthquake
- Offered its chat system to Tokyo Metropolitan Government to help their LINE-based counselling service which aims to solve children’s internet-related problems
- Offered “Robotics Marketing for RoBoHoN” to Odakyu Electric Railway
- Total number of friends of “Gotcha!mall” LINE official account surpassed 10 million
- Japan Council on SNS Counseling Services offered “LINE”-based free mental health counseling services for the victims of the Osaka Earthquake 2018
- Launched LINE-based customer services for Hokkaido Air Water
- Undertook “Special Fraud Prevention Call Center Business” operations commissioned by Oita Prefectural Police
- Built a system which links its chat platform, LINE to Call and a Avaya’s contact center system
- transcosmos and SOCIAL GEAR assist Saishunkan’s digital marketing in Taiwan
- Pony Cleaning joins “Gotcha!mall” in partnership with transcosmos
- SMS Co., LTD. implements LINE WORKS to improve its Remote Specific Health Guidance service

## 16. Q1-Q2 FY2019/3 Topics (topic list)

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### ▶ Partners, Awards, etc.

- Closed partial transfer of shares of “TensynPRC”, an equity-equity method affiliate
- Won “Japan Advertising Cloud Agency of the Year” award at the Adobe Symposium 2018
- Chinese subsidiary again honored FIVE STAR SERVICE PROVIDER by TMALL, China’s largest online marketplace
- Certified as a Gold Partner, the highest certification for “Sales Agent Partner Program” by Indeed
- Became a Diamond Sponsor of “ad tech Tokyo”
- Became a “Global Sponsor” of “Autodesk University Japan” with its subsidiary APPLIED TECHNOLOGY
- Received the highest certification for “LINE Biz-Solutions Partner Program” for 2 consecutive years. The program certifies and awards advertising agents and developers that sell and develop various LINE enterprise services
- 25 industry-leading employees of Korean subsidiary in Korea received “COPC” certification, a global standard in the customer services industry
- Became one of the initial partners of “LINE Point Connect”, LINE’s loyalty point service for enterprises
- Offered a new skill for “Clova”, an AI assistant by LINE
- Introduced a chatbot to “Work it!”, its job posting website
- Gartner U.S. BPO market report named transcosmos the No.1 BPO player in Japan by revenue
- Became one of the initial “Clova Extensions Kit” partners that develop and scale LINE “Clova” skills
- Signed an agreement to transfer shares of TensynPRC, transcosmos’s equity-method affiliate

## 16. Q1-Q2 FY2019/3 Topics (topic list)

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### ▶ Partners, Awards, etc.

- Won multiple awards in China for its design support services for the construction industry
- The chat-bot service on messenger by Sanrio Entertainment Co.Ltd. introduced at the 2018 Facebook Developer Conference (F8)
- Joined the Safer Internet Association
- me&stars, a company which offers stars' premium experiences via live streaming videos appointed Kosuke Kitajima, a gold medalist of Athens and Beijing Olympics as its CSO
- Magic Panda, a member of transcosmos group, received multiple awards from Alibaba Group that include The Customer Experience Excellence Award of 2018
- Co-sponsored the 10th Okinawa International Movie festival, "Big Festival of all the Islands"
- Announced the results of "Online Shopping Trends Survey in 10 Asian Cities 2018"



## **IR Contact**

Public Relations & Advertising Department at transcosmos inc.

Tel: 03-4363-0123

E-mail: [pressroom@trans-cosmos.co.jp](mailto:pressroom@trans-cosmos.co.jp)

# Appendix

## Mid-Term Key Initiatives

(excerpts from Financial Results Briefing for Fiscal Year Ended March 2018)



# Service Domain Expansion

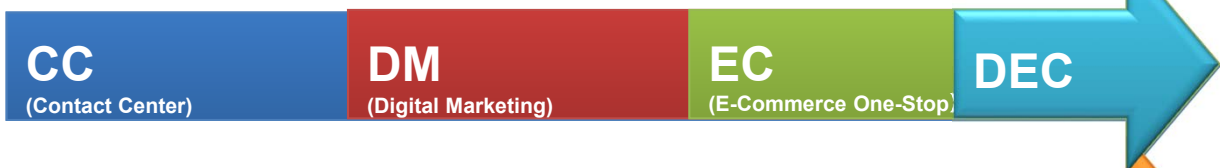


- Launched business in 1966 as a BPO vendor specializing in data entry. Since then, we continued to expand service domains.
- Integrated Digital Marketing, E-Commerce and Contact Center businesses in order to offer end-to-end services that include marketing, sales and customer communication support.
- Expanded Digital BPO services to help clients digitalize their operations via AI/RPA-based automation and the use of digital platforms.



## Global Digital Transformation Partner

Offer innovative digital-driven services that help clients achieve transformation.

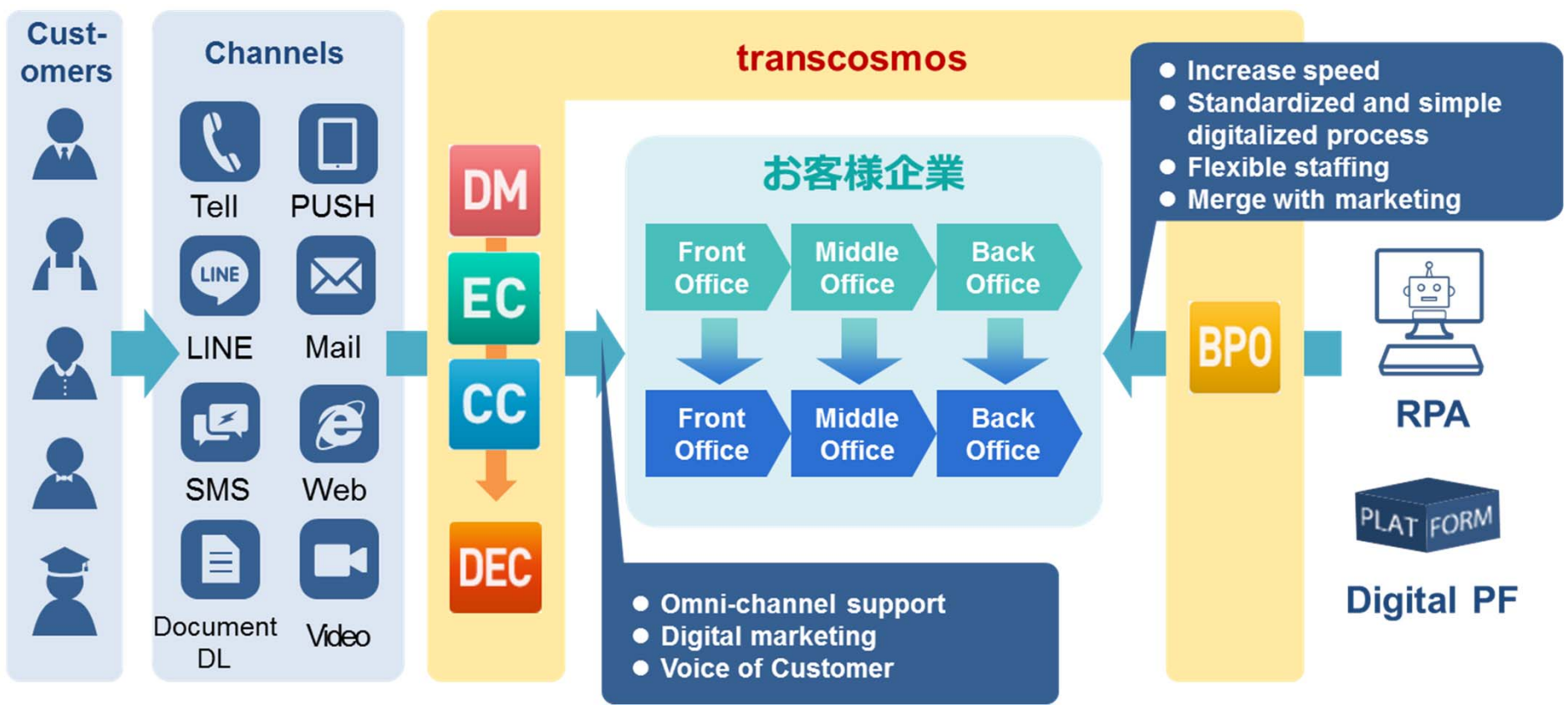


Provide services with the power of people and technology.



# Vision

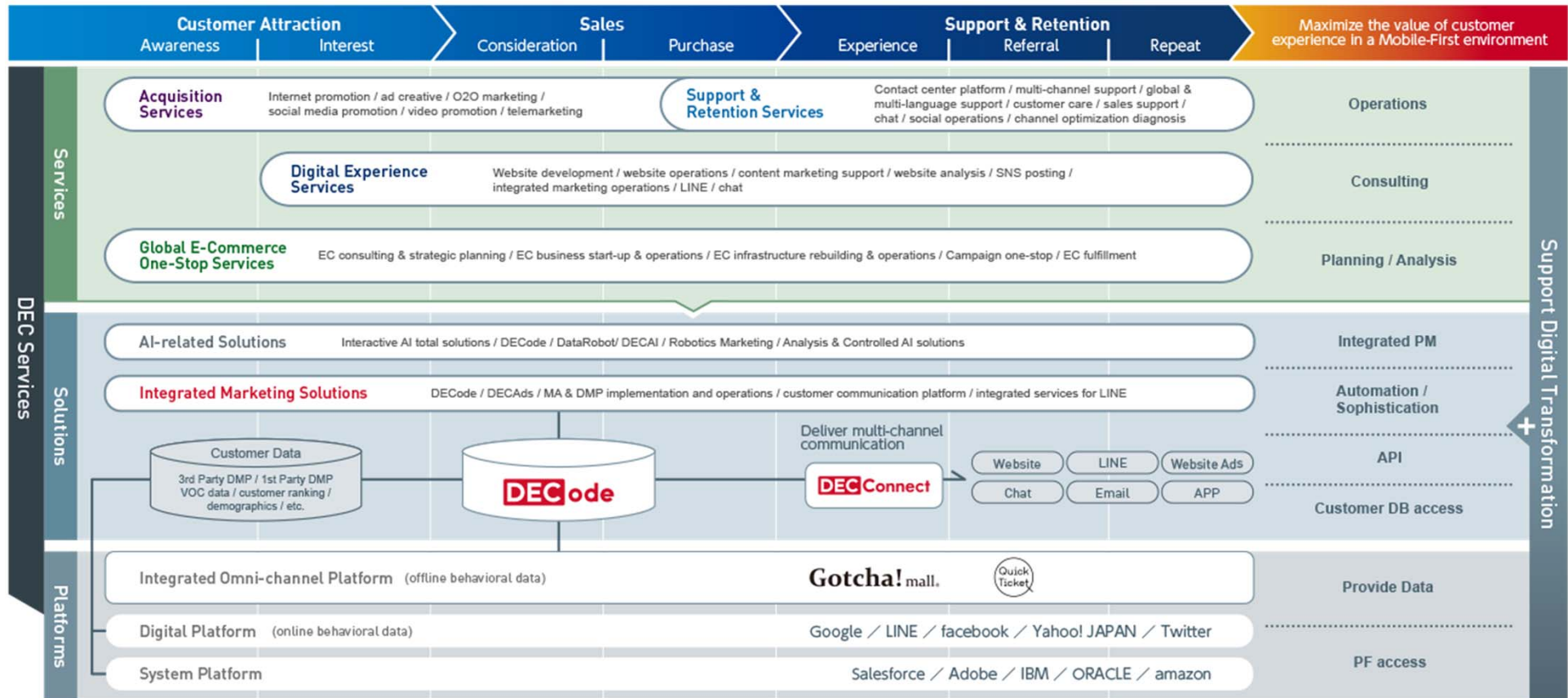
- Offer customer-driven global support in order to make clients achieve digitalization by connecting DEC and BPO services seamlessly.



# DEC Services Transformation



- Offer sophisticated data services powered by its proprietary platform and AI solutions



\*This page is updated reflecting the initiatives taken in H1 of fiscal year ending in Mar, 2019.

# Initiatives in DEC services domain

Platform which connects consumers with stores/brands

## Gotcha! mall®



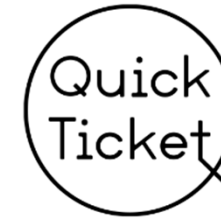
Examples of "Gotcha! mall" Clients



Received "DMA International Echo Awards", the world's top marketing award.



Interactive E-ticketing system



- The technology which owns international patent enables "E-Stamp" to be put directly on the smartphone.
- The system has been implemented in diverse industries that include sports, amusement park and concert.
- Utilize various data based on the e-ticket.
- Initiative to offer next-gen entertainment experience with the use of collected visitor data. Its services include fraud prevention and marketing campaigns.



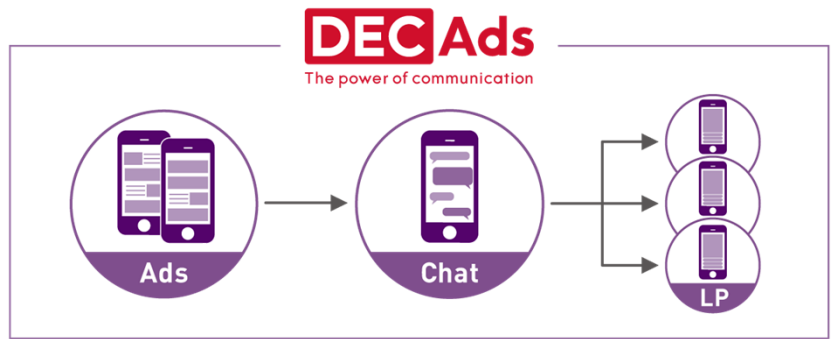
Case Studies



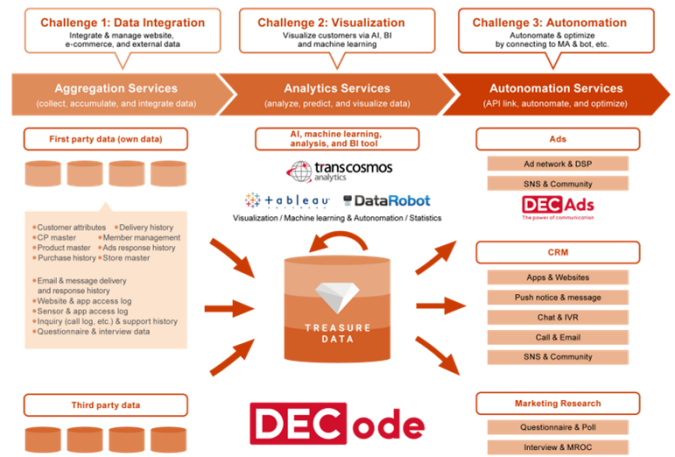
# Initiatives in DEC services domain

- Rolled out “DEC” service series that are based on our proprietary integrated marketing platform.

## DEC Ads Chat Ad



## DECode DMP services



## DEC Connect Platform which links to APIs



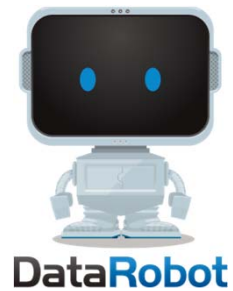
## DEC Support Chat platform



# Initiatives in DEC services domain

- Promoting the use of AI-related solutions in order to boost competitive edge.

Released automation/AI platform, “DataRobot”, the world’s latest machine learning tool.



Released “AI Total Solution Services” that support implementation and operations of interactive AI.



Established “Communication Science Lab”, the AI laboratory which specializes in communication.



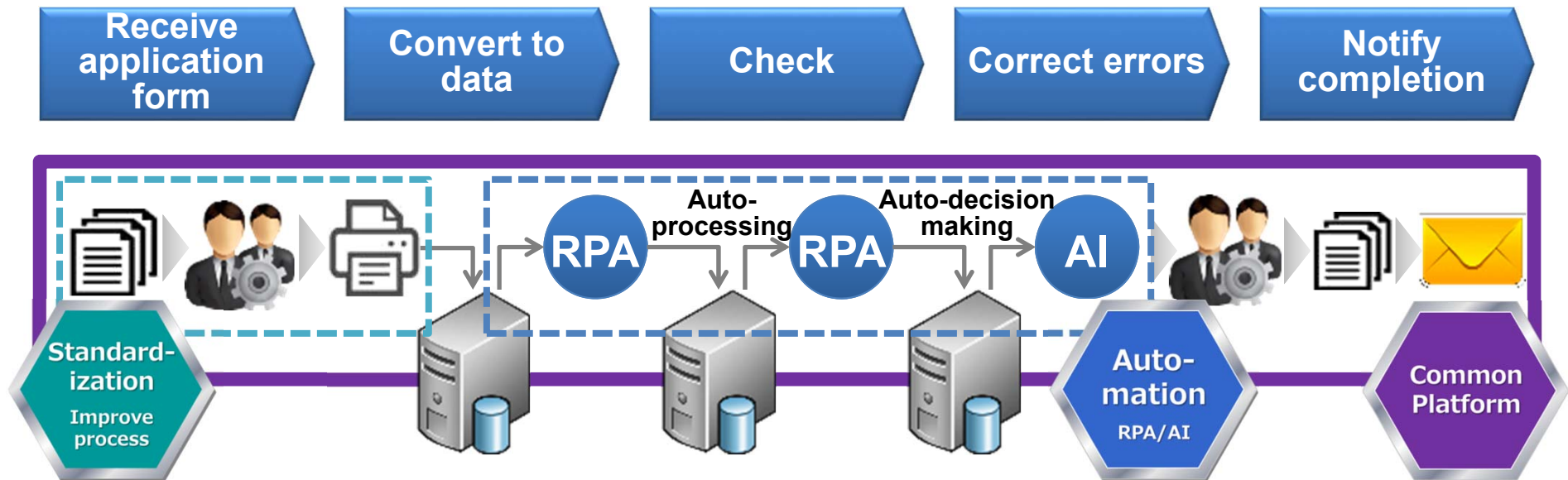
Formed capital/business partnership with Reply, Inc., a US- based company which offers a platform to build and operate bot.



# Initiatives in BPO services domain

- Automate and simplify clients' business processes with the use of digital technology and digital platform, whilst offering operations support.

## Digital BPO



# Initiatives in BPO services domain

- Automate and simplify clients' business processes with the use of digital technology and digital platform, whilst offering operations support.

Expand Digital BPO services that blend Digital and Operations.



Released "to BIM", a comprehensive BIM service  
Achieved digital transformation in the construction industry.



Formed partnership with TRADESHIFT, a global e-commerce platform provider. Drive digitalization of indirect operations.



Received Customer Case Study Contribution Award. Proven implementation record.

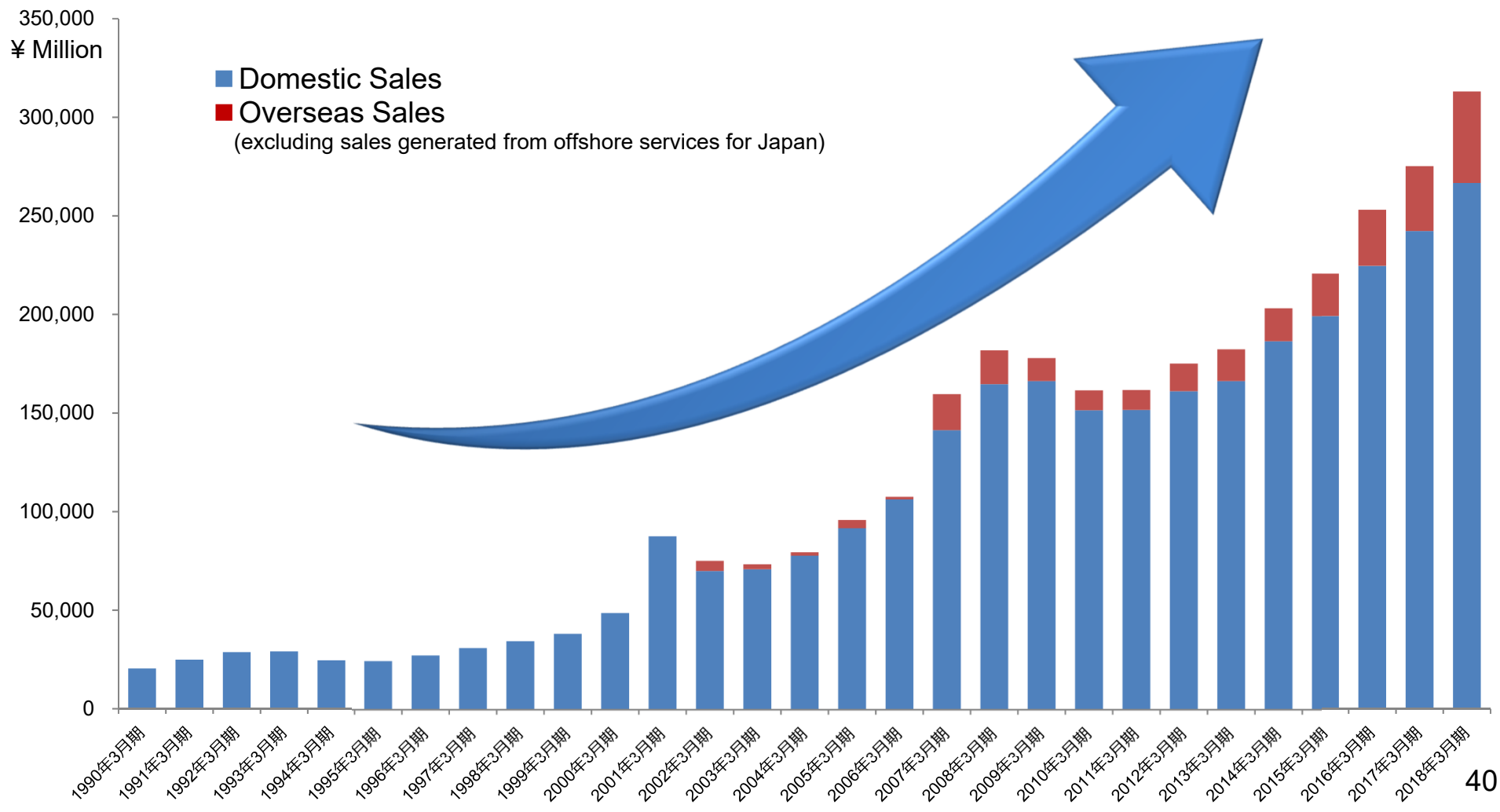
Formed partnership with SECOM Trust Systems. Strengthen document storage operations along with the deregulation of e-storage.



# Overseas Sales Expansion



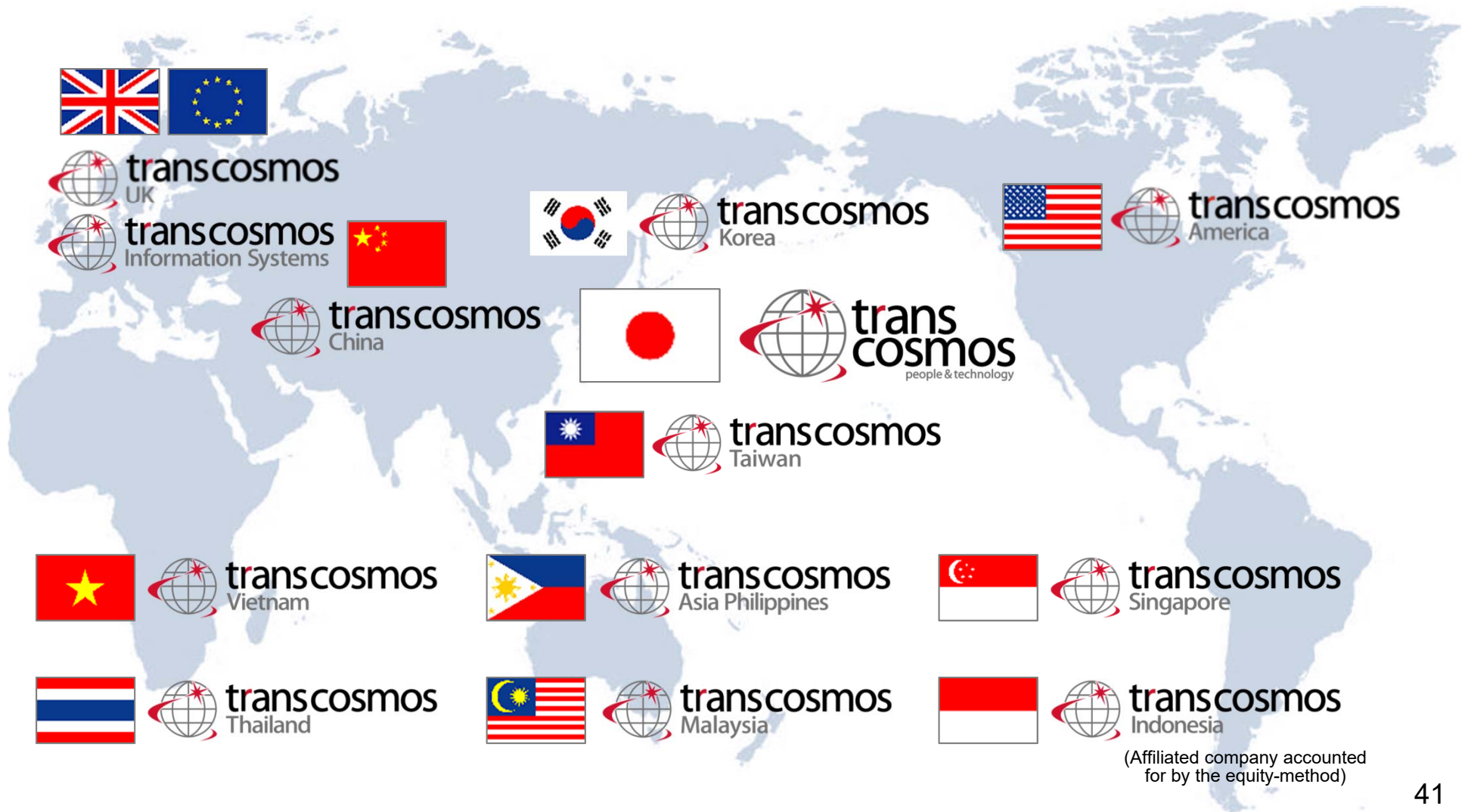
- Recorded 10% CAGR growth for the first time after going public in 1989. Achieved double digit growth in this fiscal year.
- Overseas sales continue to expand from the year ended in March, 2002. Overseas sales ratio surpassed 17%.





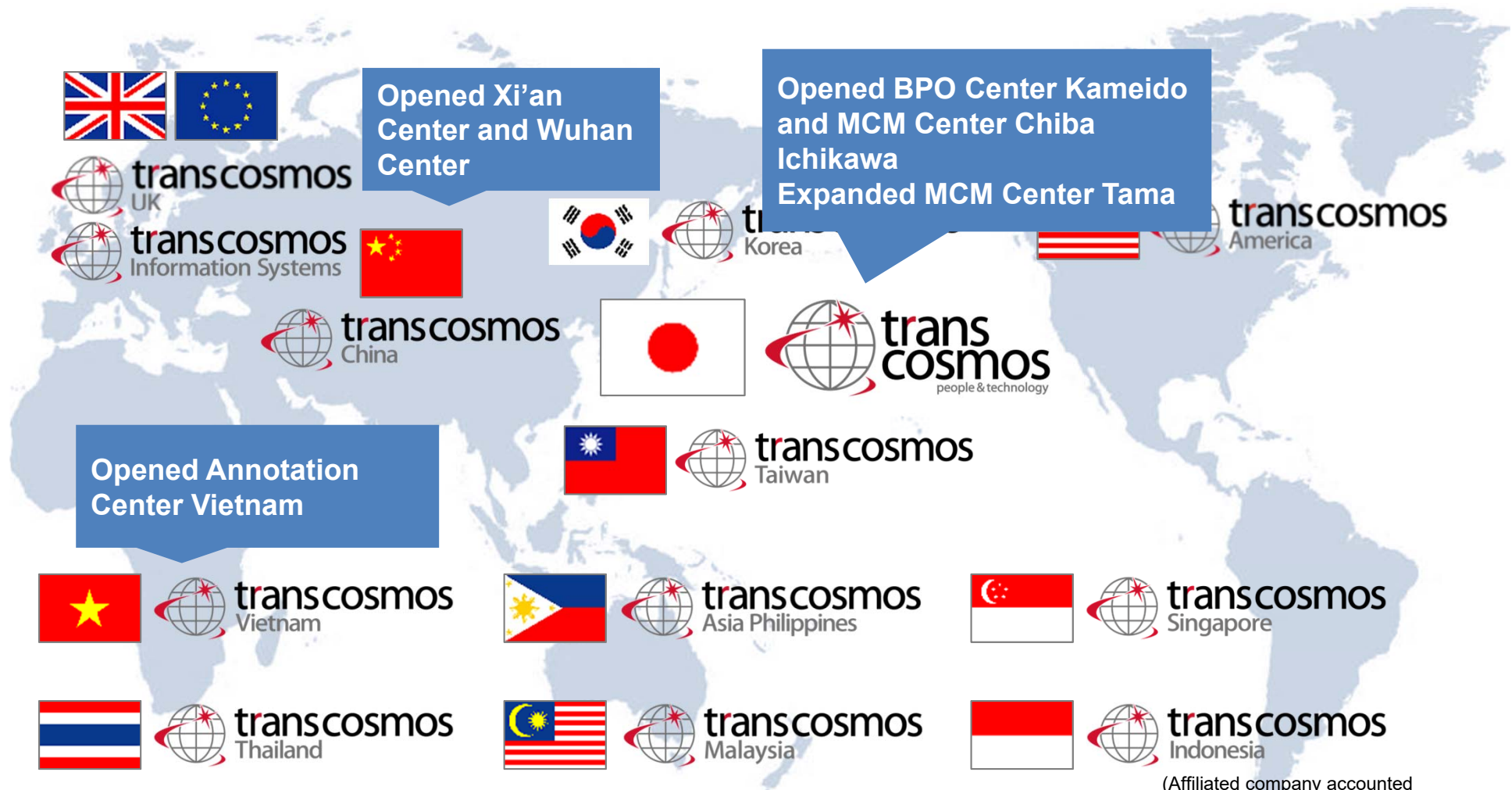
# Initiatives in Global Business domain

- Offer services to Japanese, foreign-capital and local businesses across the globe in their local languages.



# Initiatives in Global Business domain

- Expanded and established operation bases in Japan, China, and Vietnam during this 2nd Quarter.



(Affiliated company accounted for by the equity-method)

\*This page is updated reflecting the initiatives taken in H1 of fiscal year ending in Mar, 2019.

# Mid-Term Key Initiatives

## Service Innovation

- Promote DEC services that optimize online & offline customer touchpoints based on the smartphone.
- Promote and help clients' business process digitalization and automation by using digital technology and digital platforms.

## Service Globalization

- Roll out innovative services across the globe.
- Help globalization of companies including Japanese firms. Win orders from local companies in other countries.

## Clients' Strategic Partner

- Offer innovative proposals. Grow together with clients and become a crucial, one and only partner for clients to achieve their growth strategy.
- Build a business foundation in order to further stabilize and grow our business based on a long-term partnership with clients. Achieve high profit, high growth and boost corporate value.

**Achieve double digit sales growth and improve operating income margin.**